

## Pensions and Retirement Overview - JFO - 12/18/2013

- Investment returns for FY13 for the all pension funds: 8.6%
- The state employees' and the state teachers' systems are at long-term lows for percentage of funding levels
- The state employees: (VSERS) The FY13-funded percentage is 76.8%. FY12 results were 77.8%
  - The FY 2015 recommended contribution is \$44,651,783 compared with \$40,217,666 in FY 2014 – a \$4.4M increase or 11% year over year [**Upward pressures: financing unfunded liability & payroll growth**]
- State teachers (VSTRS): The FY13-funded percentage is 60.5% FY12 results were 61.6%
  - The FY 2015 recommended contribution is \$73,859,170 as compared with \$68,352,825 in FY 2014 – a \$5.5M increase or 8% year over year [**Upward pressure: financing unfunded liability and retiree health care cost**]

### Focus: Teachers Retirement:

- No explicit funding of administrative (including health care) expenses. [State employee system does not include health care in administrative expenses as it remains a department budget expense]
- Health care expenses are treated as an actuarial loss, added to the unfunded liability and then amortized over the remaining payment period.
- Funding would require over \$20 million, increasing with inflation on an annual basis

### Key Concerns:

- Funding is at a critical point for Teachers system. Falling below 60% is a shared concern for system and larger financial reasons
- The advent of a single payer system could impact this problem in the longer term. However, there is a strong need to address this problem now
- The Teachers, the Schools and the State are all part of the system and share concerns and capability for a solution

### Solutions.

- Establish a separate trust to account for the assets and liabilities of the retiree medical benefit plan.
- Annual contributions to the trust separately identified in the State budget and not commingled with Retirement Plan contributions.
- A funding source in place