

PERA Police & Fire Plan Update

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PERA Plans Scorecard

Success

Caution

Concern

Metrics Provided in 2025 Actuarial
Valuation Reports

Metrics	Questions to Consider	General	Police & Fire	Correctional
Assumptions	Are the economic & demographic assumptions appropriate?	Yes	Yes	Yes
Financial Health	Is the plan expected to achieve and maintain fully funded status?	91% now, 100% by 2031	92% now, 100% by 2051	105% now, expected to improve
Benefit Amount & Retirement Age	Does the Plan provide a reasonable benefit at a reasonable retirement age for a career member?	68% of FAS @ 66 + SS	90% of FAS @ 55	66% of FAS @ 55 + SS
Contributions	Do employees and employers contribute the appropriate amount?	Contributions 157% of Normal Cost	Contributions 110% of Normal Cost	Contributions 119% of Normal Cost
Benefits	Do retirees have sufficient inflation protection?	100% CPI 1.0% Min 1.75% Max	1% fixed	100% CPI, 1.0% Min 2.5% Max

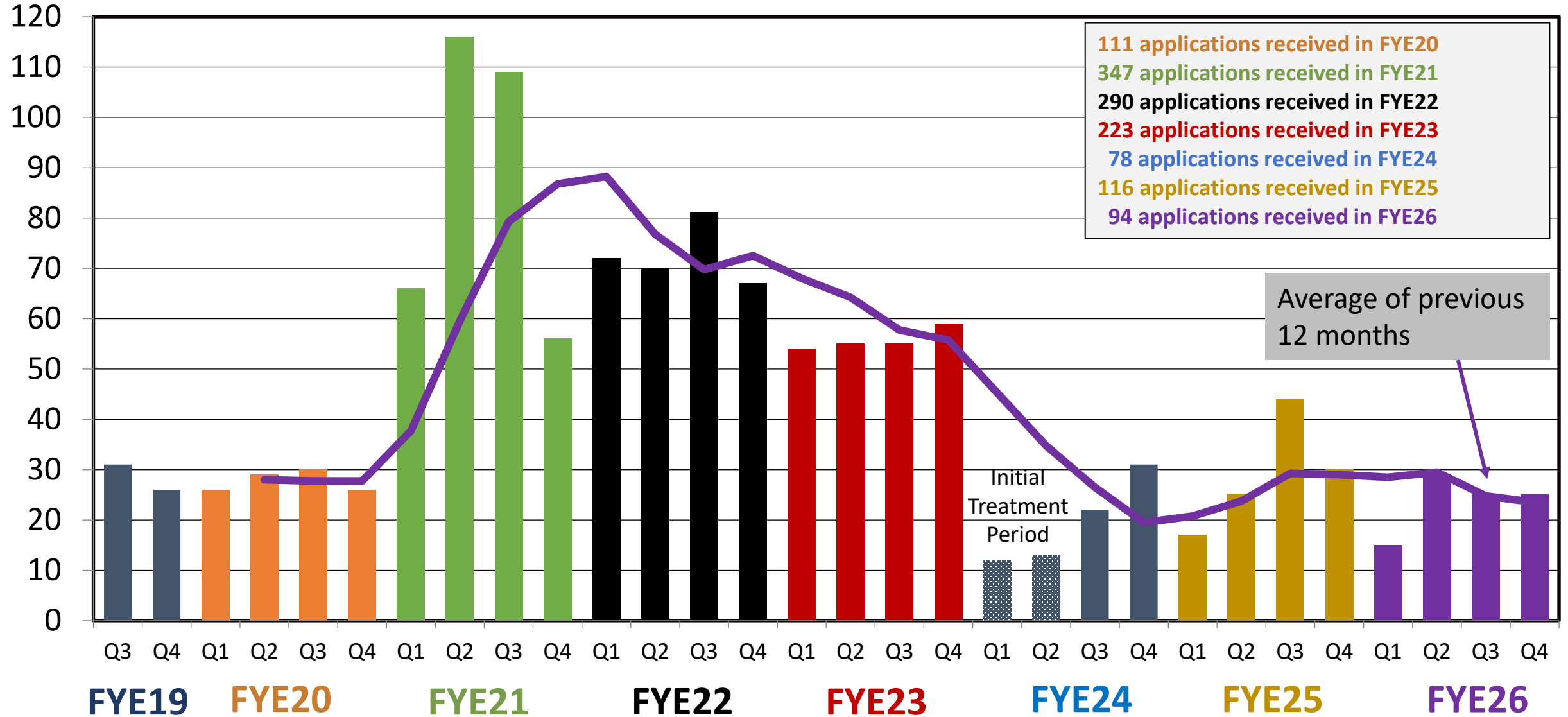


PERA Scorecard – Goals to Achieve Success

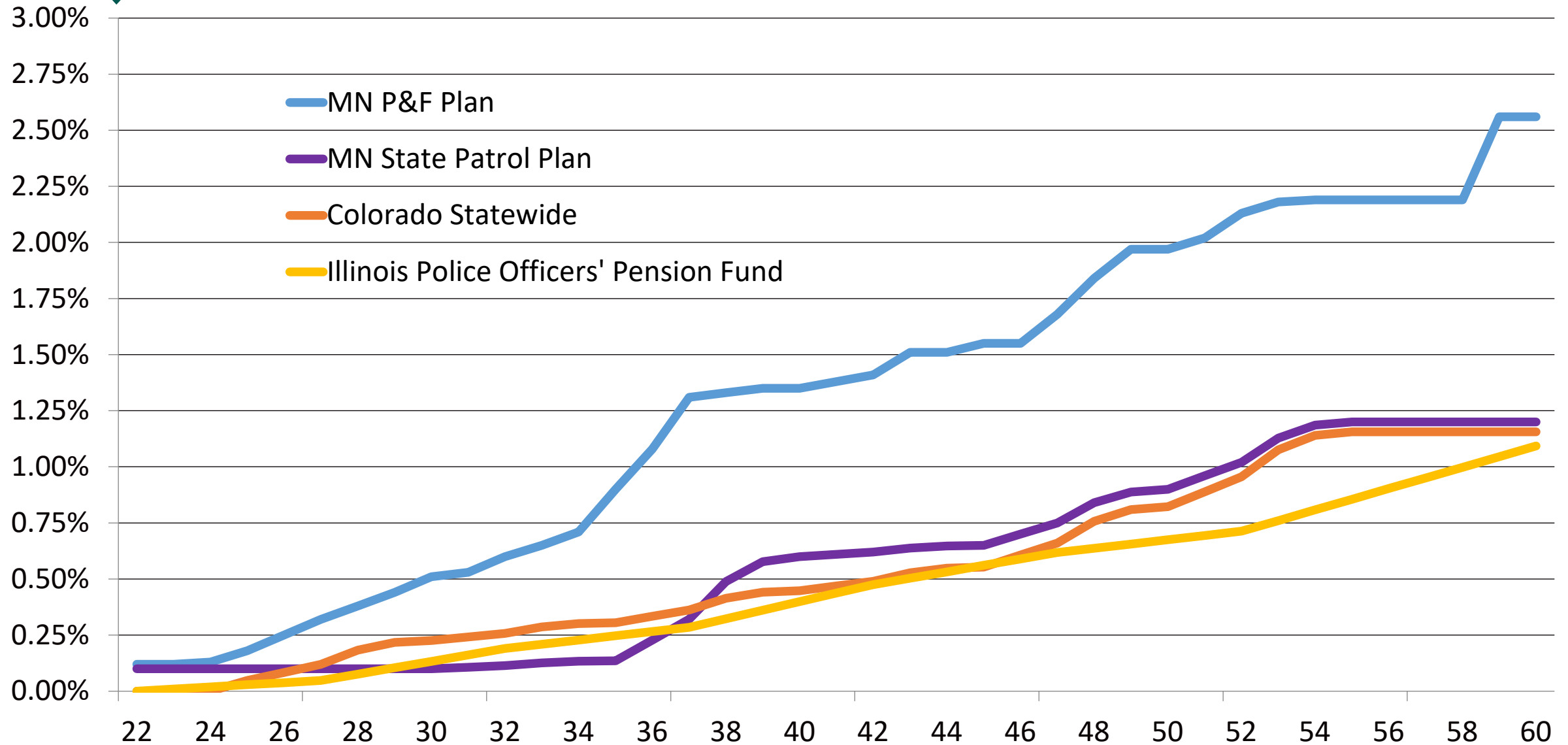
Metrics	Questions to Consider	Goals to Achieve Success
Assumptions	Are the economic & demographic assumptions appropriate?	Economic assumptions should be reviewed annually and deemed reasonable by our consulting actuary. Demographic assumptions should be based on assumptions from an experience study completed with the past 4 years.
Financial Health	Is the plan expected to achieve and maintain fully funded status?	Either over 100% funded and not expected to decline below 100% within 10 years or if less than 100%, expected to improve to 100% funded within 5 years.
Benefit Amount & Retirement Age	Does the Plan provide a reasonable benefit at a reasonable retirement age for a career member?	Each Plan should provide a replacement ratio of at least 80% when combined with Social Security at the full retirement age to members participating for a full career. Full retirement ages and full career service are age 66 and 40 years (General) and age 55 and 30 years (Police & Fire and Correctional).
Contributions	Do employees and employers contribute the appropriate amount?	The ratio of actual member plus employer contributions (excluding State or other contributions) divided by normal cost plus expenses should be in the range of 95% to 105%.
Benefits	Do retirees have sufficient inflation protection?	The postretirement increase should be tied to inflation (100% of CPI) with a cap of no less than 2.5%.



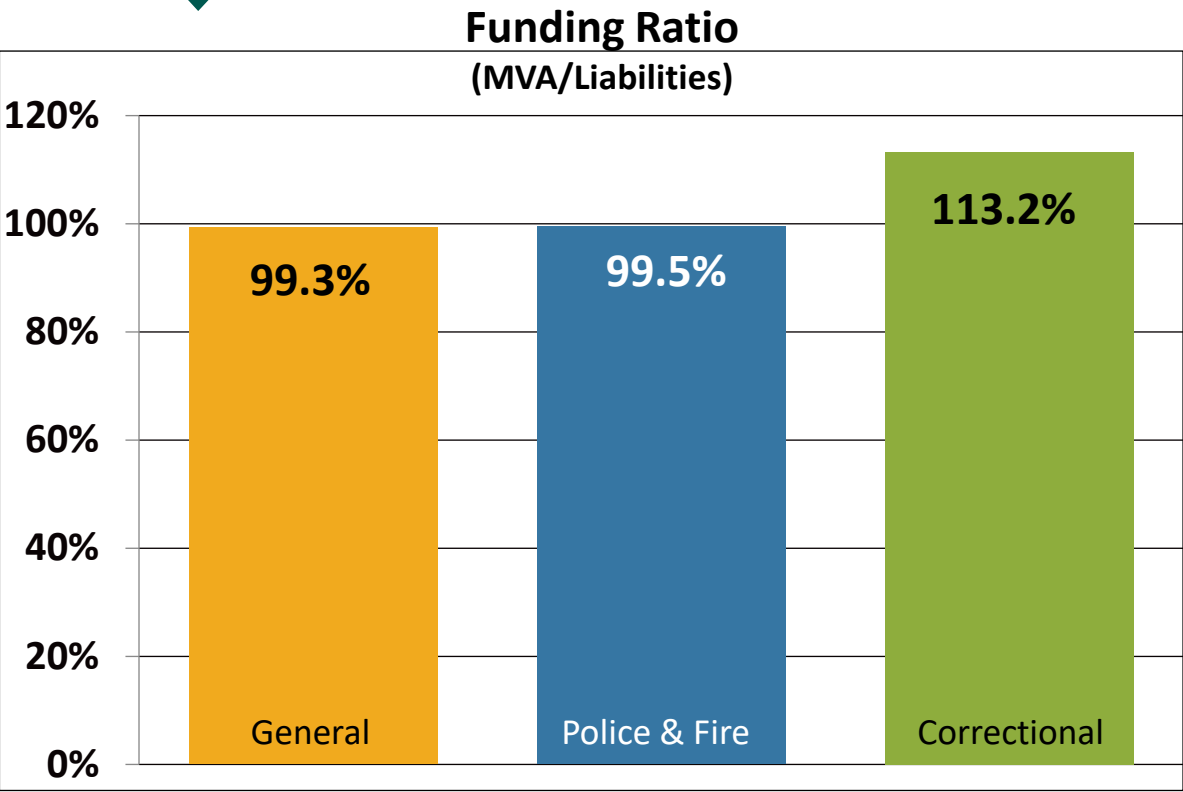
Metric 1: P&F Plan Disability Applications 2019-2026



Metric 1: Disability Rate Assumption by Age



Metric 2: Plans Financial Health - July 1, 2026 (Estimated)

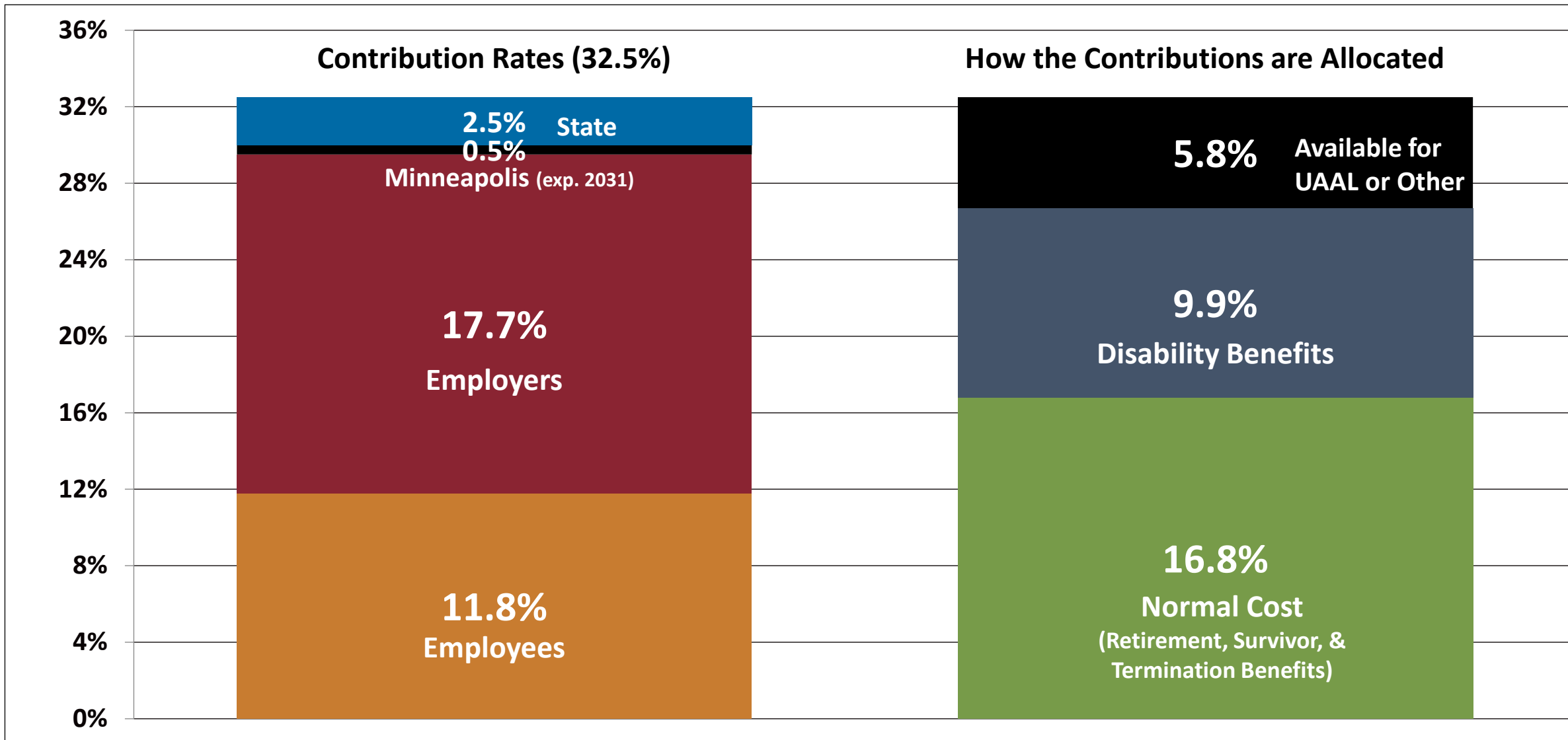


Funding Sufficiency/Deficiency
(Actual Contributions in Excess of Recommended Contribution)

Due to the amortization period for investment gains (15 years) being shorter than the amortization of the legacy unfunded amount (22 years), the funding sufficiency is temporarily overstated.

	2025	2035	2045	2055
Projected Full Funding Date	General2027 Police & Fire2027 CorrectionalCurrently Fully Funded			

Metric 4: Contributions vs. Normal Cost

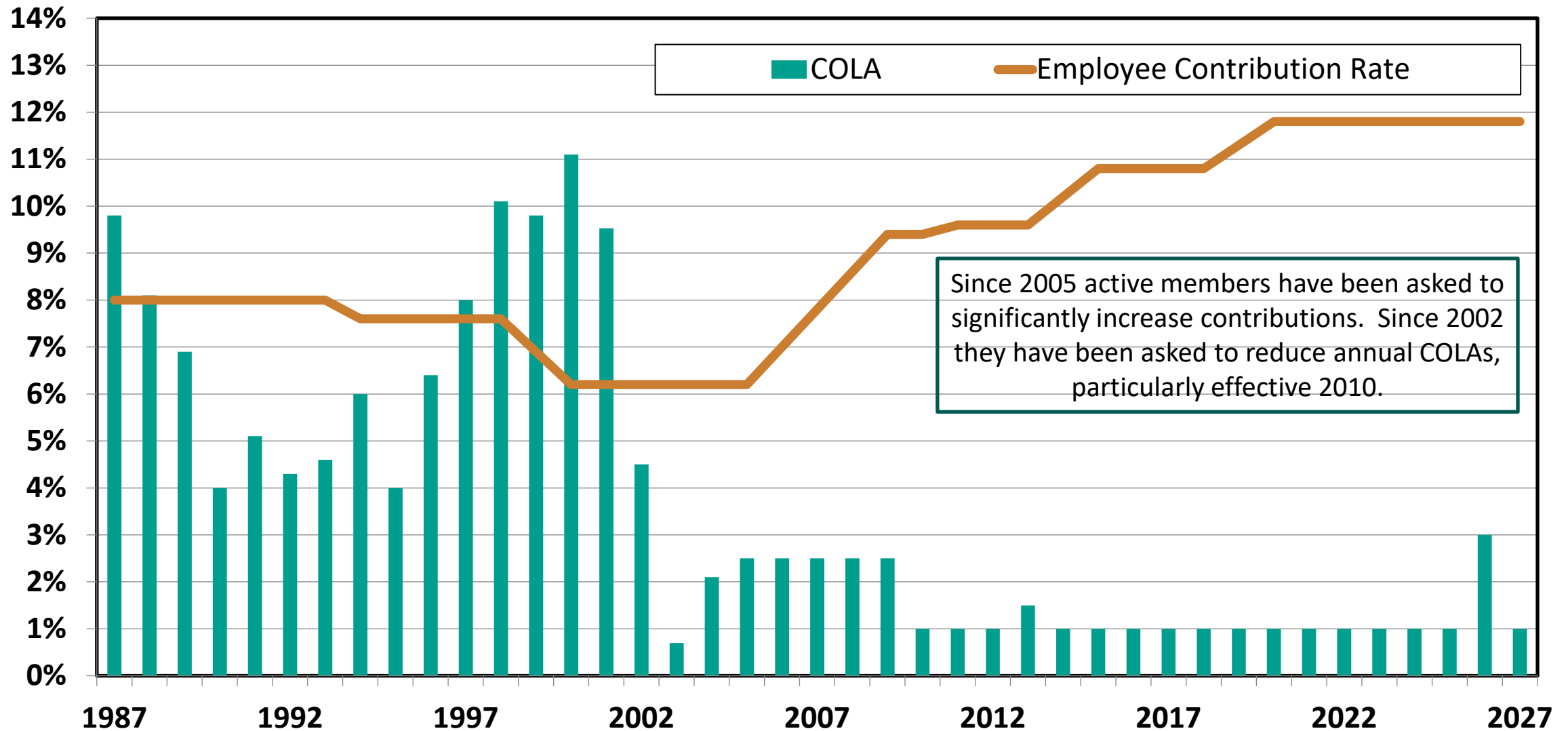


Metrics 1, 2, & 4: Contributions Needed to Offset a Loss

	Contribution Rate Needed to Recover Actuarial Loss Over # of Years				
	Investment Return / Actuarial Loss	-13% Return / 20% Loss	-8% Return / 15% Loss	-3% Return / 10% Loss	2% Return / 5% Loss
	\$ Loss	\$3.0B	\$2.2B	\$1.5B	\$0.7B
Years to Recover From an Actuarial Loss	5	46.5%	34.1%	23.3%	10.9%
	10	25.5%	18.7%	12.7%	5.9%
	15	18.5%	13.6%	9.3%	4.3%
	20	15.1%	11.1%	7.6%	3.5%



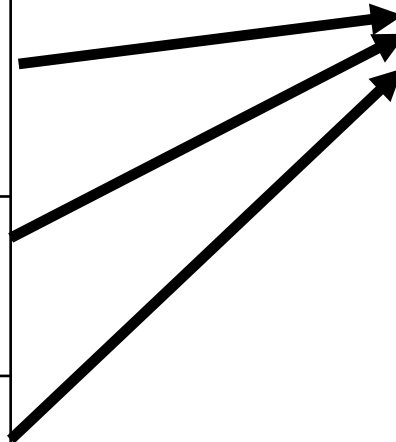
Metrics 4 & 5: P&F Plan Contributions & COLAs



Metric 5: PERA's Postretirement Benefit Long-term Position

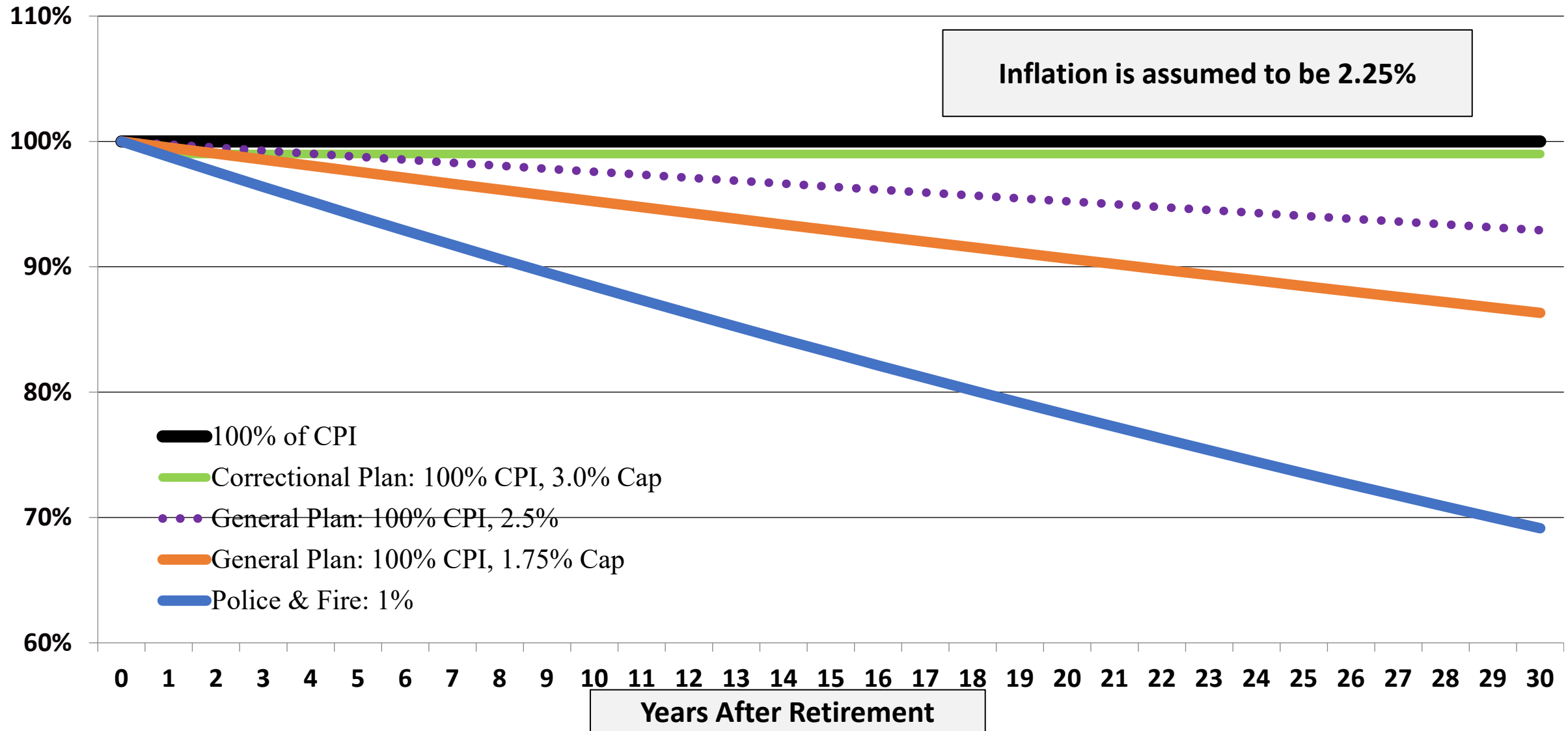
Postretirement increases should be tied to an inflation index, subject to an annual cap necessary to ensure plan sustainability.

	Current Formula
General Plan	100% of CPI 1.0% Min 1.75% Max (Max drops to 1.5% if funding levels drop)
Police & Fire Plan	Fixed 1%
Correctional Plan	100% of CPI 1.0% Min 3.0% Max (Max drops to 1.5% if funding levels drop)



Long Term Goal
100% of CPI 0% Min > 2.5% Max
How We Get There
2018 – Change to formula with dials 2025 – Improvement to General Plan 50% CPI -> 100% CPI 1.5% Max -> 1.75% Max 2026 – Improvement to Correctional 2.5% Max -> 3.0% Max Future – Turn the dials further when it is affordable to do so

Metric 5: Purchasing Power Protection



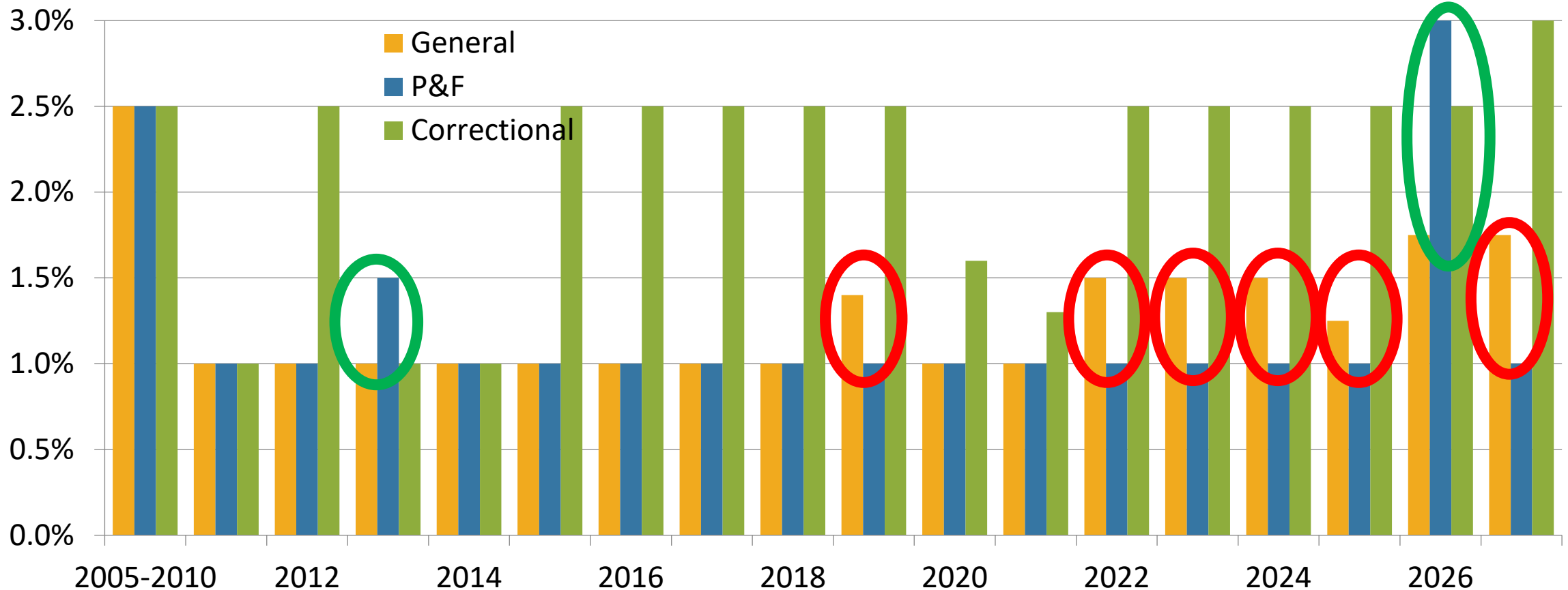
PERA Plans – Costs to Increase Postretirement Increases

Plan	Current Annual Increase	Cost to Improve the Postretirement Annual Increase Formula (% of payroll / Annual Initial \$ Amount / Change in Present Value of Benefits (PVB))					
		Formula:	50% CPI 1% Min 1.5% Max	(General Plan) 100% CPI 1% Min 1.75% Max	100% CPI 1% Min 2.25% Max	100% CPI 1% Min 2.5% Max	(Correctional) 100% CPI 1% Min 3.0% Max
		Fixed Rate = Assumed Increase:	1.25%	1.50%	1.75%	2.0%	2.25%
Police & Fire	1%		2.9% \$42M/Year \$0.4B PVB	5.9% \$85M/Year \$0.9B PVB	9.1% \$130M/Year \$1.4B PVB	12.4% \$178M/Year \$1.9B PVB	15.9% \$228M/Year \$2.4B PVB
General Employees	100% CPI 1% Min 1.75% Max				0.8% \$76M/Year \$1.0B PVB	1.7% \$152M/Year \$2.0B PVB	2.5% \$228M/Year \$3.0B PVB
Correctional Officers	100% CPI 1% Min 3.0% Max						

Cost increases are amortized over 15 years. Dollar amounts are first year amounts based on expected FY26 payroll. The amounts would increase annually at the rate of total payroll growth (assumed 3%/year). Police & Fire costs do not include the cost to remove the one year delay in postretirement increases.



Metric 5: Benefits – Postretirement Increases (COLAs)



Actual postretirement increases (COLAs) for the three plans are shown above. Prior to 2019 the rates were the same for General Plan and Police & Fire retirees (except for 2013). The mechanism for General and Correctional Plan members was changed to a CPI based formula with minimums and maximums effective 2018. The Police & Fire Plan currently provides a 1% fixed annual increase.

	Initiatives	Cost
PERA Board Supported* (Because it is the Board's #1 priority)	Increase the postretirement benefit increase from a fixed 1.0% to 50% of CPI, 1.0% minimum, 1.5% maximum. Funded by the Legislature.	\$38M/year for 15 years
	Eliminate the 1-year delay to receive postretirement benefit increases. Funded by the Legislature.	\$8M/year for 15 years <i>Passed by Legislature</i>
PERA Board Opposed (Because it is not a Board priority)	Add In-service distributions or a Deferred Retirement Option Program (DROP). Funded by the Legislature.	\$64M/year
PERA Board did not support because stakeholders did not broadly support	Eliminate the deferrals on post retirement benefits above an earnings threshold	Uncertain
PERA Board did not take a position	Required employer contributions (17.7%) for members working after retirement	\$2M/year from Employers <i>Passed by Legislature</i>