

**2/20/07**  
**PERS/TRS**  
**FUNDING**  
**STATUS**  
**&**  
**REVIEW**

**SFIN**

**FILE**

# Department of Administration

## **PERS and TRS**

Elements of Defined Benefit Plans and  
Future Challenges

## **Senate Finance**

February 15, 2007



# Overview

- I. Health Care Costs
  - A primary cost driver
- II. Projected Contribution Amounts
- III. Level-Dollar Amortization
- IV. Closing Defined Benefit Plans
  - Does not increase unfunded liability

# AlaskaCare Retiree Health Plan

Article 12, Section 7 of the Alaska Constitution protects pension and medical benefits for members from diminishment or impairment.

How does the AlaskaCare Retiree Health Plan compare with retiree health plans for other state pension plans?

- Workplace Economics, Inc. studied all 50 states in 2004 regarding retiree health plans and found that, for Medicare-eligible retirees, 2 states offer no medical plan; 11 provide no funding; 20 cost share; and 17 have system-paid medical.
- Of the 17 states that offer system-paid medical, research indicates there are only 8 that have constitutional protection for medical benefits.
- The total PERS and TRS actuarial accrued liability as of June 30, 2005, is \$8 billion for medical and \$11.3 billion for pension.

## **AlaskaCare Retiree Health Plan** (cont'd)

- Retirees and dependents increased from 45,293 members to 53,235 from December 2001 to December 2006. This represents an increase of just over 17.5% during this period.
- Annually, the medical plan enrolls approximately 2,000 retired members and, with dependents, adds approximately 4,000 lives to the retiree plan.
- The universe of members who are or may become eligible for a medical benefit in the future is approximately 100,000, not including dependents.

## **AlaskaCare Retiree Health Plan** (cont'd)

- Medical share of PERS liability has grown from just under 30% to approximately 45% in last nine years. Medical share of TRS liability has grown from just under 20% to approximately 33% in last nine years.
- Medical plan is the same for all members of PERS/TRS Defined Benefit (DB) plan. Differences are found in the eligibility criteria for PERS and TRS.
- 75% of medical costs is for DB plan members between ages 55 and 65. Alaska statute requires that the AlaskaCare plan becomes supplemental to Medicare at age 65. Medical cost for members age 65 and over represents 25% of total medical costs.

# Retiree Plan Claims Costs

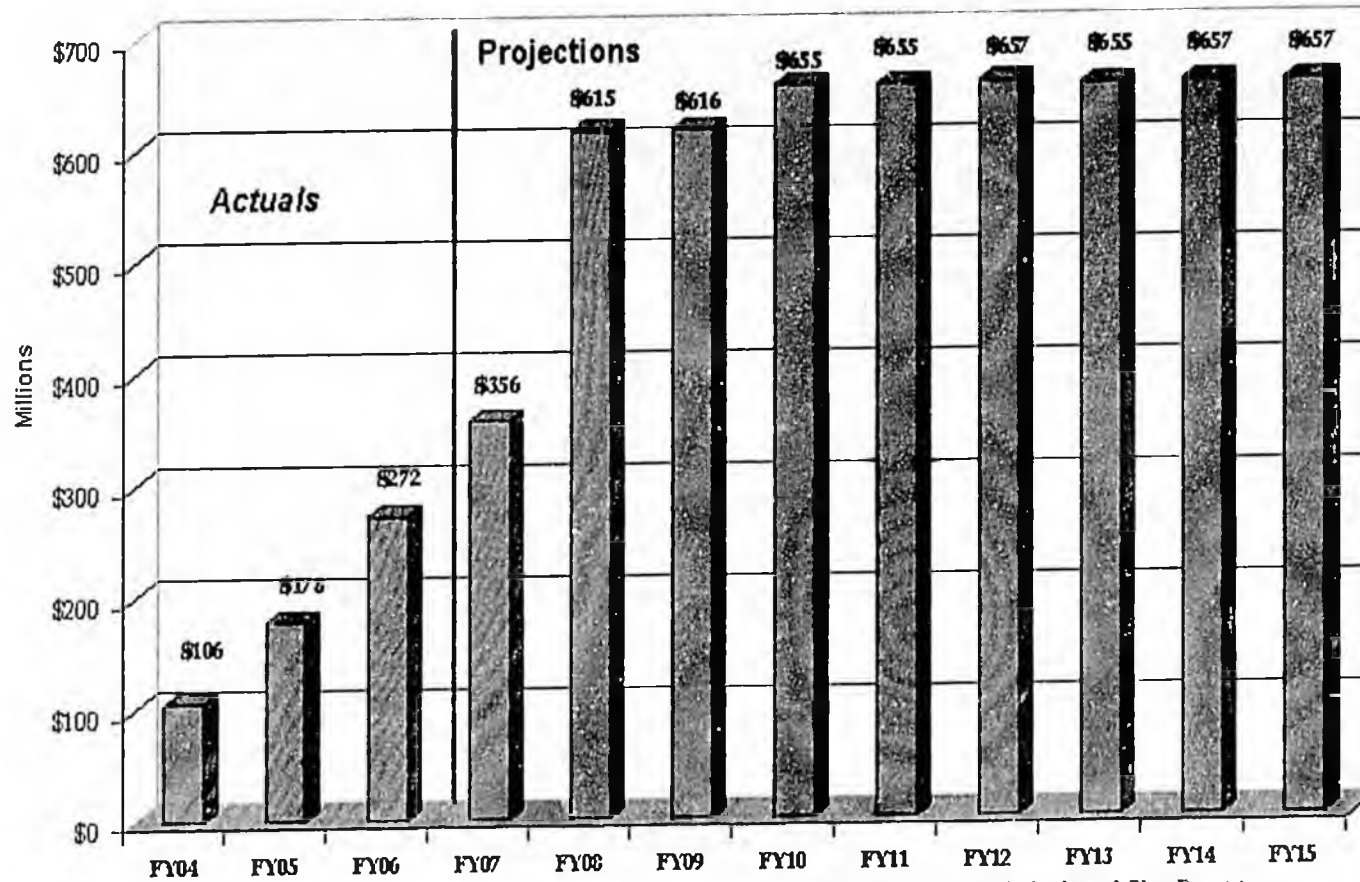
Noted below are the retiree plan claims costs for FY 2001 through FY2006.

<b>Health Claims Cost by Fiscal Year</b>	<b>Amount</b>
FY 2006	\$285 Million
FY 2005	\$256 Million
FY 2004	\$226 Million
FY 2003	\$205 Million
FY 2002	\$148 Million
FY 2001	\$128 Million

# PERS Projected Contribution Amounts FY04 through FY15

Projections at Calculated Rate

II. Projected Contribution  
Amounts



Data, Assumptions, Methods and Plan Provisions.

No payroll growth is used for FY08 rates and later.

No new members after July 1, 2006.

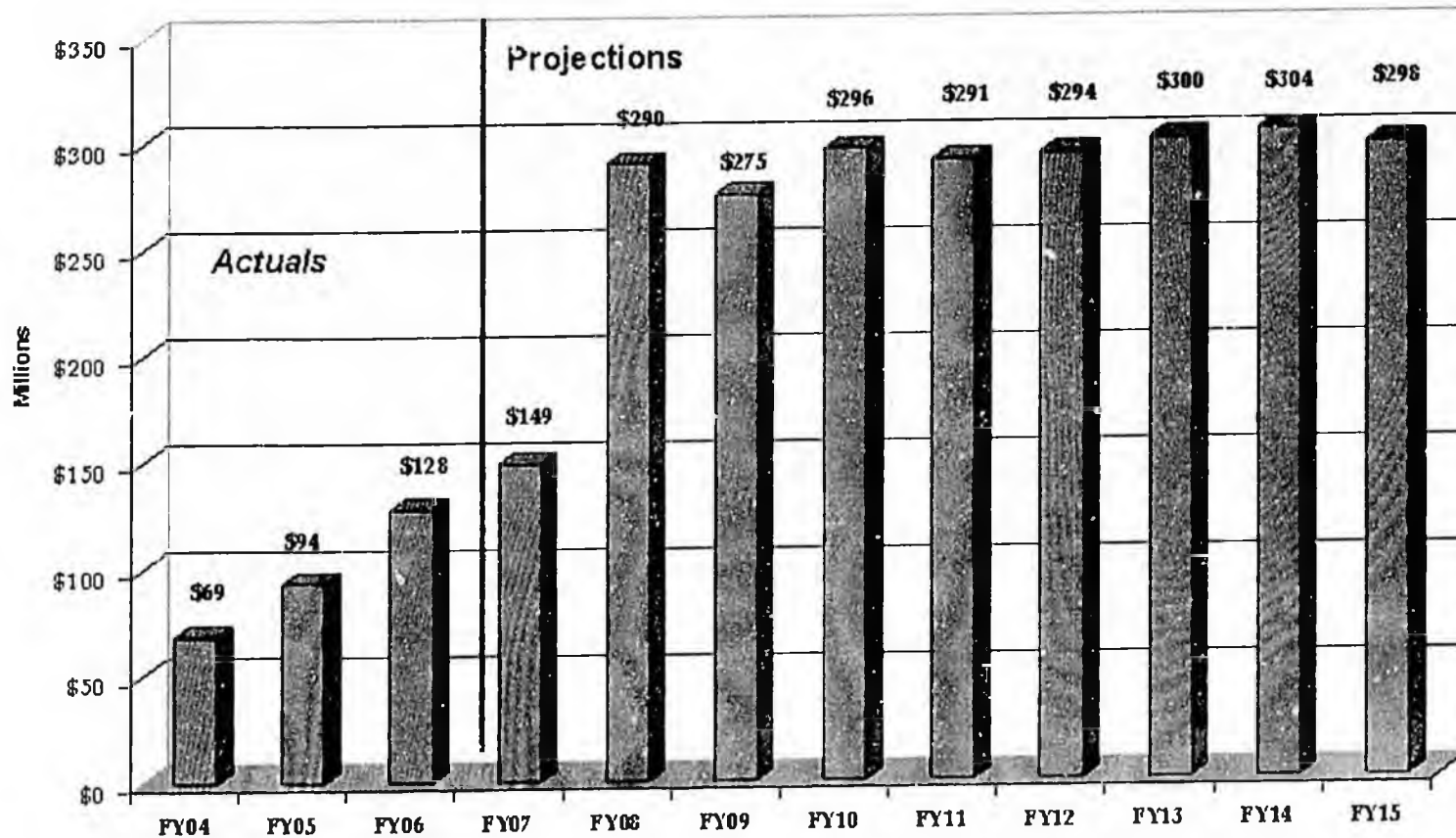
All other data, assumptions, methods and plan provisions are the same as those described in the June 30, 2005 valuation reports.

Source: Buck Consultants

# TRS Projected Contribution Amounts FY04 through FY15

Projections at Calculated Rate

II. Projected Contribution  
Amounts



Data, Assumptions, Methods and Plan Provisions.

No payroll growth is used for FY08 rates and later.

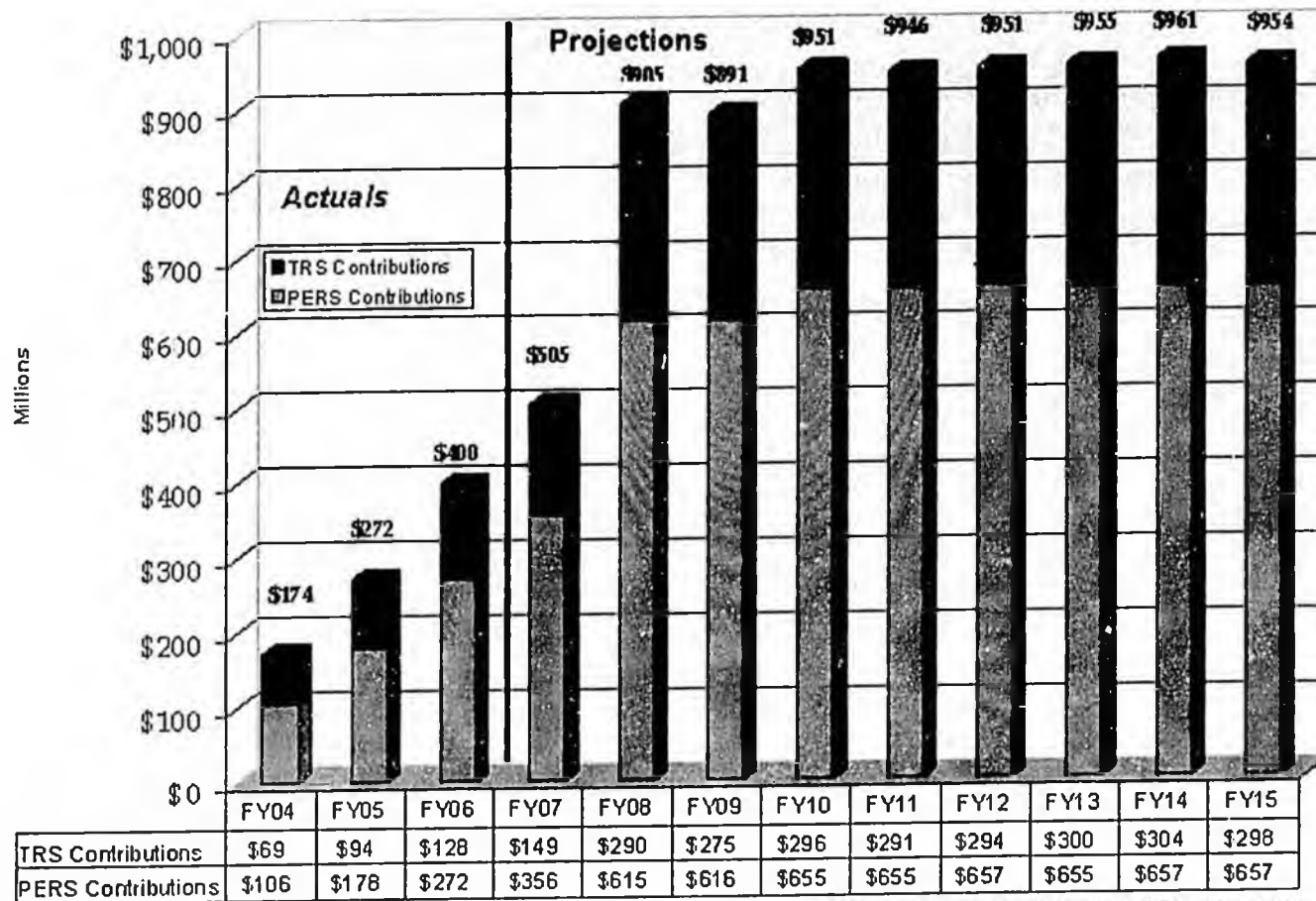
No new members after July 1, 2006.

All other data, assumptions, methods and plan provisions are the same as those described in the June 30, 2005 valuation reports.

Source: Buck Consultants

II. Projected Contribution Amounts

**PERS/TRS Projected Contribution Amounts  
FY04 through FY15  
Projections at Calculated Rate**



Source: Buck Consultants

Data, Assumptions, Methods and Plan Provisions.

No payroll growth is used for FY08 rates and later.

No new members after July 1, 2006.

All other data, assumptions, methods and plan provisions are the same as those described in the June 30, 2005 valuation reports.

## How is the PERS Employer Contribution Rate Calculated?

2005 Valuation/2008 Rate  
(\$ Billions)

	\$12.844	System's Accrued Liabilities Estimated
-	\$8.443	System's Asset Values Determined
<hr/>		
=	\$4.402	Unfunded Liability
÷	25 yrs	Amortization Period <i>(w/payroll growth included)</i>
<hr/>		
≈	\$0.286	FY08 Unfunded Liability Payment
÷	\$1.587	FY08 PERS Payroll Base
<hr/>		
=	18.03%	Past Service Contribution Rate
+	7.25%	Additional Increment for Level Dollar Amortization
<hr/>		
=	25.28%	Past Service Cost
+	14.48%	Normal Cost Rate (\$0.338)
<hr/>		
=	39.76%	Consolidated Board Adopted Rate

II. Projected Contribution Amounts

# PERS Contributions as a Percent of Payroll

(\$ Millions)

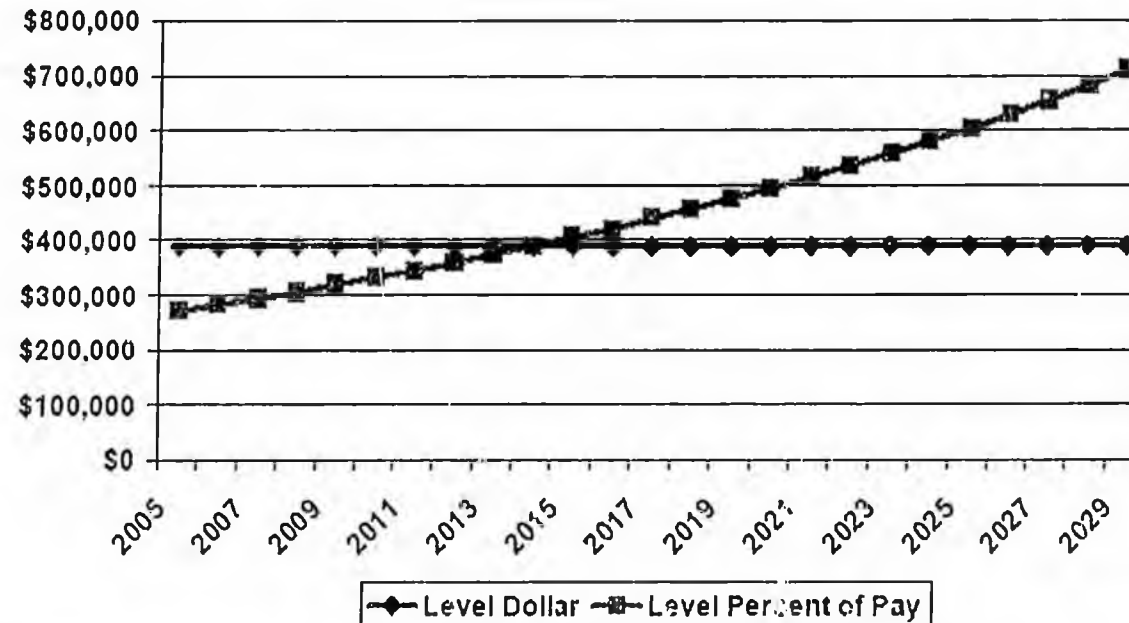
	Annual Contribution	Employee Payroll			Contribution Rate	
		DB	DC	Total	% DB	% Total
<b>FY07</b>	\$ 356	\$ 1,635	\$ -	\$ 1,635	21.77%	21.77%
<b>FY08</b>	\$ 615	\$ 1,547	\$ 139	\$ 1,686	39.75%	36.48%
<b>FY12</b>	\$ 657	\$ 1,286	\$ 578	\$ 1,864	51.09%	35.25%
<b>FY15</b>	\$ 657	\$ 1,106	\$ 876	\$ 1,982	59.40%	33.15%

..... payment amount remains fairly stable

As the DB payroll base declines, the contribution rate goes up .....

Using both DB and DCR payroll base results in lower rate .....

### Illustration of Amortization Methods Amortization Payment Over 25-Year Period

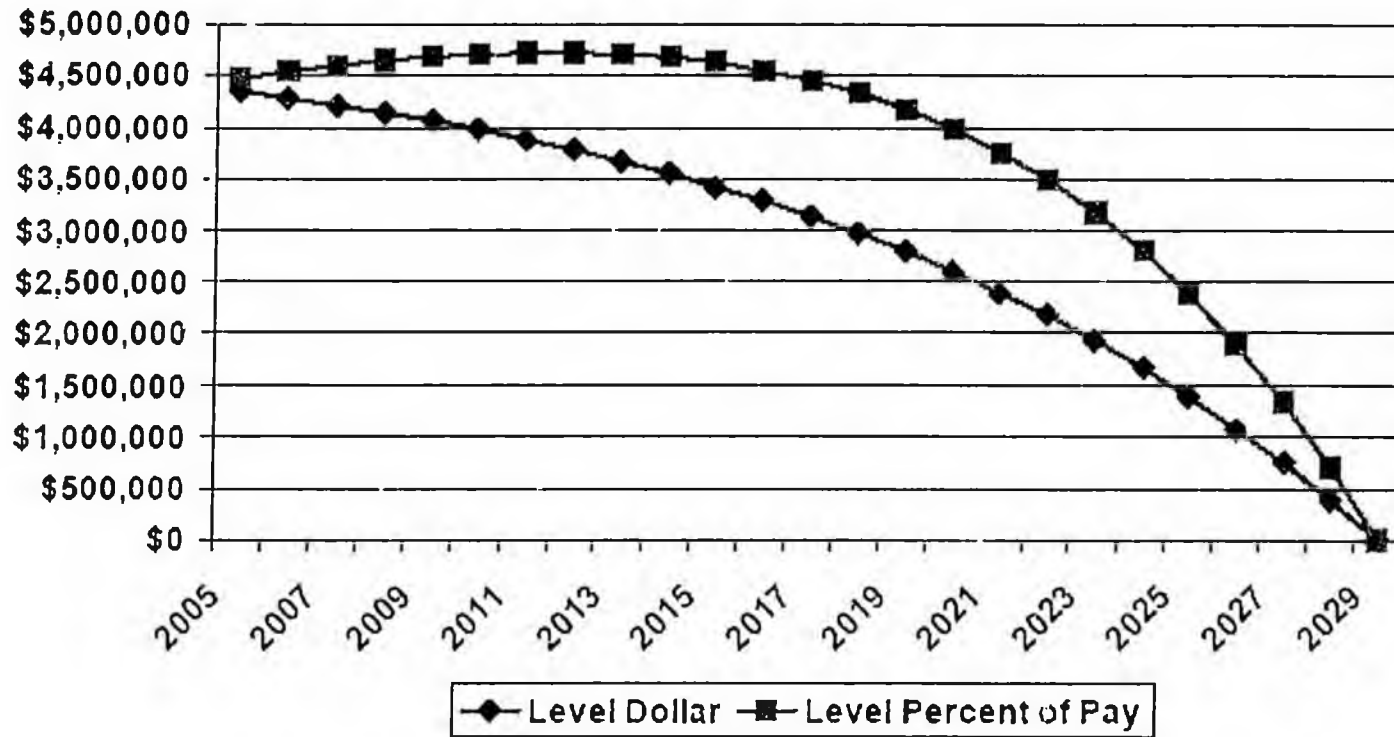


- Level dollar amortization amount stays the same over the entire period.
- Level percent of pay starts out at a lower amount and increases as payroll increases.
- Contribution amount is greater over the entire period under level percent of pay amortization method.

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TRANSITION SERVICES

Adopting level-dollar amortization schedule is expected to save \$140 million for PERS and \$74 million for TRS over the 25-year amortization schedule FY08 through FY2031.

### Illustration of Amortization Methods Unfunded Balance Over 25-Year Period



- Level dollar amortization method reduces unfunded balance more quickly.
- Unfunded balance increases under level percent of pay amortization method at first since amortization payments do not cover interest in early years.
- More interest is paid under level percent of pay amortization method.

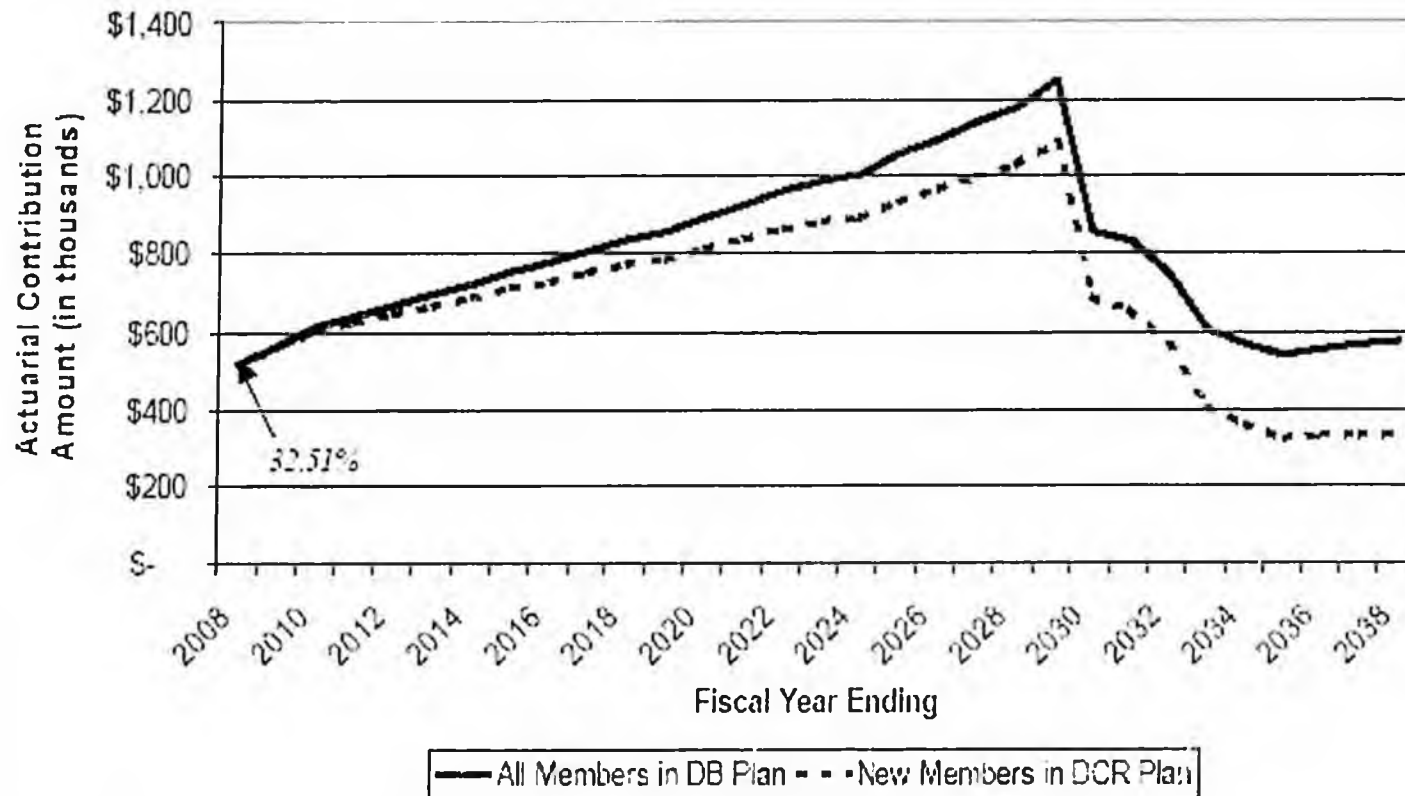
# PERS Defined Benefit (DB) Plan (in billions)

Assets	-	Liabilities	=	Surplus or (Unfunded Liability)
\$8.44	-	\$12.84	=	(\$4.4) (2005 PERS Valuation)



- Defined Contribution Retirement (DCR) Plan employee does not contribute to DB plan
- DCR Plan employee does not receive DB benefits, so does not impact DB liabilities or the DB unfunded liability
- DCR Plan payroll not subject to DB employer contribution rates

PERS  
Contribution Comparison



Data, Assumptions, Methods, and Plan Provisions

- Normal cost for new members under the DB plan remains constant as of June 30, 2005 (14.42%);
- New tier members are assumed to get the employer DCR contribution rate of 5%, 3% for the HRA, 1% for the medical plan, and .67% for occupational death and disability. These rates are assumed to remain constant.
- Assets are assumed to earn 2.25% and there are no actuarial gains or losses assumed.
- Amortization is based on level percent of pay.
- All other data, assumptions, methods, and plan provisions are the same as those described in the June 30, 2005 valuation report.

## Board Adopted Employer Contribution Rates – FY '90 thru FY '08

Actua Data Year	Board Adopt Year	Rate for FY	PERS					TRS						
			PERS Funding Ratio	Employer Normal Rate	Past + Service Rate	Actuarial = Computed Rate	Board - Adopted Rate	+/- = Computed Rate	TRS Funding Ratio	Employer Normal Rate	Past + Service Rate	Actuarial = Computed Rate	Board - Adopted Rate	+/- = Computed Rate
1987	1988	1990	100.0%	9.23%	0.07%	9.30%	9.30%	0.00%	101.0%	9.14%	-0.95%	8.19%	11.64%	3.45%
1988	1989	1991	93.0%	10.37%	1.63%	12.00%	12.00%	0.00%	98.8%	11.86%	0.41%	12.27%	10.54%	-1.73%
1989	1990	1992	91.6%	12.00%	2.20%	14.20%	14.20%	0.00%	95.0%	13.26%	1.90%	15.16%	11.87%	-3.29%
1990	1991	1993	97.2%	12.83%	0.75%	13.58%	13.58%	0.00%	87.7%	14.07%	5.58%	19.65%	12.00%	-7.65%
1991	1992	1994	88.1%	10.18%	3.54%	13.72%	13.72%	0.00%	85.7%	9.05%	6.54%	15.59%	12.00%	-3.59%
1992	1993	1995	91.2%	10.90%	2.80%	13.70%	13.70%	0.00%	89.7%	8.57%	4.79%	13.36%	12.00%	-1.36%
1993	1994	1996	95.4%	11.29%	1.53%	12.82%	12.82%	0.00%	93.1%	9.06%	3.42%	12.48%	12.00%	-0.48%
1994	1995	1997	94.8%	10.36%	1.78%	12.14%	12.14%	0.00%	89.6%	9.70%	5.26%	14.96%	12.00%	-2.96%
1995	1996	1998	96.5%	10.61%	1.29%	11.90%	8.00%	-3.90%	90.9%	10.10%	4.84%	14.94%	12.00%	-2.94%
1996	1997	1999	105.8%	9.85%	-2.11%	7.74%	7.74%	0.00%	97.2%	8.97%	1.55%	10.52%	12.00%	1.48%
1997	1998	2000	106.3%	9.89%	-2.53%	7.36%	7.74%	0.38%	94.0%	9.21%	3.79%	13.00%	12.00%	-1.00%
1998	1999	2001	105.9%	8.67%	-1.64%	7.03%	7.40%	0.37%	97.7%	8.99%	1.56%	10.55%	12.00%	1.45%
1999	2000	2002	105.5%	8.07%	-1.51%	6.56%	6.75%	0.19%	102.5%	8.88%	-1.79%	7.09%	11.00%	3.91%
2000	2001	2003	101.1%	5.43%	0.69%	6.12%	6.75%	0.63%	99.6%	9.40%	-1.11%	8.29%	11.00%	2.71%
2001	2002	2004	100.9%	5.42%	1.35%	6.77%	6.77%	0.00%	95.0%	10.33%	4.11%	14.44%	12.00%	-2.44%
2002	2003	2005	75.2%	13.31%	11.60%	24.91%	11.77%	-13.14%	68.2%	14.76%	20.81%	35.57%	16.00%	-19.57%
2003	2004	2006	72.8%	13.24%	12.39%	25.63%	16.77%	-8.86%	64.3%	14.28%	24.57%	38.85%	21.00%	-17.85%
2004	2005	2007	70.2%	13.32%	14.87%	28.19%	21.77%	-6.42%	62.8%	13.76%	28.02%	41.78%	26.00%	-15.78%
2005	2006	2008	65.7%	14.48%	18.03%	32.51%	39.76%	7.25%	60.9%	12.56%	29.70%	42.26%	54.03%	11.77%

**Large jump between FY07 and FY08 reflects need to get to the actuarially computed contribution rate.**



- Click here to switch to [blank], click here to switch to [blank]
- Then click column headings to sort
- Click single 'Plan Name' to view report for selected record
- [blank] showing funding levels and liabilities
- Click here to [blank]

	Actuarial Funding Ratio	Actuarial Assets (000's)	Actuarial Liabilities (000's)	Unfunded Liability (Surplus) (000's)
Aggregate for the 124 Plans shown here	86.2%	\$2,232,716,603	\$2,588,691,581	\$355,974,978

1	AK	Alaska PERS	70.2 65.7	\$8,030,414 8,442,719	\$14,443,916 13,244,541	\$3,413,502 4,401,922	6/30/2004 S	6/30/2005
2	AK	Alaska Teachers	84.3 60.1	\$3,845,376 3,158,939	\$6,123,600 4,337,585	\$2,278,230 2,539,617	6/30/2004 S	6/30/2005
3	AL	Alabama ERS	84.0	\$8,935,358	\$10,634,976	\$1,699,618	9/30/2005	9/30/2005
4	AL	Alabama Teachers	83.6	\$19,248,207	\$23,027,338	\$3,779,131	9/30/2005	9/30/2005
5	AR	Arkansas Teachers	80.4	\$8,817,000	\$10,973,000	\$2,156,000	6/30/2005	6/30/2005
6	AR	Arkansas PERS	83.4	\$4,949,000	\$5,936,000	\$987,000	6/30/2006	6/30/2006
7	AZ	Arizona SRS	92.5	\$22,659,000	\$24,506,000	\$1,847,000	6/30/2004	6/30/2005
8	AZ	Arizona Public Safety Personnel	82.1	\$4,886,963	\$5,951,937	\$1,064,974	6/30/2005	6/30/2005
9	AZ	Phoenix ERS	84.2	\$1,511,553	\$1,795,514	\$283,961	6/30/2005	6/30/2005
10	CA	Contra Costa County	82.0	\$3,673,858	\$4,481,243	\$807,385	12/31/2004	12/31/2005
11	CA	San Diego County	80.3	\$5,612,320	\$6,990,726	\$1,378,406	6/30/2005	6/30/2005
12	CA	LA County ERS	85.8	\$29,497,485	\$34,375,949	\$4,878,464	6/30/2005	6/30/2006

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13	CA	California PERF	87.3	\$183,680,000	\$210,310,000	\$26,630,000	6/30/2005	6/30/2006
14	CA	San Francisco City & County	103.8	\$11,299,997	\$10,885,455	(\$414,542)	6/30/2004	6/30/2005
15	CA	California Teachers	85.7	\$121,882,000	\$142,193,000	\$24,160,000	6/30/2005	6/30/2005
16	CO	Colorado Municipal	78.0	\$2,358,719	\$3,022,624	\$663,905	12/31/2005	12/31/2005
17	CO	Denver Schools	87.9	\$2,693,686	\$3,065,855	\$372,169	1/1/2006	12/31/2005
18	CO	Colorado State & School	72.9	\$31,721,141	\$43,505,716	\$11,784,575	12/31/2005	12/31/2005
19	CT	Connecticut Teachers	65.3	\$9,846,700	\$15,070,500	\$5,223,800	6/30/2004	6/30/2005
20	CT	Connecticut SERS	53.3	\$8,517,677	\$15,987,547	\$7,469,870	6/30/2005	6/30/2005
21	DC	DC Teachers	100.0	\$917,800	\$917,800	\$0	10/1/2003	9/30/2004
22	DC	DC Police & Fire	100.0	\$1,427,800	\$1,427,800	\$0	10/1/2002	9/30/2004
23	DE	Delaware State Employees	101.7	\$5,998,746	\$5,901,172	(\$97,574)	6/30/2006	6/30/2006
24	FL	Florida RS	107.3	\$111,539,878	\$103,917,955	(\$7,621,923)	7/1/2005	6/30/2005
25	GA	Georgia ERS	97.2	\$13,134,472	\$13,512,773	\$378,301	6/30/2005	6/30/2005
26	GA	Georgia Teachers	98.0	\$46,836,895	\$47,811,214	\$974,319	6/30/2005	6/30/2006
27	HI	Hawaii ERS	68.6	\$8,914,839	\$12,985,989	\$4,071,150	6/30/2005	6/30/2005
28	IA	Iowa PERS	88.4	\$19,144,037	\$21,651,122	\$2,507,085	6/30/2006	6/30/2006
29	ID	Idaho PERS	95.2	\$9,177,100	\$9,638,800	\$461,700	7/1/2006	6/30/2006
30	IL	Illinois Universities	65.6	\$13,350,300	\$20,349,900	\$6,999,600	6/30/2005	6/30/2005
31	IL	Illinois SERS	54.4	\$10,494,148	\$19,304,646	\$8,810,498	6/30/2004	6/30/2005
32	IL	Illinois Municipal	94.6	\$19,698,401	\$20,815,060	\$1,116,659	12/31/2005	12/31/2005
33	IL	Illinois Teachers	60.8	\$34,085,218	\$56,075,029	\$21,989,811	7/1/2005	6/30/2005
34	IL	Chicago Teachers	79.0	\$10,506,471	\$13,295,876	\$2,789,405	6/30/2005	6/30/2005
35	IN	Indiana Teachers	43.4	\$7,065,299	\$16,264,893	\$9,199,594	6/30/2005	6/30/2005
36	IN	Indiana PERF	96.4	\$10,471,937	\$10,858,322	\$386,385	7/1/2005	6/30/2006
37	KS	Kansas PERS	69.8	\$10,971,427	\$15,714,092	\$4,742,665	12/31/2004	6/30/2005
38	KY	Kentucky ERS	74.6	\$5,983,974	\$8,018,069	\$2,034,095	6/30/2004	6/30/2005
39	KY	Kentucky County	90.5	\$6,511,562	\$7,180,884	\$2,500,268	6/30/2004	6/30/2005

40	KY	Kentucky Teachers	76.3	\$14,598,800	\$19,134,800	\$4,536,000	6/30/2005	6/30/2005
41	LA	Louisiana SERS	61.5	\$6,673,500	\$10,847,062	\$4,173,562	6/30/2005	6/30/2005
42	LA	Louisiana Teachers	64.6	\$12,082,682	\$18,699,765	\$6,617,083	6/30/2005	6/30/2005
43	MA	Massachusetts Teachers	69.6	\$17,074,000	\$24,519,000	\$7,445,000	1/1/2002	12/31/2003
44	MA	Massachusetts SERS	82.8	\$16,210,981	\$19,575,338	\$3,364,357	12/31/2003	12/31/2005
45	MD	Maryland PERS	80.4	\$12,287,942	\$15,291,091	\$3,003,149	6/30/2006	6/30/2006
46	MD	Maryland Teachers	84.2	\$21,575,451	\$25,617,484	\$4,042,033	6/30/2006	6/30/2006
47	ME	Maine Local	109.2	\$1,726,776	\$1,581,198	(\$145,578)	6/30/2005	6/30/2006
48	ME	Maine State and Teacher	69.7	\$6,964,597	\$9,999,250	\$3,034,653	6/30/2005	6/30/2006
49	MI	Michigan Municipal	76.7	\$4,731,400	\$6,164,800	\$1,433,400	12/31/2004	12/31/2005
50	MI	Michigan Public Schools	83.7	\$38,784,000	\$46,317,000	\$7,533,000	9/30/2004	9/30/2005
51	MI	Michigan SERS	84.5	\$10,149,000	\$12,004,000	\$1,855,000	9/30/2004	9/30/2005
52	MN	Minneapolis ERF	92.1	\$1,513,389	\$1,643,140	\$129,751	7/1/2004	6/30/2004
53	MN	Duluth Teachers	84.1	\$270,926	\$322,229	\$42,443	7/1/2006	6/30/2006
54	MN	St. Paul Teachers	69.7	\$905,293	\$1,299,832	\$394,539	6/30/2005	6/30/2005
55	MN	Minnesota Teachers	92.1	\$19,035,612	\$20,679,111	\$1,643,499	6/30/2006	6/30/2006
56	MN	Minnesota PERF	74.7	\$12,495,207	\$16,737,757	\$4,242,550	6/30/2006	6/30/2006
57	MN	Minnesota State Employees	95.6	\$8,081,736	\$8,455,336	\$373,600	6/30/2004	6/30/2005
58	MO	Missouri DOT and Highway Patrol	55.5	\$1,521,143	\$2,740,438	\$1,219,295	6/30/2006	6/30/2006
59	MO	Missouri Local	95.1	\$2,984,489	\$3,139,260	\$154,771	2/28/2005	6/30/2005
60	MO	Missouri Non-Teachers	83.3	\$2,011,566	\$2,414,494	\$402,928	6/30/2005	6/30/2005
61	MO	Missouri Teachers	82.7	\$23,049,441	\$27,881,513	\$4,832,072	6/30/2005	6/30/2005
62	MO	Missouri State Employees	85.3	\$6,836,567	\$8,013,205	\$1,142,684	6/30/2006	6/30/2006
63	MO	St. Louis School Employees	86.3	\$935,300	\$1,084,400	\$149,100	1/1/2005	12/31/2005
64	MS	Mississippi PERS	73.5	\$18,321,063	\$24,928,464	\$6,607,401	6/30/2006	6/30/2006
65	MT	Montana Teachers	73.4	\$2,497,500	\$3,527,000	\$1,029,500	7/1/2005	6/30/2005

66	MT	Montana PERS	85.5	\$3,179,010	\$3,719,998	\$466,798	6/30/2005	6/30/2005
67	NC	North Carolina Local Government	99.3	\$13,377,297	\$13,466,189	\$88,892	12/31/2004	6/30/2005
68	NC	North Carolina Teachers and State Employees	108.1	\$47,383,509	\$43,827,854	(\$3,555,655)	12/31/2004	6/30/2005
69	NC	Charlotte Firefighters	94.1	\$274,948	\$292,341	\$17,393	7/1/2004	6/30/2004
70	ND	North Dakota PERS	90.8	\$1,236,100	\$1,361,200	\$125,100	6/30/2004	6/30/2005
71	ND	North Dakota Teachers	74.8	\$1,469,700	\$1,965,200	\$495,500	7/1/2005	6/30/2005
72	NE	Nebraska Schools	85.6	\$5,335,197	\$6,234,658	\$899,461	7/1/2005	6/30/2005
73	NH	New Hampshire Retirement System	71.1	\$3,901,151	\$5,355,387	\$1,454,236	6/30/2003	6/30/2004
74	NJ	New Jersey PERS	85.3	\$27,113,000	\$31,774,000	\$4,661,000	6/30/2005	6/30/2005
75	NJ	New Jersey Police & Fire	84.0	\$18,703,390	\$22,278,239	\$3,574,849	6/30/2004	6/30/2005
76	NJ	New Jersey Teachers	80.8	\$34,690,000	\$42,920,000	\$8,230,000	6/30/2005	6/30/2005
77	NM	New Mexico Teachers	70.4	\$7,457,500	\$10,591,800	\$3,134,300	6/30/2005	6/30/2005
78	NM	New Mexico PERF	92.1	\$10,863,895	\$11,800,861	\$936,966	6/30/2006	6/30/2006
79	NV	Nevada Police Officer and Firefighter	69.8	\$3,394,368	\$4,864,574	\$1,470,206	6/30/2005	6/30/2005
80	NV	Nevada Regular Employees	77.3	\$14,492,171	\$18,744,127	\$4,251,956	6/30/2005	6/30/2005
81	NY	New York City Teachers	100.0	\$32,817,102	\$32,827,541	\$10,439	6/30/2004	6/30/2005
82	NY	NY State & Local Police & Fire	100.0	\$21,953,000	\$21,953,000	\$0	4/1/2006	3/31/2006
83	NY	NY State & Local ERS	100.0	\$118,197,000	\$118,197,000	\$0	4/1/2006	3/31/2006
84	NY	New York City ERS	99.6	\$40,088,213	\$40,236,258	\$148,045	6/30/2003	6/30/2005
85	NY	New York State Teachers	98.8	\$74,074,300	\$74,961,100	\$886,800	6/30/2005	6/30/2006
86	OH	Ohio School Employees	75.6	\$9,542,000	\$12,627,000	\$3,085,000	6/30/2006	6/30/2006
87	OH	Ohio Police & Fire	80.9	\$9,337,462	\$11,545,050	\$2,207,588	1/1/2004	12/31/2005
88	OH	Ohio PERS	87.6	\$50,452,000	\$57,604,000	\$7,152,000	12/31/2004	12/31/2005
89	OH	Ohio Teachers	75.0	\$58,008,050	\$77,371,024	\$19,362,974	6/30/2006	6/30/2006
90	OK	Oklahoma Teachers	49.5	\$6,952,700	\$14,052,400	\$7,099,700	6/30/2005	6/30/2005

91	OK	Oklahoma PERS	71.4	\$5,654,276	\$7,914,658	\$2,260,382	7/1/2006	6/30/2006
92	OR	Oregon PERS	96.1	\$42,874,400	\$44,625,600	\$1,751,200	12/31/2003	6/30/2005
93	PA	Pennsylvania School Employees	91.2	\$52,094,500	\$57,123,000	\$5,028,500	6/30/2004	6/30/2005
94	PA	Pennsylvania State ERS	92.9	\$26,794,000	\$28,852,000	\$2,058,000	12/31/2005	12/31/2005
95	RI	Rhode Island Municipal	93.2	\$879,450	\$943,546	\$64,096	6/30/2003	6/30/2004
96	RI	Rhode Island ERS	59.4	\$5,543,427	\$9,328,983	\$3,785,556	6/30/2004	6/30/2004
97	SC	South Carolina Police	87.4	\$2,774,606	\$3,173,930	\$399,324	7/1/2005	6/30/2006
98	SC	South Carolina RS	71.6	\$21,625,510	\$30,217,471	\$8,591,961	7/1/2005	6/30/2006
99	SD	South Dakota PERS	96.6	\$5,380,999	\$5,571,842	\$190,843	6/30/2005	6/30/2005
100	TN	TN Political Subdivisions	91.9	\$3,605,529	\$3,923,475	\$317,946	7/1/2005	6/30/2005
101	TN	TN State and Teachers	99.8	\$23,627,160	\$23,266,967	(\$360,193)	7/1/2005	6/30/2005
102	TX	City of Austin ERS	78.0	\$1,398,800	\$1,794,200	\$395,400	12/31/2004	12/31/2005
103	TX	Houston Firefighters	97.6	\$1,922,000	\$1,970,000	\$48,000	7/1/2002	6/30/2005
104	TX	Texas County & District	104.4	\$13,441,414	\$12,872,100	(\$569,314)	12/31/2005	12/31/2005
105	TX	Texas Teachers	87.3	\$94,218,000	\$107,911,000	\$13,693,000	8/31/2006	8/31/2006
106	TX	Texas LECOS	101.7	\$720,307	\$708,437	(\$11,870)	8/31/2006	8/31/2006
107	TX	Texas ERS	95.2	\$21,780,437	\$22,884,917	\$1,104,480	8/31/2006	8/31/2006
108	TX	Texas Municipal	82.7	\$12,486,100	\$15,095,200	\$2,609,100	12/31/2005	12/31/2005
109	UT	Utah Noncontributory	92.2	\$13,065,512	\$14,166,548	\$1,101,036	12/31/2005	12/31/2005
110	VA	Fairfax County Schools	84.9	\$1,643,020	\$1,935,582	\$292,562	12/31/2004	6/30/2005
111	VA	Virginia Retirement System	81.3	\$40,372,000	\$49,628,000	\$9,256,000	6/30/2005	6/30/2006
112	VT	Vermont State Employees	97.8	\$1,148,908	\$1,174,796	\$25,888	6/30/2005	6/30/2005
113	VT	Vermont Teachers	90.7	\$1,354,006	\$1,492,150	\$138,144	6/30/2005	6/30/2005
114	WA	Washington School Employees Plan 2/3	100.0	\$1,747,400	\$1,747,400	\$0	9/30/2005	6/30/2006
115	WA	Washington LEOFF Plan 2	100.0	\$3,329,100	\$3,329,100	\$0	9/30/2005	6/30/2006

116	WA	Washington LEOFF Plan 1	113.1	\$4,800,000	\$4,243,000	(\$400,000)	9/30/2005	6/30/2006
117	WA	Washington Teachers Plan 2/3	100.0	\$4,411,200	\$4,411,200	\$0	9/30/2004	6/30/2006
118	WA	Washington Teachers Plan 1	77.6	\$8,450,000	\$10,894,000	\$2,444,000	9/30/2005	6/30/2006
119	WA	Washington PERS 2/3	100.0	\$12,274,100	\$12,274,100	\$0	9/30/2004	6/30/2006
120	WA	Washington PERS 1	70.8	\$9,707,000	\$13,704,000	\$3,997,000	9/30/2005	6/30/2006
121	WI	Wisconsin Retirement System	99.4	\$66,209,400	\$66,622,300	\$412,900	12/31/2004	12/31/2004
122	WV	West Virginia PERS	83.6	\$3,404,650	\$4,072,548	\$667,898	7/1/2005	6/30/2005
123	WV	West Virginia Teachers	24.6	\$1,627,355	\$6,617,708	\$4,990,353	6/30/2005	6/30/2005
124	WY	Wyoming Public Employees	95.1	\$4,843,861	\$5,091,763	\$247,902	1/1/2006	12/31/2005

\*Funds with an unfunded liability of zero use the aggregate cost actuarial valuation method. Under this method, the actuarial value of liabilities is equal to the actuarial value of assets and no unfunded liability is identified.



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# Senate Finance Committee

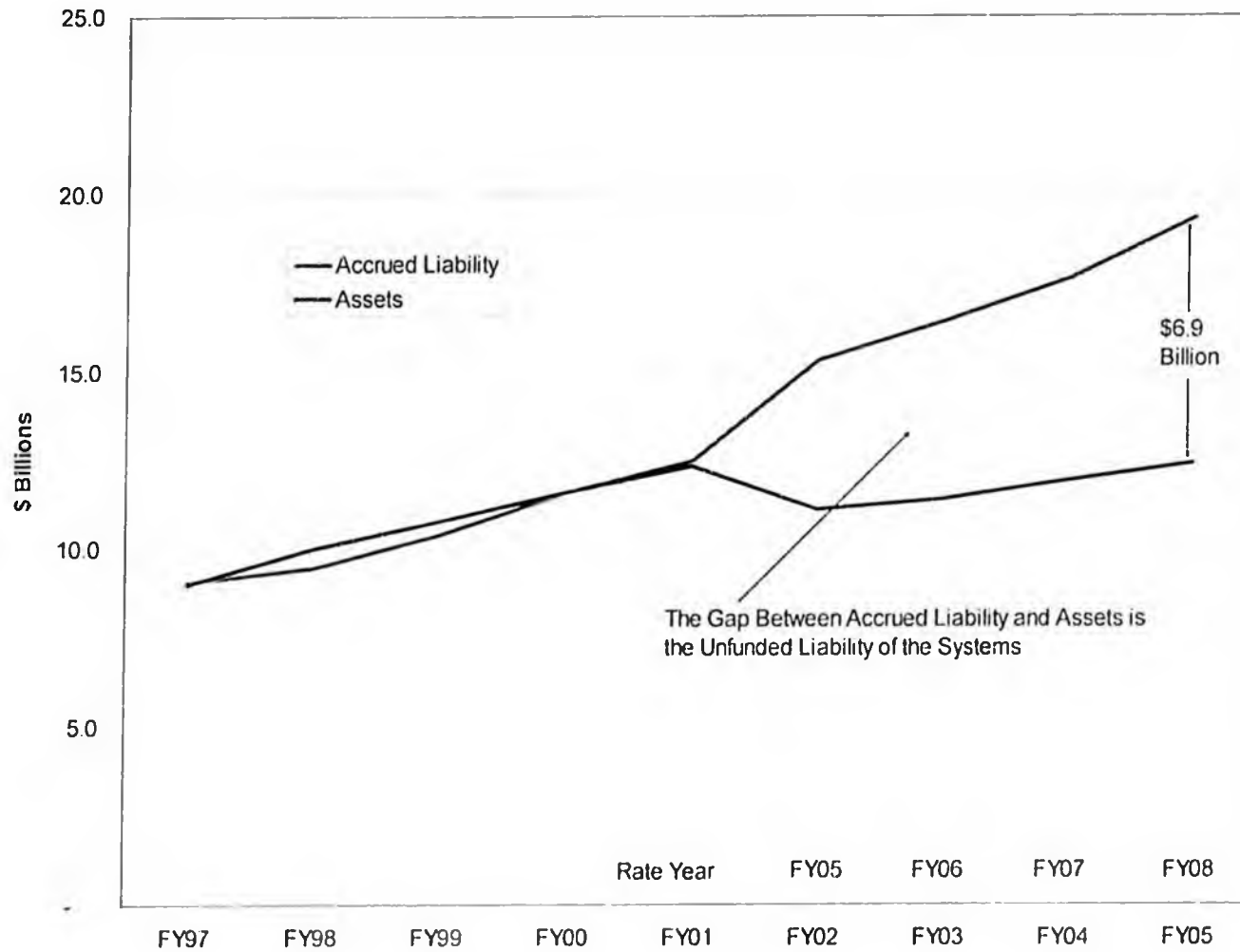
## PERS & TRS Funding

February 20, 2007

David Teal  
Director, Legislative Finance

# Liability/Asset Gap

PERS/TRS Funding Ratio



Feb 20, 2007

Sen Fin Com – PERS/TRS Funding

2

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# Questions

## 1. What Does the Unfunded Liability Mean?

- **To Retirees**—Not Much. Benefits cannot be reduced. There is no cash flow problem.
- **To Employees**—No direct impact; employee contribution rates cannot be increased unilaterally. But there may be indirect costs associated with higher benefit costs.
- **To Employers**—Higher contribution rates in the absence of other cash infusions.

# Questions

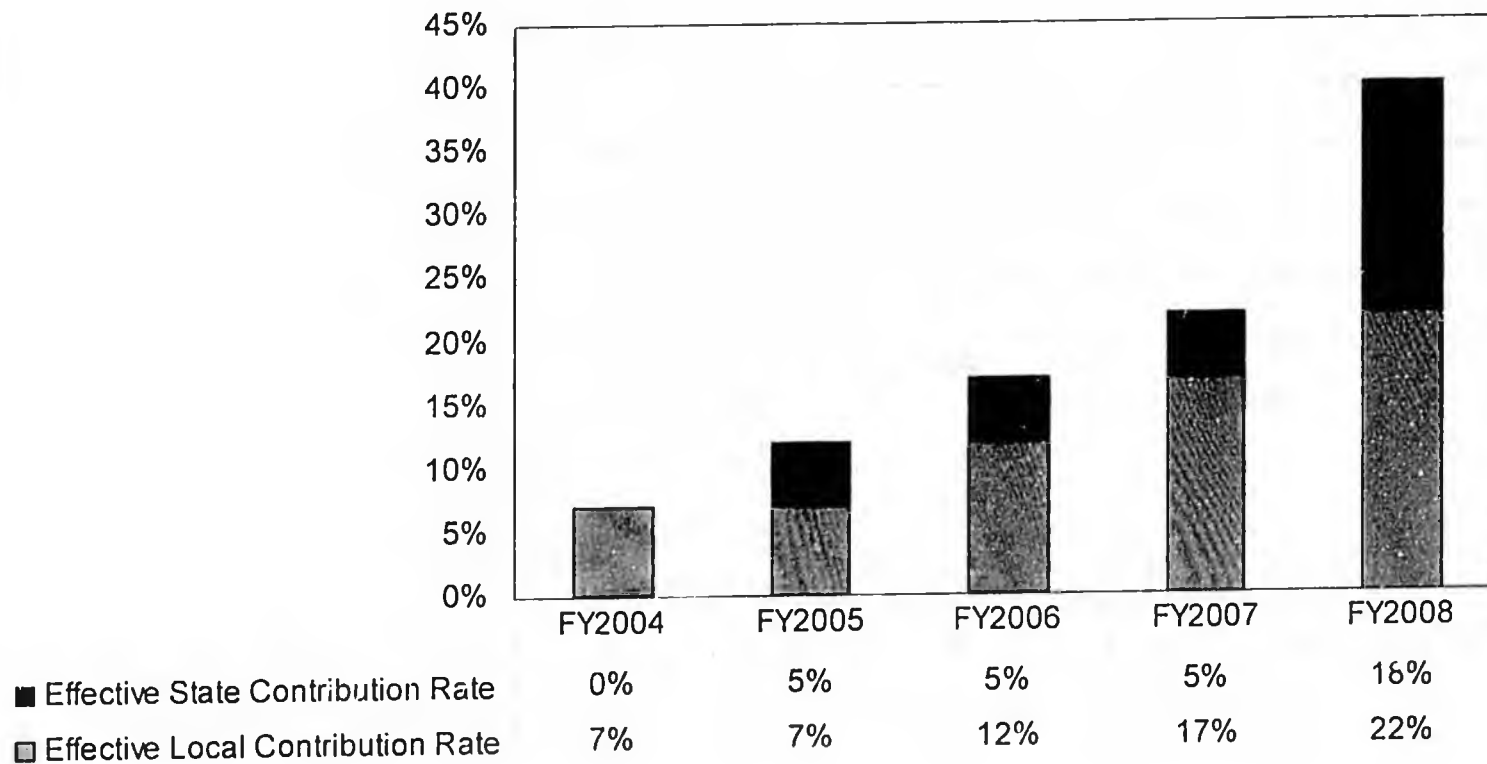
2. Can the gap close as quickly as it opened? Don't count on it. (But note TRS 91-98)
3. If rate increases close the gap, are we looking for a solution when no problem exists? Ask municipalities if contribution rate increases is a crisis.
4. What is the State's role in fixing the system? That depends on the system.

# State Financial Support

- The state fully paid cost increases in the TRS system.
- The state fully paid cost increases for its own employees.
- The state paid a portion of cost increases for local governments, despite the fact that it has no legal responsibility to pay these costs.

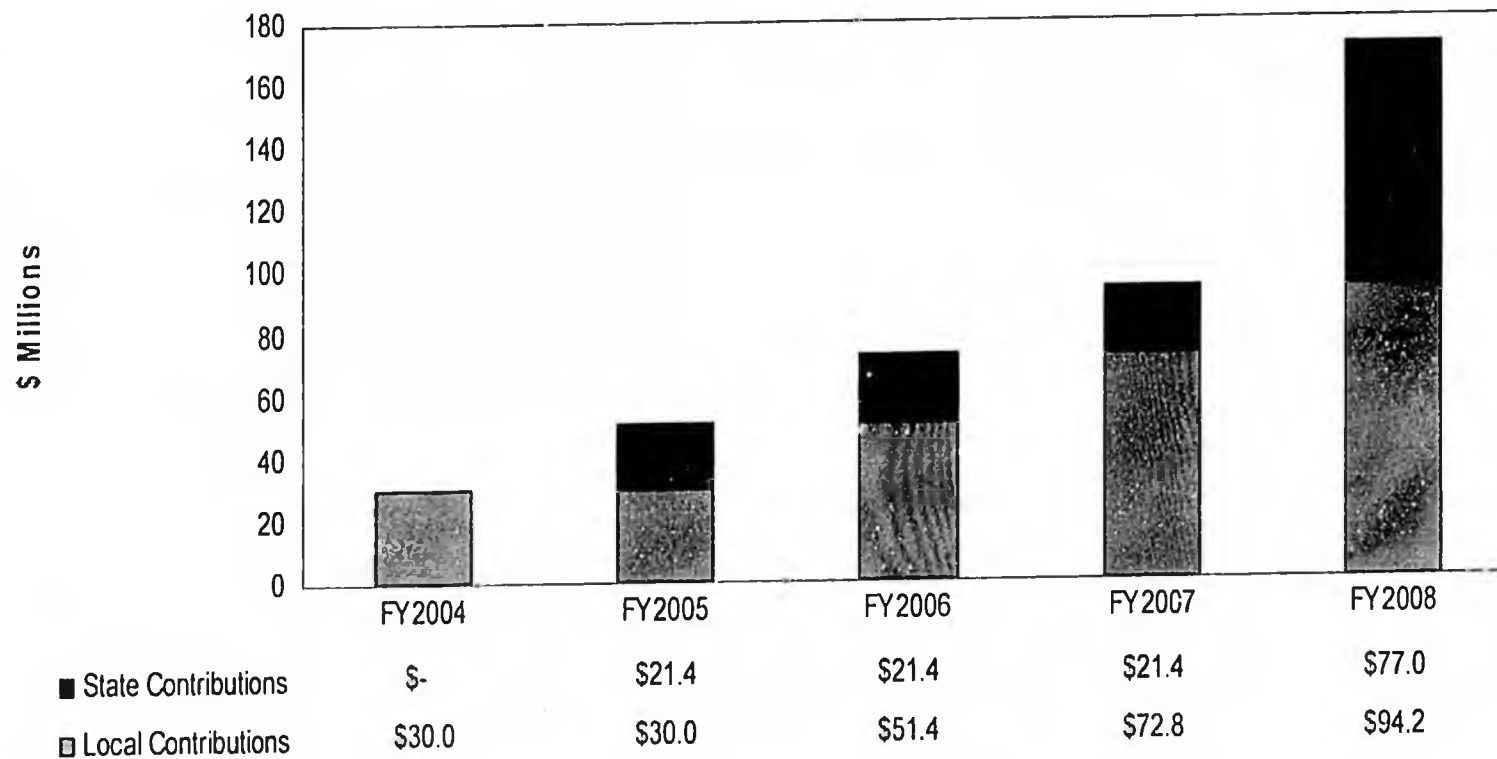
# Financial Contributions (%)

State and Local Contributions to Local PERS



# Financial Contributions (\$ Mill)

State and Local Contributions to Local PERS



Feb 20, 2007

Sen Fin Com – PERS/TRS Funding

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# Going Forward

- **But paying the bill is not the same as fixing the system.**
- There are several issues the legislature may wish to address:
  - Discriminatory hiring
  - Allocation of costs
  - Affordability
  - Unfunded liability
  - Other technical items
- A Possible Fix? - Make PERS a "Cost Share Plan" like TRS.