

**PERAC'S
Emerging Issues Forum
Pension Reform**

***Proposed Funding Relief – What if?
September 9, 2009***

explore
excellencesm

buckconsultants
an ACS company 

Proposed Rules

- 30 year amortization of current unfunded liabilities
- 20 year amortization of new gains and losses 10 years from now
- Limit annual amortization increases to 4% (currently 4.5%)
- Limit annual appropriation increases to 8%
- No reduction in appropriation due to actuarial gains unless at least 90% funded

2

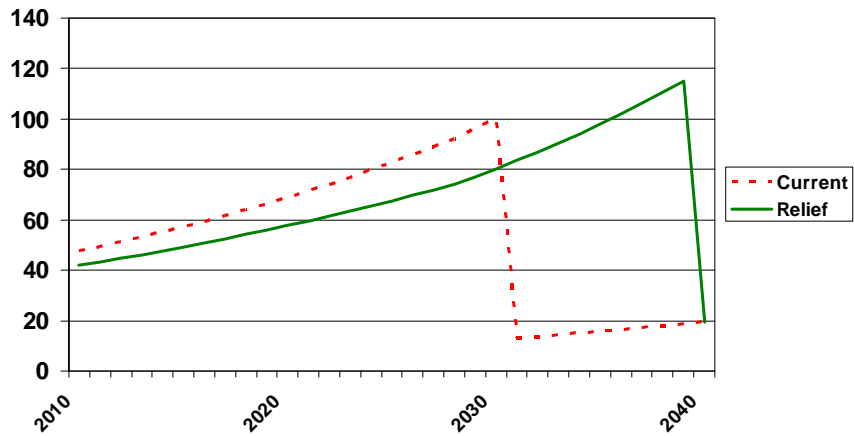
System's Specifications Today

- Payroll = \$265 million
- Accrued Liability = \$1,131 million
- Assets = \$580 million
- Unfunded Liability = \$551 million
- Funded Ratio = 51.29%
- FYE 2010 Funding Schedule based on 2008 actuarial valuation (2025) = \$40.7 million
- FYE 2011 Funding Schedule based on 2009 actuarial valuation (2025) = \$57.2 million (an increase of 40.4%)
- FYE 2011 Funding Schedule based on 2009 actuarial valuation and 2030 = \$47.4 million (an increase of 16.4%)

3

Immediate Relief

Appropriations in \$ millions



4

buckconsultants
an ACS company

What if we have a \$100 million actuarial loss in 2015?

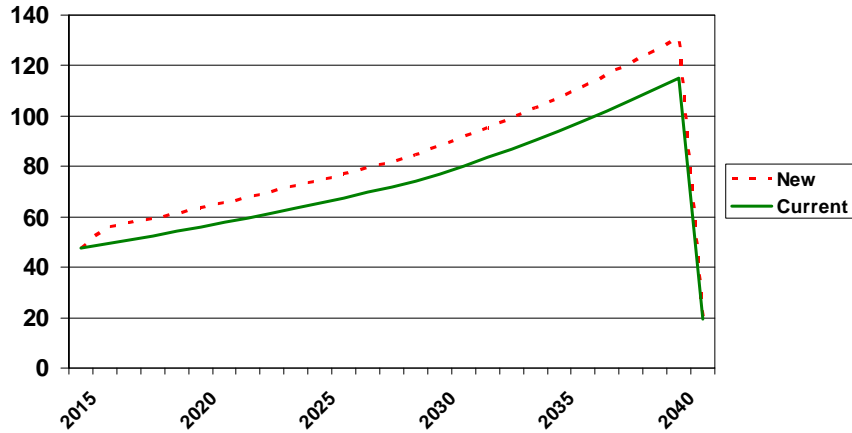
- \$100 million represents 5.6% of the Accrued Liability and 12.8% of the Assets
- Funded Ratio drops from 56.8% to 51.2%
- Appropriation was scheduled to go up from \$47.7 million to \$49.3 million
- Even though the amortization period is out to 2039, the new appropriation would be \$55.9 million, an increase of 17.2%
- Relief through the 8% limit is necessary

5

buckconsultants
an ACS company

What if we have a \$100 million actuarial loss in 2015?

Appropriations in \$ millions



6

buckconsultants
an ACS company

What if we have a \$100 million actuarial gain in 2024?

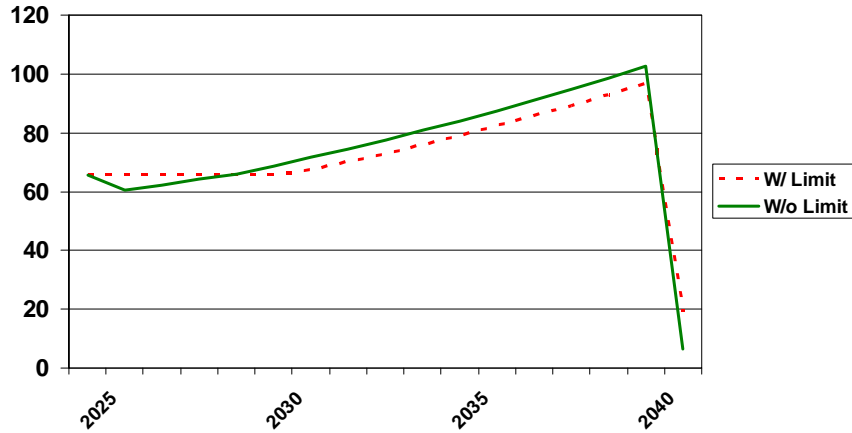
- \$100 million represents 4.4% of the Accrued Liability and 6.0% of the Assets
- Funded Ratio increases from 70.6% to 76.5%
- Appropriation was scheduled to go up from \$65.5 million to \$67.6 million
- A new amortization base is established with a 20 year period, subtracting \$7.2 million to the scheduled appropriation
- The new appropriation would be \$60.5 million, a decrease of 7.6%
- The proposed limit on reductions in appropriations applies since the funded ratio is less than 90%

7

buckconsultants
an ACS company

What if we have a \$100 million actuarial gain in 2024?

Appropriations in \$ millions



8

buckconsultants
an ACS company

What if we have a \$200 million actuarial loss in 2024?

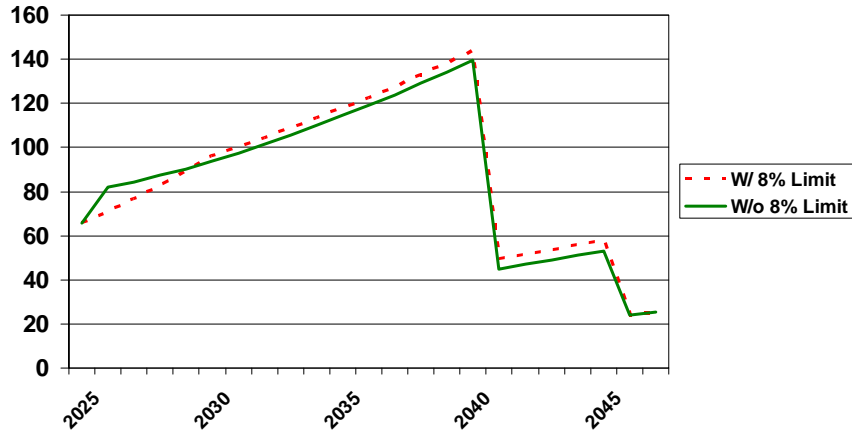
- \$200 million represents 8.8% of the Accrued Liability and 12.0% of the Assets
- Funded Ratio decreases from 70.6% to 63.4%
- Appropriation was scheduled to go up from \$65.5 million to \$67.6 million
- A new amortization base is established with a 20 year period, adding \$14.2 million to the scheduled appropriation
- The new appropriation would be \$81.8 million, an increase of 24.9%
- The proposed 8% limit on increases in appropriations applies

9

buckconsultants
an ACS company

What if we have a \$200 million actuarial loss in 2024?

Appropriations in \$ millions



10

buckconsultants
an ACS company

What if we have a \$100 million actuarial gain in 2024?

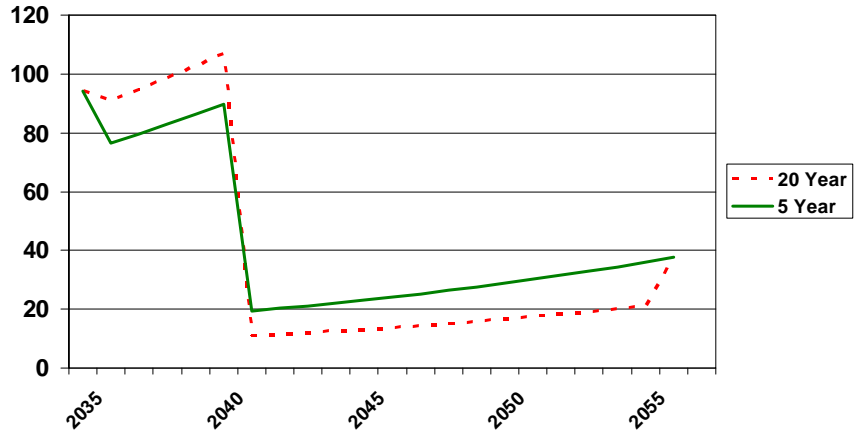
- \$100 million represents 2.7% of the Accrued Liability and 3.0% of the Assets
- Funded Ratio increases from 89.6% to 92.3%
- Appropriation was scheduled to go up from \$94.2 million to \$98.0 million
- A new amortization base is established with a 20 year period, subtracting \$7.1 million from the scheduled appropriation, reducing it \$90.9
- Alternatively, the gain could be amortized over 5 years to avoid a funded ratio over 100% in 2040 (102.1%)
- Without the 90% threshold, requiring no reductions in appropriations could make the system significantly overfunded

11

buckconsultants
an ACS company

What if we had a \$100 million actuarial gain in 2034?

Appropriations in \$ millions



12

buckconsultants
an ACS company