

# Proposed Amortization Policy First Reading

Finance & Administration Committee  
November 14, 2017

# Current Actuarial Amortization Policy

Driver	Source				
	(Gain)/Loss		Assumption/ Method Change	Benefit Change	Golden Handshake
	Investment	Non- investment			
Amortization Period	30 Years	30 Years	20 Years	20 Years	5 Years
Escalation Rate					
- Active Plans	Payroll (3%)	3%	3%	3%	3%
- Inactive Plans	0%	0%	0%	0%	0%
Ramp Up	5	5	5	0	0
Ramp Down	5	5	5	0	0

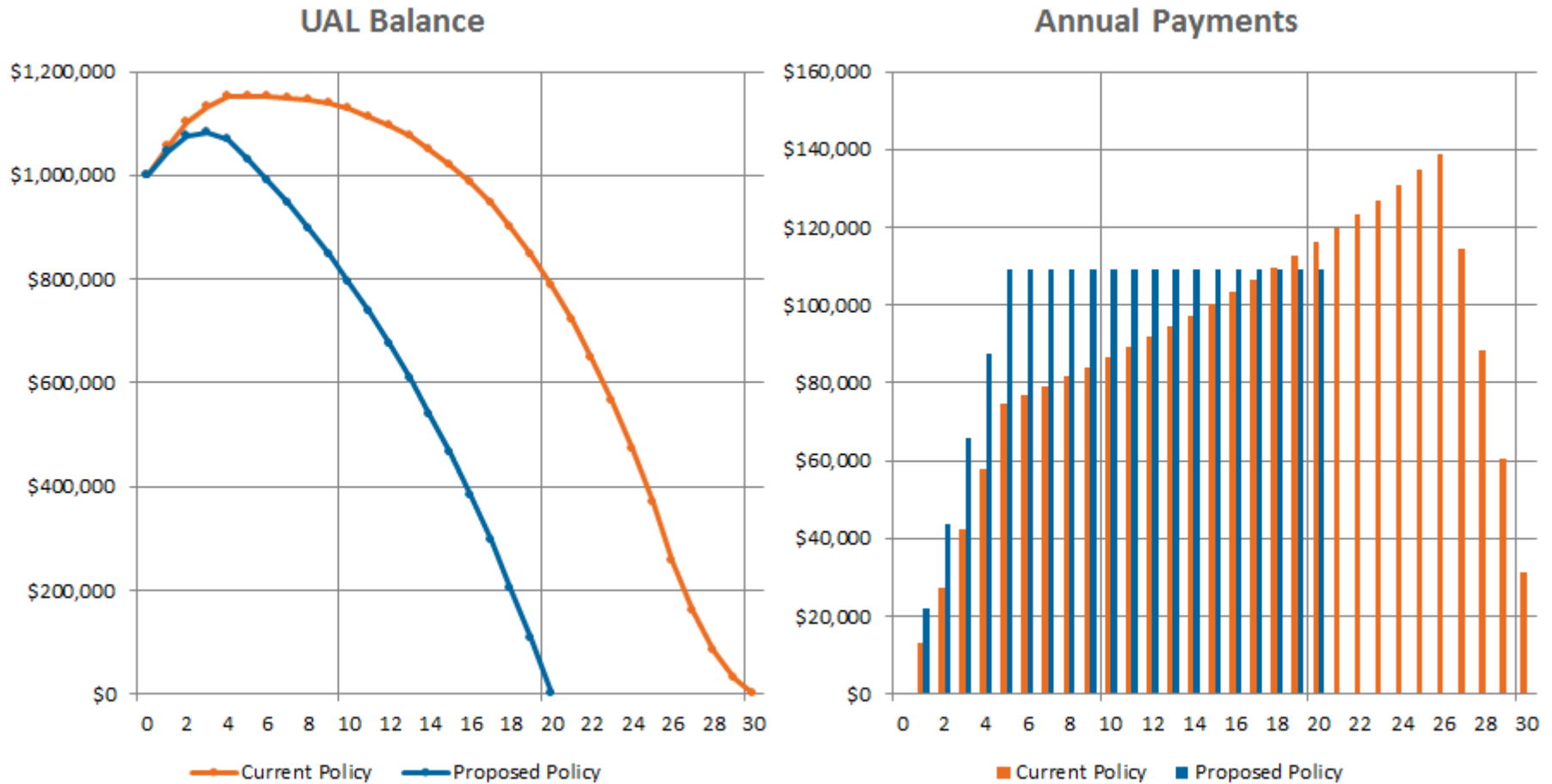
# Guidance / Best Practices

- Recommended amortization periods
  - California Actuarial Advisory Panel (CAAP)
    - Gains/losses: 15-20 years
    - Assumption changes: no longer than 25 years
      - Ramp no longer than time until next review of assumptions
    - Benefit changes
      - Active: lesser of expected future service or 15 years
      - Retired: lesser of expected lifetime or 10 years
  - Government Finance Officers Association (GFOA)
    - No longer than 10 years for gains/losses for closed plans

# Proposed Actuarial Amortization Policy

Driver	Source				
	(Gain)/Loss		Assumption/ Method Change	Benefit Change	Golden Handshake
	Investment	Non- investment			
Amortization Period - Active Agencies	20 Years	20 Years	20 Years	20 Years	5 Years
- Inactive Agencies	Closed Period (15 Years or less)	Closed Period (15 Years or less)	Closed Period (15 Years or less)		
Escalation Rate	0%	0%	0%	0%	0%
Ramp Up	5	0	0	0	0
Ramp Down	0	0	0	0	0

# Investment Gain or Loss (\$1,000,000 Loss)

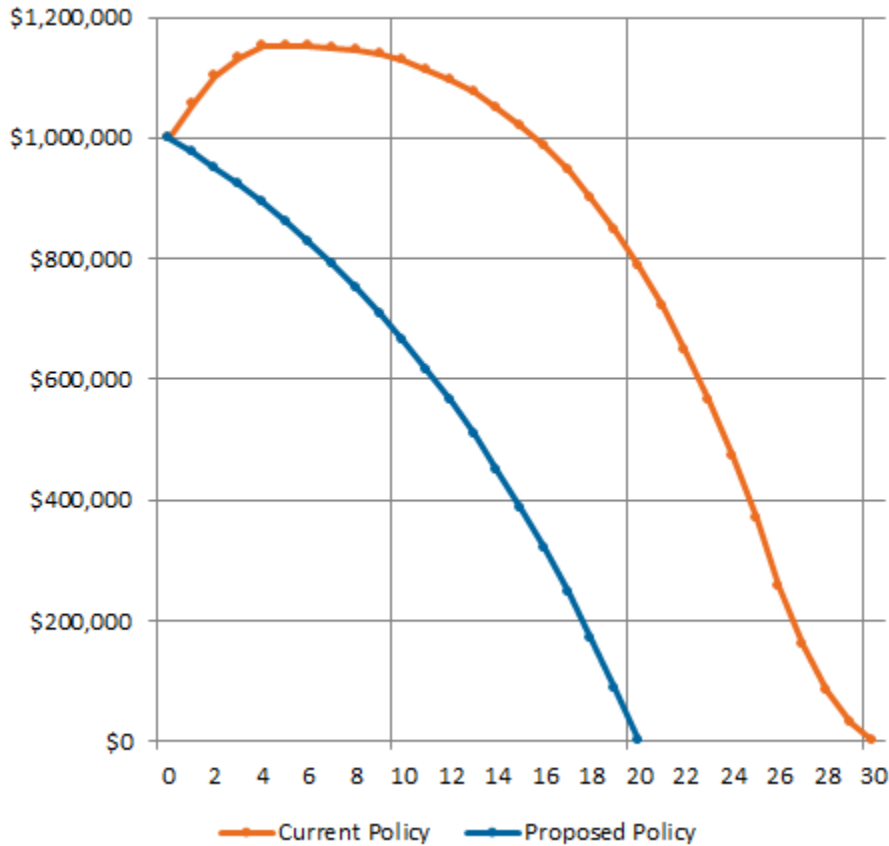


## Investment Gain or Loss (\$1,000,000 Loss)

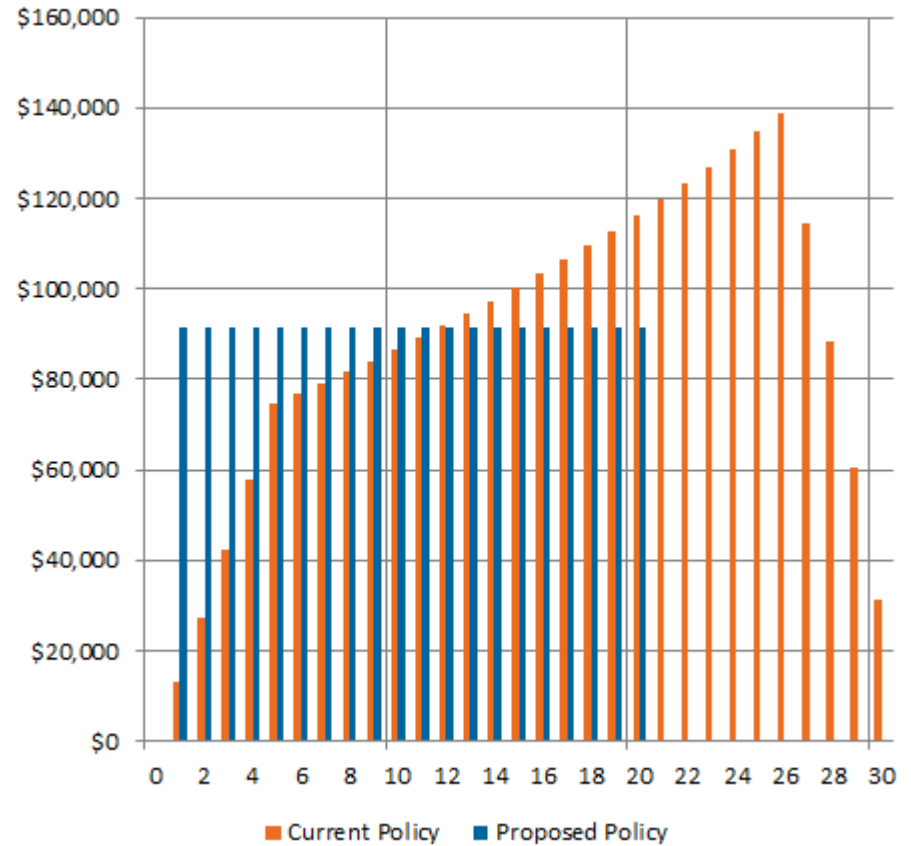
Policy	Period	Ramp		Escalation Rate	Initial Payment	Year 5 Payment	Total Payments
		Up	Down				
Current	30	5	5	3%	\$13,257	\$74,606	\$2.7 Million
Proposed	20	5	0	0%	\$21,864	\$109,320	\$2.0 Million

# Non-Investment Gain or Loss (\$1,000,000 Loss)

UAL Balance



Annual Payments



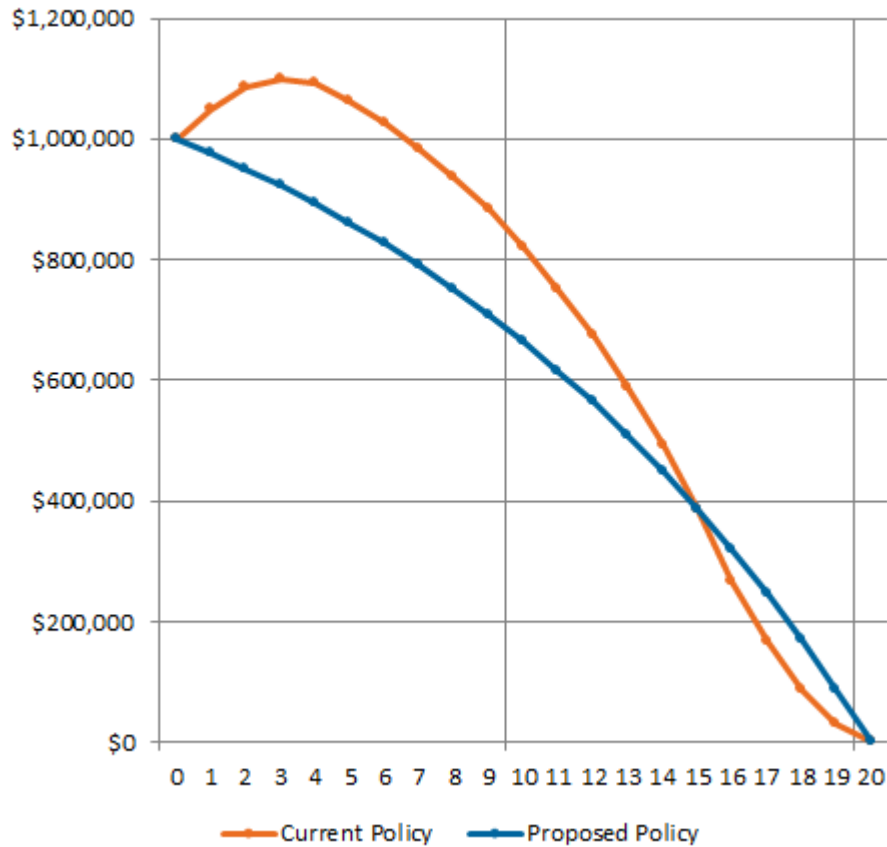
## Non-Investment Gain or Loss (\$1,000,000 Loss)

Policy	Period	Ramp		Escalation Rate	Initial Payment	Year 5 Payment	Total Payments
		Up	Down				
Current	30	5	5	3%	\$13,257	\$74,606	\$2.7 Million
Proposed	20	0	0	0%	\$91,253	\$91,253	\$1.8 Million

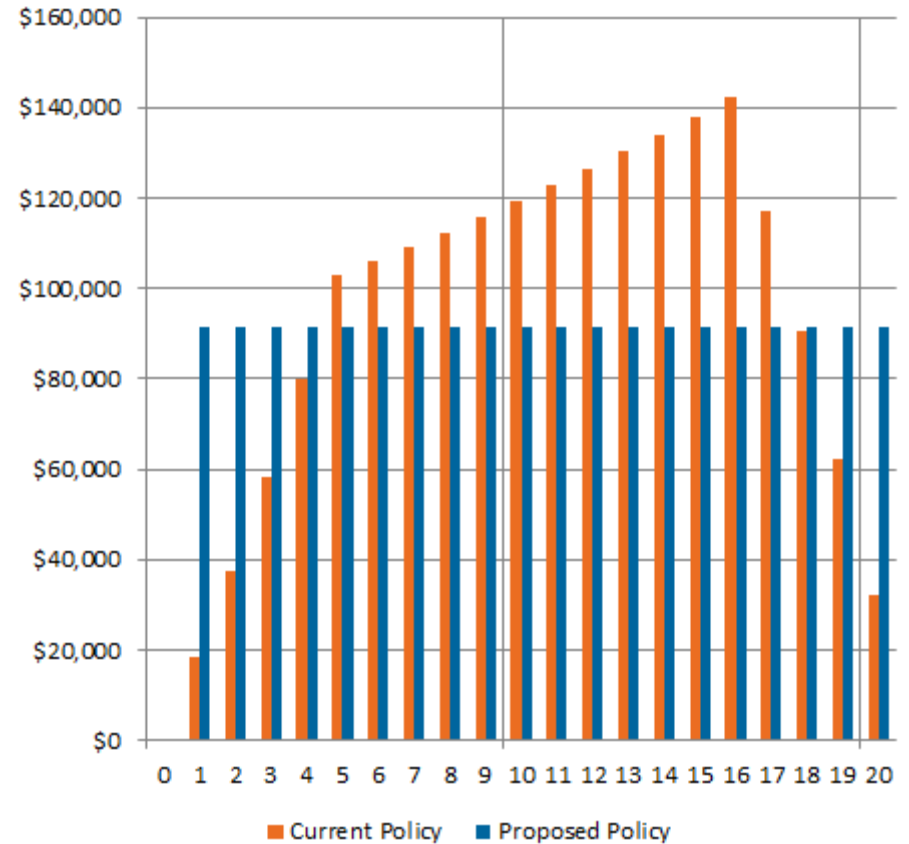


# Assumption Change (\$1,000,000)

UAL Balance



Annual Payments



## Assumption Change (\$1,000,000 Change)

Policy	Period	Ramp		Escalation Rate	Initial Payment	Year 5 Payment	Total Payments
		Up	Down				
Current	20	5	5	3%	\$18,259	\$102,756	\$2.0 Million
Proposed	20	0	0	0%	\$91,253	\$91,253	\$1.8 Million

# Asset Liability Management Model Results

## State Miscellaneous Plan

Amortization Policy	The Probability that the Following Event Will Occur at least once in the next 30 Years		
	Funded Ratio Falls Below 50%	Employer Contribution Rate Exceeds 35%	Contribution Rate Increases by more than 5% in One Year
Current	6%	73%	0%
Proposed	5%	74%	10%

# California Public Retirement Systems

## County Plans

County	Accrued Liability (billions)	Asset Smoothing Period	Amortization Method	Escalation Rate	Amortization Period (gain/loss)
Los Angeles	\$62	5 years	Closed Layers	% of payroll	30
San Francisco	\$24	5 years	Closed Layers	% of payroll	20
Orange	\$18	5 years	Closed Layers	% of payroll	20
San Diego	\$14	5 years	Closed Layers	% of payroll	20
San Bernardino	\$11	5 years	Closed Layers	% of payroll	20
Sacramento	\$9	7 years	Closed Layers	% of payroll	20

# California Public Retirement Systems County Plans (continued)

County	Accrued Liability (billions)	Asset Smoothing Period	Amortization Method	Escalation Rate	Amortization Period (gain/loss)
Contra Costa	\$9	5 years	Closed Layers	% of payroll	18
Alameda	\$8	5 years	Closed Layers	% of payroll	20
Kern	\$6	5 years	Closed Layers	% of payroll	18
Fresno	\$5	5 years	Closed Layers	% of payroll	15
Ventura	\$5	5 years	Closed Layers	% of payroll	15
San Mateo	\$4	5 years	Closed Layers	% of payroll	15

# California Public Retirement Systems

## Single Employer Plans

System	Accrued Liability (billions)	Asset Smoothing Period	Amortization Method	Escalation Rate	Amortization Period (gain/loss)
Univ. of Cal.	\$69	5 years	Closed Layers	Level dollar	20
LA City	\$17	7 years	Closed Layers	% of payroll	15
LA Dept. of W&P	\$13	5 years	Closed Layers	Level dollar	15
LA Fire & Police	\$19	7 years	Closed Layers	% of payroll	20
San Diego City	\$9	4 years	Closed Layers	*	15

\* Closed to new members (except police) in 2012. Uses level % of payroll for police and level dollar for other

# Questions & Comments