

Issue Digest

Contribution Rate Setting Overview

Issue

The SCPP has a statutory duty to make a recommendation to the Pension Funding Council (PFC) regarding the contribution rates for the state's retirement systems during the 2015-17 Biennium.

Background

- ❖ Statute requires contribution rates be set every two years for the upcoming biennium. Therefore, rates adopted in the 2014 Interim are effective for the 2015-17 Biennium.
- ❖ The SCPP receives the results of the Actuarial Valuation Report (AVR) and audit reports and makes a recommendation regarding rates to the PFC.
- ❖ The PFC is statutorily required to adopt rates by July 31, 2014. The rates are subject to revision by the Legislature.
- ❖ OSA calculates contribution rates based on the AVR, which includes updated demographic assumptions from the most recent experience study.
- ❖ Statute requires OSA to perform a Demographic Experience Study every six years. In the study, demographic assumptions (people and behavior-related assumptions) are reviewed and updated to reflect actual experience and the actuaries' professional judgment for the future. Preliminary results of the most recent experience study covers the time period between 2007 and 2012.
- ❖ Preliminary results of the most recent AVR and Demographic Experience Study will be available at the June SCPP meeting.

Question For Today's Meeting

Does the committee need further information from staff to be fully prepared to make a rate recommendation to the PFC at the July SCPP meeting?

Fiscal Impact

Preliminary fiscal impacts will be provided at the June meeting.