interoffice memorandum

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| to: | Budget Diretor |
| from: | Group 4 |
| subject: | Teacher pension fund |
| date: | June 22, 2017 |
| cc: | Professor reinhardt |
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This memo is in response to the questions you posed regarding the teacher pension fund. The current Net Present Value of the fund is $20,859,733,467, with a ratio assets to Net Present Value of the Unfunded Liability is 66%. Currently the ratio is lower than our target of 80% we are currently underfunded classifying this as a “bad case”.

In the “worst case” scenario, where the productivity goes down to zero and the long term rate or return goes down to 3% it would yield a NPV of $23,685,305,718 and a ratio of 62%.

In the event of the director’s dream, “aggressive case”, the NPV would decrease to $12,317,488,338, and the ratio would increase to 78%, which still falls short of the director’s resolution percentage of 80. However this number represents the best case and is what we hope would happen.

The State can rescue the fund by applying a 12.2 times contribution factor. This would result in a resolution percentage of 80.

It is important to note that the Integer function was used in calculation of the number of active teachers, new retirees and number of retirees. Using the INT function rounds down to the nearest whole number, resulting in a more conservative result than using the ROUND function.