

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

**Pension Funding Recommendations**

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## Pension Funding Recommendation

- Initially, extend the full funding date from June 30, 2030 to 30 years from the effective date of the legislation (June 30, 2039).
- Fiscal 2010 amortization is a 30-year amortization, fiscal 2011 is a 29-year amortization etc.
- Limit the annual increase in the amortization payment to 4%.
- Combined effect is approximately a 13% reduction in the fiscal 2010 amortization payment.

## Pension Funding Recommendation *cont.*

- As of July 1, 2020 there will be 19 years remaining to June 30, 2039.
- Unfunded liability established prior to July 1, 2020 is amortized by June 30, 2039.
- After initial 10 year period, additional unfunded liability from gains or losses or assumptions changes is amortized over a new 20-year period.
- Limit the annual increase in the amortization payment to 4%.

## Legislative Oversight

- If the Legislature approves plan changes, amortization period and annual increase limits will be included in legislation.
- In the advent of significant losses, similar to 2008 losses, the Legislature can extend the 20-year amortization.

## Additional Requirements

- For Systems with a funded ratio that is less than 90%, the Board may adopt a funding schedule that caps the annual increase in the appropriation at 8%.
- For Systems with a funded ratio that is less than 90%, the appropriation in a fiscal year can not be less than the prior fiscal year's appropriation.