

## ANOTHER STRONG YEAR

### THE ATRS ACTUARIES PROVIDE POSITIVE REPORT TO ATRS.

The ATRS actuaries provided the ATRS Board with the valuation results for the fiscal year that ended June 30, 2014. The results confirmed the continuing financial strength of ATRS and its improving fiscal condition. The three legislative sessions of cost-cutting and streamlining benefits are showing quality results. The work of the General Assembly and the ATRS Board are paying off as reflected in the new actuarial results.

### HIGHLIGHTS

- On a smoothed basis, the unfunded liabilities of ATRS dropped \$536 million dollars. On an unsmoothed basis, the liabilities dropped \$2 billion dollars. (Smoothing requires ATRS to realize gains and losses greater than 8% over 4 years. ATRS currently has \$1.5 billion dollars in gains that are not reflected in its value due to smoothing. An unsmoothed number shows the actual current status of ATRS.)
- The funded ratio of ATRS improved to **77% funded from 73% funded** the previous year on a smoothed basis. On an unsmoothed basis, ATRS improved from 74% funded to **a very strong 86% funded**.
- ATRS continues to use less than one-half of the contributions received to offset new liabilities in a fiscal year. Prior to the cost-cutting measures, over 60% of contributions were needed to offset new liabilities. This means that more dollars are paying the unfunded liabilities of ATRS off faster.
- The ATRS amortization period to pay off unfunded liabilities dropped from 70 years to **39 years** on a smoothed basis. On an unsmoothed basis, ATRS now has a **16 year amortization period** to pay off all unfunded liabilities.
- The actuaries determined that the investment rate of return for the 2014 fiscal year was **19.17%**.
- If ATRS obtains an 8% return in the current fiscal year, ATRS, even on a smoothed basis, should drop to well below a 30-year amortization period to pay its unfunded liabilities.
- The total number of combined active members, T-DROP members, inactive vested members, and retirees is **124,593**. The only group that actually increased in numbers from the previous fiscal year was retirees, with a 6.1% increase from the previous fiscal year. Active members declined 0.6%, T-DROP declined 3.2%, and inactive vested members declined 10.2%.

- Even if ATRS only receives a 2% investment return in the current fiscal year, ATRS will still be right at a 30-year amortization as projected by the actuaries and would still have over \$900 million dollars in unrealized gains for the future.
- The ratio of active members to retired members continues to drop and is now a little less than 2 to 1. This is typical for a mature retirement system like ATRS. The migration of members to privatization will continue to be monitored by ATRS over time to ensure ATRS is not materially affected.