



SCAC Legislative Action Day

RSIC Update

Michael Hitchcock, CEO

Introduction

The Retirement System Investment Commission (RSIC) was created in 2005 to invest and manage the assets of the State's five defined benefit retirement plans.

We currently manage **\$53 billion** for our **700,000+ active members, retirees, and their beneficiaries**.

Economic impact of benefit payments (as of 6/30/2025):

- 1-year - **\$4.9 billion**
- 10-year - **\$44 billion**

Our mission is simple:

Earn an investment return that helps keep the sacred promise of benefits to our dedicated public servants.

Managing a Growing Portfolio

Ten years ago, RSIC managed a **\$27 billion** portfolio (as of 9/30/2015).

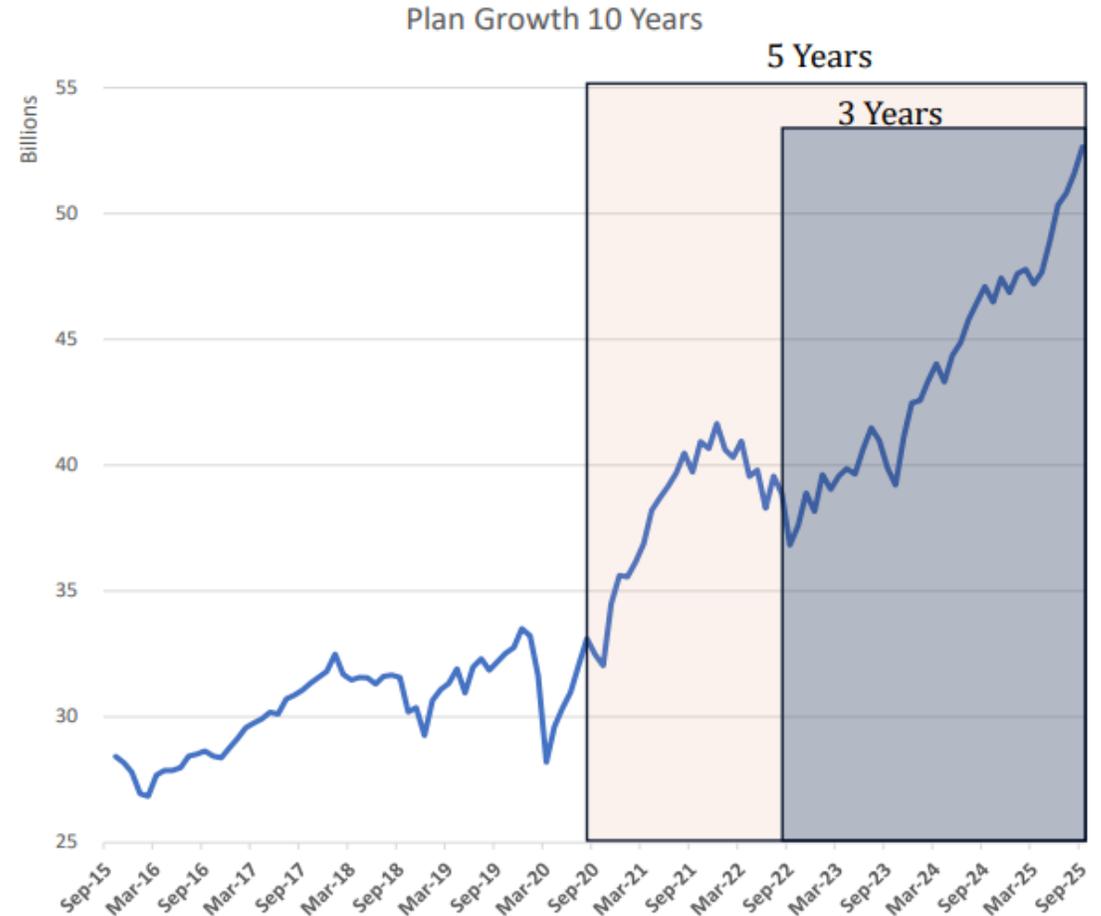
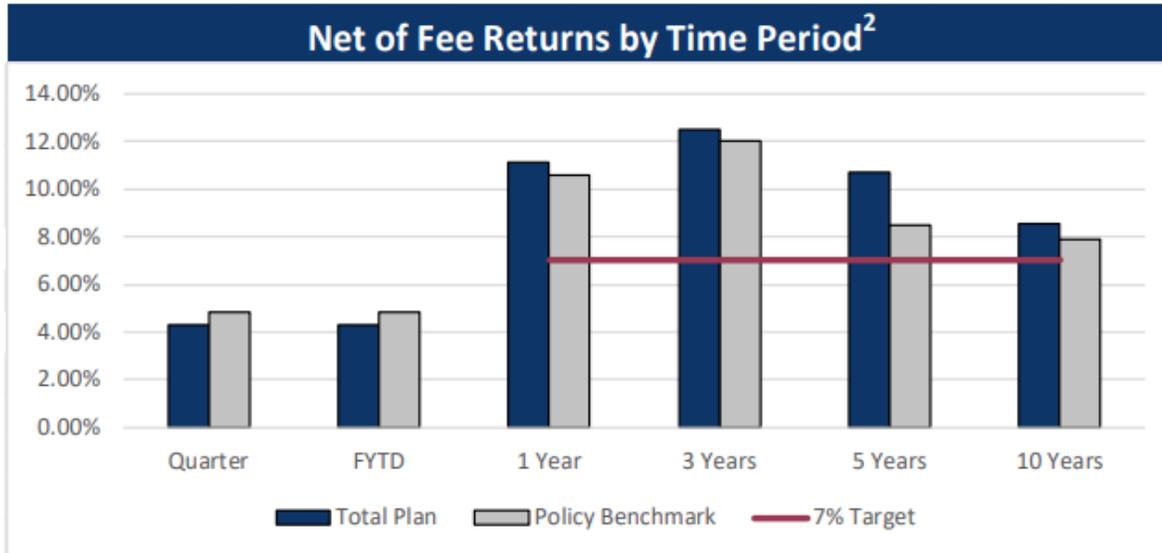
Now, RSIC manages a **\$53 billion** portfolio (as of 9/30/2025).

Over the past 10 years, the portfolio has earned **\$30.4 billion** - which is more than the entire value of the portfolio in 2015.

Much of the growth has come in the past 5 years (as of 9/30/2025):

- **\$21 billion** in investment return
- **\$5.1 billion** in staff value added above our performance benchmark
- Less than **\$70 million** spent in total operating costs

Investment Performance



Rolling period performance as of September 30, 2025¹

Executive Summary	Market Value (millions)	Annualized					
		Quarter	FYTD	1 Year	3 Years	5 Years	10 Years
Total Plan	\$52,647	4.30%	4.30%	11.10%	12.52%	10.70%	8.54%
Policy Benchmark		4.84%	4.84%	10.58%	12.00%	8.48%	7.86%
Excess Return (%)		-0.54%	-0.54%	0.52%	0.52%	2.22%	0.69%
Excess Return (\$ millions)		-\$265	-\$265	\$263	\$714	\$5,124	\$3,152
Net Benefit Payments (\$ millions)		\$131	\$131	\$299	\$244	-\$868	-\$5,479

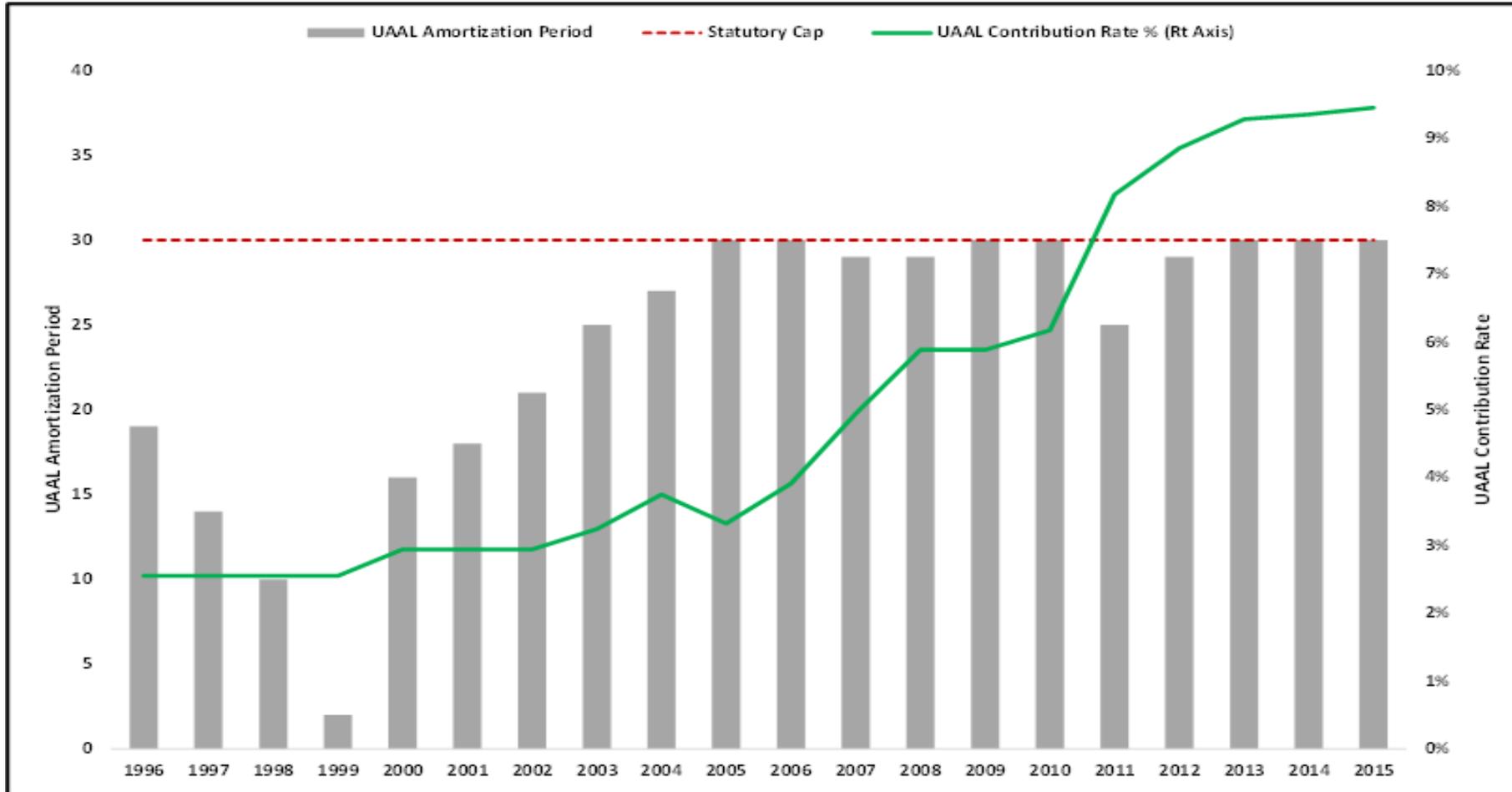
What is an Unfunded Liability?

Our retirement system's unfunded liability is simply a math problem:

$$\frac{\text{Assets}}{\text{Liabilities}} < 1$$

- Liabilities represent the present and future benefits owed to members.
- The retirement system's health is measured by comparing the value of assets to the present value of liabilities.
- The present value of liabilities is calculated using a **7% discount rate**.
- Assets are currently less than liabilities, so the system has an **unfunded liability**.

Visualizing the Problem



2017 Pension Reform

Prior to 2017, the retirement system simply needed more cash.

The **2017 Pension Reform Bill** dramatically increased the amount of cash flowing into the system.

Increased employer contributions:

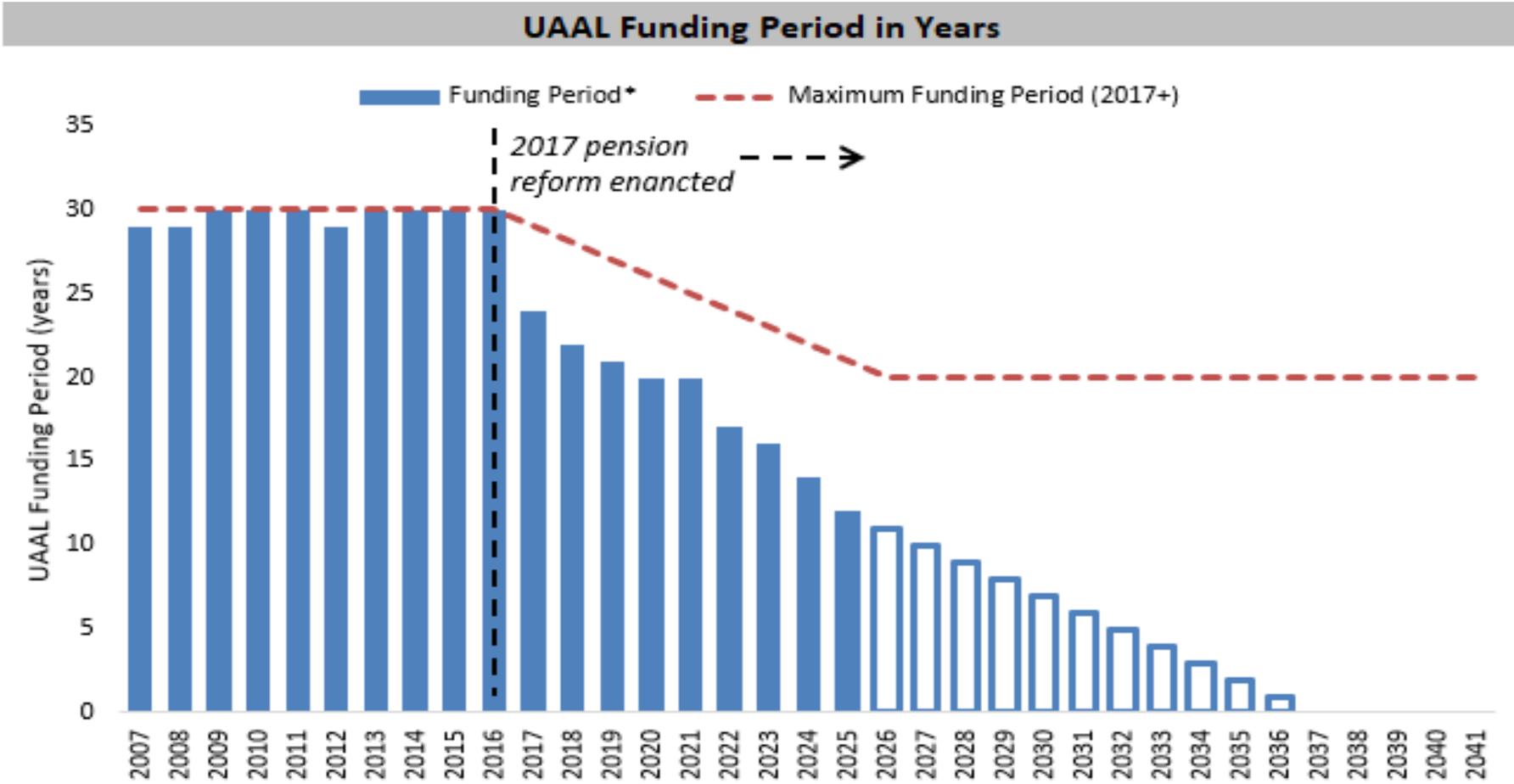
- SCRS → **13.56%**
- PORS → **16.24%**
- **+1.00%** annually for 5 years

The bill also:

- Reduced the amortization schedule by 1 year annually from 30 years to 20 years.
- Adopted more realistic annual return assumptions:
 - 2017: 7.50% → 7.25%
 - 2021: 7.25% → 7.00%

Increased liabilities by \$3.4 billion

Impact of Reforms



*prior years' funding periods normalized to conform to current actuarial assumptions (assumed rate, payroll growth rate, asset smoothing)

Summary

RSIC's portfolio has generated **better than expected performance**, although future market volatility is always to be expected.

The 2017 Pension Reform Bill's impact has been tremendous.

SCRS and PORS are benefiting greatly from the combination of increased cash flows and better than expected investment returns.

Addressing the unfunded liability is ahead of schedule:

- SCRS amortization: **10 years ahead of schedule** (22 years vs. 12 years)
- PORS amortization: **11 years ahead of schedule** (22 years vs. 11 years)

Our focus is shifting to how we manage a healthy retirement system.

Questions?