



Considerations for Defining the Scope of the Task Force

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What is the problem you are trying to solve?

Defining the problem at the outset is very important to focus the work of the group.

Fact finding and analysis is great – but to what end?

“Setting a pension stabilization target number” – what does this mean?

What is the desired outcome?

Fiscal targets

- Important to focus on **both** liabilities and budgetary pressures (ADEC)
- Establishing numerical targets, or desirable parameters, is helpful.

Workforce considerations

- What is an appropriate and affordable retirement benefit package in the broader context of total compensation?
- Existing actives vs. new hires
- Additional retirement benefit options?

Understand what went wrong in the past – and try to avoid repeating it in the future!

Fiscal Targets

- **Evaluating liabilities and budgetary pressures together is important in order to assess the full picture.**
- Focusing only on reducing budgetary pressures can lead to recommendations that do not solve the underlying structural issues and lead to greater long term costs to the state.
 - Example: Resetting the amortization schedule to a fresh 30-year level dollar schedule would reduce future ADEC payments but would not reduce the liabilities and would result in \$1.95 billion of additional interest payments. Can get kicked. Bond rating may be impacted.
- Targets should be realistic and achievable. You cannot mathematically make the existing liabilities completely disappear.
 - May be helpful to focus on recent growth from FY21-22, similar to the Treasurer's January 15th report.
- What is the appropriate balance between employees/employers shouldering the burden of the solution?
 - Consider the impact of the \$150M, which could grow to \$440-450M by 2038.
- What is the appropriate cost share for retirement benefits in the future? Employee vs. employer share of normal cost.

What are
the
acceptable
elements
of the
outcome?

- Balance workforce concerns and the need to provide retirement security with state's ability to pay.
- Consider the impact to the taxpayers:
 - Who is shouldering the costs now?
 - What impacts will status quo have in the future?
 - Who would pay any proposed new revenue sources and how sustainable are they?
 - Bond ratings -> future borrowing costs
- Cost share between employees/employers for normal cost?
- Risk share between employees/employers for experience deviations and assumption changes?
- Type of benefit structure to consider for the future – DB, DC, Hybrid, more than one option?