

State Valuation and Employer/Employee Contribution Rates

Finance & Administration Committee
April 15, 2024

Overview

- Actuarial valuation date – **June 30, 2023**
 - Determines required employer/employee contributions for **FY 2024-25**
- Five member sub-groups
 - State Miscellaneous
 - State Industrial
 - State Safety
 - State Peace Officers & Firefighters
 - California Highway Patrol

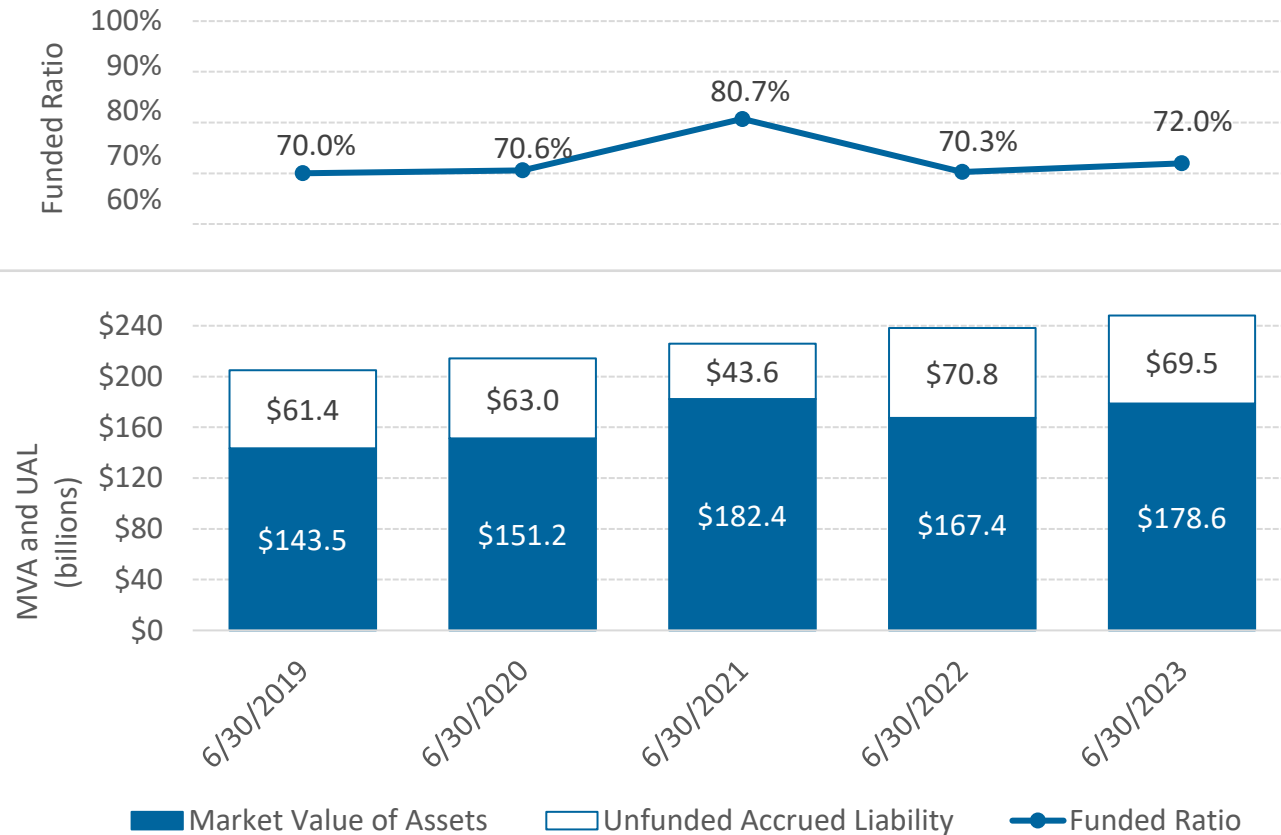
Significant Events Since June 30, 2022 Valuation

- Investment Return
 - Money-weighted investment return based on final assets was 6.1% in fiscal year 2022-23
- Additional Contributions
 - \$1.657 billion contributed in July 2023 (Prop 2)
 - Additional contributions will be reflected in funded status as of June 30, 2024
 - Currently not reflected in FY 2024-25 required contributions
 - \$25 million contributed to CHP in April 2023
 - Additional contributions are reflected in funded status as of June 30, 2023
 - Reduced CHP FY 2024-25 required contribution by approximately \$2 million, equivalent to 0.20% of total payroll

Assets and Liability (in millions)

	June 30, 2022	June 30, 2023
Accrued Liability	\$ 238,203	\$ 248,129
Market Value of Assets	\$ 167,420	\$ 178,647
Unfunded Accrued Liability	\$ 70,783	\$ 69,483
Funded Ratio	70.3%	72.0%
Expected Employer Contributions based on Actuarially Determined Contribution Rates	\$ 8,058	\$ 8,616
Expected Employer Contributions Including Additional Contributions Pursuant California State Budget Act	\$ 8,471	\$ 8,754

Funded Status History of State Plans (aggregate)



Actuarially Determined Contribution Rates (\$ in millions)

	FY 2023-24		<i>Estimated Rate*</i>	FY 2024-25	
	Employer Contribution Rate	Expected Contribution in Dollars		Employer Contribution Rate	Expected Contribution in Dollars
State Miscellaneous	30.87%	\$ 4,750	31.8%	31.39%	\$ 5,123
State Industrial	19.54%	165	20.3%	20.18%	178
State Safety	21.54%	537	22.3%	22.03%	565
State Peace Officers & Firefighters	46.26%	1,952	47.6%	48.09%	2,064
California Highway Patrol	67.69%	654	68.2%	69.89%	686
Total State		\$ 8,058			\$ 8,616

* As projected in the June 30, 2022 actuarial valuation report

Total FY 2024-25 Contributions by Plan

	Actuarially Required Employer Contribution for FY 2024-25	Additional Statutory Contribution per GC 20683.2	Total Contribution FY 2024-25
State Miscellaneous	31.39%	0.10%	31.49%
State Industrial	20.18%	0.88%	21.06%
State Safety	22.03%	1.18%	23.21%
State Peace Officers & Firefighters	48.09%	1.65%	49.74%
California Highway Patrol	69.89%	1.32%	71.21%

Member Contributions

- PEPRA member rates were established beginning January 1, 2013. The initial rates were calculated as half of the total normal cost rounded to the nearest quarter percent.
- The normal cost is calculated annually. If it is determined that the total normal cost has changed by one percent or more since the last time the PEPRA member rates were set, the PEPRA member rate is recalculated based on the new normal cost.

Member Contributions

- Most State employees are exempt from the PEPRA requirement that members contribute 50% of normal cost
- PEPRA members subject to automatic 50% cost sharing:
 - Legislature
 - California State University
 - Judicial Branch
 - No change to PEPRA member contributions in FY 2024-25

Member Contributions – Bargaining Units 2, 5 and 18

- State employees in Bargaining Units 2, 5 and 18 generally contribute 50% of normal cost
- No change to member contributions in FY 2024-25

Projected Required Future Employer Rates

Plan	Actual	Projected				
	2024-25	2025-26	2026-27	2027-28	2028-29	2029-30
State Miscellaneous	31.39%	32.3%	32.9%	34.8%	34.7%	34.6%
State Industrial	20.18%	20.9%	21.4%	23.1%	23.0%	22.8%
State Safety	22.03%	22.8%	23.3%	25.0%	24.9%	24.7%
State Peace Officers & Firefighters	48.09%	49.5%	50.4%	53.4%	53.1%	52.6%
California Highway Patrol	69.89%	69.9%	67.5%	70.8%	70.2%	71.9%

Projected rates assume 6.8% investment return in FY 2023-24 and following years with no changes to benefits, assumptions, methods, or supplemental payments during the projection period. Adjustments were made to estimate the effects of future hires entering PEPR benefit tiers and future member contribution rate changes already codified in statute. All other demographic experience is assumed to match the actuarial assumptions.