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DATE: September 26, 2019
TO: SVFRP Advisory Board
FROM: Doug Anderson, Executive Director
SUBJECT: Plan Funding Status Discussion

The vast majority of entities that participate in the SVFRP currently have assets in excess of their actuarial accrued liabilities. As of December 31, 2019, the SVFRP in the aggregate is expected to be 123 percent funded if the 6 percent investment return assumption is realized.

PERA staff will discuss how these measurements are determined and provide further analysis on the funding status of the participating entities. In addition to simply reporting on the current funding status, staff will provide detail regarding which plans are expected to see further increases to their surplus and which plans are currently requiring additional contributions over and above what is provided from Fire State Aid.

During the past year, PERA initiated interaction with representatives from the participating entities to better inform them of their current funding status as well as the expected funding status under alternative benefit scenarios. Attached is an example of the correspondence developed for that purpose. Staff will review the process outlined in the document and the resulting impact of that effort.

Department:

Benefit Level Review

As of July 19, 2019

The purpose of this review is to provide an analysis of your annual financial requirement, the cost of being in the pension business, compared to the amount of annual reductions, Fire State Aid and investment earnings, based on your current benefit level. At a minimum, the amount of the annual Fire State Aid should be dedicated to cover those financial requirements.

If a portion of your annual Fire State Aid is not dedicated to the annual financial requirement, please consider the information below in determining if your entity should request a cost analysis for a benefit level increase. We have provided an estimated benefit level at which the annual Fire State Aid would cover the annual financial requirement.

If you have dedicated your annual Fire State Aid along with a portion of your annual investment earnings, we have provided an estimated benefit level at which the annual Fire State Aid along with the annual 6% investment earning would cover the annual financial requirement. An upper range, if you will.

Sponsoring organizations with benefit levels that incur annual financial requirements greater than the annual reduction amount will owe a required contribution.

Outcome:

Portion of Fire State Aid is not dedicated to annual financial requirement.

Current Benefit Level Analysis

Current Benefit Level:	\$ 900
Financial Requirement at 12/31/2020	\$ 7,022
Fire State Aid	\$ 17,132
6% Interest on Projected Present Assets	\$ 14,166

For your information, below is the estimated benefit level where the annual Fire State Aid would cover the annual financial requirement. You may consider this amount if you choose to submit a request for a cost analysis for a benefit level increase.

Estimated Benefit Level Analysis Fire State Aid = Financial Requirement

Estimated Benefit Level:	\$ 1,200
Financial Requirement at 12/31/2020	\$ 17,786
Fire State Aid	\$ 17,132

Please note that the amount of estimated annual investment earnings is available to further cover your annual financial requirement.

For your information, below is the estimated benefit level where the annual Fire State Aid along with the annual investment earnings cover the annual financial requirement.

Estimated Benefit Level Analysis FSA plus Investment Earnings = Financial Requirement

Estimated Benefit Level:	\$ 1,600
Financial Requirement at 12/31/2020	\$ 32,136
Fire State Aid	\$ 17,132
6% Interest on Projected Present Assets	\$ 14,166

We hope this review provides guidance for your organization relating to a range of benefit levels, the financial requirements at those levels, and reductions available to cover those financial requirements.

The request for a cost analysis of a benefit level increase form is attached to this email if you would like to have more detailed information provided to you pertaining to various benefit levels.