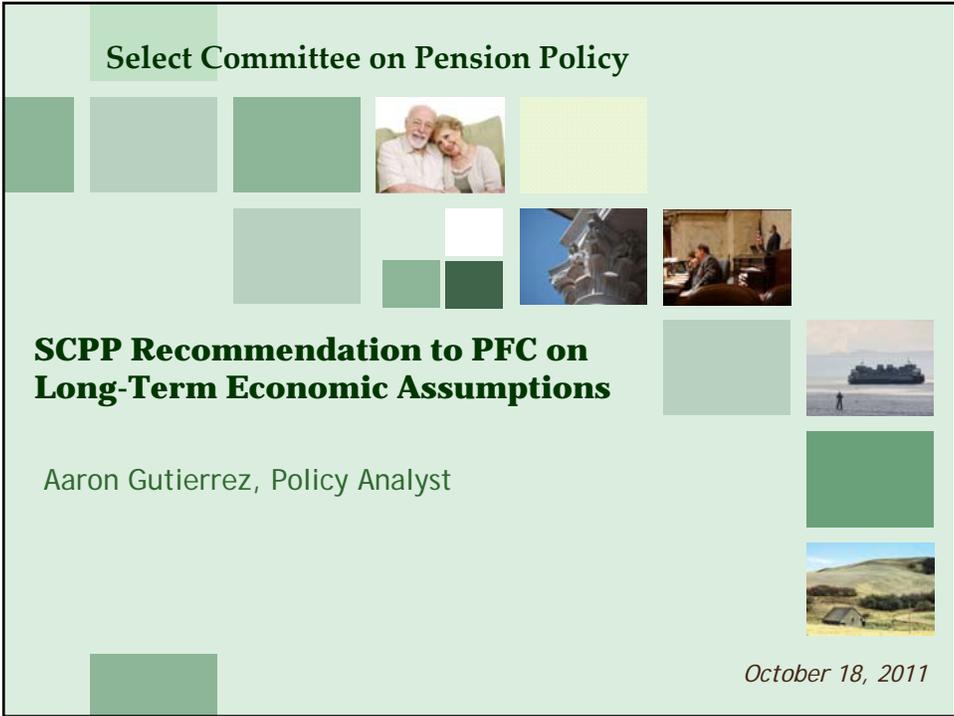


Select Committee on Pension Policy



SCPP Recommendation to PFC on Long-Term Economic Assumptions

Aaron Gutierrez, Policy Analyst

October 18, 2011

Action Item: Recommend Changes In Economic Assumptions To The PFC

- Review of economic assumptions is required by law every two years
- Three steps to process
 1. OSA studies and recommends assumptions to the PFC and SCPP
 - a. SCPP received OSA's recommendations at September meeting
 2. SCPP makes own recommendations on assumptions to the PFC
 3. The PFC may adopt changes to assumptions by October 31

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Several Assumption Changes Recommended

Assumption	Current	Recommended
Inflation	3.50%	3.00%
General salary growth	4.00%	3.75%
Annual investment return	8.00%	7.50%
Growth in system membership	0.90% (TRS) 1.25% (Others)	0.80% (TRS) 0.95% (Others)

- Current assumptions are reasonable, but not best estimate
- Adopting recommended changes
 - Improves long-term health
 - Worsens short-term budget impact
- Phase-in of investment return assumption would lessen short-term budget impact

Recommended Investment Return Phase-In

Recommended Phase-In Investment Return Assumption	
Biennium	Assumption
2011-13	8.00%
2013-15	7.90%
2015-17	7.80%
2017-19	7.70%
2019-21	7.60%
2021-23	7.50%

- For more information, please see the state actuary's *Recommendations For Long-Term Economic Assumptions* in the meeting packet

Budget Impact With No Phase-In

Increase in Contributions from Adopting Full Recommendation						
(Dollars in Millions)	PERS	TRS	SERS	PSERS	WSPRS	Total
2013-2015						
General Fund	\$69.7	\$157.8	\$28.7	\$4.8	\$0.1	\$261.1
Non-General Fund	99.4	0.0	0.0	0.5	1.2	101.1
Total State	\$169.1	\$157.8	\$28.7	\$5.3	\$1.3	\$362.1
Local Government	180.8	80.2	35.7	1.5	0.0	298.1
Total Employer	\$349.9	\$238.0	\$64.4	\$6.8	\$1.3	\$660.3
Total Employee	\$193.3	\$25.6	\$18.4	\$3.9	\$1.3	\$242.4

Note: Revised from August 31, 2011 report.
Totals may not agree due to rounding.



Budget Impact With Phase-In

Increase in Contributions from Adopting Phase-In						
(Dollars in Millions)	PERS	TRS	SERS	PSERS	WSPRS	Total
2013-2015						
General Fund	\$7.5	\$15.8	\$3.4	\$0.6	\$0.0	\$27.4
Non-General Fund	10.7	0.0	0.0	0.1	(0.1)	10.7
Total State	\$18.3	\$15.8	\$3.4	\$0.6	(\$0.1)	\$38.0
Local Government	19.5	8.1	4.3	0.2	0.0	32.0
Total Employer	\$37.8	\$23.9	\$7.7	\$0.8	(\$0.1)	\$70.0
Total Employee	\$3.7	(\$0.4)	\$0.7	(\$0.2)	(\$0.1)	\$3.8

Note: Revised from August 31, 2011 report.
Totals may not agree due to rounding.



Contribution Rate Impact With No Phase-In

Increase in Contribution Rates from Adopting Full Recommendation (Effective 7/1/2013)					
2013-2015 State Budget	PERS	TRS	SERS	PSERS	WSPRS*
Employee (Plan 2)	1.39%	1.52%	1.52%	0.71%	0.63%
Employer					
Current Annual Cost	1.39%	1.52%	1.52%	0.71%	0.63%
Plan 1 Past Cost	0.51%	0.89%	0.51%	0.51%	N/A
Total Employer	1.90%	2.41%	2.03%	1.21%	0.63%

* Represents change in minimum contribution rate.

Contribution Rate Impact With Phase-In

Increase in Contribution Rates from Adopting Phase-In (Effective 7/1/2013)					
2013-2015 State Budget	PERS	TRS	SERS	PSERS	WSPRS*
Employee (Plan 2)	0.04%	0.02%	0.08%	(0.02%)	(0.06%)
Employer					
Current Annual Cost	0.04%	0.02%	0.08%	(0.02%)	(0.06%)
Plan 1 Past Cost	0.16%	0.21%	0.16%	0.16%	N/A
Total Employer	0.20%	0.23%	0.23%	0.13%	(0.06%)

* Represents change in minimum contribution rate.

Next Steps

- Make recommendation to PFC
- Possible options
 - No changes to current assumptions
 - Adopt actuary's recommended changes
 - Adopt actuary's recommended changes with a phase-in