POINT IN TIME: 2000 — 102% FUNDED

How did SERS achieve full funding and what factors led to a decline?

Funding | **Benefit Changes** | **Financial Changes**

Factors that led to 102% funding status in 2000:

1980

1986
After 7/1, 10 YOS required to be eligible for health care and health care premiums begin

1988
Retirement formula increased from 2.0% to 2.1% of FAS

1989
69.1% funded over 40 years
($1.03 billion in unfunded liabilities)

1989
Benefit increase of 2% for members who retired before 2/1/1983; 5% for members who retired between 2/1/1983 and 9/30/1988

1989
Members with less than 25 YOS begin paying health care premiums

1989
Employer surcharge for health care begins

1989-2000
12-year period of positive investment returns (11 of which were over the assumed rate of return) that averaged 12.5% (gross) annually

1990

1990
Rate of return raised from 7.50% to 7.75% although unfunded liabilities continued to rise (16% from 1990-1995), it was a much slower increase than the previous 6 years (57% increase from 1984-1989)

1993
73% funded over 40 years
($1.38 billion in unfunded liabilities)

1996
Rate of return raised from 7.75% to 8.25%
Unfunded liabilities decline from $1.4 billion to $0 from 1996 to 2000

1996
SERS becomes a "mature" system (benefit payments are $4.7 million higher than contribution income)

1997
30-year funding period becomes effective

1997
85% funded over 24 years
($983 million in unfunded liabilities)

1999
Retirement formula increased from 2.1% of FAS to 2.5% for each year over 30 years

1996-2000
The spread between contributions and benefit payments increases rapidly (868%), but investment returns cover the gap

2000

2000
102% funded over 25 years
($0 in unfunded liabilities)

Factors that led to a reduction in funding from 102% in 2000 to 70% in 2018:

2000

2001
95% funded over 25 years
($466 million in unfunded liabilities)

2001
Retirement formula increased from 2.1% of FAS to 2.2% for 30 YOS or less; pension cap moves from 90% to 100% of FAS; survivor benefits enhanced for members with more than 20 YOS and age 50 restriction on surviving spouse is removed

2001
The spread between contributions and benefit payments more than doubles from $45.6 million to $93.3 million

2001
Med B reimbursement increases from $31.80 to $45.50 per month

2001-2018
The spread increases from $93.3 million to $583.8 million or 526%

2002
COLA fixed at 3%

2005
74% funded over 30 years
($3.14 billion in unfunded liabilities)

Since 1985, only four negative return investment years have occurred – all of them since 2000. They were:

2001: -6.78%
2002: -7.78%
2008: -5.25%
2009: -21.81% (gross returns)

2006
Board approves HC premium increases and co-pay increases on name brand drugs

2004-2007
Investment returns average 14.87% annually

2008
82% over 28 years
($2.46 billion in unfunded liabilities)

2008
Increased age and service eligibility for new retirees

2006
Investment rate of return is lowered from 8.25% to 8.00%

2009
68% over 30 years
($4.49 billion in unfunded liabilities – an increase of 82.5%)

2008
Medicare Advantage Plans introduced for over 65 retirees

2010

2012
62.8% over 30 years
($6.07 billion in unfunded liabilities)

2011
Investment rate of return is lowered from 8.00% to 7.75%

2016
66.7% funded over 28 years
($6.32 billion in unfunded liabilities – highest ever)

2016
Investment rate of return is lowered from 7.75% to 7.50%

2017
Age and service changes for existing members approved in 2012 take effect

2018
3-year COLA suspension for existing retirees takes effect; future COLA based on CPI-W with a copay of 2.5% and a floor of 0%

2018
70.07% over 26 years
($5.74 billion in unfunded liabilities)

2018
4-year delay for COLA start for new retirees takes effect