2013 NCPERS
Public Retirement System Study

October 2013

Study conducted by the
National Conference on Public Employee Retirement Systems and
Cobalt Community Research

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This study reviews funds' current fiscal condition and steps they are taking to ensure fiscal and operational integrity

Overview

Public funds are more confident of addressing retirement trends and issues over the next two years through lower expenses, active administration, solid investment returns and benefit adjustments

About Cobalt Community Research

Cobalt Community Research is a nonprofit research coalition created to help governments, local schools and other nonprofit organizations measure, benchmark and manage their efforts through high-quality affordable surveys, focus groups and facilitated meetings. Cobalt is headquartered in Lansing, Michigan.

Executive Summary

In August and September 2013, the National Conference on Public Employee Retirement Systems (NCPERS) undertook a comprehensive study exploring retirement practices of the public sector. In partnership with Cobalt Community Research, NCPERS has collected and analyzed the most current data available on member funds' fiscal condition and steps they are taking to ensure fiscal and operational integrity.

The *2013 NCPERS Public Employee Retirement System Study* includes responses from 241 state, local and provincial government pension funds with a total number of active and retired memberships surpassing 12.4 million and assets exceeding $1.4 trillion. The majority – 82 percent – were local pension funds, while 18 percent were state pension funds.

The study finds that public funds continue to respond to changes in the economic, political and social landscape by adopting substantial organizational and operational changes to ensure long-term sustainability for their stakeholders. Efforts include increasing age and service requirements, tightening retiree return to work rules, reducing wage inflation, stronger operational practices and more diligent oversight .

NCPERS is the largest trade association for public sector pension funds, representing more than 550 funds throughout the United States and Canada. It is a unique nonprofit network of public trustees, administrators, public officials and investment professionals who collectively manage nearly $3 trillion in pension assets. Founded in 1941, NCPERS has been the principal trade association working to promote and protect pensions by focusing on advocacy, research and education for the benefit of public sector pension stakeholders.

Overview *- Continued*

2013 Key Findings

1. Public funds are becoming more confident of their readiness to address retirement trends and issues over the next two years. Respondents' overall confidence rating increased to 7.8 on a 10-point scale (very satisfied =10) compared with the 2012 score of 7.7.

2. Public funds are becoming more cost effective. The average expense for respondents to administer the funds and to pay investment manager fees is 57.3 basis points (100 basis points equals 1 percentage point). This is a significant decrease from 2012 level of 73.1. According to the *2012 Investment Company Fact Book*, the average expenses of most equity/hybrid mutual funds average 77 basis points. This means funds with lower expenses provide a higher level of benefit to members and produce a higher economic impact for the communities those members live in than most mutual funds.

3. Funds are continuing to tighten benefits, assumptions and governance. Examples include a continued trend to raise benefit qualification requirements, to lower assumed rates of return, to shorten amortization periods and to lower the number of retirees receiving health care benefits.

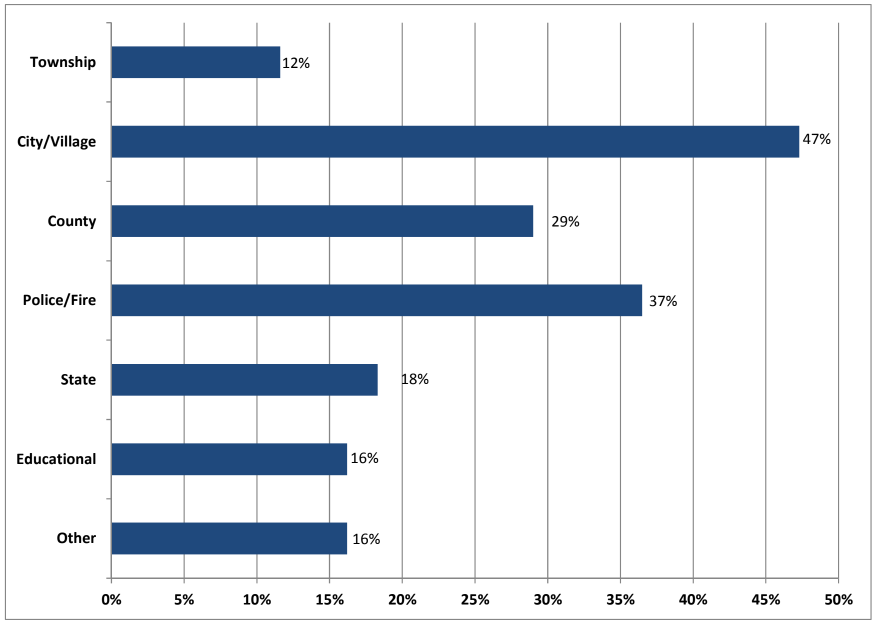
4. Funds are experiencing healthy 1-year, 3-year and 20-year returns. While 5- and 10-year returns continue to sag because of the 2009 market experience, respondents' work to strengthen investment discipline points to long-term improvement in funded status.

5. Funds experienced an expected short-term decline in average funded level. NCPERS funds report an average funded level of 71.5 percent, down slightly from 74.9 percent in 2012. Two factors contributed to the change. First, many plans have reduced their investment assumption, which reduces assumed future assets. Second, funds continue to smooth in the market drop of 2009. The funded level is 69.0 percent for non-NCPERS funds.

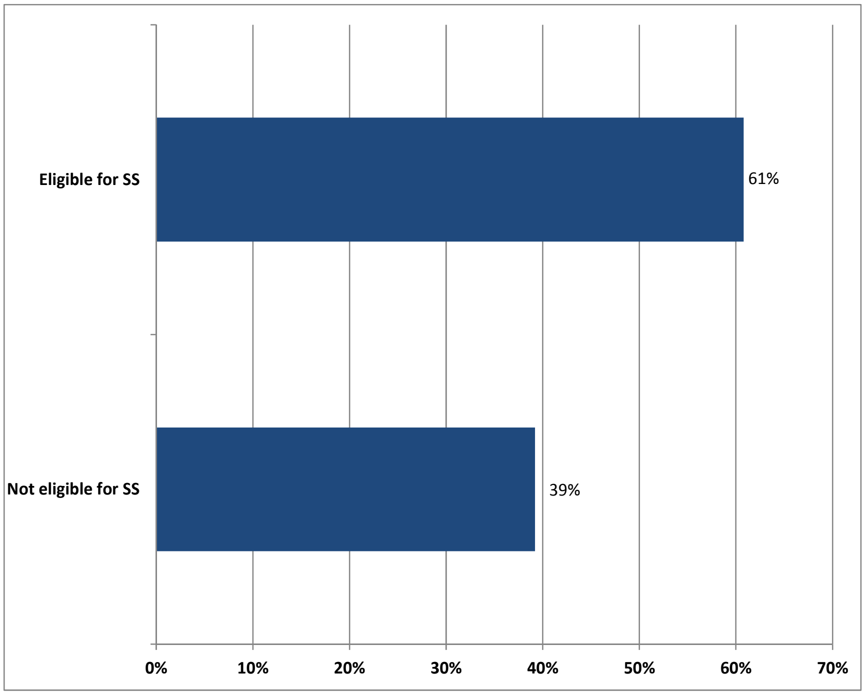
6. Income used to fund pension programs generally comes from three sources: member contributions, employer contributions and investment returns. Investment returns are the most significant source (69 percent). Member contributions make up 8 percent of fund income. Employer contributions equal about 23 percent.

Who Responded

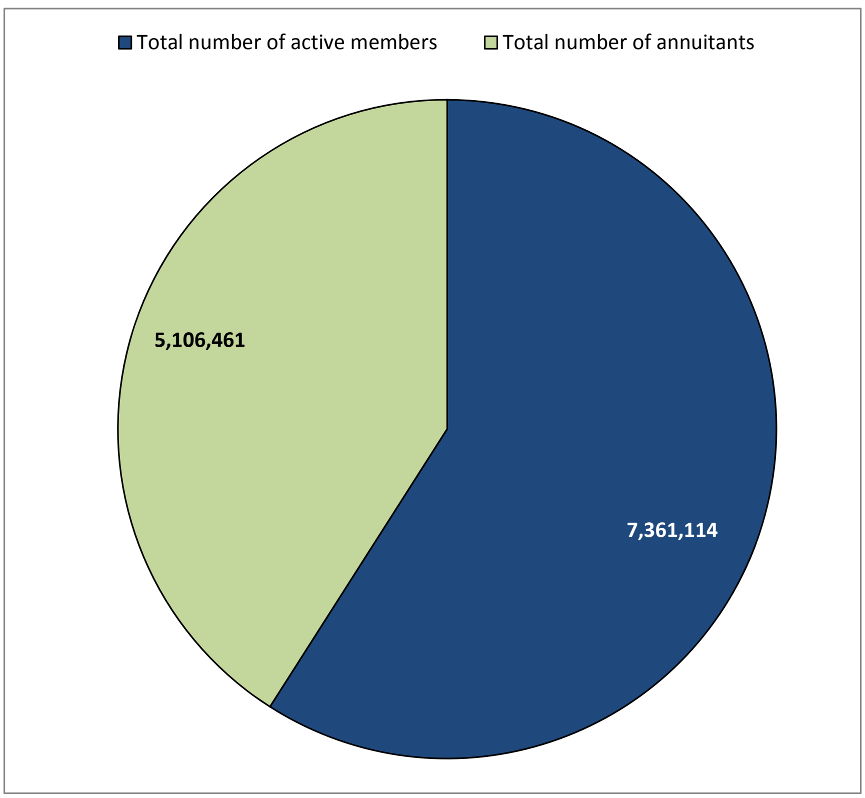
For the 2013 study, 241 respondents provided feedback to NCPERS using the most recent data they have available. 61 percent of responding funds are members of NCPERS. 47 percent serve city and village jurisdictions. About 37 percent of the responding funds serve police and fire employees. The graph to the right shows the 2013 distribution of jurisdictions that the funds serve (totals may exceed 100 percent because of multiple response).



The overall distribution of responding funds is similar to 2011 and 2012; however, there was a 12 percent reduction in the city and village distribution.



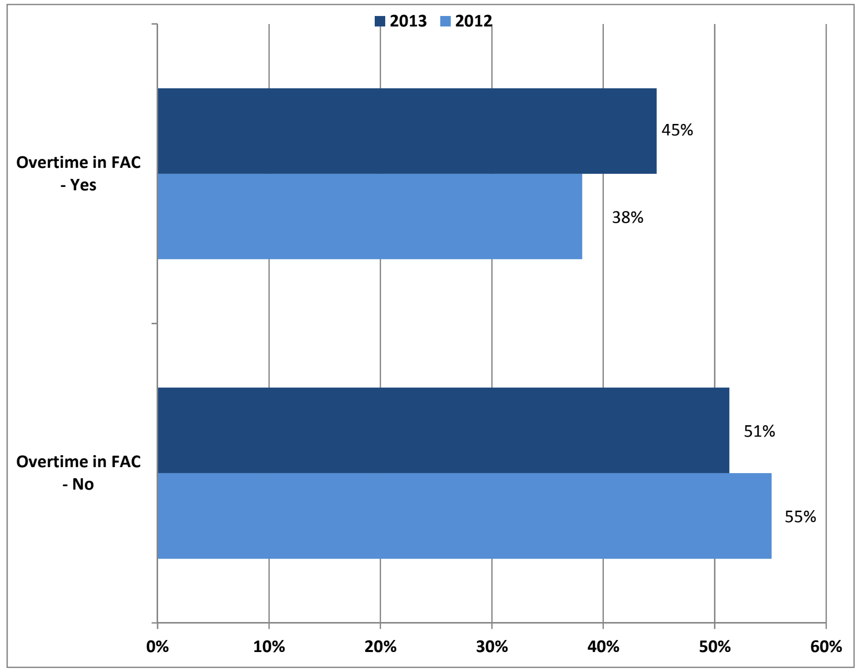
61 percent of responding funds have members who are eligible for Social Security and 39 percent are not eligible. In this report, breakdowns are presented for "Eligible for Social Security" and for "Not Eligible for Social Security."



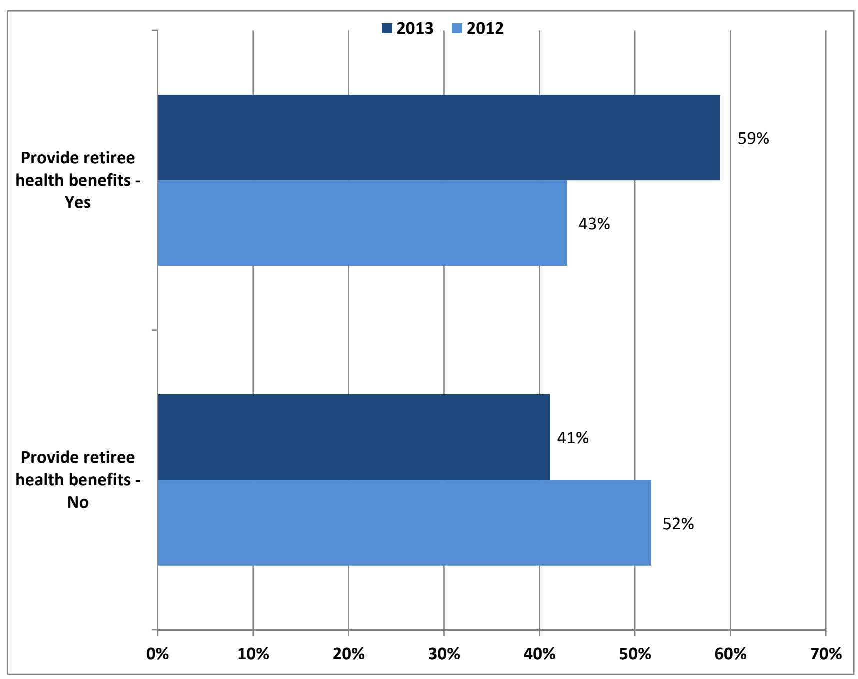
The graph to the left shows the number of active members and retiree/beneficiaries represented by these funds. This totals approximately 12,400,000 covered lives. The ratio is 1.4 actives per retiree. This ratio is consistent with the 2011 and 2012 findings.

Two areas of interest in public retirement are the inclusion of overtime in the calculation of a retirement benefit and also the provision of health care benefits to retirees. According to the 2013 study respondents, 45 percent include overtime in the benefit calculation. About 59 percent provide some level of health coverage for retirees.

Inclusion of Overtime in Benefit Calculation



Provision of Health Benefits to Retirees

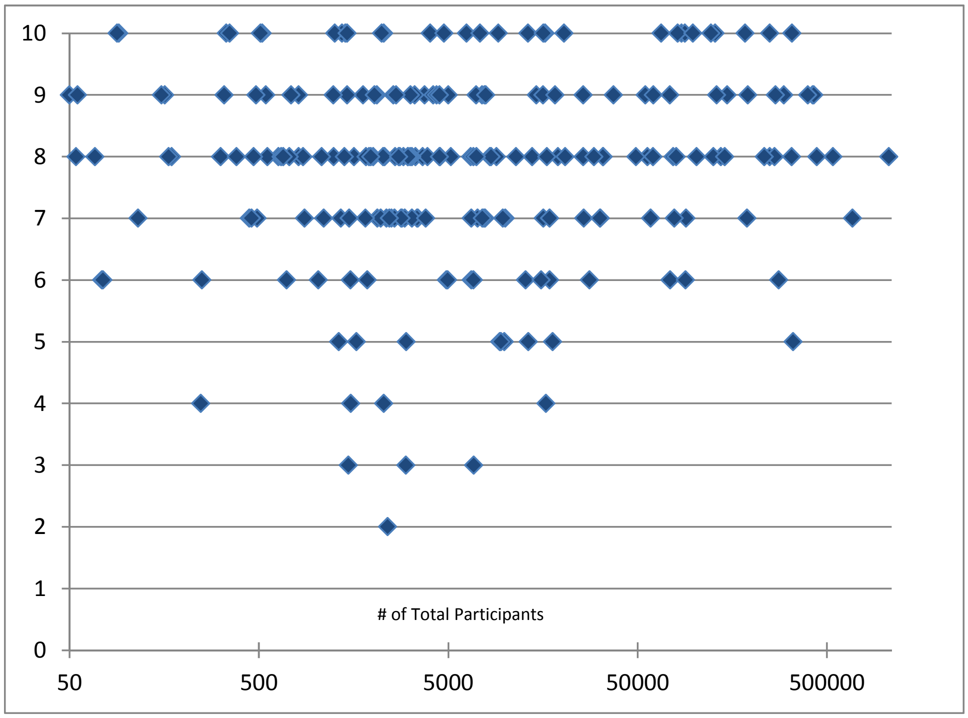


Fund Confidence

The study asked respondents "How satisfied are you with your readiness to address retirement trends and issues over the next two years?" Overall, respondents provided an overall "confidence" rating of 7.8 on a 10-point scale (very satisfied =10). This was up from 7.7 in 2012.

Social Security eligible and non-eligible funds rated this question 7.9 and 7.8 respectively.

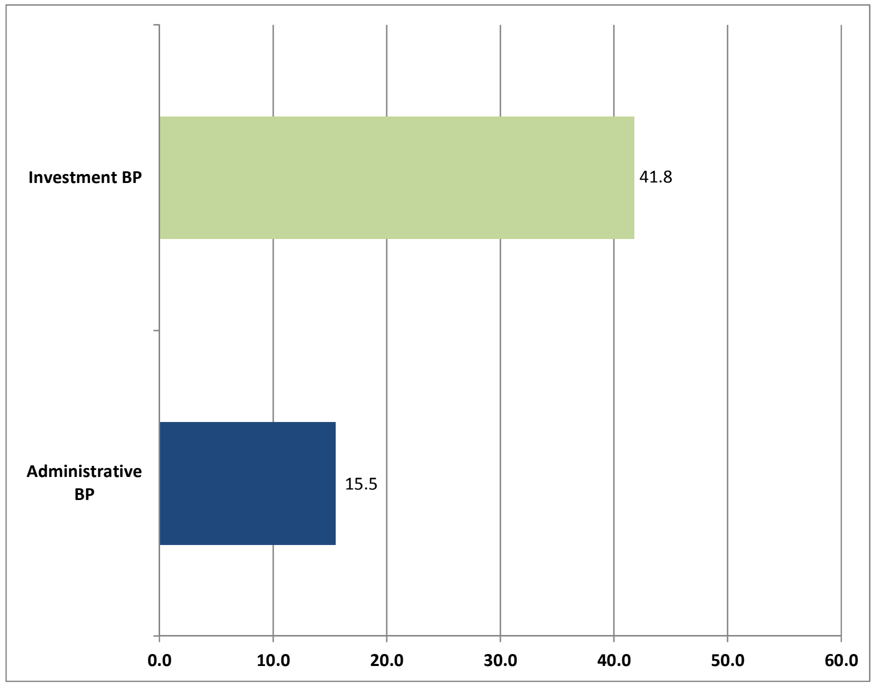
Fund Confidence



Expenses

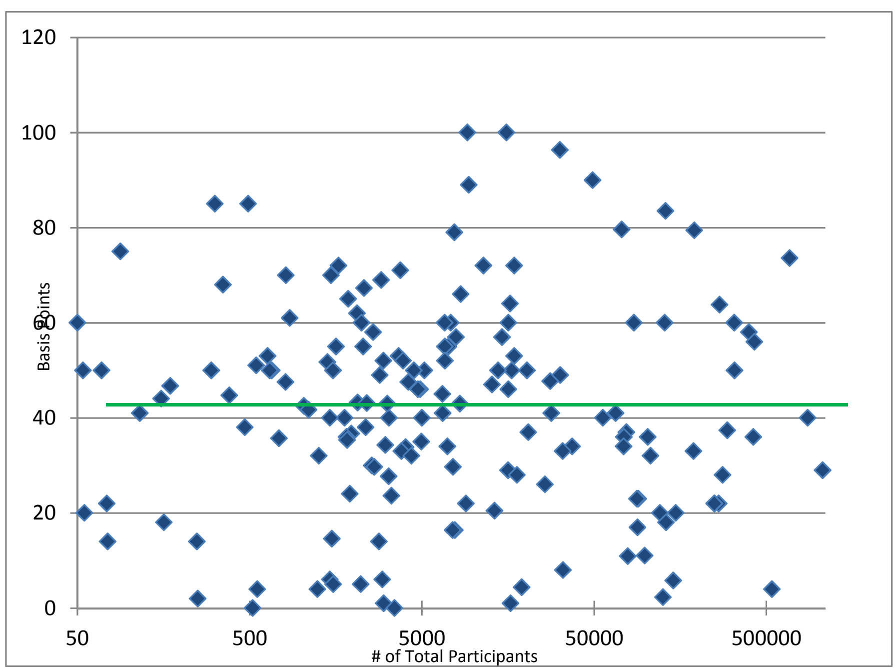
The overall average expense for respondents to administer the funds and to pay investment manager fees is 57.3 basis points (100 basis points equals 1 percentage point). This is a significant decrease from the 2012 level of 73.1. According to the *2012 Investment Company Fact Book*, the average expenses of most equity/hybrid mutual funds average 77 basis points. This means that funds with lower expenses provide a higher level of benefit to members (and produce a higher economic impact for the communities those members live in) than most mutual funds.

2013 Study Plan Expenses (Basis Points)



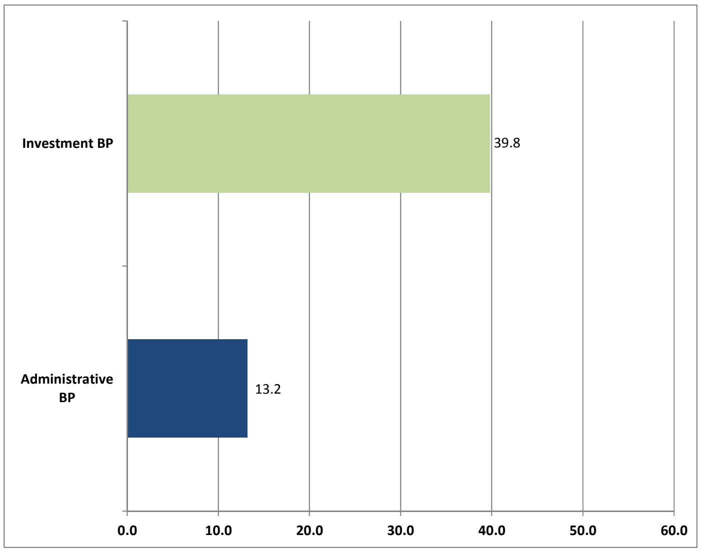
The graph in the bottom right corner shows the distribution of total expense (in basis points) on the vertical axis and the size of the fund (by total participants) on the horizontal axis. The green line denotes the average expense.

2013 Plan Expense by Fund Size

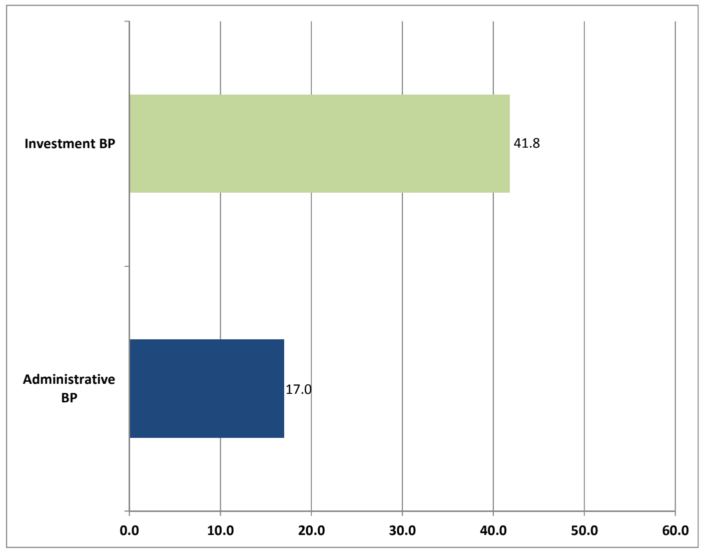


Below are expenses separated by type of fund and size of fund. Fund size is based on if the fund has more than or fewer than 10,000 participants.

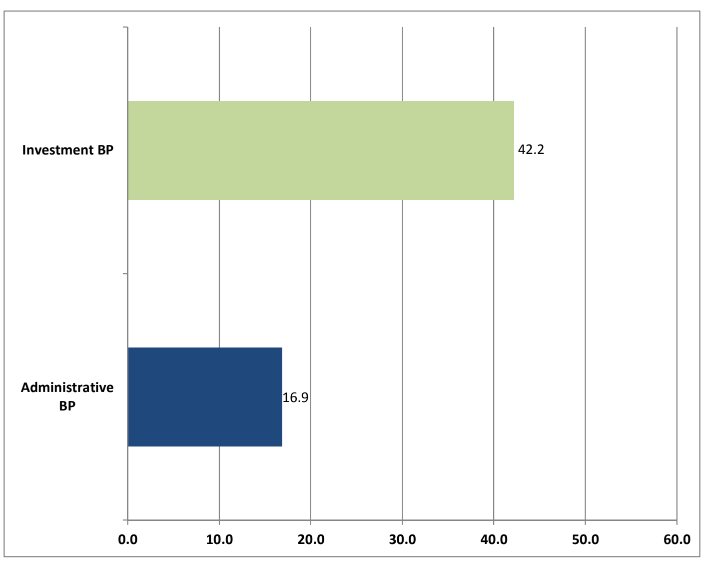
Plan Expenses: Not Social Security Eligible



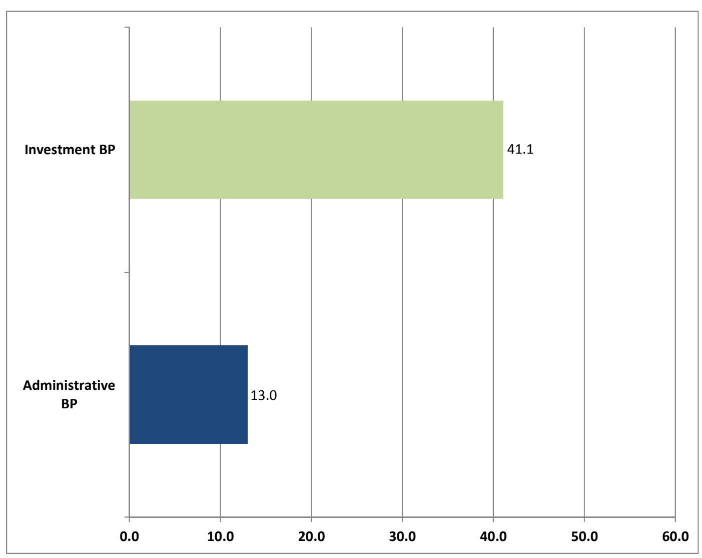
Plan Expenses: Social Security Eligible



Plan Expenses: Small Plans (<10,000 participants)



Plan Expenses: Large Plans (>10,000 participants)

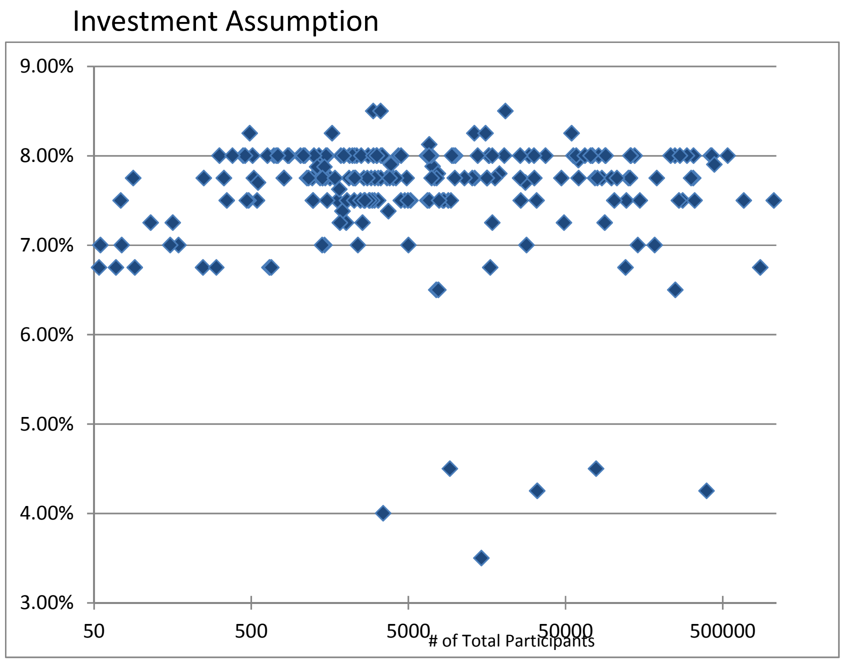


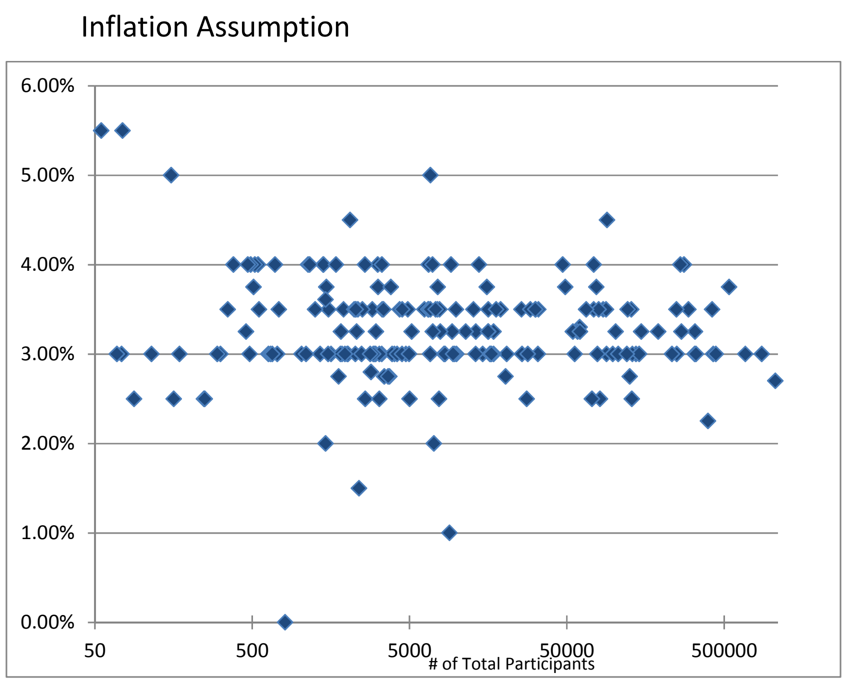
Assumptions

Retirement funds often utilize a long-term planning horizon to ensure liabilities are fully funded at the time the liability is due to be paid. To help a fund set contribution rates and measure progress toward meeting its financial obligations, funds make assumptions to estimate what investment and demographic experience is likely to be over that time horizon.

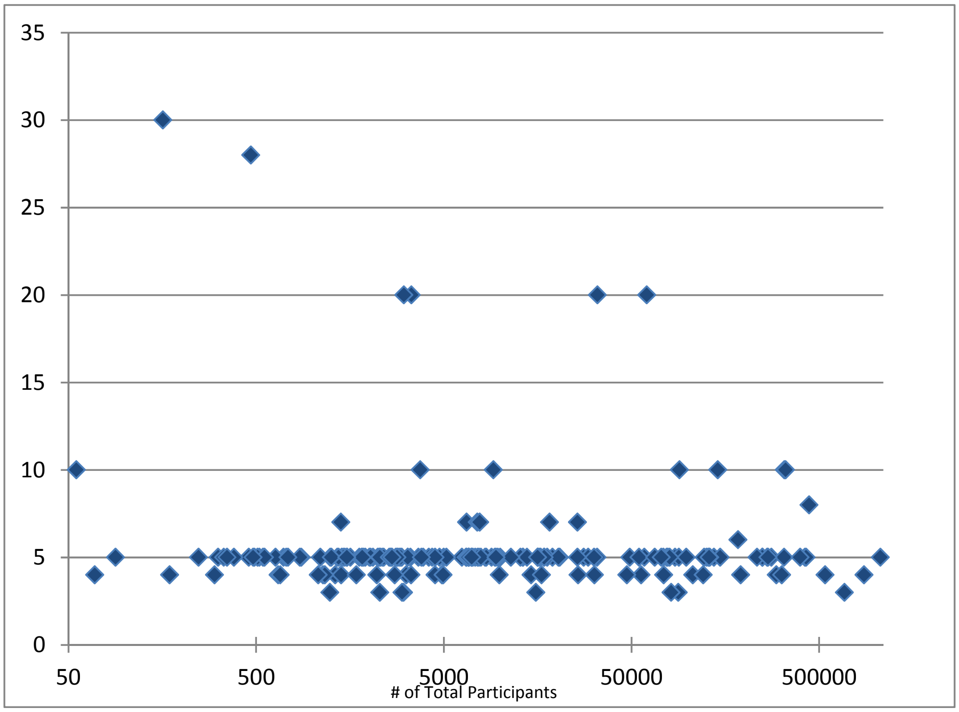
Such assumptions have powerful effects on the funding level of a plan and what the required contributions will be to pay for future benefits. Assumptions that are overly optimistic (high market returns, lower-than-expected retirement rates) tend to increase a plan's funded level and reduce the contribution rates an employer is obligated to pay today. Conversely, overly pessimistic assumptions reduce the funded level and increase short-term contribution rates.

The average investment assumption for responding funds is 7.6 percent, down 0.1 percent from 2012. The inflation assumption fell to 3.3 percent from 3.4 percent in 2012.





Investment Smoothing



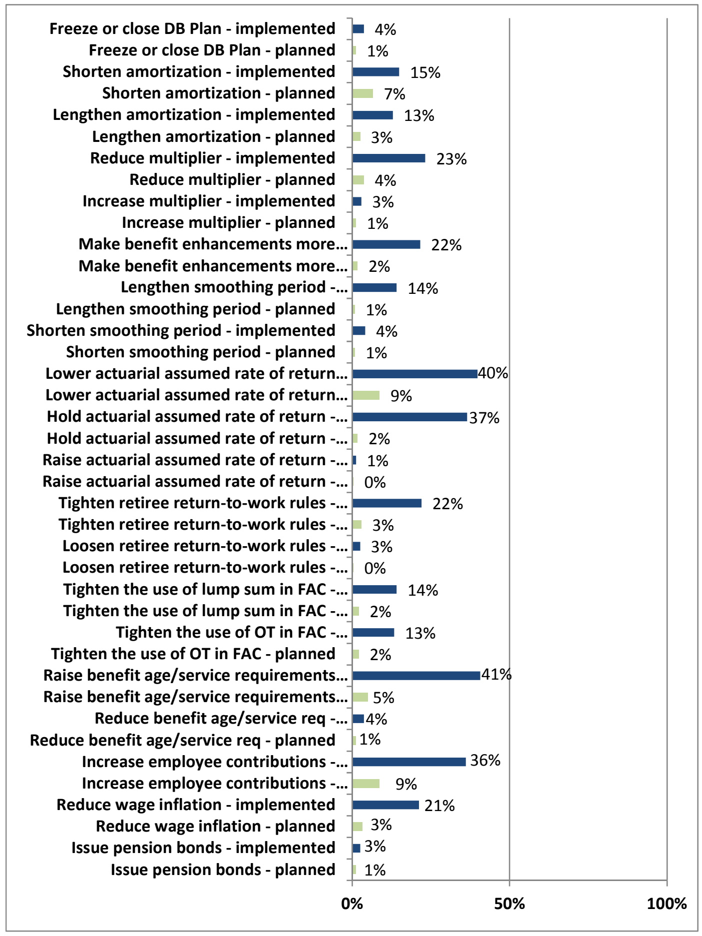
The investment smoothing period is a key factor in calculating the assets currently held by the fund and the contribution levels required to continue moving toward full funding over the amortization period. By smoothing investments, funds are able to dampen sharp changes in short-term investment returns and thus contribution levels. This helps keep contribution levels more stable over time without undermining the long-term integrity of the funding mechanism. The average investment smoothing period for respondents is 5.7 years, up slightly from 5.2 years in 2012. For Social Security eligible funds, the smoothing period averages 5.5 years, up from 5.3 years in 2012. Non Social Security eligible plans have an average smoothing period of 6.3 years.

Trends in Plan Changes

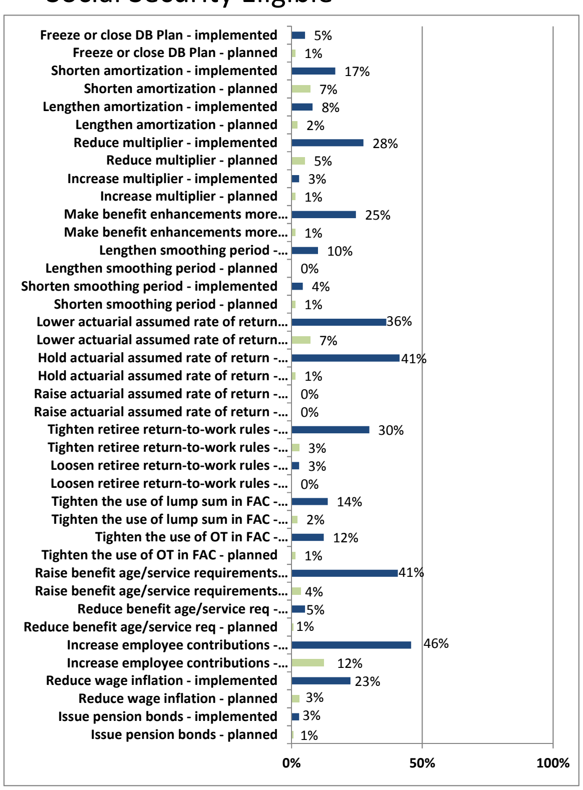
Implemented Planned

As changes emerge in the political, economic and demographic landscape, funds are adapting their design and assumptions to respond and to maintain the sustainability of the plans. Several areas that showed increased activity over the 2012 study include: lowering actuarial assumed rate of return, raising benefit age and service requirements, tightening retiree return to work rules and reducing wage inflation.

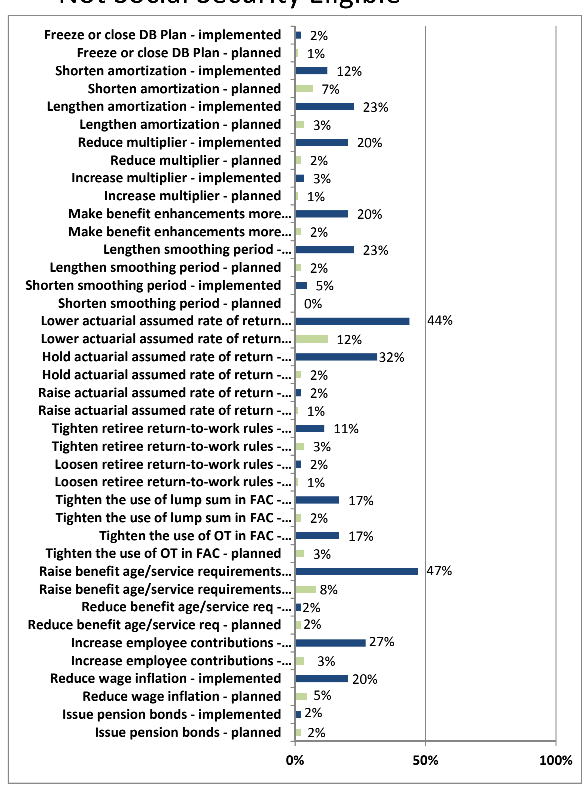
Overall



Social Security Eligible



Not Social Security Eligible

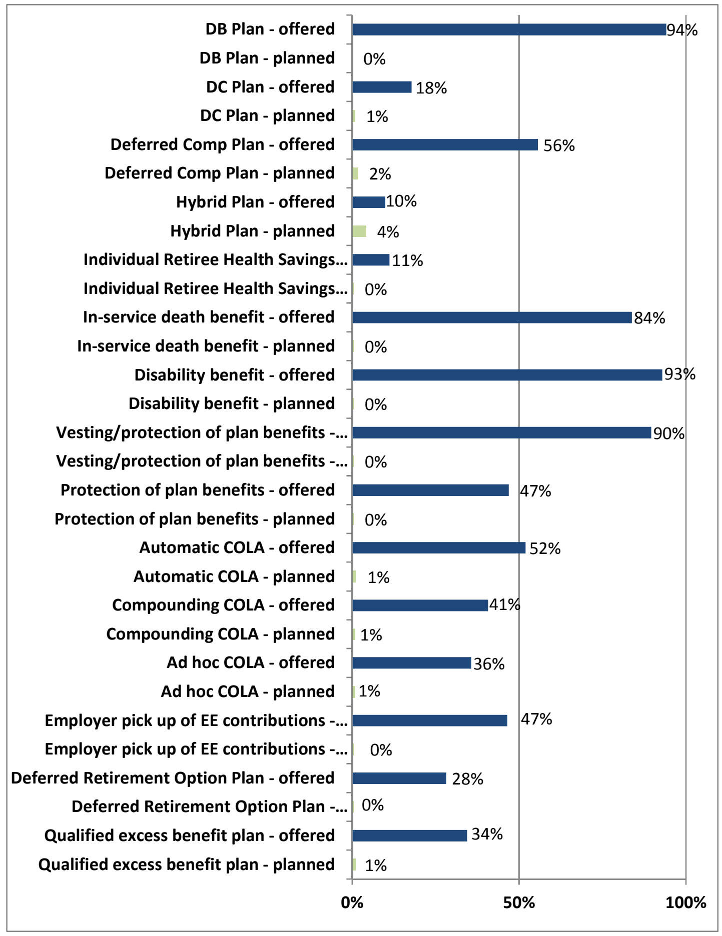


Trends in Retirement Benefits

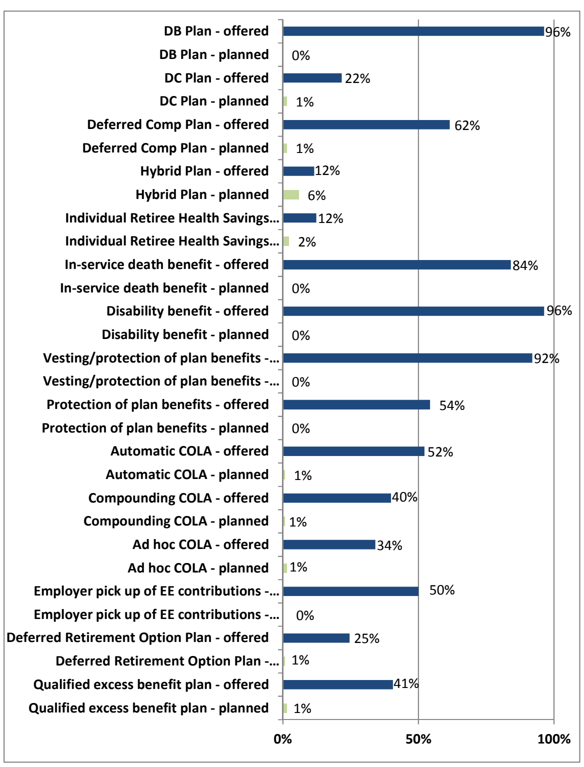
Offered Planned

Areas with significant increase compared with the 2012 study include offering a plan document that prohibits involuntary forfeiture or reduction of vested benefits and offering a compounding cost of living adjustment (COLA).

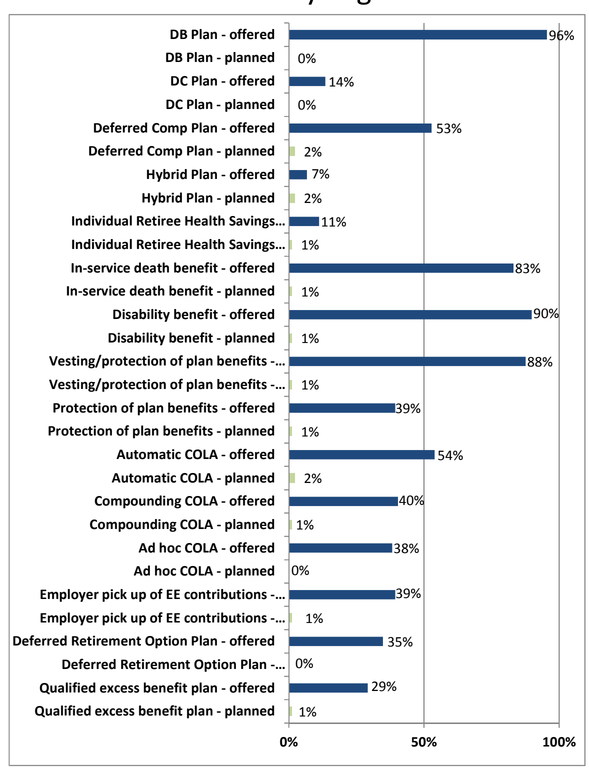
Overall



Social Security Eligible

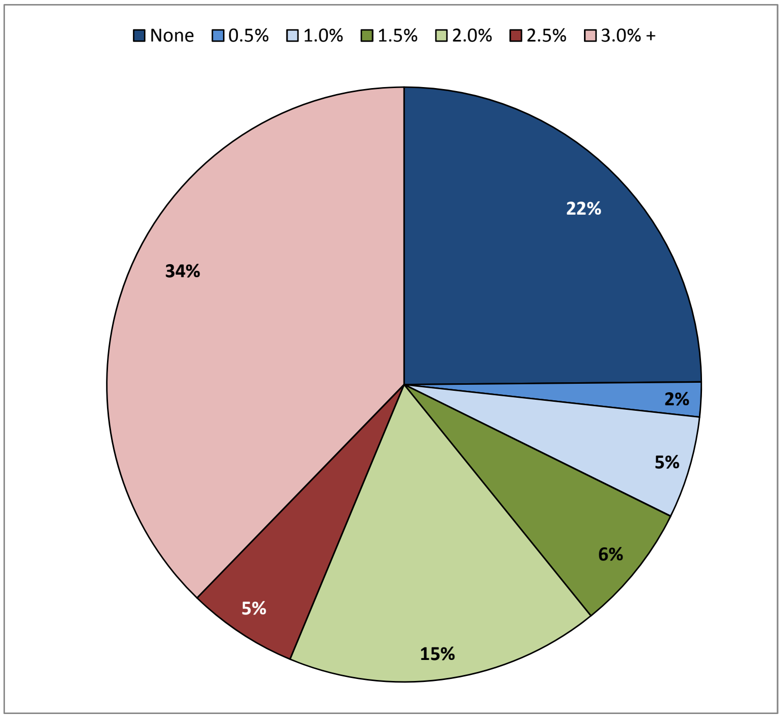


Not Social Security Eligible



Cost of Living Adjustments

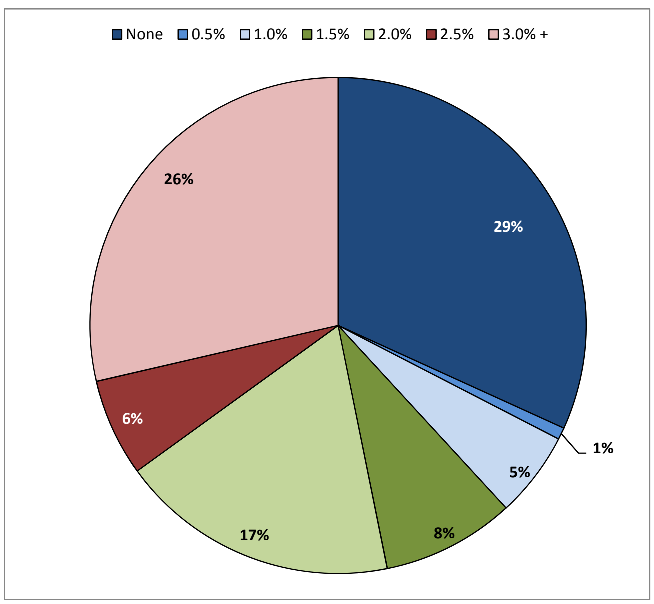
Overall Cost of Living Adjustment Offerings



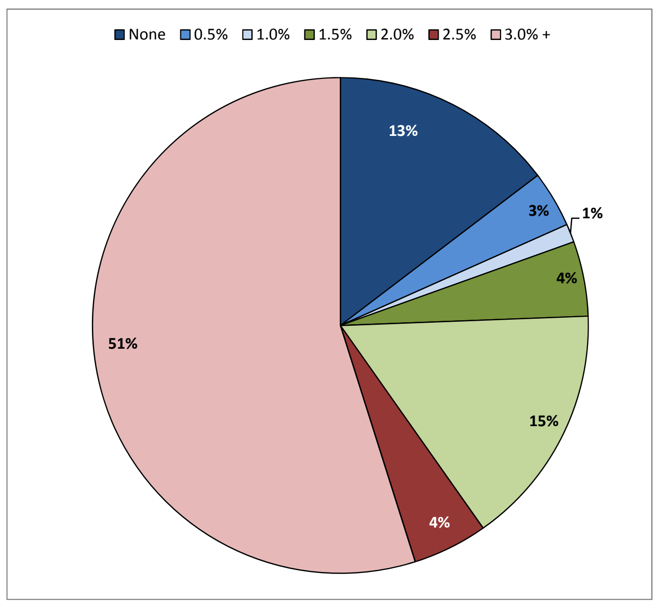
Newly tracked for 2013 is the cost of living adjustment (COLA). The chart at the left shows the proportion of funds offering various percentages of COLA. The majority of responding funds offer COLA of 3 percent or higher. An additional 22 percent do not offer any COLA.

Funds with members who are not eligible for Social Security offer higher cost of living adjustments.

Social Security Eligible



Non Social Security Eligible



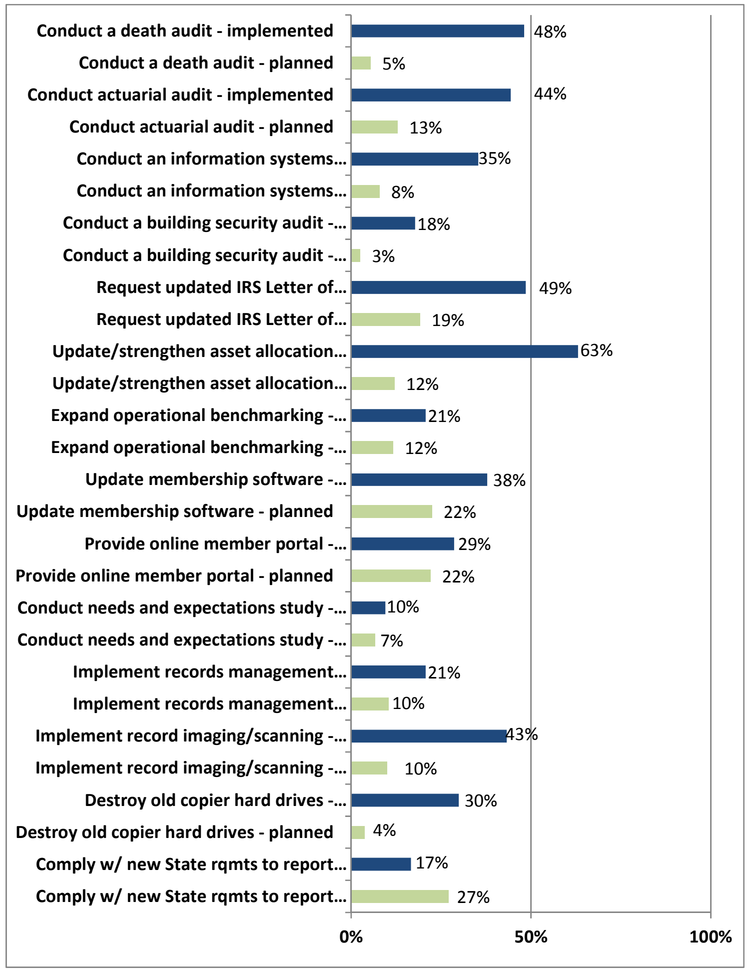
Trends in Business Practices

Implemented Planned

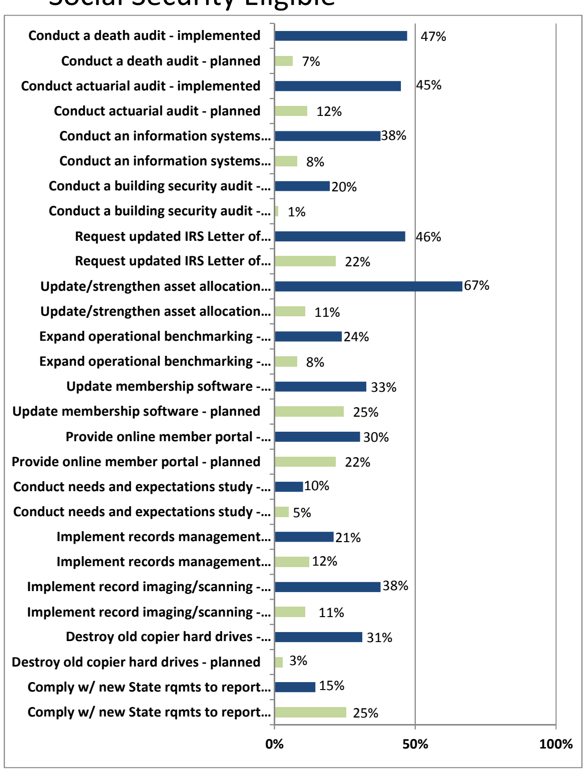
Several areas that showed increased activity over the 2012 study include: requesting an updated IRS Letter of Determination, updating and strengthening an asset allocation study and updating membership software.

Newly tracked for 2013 is complying with new state statutory or regulatory requirements to report funded status based on a rate of return different from the current assumed rate of return (17 percent already implemented, 27 percent plan to implement.)

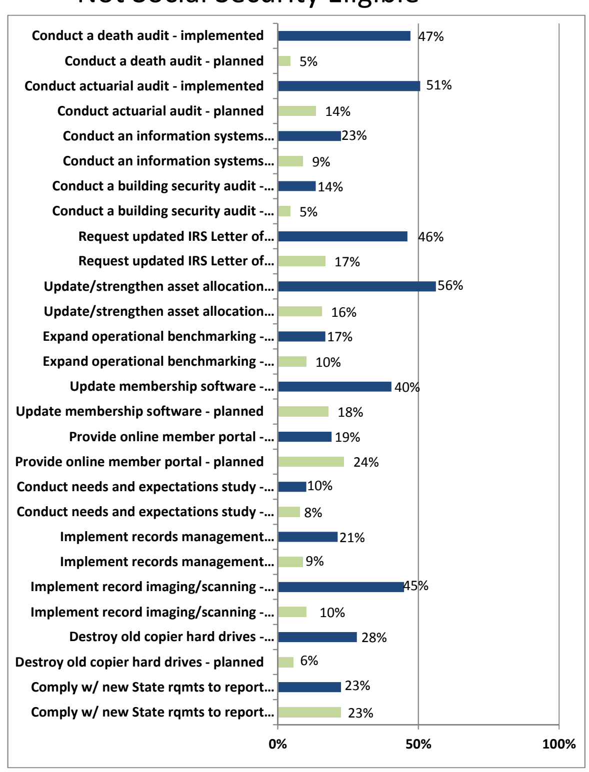
Overall



Social Security Eligible



Not Social Security Eligible

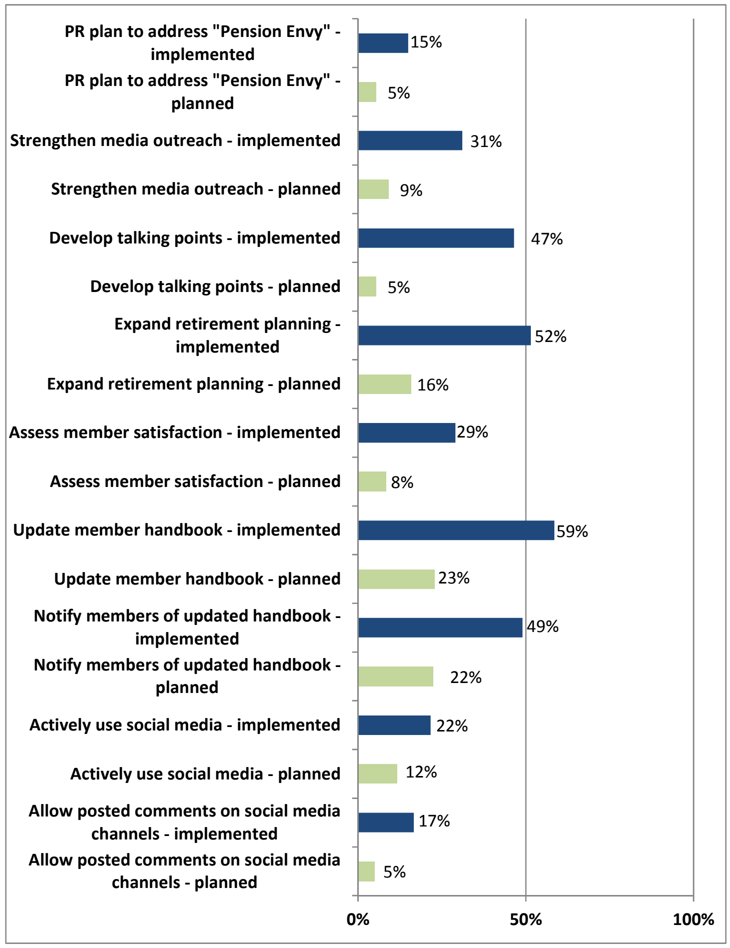


Trends in Engagement

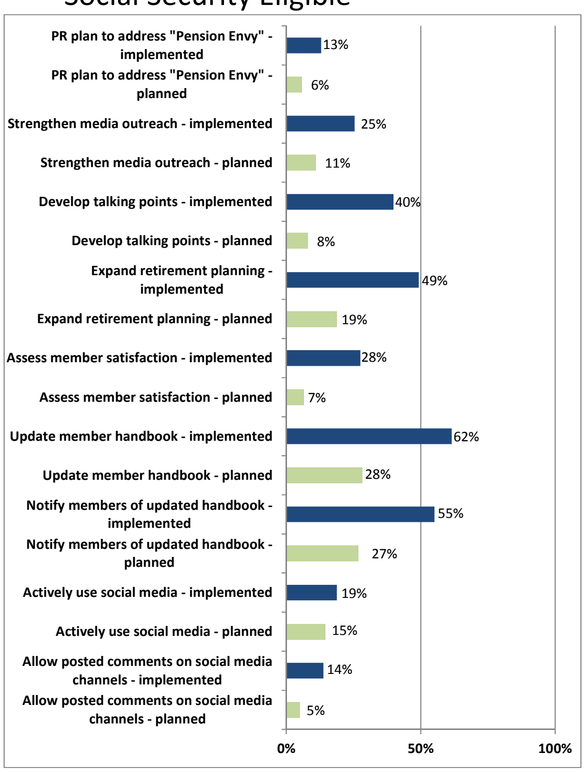
Implemented Planned

Areas with significant increase compared with the 2012 study include: use of social media, allowing posted comments on social media channels, updating member handbook and notifying members of the updated handbook.

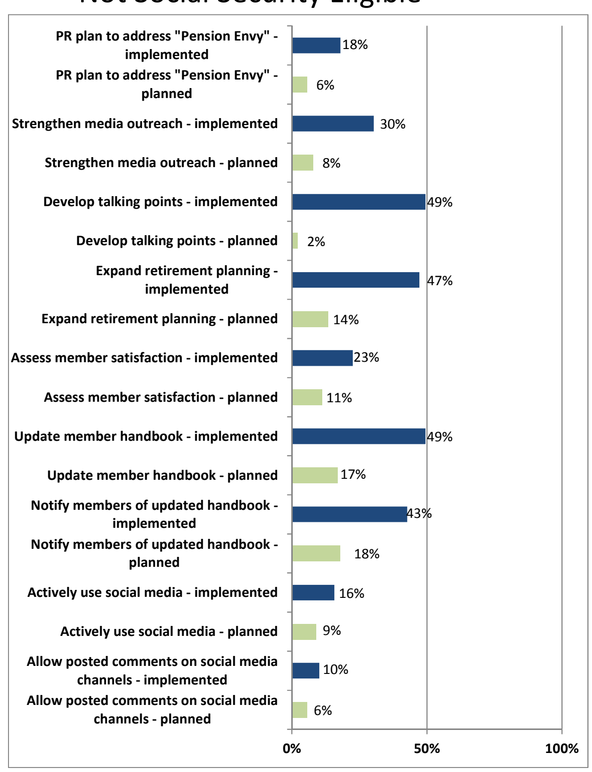
Overall



Social Security Eligible



Not Social Security Eligible

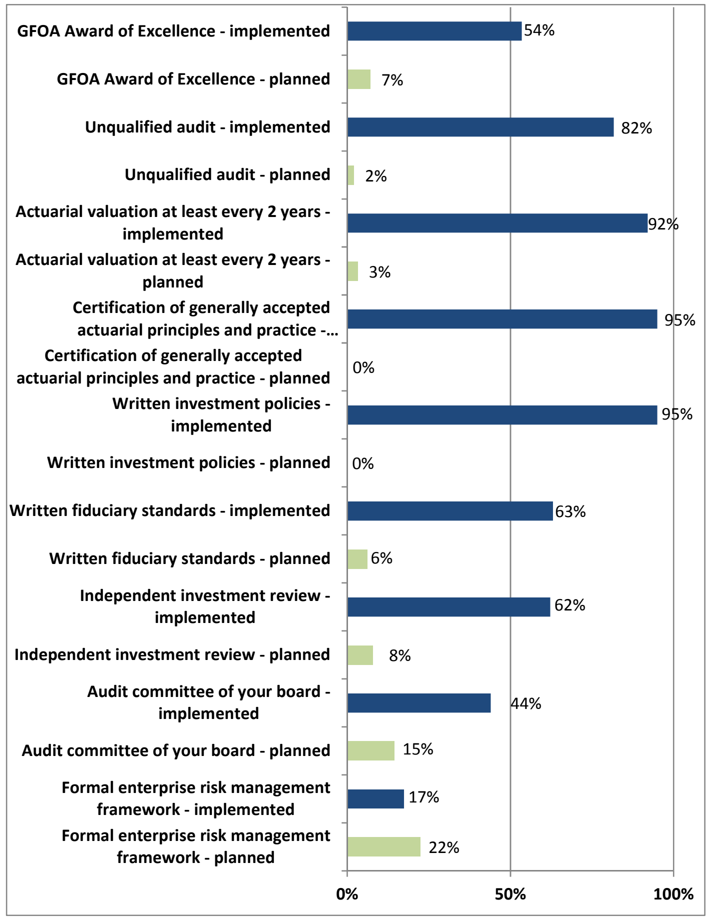


Trends in Oversight Practices

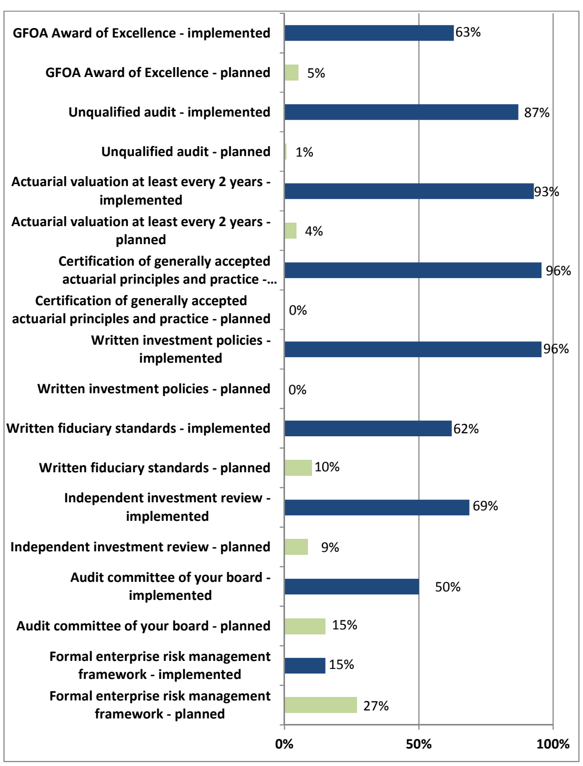
Implemented Planned

Areas with significant increase compared with the 2012 study include receipt of the GFOA Award of Excellence for the most recent cycle and certification that plan valuation was performed using generally accepted actuarial principles and practice.

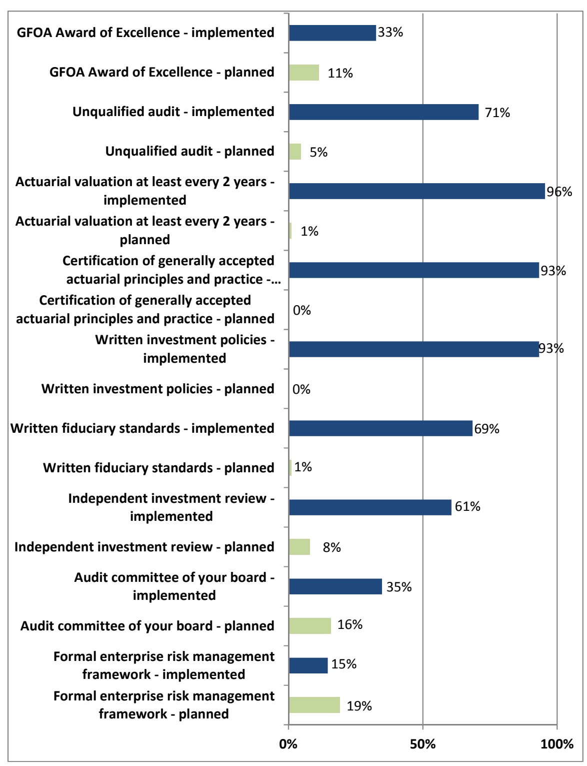
Overall



Social Security Eligible



Not Social Security Eligible



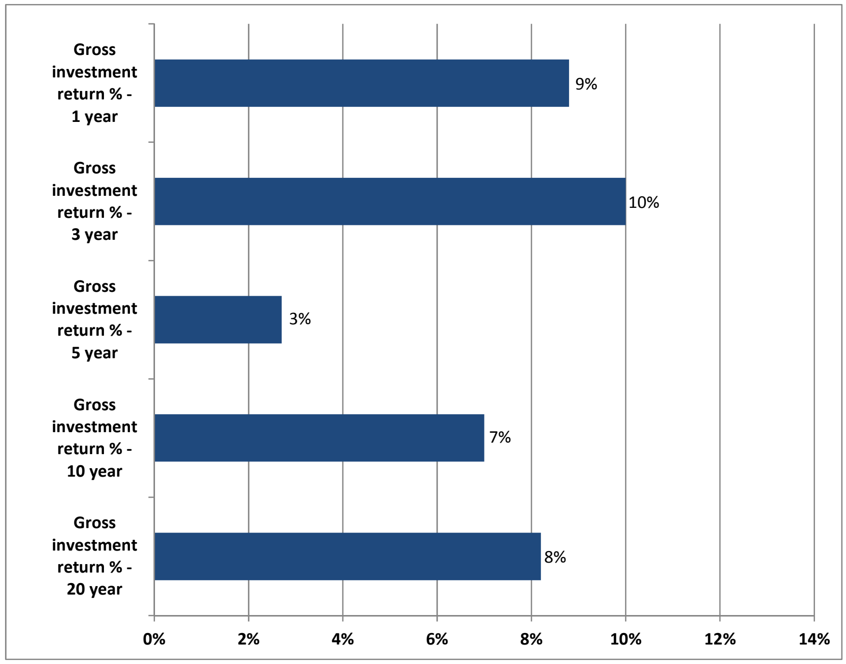
Investment Returns

Funding level is affected by the average investment returns a fund experiences over a set number of years. For respondents, the average number of years used in the calculation is 5.7 years. This is done to keep employer contribution rates more stable, as annual market return fluctuations would create significant volatility in the budgeting process. With the market declines in recent years, the market and actuarial value of fund assets have declined; however, 1-year, 3-year and 20-year returns reported by participating funds point to continuing long-term improvement in funded status.

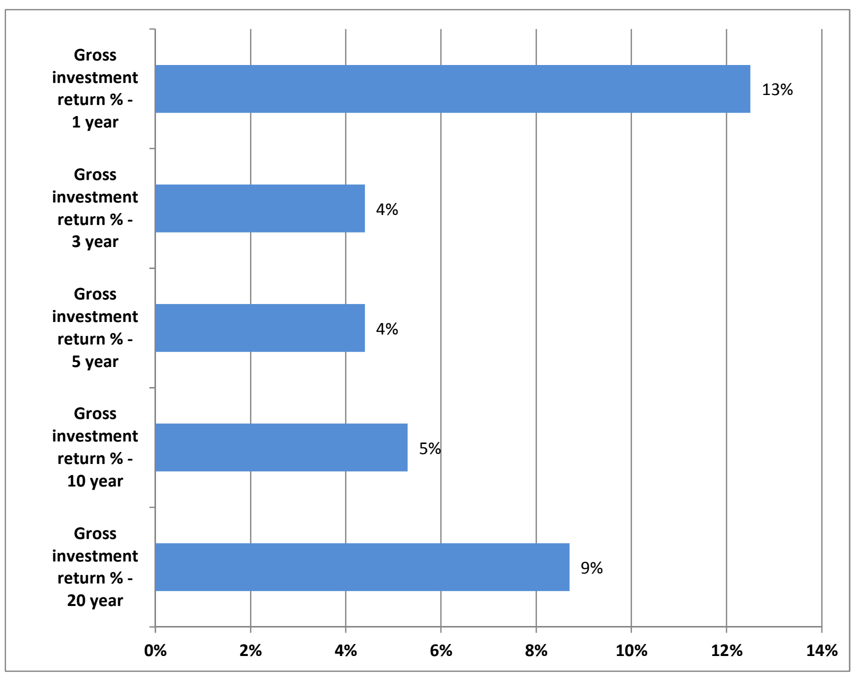
It is important to note that not all funds have the same fiscal year. Because of the volatility in the 2012 market, the timing of when a fiscal year ended accounts for significant difference in investment experience between funds.

The graphs at the right show average reported returns.

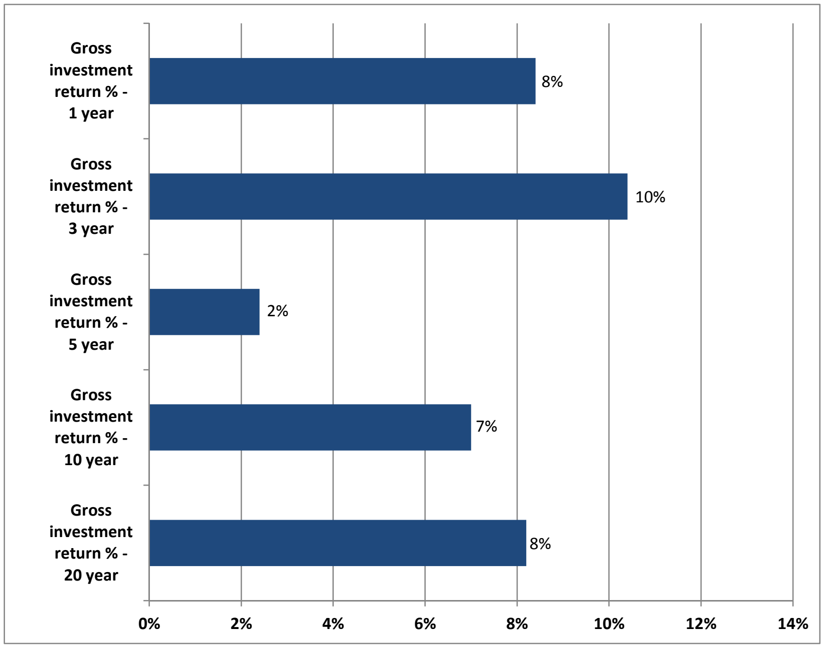
2013 Study Investment Returns



2012 Study Investment Returns

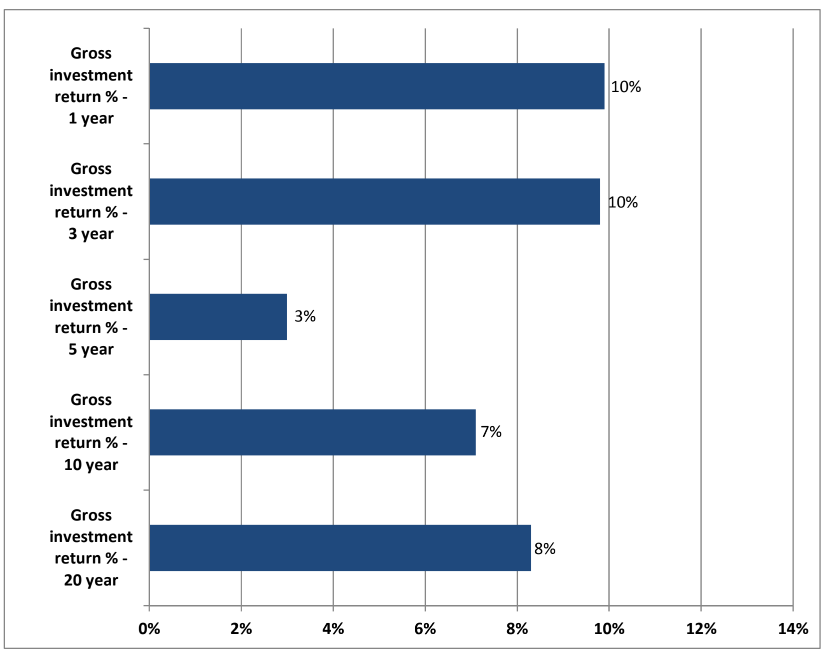


2013 Returns: Social Security Eligible



Funds with members who are not eligible for Social Security reported slightly higher returns than Social Security eligible funds.

2013 Returns: Not Social Security Eligible

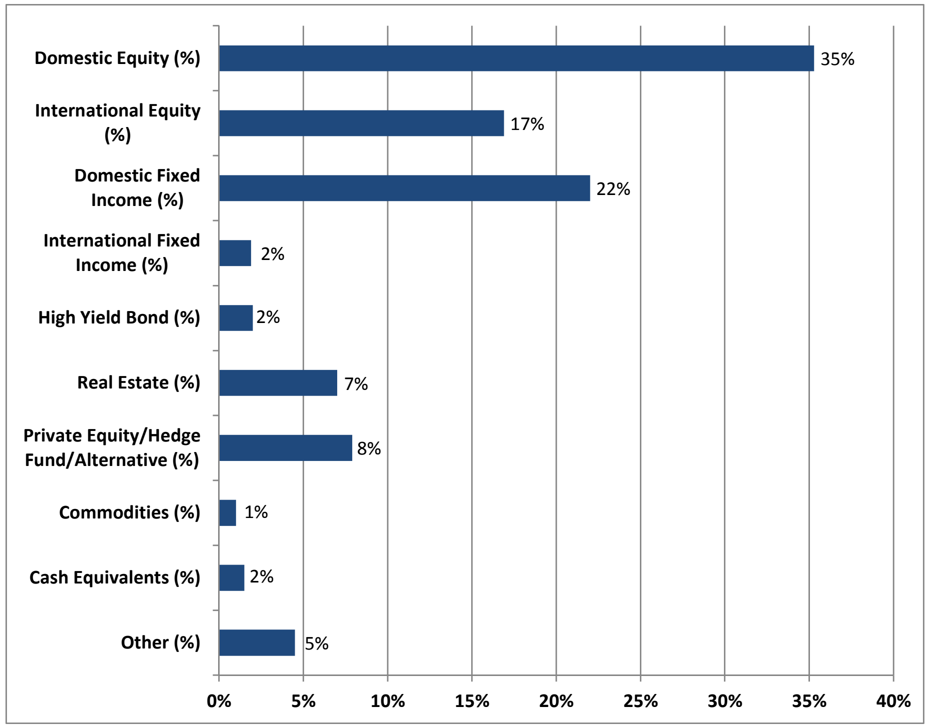


Investment Asset Allocation

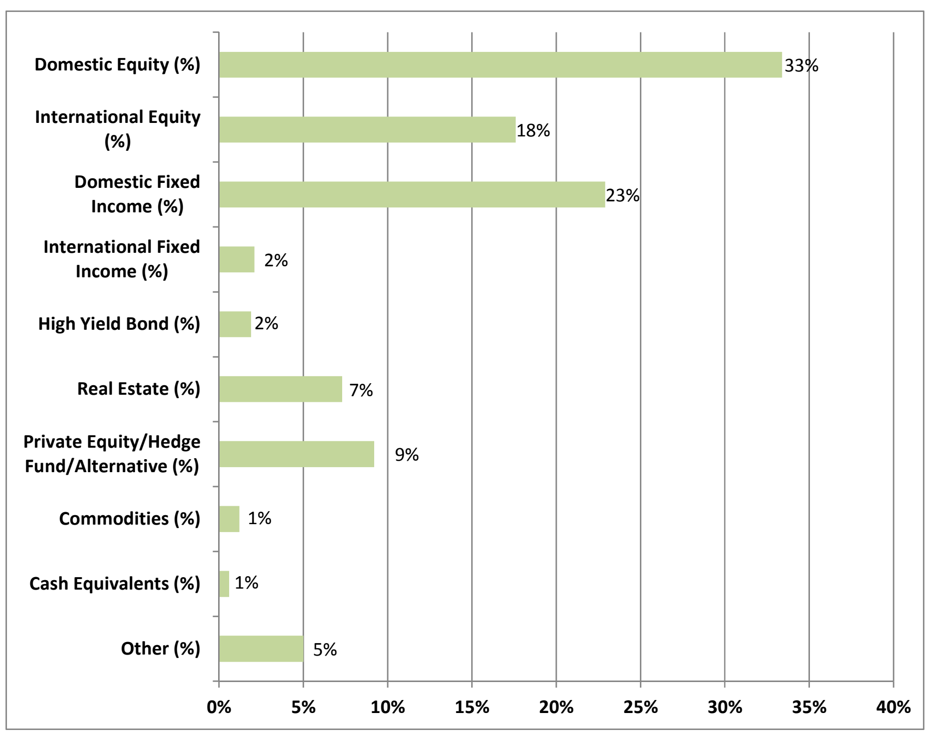
Overall, funds reported domestic equity exposure at 35 percent (down from 36 percent) and international equity exposure remaining steady at 17 percent. Funds reduced their exposure with International Fixed Income by almost 3 percent.

In the next two years, funds plan to reduce domestic equity slightly and increase allocations to private equity/hedge funds and other investments. (See Appendix A for the open-ended response to "other.")

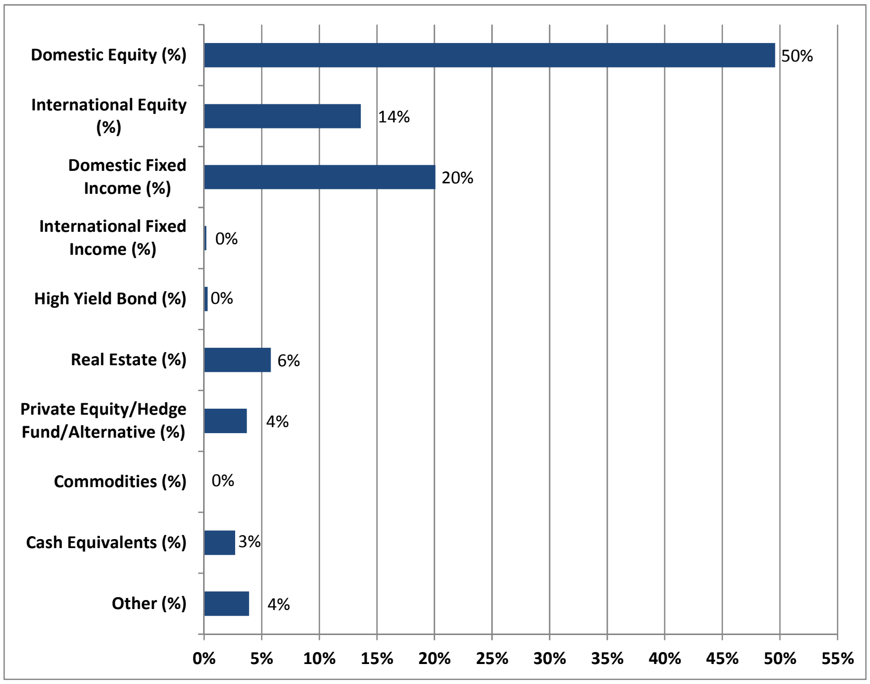
2013 Study Investment Asset Allocation



2013 Target Investment Asset Allocation



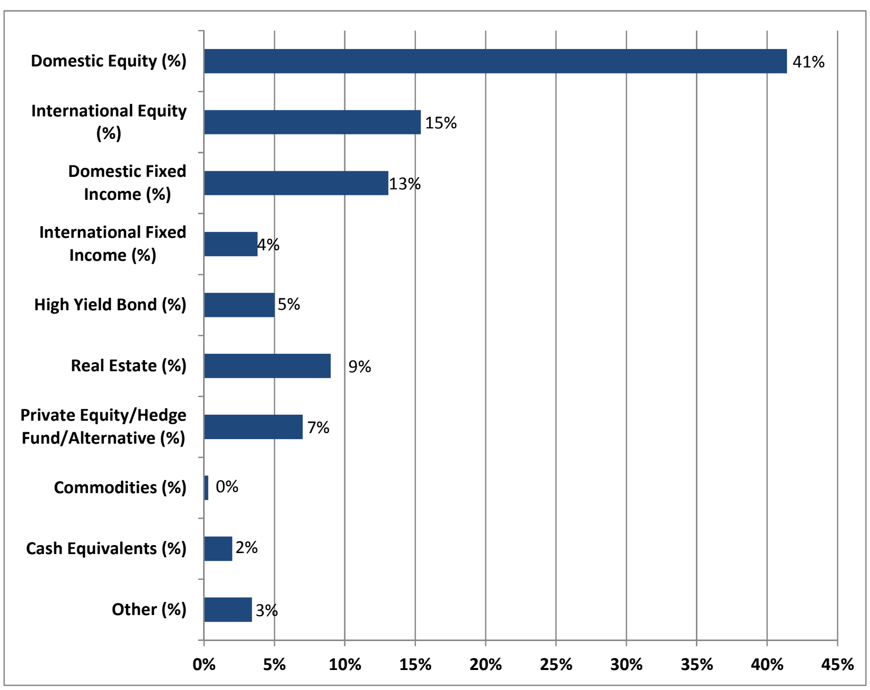
Highest 1-Year Return



On the left are two graphs that show the asset allocations for the 10 funds who reported the highest 1-year and the highest 10-year returns.

Funds with the highest 1-year return had a significantly higher allocation to domestic equity and domestic fixed income, with lower allocations to every other asset classes.

Highest 10-Year Return



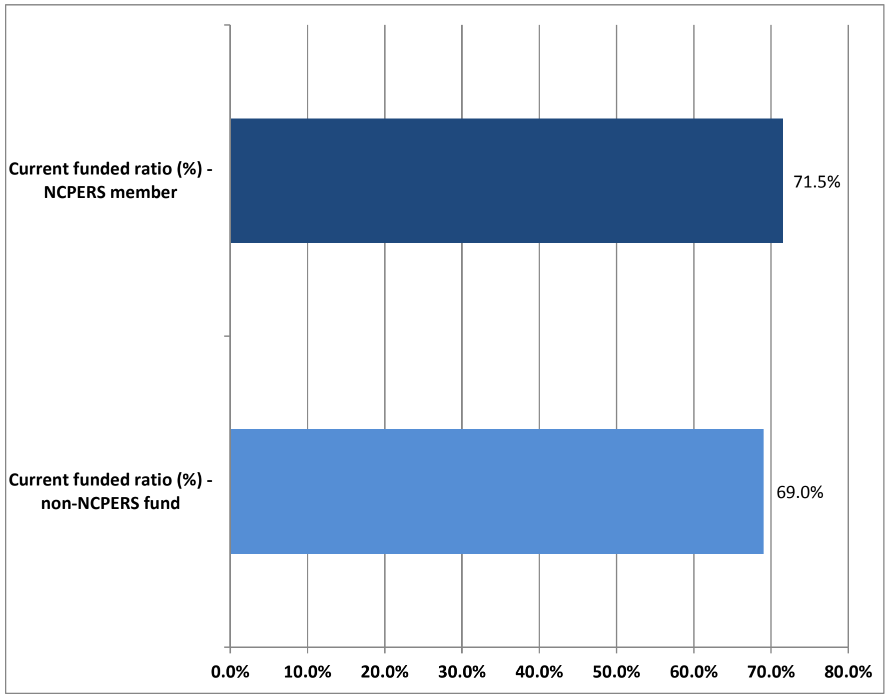
Funds with the highest 10-year returns have higher allocations to domestic equity, high yield bonds and real estate, with lower allocations to domestic fixed income and international equity.

Funding Levels

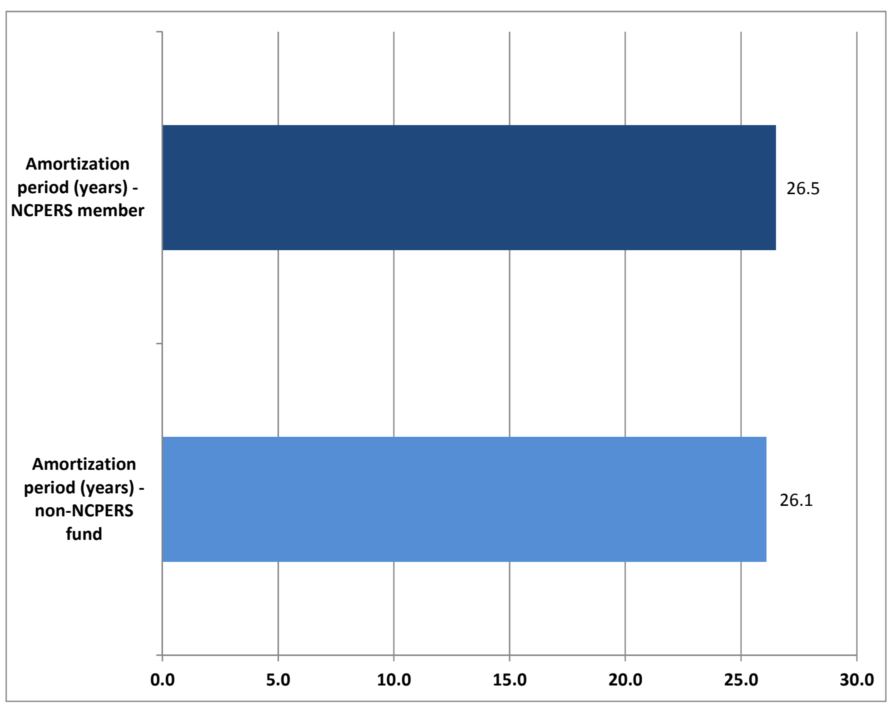
Based on responses to the 2013 study, average funded level is a solid 71.5 percent (top right), slightly below 74.9 percent in the 2012 study. The most significant reason for this decline was market volatility.

Pension funds are designed to pay off liabilities over a period of time to ensure long-term stability and to make annual budgeting easier through more predictable contribution levels. For responding funds, that period of time averages to 26.5 years, up from 24.6 years in 2012. The bottom graph shows average amortization status for all responding funds based on whether or not they are a current NCPERS member.

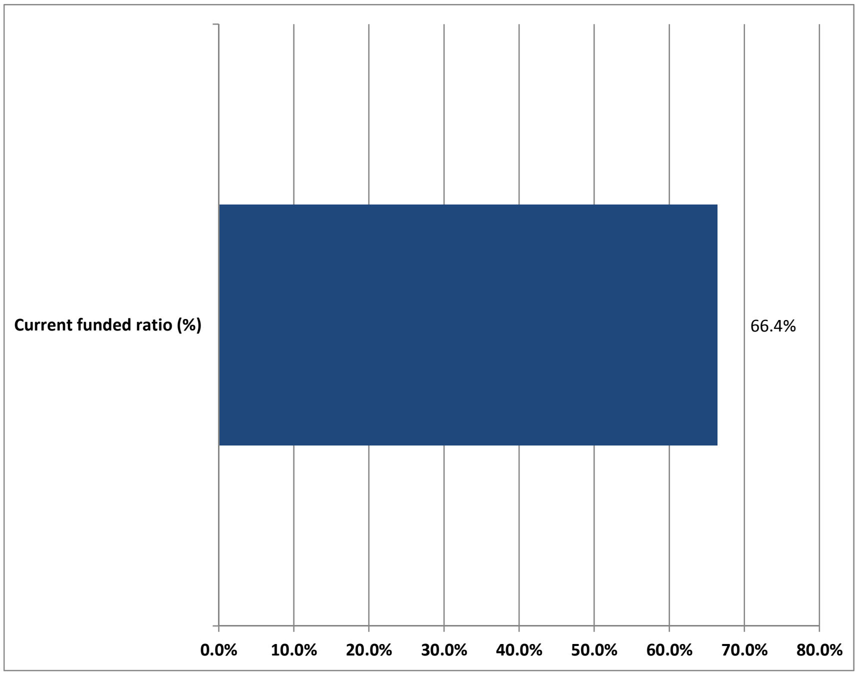
2013 Funded Level



Amortization

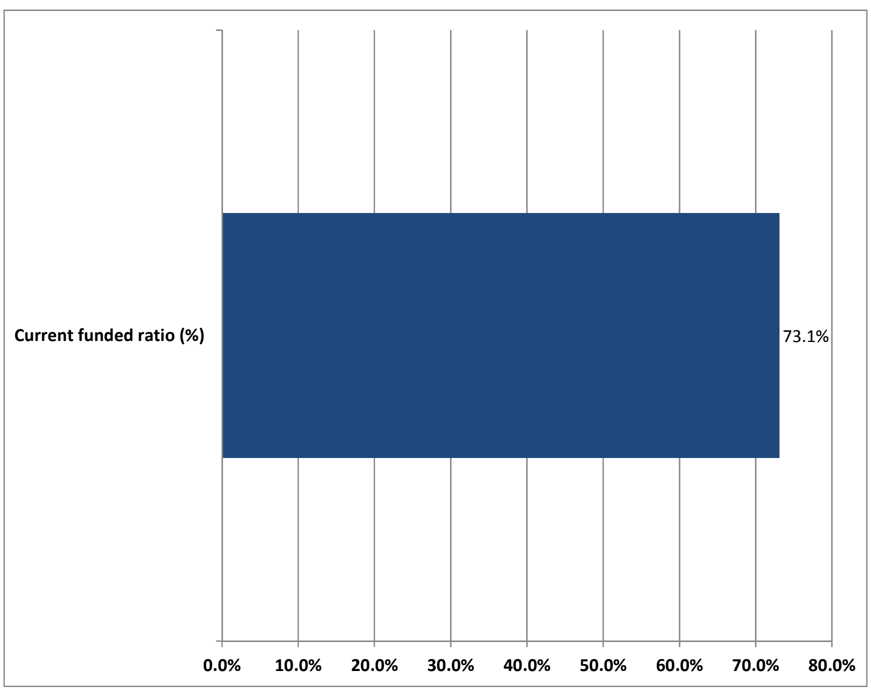


Funds Not Eligible for Social Security



Many funds include members who are not eligible to receive Social Security at the time of retirement. For this reason, such funds often have higher benefit levels to offset the loss of this source of retirement funding. Those funds that include such members report an average funded level of 66.4 percent, down from 68.9 percent in the 2012 study.

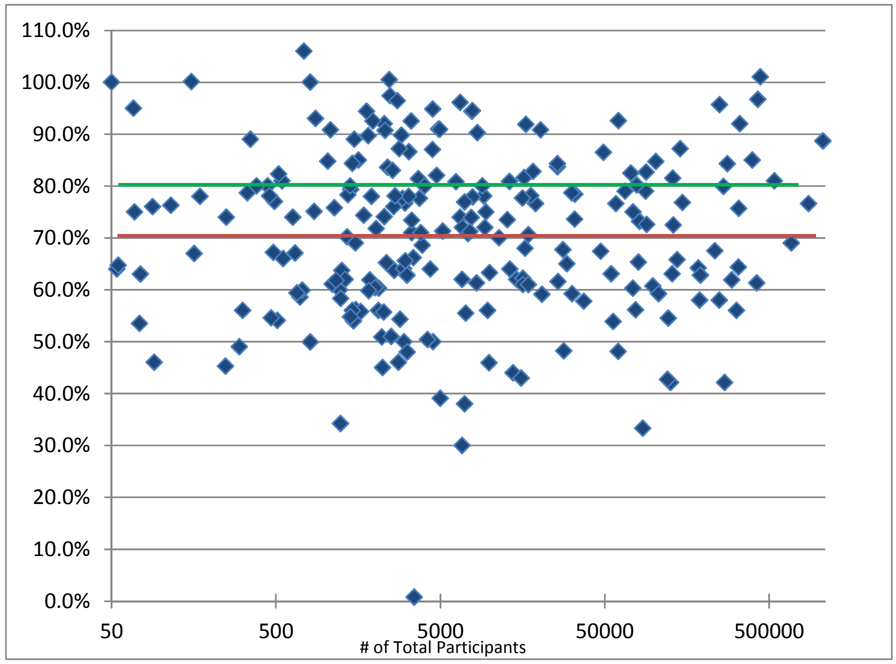
Funds Eligible for Social Security



The graph to the left shows the funded level for those plans that include members who are eligible for Social Security. The average funded level for this group is 73.1 percent, down from 80.4 percent in the 2012 study.

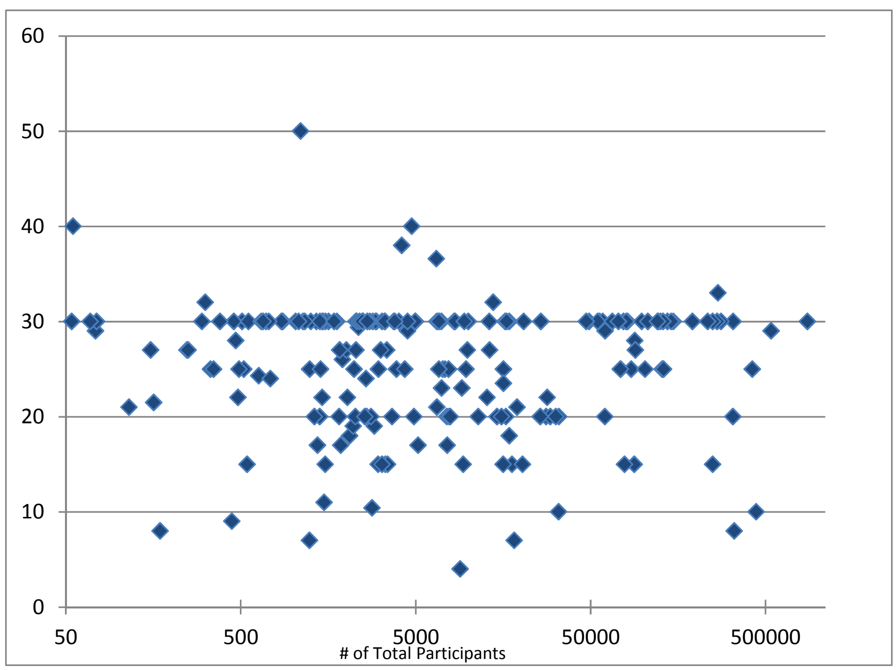
Based on responses to the 2013 study, average funded level for all responses is 70.5 percent. The graph at the top right shows the distribution of funded levels and fund size. The vertical axis shows level of funding, and the horizontal axis shows the size of the fund by total active and retired participants. The green line denotes the 80-percent funding target identified by the Government Accountability Office, and the red line denotes the 70-percent funding target that Fitch Ratings considers to be adequate.

2013 Funded Level Distribution



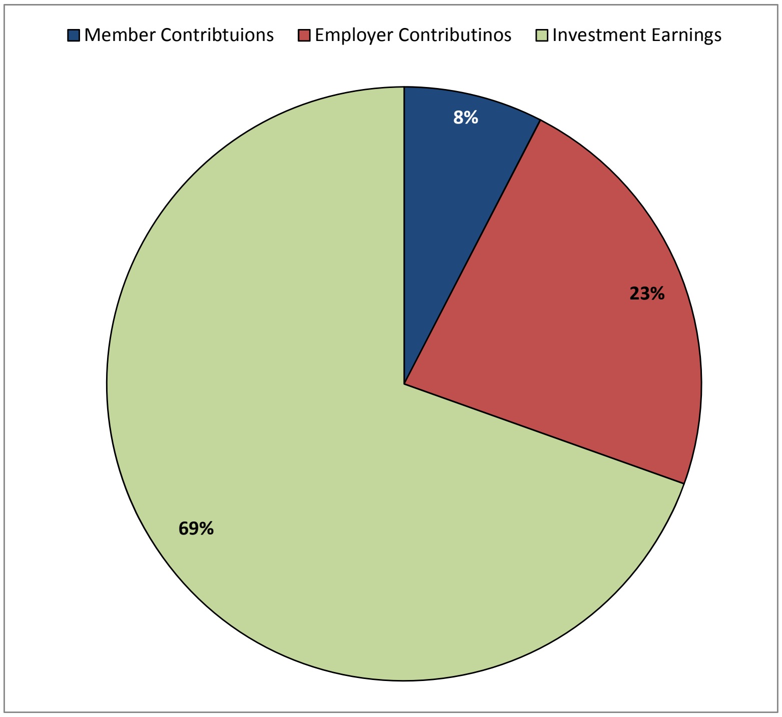
Pension funds are designed to pay off liabilities over a period of time to ensure long-term stability and to make annual budgeting easier through more predictable contribution levels. For responding funds, that period of time averages 25.4 years, up from 24.6 years in 2012. The bottom graph shows amortization status for each responding fund. The vertical axis shows the amortization period, and the horizontal axis shows the size of the fund by total active and retired participants.

Amortization Distribution



Sources of Funding

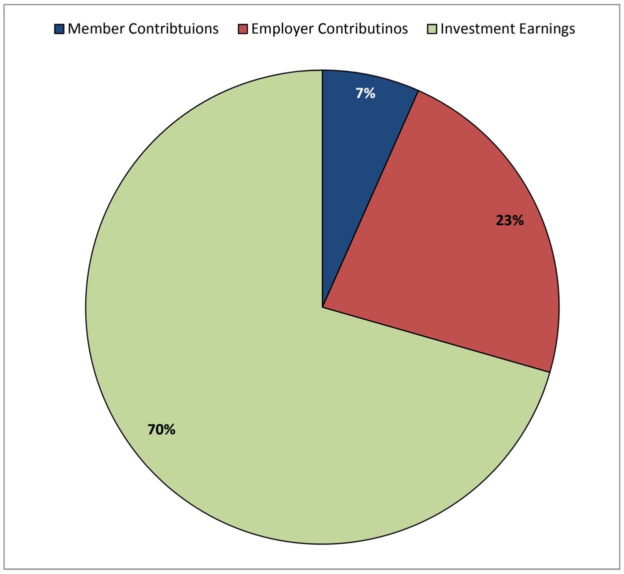
Overall Sources of Revenue



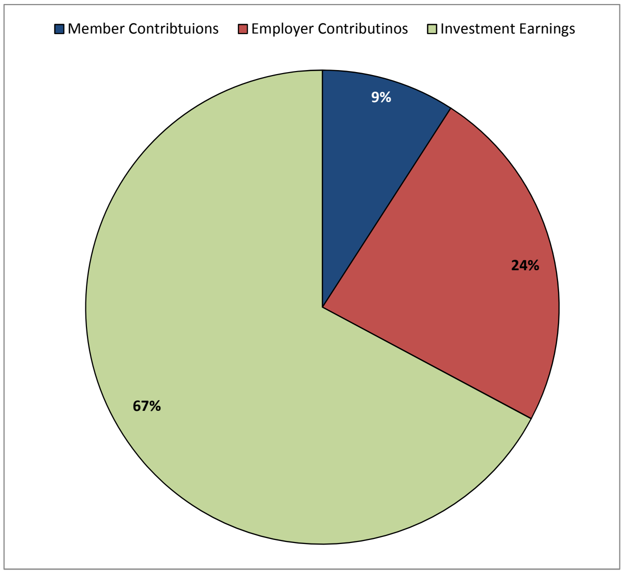
Income used to fund pension programs generally comes from three sources: member contributions, employer contributions and investment returns. The chart at the left shows the proportion of funding provided through each of these sources based on reported data. By far, investment returns are the most significant source of revenue (69 percent). Member contributions make up 8 percent of fund income. Employer contributions equal about 23 percent. These findings are similar to 2012; however, member contribution rates are approximately 10 percent lower of the total revenue than 2013. Both this study and other industry studies show annual fund expenditures and economic impact significantly exceed the annual contributions made by the employers.

The pie charts on this page show the overall sources of funding for responding funds. Funds with members who are not eligible for Social Security reported a higher proportion of member and employer contributions in the study.

Social Security Eligible



Non Social Security Eligible

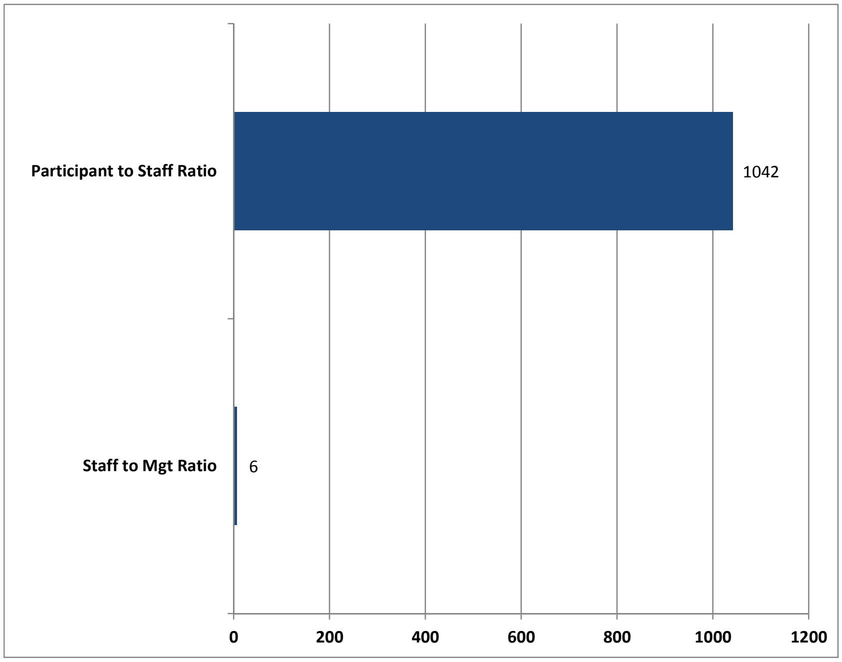


Fund Staffing

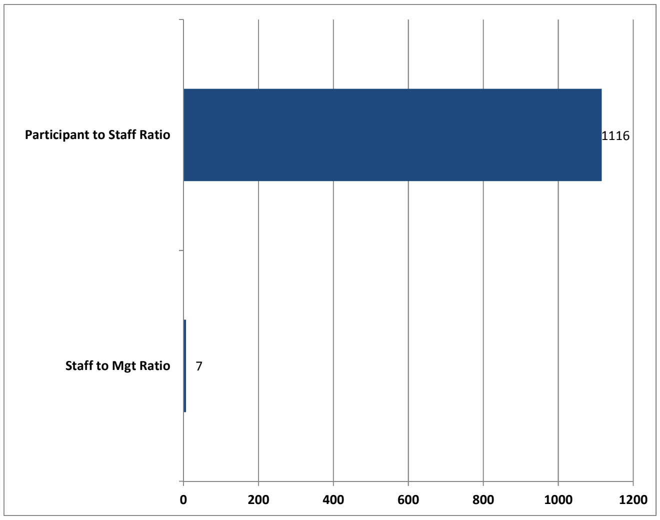
The average participant to staff ratio is 1042:1, up from 830:1 in 2012. The ratio for Social Security eligible plans is 1116:1; non Social Security eligible plans have a participant to staff ratio of 677:1

The average staff to management ratio is 6.4:1, up from 3.4:1 in 2012. Social Security eligible plans have a ratio of 6.8:1. Non Social Security eligible have a ratio of 5.6:1.

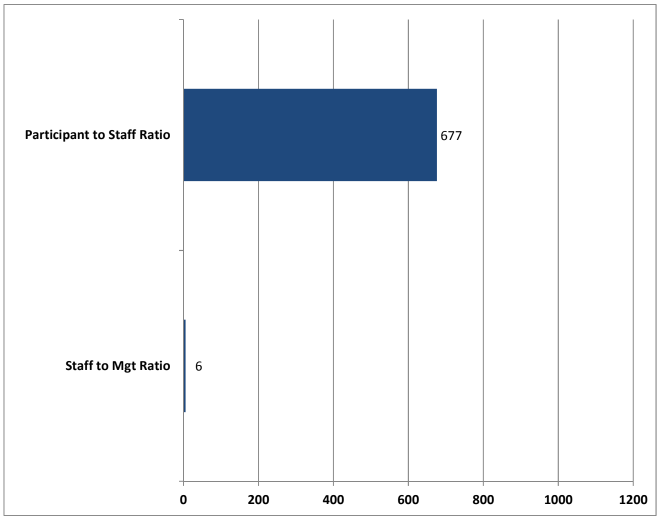
Overall



Social Security Eligible



Not Social Security Eligible



Reducing Liability

In the study, respondents were asked to share which strategies they have put in place to reduce unfunded accrued actuarial liabilities beyond traditional amortization. Below is a text cloud showing those words that appear most often in respondents' comments. Below the text cloud are the actual verbatim comments.

- (1) Previously reduced future (unaccrued) benefits and introduced new tier for new employees. (2) Clearly defined schedule of employer contributions which gradually reduces the liability.
- 1. Increased years of service. 2. Minimum age of 60 by 2023. 3. Reduced multiplier. 4. Reduced COLA. 5. Increased member contributions
- 2011 enacted legislation: (1) Moratorium on benefit enhancements until the ERS is 100% funded, (2) Pension reform for new members after June 30, 2012 - lowers, multiplier, lowers post-retirement benefit percentage, increases age requirement, average final compensation period, and years of service eligibility for retirement, increases employer contribution rate, (3) Lower interest rate on employee contributions. 2012 enacted legislation: (1) Assessment of employer additional contributions to pay down unfunded liability for "pension spiking, (2) Eliminate overtime and certain differentials from calculation of their pension benefits.
- 2nd tier, higher contributions
- Accelerated amortization for closed groups
- ACERA is actively implementing the 2012 California Public Employees' Pension Reform Act (Cal PEPRA) mandates of AB 340, which became effective 1 January, 2013. The general impact to pension reform includes new benefit formulas, a limit on pensionable income, three-year final average salary, and new cost sharing by members.
- Added Tier 2 for new employees with a reduced multiplier and increased the retirement age
- Added Tier 2 for new employees with a reduced multiplier and increased the retirement age
- Additional benefit reductions
- Adopt GASB Entry Age Individual and Funding to final Decrement
- Advocate increase in employee and employer contribution rate.
- Almost three years following OPERS' recommendation to the Ohio Retirement Study Council, the legislative redesign package was unanimously passed by the Ohio General Assembly in September 2012. Substitute Senate Bill 343 became effective January 7, 2013 (with a few provisions taking effect at a later date).The pension legislation consisted primarily of the OPERS' Board's recommendations which were designed to meet the following objectives: a) eliminating subsidization of select pension benefits; b) addressing the fact that members are living longer; and c) strengthening the pension funding to allow OPERS to fund health care.
- Any increase in contributions requires enactment of legislation and we are working with stakeholders, the Legislature and the Administration to develop a funding plan to include in such legislation.
- Asset allocation strategies using a high proportion of alternative investments.
- Asset smoothing
- Being a poorly funded plan in the past, our Board adopted an accelerated funding policy a few years ago that amortizes our retiree liability over a 15 year closed period and all other liabilities over a 30 year period. The closed periods are now 12 and 27 years respectively.
- Bonding at a lower rate
- Cap interest paid to annuity savings from 0-7.9% using market rate of return
- Changed benefits for future hires, increased member and employer contributions. Included statutory language that requires City to contribute the ARC.
- Changed smoothing standard from 5 years to 10 years recognizing increased volatility in the financial markets.
- Closed plan to new hires and stopped access to City health plan for future retirees.

Reducing Liability *- Continued*

▪ Closed plan to new hires and stopped access to City's health plan for future retirees.
▪ Considering increasing Plan Sponsor contributions.
▪ Considering issuing pension bonds
▪ Constraints placed on Ad hoc COLA awards.
▪ Continuous consultation with the Board's Consultant, Actuary and PERAC Actuary.
▪ Contributions, staff levels, returns
▪ Cut expenses
▪ Derisked the investment portfolio for less volatility of returns. Maintained relatively high contribution rates.
▪ Developed a funding policy with municipal input. Unfortunately, not seeing compliance of the policy.
▪ Employer contributing more than required actuarial rate.
▪ Employer increased contribution rate and have reduced benefits for active and future employees.
▪ Employer is making ARC as recommended by actuary; increased member contributions.
▪ Employers can pay their entire annual appropriation on July 1, rather than 1/2 on July 1 and 1/2 on January 1, which eliminates the built in interest component and reduces the appropriation by approximately 2%. The system benefits because it receives more money earlier, and can get more of it invested right away.
▪ Excess funding to the unfunded liability
▪ Floated a Pension Obligation Bond
▪ FPDR is a pay-as-you-go plan. Starting in 2007, new hires are members of the Oregon Public Employees Retirement System for pension benefits.
▪ Funding at the required actuarial contribution or above. Looking into changing the assumed rate of return to make sure the fund can meet it.
▪ Go direct with some alternative investments to save on fees
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▪ Go direct with some alternative investments to save on fees
▪ Have lowered the amortization period and assumed rate of return, which has increased the ARC.
▪ Have put into place a reserve account that we can transfer funds from the General Fund. City of Champaign just increased their home-rule sales tax by .25% and the surplus funds can be used to support this reserve account, which will be used in future years when the actual rate of return is lower than the assumed rate of return which in turn creates an unfunded liability.
▪ Higher contributions
▪ Holding benefits where that at currently until the amortization period shortens.
▪ Implemented a fixed 20 year amortization policy, lowered the assumed rate of returned by .25%
▪ Implemented PEPRA.
▪ Increase eligibility thresholds for retirement for new employees. Reduce benefit multiplier for new employees. Increase plan sponsor contributions.
▪ Increase employee contributions and beg city to return their contributions to prior levels which they arbitrarily cut in 2012.
▪ Increase member and employer contributions. Reduce COLA for new hires.
▪ Increase member/employer contributions
▪ Increased contributions 1% per year for 3 years and increased employer contributions to the actuarially determined contribution requirement with a cap of 4.19 times employee contributions 2 years prior.
▪ Increased contributions, created lower benefit tier for new employees, suspended discretionary benefit increases for retirees.
▪ Increased contributions. Appointed a CIO to oversee investment strategy.
▪ Increased employee contributions for new employees, reduced final compensation calculation, increased retirement age for new employees
▪ Increased employer and employee contributions
▪ Increased employer and employee contributions; reduce benefits for non-vested, new employees.
▪ Increased member and employer contributions; raised benefit age/service requirement, final average salary period, and vesting requirement.
▪ Installed a Rehabilitation Funding Programs
▪ Introduction of new benefit tiers for newly hired and rehired employees reducing the benefit multiplier and average final compensation and increasing age and service criteria for benefit eligibility.
▪ Keeping the funding schedule short and increasing the annual appropriations.
▪ Legislative changes enacted in 2010 to increase contribution rates; allow the system to adjust the rates up or down 1 percentage point based on the actuarial rate; increased vesting requirements, and reduced benefit accruals.
▪ Lengthened funding time, aggressive funding in next 5 years
▪ Lower fees on investments
▪ Main employer is planning to make supplemental contributions over and above the actuarially required amount.
▪ Maintaining a well diversified asset allocation and using strong performing asset managers
▪ Major pension reform adopted during the 2013 legislative session to address UAAL and achieve 100% funding within 30 years
▪ Member/employee wellness program to reduce disability claims. Liability study used to enhance investment return and overall fund performance. Customized benchmarking. Systematic lowering of assumed rate of return so as to absorb costs more effectively become more realistic about liability driven investments.

Reducing Liability *- Continued*

- Modernize DB plan provisions
- Monitor UAAL closely and have implemented benefit/contribution changes in wake of 2008-2009 downturn. Will continue to make changes if needed
- Moved to fix income investments
- New Hybrid plan effective for new hires after 7/1/2014 contains controls on cost and unfunded liability.
- NH has constitutional and statutory provisions requiring that employer contribution rates are actuarially determined and are paid in full every year.
- No increase in benefits if the amortization period is more than 25 years.
- No strategies in place beyond amortization.
- None....Hoping for better investment returns
- NYSTRS is funded in accordance with an appropriate, conservative actuarial funding method, and it collects the full ARC from employers and employees each year. The ARC is calculated annually and changes accordingly, so employer contributions have increased in recent years due to the increased ARC necessary to keep the System well funded. Additionally, two new tiers of membership were enacted in NYS in recent years and in both cases employees contribute at higher rates for a longer period of time with reduced retirement benefits. Actuarially, as membership in these two tiers continue to grow, the impact on the System's funded status will be positive.
- Our actuary uses the more conservative calculation method of entry age normal, so historically the contribution rates have always been higher than the statutory requirement.
- Our amortization period declines by one year each year.
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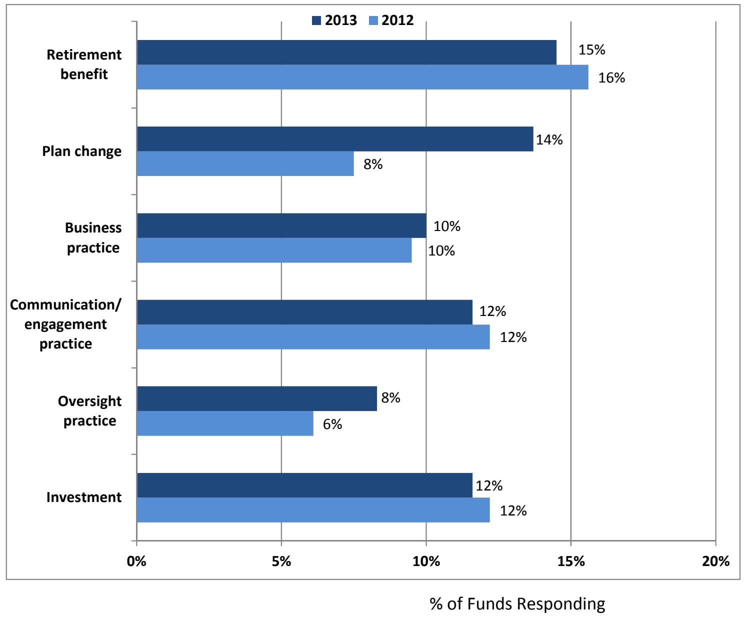
- Our amortization period is 24.3 yr. Pension Review Board (State of Texas) guidelines prohibit benefit enhancement if change results in an amortization period over 25 yrs. Board feels (in agreement with retained actuary) that amortization period should be maintained between 13 and 20 yrs.
- Our amortization periods declines by one year each year. Currently reviewing our funding mechanism for reform
- Our Board has been given the authority to adjust employee contributions between 10%-14% and COLA between 0%-3% based on our actuarial valuation. This should give us the tools to bring our system into compliance with the 30-year amortization requirement.
- Our government has increased employer contributions to both plans.
- Our state has never followed traditional actuarial funding processes, so adopting traditional amortization would be a huge step forward. We have emphasized the finance savings that would result from standard funding in ongoing discussions about proposed benefit reductions. Benefit reductions would also reduce the unfunded liability if they are upheld as constitutional.
- Our strategy was to pass legislation that would make the system more robust and flexible. Through our efforts (see answer to question 9 below) along with alliances with key stakeholder organizations, the 2013 legislative session ended with bills that: increase member and employer contributions, create a two-tier system in which new members work longer and pay more into the system for full benefits, increase annual contributions from the state, and allow the board to increase/decrease member contributions within a set range. These changes decrease the amortization period from infinite to 22 years. We will receive our actuarial analysis in early October and will see at that time what our UAAL is for FY 2013.
- Pension Obligation Bond issuance covering 75% of the unfunded actuarial liability.
- Pension plans have to do three things to remain sustainable. manage the plan assets, manage the plan liabilities, and collect in full, every year, the total actuarially required contribution. The Denver Employees Retirement Plan, along with its plan sponsors, does all three things.
- Plan design changes
- Plan Design Changes for existing and new employees; increased employee/employer contribution rate.
- Property transfer from City as supplementary contribution.
- Public engagement to educate public as to reasons for unfunded liability, scope of benefits, and cost to city of switching to a DC benefit plan
- Raise city and member contribution rates, lower pension amounts
- Raised both employee and employer contribution rates
- Reallocation of investments, increase institution contribution to fund. We always fund with the recommended ARC.
- Recently reduced assumption rate and policy regarding "excess earnings" not available for use until 90%+ funded.
- Reduced rate of return for actuarial valuation; fund to 100% as opposed to 90%.
- Reducing future benefits for current active participants effective 1/1/2014.
- Reducing the assumption rate.
- Reductions on interest rate paid for withdrawals, changes to actuarial factors for service purchase, changes in plan design (retirement, survivor benefit, disability, withdrawal, service purchase, return to work)
- Researching funding policies and strategies.
- Seeking additional funding stream from employer to ensure adequate funding of the retirement annuity plan.

Reducing Liability *- Continued*

- Senate Bill 10-001 Increases over time supplemental employer and member contributions, requires actuarially determined reduction factor for early retirement, changes HAS annual salary limit from 15 percent to 8 percent for members not already under limit, tightens HAS calculation for DPS division to align it with other school district divisions, requires 5 years service to receive 50 percent employer match upon withdrawal, changes age and service requirements for full service retirement eligibility for new hires and those with less than 5 years of service, changes COLA from 3.5 percent annual compounded to 2 percent for most members (caveats apply), prevents recalculation of benefits after a suspension and requires accrual of separate benefit segment, requires retirees who return to work for a PERA employer to make nonrefundable contributions at the same rate as all members working for that employer.
- State legislature has passed pension reform in Massachusetts to increase the age, average salary used to calculate benefit etc. thereby easing the burden on future unfunded liabilities.
- SURS was established as a component unit of the State of Illinois. The statute assigns the authority to establish and amend benefit provisions and the funding of the plan to the State Legislature. The state contributions have been less than the annual required contributions (ARC) as defined by the Governmental Accounting Standards Board. The assumption for the rate of investment return decreased from 8.5 percent to 7.75 percent effective with the valuation as of June 30, 2010. Historical underfunding of the state retirement systems has positioned Illinois last in the nation on pension funding. As of June 30, 2012, SURS unfunded liabilities totaled $19.2 billion, and SURS was 42.1% funded based on an actuarial value of assets.
- The Board has adopted a policy to prevent future unfunded liabilities; COLA provisions have been removed until the plan reaches and maintains 100% funded; Employee and employer contribution rates have increased and an additional increase is planned to occur within the next two years; A new tier of benefits has been created for prospective employees (reduced benefit multiplier, increased highest average salary time period from 3 to 5 years, and increased retirement age from 60 to 65)
- The Board of Trustees came up with a plan to get us to 30 year funding that was approved by the Legislature in September of 2012. Those elements are now becoming effective. This legislation will improve our funding.
- The City has dedicated future Parking Tax Revenue to fund the pension plan.
- The City of Danville eliminated ad-hoc COLAs from the plan and implemented a bonus policy to be funded by the plan sponsor, the City of Danville.
- The Civilian Unions are currently in negotiation with the Administration. Most likely they will negotiate higher contribution rates.
- The county retirement plan is legislated by the Commonwealth of Pennsylvania and is therefore, very difficult to change.
- The sponsors have voluntarily paid in additional contributions in excess of the required annual contribution.
- The Village Board has been contributing the amount recommended by independent actuary for the last 4 years.
- TMRS has a strict funding policy that requires member cities to pay the actuarially required contribution (ARC). Member cities may also contribute amounts in excess of the ARC, including lump sum payments. In addition, we have a closed amortization period of either 25 or 30 years (agent multi-employer plan).
- To reduce assumptions over the next few years
- Under the aggregate funding method there is no unfunded accrued actuarial liability
- We are 90% funded, our goal is to have asset allocations set where we are 100% funded in 3 years
- We enacted legislation that will trigger automatic contribution rate increases (decreases) when contribution deficiencies (sufficiencies) exist for two consecutive years, based on certified actuarial valuation results. We also enacted legislation to lengthen the vesting periods for new hires after July 1, 2010. We also increased the early retirement reduction factors which will result in lower pension benefits for certain members.
- We fully fund our ARC; we also have been exceeding our assumed rate of return.
- We have implemented statute changes in employer/employee contributions and member benefits.
- We have taken steps, administratively to curb costs, increase contribution rates and sought additional supplemental assistance in form of State aid to create an actuarially determined path to remove existing funding deficiency
- We made changes to plan design including raising retirement age and introducing employee contributions.
- With the agency's investment allocation, coupled with the Board of Trustees advocacy of the Governor's Office and the General Assembly, the system is on a path to full actuarial funding.
- Working closely with the District to satisfy full levy request.
- Yes, through legislation, retirement structure for new hires has been modified.

Innovations

In the study, respondents were asked to share a success story regarding a best practice or innovation that other plans may like to learn about. Below is a text cloud showing those words that appear most often in respondents' comments. Below the text cloud are the actual verbatim comments. The categories the comments supported are profiled at the right.



- Allowing members and employers to make corrections and to submit applications/forms online reduces the workload of internal staff.
- By requesting annual retiree statements we were able to learn of a death benefit that had not been awarded to the survivor.
- Conducted a retirement benefit study over a period of approximately 2 years. Process included significant employee involvement for evaluation of current and future benefits. Process resulted in the introduction of new benefit tiers and new plan offerings, including a hybrid plan and a retirement health savings plan, designed to enhance the long-term sustainability of the retirement system.
- Conducted employee meetings reaching over 80% of members to discuss and changes and answer questions.
- External Portfolio Strategist contracted to assist in investment policy and implementation. Internal staff still handles private equity investments.
- Going to the MARC system, hosted by Milliman, which provides real time calculations, and will allow participates to view and forecast their retirement strategy to include all sources of income and expenditure. In addition the implementation of employee retirement training seminars which include various vendors, i.e. Social security, Centers for Medicare, Def. Compensation providers, retiree Health Insurance providers
- Have moved the majority of our investments from individual stocks and bonds to mutual funds to maximize returns and reduce investment costs. Eighty three percent (83%) of our investments are now in a wide range of mutual funds.
- Implemented 95 performance metrics across the organization which are measured monthly and reported to Trustees.
- Implemented a bonus policy based on certain criteria to be met in lieu of ad-hoc COLAs.

Innovations *– Continued*

▪ In February 2012, the OPERS Board of Trustees proposed the contribution-based benefit cap (CBBC), a measure to address the practice of spiking. Meant to impact only those members who have a formula benefit out of proportion with their contributions, it considers the member's lifetime career contributions toward his or her pension, in addition to the final average salary, in determining his or her annual benefit. Additionally, the OPERS Board of Trustees and staff have redesigned the health care program with a goal to provide access to sustainable health care coverage to our retirees within a four percent employer contribution rate target. We have begun to revise our health care funding framework and establish a stabilization fund that will complement the redesigned health care program. The stabilization fund will help minimize future health care changes for our retirees due to volatility in investment returns, inflation and payroll growth.

▪ Independent Pension Plan Website and Independent office location

▪ New asset allocation that reduces equity-like risk, and focuses more on absolute return strategies

▪ New state law changes, via productive labor management negotiations, which increased the retirement age for new hires, cost averaging for final salary calculations, reduced COLA based upon CPI-U, and an adjusted salary cap. Also, better controls to ensure proper employer funding and increased allocation allowances were implemented via the same state law changes.

▪ Our most effective strategy to produce the changes outline in question 8 was communication with stakeholders. We began more than a year before the legislature met by meeting with members, retirees, allied organizations, legislators, and legislative staff to discuss the options in addressing the UAAL. We asked for feedback in face to face meetings as well as surveys and discovered what our members and retirees would and would not support. We produced a steady stream of informational materials to help legislators and legislative staff understand the funding situation. We were both willing to listen, to work for the best possible compromise that would serve our members and retirees, and we held firm on our commitment to defined benefit plans as the most effective retirement plan. Our commitment to the "tortoise strategy" of steady and slow helped us to a very successful legislative session. Also, the Montana Board of Investments recently reported strong increases in investment returns.

▪ Over the past decade, the ASRS has identified and worked with the legislature to implement 6 to 10 billion dollars in savings to the trust fund. The changes in plan design were suggested to align with best practices or to respond to changes in member demographics or other conditions. Our health insurance program is pre-funded and designed in a way that controls costs (we provide a fixed dollar contribution toward contributions, rather than a sliding scale). As a result, our health insurance program is the best funded program in the US. Over the past decade, our agency has re-engineered all of its business processes to be more automated and efficient, and also implemented a significant number of online services for members. As a result, we have been able to keep staffing relatively constant in times of increasing service demand as more members utilize the web to receive service. Member satisfaction levels have remained high throughout.

▪ Participation in the state equivalent of the National Baldrige Criteria for performance Excellence.

▪ Posted online training videos

▪ Reconstitute Board to increase retiree participation in investment process

▪ Reduce fund expense via increased retirement age, decreased multiplier, increased vesting requirement, removal of automatic COLA, but keep Retirement Fund in place!

▪ Regular funding of plan

▪ Required 100% funding level for benefit enhancements both before and after, using supplemental valuations

▪ Same as above I guess. We also have raised the COLA base from 3% of the first 12K of benefits, to 3% of the first 14K of benefits, and have adopted a policy which links consideration of future increases in the COLA base when the investment return exceeds the assumed rate of return in three consecutive years.

▪ See "Strengthening State & Local government Finances: Lessons for Negotiating Public Pension Plan Reforms" by the Center for State & Local Governance Excellence.

▪ Senate Bill 27/a, passed by the 2013 NM Legislature and signed into law effective July 1, 2013, represent comprehensive pension reform that achieves 100% funding on or before 2043. The plan was a collaborative effort between employers and stakeholders after many months of outreach to members and retirees. The pension reform package adopted by the board of trustees reflected concessions with membership groups and unions and represented a shared sacrifice among all groups- current members, retirees and future hires. A new tier of benefits represents a solid pension benefit and maintains a generous defined benefit plan for future generations of new Mexican public employees.

▪ StanCERA Board of Retirement has accepted a move to liability partitioning and immunization of those specific cash flows. As interest rates rise, the Organization intends to move to immunize more of these liabilities

▪ Team and Customer Satisfaction and Engagement effort- contact us for details.

▪ The initiation of public forums and meetings with the governing boards of the plan sponsors to review how the system is funded and how benefits provided under the plan documents has created a clearer picture of the challenges that must be faced for those seeking meaningful pension reform.

▪ The Massachusetts Pension system, of which our plan is a member, has bifurcated the plan design while maintaining the DB system. There are now two classes of members, pre-April, 2012 and post April 2012, with different benefit accruals.

▪ The most important strategic change we made was implemented nine years ago in 2004 when our plan was still 98% funded. In an effort to return to 100% funded, we lowered the plan's multiplier for new employees from 2.0% to 1.5% per year of service. We were years ahead of the curve. It's nine years later now and almost half the workforce has turned over to the lower multiplier tier, and that has significantly helped keep contribution levels in check. In the wake of the recession, we created another new tier in 2011, along with many others, but that was our second time up to the plate, not our first.

▪ The Municipal Pension Plan (BC - Canada) is a multi-employer, multi-sector plan that has been jointly trusteed for twelve years. Over this period, the Trustees have developed a strong policy infrastructure for plan governance. In 2011, the Board of Trustees developed a ten-year Strategic Decision Framework, with three-year short-term priorities, five long-term pension security goals and five long-term governance responsibility goals. This framework, which is posted on the plan website, is a basis for ensuring the sustainability of the Plan and strengthening the capacity of the Trustees to govern it effectively. The first three-year short-term priorities included: changes to the Plan's investment policy; enhanced engagement of members, employers and other plan stakeholders; establishment of a plan advocacy coordinating initiative; focus on cost issues affecting the Plan; focus on succession planning and development of Trustee capacity.

Innovations *– Continued*

- The new state employee and teacher Hybrid plan is unique due to its cost controls.
- The plan's employer and employee contribution rates are fixed by ordinance and were not reduced when market values rose in the late 1990's. The plan entered the 2000-03 and 2008-09 market declines with a surplus, which cushioned the impact of investment losses on funded status. Steps were taken after 2009 to reduce new hire benefits and this has already begun to slow the rate of liability growth. Today the plan has a 92% funded ratio and is on course to reach full funding within the next 30 years.
- The System saw that the financial turmoil of 2008 was going to have a serious impact on funding and took action to deal with it through benefit changes. Of course, it will take many years to see the full impact of the changes.
- This is Springfield, MA.
- TMRS continued the diversification of its investments from a 100% fixed income strategy to a total return strategy. Combined with a strict funding policy that requires member cities to pay the actuarially required contribution, these efforts have improved the System's funded ratio from 73.7% to 87.2% over the past five years.
- Trust your investment team if you have a long term relationship and do not panic with volatility.
- Two items come to mind. The first is a project to remove a bottleneck where staff were waiting in queue to access microfiche. The retirement system outsourced the microfiche conversion to digital media and then retirement system IT staff wrote a user friendly program for the processing staff to access the digital images. Good bye bottleneck and hello improved member service, disaster recovery, and more floor space! The second is our rigorous 9 month retirement benefit specialist training program where new employees spend rotations between the class room and the production floor as part of their learning - subject to 100% audit.
- Update the Investment Policy to reduce bonds within the portfolio over the next two years.
- Urban property renewal/downtown redevelopment.
- Using EAN (entry age normal) to calculate contributions and never following the State reduced smoothing plan, always exceeding contributions, have sustained the fund through recent economic downturns.
- We are developing a formal risk management program to identify risks facing CalSTRS and strategies to mitigate those risks. We have taken the first steps by working with the Teachers' Retirement Board to identify nine risk categories and will work throughout 2013 to develop the program.
- We are particularly pleased with the success and acceptance of the various self-service tools we offer to members and employers. In addition to the convenience it provides to users, processing times and operational efficiencies have significantly improved. An example is our online loan estimator and application. Since its launch in April 2009, hundreds of thousands of loan estimates have been run by members and almost 20,000 loan applications have been filed electronically. In the 2012-13 fiscal year, 53% of loan applications were submitted electronically. The benefit to the System is that time and resources previously dedicated to loan-related telephone inquiries and the running of loan estimates for members can now be dedicated to other projects, serving to reduce backlogs and allowing for development of new functionality.
- We are successfully implementing a new strategic communications plan that builds and solidifies our social media presence, expands and enhances our employer relations outreach and Ambassador program, develops business community and education community outreach efforts, and overlapping with the others, builds a media communication effort.
- We conducted employee meetings reaching over 80% of our member to discuss plan design changes and answer questions face-to-face.
- We froze the DB plan in 1994 and this has bee a great success. We now have 475 DB employees and 2800 DC employees.
- We have implemented fully electronic Board meetings with major operational time and cost savings. We have implemented a new pension administration system that will facilitate benefit calculation, recording and safe storage of member data.
- We have our fund on a 40 year track to 1% funding with sacrifices on both sides.
- We hired consultants to perform our system's initial risk assessment. We embraced their methodology and adopted it for our continued use. For assurance in getting the risk assessment process right the first time, it was worthwhile issuing a Request for Proposals and working with experts in this field.
- We image a lot of our documents to reduce the paper overload
- We implemented a new pension plan(DB/DC) in 2012. The communication blitz raised awareness of all our retirement plans and engaged employees. We do auto enrollment of employees at a deferral rate of 3% and 97% of employees are staying with that and not opting out.
- We lobbied the legislature to give us more flexibility to address economic issues confronting the pension system. In the past, we had to seek legislation to change contribution and COLA rates. Now, the Board has the authority to change them within ranges which allows us to react more quickly.
- Web Member Services: The Alameda County Employees' Retirement Association developed and launched a 24/7, password-protected web application on www.acera.org wherein members may review personal retirement data, submit automated requests for changes, and produce accurate retirement allowance estimates.
- Wide range of investments.
- Worked with members, retirees, employers, and political leaders to enact a plan to prefund retiree health benefits. Changed composition of investment committee to include two nationally recognized investment experts.
- Working with your government agency to develop a funding policy is a great way to get all stakeholders to the table and discuss solutions to the unfunded liability.
- Yes

Appendix A

In the study, respondents were asked to specify what "other" asset class they invested in. Below is a text cloud showing those words that appear most often in respondents' comments. Below the text cloud are the actual verbatim comments.

- 5.8% in Timberland and 3.6% in Infrastructure
- Absolute return (7%), Real assets (1%), Global tactical asset allocation (6%)
- Absolute return was 5.5% and real return was 9.4%
- Alternative Fixed Income (Unconstrained Bonds)
- Alternative Investments (real estate, venture capital and resource funds)
- Arbitrage
- Asset allocation strategies
- Convertible 8.65%
- Convertible Securities 4%, Infrastructure 3%
- Convertibles
- Diversified Assets
- Emerging market equity
- Emerging market equity
- Equity and fixed income above include domestic and international. Other asset class is innovation.
- Fixed Income 23.7; hedge funds 1.2
- Fixed income global with high yield included
- GAA
- GAA, Infrastructure
- Global Equity
- Global Equity (5.35%); MLP (4.72%)
- Global Equity 18.9%, Global fixed 4.7, Inflation linked 2.1, EM debt 3.7, EM Equity 3.5
- Global equity 20.7, emerging market equity 5.6, EM debt 10.8 US treasuries 36.6, other 23.2
- Global Equity 56.5%, Fixed Income 23.3%, Alternative Investments 8.7%, Opportunity Fund 2.5%
- Global Fixed Income
- Global Fixed Income
- Global tactical
- Global tactical (2.8%)
- Global tactical asset allocation
- Global tactical asset allocation
- GTAA
- Hedge
- Hedge funds
- Inflation Protection
- Inflation Protection 8%; Global Opps 7.5%; Risk Parity 9.8%
- Inflation Sensitive
- Infrastructure
- Infrastructure
- Infrastructure (14.8%)
- Infrastructure, timber
- local
- MLP
- MLP
- MLP (master limited partnerships)
- MLP/Energy
- Mortgage back securities
- Opportunistic
- Opportunistic
- Overlay
- Plan's assets are in the City's cash investment pool
- Private Debt (1.66), Opportunistic Debt (2.94)
- Private Equities
- Private fixed loans
- Public & Private Real Assets
- Real assets
- Real assets
- Real Return
- Real Return (9.5) and Infrastructure (.5)
- Real Return (9.5) and Infrastructure (.5)
- Real Return (9.6) and Infrastructure (.6)
- Real Return, Covered Calls, Other
- Real return, long/short equity
- Resources, yield-oriented
- Risk parity
- Risk parity
- Risk parity
- Risk parity
- Risk parity
- Risk parity
- Risk parity
- Risk parity
- Risk parity, other pension assets, liquidity
- Special income
- This is fixed income, which we do not break out between domestic and international
- Timber
- Timber
- Timber, emerging markets
- TIP Assets
- TIPS
- TIPS
- TIPS
- TIPS
- TIPS
- TIPS (5), EM debt (4) GAA (15)
- TIPS 5.3, MLP 4.0
- TIPS 5.3, MLP 4.0
- TIPS, Global Inflation Linked Bonds, Energy, Timber, Infrastructure, Investment Grade Credit
- Total Fixed Income: 28%; Real Return: 5%, Covered Calls 5%.
- US Tips and other real assets
- We are part of the state of Mass PRIT fund

Appendix B

2013 Study Instrument

National Conference on Public Employee Retirement Systems
The Voice for Public Pensions

NCPERS PUBLIC EMPLOYEE RETIREMENT SYSTEM STUDY

Please share your feedback so we can continue to provide the most up-to-date information addressing retirement issues for public pension plans across the nation. You will need your most recently completed Comprehensive Annual Financial Report (CAFR) to complete these questions.

If you administer more than one plan, please copy this survey for each and note the name of the fund. If you are a multi-employer plan, you may use aggregate numbers from your CAFR and respond to the questions in the way that is generally applicable for most of the plans you administer. Your response will remain confidential and will not be shared without your permission.

Please enter your 5 digit ZIP code: ☐

Plan name: ☐

What type of plan is this? (**Mark all that apply.**)

☐ *Defined Benefit Plan (Traditional Pension Plan)* ☐ *Cash Balance Plan*

☐ *Defined Contribution Plan (Mandatory Retirement Account)* ☐ *Hybrid Plan*

1. Which *retirement benefits* below are offered or will be introduced by the plan or plan sponsors in the next two years? Please skip individual items below if not applicable.

	Already Offering	*Will Introduce in Next Two Years*
Defined Benefit Plan (traditional pension plan in which the benefit is defined by a formula based on service and average wages)	☐	☐
Defined Contribution Plan (retirement account in which an employer's contribution is specified and employee participation is generally mandatory)	☐	☐
Deferred Compensation Plan (tax-deferred retirement savings account such as a 457, 403b, 401k; employee participation is voluntary)	☐	☐
Combination/Hybrid Plan (blends Defined Benefit and Defined Contribution elements)	☐	☐
Individual Retiree Health Savings Accounts	☐	☐
In-service death benefit of at least the return of employee contributions or a comparable benefit	☐	☐
Disability benefit provided either within the plan, by Social Security or by employer	☐	☐
Plan documents provide for vesting of plan benefits	☐	☐
Plan documents prohibits involuntary forfeiture or reduction of vested benefits	☐	☐
An automatic post-retirement adjustment of payments (e.g. COLA)	☐	☐
A compounding post-retirement adjustment of payments (e.g. COLA)	☐	☐
An ad hoc (not necessarily automatic or compounding) post-retirement adjustment of payments (e.g. COLA)	☐	☐
Employer pick up of employee contributions	☐	☐
Deferred Retirement Option Plan (DROP - in all forms)	☐	☐
Qualified excess benefit plan (for payments above IRC 415 limits)	☐	☐

2. Which ***retirement plan changes*** below have been implemented in the last two years or will be implemented by the plan or plan sponsors in the next two years? Please skip individual changes below if not applicable.

	Already Implemented in Last Two Years	*Will Implement in Next Two Years*
Shorten amortization period of unfunded liabilities	☐	☐
Lengthen amortization period of unfunded liabilities	☐	☐
Reduce multiplier	☐	☐
Increase multiplier	☐	☐
Make benefit enhancements more difficult	☐	☐
Lengthen smoothing period for actuarial value of assets	☐	☐
Shorten smoothing period for actuarial value of assets	☐	☐
Lower the actuarial assumed rate of return	☐	☐

NCPERS Public Employee Retirement System Study (c) 2013 Cobalt Community Research Page 1

Continued from page 1...Which ***retirement plan changes*** below have been implemented in the last two years or will be implemented by the plan or plan sponsors in the next two years? Please skip individual changes below if not applicable.

	Already Implemented In Last Two Years	*Will Implement In Next Two Years*
Hold the actuarial assumed rate of return at the same level	☐	☐
Raise the actuarial assumed rate of return	☐	☐
Tighten retiree return-to-work rules	☐	☐
Loosen retiree return-to-work rules	☐	☐
Tighten the use of lump sum payouts in the final average compensation (sick leave, annual leave, or other paid time off)	☐	☐
Tighten the use of overtime payments in the final average compensation	☐	☐
Raise benefit age/service requirements	☐	☐
Reduce benefit age/service requirements	☐	☐
Increase employee contributions	☐	☐
Reduce wage inflation assumption	☐	☐
Issue pension bonds to fund liabilities	☐	☐
Freeze or close Defined Benefit Plan (specify below)	☐	☐

3. If you have or plan to freeze or close your Defined Benefit Plan, which type of plan are you putting in place? (**Please mark all that apply.**)

☐ *Cash balance plan* ☐ *Deferred Compensation Plan (457, 403b, 401k, etc.)* ☐ *Annuity*

☐ *Defined Contribution Plan* ☐ *Other*

4. Which ***business practices*** below have been implemented in the last two years or will be implemented by the plan or plan sponsors in the next two years? Please skip individual items below if not conducted.

	Already Implemented In Last Two Years	*Will Implement In Next Two Years*
Conduct a death audit	☐	☐
Conduct an actuarial audit by a third party actuary (includes replication of valuation and opinion on actuarial assumptions)	☐	☐
Conduct an information systems security audit	☐	☐
Conduct a building security audit	☐	☐
Request an updated IRS Letter of Determination	☐	☐
Update/strengthen an asset allocation study	☐	☐
Expand operational performance bench marking	☐	☐
Update administrative software used for member data	☐	☐
Provide online portal for members to access account information	☐	☐
Conduct a member needs and expectations study	☐	☐
Implement records management software	☐	☐
Implement record imaging/scanning	☐	☐
Destroy hard drives of copiers when you dispose of them	☐	☐
Comply with new State statutory or regulatory requirements to report your funded status based on a rate of return different from your assumed rate of return	☐	☐

5. Which ***communications and member engagement practices*** below have been implemented in the last two years or will be implemented by the plan or plan sponsors in the next two years? Please skip individual practices below if not conducted.

	Already Implemented In Last Two Years	*Will Implement In Next Two Years*
Develop public relations plan to address "Pension Envy"	☐	☐
Strengthen media outreach efforts	☐	☐
Develop staff talking points on key issues affecting the fund	☐	☐
Expand retirement planning education for members	☐	☐
Conduct a member satisfaction assessment	☐	☐
Update member handbook/summary plan description (either electronically or paper)	☐	☐

Continued from page 2...Which ***communications and member engagement practices*** below have been implemented in the last two years or will be implemented by the plan or plan sponsors in the next two years? Please skip individual practices below if not conducted.

	Already Implemented In Last Two Years	*Will Implement In Next Two Years*
Notify members of updated handbook/summary plan description (either electronically or paper)	☐	☐
Actively use social media (such as Facebook, Twitter, etc.) to share messages with member groups	☐	☐
Allow member groups to post comments back regarding messages shared through your social media channels	☐	☐

6. Which ***oversight practices*** below have been implemented? Please skip individual practices below if not conducted.

	Yes	*No*
Receipt of the GFOA Award of Excellence for the most recent award cycle	☐	☐
Receipt of an unqualified opinion from the auditor on the fund's financial statements, internal controls and compliance with applicable laws and regulations	☐	☐
Conduct an actuarial valuation at least every 2 years	☐	☐
Actuary certification stating that the valuation was performed using generally accepted actuarial principles and practice	☐	☐
Board adoption and adherence to written investment policies	☐	☐
Board adoption of written fiduciary standards	☐	☐
Receipt of annual investment performance evaluation from an outside independent investment review entity	☐	☐
Use of an audit committee by your governing board	☐	☐
Use of a formal enterprise risk management framework	☐	☐

7. How satisfied are you with your readiness to address retirement trends and issues over the next 2 years? Use a 10 point scale where 1 means ***"Very Dissatisfied"*** and 10 means ***"Very Satisfied."***

Very Dissatisfied= 1	*2*	*3*	*4*	*5*	*6*	*7*	*8*	*9*	*Very Satisfied= 10*
☐	☐	☐	☐	☐	☐	☐	☐	☐	☐

8. If you have an unfunded accrued actuarial liability, what strategies have you put in place to reduce it beyond traditional amortization?

9. As you think about best practices and innovation, please share a success story that other plans may like to learn about:

10. Which categories best describe your innovation or best practice story above? (**Please mark all that apply.**)

☐ *Retirement benefit* ☐ *Business practice* ☐ *Oversight practice*

☐ *Plan change* ☐ *Communication/ engagement practice* ☐ *Investment*

Questions about your plan

11. Fund statistics **from most recently completed fiscal year** (if applicable). Please do not use commas, dollar signs or percentage marks in the field - it is numeric only.

Total number of active members:	
Total number of annuitants:	
Total number of staff who administer the fund (full-time equivalent):	
Total number of managers and supervisors who oversee fund staff (exclude Board members):	
Fiscal year end (Month):	
Fiscal year of your CAFR referenced for this survey:	

Continued from page 3...Fund statistics **from most recently completed fiscal year** (if applicable). Please do not use commas, dollar signs or percentage marks in the field - it is numeric only.

Current funded ratio (%):

Total assets - market ($ in thousands):

Total assets - actuarial ($ in thousands):

Total liabilities - actuarial ($ in thousands):

Discount rate (%):

Approximately which percentage does this plan offer for Cost of Living Adjustments (COLA)?

☐ *None* ☐ *1.0%* ☐ *2.0%* ☐ *3.0% +*
☐ *0.5%* ☐ *1.5%* ☐ *2.5%*

Does this plan require member contributions?

☐ *Yes* ☐ *No*

Income from member contributions ($ in thousands):

Member contributions as % of payroll (%):

Income from employer contributions ($ in thousands):

Employer contributions as % of payroll (%):

Income from investment earnings ($ in thousands):

Total expenses, including pension payments ($ in thousands):

Investment manager expenses (basis points):

Administrative expenses (basis points):

Investment assumption (%):

Inflation assumption (%):

Investment smoothing period (years):

Amortization period (years):

Gross investment return % (1 year):

Gross investment return % (3 year):

Gross investment return % (5 year):

Gross investment return % (10 year):

Gross investment return % (20 year):

What is your approximate allocation to the following asset classes

12. What is your ***CURRENT*** allocation to the following asset classes (percentages should equal 100%):

Domestic Equity (%):

International Equity (%):

Domestic Fixed Income (%):

International Fixed Income (%):

High Yield Bond (%):

Continued from page 4....What is your ***CURRENT*** allocation to the following asset classes (percentages should equal 100%):

Real Estate (%): ☐

Private Equity/Hedge Fund/Alternative (%): ☐

Commodities (%): ☐

Cash Equivalents (%): ☐

Other (specify asset class below) (%): ☐

13. What is your ***TARGET*** allocation to the following asset classes (percentages should equal 100%):

Domestic Equity (%): ☐

International Equity (%): ☐

Domestic Fixed Income (%): ☐

International Fixed Income (%): ☐

High Yield Bond (%): ☐

Real Estate (%): ☐

Private Equity/Hedge Fund/Alternative (%): ☐

Commodities (%): ☐

Cash Equivalents (%): ☐

Other (specify asset class below) (%): ☐

Questions about you (your responses will be confidential)

14. What type of employees/beneficiaries does your fund serve? (**Please mark all that apply.**)

☐ *Township* ☐ *County* ☐ *State* ☐ *Other (specify below)*

☐ *City/village* ☐ *Police/fire* ☐ *Educational*

Please specify "other":

15. Are your members eligible for Social Security coverage?

☐ *Yes* ☐ *No*

16. Are your members eligible for Medicare coverage?

☐ *Yes* ☐ *No*

17. Do you include overtime in the calculation of the retirement benefit?

☐ *Yes* ☐ *No* ☐ *Not applicable*

18. Does your plan provide retiree health benefits

☐ *Yes* ☐ *No*

19. Which role do you serve on the Board? (**Please mark all that apply.**)

☐ *Board chair* ☐ *Board secretary* ☐ *Appointment by plan sponsor* ☐ *Elected by members* ☐ *Selected by other trustees* ☐ *Staff*

20. May we contact you if we have additional questions?

☐ *Yes* ☐ *No*

This concludes the study. Thank you for your time and cooperation.

For more information:

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