

FY13 PERA Valuations and Updated 30 Funding Projections: Investments and Pensions Oversight Committee

Representative Jim R. Trujillo, Chairman

November 7, 2013

Patricia (Patty) French, Board Chair, PERA

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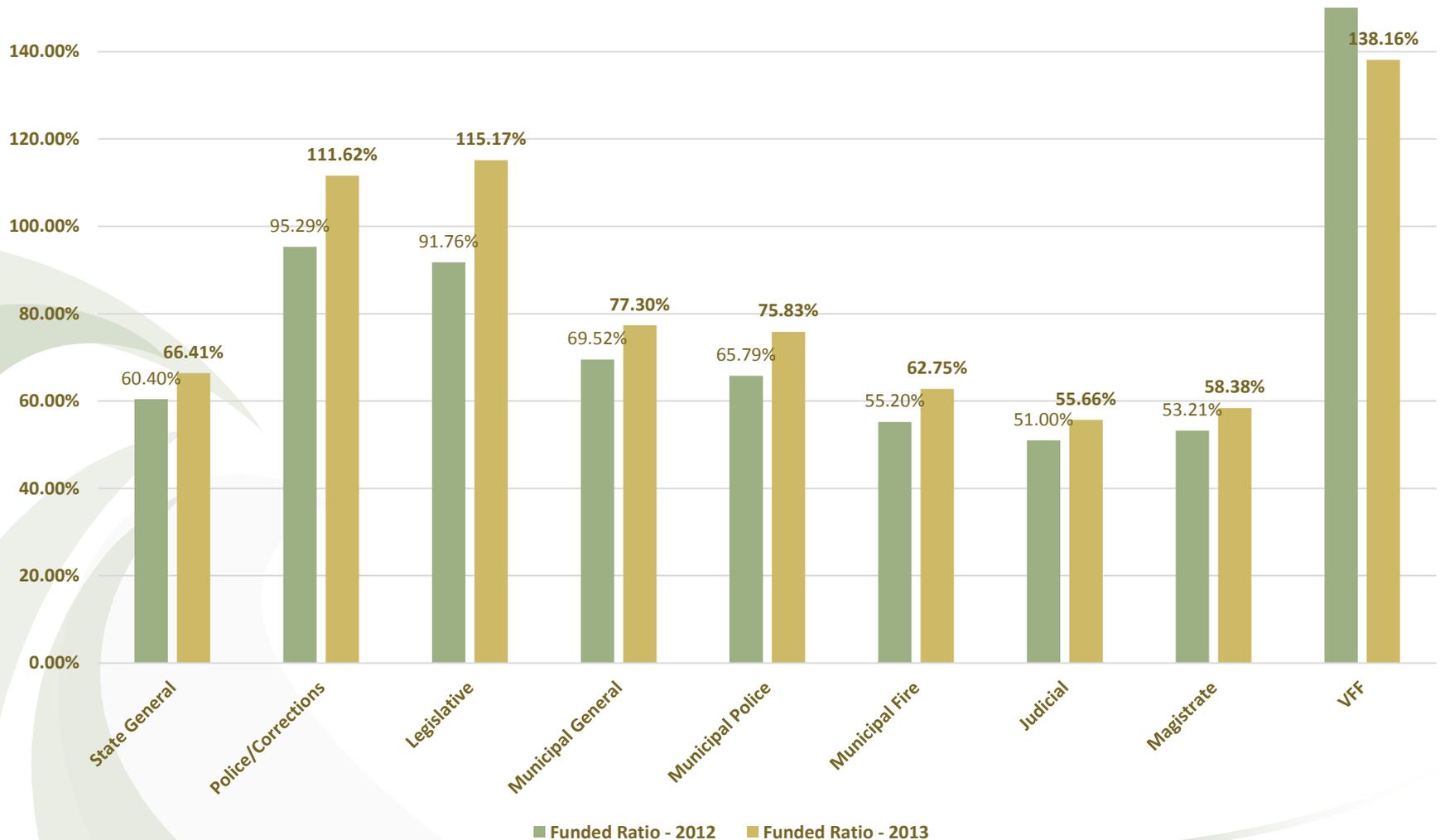
PERA Fund Reaches All-time High

- The PERA Fund reached an all time high of **\$13.8 billion** on October 22, 2013, representing a recovery of assets lost during the market downturn of 2007-2009.
- The PERA Fund had an investment gain of \$1.2 billion, a 13.26% return for FY13.
- Passage of SB27 and investment gains reduced PERA's unfunded actuarial accrued liability (UAAL) from \$6.2 billion at 6/30/12 to \$4.6 billion at 6/30/13 and increased the funded ratio from 65.3% to 72.9%.
 - The majority of the change to the UAAL and funded ratio is the result of reducing PERA's annual Cost of Living Adjustment (COLA) from 3% to 2% for current and future retirees.

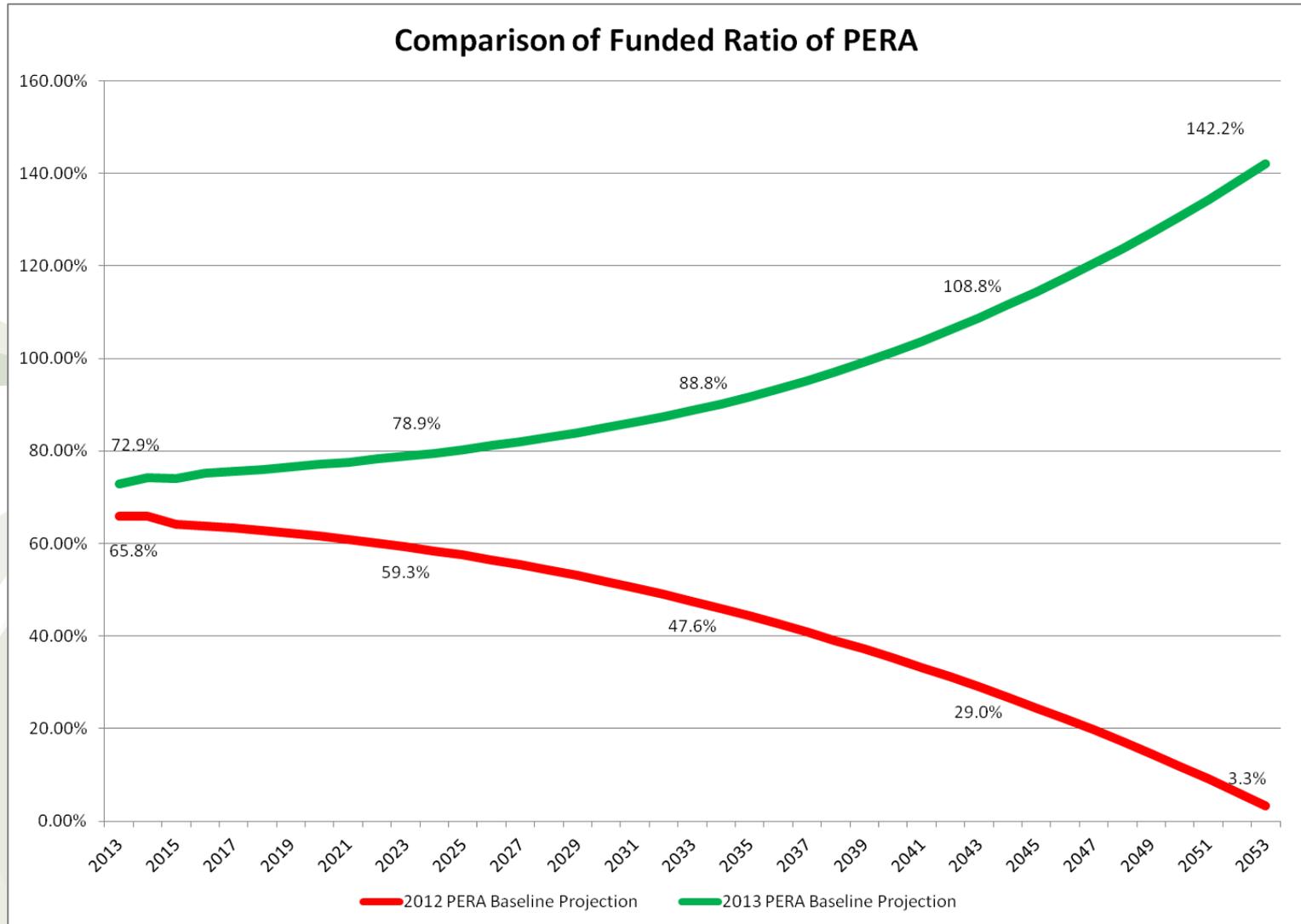
Funded Ratio by Plan June 30, 2013

Plan	Funded Ratio	
	2013	2012
PERA Total	72.9%	65.3%
State General	66.4%	60.4%
State Police/Adult Corrections	111.6%	95.3%
Municipal General	77.3%	69.5%
Municipal Police	75.8%	65.8%
Municipal Fire	62.7%	55.2%
Judicial	55.7%	51.0%
Magistrate	58.4%	53.2%
Legislative	115.2%	91.8%
Volunteer Firefighters	138.2%	167.9%

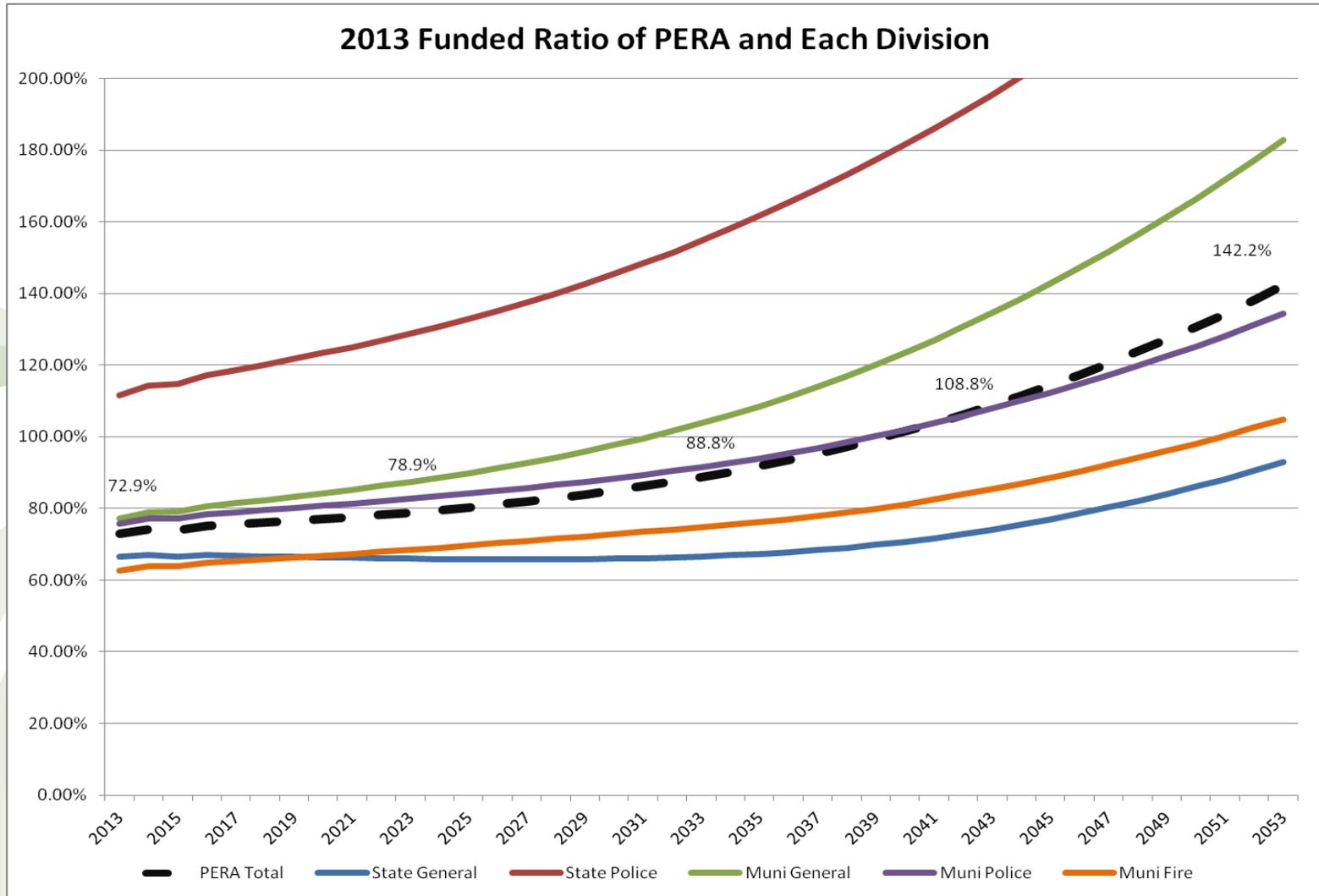
Plan Funded Ratios as a Result of SB27



Updated 30 Year Projected Funded Ratio



Plan Funded Ratio by Division



Reasons for Optimism/Reasons for Caution

- The decrease in the UAAL and increase in the funded ratio were slightly greater than expected and indicate that SB27 is working as anticipated.
- Updated 30 year projection indicate PERA will reach a funded ratio of 100% by 2040 and 108.85 by 2043, both better than expected results. However, there remains ample reason for caution.
- PERA's actuaries will conduct an experience study in the spring of 2014, testing assumptions for the period of 6/30/08 to 6/30/13 produced by the prior actuary. The study may result in revised assumptions related to retirement and mortality rates, as well as payroll growth and investment returns. Revised assumption could result in an increase to the UAAL and a decrease in funded ratios from current projections.
- PERA will begin implementing new GASB reporting requirements in 2014. While the requirements will not change PERA's funding, they will likely result in a different, and possibly higher, estimate of the unfunded liability for state accounting purposes.
- The significant reduction in the unfunded liability is similar to a one time, down payment on a house. Further reductions will be much more gradual and dependent on demographic and investment experience.
- Much of the positive impact of the changes to the PERA benefit, particularly the new tier benefit, will take years to be fully recognized.
- The PERA Board will urge caution and patience to allow the full impact of SB27 to be analyzed, as well as allow for a fuller understanding of the economic recovery and mid to long term market expectations.

PERA at a Glance for FY 2013

Active PERA Members	50,012
Retirees and Beneficiaries	31,863
Retiree Payroll	\$835,817,618
Member Contributions	\$226,164,967
Employer Contributions	\$285,560,291
Member Contribution Refunds	\$45,113,887
Active Member Payroll	\$2,049,737,510
Participating Employers	334
Retirement Plans	31
PERA Net Assets 10/13	\$13.8 billion