Schools Pool 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 **Fiscal Year 2019-2020**

• All participating school employers pay the same employer contribution rate based on total results of the schools pool
Significant Events Since June 30, 2017 Valuation

• Investment return of 8.6% for FY ending June 30, 2018
• Changes to assumptions adopted by the Board in December 2017
  - Reflected in this valuation (delayed one year compared to State valuations)
  - Demographic assumptions (e.g., retirement rates, mortality, etc.)
  - Inflation assumption
• Changes to the amortization policy were adopted by the Board in February 2018. Due to the June 30, 2019 implementation date, these changes have no impact on the June 30, 2018 valuation.
• The Actuarial Valuation System was redesigned and enhanced resulting in more accurate measurement of liabilities.
## Current and Prior Year Results ($ in millions)

<table>
<thead>
<tr>
<th></th>
<th>June 30, 2017</th>
<th>June 30, 2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Market Value of Assets</td>
<td>$ 60,865</td>
<td>$ 64,846</td>
</tr>
<tr>
<td>Accrued Liability</td>
<td>$ 84,416</td>
<td>$ 92,071</td>
</tr>
<tr>
<td>Unfunded Accrued Liability</td>
<td>$ 23,551</td>
<td>$ 27,225</td>
</tr>
<tr>
<td>Funded Status</td>
<td>72.1%</td>
<td>70.4%</td>
</tr>
<tr>
<td>Employer Contribution Rate</td>
<td>18.062%</td>
<td>20.733%</td>
</tr>
<tr>
<td>PEPRA Member Contribution Rate</td>
<td>7.00%</td>
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</tr>
</tbody>
</table>

### Fiscal Year

<table>
<thead>
<tr>
<th></th>
<th>Fiscal Year 2018-19</th>
<th>Fiscal Year 2019-20</th>
</tr>
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<tbody>
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</tbody>
</table>
## Current and Prior Year Contributions ($ in millions)

<table>
<thead>
<tr>
<th></th>
<th>Fiscal Year 2018-19</th>
<th>Fiscal Year 2019-20</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Employer Contribution Rate</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Employer Normal Cost</td>
<td>8.739%</td>
<td>8.992%</td>
</tr>
<tr>
<td>Unfunded Rate</td>
<td>9.323%</td>
<td>11.741%</td>
</tr>
<tr>
<td>Required Employer Rate</td>
<td>18.062%</td>
<td>20.733%</td>
</tr>
<tr>
<td><strong>Expected Employer Contribution Dollars</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Employer Normal Cost</td>
<td>$ 1,196</td>
<td>$ 1,280</td>
</tr>
<tr>
<td>Unfunded</td>
<td>$ 1,276</td>
<td>$ 1,671</td>
</tr>
<tr>
<td>Required Employer</td>
<td>$ 2,472</td>
<td>$ 2,951</td>
</tr>
</tbody>
</table>
Funded Status Recent History

![Graph showing funded status from June 30, 2014 to June 30, 2018. The funded status values are as follows:

- June 30, 2014: 86.6%
- June 30, 2015: 77.5%
- June 30, 2016: 71.9%
- June 30, 2017: 72.1%
- June 30, 2018: 70.4%]

Funded Status as of June 30, 2018
PEPRA Contributions

• As of June 30, 2018 the payroll for PEPRA members is $4.15 billion (31% of active payroll)
  - Currently saves employers 0.8% of active payroll due to the lower cost of PEPRA benefits
• Current PEPRA member contribution rate is 7.0%
• Since the PEPRA normal cost rate did not change by more than 1%, the PEPRA member contribution rate will remain at 7.0% for the 2019-20 fiscal year
Projected Employer Contribution Rates
Assumes 7.25% return for 2018-19 and 7.00% thereafter

<table>
<thead>
<tr>
<th>Valuation Date</th>
<th>Fiscal Year Impact</th>
<th>Discount Rate</th>
<th>Projected Employer Contribution Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>6/30/2019</td>
<td>2020-21</td>
<td>7.00%</td>
<td>23.6%</td>
</tr>
<tr>
<td>6/30/2020</td>
<td>2021-22</td>
<td>7.00%</td>
<td>24.9%</td>
</tr>
<tr>
<td>6/30/2021</td>
<td>2022-23</td>
<td>7.00%</td>
<td>25.7%</td>
</tr>
<tr>
<td>6/30/2022</td>
<td>2023-24</td>
<td>7.00%</td>
<td>26.4%</td>
</tr>
<tr>
<td>6/30/2023</td>
<td>2024-25</td>
<td>7.00%</td>
<td>26.6%</td>
</tr>
<tr>
<td>6/30/2024</td>
<td>2025-26</td>
<td>7.00%</td>
<td>26.5%</td>
</tr>
</tbody>
</table>