

PERAC EMERGING ISSUES FORUM

September 9, 2009

Lawrence B. Stone



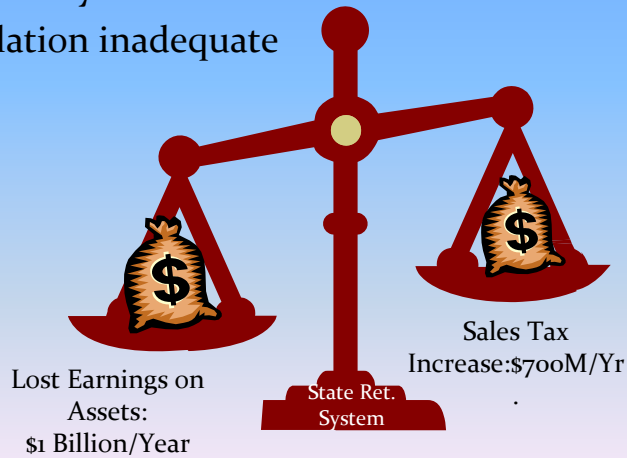
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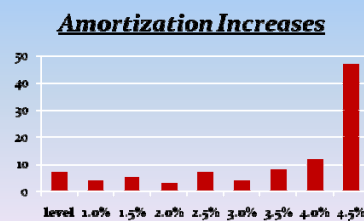
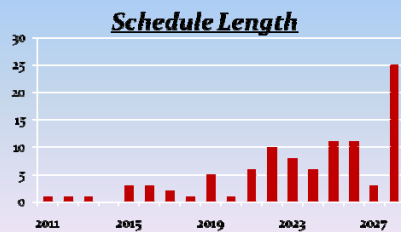
Issues

- 2008 – need we say more
- Current legislation inadequate
- How big?



Issues

- Deadline of Fiscal 2028 extended to 2030
 - Not enough extra time
 - Many already towards limit
- Huge contribution increases
 - Being well funded did not protect you



Issues

- Some Boards have used gains to lower funding
- Current law allows for contributions that increase about 5% per year
- As we approach Fiscal 2030 - no room in schedule for gains and losses
 - It's 2029 and your system losses \$20 million
 - Contribution increases by that amount!

Recommendations

- Amortization of unfunded liabilities over 30 years
- Amortization of new gains and losses over 20 years (starts in 10 years)
- Annual amortization increases limited to 4% (currently 4.5%)
- Appropriation decreases prohibited unless 90%+ funded
- Annual appropriation increases limited to 8%

Additional Recommendation

- Repeal of Section 2 of Chapter 68 of the Acts of 2007
 - Automatic membership in PRIT if <65% funded; and do not meet other criteria
- Return versus risk/volatility
- Boards should be able to pick their own risk/volatility profile