Plan 1 UAAL

Background

In brief, Unfunded Actuarial Accrued Liability (UAAL) exists any time a plan does not have sufficient assets to cover earned pension liabilities. A closed plan with UAAL may have enough assets to pay many years' worth of benefits, but without additional contributions may eventually exhaust its assets prematurely. Only Public Employees' Retirement System (PERS) 1 and Teachers' Retirement System (TRS) 1 currently have a UAAL as of June 30, 2013.

Paying off the Plans 1 UAAL requires separate contributions in addition to the normal annual contributions to the plan. These additional contributions are made by employers only.

In 2009, the Legislature adopted a new method to pay off, or amortize the UAAL. Compared with the prior funding method, the current method:

- Requires minimum employer contribution rates.
- Minimized year-to-year volatility (spikes) in contribution rates.

Key Sources Of UAAL In The Plans 1

- Prior funding method (pre-2009).
- Past underfunding.
- Certain benefit improvements.
- Asset losses from the Great Recession.
- Lowering of the investment return assumption.
- Longer assumed lifespans.

Current Amount

Unfunded Liability On An Actuarial Value Basis*		
(Dollars in Billions)	PERS	TRS
	Plan 1	Plan 1
Unfunded Liability	**$4.7**	**$2.6**

**Preliminary results as of the June 30, 2013, Actuarial Valuation, which incorporates preliminary impacts from the Demographic Experience Study.*

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