



Cavanaugh Macdonald
CONSULTING, LLC

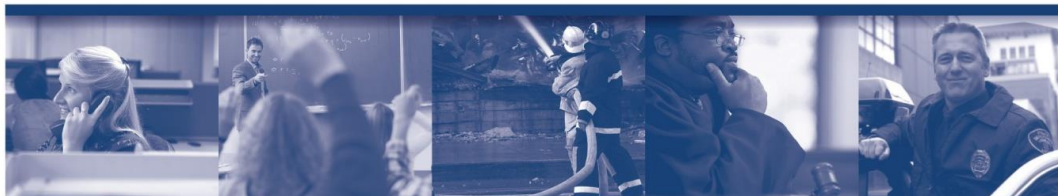
The experience and dedication you deserve



What's Happening with Other Relationships

Cavanaugh Macdonald Consulting

April 1, 2021



- Early look at results
- Funding
- Legislation
- Assumptions



- Calendar 2020 returns generally exceeded return assumptions
- COVID having mixed results with some reporting lower retirements and terminations, which contradicts expectations
- Systems *likely* to experience more deaths in 2020/2021
 - Experience will vary based on members covered and geography
 - Public sector workers may not have same experience as the general public
- Concern of lower salaries driving lower contributions

- Still early, but no funding cuts anticipated
- Some concern about salary/contribution leakage due to fewer active employees, return to work
- Phase-in of impact of contributions generally after reductions in investment return
- Focus on payroll growth assumption
- Actuaries' focus on reducing funding periods below 25 years to avoid negative amortization not gaining traction
- Funding of OPEB is almost nonexistent

- No real “major” legislative initiatives – focus is elsewhere
- Revenues may not be an issue for many states – 21 states are above expectations
- COVID driving some legislation:
 - COVID as a presumption for disability benefits
 - Temporary return to work legislation to fill high need positions
- Fine tuning of benefits and administrative issues for consistency from plan to plan

- Review of COLA practices
 - Pressure to include ad-hoc COLA or 13th checks where purchasing power has eroded
 - Pressure to lower COLAs where purchasing power has been improved

- Continued focus on DC/Hybrid plans and lower benefits tiers to lower sponsor risk

- Some movement towards DB
 - One system is allowing employers to buy up from tier 2 to tier 1
 - Legislation to re-open DB plan

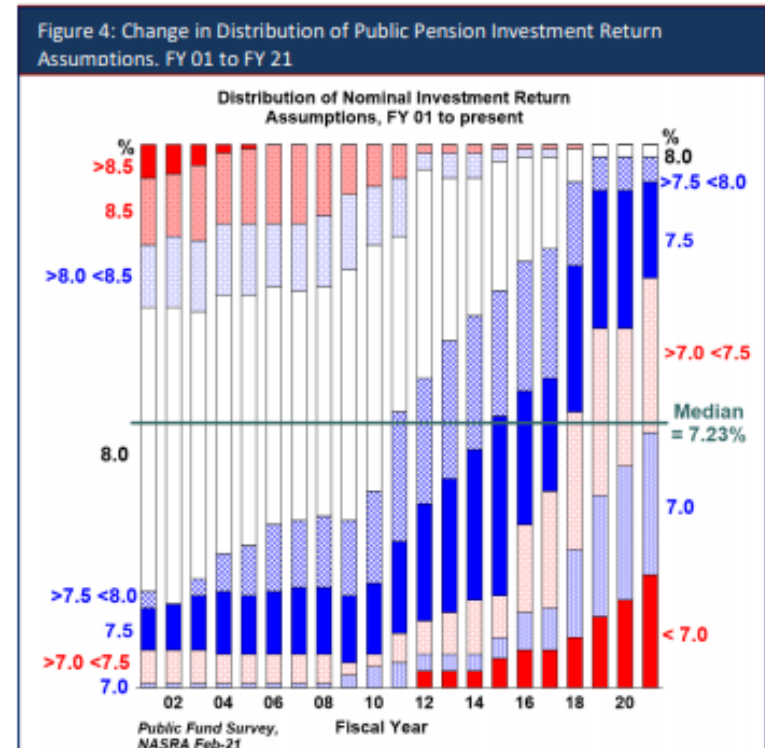
- Adoption of PUB2010 Public Sector mortality
 - Less adjustment of standard tables
 - Better fit for under 65 retirees
 - Some surprises for ancillary benefits

- Continued shifting to generational mortality to reflect gradually improving mortality

- Hesitancy to reflect impact of COVID until it occurs because we just don't know which way mortality will trend

- Increased auditor scrutiny – does the table sound recent?

- Continued movement towards more realistic (lower) investment return assumptions
- Systems are lowering inflation but maintaining (or even slightly increasing) real returns which drives lower return assumptions
- Some indications that inflation may be increasing



THANK YOU!!