

Public Pension Reporting and Disclosure: The Current State of Practice and Examples of What Works Well



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Introduction

Retirement benefits for employees of state and local government have been changed considerably over the last decade. This change has come in many forms, including benefit reductions, increasing requirements for benefit eligibility, and increased contributions from both employees and their public employers.¹ At the same time, pension funds have experienced significant losses as a result of the 2008-09 market decline, followed by more recent investment gains. As employees, policy makers, the media, taxpayers, and other stakeholder groups continue to navigate the changing public pension landscape, the importance of complete and timely pension reporting and communication continues to increase.

This report aims to answer two central questions: (1) How do major pension systems across the United States communicate financial, benefit, and governance information to their members and other interested parties?; and (2) Which retirement systems provide examples and lessons learned for how to effectively communicate relevant information?

To answer these questions, data on the public reporting practices of eighty-three of the largest statewide pension plans in every state and the District of Columbia were collected (see Appendix A for the roster of systems). Also, the pension reporting and communication efforts of five geographically and structurally diverse pension systems were explored via case studies: California State Teachers' Retirement System, Public Employee Retirement System of Idaho, Maine Public Employees Retirement System, South Carolina Public Employee Benefit Authority, and Texas Municipal Retirement System.

From this information collection and analysis, several key findings surfaced:

- Seventy-two of the eighty-three systems in the sample follow the Government Finance Officers Association (GFOA) reporting standards in producing their comprehensive annual financial reports (CAFR), with nearly half of the sample also developing a plain language or popular annual financial report.
- Virtually all the systems in the sample develop an actuarial valuation (annually), an experience study (at an average of every five years), and have a funding policy produced by the system and/or established in state statute.
- Almost all the systems in the sample disclose investment fees; all the systems that do offer the information online. Also, all the systems compare the performance of every major asset class against a relevant benchmark; nearly every system offers information on benchmark comparisons online, in the CAFR, or both.
- Certain themes surface with regard to systems that have developed robust communication and financial reporting initiatives: the importance of active, two-way communication between the system and all stakeholders; the identification of communication and reporting as a priority by system leadership; the engagement of all stakeholders, even critics, before, during, and after the implementation of policy, benefit, and programmatic changes; and the openness to using social media technologies and/or establishing formal structures (e.g., advisory committees) to garner detailed feedback from a range of stakeholders.

The Current State of Pension Reporting and Communication

In response to the decline in pension fund asset values in 2008-09, policy leaders at all levels of government have strengthened their focus on the management and sustainability of public pension plans, often with an emphasis on the timeliness of sharing information and processes. The manifold requirements for reporting financial information for statewide retirement systems are captured in state laws and industry standards. In addition, some retirement systems, by practice, make information available in a manner beyond the requirements of law or standard.

In an effort to describe the landscape of how public retirement systems provide information, required or otherwise, to a range of stakeholder groups, between January 2016 and June 2016, researchers from the Center for State and Local Government Excellence and National Association of State Retirement Administrators collected pension reporting information on eighty-three public retirement systems in all fifty states and the District of Columbia. A roster of these systems can be found in Appendix A.

The Sample

As of FY 2015, the eighty-three systems in the sample held approximately \$3.2 trillion dollars in assets, or approximately 88 percent of the \$3.6 trillion in assets of all state and local funds as of the end of FY 2015.² The eighty-three systems had approximately 12.1 million active members and 8.3 million annuitants, or approximately 82 percent of the total retirement system population of 14.7 million active members and 10.0 million annuitants.³

These systems administer pension and other benefits for active and retired employees of state and local government, including cities, counties, school districts, and others. In addition to pension benefits, nearly all of these systems also administer death and disability benefits; some administer health care plans for retired workers and their families; and some administer defined contribution retirement plans that either are supplementary to the pension plan or, in the case of some workers, serve as the primary retirement benefit.

Financial Report Preparation and Offerings

The Government Finance Officers Association (GFOA) offers a Certificate of Achievement for Excellence in Financial Reporting Program for **comprehensive annual financial report (CAFR)** preparation and publication. This program issues the award to governments that successfully comply with reporting standards prescribed by the GFOA. For public retirement systems, these standards fall into five broad categories that mirror the sections contained within the typical retirement system CAFR: introductory, financial, investment, actuarial, and statistical. The overarching purpose for the award program is to establish minimum standards for reporting basic information about the system and to facilitate comparison of this information among retirement systems.⁴ To be recognized under this program, governments are generally required to complete their CAFRs within six months of the end of the fiscal year, with a possible one-month extension. Some retirement systems comply with the GFOA CAFR standards but do not qualify for the award because they do not meet the six-month reporting deadline.

Of the eighty-three systems in the sample, seventy-two prepared GFOA compliant CAFRs. Seven of the remaining systems did not produce a CAFR because their information is reported in the CAFR of another governmental unit, such as the state or state treasurer. For all CAFRs offered, the main distribution method is via a system's and/or sponsoring government's website. All CAFRs are available online.

Some systems also produce a "plain language," "summary," or a **popular annual financial report (PAFR)** document, which "extract[s] information from their comprehensive annual financial report to produce reports specifically designed to be readily accessible and comprehensible to the general public and other interested parties without a background in public finance."⁵ Nearly one-half of all systems in the sample, thirty-six in all, produce these types of reports and offer them online, with another four offering documents analogous to individual components of a PAFR.

All systems in the sample are required to develop an **actuarial valuation (AV)**, which offers information about the value of the plan's liabilities and assets;

actuarially determined contributions; the benefits earned by employees/retirees; and plan funded status, along with actuarial assumptions used and other related information.⁶ Some systems include the entire results of their valuation in their CAFR, and others produce the valuation as a separate document (or both) and include highlights of the valuation in the CAFR. Every system except one produced the AV annually; that one produces the AV at least biennially. Actuarial valuations for nearly every system are available online, either separately or as part of the CAFR, or both.

All systems in the sample conduct periodic **experience studies** to formally measure how closely their plans' actuarial assumptions match their actual experience, over several years.⁷ Requirements that experience studies be produced originate, depending on the system, in state statutes, board rules, and public pension industry best practices. The median period between these studies for the systems in the sample is five years, with a range of some systems conducting them every one or two years and others every six years. Over 60 percent of the systems analyzed offer their experience studies online.

A pension **funding policy** "provides reasonable assurance that the cost of [pension] benefits will be funded in an equitable and sustainable manner" by requiring government plan sponsors to obtain regularly updated, actuarially determined contribution (ADC) estimates, which aim to fully fund promised benefits over a prescribed period of time and promote stable contributions that spread costs across employees' careers.⁸ The funding policy represents the public employer's commitment to fully funding the ADC and communicating information about pension funding with stakeholders. All eighty-three systems in the sample produce a funding policy and/or one is established by state statute, system policy, or other edict. In the case of systems that produce a funding policy, the components of the system funding policy typically are combined and presented as a single document. In the case of the latter, retirement system funding policies can represent the totality of multiple requirements, which may be contained in different sources. Elements of retirement system funding policies

are generally offered online (forty-seven of the systems), in required financial reports, or both.

Investments

Assets for public pension benefits are held in trust and invested in diversified portfolios, typically on the basis of an investment horizon of forty to sixty years. Public pension assets generally are invested in a mix of stocks, bonds, real estate, and alternative assets, such as hedge funds and private equity. Most pension funds are invested pursuant to a prudent person or prudent investor standard, which stipulates, in general, that assets be invested (a) solely in the interest of the plan's participants; (b) for the exclusive purpose of providing benefits and defraying reasonable expenses of administering the plan; (c) using care, skill, prudence, and diligence that a prudent person acting in like capacity would use; and (d) by diversifying the investments so as to minimize the risk of large losses.⁹

Most systems communicate **investment risk** via an investment policy statement that outlines the level of investment risk the system is willing to absorb, as well as target allocations of fund assets to different asset classes that align to desired levels of risk. The reporting methods used most frequently are inclusion of the investment policy statement in the CAFR (at least forty systems), on the website (at least twenty-nine plans), and communicating on investment risk in board and committee minutes/attachments (twenty-seven systems in sample confirmed). In cases where investment functions are conducted by a separate state agency, this information is typically found in reports produced by the investment authority. Methods that are used less frequently to report investment risk information are in consultant and vendor reports; in system investment reports; and in AVs. Almost all the systems in the sample, eighty in number, disclose **investment fees**. All of the systems that report fees offer the information online, generally as part of a CAFR schedule. Also, all of the systems compare the performance of every major asset class against a relevant **benchmark**, with about half (forty-two systems confirmed) offering information on the benchmark comparisons online, as part of the investment performance report in the CAFR.

General Information Offered to Members

The Government Finance Officers Association considers the development of a **summary plan description** (often available under an alternate title such as a “member handbook” or “benefits guide”) to be an industry best practice. The purpose for a summary plan description is to communicate information to participants about what benefits are provided, how they are structured, benefit eligibility and requirements, and other related content.¹⁰ These documents are offered in plain language and typically include text and charts designed to assist in communicating complex financial information.

Every system makes eligibility and benefits information available, and most (90 percent) of the documents comply with the spirit of GFOA guidelines addressing preparation of a summary plan description. Nearly every system maintains a summary plan description or a related document that reflects current eligibility and benefits provisions, and nearly all of these documents are offered online. Another related approach for offering information to members is using **participant newsletters** to provide nontechnical plan financial information. Approximately three-quarters of the sample (sixty-three systems) offer content related to the financial condition of their respective system’s plan(s) in their newsletters.

System Board Reporting

A range of stakeholder groups, including system members, policy makers, taxpayers, and employee associations/unions, among others, finds system board information essential for understanding retirement system finances, governance, and changes. To this end, thirty-four systems in the sample provide their **board reports** online.¹¹ Over 80 percent of the systems in the sample (sixty-eight systems) offer **board minutes** from meetings online and most others make board minutes available upon request.

Exemplary Pension Reporting and Communications by State Retirement Systems

As part of this project, five systems were selected for case study analysis, to provide examples of state retirement systems that have developed effective approaches to offering financial, benefit, and other

related information, while also maintaining ongoing communication with stakeholder groups. The five systems selected are:

- California State Teachers' Retirement System (CalSTRS)
- Public Employee Retirement System of Idaho (PERSI)
- Maine Public Employees Retirement System (MainePERS)
- South Carolina Public Employee Benefit Authority (PEBA)
- Texas Municipal Retirement System (TMRS)

The case examples were selected based on their location, size, structure, and variation in terms of the types of employee groups covered. With reference to the data collection described previously, each of these systems do all (or most) of the following:

- follows Government Finance Officers Association CAFR preparation guidelines and offers the CAFR on the system website;
- develops a plain language, popular, or summary financial reporting document and offers it on the system website;
- develops a summary plan description, keeps it up-to-date, and offers it on the system website;
- develops an AV, offers it on the system website, and conducts a periodic audit of the AV;
- develops a participant newsletter that offers information about plan financial condition and provides the newsletter on the system website;
- conducts an experience study and offers it on the system website;
- develops a funding policy and offers it on the system website;
- offers board minutes, documents, and legislative committee reports on the system website;
- actively uses social media as one of the system’s communication channels;
- offers financial education content on the system website; and
- via the system website, offers investment fee disclosures, compares performance of every major asset class against a relative benchmark, and reports investment returns net of fees.

The case studies that follow offer background about each system, discuss relevant organizational culture, highlight approaches for communicating with stakeholders, cover system financial and investment reporting, and conclude with lessons learned that can be applied to other systems. Although there is not one best way for effectively offering system financial reports or communicating with various audiences, the five case examples highlighted provide practical approaches that can be considered by other systems, of any size or type.

California State Teachers' Retirement System (CalSTRS)¹²

Introduction

Serving over 914,000 members and managing some \$177 billion in assets,¹³ the California State Teachers' Retirement System (CalSTRS) is the second-largest retirement system, as measured by assets, in the United States and the largest educator-only system in the world. CalSTRS strives to build an organization that relies on strong customer service, a financial services mindset, and transparency. These values are expressed through its extensive communication and outreach efforts, partnerships with stakeholders, and commitment to best practices in financial reporting.

Background

CalSTRS membership is limited to accredited educators serving in the state's public and charter schools¹⁴ from pre-K through community college. CalSTRS' membership consists of 626,259 active and inactive members and 288,195 annuitants. CalSTRS is a multiple-employer system serving approximately 1,740 school districts, county offices of education, and community college districts. CalSTRS' primary plan is a traditional pension benefit with a 2-percent multiplier with employees, employers, and the State of California all contributing to the plan; CalSTRS' members do not participate in Social Security and covered members are also subject to Social Security offsets.¹⁵

CalSTRS is governed by a twelve-member board, composed of three active members representing current educators; one retired member; one school board representative; three public representatives who are

appointed by the governor and confirmed by the State Senate; and four ex-officio members: the director of finance, state controller, state superintendent of public instruction, and state treasurer. The board governs with six standing committees.¹⁶

Organizational Culture

CalSTRS' leadership works to make CalSTRS a "best in class" pension system including a strong focus on customer service and fiduciary responsibility. The chief executive officer (CEO) established an organizational culture that resembles a private financial services office, and urges staff to view educators as customers.

The importance of customer service and meeting member needs is a CalSTRS hallmark. This focus contributed to CalSTRS being named as a "Best Place to Work in Money Management" by *Pensions and Investments*¹⁷ in 2016. CalSTRS' commitment to fiduciary responsibility can be best seen from the results of its annual survey of members, in which 74 percent of respondents agreed or strongly agreed with the statement that "CalSTRS is an organization I can trust."¹⁸

The CalSTRS board seeks to be as transparent as possible to establish trust and accountability. All board meetings are webcast and can be viewed live or later on the CalSTRS' website video archive. Likewise, board agendas, supporting materials, and minutes are available on the CalSTRS.com website.

Communications with Stakeholders

The CalSTRS Communications Division has a staff of twenty-seven that utilizes extensive publication and video libraries, interactive social media presence, and interpersonal contacts to inform members of their benefits, provide financial awareness information, and supply relevant information on issues pertinent to the organization and public pensions. To tailor its messages to its various audiences, the division creates separate publications for retirees, early career members, and employers, while maintaining consistency in overall messaging. As an educator-only pension system, CalSTRS' membership is well-educated: every member has at least a bachelor's degree and is either professionally credentialed or has a graduate degree or both.

California's educators are represented by labor unions, and CalSTRS has embraced the potential of employee and retiree unions as an effective channel to communicate with its members. In particular, CalSTRS has a long-standing relationship with the California Teachers Association (CTA). CTA staff regularly meet with CalSTRS staff and board members, often referencing financial reports, and believe CalSTRS listens to its stakeholders and wants their feedback, which CTA representatives believe is crucial for maintaining good relationships.

CalSTRS also maintains strong positive relationships with its other stakeholder groups, including employers, the legislature, and the Governor's Office/Administration. CalSTRS maintains an employer advisory committee that meets quarterly (which also involves The California Public Employees' Retirement System), and CalSTRS' chief financial officer (CFO) gives presentations around the state to employers' financial staff about financial issues or policy changes. CalSTRS' board members and senior management meet periodically with legislators and the Governor's Office/Administration to discuss the plan's funding status and policy changes that may require legislative action.

CalSTRS' Research and Analysis Division assists the Communications team. Research staff survey stakeholders on a variety of topics including customer service and retirement preparedness. CalSTRS has even surveyed members to determine whether they prefer to receive printed or electronic information. Since printed publications remain popular, CalSTRS prints paper copies for many of its publications, in addition to making them available online. The Research and Analysis team also collects data on communication and outreach metrics, such as website use, publication downloads, and social media impact.

CalSTRS produces numerous publications, such as its annually updated handbook, financial literacy and retirement planning booklets, an annual member retirement progress report, and four semiannual newsletters, targeted to different groups (active members under fifty, active members fifty and over, retirees, and employers). Employee newsletters are issued in the fall and spring, and retiree newsletters in winter and summer. CalSTRS' publications library

is extensive and includes financial reports, economic impact analyses, sustainable investing resources, and retiree tax information. CalSTRS also sends informational booklets to members at important milestones throughout their careers to help keep them on financial track for retirement. Members receive their first booklets after they vest (five years), then again at midcareer, and lastly as they are nearing retirement. The Communications Division designed these publications in response to member feedback.

CalSTRS also has created an innovative and comprehensive social media presence. On an annual basis, the organization reviews the primary social media outlets, discusses CalSTRS' plan for utilizing them, and defines how impact will be measured for each outlet (e.g., likes, followers, views). Beyond having a Facebook page, Twitter account, and YouTube channel for its videos, CalSTRS has joined LinkedIn, Instagram, and Pinterest. On LinkedIn, a professional networking platform, CalSTRS mostly connects with jobseekers. Via a variety of these social media services, CalSTRS posts pictures of outreach events and "behind-the-scenes" insights into CalSTRS operations. For other platforms, CalSTRS creates materials that address general work interests, as a means of attracting the interest of busy teachers. Staff use the #CalSTRSLife hashtag to post pictures of their life outside of work on the CalSTRS' Instagram account to show the organization's support for work/life balance. In late 2012, CalSTRS decided to join Pinterest based on the strong demographic correlation between its membership and this platform's users. The Pinterest content is more diverse, integrating members' general career interests with retirement issues.

Finally, CalSTRS' leadership recognizes the importance of interpersonal communication. Serving such a large workforce and employer base, CalSTRS leadership cannot meet individually with all of its members and employers, but it does frequently present at conferences and stakeholder meetings. The board chair and other board members, the CEO, CFO, and chief investment officer regularly give presentations for stakeholders and the public. For example, the CFO recently traveled across the state to explain the Governmental Accounting Standard Board's (GASB)

Statements 67 and 68 to employers' financial staff. In her talks with employers, the CFO asks about challenges employers face, and she also emphasizes the benefits of CalSTRS to school districts and communities. This additional communication is critical because superintendents and their staff must justify pension contributions to their local boards of education and the public.

Financial Reports

One of the most significant changes to CalSTRS in recent years was the passage of Assembly Bill (AB) 1469, which established a new funding plan for the defined benefit (DB) fund. The law, which took effect June 24, 2014, established new, increased contribution rates for employees, employers, and the state. At the time the law was passed, the DB Program was funded at 69 percent, which the legislature determined was insufficient to meet current and future obligations. Under the new requirements, the program is projected to be fully funded by 2046. CalSTRS and CTA collaborated to secure passage of the bill, and CalSTRS leadership worked with stakeholders and educated the media about the need for a new funding plan. All of those interviewed for this project discussed the importance of financial transparency and trust for the funding plan to be passed and implemented.

CalSTRS' CEO believes financial reporting is one of the most important things CalSTRS does, and he identifies three key factors as essential to sound financial reporting: the board's strong emphasis on transparency; the engagement of external auditors who bring rigor to their review of financial processes; and the commitment of knowledgeable staff and subject matter experts.

CalSTRS faces constant pressure to be transparent, increasing the importance of thorough audits and independent reviews by external auditors. CalSTRS' leadership embraces this close review process and ongoing risk and issue mitigation because it challenges the organization to continuously improve.

The CalSTRS' board and staff believe strongly in adhering to the best practices for financial reporting of the Government Finance Officers Association (GFOA). The board expects staff to complete the comprehensive

annual financial report (CAFR) on time. The CFO says her financial management team has established a schedule so that meeting GFOA's six-month deadline is not a problem. With a fiscal year end date of June 30, CalSTRS completes its annual financial reports by the end of August and the outside auditors have one month to complete their review, per contract. Since the auditors' work is finished by the end of September, staff have more than two months to compile the CAFR prior to publishing it before the end of December each year. The only potential challenge to the process is receiving data late from employers, and this is typically avoided by regular communication between the financial staff and employer members.

The CAFR is complex, so CalSTRS began publishing a popular annual financial report (PAFR) several years ago to meet members' requests for information. To build the PAFR initially, staff looked at examples from other pension systems. Today, the PAFR is an important part of the organization's collection of financial reporting publications.

CalSTRS is required by statute to perform an actuarial experience study for the DB fund every six years, although the organization has chosen to undertake them more frequently to understand the appropriateness of its economic and demographic assumptions. One actuarial assumption that is particularly important is the mortality assumption, since teachers statistically live longer on average than the general population. CalSTRS' leaders believe that sharing the experience study's results with stakeholders and the public as early as possible is vital, as they want everyone to understand the board's decisions regarding any recommended changes to the actuarial assumptions in order to ensure the plan's long-term sustainability. CalSTRS also undertakes a replication study (level one actuarial audit) of its actuarial valuation every five years. A level one¹⁹ study is more rigorous than the more common level two actuarial audit because it uses all of the data and replicates the valuation rather than using a sampling of the data to test the results of a valuation. CalSTRS also has actuaries on staff who review and approve the processes and methodologies of these studies, but they do not change or alter their results. The CFO believes this oversight is important for

the organization and the board to fully understand any recommended changes to the plan's assumptions or underlying data prior to making a decision.

Investments

CalSTRS measures its investment return net of expenses and has included this information in its CAFR for the last seven years. The CAFR presents CalSTRS' assumed rate of investment return and actual return as both gross (7.6 percent) and net of administrative expenses (7.5 percent). Effective September 2016, state law²⁰ requires certain disclosures for investment costs. To initially determine the fees and management expenses for its private equity investments, CalSTRS used a template from the Institutional Limited Partners Association (ILPA).²¹ The CFO explained that measuring returns net of expenses is critical to knowing the real return for these types of complex investments and limited partnerships, and by creating transparency on these fees, CalSTRS hopes to influence costs downward over time. Additionally, CalSTRS' private equity contracts now include a provision that investment managers must make available all documentation necessary to calculate the return net of fees.

Conclusions and Lessons Learned

CalSTRS' performance benchmark is being a "best in class" sustainable organization. To achieve this goal, the organization stresses excellent customer service; actively communicates with its member base; strives to be a leader in investment innovation; values its partnerships with stakeholders; and undertakes extensive, independent financial and data reviews. This commitment is evident in the organization's extensive communication and outreach program; its regular meetings and ongoing work with union representatives; and its adherence to GFOA's best practices on financial reporting.

As one of the nations' largest public pension fund, CalSTRS has resources that many other public pensions systems lack. However, lessons and ideas can be learned from them. First is the importance of stakeholder feedback. Even small organizations can occasionally survey members and employers to understand if they are effectively communicating with them. For instance, such surveys can reveal how stakeholders would like

to receive their information and the level of retirement readiness of their members. Second, systems can be creative with social media and consider different messages as a means to draw stakeholders to their website, where they then can learn about the pension system or financial planning. For example, CalSTRS' Pinterest account offers much more than just pension materials for this purpose. Third, pension organizations should welcome partnerships with member unions and other groups representing members. With trust and a good working relationship, public-sector unions can be a critical ally in ensuring the financial stability of a trust fund. For CalSTRS, its relationship with CTA facilitated support for a much needed new funding plan. Finally, strong and transparent financial reporting is critical for organizational excellence and sustaining trust. Learning about limits or weaknesses provides opportunities for improvement, and sharing both the challenges as well as the solutions builds trust over the long term.

Public Employee Retirement System of Idaho (PERSI)²²

Introduction

As a multiple employer plan consisting of state agencies, school districts, and local governments, PERSI's active members and retirees comprise approximately 10 percent of the state's population. As such, the retirement system is both very important to the financial well-being of many Idahoans and has high visibility, thus making transparency and communication all the more important. For many years, PERSI's board and senior administrators have stressed accountability, fiscal prudence, and outreach with all of PERSI's stakeholders. To implement these values, PERSI undertakes many financial reporting and communication activities that are considered best practices, such as meeting the financial reporting guidelines of the Government Finance Officers Association (GFOA), conducting regular experience studies and audits of actuarial valuations, publishing newsletters, and thoroughly reporting on investment activities. Additionally, PERSI's leadership has made interpersonal communication with stakeholders a priority; PERSI's leadership believes this significantly builds trust among stakeholders, which concomitantly supports the

system's financial soundness and independence from political influence.

Background

With 766 participating employers, PERSI is the primary defined benefit plan for public sector employees in Idaho,²³ and it is the only retirement system in the state for employees of state and local government. The system supports 42,657 retirees and 67,008 active employees for two classes of employees: general public employees and teachers, and public safety personnel (fire/police). For general employees, the benefit equals final average salary times years of creditable service with a 2-percent multiplier after a five-year vesting period. The public safety employee benefit formula has a 2.3 percent multiplier and similar vesting requirements. Eligibility for unreduced benefits is established at age 65 or Rule of 90 for general employees and age 60 or Rule of 80 for public safety personnel.²⁴

PERSI is in excellent financial condition, with assets equal to 90 percent of total liabilities. State law has established that the total contribution rate must be set so that the pension fund will be 100-percent funded within a 25-year amortization period. Furthermore, employers and employees share contributions to the fund, with the employee rate for non-public safety personnel equaling 60 percent of the employer rate, as specified by state statute. The current contribution rate is 11.32 percent of salary for employers and 6.79 percent for employees. Rates are slightly higher for public safety employees.

Organizational Culture

A core component of PERSI's organizational culture centers on fiscal transparency with outreach serving as a natural extension of that transparency. PERSI's board drives this culture through policies, appointment of the executive director and chief financial officer (CFO), and expectations of staff. The board consists of five persons appointed by the governor and confirmed by the State Senate. The only specific requirements are that two of the appointees must be active PERSI members with at least ten years of public service. The appointments are part-time and appointees receive a small per diem.²⁵

Though board members are appointed and confirmed by elected officials, proud hallmarks of the board are its nonpartisan nature and the dedication and expertise of its members. For example, PERSI's board chairman is a Democrat and has been appointed by multiple Republican governors. The chairman leads from the philosophy that high levels of financial transparency build trust with stakeholders and from that trust comes greater autonomy and acceptance of decisions. Thus, the board sets a correspondingly high standard for staff regarding the system's financial reporting practices. In fact, one of his first goals when appointed as chairman of the board was for PERSI to become the "the most audited agency in state government."

The financial reports that PERSI produces serve as the explanation for its decisions. PERSI follows the adage, "Stakeholders do not fear bad news, they fear surprises." The organization's leaders point to the numbers, such as from the valuation or the comprehensive annual financial report (CAFR), to explain a decision or recommendation. If the organization openly shares information in both good times and bad, its leaders believe, there is less resistance from stakeholders to contribution rate increases. This was seen firsthand when the governor and legislature supported rate increases in 2013 of 1.5 percent of pay, with a second increase to be instituted in 2017.²⁶

The board and staff want PERSI to be the source of information for any questions about its retirement plans rather than have stakeholders go elsewhere. To be that authority, stakeholders must have confidence that the information they receive is accurate and unbiased, making financial reports such as experience studies and audits of valuations all the more important. If a legislator or employer reads a news story about a pension system elsewhere that raises questions about PERSI, he or she will go directly to PERSI's executive director for answers. These relationships of trust were built not just from completing the financial reports but also from making a concerted effort to share them with stakeholders.

Communications with Stakeholders

PERSI communicates in a variety of ways, with the

most striking approach being leadership's dedication to interpersonal communication. Since his appointment in 2006, PERSI's executive director has traveled the state to meet with legislators, employers, and employees. He believes the benefits of these meetings far outweigh the cost of his time and have been vital to the strong statewide support for PERSI from stakeholders and the public. The executive director initially sent letters to every legislator who sat on a committee germane to PERSI, offering to meet with them in their districts (Idaho has a part-time legislature) and explain how PERSI worked and its financial condition. He has continued this practice every year, meeting with legislators in the summer and fall months before the legislative session starts in January. Now, he focuses more on new legislators; in 2016 he met personally with fifteen legislators.

The PERSI director also spends considerable time meeting with employers across the state. In 2016, he met with 365 employers through group or individual discussions, explaining the benefits of PERSI, its investments, latest valuation, and overall financial condition. With this knowledge, employers can then inform their employees about the retirement system. These discussions also provide an opportunity for firsthand feedback from these stakeholders. Over the past year, he has encouraged his senior staff to also attend the meetings so that employers get to know the entire PERSI leadership team.

In addition to the focus on interpersonal communication, PERSI communicates through newsletters, its website, and social media. The system produces two newsletters—one for employers and one for employees—and publishes them quarterly on its website. For content, PERSI's public information officer (PIO) speaks with the organization's customer service personnel to learn what questions members and retirees commonly have been asking. He also checks with the senior leadership to identify important information or forthcoming changes that employers and members should know about. He believes it is important for all participants to receive similar information, even if they are not directly affected, because it helps with understanding the overall activities of the system. For example, retirees should

be informed of contribution rate increases for active employees and employees should know about cost of living increases for retirees. The PIO thinks the newsletters are particularly valuable for retirees since, unlike active employees, the retirees do not have access to information through employers.

PERSI posts a substantial amount of information on its website. The organization has created a series of brochures on specific topics to assist members, such as how credited service is calculated, an explanation of disability benefits, and the impact of military service on PERSI benefits. Accessing the needed information is easier in these brochures than using the complete member handbook (which is also on the PERSI website). Examples of other important sources of financial information on the website include PERSI's latest financial statement, strategic plan, board meeting minutes, and investment reports. PERSI does not post its actuarial valuation on its website but does include the prior year valuation as part of its CAFR. The PIO believes the website is a cost-effective way to quickly share specific messages, such as the new pension reporting standards, Governmental Accounting Standards Board (GASB) Statements 67 and 68. Although PERSI also uses social media such as Twitter and Facebook, social media is not a primary means of communication for the system. In fact, the executive director argues that while electronic media is useful, it should supplement, not replace interpersonal communication.

Financial Reports

PERSI follows many of the financial reporting practices recommended by the Government Finance Officers Association (GFOA), such as those pertaining to comprehensive annual financial reports, annual actuarial valuations, actuarial experience studies, and regular audits of those valuations, and pension funding policies. It does not create a popular financial annual report but may consider doing so in the future. For the last sixteen years, PERSI has received GFOA's Certificate of Achievement for Excellence in Financial Reporting. This award requires that a public organization publish its financial statements within six months following the end of the fiscal year.

PERSI has found that state leaders take real interest in the CAFR. For example, Idaho’s lieutenant governor reports using the CAFR in his outreach regarding PERSI.

In addition to its annual actuarial valuation, PERSI undertakes audits and experience studies every four years in order to ensure the valuation itself is accurate. PERSI believes these additional studies are fundamental to the legitimacy of the data within the valuation such as fund balance and required contribution rates. Furthermore, without these studies, stakeholders could begin to question the neutrality of PERSI. Although PERSI staff could conceivably conduct the audit of the actuarial data, they do not do so, in order to maintain the valuation’s independence. Most importantly, performing these studies is required to safeguard the pension fund’s solvency. PERSI’s board members know that having these studies conducted, and reviewing their results, is their most important role.

PERSI’s funding policy is primarily set by state statute, which determines the contribution rates for employers and employees. The statute stipulates that employers must pay their actuarially determined contribution. Due to the fiscally conservative culture of Idaho state government, the legislature has always fully paid its required contribution. PERSI staff use its financial reports to brief elected officials, so that they are well-positioned to answer questions from the public about annual contributions and other issues.

Investments

PERSI’s investment strategy is “simple, focused, transparent, and patient,” according to PERSI’s chief investment officer (CIO). PERSI invests 70 percent of its assets in equities and 30 percent in fixed income, using ten broad categories. This strategy is also transparent and easy for stakeholders to understand, which has been especially helpful when the stock market has not performed well, as in 2008. It also has allowed them to create daily pricing for their investment fund, which they have done for over ten years. Daily pricing allows PERSI staff to provide frequent fund balance reports to the board and stakeholders such as state leaders. Staff also post quarterly investment reports on the website. In fact, active members can invest in PERSI’s defined benefit fund (Base Plan) through its supplementary defined

contribution plan, Choice 401(k) Plan. This investment option is referred to as the Total Return Fund.

Net of fee returns are calculated for the Base Plan and Total Return Fund, at year-end, and are reported in the CAFR.²⁷ PERSI reports its time-series investment return gross of fees, meaning that the management fees have not been subtracted from the return. Leadership supports this approach for two primary reasons. First, reporting returns gross of fees allows for comparisons with benchmarks that also report on this basis. Second, management fees in equity and fixed income markets are relatively easy to decipher and, as stated earlier, PERSI does not hold investments in hedge funds or use complicated performance fee structures.

Conclusions and Lessons Learned

Two major lessons can be gleaned from PERSI—the importance of leadership to instill best practices, and the value of interpersonal communication to build trust. Of course, these two lessons are interconnected: without following best practices, stakeholders may distrust the communication they receive. Likewise, communicating directly with stakeholders ensures that their questions are answered and that they have trustworthy information. By placing such a high priority on transparency in its financial reporting, PERSI garners continued support for the pension plan and helps ensure its long-term solvency.

Maine Public Employees Retirement System (MainePERS)²⁸

Introduction

The Maine Public Employees Retirement System (MainePERS), established in 1942, has a reputation for excellence in pension reporting and communications. Organizationally, it has earned this status through rigorous financial reporting practices as well as the culture of trust it has built with its stakeholders. MainePERS’ executive director has emphasized the need to reach out to stakeholders personally with clear, factual information, and she encourages the staff to treat all MainePERS stakeholders as customers, whether dealing with employees, employers, retirees, legislators, or the media.

Background

MainePERS has 146,438 members and, by the authority granted to it by the Maine Legislature, it administers six retirement plans that cover teachers, state employees, legislators, judges, and employees of 289 municipalities and other public entities, called participating local districts (PLDS). All members contribute a portion of their income to the system. Plan assets as of June 30, 2016 were \$12.4 billion.

The MainePERS State/Teacher Plan, the largest plan in the system, is a multiple employer cost-sharing plan that covers approximately 117,600 active, inactive, and retired members. The plan is provided in lieu of Social Security, so it serves as a primary source of retirement income for career employees. Covered members are also subject to Social Security offsets.²⁹ The employer's aggregate contribution rate as a percentage of payroll at June 30, 2016 was 16.06 percent, and will be 19.29 percent beginning July 1, 2017.

Although the State/Teacher Plan is now on a sustainable funding path (80.4 percent actuarial funding level in 2016), this was not the case in 1991 when the plan's funded ratio was 36 percent. A 1995 Maine constitutional amendment required that the plan eliminate its then-determined unfunded accrued liability by 2028 through mandatory annual payments, and placed restrictions on new benefits.

MainePERS has been rigorous in examining investment return trends, demographics, and other assumptions. In financially challenging periods, the MainePERS leadership has worked to ensure that employees, plan sponsors, retirees, and the state legislature understand how the plans have been affected. In 2011, for example, MainePERS developed a concise report on pension costs for the Maine State Legislature because the State/Teacher Plan costs had risen in the aftermath of the 2008 market downturn. The report identified the major drivers of the cost increases, laying out how much each component of the plan, such as the cost-of-living adjustment (COLA), contributes to the overall cost of the plan.

An eight-member Board of Trustees oversees MainePERS, and its members are subject to confirmation by the Maine State Legislature. Four of the board members are appointed by the governor,

two of whom must have a background in banking, accounting, investments, actuarial science, or insurance. The governor selects another member from three retired educators whose names have been submitted by the Maine Education Association Retired. The fourth gubernatorial appointment is a retired state employee selected from names submitted by retired public employees. Elected members include one elected by an association of Maine municipalities, one active member elected by the teachers' union, and one active member elected by the state employees' union. The state treasurer, who is selected by the state legislature, serves a two-year ex-officio term. MainePERS provides both fiduciary and investment training in its orientation for new board members. Trustees understand that the Prudent Investment Act defines their duty and they accept expert advice when they don't have that expertise themselves.³⁰ The Board of Trustees reports to the state legislature's appropriations committee.

MainePERS conducts orientation and training sessions for board members, focusing on the board's fiduciary responsibilities, data on the system's investments, and projections of future funding levels. New board members receive an overview when they start, and another training session six months later.

Organizational Culture

MainePERS has changed its approach over the last several years to build relations and communicate needed information to employers, unions, the media, and the state legislature. While the organization has always focused on providing excellent service to members and retirees, past practice was to respond to requests rather than reach out to outside groups.

Strong member and stakeholder relations are important to the MainePERS Board of Trustees. When the executive director arrived in 2009, she brought a new vision and immediately began reaching out to all stakeholders. This strategy began with face-to-face meetings with the plan's primary stakeholders, including state legislators, unions, members, staff, and employers. Rather than waiting for questions and issues to emerge, MainePERS' leadership now provides briefings as needed to stakeholders, and listens carefully to the questions and concerns that emerge. Internally, the executive director uses a team

approach that emphasizes shared ownership of issues and priorities, along with individual responsibility to address them. Over time, the organizational culture has become more open and responsive. Staff interviewed for this study report that there are fewer rumors, more staff engagement, and a quicker response to emerging issues. Employees have become more confident about taking initiative to address problems because they participate in team conversations and have a good understanding of the facts and what they can and cannot do.

MainePERS provides all new members with written materials when they enroll, including a “Guide for New Members.” These materials are also posted on the MainePERS website. The guide explains all of the benefits administered by MainePERS and provides an overview of both the core defined benefit pension plan as well as the defined contribution and deferred compensation plans that are open to eligible employees. Retirement seminars are frequently provided throughout the year. MainePERS makes sure members can speak with a specialist whenever they have questions.

Having a customer orientation has prompted MainePERS to improve basic processes, such as the member application process for retirement benefits. A recently undertaken effort is streamlining a complicated set of instructions and as many as a dozen forms that the member had to complete to apply for retirement benefits, some of which required notarization. Once the recommended changes are fully implemented, the process will be more customized with less duplication as the retirement services department makes sure individuals have to fill out only the particular forms that apply to them. In the future, MainePERS expects to offer an online self-serve application option for members.

Communications with Stakeholders

When the executive director arrived in 2009, she needed to navigate a system that was the focus of proposed legislation that would substantially affect the disability retirement program and the system’s leadership roles. She immediately recognized that her top priority was to build stronger relationships, starting with the state legislature and member organizations.

She met personally with all of the key stakeholders and listened to their issues. She promised to get back with each before the beginning of the next legislative session with a plan for how MainePERS would address their concerns.

This open approach to sharing information, along with face-to-face meetings, has been central to the MainePERS communications strategy. MainePERS’ outreach includes communication with unions, associations, and employees as well as employers and the state legislature. Straightforward communication with all key stakeholders, including the media, has resulted in greater trust and fewer conflicts.

Communicating clearly and only when there is something meaningful to say is a high priority for the organization, whether in written reports like the comprehensive annual financial report (CAFR) or in public presentations. MainePERS supplements its communication staff resources when needed. For example, they use a former communications associate to make sure that the CAFR is easy to read and understand.

After the 2008 capital market downturn, MainePERS, like most retirement systems, recognized that changes were needed to address the asset losses. In 2011, MainePERS developed a popular two-page overview, “Brief Essentials of the Maine State Employee and Teacher Retirement Program,” which included key facts about the plan as well as charts and graphs that showed the plan’s funding progress over the last 20 years. The popular two-page report and an accompanying cost report are still used today to educate stakeholders about the plan and to show the remarkable funding progress of the plan since 1991. These two reports have been so well received that MainePERS has not yet made it a priority to develop a popular annual financial report (PAFR), though it has an eight-page PAFR in draft form.

MainePERS understands that it is easy to over-communicate, so it limits its communications to simple but meaningful messages, recognizing that such messages are more likely to be heard. Staff rely on the system website, special communications to unions and the legislature, and a newsletter to communicate with members, retirees, and employers. In the newsletter, the executive director addresses issues and concerns in her

front-page column. The Fall 2016 column, for example, explained the importance of the nation's economic performance to the finances of the MainePERS defined benefit retirement plans. She noted that current markets have resulted in flat or slow growth, which has translated into trust fund returns of just 2 percent in FY 2015 and less than 1 percent in FY 2016.

Occasional postcards are another way that MainePERS communicates key messages. Active employees receive a birthday postcard that encourages them to access the system's website to find the answers to their questions; contacts with the system increase after each postcard is received. MainePERS also used a postcard campaign to encourage retirees to use direct deposit instead of paper checks. (While all newly retired members are required to use direct deposit, this had been optional for earlier retirees.)

The MainePERS website is organized so it is easy for members, retirees, and employers to access the information and forms they need. All of its publications can be accessed on the website. The current newsletter appears on the home page and there are links to other information, including the CAFR and legal documents. MainePERS has established a communications team representing multiple departments to make recommendations on such matters as the newsletter and CAFR, as well as website content updates, a new platform, and better organization to make it easier for stakeholders to find information on the site.

Financial Reports

A core value of the organization is to produce timely, accurate financial information that is geared to the needs and interests of stakeholders. By sharing pension data clearly and openly, MainePERS has built a reputation as the most reliable, trusted source for pension information in the state.

MainePERS takes pride in its commitment to transparency and accuracy in financial reporting and the fact that it has received the Government Finance Officers Association (GFOA) Certificate of Achievement for Excellence in Financial Reporting for eleven straight years.

Communicating financial information with stakeholders is particularly important in Maine, where

the state's retirement plans have a ten-year experience gain or loss amortization. This constitutional requirement amplifies large periods of losses in comparison to peers around the country, making effective communications with stakeholders about the plans critical at these times. In addition to producing a well-written CAFR on time, MainePERS also has taken steps to make its financial information more accessible and easy to grasp, particularly when there have been budget concerns. After the economic downturn of 2008, MainePERS developed a comprehensive "Report on Pension Costs to the Legislature of the State of Maine" as well as a two-page summary, "Brief Essentials," that gave readers a clear picture of the State/Teacher plan facts and trends.

The detailed 2011 report gave background on the State/Teacher Plan provisions and legal requirements as well as demographic and cost information. It explained how the MainePERS defined benefit plan differs from the typical private sector retirement plan, including the fact that Maine public employees do not participate in Social Security. The report also described how and why the 2008 market downturn caused pension costs to increase, laid out options to modify the plan to reduce costs, and analyzed what options existed to make plan changes for new hires. The analysis explained what could and could not be done, as well as the cost impact of each option.

Investments

The primary goals of MainePERS' investment division are to balance the system's twin goals of generating investment returns (to ensure growth of the trust funds) and minimizing investment risks (loss of capital and cash flow shortfalls). Since 2012, actuaries and advisors are both involved in the risk conversation as the system seeks to reduce volatility following large economic swings. Additionally, rather than attempting only to maximize returns, the board seeks to balance investment returns with projected risk levels, so that it can maintain stable contribution rates and minimize funding level volatility. The State/Teacher Plan's investment return assumption in FY 2016 was 6.875 percent, lower than the median rate of return for plans in Public Plans Data.³¹ Its investment returns are reported net of fees.

MainePERS has approximately 65 percent of its assets in passively managed index funds. Following the 2008 economic downturn, the investment portfolio has assumed a modest decrease in risk while realizing significantly lower volatility.

The system's long-term investment policy is designed to withstand market fluctuations. Staff recommend the risk parameters to the Board of Trustees, and the board then establishes the risk parameters with an objective to maximize returns within those parameters. There is a "funnel of doubt" due to market volatility, the chief investment officer (CIO) notes, and "that is an important issue for trustees to understand." The CIO's approach with trustees is to provide less detail, but more meaningful information on what they need to know. How is the fund performing? What is the path of the fund? He also gives them information on such issues as the impact of volatility and the potential losses in the bond or other portfolio funds if rates rise by, for example, just 1 percent.

The CIO notes there are two investment horizons: forever and one year. Often, the short-term horizon tends to get the most attention. MainePERS reviews its strategic asset allocation every three years to adjust the portfolio to achieve the best possible return for the accepted level of risk.

Conclusions and Lessons Learned

Maine is a state with a history and culture of being plain-spoken and frank and MainePERS, with its long-term strategy to build on its reputation for integrity and trust, reflects these characteristics. The system's organizational culture is based on open communication and a commitment to rigorous financial reporting and standards. The MainePERS' general philosophy is to do the right things and to make changes when there is a clear purpose and when stakeholders have been fully engaged in the process.

As the organizational culture has promoted more staff engagement in decisions and in strategic conversations, employees are more inclined to take initiative to address issues and have a greater awareness of how information will be received by stakeholders.

Under the Board of Trustees and executive director's

leadership, MainePERS has been disciplined, rigorous, and open in communicating with all of its stakeholders. It is viewed today as the go-to resource for pension information for unions, state legislators, employers, retirees, and active members.

South Carolina Public Employee Benefit Authority (PEBA)³²

Introduction

Established in 2012 by integrating the state employee health insurance program and state public pension plans, the South Carolina Public Employee Benefit Authority (PEBA) is developing a strong organizational culture centered on communication, credibility, and best practices. PEBA's success at effectively implementing best practices for financial reporting is particularly noteworthy because it must coordinate with multiple state agencies that have authority over the South Carolina Retirement System (SCRS). PEBA staff utilize multiple communication methods to reach stakeholders, integrating health and retirement issues to provide a regular flow of information. As a national leader in reporting all investment fees and serving as a test case for Governmental Accounting Standards Board (GASB) Statements 67 and 68, PEBA is at the forefront of improving fiscal transparency. PEBA demonstrates that even during challenging times, a retirement system's board and staff can and should continue to improve financial reporting in order to support the system's financial condition.

Background

PEBA serves over 486,000 active and retired members and 729 employers that include state agencies, local governments, school districts, and institutes of higher education. The system administers five pension plans, of which the SCRS plan, which provides retirement benefits for teachers and most state and local government workers in the state, accounts for roughly 85 percent of the system's assets.³³

In 2012, the legislature also reformed SCRS and created a new benefits tier (Class Three) for members

hired after June 30, 2012.³⁴ The new tier retained the benefit multiplier of 1.82 percent, but the years needed to vest increased from five to eight, and the number of quarters used to calculate average final compensation grew from twelve to twenty. The normal retirement age for Class Three employees is 65 or the Rule of 90 (the sum of age and service equal to or greater than 90).³⁵ One benefit change that affected all members was limiting retirees' annual cost-of-living adjustments (COLAs) to the lesser of 1.0 percent of their retirement benefits or \$500.

To oversee PEBA, the legislature established an eleven-member Board of Directors. The governor appoints three members and legislative leaders appoint eight.³⁶

Responsibility for SCRS' fiscal sustainability includes multiple organizations: PEBA administers retirement and other benefits, and the Retirement System Investment Commission (RSIC) is responsible for investing pension fund assets. The legislature is responsible for setting employee and employer contribution rates. The success of these state entities in terms of serving pension plan participants requires collaboration and mutual communication.

Organizational Culture

As a relatively new organization, PEBA is striving to build an organizational culture centered on transparency and expertise. As PEBA merges two distinct organizational cultures, leadership has been working to effectively integrate employees and keep them focused on PEBA's vision and tagline "Serving Those Who Serve South Carolina."

The board and senior staff are deliberate about the kind of organization they want PEBA to be. The board established its own culture, concentrating on member expertise and instituting best practices. The PEBA board chairman believes that from the onset, board members have devoted extensive time to learning about health insurance and retirement programs and the myriad state and federal regulations associated with them. Board members emphasize the importance of setting an example for staff regarding continuous learning and maintaining expertise, being open about PEBA's programs and finances, and supporting best practices.

PEBA's executive director is instilling the board's values in employees through PEBA's Characteristics of High Performance, a compilation of six overarching traits all employees are expected to demonstrate in their work. These traits are solutions oriented, credibility, responsiveness, collaboration, communication, and emotional intelligence. To help employees understand how these traits can be expressed through their work, PEBA has developed training sessions and short videos, and it regularly holds organization-wide "town hall" meetings. Annual performance evaluations include an assessment of how well an employee has expressed these characteristics in his or her work.

Communications with Stakeholders

Senior PEBA administrators believe the agency has strong, positive relationships with all its stakeholders. These relationships are founded on mutual trust, which is derived from providing information that is viewed as accurate and complete. Complete information often means delivering more than what a stakeholder requested. Sometimes, delivering only specifically requested information can result in knowledge gaps for the stakeholder. To ensure all stakeholders have the information they need to make responsible decisions, PEBA utilizes a variety of communication platforms, including its website, online newsletters, emails, social media, a YouTube channel, and staff presentations.

In addition to pension systems being inherently complex, communicating about SCRS can be challenging because of (1) the separate authority between plan administration and investments and (2) the wide variety of members and employers served. For example, PEBA membership includes employers with just a handful of employees, to very large employers, such as the state itself. Likewise, the level of education among members ranges from university professors to those with a high school education. Staff work diligently to create materials that are appropriate for this wide audience, constantly balancing the need for specificity and accuracy against accessibility and readability. PEBA communications staff also regularly interact with RSIC to incorporate investment information into PEBA publications, and if necessary, they refer specific questions about investments to RSIC.

There is a natural synergy between the health care and retirement functions, and PEBA balances content about both to hold the interest of a broad audience. When PEBA was established, only the health insurance plan offered a newsletter.³⁷ Communications staff since have supplemented health insurance information with retirement planning and pension plan information. Likewise, PEBA's tweets and Facebook posts are about retirement, financial planning, wellness, and the health plan.

In January 2016, PEBA launched a new website that integrated three existing websites (preconsolidation agencies) into one. PEBA invested substantial resources into the website and believes it has been successful. One of the main challenges was constructing an easily navigable platform for an extensive amount of information. Website traffic has been high, with over 500,000 unique views during the site's first ten months. PEBA recently began tracking downloads of the many forms and documents posted on the website, and based on this tracking data, PEBA can better understand what type of information constituents want and post more useful content. PEBA's communications director believes the website is particularly useful for reaching retirees, a group with whom maintaining regular contact is a challenge, as these members are dispersed throughout the state, or out of state, and may not have an updated email address on file with PEBA.

In addition to offering traditional retirement plan information, PEBA emphasizes financial planning in its retirement-related communications with employees through social media and its webpage. On its retirement webpage, a header is dedicated to retirement awareness. The retirement awareness page includes different resources to prepare employees for retirement depending upon their career stage. Employees can also access PEBA's YouTube channel to view several instructional videos about retirement benefits and general financial education. The videos are topic specific, brief (one to three minutes), and some are even animated to enhance viewer interest. Finally, the page includes links to free personal budgeting and financial management resources.

PEBA regularly communicates with its participating employers through a variety of platforms. PEBA staff

believe that employers having an understanding of all aspects of SCRS is essential for the system's sustainability. In addition to weekly electronic newsletters, social media outreach, and the website, PEBA also connects with and educates employers through conferences, presentations, and an employer advisory group. PEBA holds an annual four-day conference for employers on its health insurance and retirement programs. The conference is organized so that one day is dedicated to a specific employer group: higher education, state agencies, local governments, or public schools. Employers learn about major changes to the health and retirement programs and are given a forum to ask questions about PEBA and to network with other employers. Additionally, PEBA staff regularly make presentations on specific issues with employers through specific associations, such as local and state finance officials and school administrators. PEBA administrators believe that the conferences and presentations are excellent means to personally interact with employers while reaching a wide audience.

PEBA also worked extensively with employers to implement GASB Statement 68. Finance staff surveyed employers to learn their fiscal year-end dates and to find contacts in employers' finance offices; established timelines based on when employers would need financial information;³⁸ developed templates to determine employer contributions; gave presentations on the statement; and met frequently with finance officers, controllers, and auditors. Additionally, PEBA has posted abundant information about GASB 68, such as a sample journal entry, presentations, and pension disclosure language for notes to financial statements, on its website.

The South Carolina Legislature historically has retained substantial authority over SCRS, as evidenced by the legislative-designated appointments to the PEBA Board, membership on SFAA, and prior changes to COLAs for SCRS retirees. This political environment intensifies the importance of fiscal transparency and communication by PEBA to legislative committees and members. PEBA's executive director works closely with state legislators to answer questions and explain information about SCRS. For example, during the fall of 2016, the legislature created a joint interim

committee to examine the state's pension systems and determine whether legislation should be introduced for the upcoming session. PEBA's executive director and her staff provided extensive materials about SCRS and testified before the committee.³⁹ She knows that legislators receive information from multiple sources, but since PEBA has a good relationship with legislators and has earned their trust as a reliable source of objective information, legislators seek verification and explanation from PEBA.

The media regularly contacts and follows PEBA and the SCRS, and should be considered a stakeholder in regards to communication. PEBA recognizes the importance of being forthright with the media when it comes to the policies and financial condition of SCRS and would much rather be the source of information, to better ensure accuracy, than have reporters go elsewhere. To that end, staff have produced resources specifically to assist the media in their reporting.

Financial Reports

PEBA and its predecessor retirement agency have earned the Government Finance Officers Association's (GFOA) Certificate of Achievement for Excellence in Financial Reporting for the last twenty-eight years. PEBA also publishes a popular annual financial report (PAFR), which is recommended as a best practice by GFOA. The PAFR is simple to prepare since staff follow a template from prior years.

In 2016, an experience study was conducted for PEBA's pension plans, as required by state law every five years. PEBA leadership believes this analysis is important to ensuring SCRS' overall fiscal health. The most current experience study recommended several changes to SCRS' actuarial assumptions, such as lowering the inflation and payroll growth rates and adopting a new mortality table. These changes have been approved by the PEBA Board and SFAA. One recommendation that has not been adopted is to lower the assumed investment return rate from 7.5 to 7.25 percent, an action that requires legislative approval.

PEBA plans to conduct an audit of its actuarial valuation in early 2017.⁴⁰ An actuarial audit examines the underlying data used to determine an actuarial

valuation, such as the demographic data of employees. Like an experience study, this analysis is also critical to ensuring the efficacy of a valuation. Although PEBA is not mandated by statute to complete an actuarial audit, the CFO plans to implement a policy that calls for an informal audit every four to five years.

Investments⁴¹

The RSIC manages a portfolio that is complex and diversified. In addition to more common investments like global public equity and government bonds, SCRS assets also include alternative investments like hedge funds,⁴² strategic partnerships, and private equity. These latter investments often have complex fee structures that include investment management fees, performance fees, and pass-through expenses. For private investments, the fees are negotiated and defined in their legal contracts but actual fees paid may not be fully disclosed to investors unless specifically requested.

To improve fiscal transparency, PEBA was one of the nation's first public pension funds to disclose all investment management fees paid. Because full disclosure of these fees is not currently required by national public sector accounting standards, RSIC and PEBA developed a standardized template and requested that their investment managers complete the template on a quarterly basis, which was a formidable task. This financial information is now presented in PEBA's CAFR. PEBA's chief operating officer hopes that as momentum grows to fully disclose investment management fees as a component of financial statements, oversight associations like GASB will provide guidance to establish consistency on fee reporting across retirement systems. This consistency will permit better comparisons for assessing investment performance across systems.

Conclusions and Lessons Learned

PEBA demonstrates that leaders can shape organizational culture through training, standards, and example. PEBA's leaders are focusing on building a unified organizational culture rather than managing PEBA as two separate organizations—health insurance and retirement. One way they accomplish this is by

defining a common set of values (i.e., characteristics) on which all employees are evaluated. To reinforce the connectivity between health care and retirement, PEBA integrates messages about the two areas through newsletters, social media, and presentations.

The South Carolina Retirement System is managed through a complex organizational structure involving multiple state agencies and levels of authority. Within this environment, PEBA continually provides financial transparency to garner support for strategies that are critical to improving the system's financial condition, like adjusting actuarial assumptions and increasing contributions. Successfully executing these efforts involves significant coordination and communication among staff.

Texas Municipal Retirement System (TMRS)⁴³

Introduction

While there are a range of reasons that the Texas Municipal Retirement System (TMRS) is viewed by many in Texas and across the United States as a model for pension reporting and transparency, four primary reasons underpin this orientation: the practical need to effectively communicate plan information to the over 800 cities, in all parts of the state, that offer varying retirement benefits; a culture of the free flow of information between the system and the two legislative committees primarily responsible for its oversight; the creation of a stakeholder advisory committee; and the close alignment of the required and supplemental pension reporting products of the system and the Texas Pension Review Board⁴⁴—a relationship that has been in place since the board's founding.

Background

Founded in 1947, TMRS is an agent multiple-employer plan⁴⁵ and hybrid cash-balance defined benefit arrangement that (as of the end of 2015) serves 866 Texas cities, has 157,601 employee accounts, and includes 56,481 retired members.⁴⁶ At the end of 2015 it had \$24 billion in assets under management with a system-wide funded rate of 85.8 percent.⁴⁷

Participating cities individually determine the benefit levels, and, therefore, the required employee and employer contributions, along with plan details such as recognition of service credit, vesting requirements, and cost-of-living adjustments, among other variables.⁴⁸

Organizational Culture

The primary drivers of communications and transparency initiatives reside within the TMRS enterprise. The current TMRS board chair and executive director have made communicating complete information to stakeholders a priority. Annual (comprehensive annual financial reports, actuarial valuations, etc.) and one-time reporting requirements that TMRS has from the legislature and/or Texas Pension Review Board are produced by or before required deadlines and the system also provides non-required supplemental information to these entities as well. TMRS staff, led by the system's government relations director, actively engage legislators and staff of the Senate State Affairs Committee and House Committee on Pensions, the two committees with the primary oversight of the retirement system. TMRS puts a high value on being an early, proactive source of information for elected officials to help ensure that officials are made aware of complex issues in a timely fashion. Aside from providing system input on proposed legislation and responding to specific information requests, TMRS staff will also assist legislators in responding to constituent requests for information and providing TMRS briefing materials focused on individual legislative districts. TMRS staff also monitor national research on public pensions and, as needed, provide this information, in its entirety or portions thereof, to the committees for additional context and reference.

Staff at the system also try to anticipate future information requests and proactively develop briefing materials, presentations, and outreach events geared toward participating jurisdictions and/or individual participants. Groups that represent municipalities and public employees that were interviewed for this report highlight that there is much trust between the system and the groups' members. This comes from comprehensive communications, prompt response to

questions, the simplification of materials, a long history of openness between the system and members, and the roles of the Advisory Committee on Benefit Design and TMRS travel team, covered below.

In an effort to assist participating jurisdictions in achieving the Texas Comptroller of Public Account's Transparency Star for public pensions, in November 2016 TMRS began offering a resource page with checklists and required reporting elements.⁴⁹ This checklist helps local governments understand the requirements and where the information to meet the requirements can be found. These transparency requirements include offering pension information on city websites; plan summaries; data visualizations; core financial reporting documents; and downloadable data sets.

Communications with Stakeholders

TMRS uses its website (www.tmr.com/), its Insight Newsletter (for members, issued biannually), and its RetirementWise magazine (for annuitants, issued biannually) as key conduits for communicating with stakeholders. These newsletters are emailed and offered on the system website.

In 1994, the TMRS board created the nineteen-member Advisory Committee on Benefit Design, which has a membership of city managers, mayors, and finance officers from cities across the state; TMRS retirees; public employee groups; and professional associations, among others.⁵⁰ The committee's core focus is evaluating benefit design options, receiving education and offering input on topics under review of the board, and providing a formalized line of communication between TMRS and stakeholders. By representing the interests of various constituencies, the Advisory Committee also acts as an important source of information for TMRS to consider when addressing issues.

Another way TMRS communicates with stakeholders is by developing annual (every May), individualized "Rate Letters" for each participating jurisdiction, regardless of the size. The letter offers an executive summary of the specific plan and information about actuarial changes, contribution requirements, benefit provisions, and other related actuarial information. These documents provide a full picture

of each city's funding and are available to the public, elected officials, and the press.⁵¹

TMRS also maintains a travel team of six staff that covers all parts of the state. The team meets with city elected and appointed leaders, employees, retirees, and others requesting information on TMRS. Also, some city human resource staff request travel team members to speak at all-staff meetings, onboarding sessions, city council meetings, and other key convenings. The travel team offers information through fact sheets and other publications, presentations, and one-on-one meetings. Also, the team will provide specialized information and presentations to finance staff on timely topics related to new accounting standards (e.g., Government Accounting Standards Board Statements 67 and 68) and using output from proprietary software (referred to as "The Grid") that models the impact on contribution rates of prospective plan changes.

To meet the needs of various employee associations, such as the Texas Municipal Police Association (TMPA), which represents law enforcement officers in the state, TMRS provides training, presentations, individual meetings, and question-and-answer communications oriented toward different career stages. For early career individuals, it is often about helping employees understand the structure and terms of their retirement benefits; for mid-career workers it is to help them determine if they are on track for a secure retirement and their options should they choose to change employers; and for near-retirement workers it is how to navigate their financial options as they transition out of public service.

Financial Reports

Overall, TMRS' approach to reporting is considered exemplary among the other pension plans in the state. Legislative committee members and staff approve of the types of reporting products the system offers and the depth of information. Also, some of the statutory pension reporting requirements administered by the Texas Pension Review Board were modeled around the pre-existing financial reporting efforts of TMRS and other statewide Texas retirement systems.

TMRS produces and distributes all of the key financial reports in a timely manner. The system's

comprehensive annual financial report (CAFR) is released within five months of the fiscal year close, along with a complementary popular annual financial report; both are offered online. Actuarial valuations are produced annually, offered online, and periodic peer reviews and actuarial audits are conducted. From a participant perspective, the TMRS summary plan description, or Member Benefits Guide,⁵² follows Government Finance Officers Association (GFOA) guidelines and is regularly updated to reflect the most recent plan changes. Participant newsletters, mentioned previously, offer information on plan finances. Based on best practice, TMRS conducts actuarial experience studies every four years and offers the results online. These studies are consistently identified by legislators as being useful to inform their work. Also, the funding policy it produces is offered on the TMRS website and is updated to reflect the most recent legislative changes, board actions, actuarial assumptions, and underlying plan finances.

TMRS staff provide tailored briefings and presentations for legislators and other state leaders, designed to walk them through newly developed and released financial reports. These sessions account for the range of backgrounds legislators have (often non-financial) and the limited amount of training they receive on pension-related topics. Every legislative session, TMRS makes it an early priority to inform legislators serving on the key House and Senate committees about issues that the system studied during the preceding interim.

Investments

The primary way TMRS communicates information about its investments to stakeholder groups is through the CAFR and in board reports and minutes, posted online. Investment risk information is offered via the same methods. Investment fees are reported on an annualized basis; time-weighted returns are reported gross of fees; and money-weighted returns for one-year periods are reported net of fees.

The Texas Pension Review Board has acknowledged the effectiveness of the way TMRS communicates investment information to a range of stakeholders with varying levels of subject matter expertise. Aside from

the reports and minutes cited above, TMRS maintains a centralized investments web page (www.tmr.org/investments.php), which outlines the system's investment principles and objectives and uses text and colored charts to communicate asset allocation information; investment performance; and specific information about advisors, custodians, banks, investment consultants, and investment managers used by the system. The system has also been recognized for the clarity it offers about the benchmark definitions and ranges it uses.

Conclusions and Lessons Learned

When interviewees were asked about lessons other systems could learn from the approach of TMRS to financial reporting and communications, several actionable points surfaced. (1) Aside from open legislator-system leadership communication, systems should ensure that there is continuous and direct contact between legislative committee staff and system staff. (2) The systems should place an emphasis on simplifying information as much as possible for all stakeholder groups. This includes translating complex simulations, such as sensitivity analyses, for beneficiaries and taxpayers. (3) When new information becomes available at board and other public meetings, from the system and other related sources, systems should ensure that the information is promptly posted on their websites. (4) Systems should consider establishing an advisory committee comprised of representatives from city and related employee groups and associations to help formalize the communication process for stakeholders. (5) Systems should default to a position of over-communication and be timely. Communication efforts should aim to provide the level of detail requested, with tailored messaging, and be available to the range of stakeholder groups, including system critics.

Appendix A

Roster of Systems in Sample

State	Plan	Website
Alabama	Retirement Systems of Alabama	rsa-al.gov
Alaska	Alaska Department of Retirement Services	state.ak.us/drbr
Arizona	Arizona State Retirement System	azasrs.gov
Arizona	Arizona Public Safety Personnel Retirement System	psprs.com
Arkansas	Arkansas Public Employees Retirement System	apers.org
Arkansas	Arkansas Teacher Retirement System	atrs.state.ar.us
California	California Public Employees' Retirement System	calpers.ca.gov
California	California State Teachers' Retirement System	calstrs.com
California	University of California Retirement System	ucnet.universityofcalifornia.edu/ compensation-and-benefits/retirement- benefits
Colorado	Colorado Public Employees' Retirement Association	copera.org
Colorado	Colorado Fire & Police Pension Association	fppaco.org
Connecticut	Connecticut State Employees' Retirement System	osc.state.ct.us/empret
Connecticut	Connecticut Teachers' Retirement Board	state.ct.us/trb
Delaware	Delaware Public Employees Retirement System	delawarepensions.com
District of Columbia	District of Columbia Retirement Board	dcrb.dc.gov
Florida	Florida Retirement System	myfrs.com
Georgia	Georgia Teachers Retirement System	trsga.com
Georgia	Georgia Employees Retirement System	ers.ga.gov
Hawaii	Hawaii Employees Retirement System	ers.hawaii.gov
Idaho	Public Employee Retirement System of Idaho	persi.state.id.us
Illinois	Illinois State Employees Retirement System	srs.illinois.gov
Illinois	Illinois State Universities Retirement System	surs.com
Illinois	Illinois Municipal Retirement Fund	imrf.org
Illinois	Illinois Teachers Retirement System	trs.state.il.us
Indiana	Indiana Public Retirement System	in.gov/trf
Iowa	Iowa Public Employees Retirement System	ipers.org
Kansas	Kansas Public Employees Retirement System	kpers.org
Kentucky	Kentucky Retirement Systems	kyret.ky.gov/Pages/default.aspx
Kentucky	Kentucky Teachers Retirement System	ktrs.ky.gov
Louisiana	Louisiana State Employees Retirement System	lasers.state.la.us
Louisiana	Louisiana Teachers Retirement System	trsl.org
Louisiana	Parochial Employees' Retirement System of Louisiana	persla.org
Maine	Maine Public Employees Retirement System	mainepers.org

Maryland	Maryland State Retirement and Pension System	sra.state.md.us
Massachusetts	Massachusetts State Employees Retirement System	mass.gov/treasury/retirement/state-board-of-retire
Massachusetts	Massachusetts Teachers Retirement Board	mass.gov/mtrb
Michigan	Michigan Office of Retirement Systems	michigan.gov/ors
Michigan	Municipal Employees Retirement System of Michigan	mersofmich.com
Minnesota	Minnesota Public Employee Retirement Association	mnpera.org/
Minnesota	Minnesota State Retirement System	msrs.state.mn.us
Minnesota	Minnesota Teachers Retirement Association	minnesotatra.org
Mississippi	Mississippi Public Employees Retirement System	pers.state.ms.us
Missouri	Missouri Public Schools Retirement System	psrs-peers.org
Missouri	Missouri State Employees Retirement System	mosers.org
Missouri	Missouri Local Govt. Employees Retirement System	molagers.org
Missouri	MoDOT & Highway Patrol Employees' Retirement System	mpers.org
Montana	Montana Public Employees Retirement Board	mpera.mt.gov
Montana	Montana Teachers Retirement System	trs.mt.gov
Nebraska	Nebraska Retirement Systems	npers.ne.gov
Nevada	Nevada Public Employees Retirement System	nvpers.org
New Hampshire	New Hampshire Retirement System	nhrs.org
New Jersey	New Jersey Division of Pension and Benefits	state.nj.us/treasury/pensions
New Mexico	New Mexico Educational Retirement Board	nmerb.org
New Mexico	New Mexico Public Employees Retirement Association	pera.state.nm.us
New York	New York State and Local Retirement Systems	osc.state.ny.us/pension
New York	New York State Teachers Retirement System	nystrs.org
North Carolina	North Carolina Retirement Systems	nctreasurer.com
North Dakota	North Dakota Public Employees Retirement System	nd.gov/ndpers
North Dakota	North Dakota Teachers Fund for Retirement	nd.gov/rio
Ohio	Ohio State Teachers Retirement System	strsoh.org
Ohio	Ohio Public Employees Retirement System	opers.org
Ohio	Ohio Police & Fire Pension Fund	op-f.org
Ohio	School Employees Retirement System of Ohio	ohsers.org
Oklahoma	Oklahoma Public Employees Retirement System	opers.state.ok.us
Oklahoma	Oklahoma Teachers Retirement System	ok.gov/TRS
Oregon	Oregon Employees Retirement System	oregon.gov/PERS
Pennsylvania	Pennsylvania Public School Employees Retirement System	psers.state.pa.us
Pennsylvania	Pennsylvania State Employees Retirement System	sers.state.pa.us
Rhode Island	Rhode Island Employees Retirement System	ersri.org
South Carolina	South Carolina Public Employee Benefit Authority	peba.sc.gov
South Dakota	South Dakota Retirement System	sdrs.sd.gov

Tennessee	Tennessee Consolidated Retirement System	treasury.state.tn.us/tcrs
Texas	Teacher Retirement System of Texas	trs.state.tx.us
Texas	Texas Employees Retirement System	ers.state.tx.us
Texas	Texas County & District Retirement System	tcdrs.org
Texas	Texas Municipal Retirement System	tmrs.org
Utah	Utah Retirement Systems	urs.org
Vermont	Vermont Retirement Systems	vermonttreasurer.gov/retirement
Virginia	Virginia Retirement System	varetire.org
Washington	Washington Department of Retirement Systems	drs.wa.gov
West Virginia	West Virginia Consolidated Public Retirement Board	wvretirement.com
Wisconsin	Wisconsin Retirement System	etf.wi.gov
Wyoming	Wyoming Retirement System	retirement.state.wy.us

Notes

- Keith Brainard and Alex Brown, *Spotlight on Significant Reforms to State Retirement Systems*, National Association of State Retirement Administrators, June 2016, <http://www.nasra.org/files/Spotlight/Significant%20Reforms.pdf>; Jean-Pierre Aubry and Caroline V. Crawford, *State and Local Pension Reform Since the Financial Crisis*, Center for State and Local Government Excellence, December 2016, <http://slge.org/wp-content/uploads/2016/12/State-and-Local-Pension-Reform-Since-the-Financial-Crisis.pdf>
- Board of Governors of the Federal Reserve System, *Financial Accounts of the United States*, Fourth Quarter 2015, <https://www.federalreserve.gov/releases/z1/20160310/z1.pdf>
- United States Census Bureau, "Survey of Public Pensions: State & Local Data," 2015, <https://www.census.gov/govs/retire/>
- Government Finance Officers Association, "Certificate for Achievement in Financial Reporting: General Purpose Preparer Checklist," <http://www.gfoa.org/sites/default/files/u63/GFOAGeneralpurpose-checklistwith2012GAAFReferences.pdf>, and Carol V. Calhoun, Cynthia L. Moore, and Keith Brainard, "Governmental Plans Answer Book," (Wolters, Kluwer, 2016).
- See Government Finance Officers Association, "Popular Annual Financial Reporting Award Program (PAFR Program)," <http://www.gfoa.org/pafr>
- See Government Finance Officers Association, "The Role of Actuarial Valuation in Plan Funding," <http://www.gfoa.org/role-actuarial-valuation-report-plan-funding>
- See Government Finance Officers Association, "Enhancing Reliability of Actuarial Valuations for Pension Plans," <http://www.gfoa.org/enhancing-reliability-actuarial-valuations-pension-plans>
- See Government Finance Officers Association, "Best Practice: Core Elements of a Pension Funding Policy (CORBA), 2013," <http://www.gfoa.org/sites/default/files/GFOABPCoreElementsofPension-FundingPolicy.pdf>
- While public plans are not generally subject to the Employee Retirement Income Security Act of 1974 (ERISA), the fiduciary standards outlined capture the essence of the state caselaw-based standards applicable to state plans. Also see, Government Finance Officers Association, "Governance of Public Employee Postretirement Benefits Systems," <http://www.gfoa.org/governance-public-employee-post-retirement-benefits-systems>, "Asset Allocation for Defined Benefit Plans," <http://www.gfoa.org/asset-allocation-defined-benefit-plans>
- See Government Finance Officers Association, "GFOA Best Practice: Preparing an Effective Summary Plan Description," http://www.gfoa.org/sites/default/files/CORBA_PREPARING_AN_EFFECTIVE_SUMMARY_PLAN_0.pdf
- One of the systems in the sample does not have a board and another has a governance structure spread across multiple entities; neither of these systems offers these types of reports online.
- Information for this case study comes from several publications on CalSTRS' website and interviews with Jennifer Baker, California Teachers Association, on December 12, 2016; Dana Dillon, CalSTRS Board Chair, on December 14, 2016; Laurie Easterly, California Teachers Association, on December 12, 2016; Jack Ehnes, CalSTRS Chief Executive Director, on December 14, 2016; Robin Madsen, CalSTRS Chief Financial Officer, on December 14, 2016; and Krista Noonan, CalSTRS Communications Director, on December 14, 2016.
- CalSTRS, "CalSTRS Popular Annual Financial Report for the Fiscal Year Ended June 30, 2016," p. 10, http://www.calstrs.com/sites/main/files/file-attachments/pafr_2016.pdf
- Charter school participation in CalSTRS is voluntary, while public school and community college educators are required to be members.
- See Social Security Administration, "Government Pension Offset," ssa.gov/pubs/EN-05-10007.pdf
- These committees are Appeals, Audits and Risk Management, Benefits and Services, Board Governance, Compensation, and Investments.
- See *Pensions & Investments*, "Interactive infographic: P&I's best places to work 2016," www.pionline.com/article/20161212/INTERACTIVE/161209862/interactive-infographic-pis-best-places-to-work-2016 and CalSTRS, "CalSTRS Awarded Best Place to Work in Money Management for Second Time," News Release, December 14, 2016, <http://www.calstrs.com/news-release/calstrs-awarded-best-place-work-money-management-second-time>
- Younger employees consistently scored CalSTRS lower than retired members, who gave approval ratings over 90 percent. This is likely because these younger members have less experience with the retirement system.
- Government Finance Officers Association, "Actuarial Audits: Best Practice," <http://www.gfoa.org/actuarial-audits>

20. Assembly Bill 2833 added Section 7514.7 to the Government Code to increase the transparency of fees paid by public pension funds to alternative investment vehicles. See https://leginfo.ca.gov/faces/billNavClient.xhtml?bill_id=201520160AB2833
21. ILPA is a private, member-driven organization that seeks to advance the interests of private equity investing through education, research, and networking. See www.ilpa.org.
22. Information for this case study comes from several publications on PERSI's website and interviews with Kelly Cross, Public Information Officer, November 9, 2016; Donald Drum, Executive Director, November 9, 2016; Michael Hampton, Deputy Director, November 9, 2016; Lt. Governor Brad Little, November 9, 2016; Bob Maynard, Chief Investment Officer, November 9, 2016; Jody Olson, PERSI Chairman of the Board, November 10, 2016; and Alex Simpson, Chief Financial Officer, November 10, 2016.
23. PERSI members also participate in Social Security.
24. To retire at the regular retirement age before 65, a general employee must have a combination of years of service and age that equals 90. For example, having 30 years of service at age 60 equals 90. The same calculation applies for public safety personnel, only the total combination is 80.
25. Members receive \$50 per day of service, which generally consists of one meeting per month.
26. The 2017 rate is based on the FY 2015 valuation, which was approved in 2016.
27. Page 84 of PERSI's FY 2016 CAFR shows the fees and schedule of commissions paid for private equity investments for that year.
28. Information for this case study comes from several publications on the MainePERS website; the April 15, 2011 "Report on Pension Costs to the Legislature of the State of Maine"; "Brief Essentials of the Maine State Employee and Teacher Retirement Program"; and interviews with Sandra J. Matheson, Executive Director; Michael J. Colleran, General Counsel; Rebecca Grant, Deputy Director, Kathy Morin, Manager of Actuarial and Legislative Affairs; Andrew H. Sawyer, Chief Investment Officer; Valerie Scott, Associate Deputy Director; and Sherry Tripp Vandrell, Director of Finance. The interviews took place from December 14 to 16, 2016.
29. See Social Security Administration, "Government Pension Offset," <https://www.ssa.gov/pubs/EN-05-10007.pdf>
30. See Maine State Legislature, "Maine Uniform Prudent Investor Act," <https://legislature.maine.gov/statutes/18-B/title18-Bch9.pdf>
31. See Center for State and Local Government Excellence, Center for Retirement Research at Boston College, and National Association of State Retirement Administrators, "Public Plans Data," <https://publicplansdata.org/>
32. Information for this case study comes from several publications on PEBA's website and interviews with Peggy Boykin, Executive Director, on November 21, 2016; Ashley Brindle, Defined Contribution Manager, on November 21, 2016; Sarah Corbett, Chief Operating Officer, on November 21, 2016; John Sowards, Chairman of the Board, on November 21 and 23, 2016; Travis Turner, Chief Financial Officer on November 21, 2016; and Angie Warren, Communications Director, on November 21, 2016.
33. These smaller plans include Police Officers Retirement System, General Assembly Retirement System, Judges and Solicitors Retirement System, and National Guard Supplementary Retirement Plan. These smaller plans are not the subject of this case study.
34. There were additional smaller changes as well, such as eliminating applying unused sick leave toward years of service or overtime in calculating final average compensation.
35. To retire at the regular retirement age before 65, a general employee must have a combination of years of service and age that equals 90. For example, having 30 years of service at age 60 equals 90.
36. President of the Senate appoints two, Speaker of the House appoints two, Chair of Senate Finance Committee appoints two, and Chair House Ways and Means Committee appoints two.
37. SCRS did write a newsletter several years ago but that service was stopped during the 2008 recession for cost savings.
38. Local governments in South Carolina have different fiscal year start and end dates, such as January 1 – December 31, October 1 – September 30, and July 1 – June 30.
39. At the time of writing, the committee had not presented its findings nor had specific bills on SCRS been introduced. To learn more about the committee go to: <http://www.scstatehouse.gov/CommitteeInfo/Joint%20Committee%20On%20Pension%20Systems%20Review/JointCommitteeOnPensionSystemsReview.php>. PEBA also provided information on its other pension funds (like PORS) but these retirement plans are not the subject of this report.
40. In the fall of 2016, PEBA published a request for proposals for auditors to conduct the audit.
41. For this section, additional information comes from the 2016 working paper, *What Trustees Should Know about Investment Management Fees* by Sarah Niegsch Corbett.
42. A hedge fund is a pooled investment that has significant latitude in its types of investments, such as land, real estate, derivatives, and currencies. These funds are often illiquid in that they require investors to keep their money in the fund at least one year. (From www.investopedia.com.)
43. Information from this case study comes from several publications on the TMRS website (<http://www.tmr.com/>) and interviews with Sean Opperman, Committee Director, Senate Committee on State Affairs, on January 9, 2017; Anumeha, Director, Texas Pension Review Board, on January 9, 2017; Kevin Lawrence, Executive Director, Texas Municipal Police Association, on January 9, 2017; JJ Rocha and Monty Wynn, Legislative Service Department, Texas Municipal League, on January 9, 2017; Dan Wattles, Director of Governmental Relations, Bill Wallace, Director of Communications, and Anthony Mills, Regional Manager, Texas Municipal Retirement System, on January 10, 2017.
44. "The Texas State Pension Review Board (PRB) was created in 1979 by House Bill 1506, 66th Legislature (Chapter 801, Government Code), as an independent state agency to oversee and review state and local government retirement systems in Texas." From "Texas Pension Review Board," <http://www.prb.state.tx.us/about/>
45. Governmental Accounting Standards Board, "Fact Sheet on the GASB's New Pension Standards: Governments in Agent Multiple-Employer Defined Benefit Pension Plans," <http://gasb.org/cs/ContentServer?c=Page&pagename=GASB%2FPage%2FGASBSectionPage&cid=1176160426643>
46. Texas Municipal Retirement System, "Public Information," https://www.tmr.com/public_information.php
47. Texas Municipal Retirement System, "2015 Comprehensive Annual Financial Report," https://www.tmr.com/down/pubs/CAFR_2015/CAFR_2015_complete.pdf
48. Texas Municipal Retirement System, "City Plan Provisions," https://www.tmr.com/city_plans.php
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51. Texas Municipal Retirement System, "Rate Letters," http://www.tmr.com/city_rate_letters.php
52. Texas Municipal Retirement System, "Member Benefits Guide," http://www.tmr.com/down/pubs/TMRS_benefits_guide_2012.pdf

Public Pension Reporting and Disclosure: The Current State of Practice and Examples of What Works Well

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