

# Schools Pool Valuation and Employer/Employee Contribution Rates

Finance & Administration Committee  
April 19, 2021

# Overview

- Actuarial valuation date: **June 30, 2020**
  - Determines required employer/employee contributions for **Fiscal Year 2021-2022**
- All participating school employers pay the same employer contribution rate based on total results of the Schools Pool

## Significant Events Since June 30, 2019 Valuation

- Investment return for fiscal year 2019-20 of 4.7% (before reduction for administrative expenses)
- Additional \$904 million contributed by the State in July 2019
  - Reflected in assets for June 30, 2020 actuarial valuation — improved funded ratio by about 0.8%
  - Reduced employer contributions by \$144M in 2019-20, \$430M in 2020-21, and \$330M in 2021-22
  - Employer contribution rate for 2021-22 reduced by 2.16%

## Key Results (\$ in millions)

	June 30, 2019	June 30, 2020
Market Value of Assets	\$ 68,177	\$ 71,400
Accrued Liability	\$ 99,528	\$ 104,062
Unfunded Accrued Liability	\$ 31,351	\$ 32,662
Funded Status	68.5%	68.6%
	Fiscal Year 2020-21	Fiscal Year 2021-22
Employer Contribution Rate*	20.70%	22.91%
PEPRA Member Contribution Rate	7.00%	7.00%

\* Reflects State Contribution in July 2019 (Government Code section 20825.2)

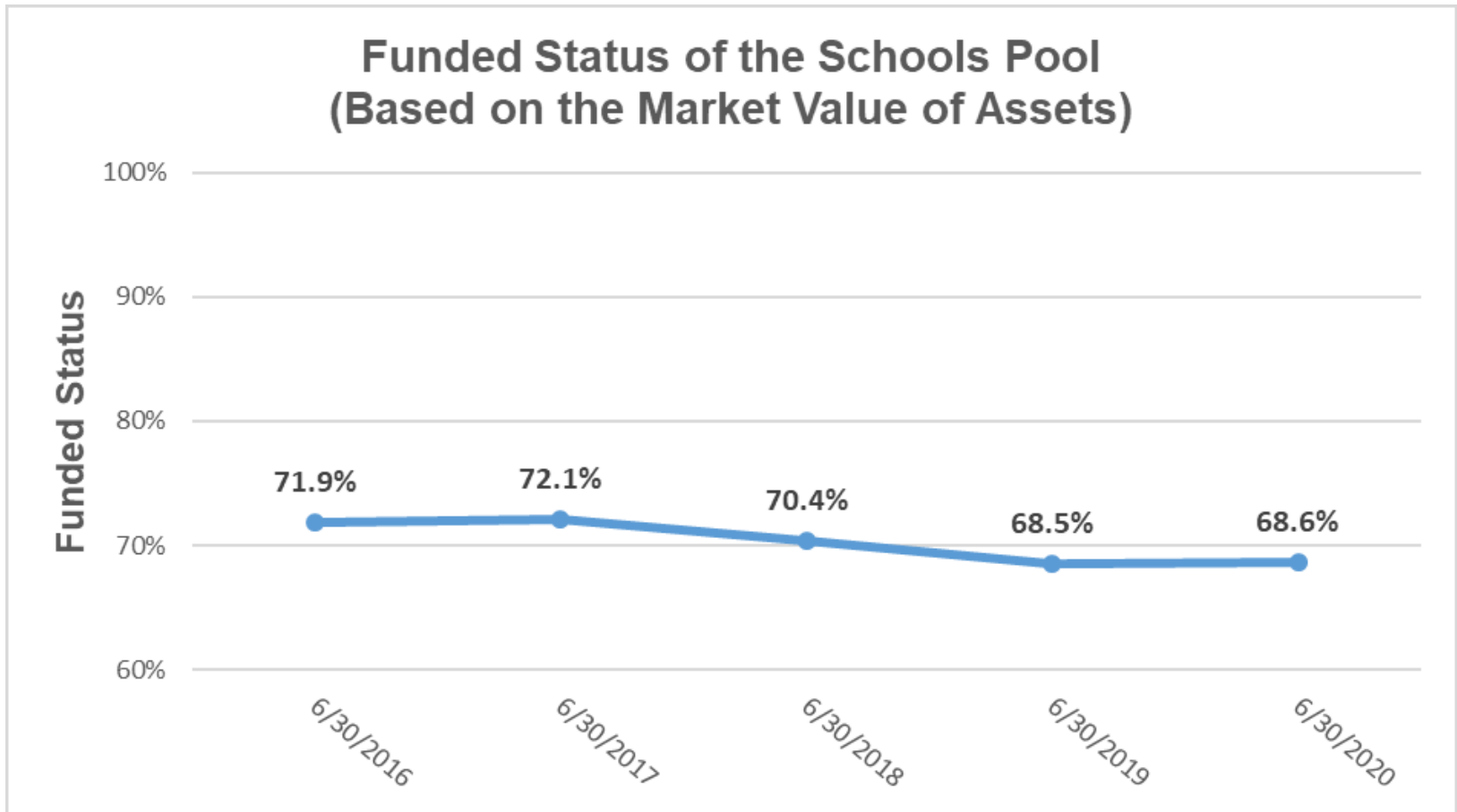
# Current and Prior Year Contributions (\$ in millions)

	Fiscal Year 2020-21	Fiscal Year 2021-22	
<b>Employer Contribution Rate (%)</b>		<i>[estimated<sup>1</sup>]</i>	[actual]
Employer Normal Cost	9.47%	9.3%	9.32%
Unfunded Liability Rate <sup>2</sup>	14.13%	15.9%	15.75%
State Contribution (Section 20825.2) <sup>2</sup>	<u>(2.90%)</u>	<u>(2.2%)</u>	<u>(2.16%)</u>
Required Employer Rate	20.70%	23.0%	22.91%
<b>Expected Employer Contribution (\$)</b>			
Employer Normal Cost	\$ 1,406	\$ 1,425	\$ 1,425
Unfunded Liability	2,098	2,421	2,408
State Contribution	(430)	(330)	(330)
Expected Employer Contribution	\$ 3,074	\$ 3,516	\$ 3,503

<sup>1</sup> As projected in the June 30, 2019 actuarial valuation report

<sup>2</sup> For FY 2021-22, the Unfunded Liability Rate directly incorporates the State Contribution ( § 20825.2) but is separated here for purposes of illustration

# Funded Status Recent History



# PEPRA Member Contributions

- PEPRA members in the Schools Pool are required to contribute 50% of normal cost
- PEPRA member contribution rate is currently **7.00%**
- As the PEPRA total normal cost has not changed by more than 1% since the last member rate adjustment, the PEPRA member contribution rate will remain **7.00%** for FY 2021-22
- Payroll of PEPRA members is \$5.7 billion (39% of payroll)
  - Currently saves employers 0.9% of active payroll due to the lower cost of PEPRA benefits

# Projected Employer Contribution Rate

	Actual	Projected				
	2021-22	2022-23	2023-24	2024-25	2025-26	2026-27
Employer Contribution Rate	22.91%	26.1%	27.1%	27.7%	27.8%	27.6%

Projected rates assume 7% investment return in FY 2020-21 and thereafter with no changes to benefits, assumptions, or methods during the projection period. Projected rates further reflect that the normal cost is expected to continue to decline over time as new employees enter the PEPRA benefit tier. All other demographic experience is assumed to match the actuarial assumptions.