



St. Paul Teachers' Retirement Fund Association – Actuarial Basics

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Funding Objectives

- ◆ Intergenerational equity with respect to plan costs.
- ◆ Stable pattern of contribution rates.
- ◆ Ratio of Assets to Liabilities targeted at 100%.



What Is Needed To Meet Objectives?

- ◆ Reasonable forecasts of resources and obligations (i.e., good assumptions).
- ◆ Smoothing devices.
 - ▶ Level % of payroll funding method (EANC)
 - ▶ Market-related asset valuation method
- ◆ A sound funding program.
- ◆ A sound investment program.



Basic Retirement Funding Equation

$$C + I = B + E$$

◆ Where:

- ▶ C is Contribution Income
- ▶ I is Investment Return
- ▶ B is Benefits Paid
- ▶ E is Expenses

“Money In = Money Out”



Basic Retirement Funding Equation

$$C + I = B + E$$

◆ B depends on

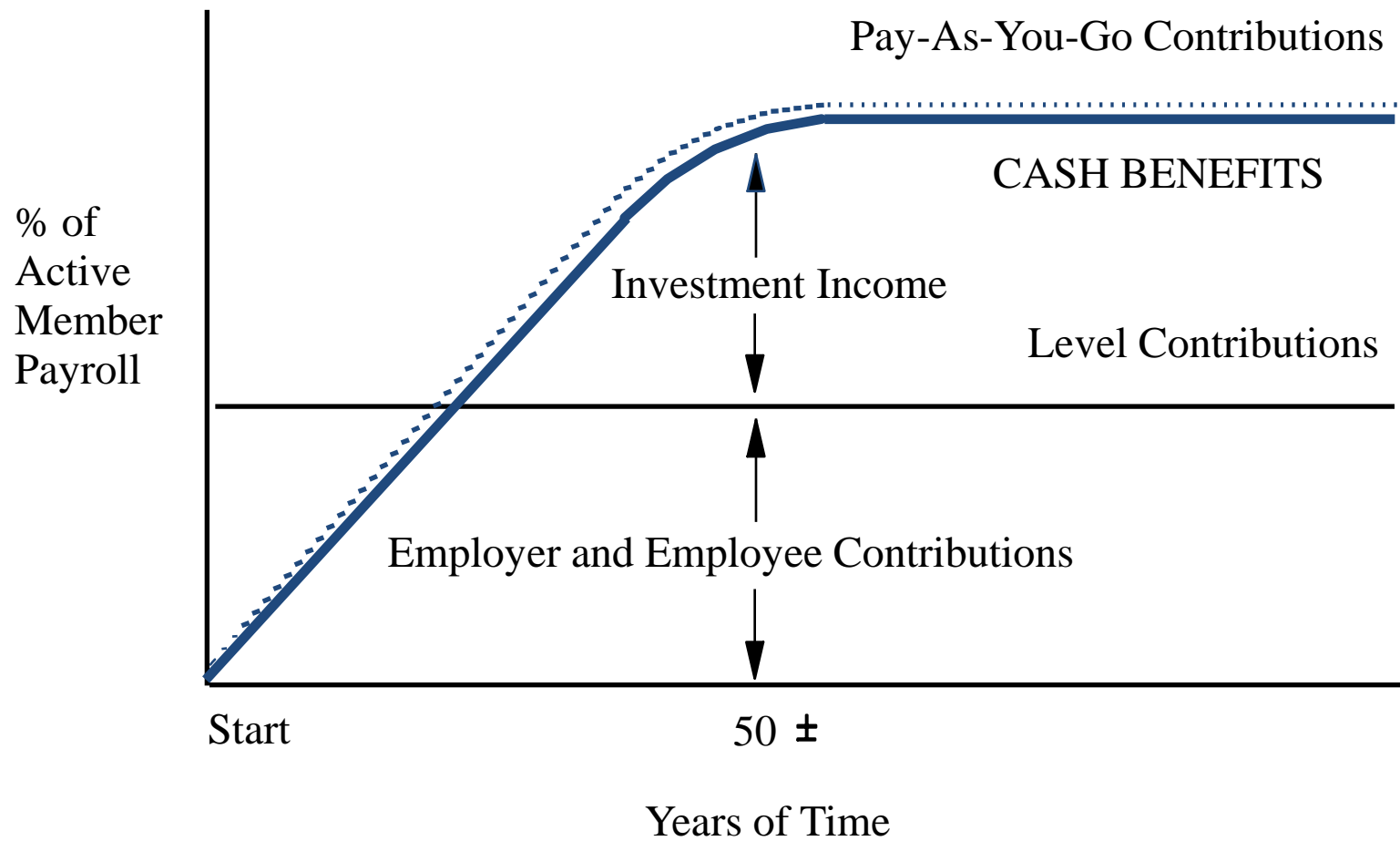
- ▶ Plan Provisions
- ▶ Experience

◆ C depends on

- ▶ Short Term: Actuarial Assumptions
Actuarial Cost Method
- ▶ Long Term: I, B, E



The Long Term Solution to the Equation





SPTRFA Actuarial Contribution Rate as of July 1, 2014 (% of Payroll)

9%

Contribution for Normal Cost



22%

13%

Contribution for Unfunded Actuarial Liability: 28 year financing of Unfunded Liability

Compared to Ultimate SPTRFA Rates	
Member	7.5%
Employer	10.4%
Additional (ER/State)	3.9%
Total	21.8%

- Normal Cost is the value of this year's benefit accruals.
- On a market value of assets basis, contributions are currently sufficient.



Funding Highlights

- ◆ The contribution rate shortfall has been significantly reduced due to higher contribution rates, state support, and favorable investment returns
- ◆ The current ratio of assets to liabilities is 62% (68% on a market value of assets basis) and trending upward



Governmental Accounting Standards Board (GASB)

- ◆ GASB sets accounting rules for public plans and sponsoring employers
- ◆ New rules require accounting results separate from funding results
 - ▶ Funding calculations are not affected
- ◆ Net Pension Liability of \$535 million recognized on employer's balance sheet
- ◆ Accounting results expected to be very volatile



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