



Date: December 12, 2019
To: PERA Board of Trustees
From: Doug Anderson, Executive Director
Subject: PERA's Funding Values

A final version of PERA's Funding Values is attached for board discussion and approval. The final version reflects suggestions that were made at the Board Workshop that was held immediately after the October 10, 2019 board meeting. A red-line version is also attached to identify changes from the initial draft.

The final document reflects a multi-step process going back to the June Board meeting. The June Board meeting included discussing creation of a document that summarizes values that are unique to PERA's plans and provides a foundation for PERA decision making going forward. The stated intention at that time was to create a document that will enable PERA to (1) develop long-term goals, (2) anticipate, prepare for, and respond to future challenges, (3) minimize the risk for major plan changes, and (4) adopt informed and consistent positions.

An initial draft of funding values were provided at the August 8, 2019 Board meeting for discussion purposes. Staff then proceeded to accumulate historical information for each plan and determine simple plan metrics to demonstrate the current status for retired members and actively contributing employees and employers. Individual meetings were held with each Trustee to discuss the information in order to prepare for deeper discussion and refinement of the statements at the October Board Workshop.

The October 10, 2019 workshop consisted entirely of discussion about the history of each plan, current plan metrics, and the draft funding values. After lengthy discussion, the only recommendations for changes related to values #5 and #6 as noted on the red-line version.

Staff Recommendation

Staff believes that the resulting work product, PERA's Funding Values, effectively meets all of the initial intentions stated above. Staff recommends that the Board approve the funding values as prepared for use with stakeholders and legislators.



PERA's Funding Values December 12, 2019	
#1 – Funding Status	The Plan's funding ratio (Market Value of Assets / Actuarial Accrued Liability), determined using approved assumptions, should project to achieve and sustain a level of at least 100 percent within a reasonable period of time.
#2 – Approved Assumptions	Assumptions should be based upon the actuary's recommendations made in accordance with Actuarial Standards of Practice. Assumptions should not be changed exclusively for the purpose of achieving benefit or funding motives.
#3 – Amortization Period	The current Unfunded Actuarial Accrued Liability (UAAL) should be fully amortized by June 30, 2048. Subsequent annual UAAL changes resulting from actuarial gains, or losses, assumption changes, or benefit changes should be amortized over 20 years from the date of establishment.
#4 – Funding Commitment	A commitment should be made to meet the funding status goal within the amortization period by using automatic annually adjusted retiree Cost of Living Adjustments (COLAs) and periodically adjusted employee and employer contribution rates.
#5 – Contribution Allocation	The allocation of ongoing contributions between employee and employer within each Plan should reflect the goal of achieving inter-generational equity.
#6 – Supplemental Contributions	The status of supplemental contributions intended to reduce the Unfunded Actuarial Accrued Liability should be considered before contributions are reduced or benefits are enhanced.
#7 – Contribution Target	The long-term target for contributions is that the total employee and employer contributions should be approximately equal to the normal cost for the agreed upon, reasonable level of benefits.

The above statements collectively express PERA's funding values relative to the General Employees, Police & Fire, and Correctional Employees Plans. The values will be used to facilitate communication with PERA stakeholders and to set foundations for potential future legislative initiatives.



PERA's Funding Values (Post Workshop Draft)
October ~~25~~¹⁰, 2019

The following are PERA's funding values applicable to the General Employees, Police & Fire, and Correctional Employees Plans (the Plans).

Funding Value	Draft Statement
#1 - Funding Status	The Plan's funding ratio (Market Value of Assets / Actuarial Accrued Liability), determined using approved assumptions, should project to achieve and sustain a level of at least 100 percent within a reasonable period of time.
#2 - Approved Assumptions	Assumptions should be based upon the actuary's recommendations made in accordance with Actuarial Standards of Practice. Assumptions should not be changed exclusively for the purpose of achieving benefit or funding motives.
#3 - Amortization Period	The current Unfunded Actuarial Accrued Liability (UAAL) should be fully amortized by June 30, 2048. Subsequent annual UAAL changes resulting from actuarial gains, or losses, assumption changes, or benefit changes should be amortized over 20 years from the date of establishment.
#4 - Funding Commitment	A commitment should be made to meet the funding status goal within the amortization period by using automatic annually adjusted retiree Cost of Living Adjustments (COLAs) and periodically adjusted employee and employer contribution rates.
#5 - Contribution Allocation	The allocation of ongoing contributions between employee and employer <u>within each Plan</u> should <u>reflect the goal of achieving inter-generational equity remain 50%-50% for the General Plan and 40%-60% for the Police & Fire and Correctional Plans.</u>
#6 - Supplemental Contributions	<u>The status of s</u> Supplemental contributions <u>intended</u> made to reduce the Unfunded Actuarial Accrued Liability should be <u>considered eliminated</u> before <u>ongoing</u> contributions are reduced or benefits are enhanced.
#7 - Contribution Target	The long-term target for contributions is that the total employee and employer contributions should be approximately equal to the normal cost for the agreed upon, reasonable level of benefits.