

FY 2020 State Administered Retirement Systems – Actuarial and Financial Update

The two most commonly discussed statistics in actuarial reports for public pension funds are the Unfunded Liability (UL) and the Funding Level. Below is a summary of the unfunded liability, funding levels, as well as net plan assets for all state-administered retirement systems as of June 30, 2020:

System	2020 Actuarial Statistics (PRELIMINARY)				Plan Net Assets	
	Funding Level (%) *		Unfunded Liability (\$)		Market Value	
	Pension	Retiree Health	Pension	Retiree Health	Pension	Retiree Health
KERS NH	14.2% ↑	42.7% ↑	\$14.03 B	\$1.47 B	\$2.36 B	\$1.01 B
KERS H	55.3% ↑	125.9% ↑	\$0.57 B	-\$1.11 B	\$0.70 B	\$0.51 B
CERS NH	49.4% ↑	78.4% ↑	\$7.39 B	\$0.73 B	\$7.11 B	\$2.50 B
CERS H	45.1% ↓	78.2% ↑	\$2.98 B	\$0.38 B	\$2.40 B	\$1.31 B
SPRS	28.1% ↑	75.0% ↑	\$0.76 B	\$0.07 B	\$0.30 B	\$0.20 B
TRS	58.4% ↑	61.7% ↑	\$14.79 B	\$1.06 B	\$20.72 B	\$1.62 B
LRP*	101.5% ↑	247.5% ↑	-\$0.001 B	-\$0.03 B	\$0.08 B	\$0.05 B
JRP*	87.2% ↑	192.7% ↑	\$0.048 B	-\$0.05 B	\$0.34 B	\$0.10 B
Subtotal:			\$40.56 B	\$2.52 B	\$34.00 B	\$7.29 B
Combined Total:			\$43.08 B		\$41.29 B	

↑ or ↓ denotes change in statistic from prior fiscal year * Funding Levels are calculated using an actuarial smoothed market value

NOTE: In addition to the Defined Benefit Plans listed above, JFRS also administers cash balance plans for JRP and LRP. The plans are managed separately and valuations are conducted independently. As of June 30, 2020, the LRP Cash Balance pension and insurance plans were 75.7% and 61.6% funded respectively, with a combined unfunded liability of \$173,101. As of June 30, 2020, the JRP Cash Balance pension and insurance plans were 86.5% and 124.7% funded respectively, with a combined unfunded liability of \$195,199.

ALL PENSION FUNDS		ALL RETIREE HEALTH FUNDS	
TOTAL UAL	TOTAL ASSETS	TOTAL UAL	TOTAL ASSETS
\$40.6B ↑0.3B	\$34.0B ↑0.3B	\$2.5B ↓1.4B	\$7.3B ↑0.3B

Summary of 2020 Results and Experience

The three largest Non-Hazardous Funds represent 90% of states total unfunded liability:

KERS - NH	CERS - NH	TRS
<p>↑ PENSION</p> <ul style="list-style-type: none"> Funding Level: 13.4% to 14.2% UL: \$14.3 B to \$14.0 B <ul style="list-style-type: none"> Investments < Assumed ROR Indiv. salary increases < expected <p>↑ HEALTH FUND:</p> <ul style="list-style-type: none"> Funding Level: 36.3% to 42.7% UL: \$1.7 B to \$1.5 B <ul style="list-style-type: none"> Premiums < Expected 	<p>↑ PENSION:</p> <ul style="list-style-type: none"> Funding Level: 49.1% to 49.4% UL: \$7.3 B to \$7.4 B <ul style="list-style-type: none"> Investments < Assumed ROR Indiv. salary increases < expected <p>↑ HEALTH FUND:</p> <ul style="list-style-type: none"> Funding Level: 70.7% to 78.4% UL: \$1.0 B to \$0.7 B <ul style="list-style-type: none"> Premiums < Expected 	<p>↑ PENSION:</p> <ul style="list-style-type: none"> Funding Level: 58.1% to 58.4% UL: \$14.5 B to \$14.8B <ul style="list-style-type: none"> Investments < Assumed ROR Retirements/Turnover > Expected Individual Salary Inc. < Expected Negative Amortization <p>↑ HEALTH FUND:</p> <ul style="list-style-type: none"> Funding Level: 46.0% to 61.7% UL: \$1.7 B to \$1.1B <ul style="list-style-type: none"> Premiums < Expected Contributions > ADC

Recent Actuarial Trend

Below is a summary of the unfunded liability and funding levels for KERS, CERS, SPRS and TRS over the past five years:

		PENSION					INSURANCE				
		2016	2017	2018	2019	2020	2016	2017	2018	2019	2020
KERS NONHAZ	UL \$	\$11.11	\$13.47	\$13.66	\$14.26	\$14.03	\$1.71	\$1.86	\$1.55	\$1.74	\$1.47
	Level %	16.0% ⬇️	13.6% ⬇️	12.9% ⬇️	13.4% ⬆️	14.2% ⬆️	30.3% ⬆️	30.7% ⬆️	36.4% ⬆️	36.3% ⬇️	42.7% ⬆️
KERS HAZ	UL \$	\$0.38	\$0.51	\$0.51	\$0.55	\$0.57	(\$0.95)	(\$0.74)	(\$1.18)	(\$0.10)	(\$1.11)
	Level %	59.7% ⬇️	54.1% ⬇️	55.5% ⬆️	54.8% ⬇️	55.3% ⬆️	125.3% ⬆️	117.6% ⬇️	130.0% ⬆️	123.1% ⬇️	125.9% ⬆️
CERS NONHAZ	UL \$	\$4.54	\$6.04	\$6.24	\$7.31	\$7.39	\$0.91	\$1.13	\$0.72	\$1.04	\$0.73
	Level %	59.0% ⬇️	52.8% ⬇️	52.7% ⬇️	49.1% ⬇️	49.4% ⬆️	69.6% ⬆️	66.4% ⬇️	76.7% ⬆️	70.7% ⬇️	78.4% ⬆️
CERS HAZ	UL \$	\$1.57	\$2.41	\$2.47	\$2.87	\$2.98	\$0.42	\$0.59	\$0.43	\$0.42	\$0.38
	Level %	57.7% ⬇️	48.1% ⬇️	48.4% ⬆️	45.3% ⬇️	45.1% ⬇️	72.9% ⬆️	66.9% ⬇️	74.6% ⬆️	75.8% ⬆️	78.2% ⬆️
SPRS HAZ	UL \$	\$0.54	\$0.71	\$0.72	\$0.76	\$0.76	\$0.08	\$0.10	\$0.07	\$0.07	\$0.07
	Level %	30.3% ⬇️	27.0% ⬇️	27.1% ⬆️	27.0% ⬇️	28.1% ⬆️	67.1% ⬆️	65.2% ⬇️	71.6% ⬆️	71.3% ⬇️	75.0% ⬆️
TRS	UL \$	\$14.53	\$14.31	\$14.30	\$14.52	\$14.79	\$2.84	\$2.71	\$2.13	\$1.69	\$1.06
	Level %	54.6% ⬇️	56.4% ⬆️	57.7% ⬆️	58.1% ⬆️	58.4% ⬆️	21.9% ⬆️	26.7% ⬆️	36.3% ⬆️	46.0% ⬆️	61.7% ⬆️

Cash Flow and Change in Plan Assets

Below is a summary of contributions, investment gains, and total payouts for KERS NH, CERS NH, and TRS:

	PENSION			RETIREE HEALTH		
	KERS NH	CERS NH	TRS	KERS NH	CERS NH	TRS
■ Employee Contributions	\$96.6	\$169.0	\$324.7	\$7.4	\$13.6	\$192.8
■ Employer Contributions	948.6	475.4	1,134.3	175.0	129.3	184.6
■ Investment Income	38.7	133.9	370.8	19.0	47.7	113.6
Cash Inflows	\$1,083.9	\$778.3	\$1,829.8	\$201.4	\$190.6	\$491.0
Less: ▲ Total Payouts	\$1,023.3	\$833.2	\$2,207.9	\$127.6	\$139.9	\$307.6
Net Cash Flow	\$60.6	(\$54.9)	(\$378.1)	\$73.8	\$50.6	\$183.4
Plus: ■ Asset Gains or (Losses)	\$15.0	(\$77.2)	\$723.2	(\$8.3)	(\$39.0)	\$19.3
Net Change in Plan Assets	\$75.6	(\$132.1)	\$345.1	\$65.5	\$11.6	\$202.7

PENSION

Assets growth mixed, driven primarily by investment activity

KERS NH and TRS plans saw assets grow, while CERS NH saw slight decline. KERS continued to cash flow on contributions alone, while positive investment returns offset some negative cash flow for TRS.

KERS NH

↑\$75.6 million from FY19
Driven primarily by cash flow from 83% ADEC, which was complimented by 2.3% Investment return

CERS NH

↓\$132.1 million from FY19
Assets declined as result of asset declines and plan's phase into full employer ADEC payments

TRS

↑\$345.1 million from FY19
Asset growth driven by 5.6% Investment return, which was partially offset by negative cash flow.

INSURANCE

Positive cash flow was partially offset by asset declines in KERS and CERS plans. Modest asset gains (2.3%) complimented very strong positive cash flow for the TRS retiree health fund.