

# Public Agenda Item #5

## Review and Discussion of Pension Experience and Asset Allocation Studies

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# General Background and Due Date



- Beginning in December 2016, the agency will start the process for the pension experience and asset allocation studies
- Board presentation and adoption is set for the February 2018 Meeting of the ERS Board of Trustees

# Pension Experience Study

## *Purpose and Background*



### **Pension Experience Study:**

- Required at least every five years by statute, of all valuation related assumptions and plan experience in the most recent years.
- Led by ERS' consulting actuaries at Gabriel Roeder Smith (GRS)
- Compares actual plan experience to expected plan experience and plan's assumptions (past and future) to national trends
- The last study covered fiscal years 2007-2011 and presented to the Board in February 2012; the related assumptions were adopted in February 2013 to coincide with the asset allocation adoption

# Pension Experience Study

## *Types of Assumptions Reviewed*



Demographic	Economic	Other
Mortality	Inflation	Administrative expenses
Retirement	Real rate of return	Account refund/withdrawal upon termination
Termination	Salary increases	Payment option elections
Disability	Payroll growth	
Service credit		

In addition, an experience study provides an opportunity to review any current methodologies, such as the actuarial cost method and the asset smoothing method.

# Asset Allocation Study

## *Purpose and Background*



### **Asset Allocation Study:**

- Determines the most appropriate asset mix based on the current investment policy, funding priorities and risk tolerance of the Board
- The Board sets long-term asset allocation targets with ranges that will prudently meet the needs of the plan beneficiaries
- Formal asset allocation studies are conducted by the Board with the assistance of the IAC at least every 5 years as further detailed in the ERS *Investment Policy*
- The current asset allocation was adopted at February 2013 Joint Board Meeting

# Proposed Study Timelines

## *Study Prep Work*



Asset Allocation Study	Dates	Pension Experience Study
BOT presentation item on study background & timeline	February 2016	BOT presentation item on study background & timeline
Board educational items, trainings and/or primers on select asset classes (hedge funds, private real estate) and current market assumptions	February – December 2016	
Orientation with staff and distribution of risk survey to Board and IAC	August - October 2016	

# Proposed Study Timelines

## Primary work



Asset Allocation Study	Dates	Pension Experience Study
Presentation of risk survey results at BOT	December 2016	Actuary will provide inputs or data to Aon as needed for asset allocation
Board meeting presentation to cover Asset Allocation Process / Next Steps	February 2017	↓
Conduct Asset Allocation Working Session #1	May 2017	
	June 2017	Staff and actuary will evaluate any 2017 legislative actions; actuary begins primary work on experience study
Conduct Asset Allocation Working Session #2	August-December 2017	Background or preliminary results presentations as needed
Conduct Asset Allocation Working Session #3		
Present Asset Allocation and Investment Policy Changes for Board Adoption	February 2018	Present Experience Study for Board Adoption

Questions?