Review of Actuarial Assumptions and Discount Rate Selection

Impact on Contribution Rates
(Not Including Impact of Potential Discount Rate Change)

State and Schools		
Category	Estimated Change in Total Normal Cost Rate (% of payroll)	Ultimate Estimated Change in Total Employer Rate (% of payroll)
State CHP	0.2%	2.2%
State POFF	0.0%	1.4%
State Safety	0.4%	0.8%
State Miscellaneous	(0.1%)	(0.4%)
State Industrial	(1.1%)	(1.5%)
Schools	(0.1%)	0.3%

Public Agencies		
Category	Estimated Change in Total Normal Cost Rate (% of payroll)	Ultimate Estimated Relative Change in Total Employer UAL Cost (% of UAL$ payment)
Safety CPO	0.3% to 0.4%	(0.3%) to 2.0%
Safety Fire	(0.5%) to (0.2%)	0.3% to 1.4%
Safety Police	(0.3%) to 0.0%	0.5% to 2.0%
Misc 3% at 60	(0.2%) to 0.6%	(2.2%) to (1.3%)
Misc 2.7% at 55	0.0% to 0.6%	(1.3%) to 4.3%
Misc 2.5% at 55	(0.2%) to 0.5%	(1.8%) to (1.0%)
Misc 2% at 55	(0.1%) to 0.4%	(0.9%) to 1.7%
Misc 2% at 60	(0.3%) to 0.0%	(5.5%) to (3.1%)

Note

1- Assumes the increase in unfunded liability due to the assumption changes will be amortized in accordance with current Board policy i.e. over a 20-year period and phased-in over five years.

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

3- UAL – Unfunded Accrued Liability

Impact on PEPRA Normal Costs
(Not Including Impact of Potential Discount Rate Change)

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 1, 2013. PEPRA requires all new members to contribute at least 50 percent of the total normal cost of their pension benefit as determined by the actuary. However, the PEPRA member rate is not adjusted unless the total normal cost changes by 1% of payroll or more. 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
State Miscellaneous (2% at 62)	(0.2%)
State Industrial (2% at 62)	(1.0%)
State Safety (2% at 57)	0.5%
POFF (2.5% at 57)	(0.4%)
POFF (2.7% at 57)	(0.7%)
CHP (2.7% at 57)	(0.5%)
Schools (2% at 62)	(0.3%)
Public Agency Miscellaneous	(0.1%) to 0.0%
Public Agency Safety	(0.4%) to 0.1%

Impact of Possible Discount Rate Change

If the Board selects Candidate Portfolio A, Portfolio B, or Portfolio D, the recommended changes to the discount rate will either increase or decrease future required contributions depending on the portfolio selected.

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. These results are not the precise increase or decrease in actual required contributions. The actual impact on required contributions would also reflect factors such as the 5-year ramp and the re-amortization of existing amortization bases. In addition, a portion of the costs/(savings) shown below could be shared with members. If Portfolio A, Portfolio B, or Portfolio D is adopted, a more detailed analysis of the impact on employer and employee contributions can be provided.

Change in Normal Cost Plus 20-Year Amortization of Change in Accrued Liability (% of Payroll)

	Portfolio			
	A	B	C	D
State Misc.	6.2%	3.0%	0.0%	(2.9%)
State CHP	11.8%	5.7%	0.0%	(5.4%)
State POFF	10.6%	5.1%	0.0%	(4.8%)
State Safety	5.1%	2.5%	0.0%	(2.3%)
Schools	5.1%	2.5%	0.0%	(2.4%)
Public Agency - Misc.	5.8%	2.8%	0.0%	(2.7%)
Public Agency - Safety	9.8%	4.7%	0.0%	(4.5%)