

Retirement Board

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PERS' RETIREMENT SECURE

RESPONSE TO KSNV-TV NEWS 3 LAS VEGAS DECEMBER 16, 2010 STORY REGARDING PUBLIC EMPLOYEES' RETIREMENT SYSTEM

December 17, 2010

News 3 Las Vegas broadcast a story on December 16, 2010 regarding the financing of the Public Employees Retirement System (System or PERS). In light of this story, we thought our members, retirees, employers and the public may find the following facts informative.

- **There is no funding crisis at PERS**

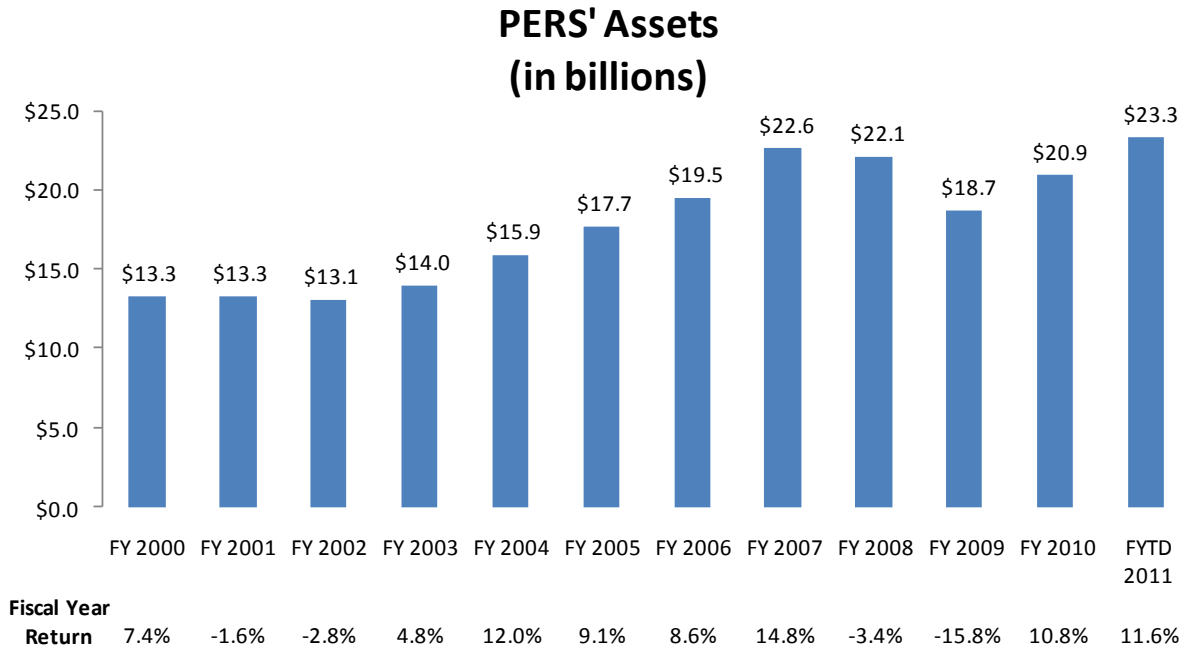
The News 3 story implies that PERS is in trouble and is in danger of going bankrupt. PERS is not in trouble and is not in danger of going bankrupt. The most significant portion of PERS' unfunded liability is being retired over the course of the next 26 years in a prudent and methodical manner that ensures intergenerational equity among current and future employees. There is no massive bill coming due in the future that will require taxpayers to "provide a bailout."

- **The System is sustainable in the short-term and in the long-term**

The PERS' trust currently holds \$23 billion in assets to support its ability to pay retirement benefits, and the actuarial funding mechanism absorbs current and future pension costs in today's contribution rate. The System's finances are measured, reviewed and audited on an annual basis and comply with all applicable accounting requirements and disclosures.

The System is well positioned to meet its obligations to members and retirees in the short and long-term. PERS' investments have generated an annualized return of 9.3% per year for the last 26 years. This return is above the 8% investment return assumption used for financing PERS' retirement benefits. PERS' time-tested and disciplined approach to investing served the System well in the down markets of 2008/2009, as well as during the recent stock rally. Through this cycle the portfolio ranks near the top of its peers with regard to return while taking less risk than the average pension plan. The fact that the fund is currently at a record high in assets (\$23.3 billion) and has generated an investment return of over 20% during the last eighteen months reinforces the case that the System is primed to continue its long-term investment success.

The following chart shows the annual investment returns and asset levels since fiscal year 2000.



Data as of October 31, 2010

- **Analysis and comparison of defined contribution plan and defined benefit plan**

The Retirement Board recently studied defined contribution plans as compared to the current defined benefit structure to ensure that all interested parties are aware of the costs and regulatory impacts of a transition to a defined contribution plan and to quantify the efficiency of the current benefit structure in meeting the mission of the System. The study showed that the current method of delivering retirement benefits is an efficient way to fulfill PERS' mission and a conversion to a defined contribution plan would carry a significant cost in the next biennium. A copy of the study is available at www.nypers.org.