



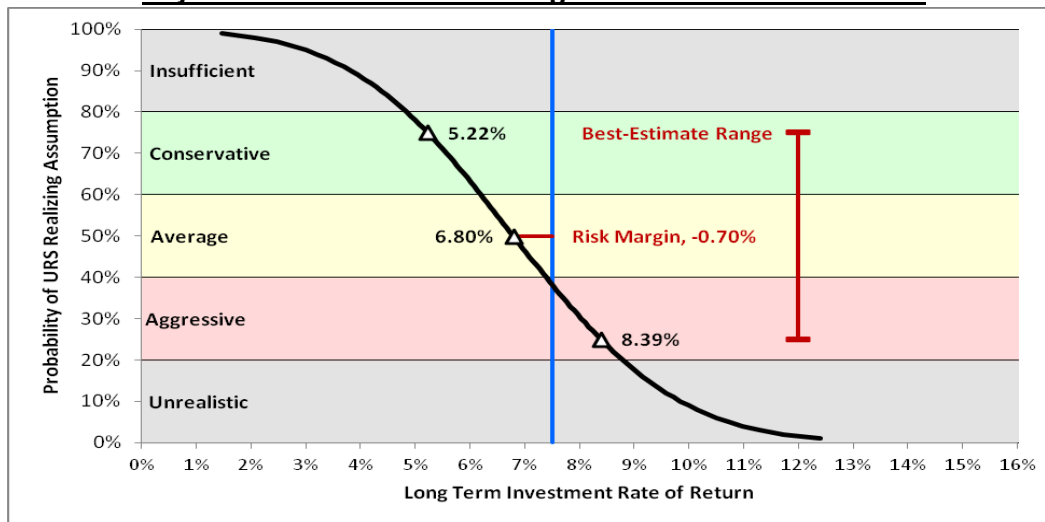
A Performance Audit of  
The Utah Retirement Systems' Assumed Investment Rate of Return

*Highlights concerns with the solvency and transparency of the Utah Retirement Systems*

**Overly optimistic investment assumptions do not disclose key risks and place public employees' pension solvency at risk**

The URS Board establishes an assumed investment rate of return. Based on extensive assessment, the Office concludes that URS' currently assumed investment return rate is overly optimistic. Using URS data, the Office determined the noncontributory system has a 43% probability of meeting or exceeding its assumed 7.50% return. A more realistic assessment of the data shows that URS has a 50% probability of meeting or exceeding a 6.8% return on its portfolio, after excluding an outlying investment consultant forecast.

**Adjusted Likelihood of Realizing Investment Rate of Return**



Source: Office of the Utah State Auditor analysis

**Increased Ongoing Contributions Are Required for Unrealized Assumed Rates**

If investment returns are unable to achieve overly optimistic returns, significant increases in contribution rates will be required. Long-term failure to meet or exceed the assumed rate results in underfunding that must be addressed through increased contribution rates to protect the solvency of the pension system.

**Budgetary Impact of Changes to the Assumed Investment Rate of Return**

Assumed Investment Rate of Return	Contribution Rate	Immediate Ongoing Budgetary Impact (in millions)
7.50%	20.46%	-
7.25%	22.23%	\$54 million
7.00%	24.06%	\$110 million
6.75%	25.95%	\$168 million
6.50%	27.93%	\$228 million

Source: GRS

## Lack of URS transparency keeps critical information from policymakers

Contrary to best practices in all western states, URS does not disclose actuarial reports regarding investment rate forecasts and other underlying assumptions to the stakeholders, including the Legislature, Governor, public employees, and citizens.

### Public Access to Western States' Public Pension Information

System	Are board meetings open to the public?	Are actuarial reports & assumptions available to the public?
Arizona State Retirement System	Yes	Yes
California Public Employees Retirement System	Yes	Yes
Colorado State Employees Retirement System	Yes	Yes
Idaho Public Employee Retirement System	Yes	Yes
Montana Public Employees Retirement Board	Yes	Yes
New Mexico Public Employees Retirement Association	Yes	Yes
Nevada Public Employees Retirement System	Yes	Yes
Oregon Employees Retirement System	Yes	Yes
<b>Utah Retirement Systems</b>	<b>No</b>	<b>No</b>
Washington Department of Retirement Systems	Yes	Yes
Wyoming Retirement System	Yes	Yes

Source: Office of the Utah State Auditor analysis

URS also claims that it is exempt from Utah's *Open and Public Meetings Act* and the *Government Records Access and Management Act*, though URS is statutorily defined as "an independent state agency" and relies on public funding to remain solvent. This level of privacy does not permit policymakers and other stakeholders to accurately assess the systems' risk.

### Recommendations

- The URS Board lower the system's assumed investment rate of return
- URS provide stakeholders with the probability of realizing proposed rates of return
- The Legislature increase the contribution rate to reflect a lower assumed investment rate of return that has a greater probability of realizing actual returns
- The Legislature clarify statute to require URS to comply with the state's *Open and Public Meetings Act* and the *Government Records and Management Act*
- URS immediately adopt the GASB revisions that will require it to provide stakeholders with assumptions and methodology used to calculate the assumed investment rate of return

Visit [auditor.utah.gov](http://auditor.utah.gov) for further details or to access a copy of the entire audit report and summary presentation materials.