



California Public Employees' Retirement System
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February 14, 2018

The Honorable Jerry Brown
Governor's Office
State Capitol
Sacramento, CA 95814

The Board of Administration of the California Public Employees' Retirement System (CalPERS) has accepted the June 30, 2017 Actuarial Valuation of the Judges' Retirement System II (JRS II).

The mortality assumption was changed based on the December 2017 experience study approved by the CalPERS Board and it includes 15 years of projected on-going mortality improvement using 90 percent of Scale MP 2016 published by the Society of Actuaries. The inflation assumption was reduced from 2.75 percent to 2.5 percent. The individual salary and overall payroll growth assumptions were both reduced from 3.0 percent to 2.75 percent. The actuarially determined employer contribution rate is 24.660 percent for Fiscal Year 2018-19. This compares with a rate of 26.409 percent for the previous fiscal year. The employee contribution rate for members subject to the PEPRA is 16.00 percent for Fiscal Year 2018-19. This compares with a rate of 16.75 percent for the previous fiscal year. The June 30, 2017 funding deficit is 9.8 million with a funded status of 99.3 percent. This compares with a funding deficit of 99.8 million with a funded status of 92.2 percent for the previous fiscal year.

As indicated in the report, the case of Robert M. Mallano, et al. v. John Chiang, Controller of the State of California (SCO), the Judges' Retirement System, and the JRS II will have an impact on the JRS II. Once implemented, the changes will result in a higher Unfunded Liability and lower Funded Status for the plan. We anticipate that the impact of this lawsuit will be reflected as part of the valuation for the year in which the case is resolved.

The Board is pleased to file the 2017 report for the Judges' Retirement System II with the Governor and the Legislature.

Respectfully,

PRIYA MATHUR, President
Board of Administration

Enclosure

cc:

Mr. Daniel Alvarez
Secretary of the Senate

Ms. Diane F. Boyer-Vine
Legislative Counsel

Mr. E. Dotson Wilson
Chief Clerk of the Assembly