

Decisions on the Death Benefit Plans

Death Benefit Plan for Members of the Teachers and State Employees' Retirement System

Issue: The actuarial valuation of the Death Benefit Plan for members of the Teachers' and State Employees' Retirement Systems as of December 31, 2014 shows that the Plan has liabilities of \$213,446,992. Against these liabilities, the Plan has present assets of \$35,268,316. Prospective contributions by the State based on a 0.16% contribution rate have a value of \$203,280,493. The present and prospective assets, which amount to \$238,548,809, exceed the liabilities of \$213,446,992 (a surplus of \$25,101,817). However, subsequent to the valuation report, an experience study has been performed. Based on the proposed assumptions from the experience study, the liabilities decrease to \$181,103,814 while the prospective assets increase to \$218,318,121 (increasing the surplus to \$72,482,623).

Option One – Recommend no change to Current Benefit Structure Based on Approved Experience Study Assumptions:

Recommend no change to the current benefit structure.

Death Benefit Plan for Members of the Local Governmental Employees' Retirement System

Issue: The actuarial valuation of the Death Benefit Plan for Members of the Local Governmental Employees' Retirement System as of December 31, 2014 shows that the Plan has total liabilities of \$60,665,132. Against these liabilities, the Plan has present assets of \$80,277,033. Prospective contributions by the participating employers have a value of \$40,665,237. The total present and prospective assets amount to \$120,942,270, which exceeds the liabilities of \$60,665,132 (a surplus of \$60,277,138). However, subsequent to the valuation report, an experience study has been performed. Based on the proposed assumptions from the experience study, the liabilities decrease to \$57,927,707 while the prospective assets increase to \$45,009,695 (increasing the surplus to \$67,359,021).

Option One – Recommend no change to Current Benefit Structure Based on Approved Experience Study Assumptions:

Recommend no change to the current benefit structure.

Separate Insurance Benefits Plan for Law Enforcement Officers

Issue: The actuarial valuation of the Separate Insurance Benefits Plan for Law Enforcement Officers as of December 31, 2014 shows that the Plan has liabilities of \$24,108,840. Against these liabilities, the Plan has present assets of \$69,169,247 (a surplus of \$45,060,407). However, subsequent to the valuation report, an experience study has been performed. Based on the proposed assumptions from the experience study, the liabilities increase to \$32,336,851 (decreasing the surplus to \$36,832,396). Since current assets are more than adequate to support the benefits, the contributions to the Plan could continue to be suspended or benefits could be improved.

Option One – Recommend no change to Current Benefit Structure Based on Approved Experience Study Assumptions:

Recommend no change to the current benefit structure.

Retirees' Contributory Death Benefit Plan

Issue: The actuarial valuation of the Retirees' Contributory Death Benefit Plan as of December 31, 2014 shows that the Plan has liabilities of \$455,848,041. Against these liabilities the Plan has present assets of \$235,350,296. Prospective contributions have a value of \$189,773,434. The total present and prospective assets amount to \$425,123,730, which are less than the liabilities of \$455,848,041 (an unfunded amount of \$30,724,311). However, subsequent to the valuation report, an experience study has been performed. Based on the proposed assumptions from the experience study, the liabilities increase to \$536,695,107 while the prospective assets increase to \$242,209,442 (increasing the unfunded amount to \$59,135,369). The current assets and contribution rates of the Retirees' Contributory Death Benefit Plan are not adequate to address the \$59 million gap between assets and liabilities. The plan provisions and/or contribution rates should be changed to reverse this projected shortfall.

Three Policy Options for Consideration by the Board of Trustees

Option One – Recommend no change to Current Benefit Structure Based on Approved Experience Study Assumptions:

Recommend no change to the current benefit structure.

Option Two – Increase to Premiums to Fund the Liability Based on Approved Experience Study Assumptions for the Retirees' Contributory Death Benefit Plan:

Increase the premiums for members who retire on March 1, 2017 or later. The increased premium amounts are noted in the letter from the actuary dated April 13, 2016 and will help mitigate future growth of the deficit due to future retirees.

Option Three – Increase tot Premiums to Fund the Liability and a Decrease in the Interest Paid on Return of Contributions Based on Approved Experience Study Assumptions for the Retirees' Contributory Death Benefit Plan:

Increase the premiums for members who retire on March 1, 2017 or later and decrease the interest paid on return of contributions to 1.20%. The increased premium amounts are noted in the letter from the actuary dated April 13, 2016 and will help mitigate future growth of the deficit due to future retirees.



Prepared by Staff of the Retirement Systems Division,
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