Review of Actuarial Assumptions

Impact on Contribution Rates
(Based on a 7.0% Discount Rate and 2.3% Inflation)

State and Schools		
Category	Estimated Change in Total Normal Cost Rate (% of payroll)	Estimated Change in Total Employer Rate (% of payroll)
State CHP	2.2%	4.7%
State POFF	1.1%	2.3%
State Safety	0.1%	-0.1%
State Miscellaneous	0.5%	0.6%
State Industrial	0.4%	0.1%
Schools	0.4%	0.4%

Public Agencies		
Category	Estimated Change in Total Normal Cost Rate (% of payroll)	Estimated Change in Total Employer Rate (% of payroll)
Miscellaneous 2% at 62	0.0% to 1.0%	-1.9% to 1.8%
Miscellaneous 2% at 60	0.2% to 0.9%	0.1% to 1.4%
Miscellaneous 2% at 55	0.1% to 1.0%	-2.0% to 1.7%
Miscellaneous 2.5% at 55	0.2% to 1.0%	-1.5% to 1.9%
Miscellaneous 2.7% at 55	0.5% to 1.0%	-1.5% to 1.7%
Miscellaneous 3% at 60	0.5% to 1.1%	-1.9% to 1.8%
Safety 2.7% at 57	-0.3% to 1.3%	-5.2% to 2.1%
Safety 2% at 50	-0.3% to -0.1%	-1.7% to -1.3%
Safety 3% at 55	-0.2% to 1.1%	-1.6% to 0.6%
Safety 3% at 50	0.2% to 2.1%	-2.3% to 4.1%

Impact of Possible Discount Rate Changes

In Addition to the Impacts of the Demographic and Inflation Assumption Changes

If the board selects a candidate portfolio with a discount rate lower than 7.0%, there would be additional contribution increases to those provided on page 1.

The results below are equal to the estimated change in normal cost plus the estimated change in accrued liability amortized over a 20-year period, attributable to a change to the discount rate from 7.0% to 6.8% or 6.5%. These results are not the precise increase or decrease in actual required contributions. The actual impact on required contributions would also reflect re-amortization of existing amortization bases. In addition, a portion of the costs/(savings) shown below could be shared with members.

Estimated Additional Employer Contributions
If Discount Rate of 6.8% or 6.5% Selected
(% of Payroll)

	Discount Rate		
	7.0%	**6.8%**	**6.5%**
State Misc.	0.0%	2.8%	7.1%
State CHP	0.0%	5.6%	14.3%
State POFF	0.0%	4.9%	12.5%
State Safety	0.0%	2.5%	6.1%
Schools	0.0%	2.5%	6.3%
Miscellaneous 2% at 62	0.0%	1.0% to 5.6%	3.7% to 13.6%
Miscellaneous 2% at 60	0.0%	1.6% to 3.9%	3.8% to 8.1%
Miscellaneous 2% at 55	0.0%	1.3% to 4.6%	4.6% to 11.0%
Miscellaneous 2.5% at 55	0.0%	1.5% to 6.5%	5.2% to 15.8%
Miscellaneous 2.7% at 55	0.0%	2.2% to 6.6%	6.7% to 14.5%
Miscellaneous 3% at 60	0.0%	2.6% to 6.1%	5.2% to 13.8%
Safety 2.7% at 57	0.0%	1.2% to 7.7%	8.7% to 20.1%
Safety 2% at 50	0.0%	2.6% to 3.2%	9.1% to 10.8%
Safety 3% at 55	0.0%	2.3% to 6.4%	8.3% to 16.0%
Safety 3% at 50	0.0%	3.6% to 11.8%	9.8% to 25.3%

Impact on PEPRA Normal Costs
(Excluding Impacts of Economic Assumption Changes)

With the enactment of the Public Employees' Pension Reform Act of 2013 (PEPRA) new benefits were put in place for new public employees in California hired after January 1st, 2013. PEPRA requires all new members to ultimately contribute at least 50 percent of the total annual normal cost of their pension benefit as determined by the actuary. PEPRA states that when the total normal cost changes by more than 1% of payroll, that PEPRA members should pay for half of the increaser. Below is a table which illustrates the estimated impact on the total normal cost from the change in demographic assumptions under the recommended assumptions.

	Estimated Change in Total Normal Cost Rate		
	7.0%	**6.8%**	**6.5%**
State Miscellaneous (2% at 62)	0.4%	1.1%	2.3%
State Industrial (2% at 62)	0.3%	1.0%	2.2%
State Safety (2% at 57)	0.2%	1.0%	2.3%
POFF	0.9%	2.2%	4.2%
CHP	0.5%	1.8%	3.8%
Schools (2% at 62)	0.4%	1.0%	2.1%
Public Agency Miscellaneous	0.0% to 1.0%	0.7% to 1.6%	1.6% to 2.7%
Public Agency Safety	-0.3% to 1.3%	1.0% to 2.6%	2.8% to 4.8%

Notes

1- Assumes increases in unfunded accrued liability caused by the assumption changes will be amortized in accordance with current board policy i.e. a level dollar amortization over a twenty-year period

2- The ranges of changes in rates listed above for public agencies may be expected to cover most of the public agency plans.

3- None of the results provided in this agenda item attachment reflect the impact of the 21.3% investment return experienced in the fiscal year ending June 30, 2021.