

## **SUBCOMMITTEE RECOMMENDATION**

### **Item 43: Public Employees Retirement System Changes to Actuarial Methods and Assumptions**

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To: Ways and Means Full Committee  
From: General Government Subcommittee  
Carrier: Senator Golden

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The General Government Subcommittee recommends that the Joint Interim Committee on Ways and Means acknowledge receipt of a report from the Public Employees Retirement System on changes to actuarial methods and assumptions.

Actuarial methods and assumptions are used to ascertain the systemwide valuation of assets and liabilities for each calendar year. The Board operates under broad administrative authority to adopt actuarial methods and assumptions, which impact both the cost and the financing of benefits. Statute directs that PERS report on changes to actuarial methods and assumptions at least 30 days prior to the Board's final adoption. PERS submitted timely notification to the Legislature on August 23, 2021.

The PERS Board adopted a number of substantive changes to actuarial methods and assumption, including:

- Reverted back to a 20-year amortization for Tier 1 and Tier 2 Unfunded Accrued Liabilities after being re-amortized, on a one-time basis, from 20-years to 22-years under SB 1049 from the Legislative session in 2019
- Extended the amortization period for the health plans from 10-years to a rolling 20-year period, when the funded status exceeds 100% funded status
- Revamped the rate collar policy
- Reduced the actuarial assumption for annual inflation from 2.5% to 2.4%
- Updated demographic assumptions for: mortality, retirement, disability incidence, termination, salary increase factors, and retiree healthcare

The PERS Board also lowered the assumed earnings rate from 7.2% to 6.9%, which is estimated to increase the UAL by \$2.9 billion and employer contribution rates by 2.2%.

The most current estimate for the 2023-25 biennium is that statewide average employer contribution rates will increase from 17.93% to 21.34% or by 3.41%. Systemwide, PERS employer contributions are estimated to increase from \$4.7 billion for the 2021-23 biennium to \$5.9 billion, or by \$1.2 billion, for the 2023-25 biennium. This estimate will continue to be refined during the regular PERS Board's rate setting process.

The Subcommittee recommends approval.