
Retirement System Liquidity Analysis

Senate Finance Standing Committee

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Fund Liquidity Analysis

- Although there is a substantial unfunded liability in both the PERS and TRS, there are billions of dollars to pay benefits well into the future.
- Benefits payments will increase substantially in the next decade. Unless addressed, the combination of increased benefit payments and insufficient assets in the trusts will require investing in more liquid assets.
- Investing in more liquid assets will negatively impact the rate of return of fund assets, therefore increasing the unfunded liability.

PERS Data Points

Fiscal Year Ending 2014

(Projection from Actuary)

| | |
|---------------------|--------------|
| | |
| Earnings Assumption | 8% |
| Assets | \$12,088,182 |
| Liability | \$20,109,112 |
| Deficit | \$8,020,930 |

PERS Data Points

Fiscal Year Ending 2014

Without State Assistance

| | |
|------------------------|-------------|
| | |
| Employer Contributions | \$422,343 |
| State Assistance | -0- |
| Employee Contributions | \$120,633 |
| Total Contributions | \$542,976 |
| Benefit Payments | \$1,056,528 |
| NET | <\$513,552> |

TRS Data Points

Fiscal Year Ending 2014

(Projection from Actuary)

| | |
|---------------------|-------------|
| | |
| Earnings Assumption | 8% |
| Assets | \$4,898,818 |
| Liability | \$9,651,582 |
| Deficit | \$4,752,764 |

TRS Data Points

Fiscal Year Ending 2014

Without State Assistance

| | |
|------------------------|-------------|
| | |
| Employer Contributions | \$67,056 |
| State Assistance | -0- |
| Employee Contributions | \$54,446 |
| Total Contributions | \$121,502 |
| Benefit Payments | \$556,844 |
| NET | <\$435,342> |

Growth of Benefits

PERS/TRS

| Fiscal Year Ending | PERS/TRS Estimated Benefits (millions) |
|--------------------|---|
| 2013 | \$1,499,626 |
| 2014 | \$1,613,372 |
| 2015 | \$1,727,481 |
| 2016 | \$1,844,295 |
| 2017 | \$1,953,707 |
| 2018 | \$2,056,645 |
| 2019 | \$2,161,620 |
| 2020 | \$2,277,447 |
| 2021 | \$2,392,711 |
| 2022 | \$2,498,580 |

Annual Cash Yield DB Plans

| | ASSETS | YIELD | ESTIMATED ANNUAL CASH FLOW |
|------------------------------------|----------------|-------|----------------------------|
| Fixed Income | 2,688,804,465 | | 64,812,459 |
| Public Equity | 9,745,978,092 | | 243,996,390 |
| Real Assets | 3,100,326,188 | | 80,799,903 |
| Private Equity and Absolute Return | 2,404,508,649 | | 0 |
| Total | 17,939,617,394 | | 389,608,751 |
| Estimate Annual Cash Yield | | 2.17% | |

Ten Year Returns by Asset Class

PERS

| Assets | | |
|----------------------|-----------------|--------|
| Private Equity | \$1,610,699,722 | 13.35% |
| International Equity | \$4,097,062,076 | 9.02% |
| Real Assets | \$3,100,326,188 | 8.10% |
| Domestic Equity | \$5,648,916,016 | 7.08% |
| Fixed Income | \$2,688,804,465 | 4.55% |
| Absolute Return | \$793,808,927 | 2.89% |

ARMB Liquidity Projection

| Fiscal Year End | Actuarial Assets (in thousands) | Net Contributions* | Cash Earned on Assets** | Difference |
|-----------------|------------------------------------|--------------------|----------------------------|---------------|
| 2014 | \$17,166,162 | (\$285,301) | \$372,506 | \$87,204 |
| 2015 | \$18,377,782 | (\$66,974) | \$398,798 | \$331,824 |
| 2016 | \$19,850,755 | (\$112,289) | \$430,761 | \$318,472 |
| 2017 | \$21,044,812 | (\$217,551) | \$456,672 | \$239,121 |
| 2018 | \$22,495,709 | (\$343,161) | \$488,157 | \$144,996 |
| 2019 | \$23,931,778 | (\$447,932) | \$519,320 | \$71,388 |
| 2020 | \$25,373,480 | (\$589,426) | \$550,605 | (\$38,821) |
| 2025 | \$32,094,630 | (\$1,265,395) | \$696,453 | (\$568,942) |
| 2030 | \$38,049,095 | (\$2,352,697) | \$825,665 | (\$1,527,031) |
| 2033 | \$38,596,450 | (\$3,431,712) | \$837,543 | (\$2,594,169) |

*Contributions minus benefits paid.

**Assuming 2.17% Yield