



Introduction

This report represents the first comprehensive compilation and review of the actuarial methods and assumptions used by public employees retirement systems (PERS). The study includes materials collected from more than 80 systems and more than 100 plans in total. Appendix A gives details on the scope and methodology of the data collection process. The report of course builds on ground broken by several prior studies but supersedes prior efforts, notably in breadth and detail.

The report is organized into the following sections:

- Section II, a review of the findings of recent PERS experience studies
- Section III, a review of individual reports
- Section IV, a summary of assumptions and methods used in recent valuations
- Section V, a review of investment practices and policies
- Section VI, a summary of the findings
- The appendixes provide details on data collection methodology as well as the compiled data.

Although much of the analysis in Sections II through V can be tied directly to the data in the appendixes, a significant amount of supporting material was taken directly from the PERS-provided reports, studies, and financial statements themselves. Although not physically included in this published report for obvious reasons, those materials are, in a very real sense, part of this report. A thorough reader may wish to obtain copies of certain materials in order to investigate issues of interest further.

The directive from the Society of Actuaries on this study was to compile data and to draw *objective* conclu-

sions where possible. The Society explicitly requested that we avoid the expression of *subjective* judgments and opinions. Accordingly, all conclusions embodied in the study are basic, factual, and generally obvious given the available data. All references to *recommendations* in the body of the report are merely the reporting of recommendations made by actuaries, accountants, and investment professionals who produced the materials remitted to us by the PERS in our study. The reader is instructed to view this report as factual in content, drawing his or her own subjective conclusions based on the data we have gathered.

Because of the factual nature of the analysis, there are only minor methodological issues to address. First, the reader should keep in mind that each statistic summarized in the study does not reflect the total universe of PERS and plans from which we received materials, because of omissions in the materials, the nature of certain reporting techniques, or the use of unusual actuarial assumptions or methodologies. In some cases, this may have a distorting effect on the impression given by the summary of a particular statistic. In addition, averages, where used, are arithmetic. Finally, reasonable reclassification of certain unusual asset types into broader categories was employed to allow more contained and meaningful asset summaries. As a result, some distortion may have been produced in these summaries.

We believe this study is an important addition to the existing body of research on PERS practices and characteristics, and we hope it is the impetus for further, more detailed analysis of this relatively unexplored arena.