



# Finance and Administration Committee

## Agenda Item 5d

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February 18, 2020

**Item Name:** Legislators' Retirement System Actuarial Valuation and Employer and Employee Contribution Rates

**Program:** Actuarial Office

**Item Type:** Action Consent

### Recommendation

- Approve the June 30, 2019 Legislators' Retirement System Actuarial Valuation report and the corresponding transmittal letter to the Governor and Legislature.
- Adopt the employer contribution rate of 29.38% for the period of July 1, 2020 through June 30, 2021 for the Legislators' Retirement System.

### Executive Summary

The following table summarizes key results from the valuation:

	June 30, 2018	June 30, 2019
Present Value of Benefits	\$ 99,556,131	\$ 99,474,395
Accrued Liability	\$ 98,926,634	\$ 99,130,181
Market Value of Assets	\$ 115,484,165	\$ 115,795,760
Unfunded Liability/(Surplus)	\$ (16,557,531)	\$ (16,665,579)
Funded Status	116.7%	116.8%
Required Employer Contribution Rate	35.272%	29.38%

On January 1, 2013, the Public Employees' Pension Reform Act of 2013 (PEPRA) took effect. Under PEPRA, an employer cannot contribute less than the normal cost. As a result, we are asking the Board to adopt an employer contribution rate equal to the employer normal cost.

### Strategic Plan

This action item is being presented as part of the regular and ongoing workload of the Actuarial Office and supports the Strategic Plan goal of fund sustainability.

## **Background**

The Legislators' Retirement System was established in 1947. This actuarial valuation report is presented in accordance with Section 9354.5 of the LRS Law. The valuation report provides information regarding retirement and ancillary benefits for Senators and Members of the Assembly (first elected prior to November 7, 1990), Constitutional Officers (first elected prior to December 31, 2012), and Legislative Statutory Officers (first appointed prior to December 31, 2012).

The system was closed to newly elected Senators and Members of the Assembly by the Political Reform Act of 1990 (Proposition 140) but remained open to new Constitutional and Legislative Statutory Officers.

With the passage of Assembly Bill 340 (PEPRA) in 2012, the LRS was closed to all new potential members effective January 1, 2013.

Assembly Bill 340 also required public employer's contributions, in combination with employee contributions cannot be less than the normal cost rate.

## **Analysis**

In the June 30, 2018 Legislators' Actuarial Valuation, the plan was in a surplus position with a funded status of 116.7%. The Board adopted an employer contribution rate of 35.272% consistent with Government Code section 7522.52 which requires plans in a surplus position to contribute at least the normal cost.

In the June 30, 2019 valuation, the plan continues to be in surplus position with a funded status of 116.8%.

The Actuarial Office recommends an employer contribution rate of 29.38% for fiscal year 2020-21 consistent with Government Code Section 7522.52 which requires that plans in a surplus position to contribute at least the normal cost.

## **Budget and Fiscal Impacts**

Not Applicable

## **Benefits and Risks**

One key risk measured in the June 30, 2019 funding valuation is the funded status of a plan. The funded status of a pension plan is defined as the ratio of assets to a plan's accrued liabilities. This measure, when below a certain level along with other risk measures, indicates whether a plan is at risk of not meeting future benefit obligations. The funded status of this plan has been and remains above the target level of 100%. The plan is considered well funded at this time.

## **Attachments**

Attachment 1 – Transmittal letter to the governor and Legislature

Attachment 2 – Legislators' Retirement System Actuarial Valuation report as of June 30, 2019

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