

Pension Funding and Unfunded Accrued Liability

Presented to:

House Committee on Appropriations

April 17, 2023

By:

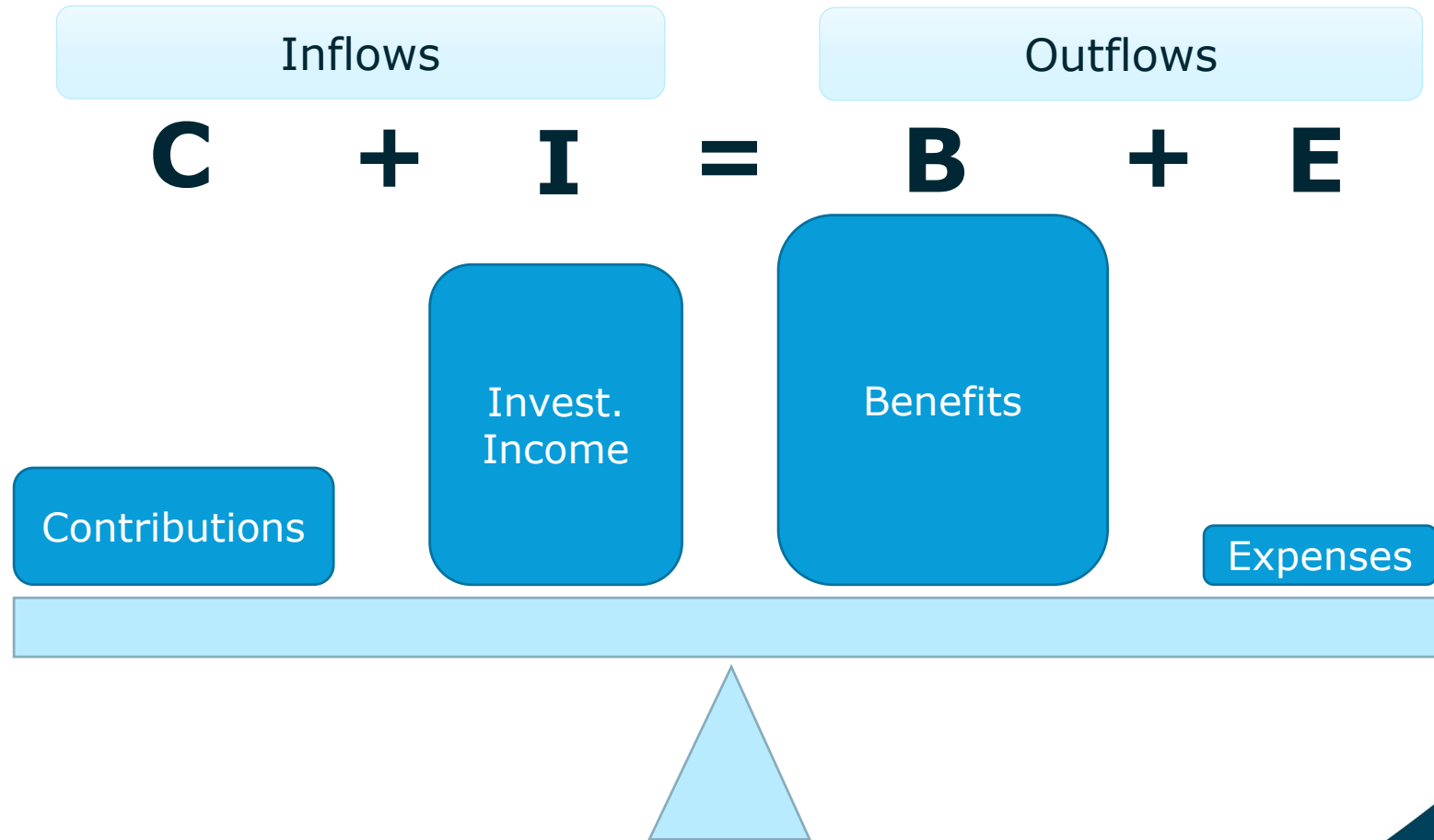
Kenneth J. "Kenny" Herbold, ASA, EA, CFA

Director of Actuarial Services

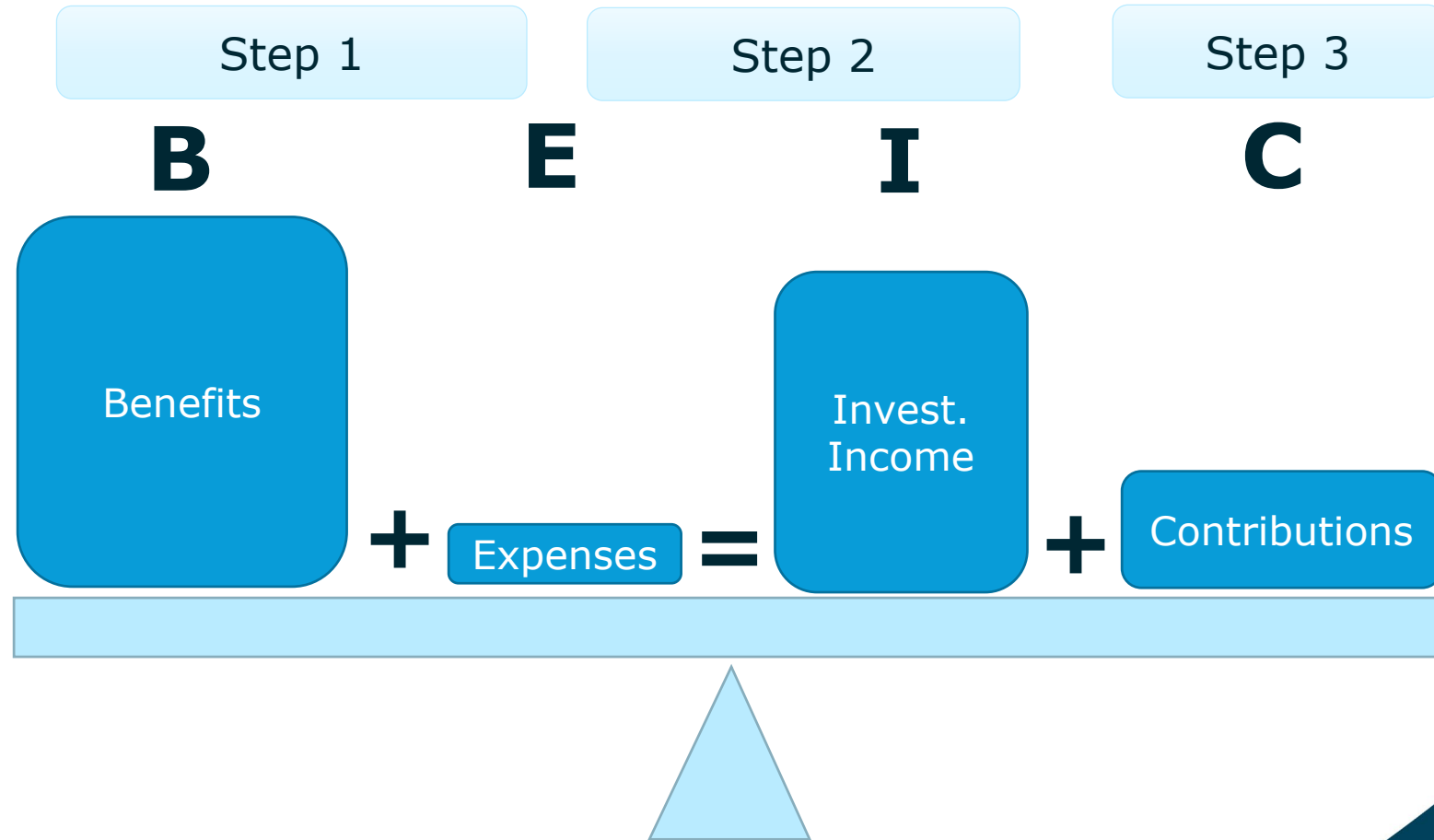
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Pension Funding Equation



Pension Funding Development

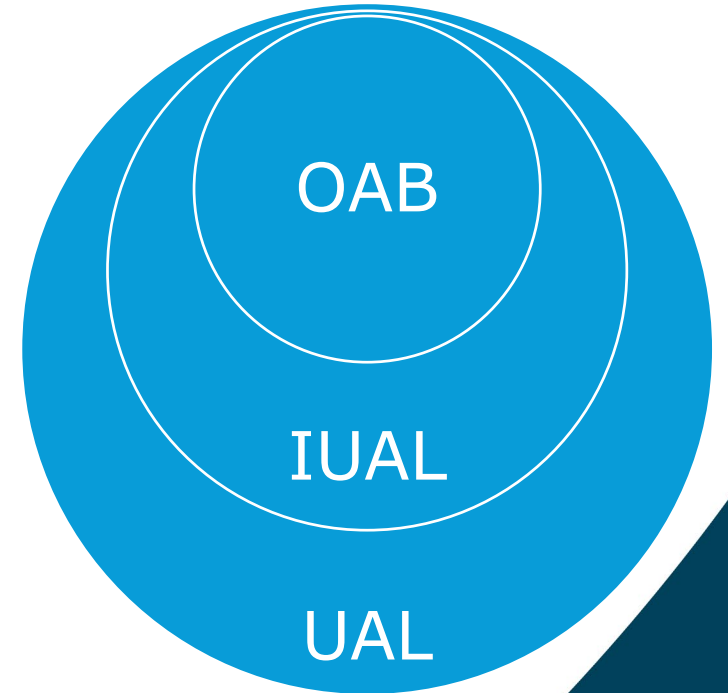


Contributions

- Employee Contributions – Generally fixed % of pay
- Employer Contributions – Formula outlined in statute
 - Administrative Expenses
 - Employer Normal Cost
 - Unfunded Accrued Liability
 - Calculated as total \$ requirement on a plan-wide basis (with some exceptions for merged groups)
 - Communicated to employers as a % of pay
- Legislative Appropriations
 - Statutorily required
 - Ad-hoc

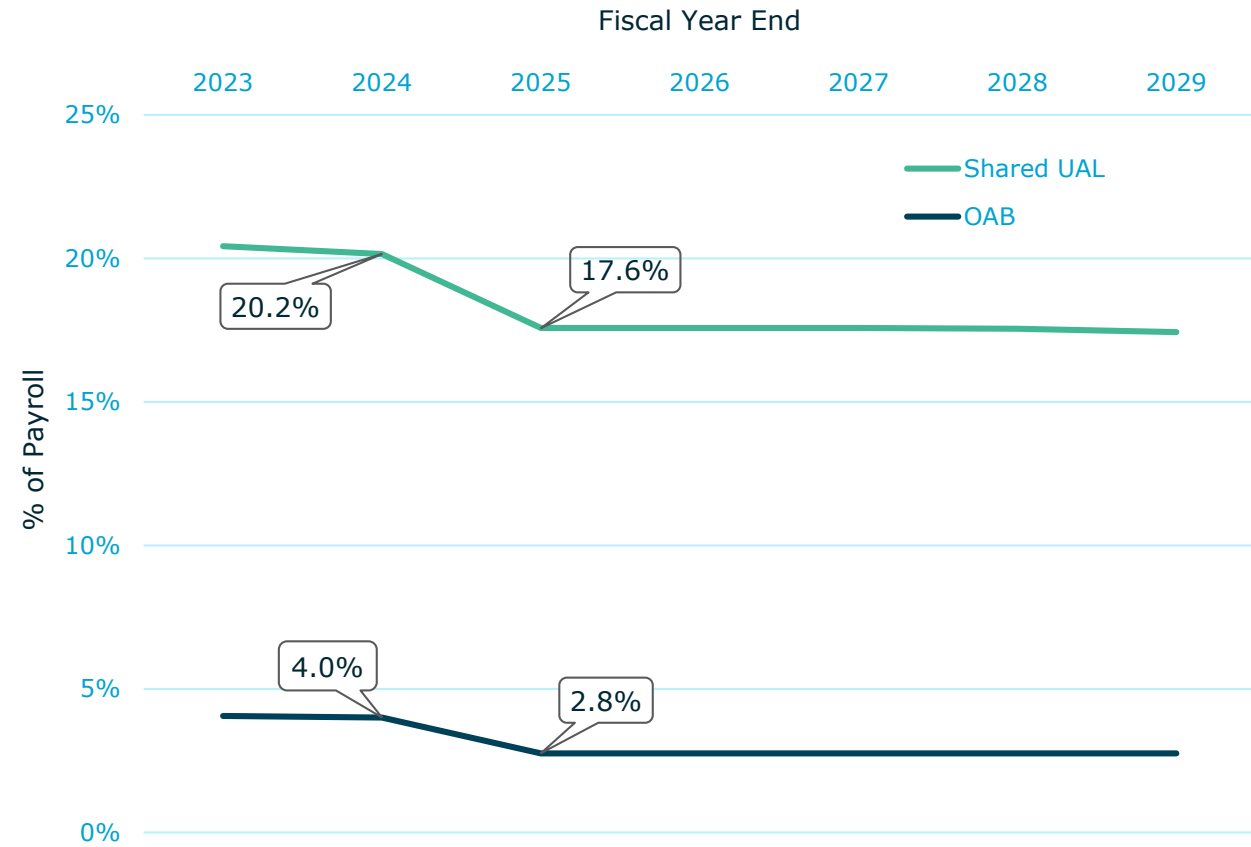
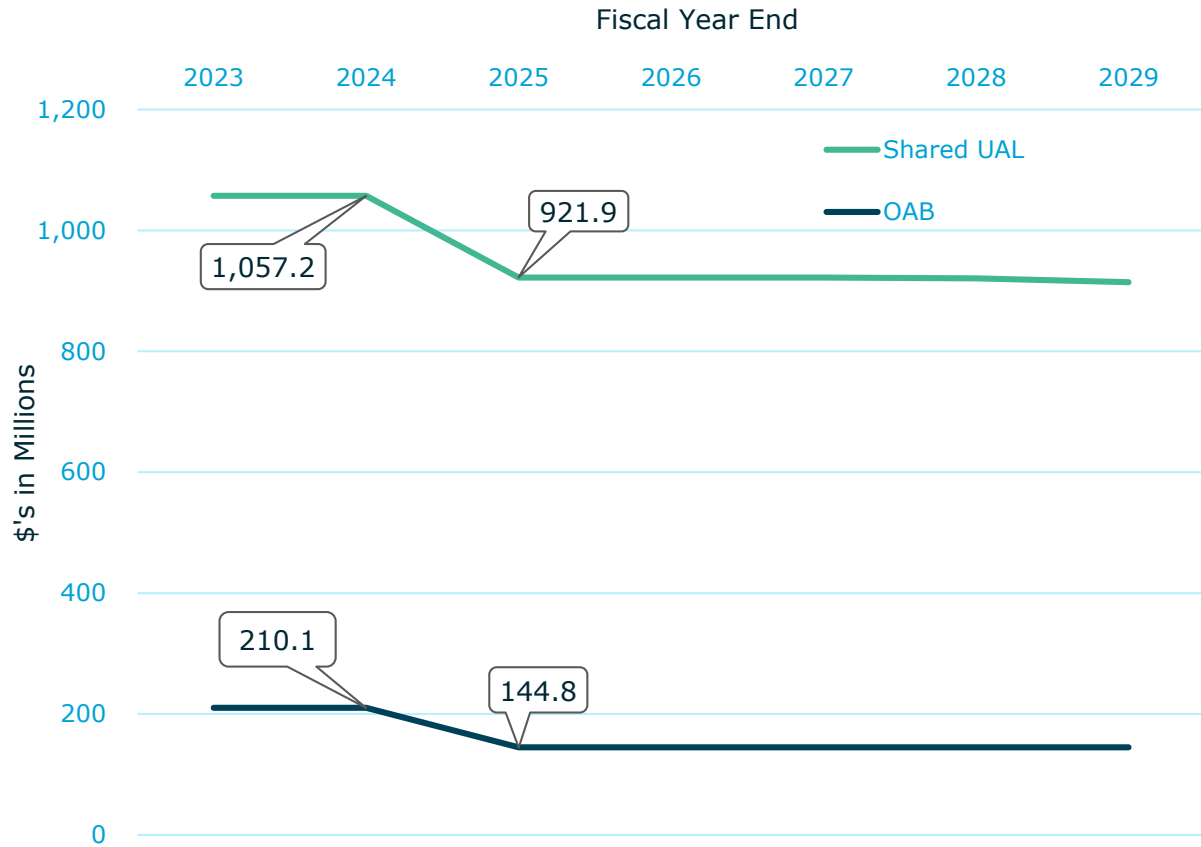
Unfunded Accrued Liability

- **IUAL:** The Initial Unfunded Accrued Liability is the unfunded accrued liability **as of June 30, 1988.**
- **OAB:** The Original Amortization Base was formed by offsetting the IUAL debt schedule by certain other gain schedules **effective July 1, 2010.**
- **UAL:** The Unfunded Accrued Liability is the difference between the accrued liability and the valuation assets **as of the valuation date.** It is composed of all outstanding (positive and negative) amortization bases, including the OAB.



UAL Amortization Payments

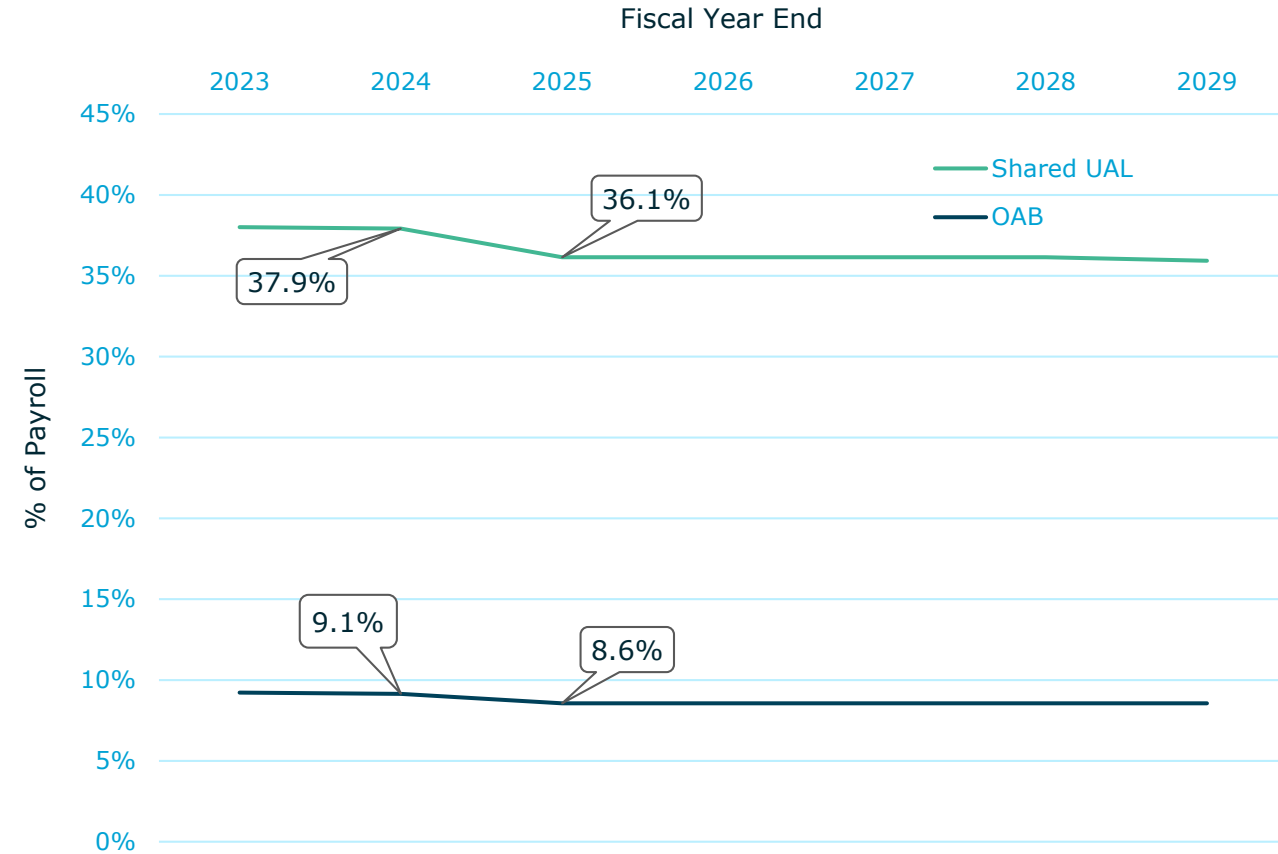
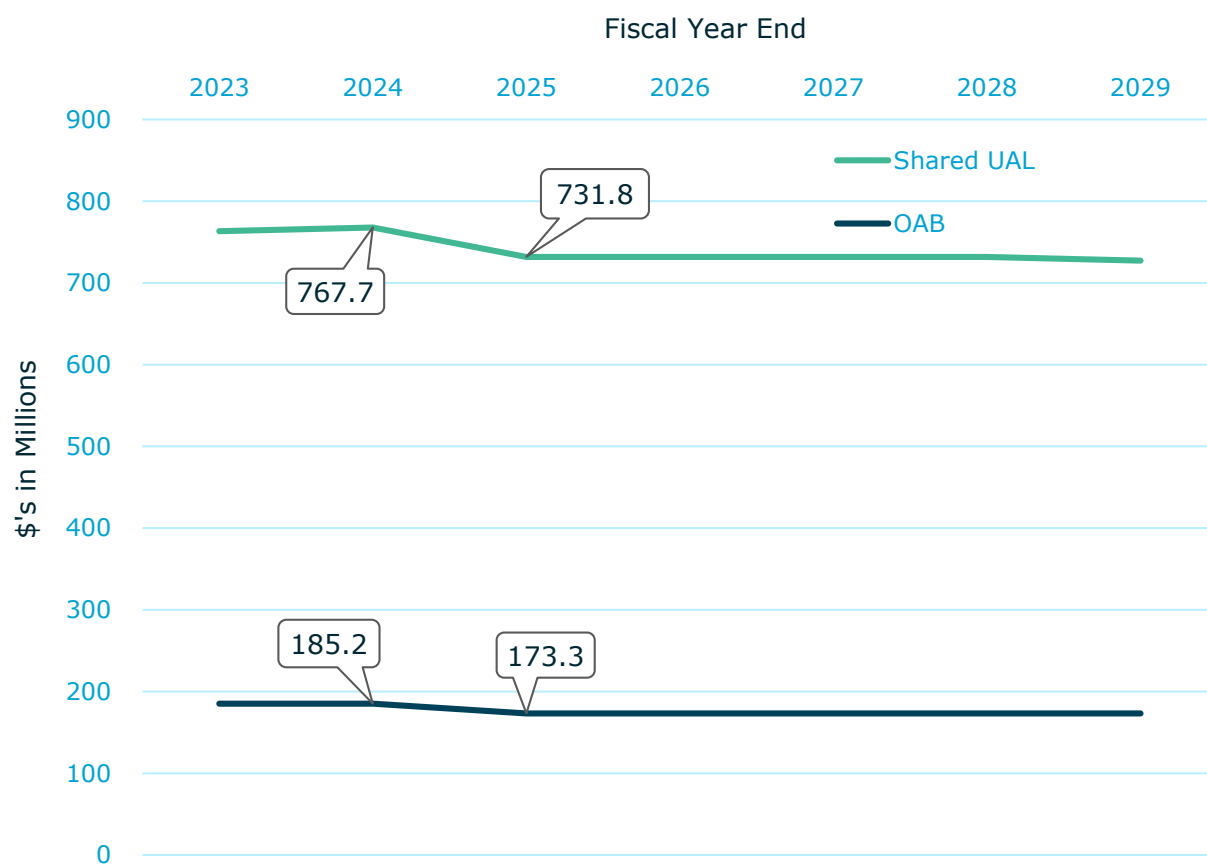
TRSL



Estimated based on the June 30, 2022 valuation results plus expected 2023 surplus allocation to the OAB. Payroll for 2024 and beyond is assumed to remain the same.

UAL Amortization Payments

LASERS

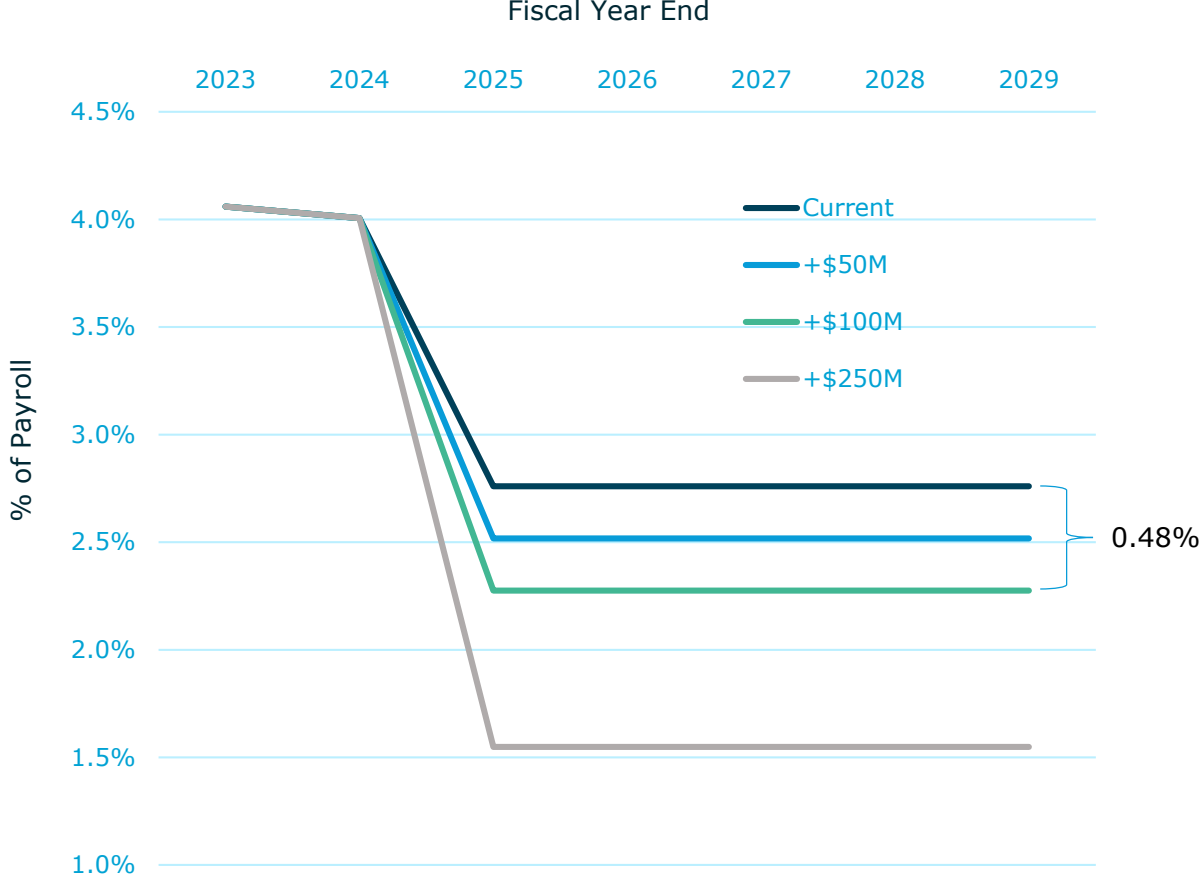
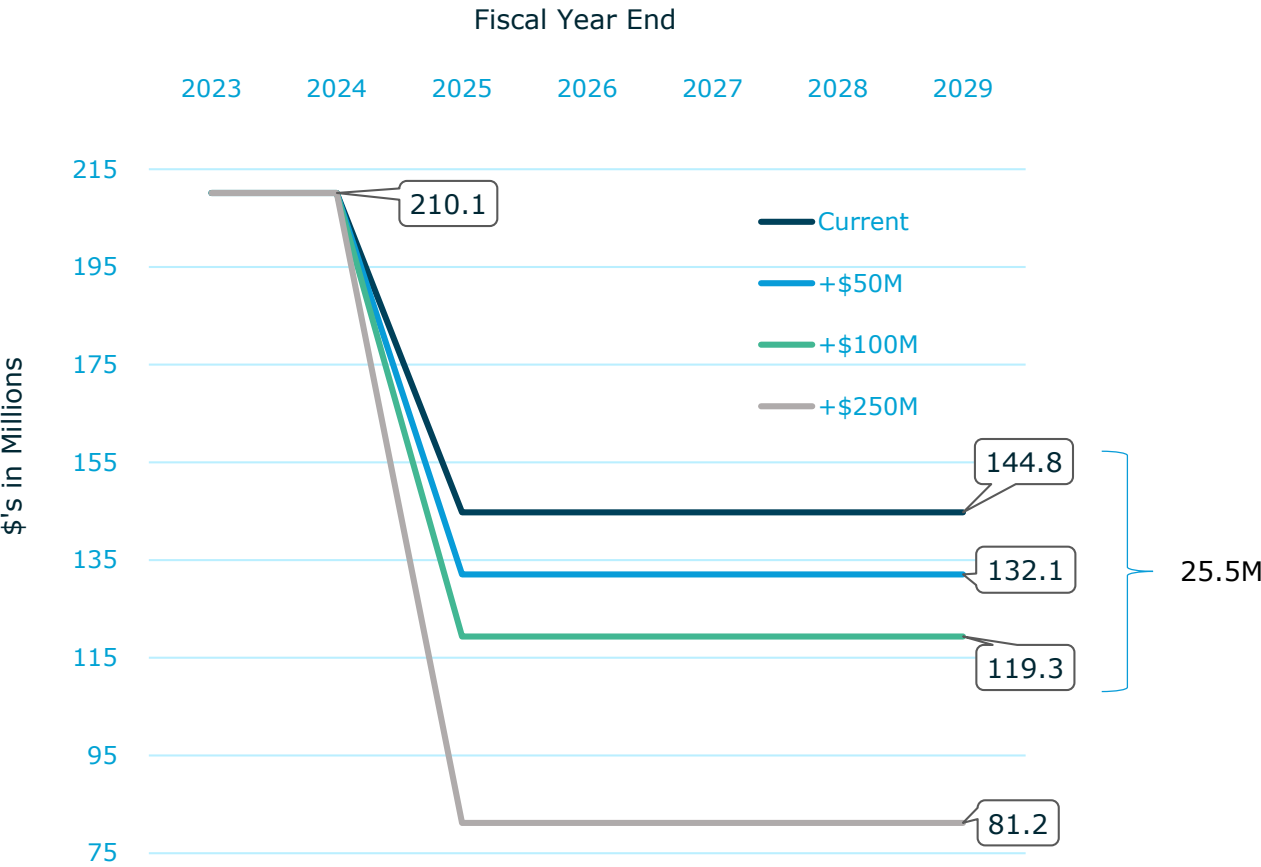


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Impact of Additional Allocations

TRSL

OAB Amortization Payments

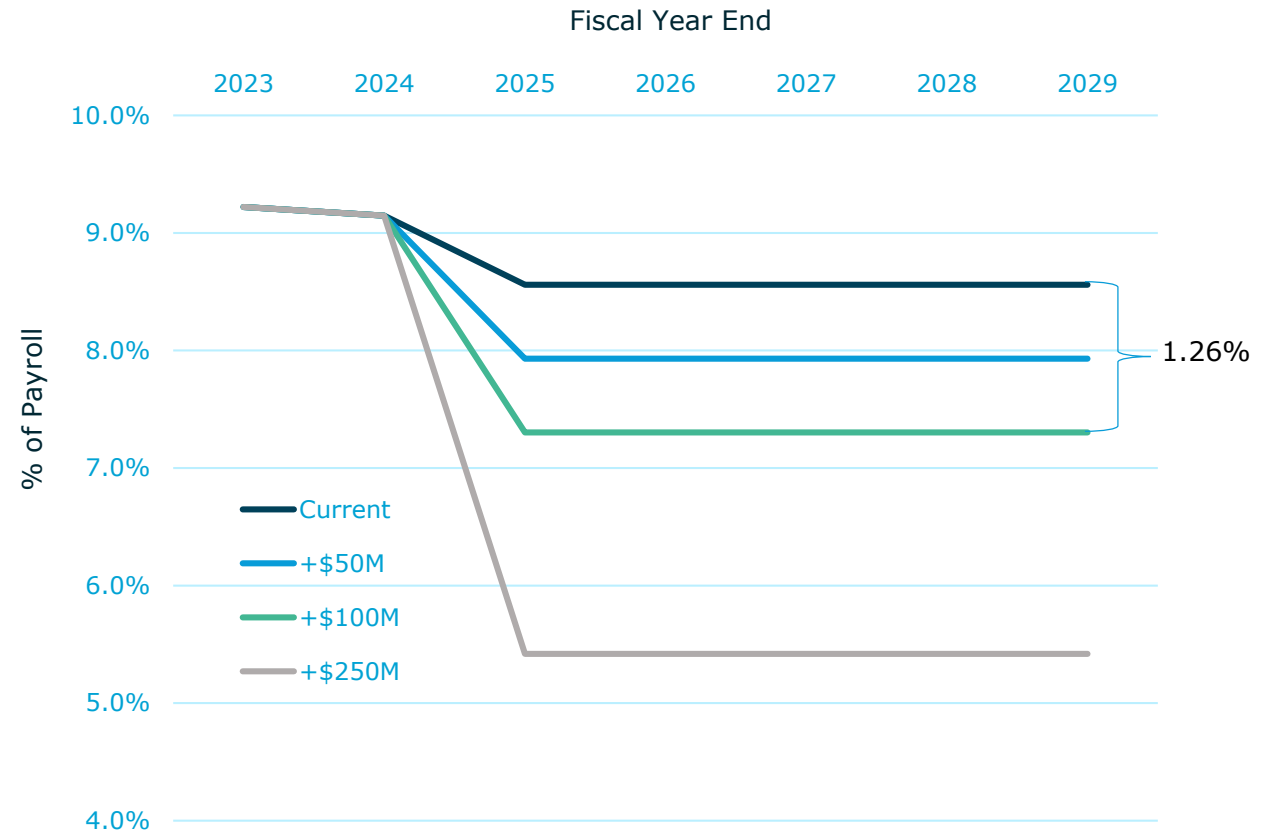
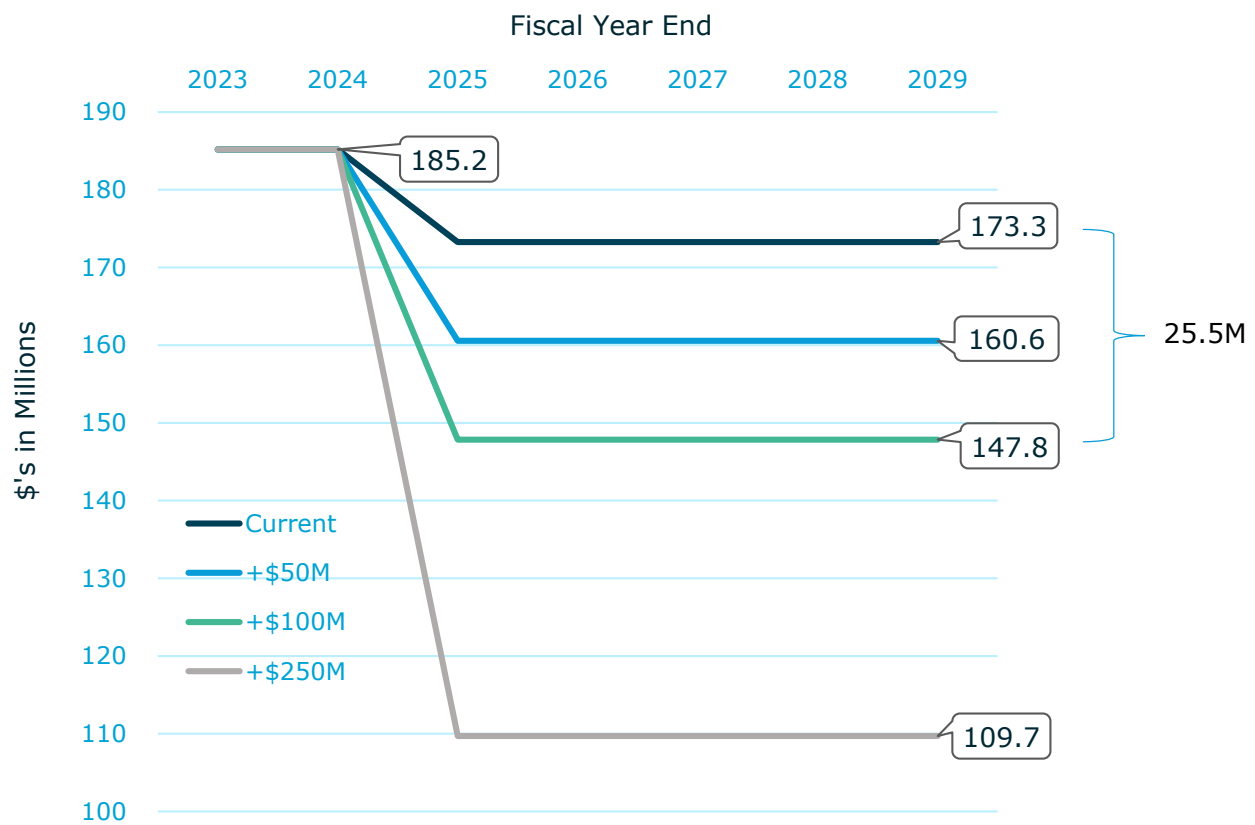


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Impact of Additional Allocations

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OAB Amortization Payments



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Additional Considerations

- Alternative allocation instructions
- Other timing considerations
- Source of funding
- Other legislation

Questions?

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