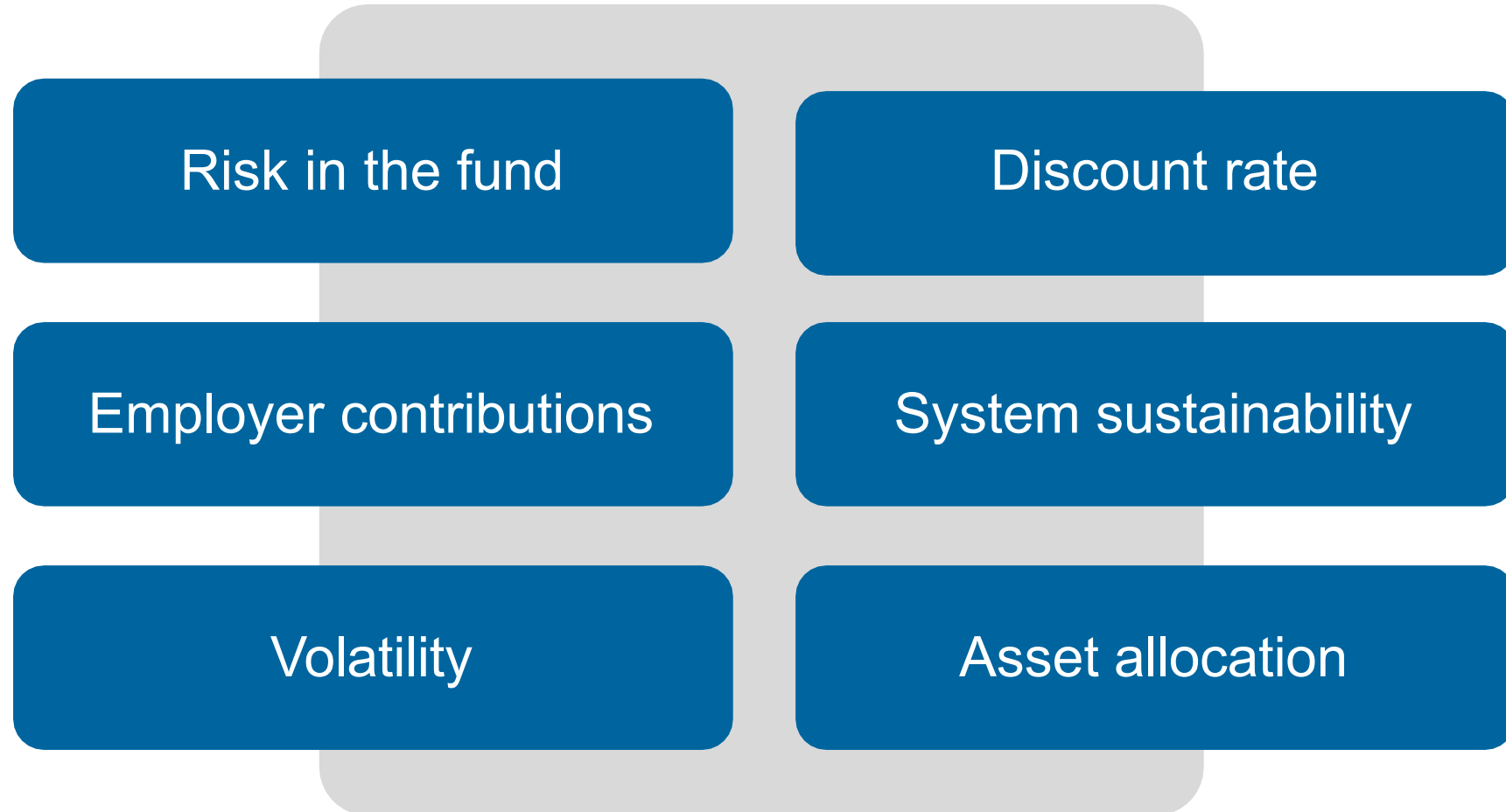


# Funding Risk Mitigation Event

Finance & Administration Committee  
September 17, 2024

# Funding Risk Mitigation Policy: Purpose



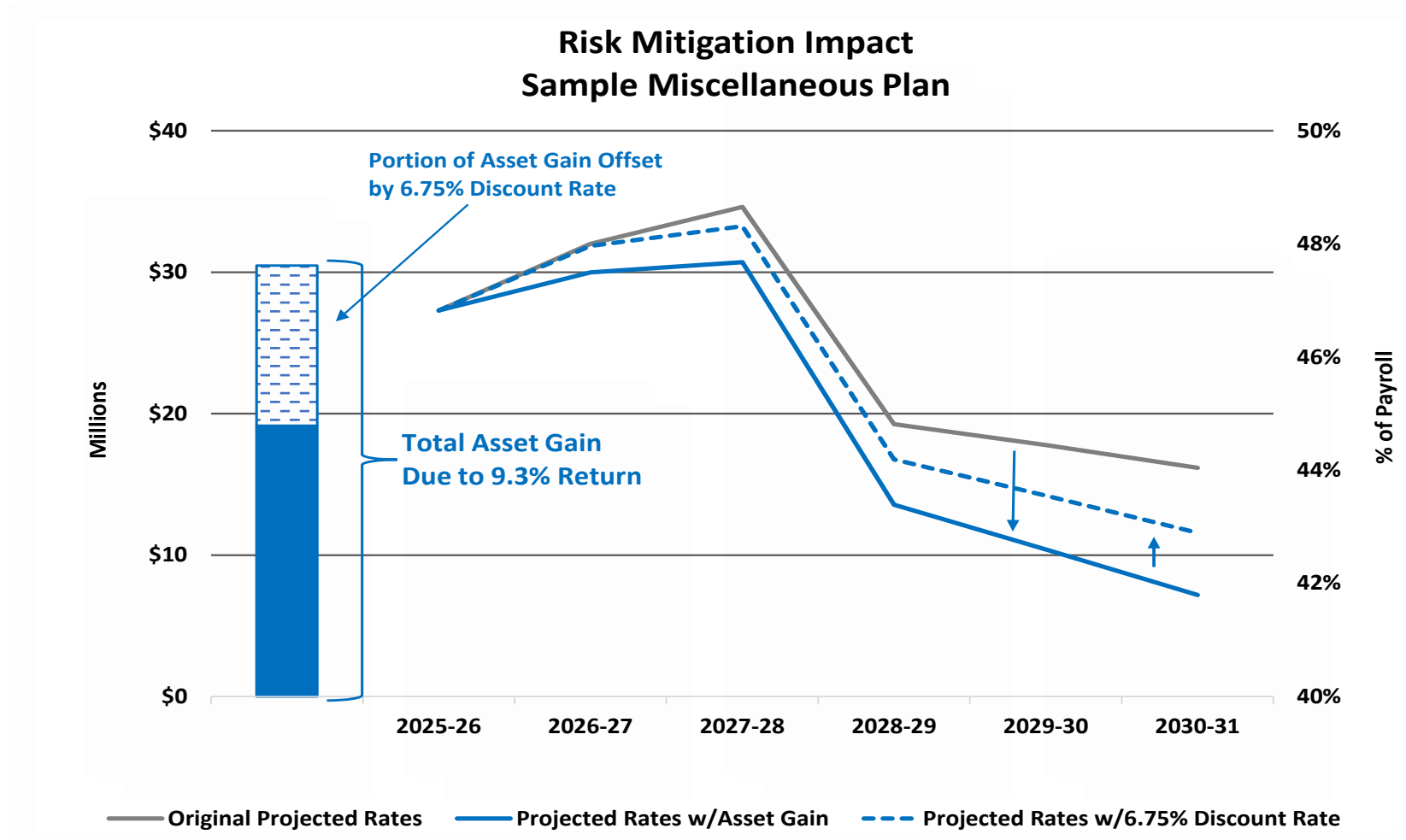
# Funding Risk Mitigation Policy: History

- Adopted in 2015
  - Revised in 2017, lowered expected investment return threshold from 4%-2%
- Temporarily suspended while discount rate phased to 7% over three years (February 14, 2017 – June 30, 2020)
- First triggered by June 30, 2021 FY investment returns bringing discount rate to 6.8%
- February 2024 - Board provided direction to bring back revised policy removing automatic trigger
- April 2024 – Board approved the following policy revisions:
  - Removed the automatic change to the discount rate
  - Added a triggered board discussion if annual assumed rate of return exceeds two percent
  - Updated procedural steps to align with removal of automatic mechanism

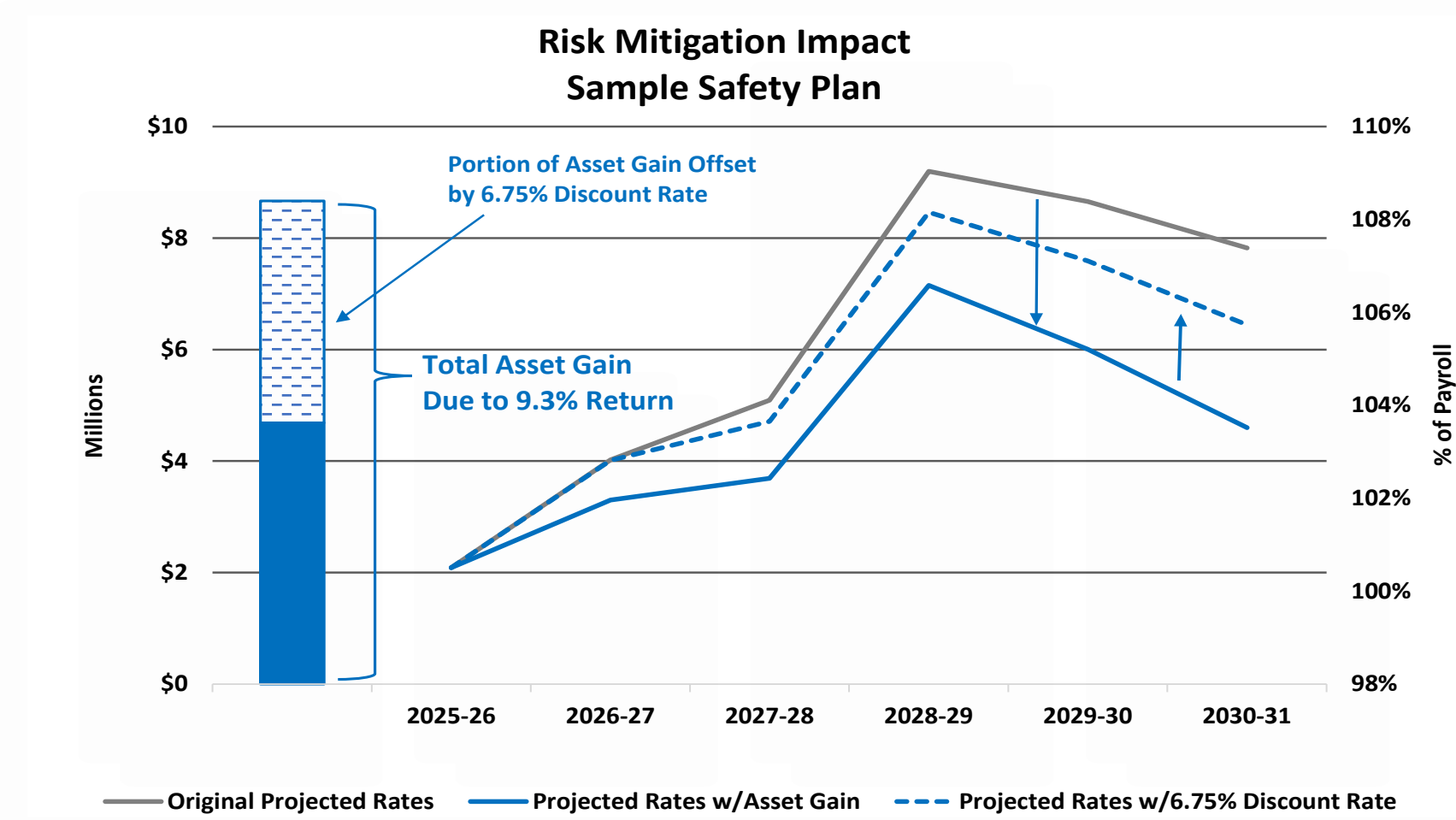
# Thresholds and Impacts

<b>Excess Investment Return</b>  <i>If the actual investment returns exceed the discount rate by:</i>	<b>Reduction in Discount Rate</b>  <i>Then the discount rate will be reduced by:</i>	<b>Reduction in Expected Investment Return</b>  <i>And the expected investment return will be reduced by:</i>
2.00%	0.05%	0.05%
7.00%	0.10%	0.10%
10.00%	0.15%	0.15%
13.00%	0.20%	0.20%
17.00%	0.25%	0.25%

# Illustration of Projected Employer Contributions



# Illustration of Projected Employer Contributions



# Possible PEPRA Member Rate Increases

	Miscellaneous Plans		
	NC% Increase *	# Plans	# Actives
Likely Increase	0.10%	8	1,531
	0.20%	8	716
	0.30%	13	1,569
Possible Increase	0.40%	7	1,128
	0.50%	9	974
	0.60%	18	3,582
	0.70%	37	13,653
	0.80%	1,102	46,238
	0.90%	44	22,760
	1.00%	88	25,056
	1.10%	24	5,638
	1.20%	6	2,621
	1.30%	4	369
	1.40%	3	308
1.50%	1	235	

## Likely PEPRA Member Rate Increases Miscellaneous Plans

**2.1% of Misc. Plans**  
**3.0% of Misc. PEPRA Members**

\* Amount below NC threshold for rate increase

# Possible PEPRA Member Rate Increases

		Safety Plans		
		NC% Increase *	# Plans	# Actives
Likely Increase		0.10%	5	1,049
		0.20%	2	119
		0.30%	7	930
		0.40%	5	286
		0.50%	18	1,017
Possible Increase		0.60%	455	8,956
		0.70%	81	1,622
		0.80%	26	1,648
		0.90%	20	990
		1.00%	84	4,071
		1.10%	12	713
		1.20%	8	478
		1.30%	9	418
		1.40%	4	216
	1.50%	7	365	

## Likely PEPRA Member Rate Increases Safety Plans

**5.0% of Safety Plans**  
**14.9% of Safety PEPRA Members**

\* Amount below NC threshold for rate increase



Questions?