

**Retirement and Investment Office
Budget 190
House Bill No. 1022**

	FTE Positions	General Fund	Other Funds	Total
2013-15 legislative appropriation	19.00	\$0	\$4,899,369	\$4,899,369
2011-13 legislative appropriation	<u>18.00</u>	<u>0</u>	<u>4,232,954</u>	<u>4,232,954</u>
2013-15 appropriation increase (decrease) to 2011-13 appropriation	1.00	\$0	\$666,415	\$666,415

Item Description

FTE changes - The Legislative Assembly authorized an increase of 1 FTE investment analyst position.

Accrued leave payments - In Section 1 of House Bill No. 1022, the Legislative Assembly identified \$71,541 from other funds for accrued leave payments.

Appropriation line item transfers - Section 2 of House Bill No. 1022 authorizes the Retirement and Investment Office to transfer funds from the contingencies line item to any other line item and provides that the agency notify the Office of Management and Budget of each transfer made.

Teachers' Fund for Retirement (TFR) contribution increases - In 2011 House Bill No. 1134, the Legislative Assembly provided for an increase in employee and employer contribution requirements by implementing a 4 percent increase over two bienniums, a 2 percent employer and a 2 percent employee contribution increase in July 2012 and a 2 percent employer and a 2 percent employee increase in July 2014. The Legislative Assembly also approved legislation to reduce future liabilities by changing eligibility for normal unreduced retirement benefits, eligibility for early reduced retirement benefits, eligibility for disability benefits, and retiree reemployment under TFR.

Status/Result

The Retirement and Investment Office anticipates filling the investment analyst position prior to the next biennium.

The Retirement and Investment Office has spent \$36,000 from the accrued leave payments line item for employee leave payouts. The agency does not anticipate the need to transfer funds from the accrued leave payments line item to the salaries and wages line item.

The Retirement and Investment Office anticipates transferring \$61,987 of the \$82,000 from the contingencies line item for unexpected one-time executive recruitment fees that were not anticipated in the budget. The fees were for recruiting the new Chief Investment Officer who began in December 2013.

The Retirement and Investment Office plans to continue the following retirement contribution increases:

	Current Contributions	July 2014 Contributions	Contribution Increase
Member	9.75%	11.75%	2.00%
Employer	10.75%	12.75%	2.00%

The Retirement and Investment Office has implemented other legislative provisions relating to the retirement plan as follows:

- Required member contributions on reemployed retirees in July 2012.
- Modification of disability benefits for all nonretired members in July 2013.
- Modification of eligibility for unreduced retirement benefits and reduction factor for reduced retirement benefits for certain members who were not grandfathered in and who are more than 10 years away from retirement eligibility in July 2013.

Status of TFFR - Provided below is a status summary of TFFR.

Actuarial Value of Investments (Amounts Shown in Billions)		
	Fund Balance	Actuarial Percentage Funded
June 30, 2007	\$1.75	79%
June 30, 2008	\$1.91	82%
June 30, 2009	\$1.90	78%
June 30, 2010	\$1.84	70%
June 30, 2011	\$1.82	66%
June 30, 2012	\$1.75	61%
June 30, 2013	\$1.76	59%

Actuarial funded levels have decreased from 66 percent in June 2011 to 59 percent in June 2013 as a result of a decline in the market value of fund investments. The Retirement and Investment Office with the support of an actuarial analysis has determined that relying only on potential market value increases will not return the funded level of TFFR to the target of at least 90 percent.

Market Value of Investments (Amounts Shown in Billions)		
	Fund Balance	Annual Percentage Change in Market Value
June 30, 2007	\$2.02	20.06%
June 30, 2008	\$1.83	(7.61%)
June 30, 2009	\$1.29	(27.33%)
June 30, 2010	\$1.42	13.87%
June 30, 2011	\$1.71	24.21%
June 30, 2012	\$1.65	(0.37%)
June 30, 2013	\$1.84	13.40%