

State Valuation and Employer/Employee Contribution Rates

Finance & Administration Committee
April 16, 2019

Overview

- Actuarial valuation date – **June 30, 2018**
 - Determines required employer/employee contributions for **FY 2019-20**
- 5 member sub-groups
 - State Miscellaneous
 - State Industrial
 - State Safety
 - State Peace Officers & Firefighters
 - California Highway Patrol
- School employees included in Schools Actuarial Valuation

Significant Events Since June 30, 2017 Valuation

- Investment return of 8.6% for FY ending June 30, 2018
- Changes to assumptions previously adopted by the Board:
 - Discount rate — reduced from 7.25% to 7%
 - Inflation — reduced from 2.625% to 2.5%
 - Payroll growth — reduced from 2.875% to 2.75%
- Additional \$6 billion contributed in FY 2017-18 (SB 84)
 - Improved June 30, 2018 funded status by approximately 3%
 - Reflected in rates in last year's valuation (FY 2018-19 rates)
- Change in actuarial valuation system
 - Refined and improved calculation methodology
 - Treated analogously to an assumption change for valuation purposes

Current and Prior Year Results (in millions)

	June 30, 2017	June 30, 2018
Market Value of Assets	\$ 121,587	\$ 136,231
Accrued Liability	\$ 180,311	\$ 195,906
Unfunded Accrued Liability	\$ 58,724	\$ 59,675
Expected Employer Contributions based on Actuarially Determined Contribution Rates	\$ 6,299	\$ 6,974
Expected Employer Contributions Including Additional Contributions Pursuant to G.C. Section 20683.2	\$ 6,415	\$ 7,096

Prior and Current Year Results by Plan

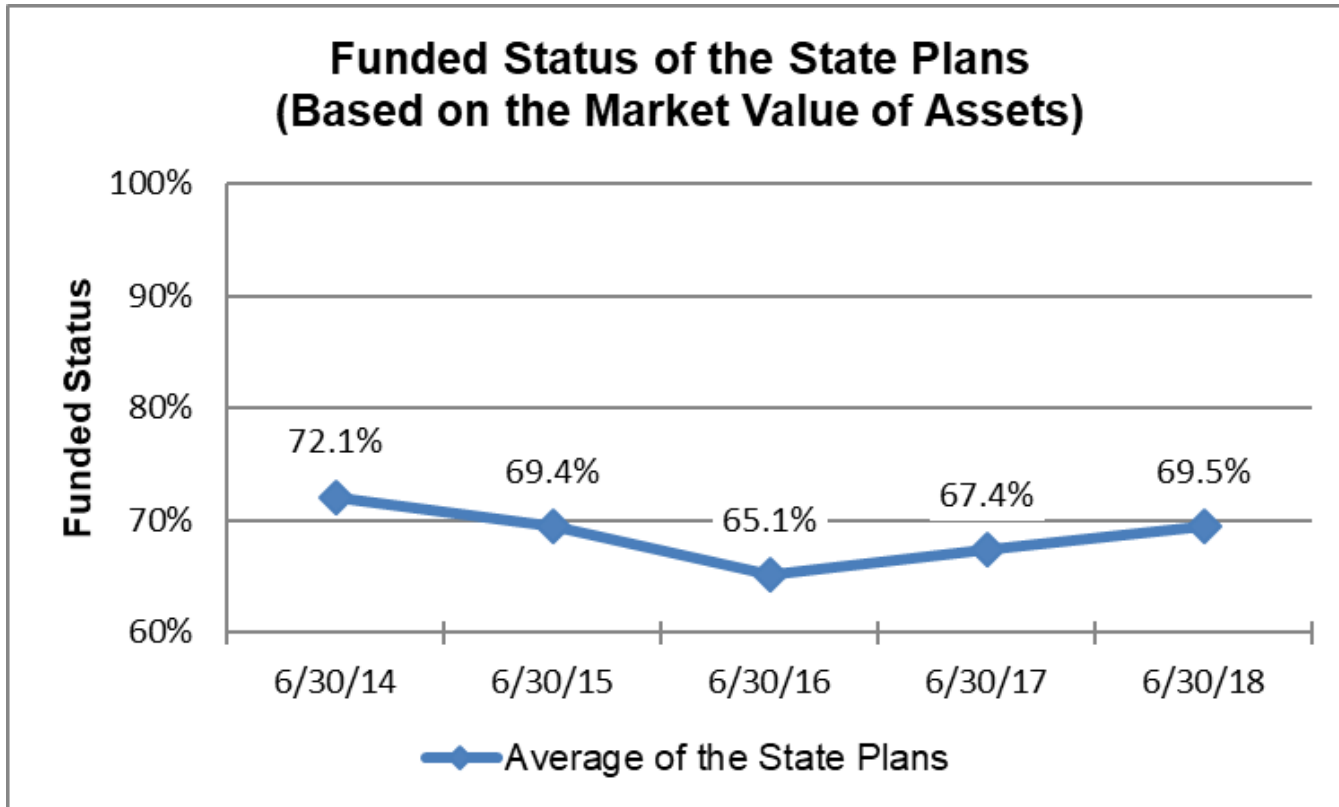
(\$ in millions)

Fiscal Year	2018-19 Expected Employer Contribution	2018-19 Employer Contribution Rate	2019-20 Expected Employer Contribution	2019-20 Employer Contribution Rate
State Miscellaneous	\$ 3,632	29.298%	\$ 4,007	30.977%
State Industrial	135	19.550%	154	20.823%
State Safety	467	20.352%	526	21.526%
State Peace Officers & Firefighters	1,581	43.724%	1,755	47.198%
California Highway Patrol	484	53.805%	532	57.811%
Total State	\$ 6,299		\$ 6,974	

Total 2019-20 Contributions By Plan

	Actuarially Required Employer Contribution for 2019-20	Additional Statutory Contribution to Offset Increased Member Contributions	Total Contribution 2019-20
State Miscellaneous	30.977%	0.098%	31.075%
State Industrial	20.823%	0.881%	21.704%
State Safety	21.526%	1.182%	22.708%
State Peace Officers & Firefighters	47.198%	1.647%	48.845%
California Highway Patrol	57.811%	1.319%	59.130%

Funded Status Recent History



PEPRA Member Contributions

- Most State employees are exempt from the PEPRA requirement that members contribute 50% of normal cost
- Not exempt:
 - Legislature
 - California State University
 - Judicial Branch
- POFF member contributions for these groups will increase from 11% to 12% effective July 1, 2019
- No change to Miscellaneous member contributions

Member Contributions—Bargaining Units 9, 10, and 16

- State employees in Bargaining Units (BU) 9, 10, and 16 generally contribute 50% of normal cost
- Provisions vary slightly by BU
- Member contributions effective July 1, 2019:
 - Miscellaneous in BU 9 and 10: increase from 8.0% to 8.5%
 - Safety in BU 9, 10, and 16: increase from 11.0% to 11.5%
 - All others: no change

Projected Future Employer Rates

Plan	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25
State Miscellaneous	30.977%	32.0%	32.6%	32.9%	33.4%	32.4%
State Industrial	20.823%	21.6%	22.1%	22.2%	22.5%	20.7%
State Safety	21.526%	22.0%	22.2%	22.1%	21.6%	21.3%
State Peace Officers & Firefighters	47.198%	48.8%	49.8%	50.2%	50.9%	49.4%
California Highway Patrol	57.811%	59.6%	60.6%	61.1%	61.9%	60.8%