

State Valuation and Employer/Employee Contribution Rates

Finance & Administration Committee
April 21, 2020

Overview

- Actuarial valuation date – **June 30, 2019**
 - Determines required employer/employee contributions for **FY 2020-21**
- Five 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, 2018 Valuation

- Investment return of 6.7 percent in fiscal year ending June 30, 2019
- New amortization policy
 - Adopted by Board on February 14, 2018
 - Generally accelerates the recognition of new sources of unfunded liability
 - Applies only to amortization bases established on/after June 30, 2019 — prior bases will continue to be paid off according to prior policy
- Additional \$2.5 billion contributed in July 2019 (SB 90)
 - Allocated to plans in proportion to State's general fund CalPERS contributions
 - Reduced total FY 2020-21 required contribution by approximately \$134 million
 - No effect on June 30, 2019 funded status as funds came in after that date
- Changes to member contribution rates for certain groups (e.g., CHP)

Assets and Liability (in millions)

	June 30, 2018	June 30, 2019
Market Value of Assets	\$ 136,231	\$ 143,466
Accrued Liability	\$ 195,906	\$ 204,836
Unfunded Accrued Liability	\$ 59,675	\$ 61,370
Expected Employer Contributions based on Actuarially Determined Contribution Rates	\$ 6,974	\$ 7,348
Expected Employer Contributions Including Additional Contributions Pursuant to G.C. Section 20683.2	\$ 7,096	\$ 7,475

Contribution Rates (\$ in millions)

	FY 2019-20		<i>Estimated Rate*</i>	FY 2020-21	
	Employer Contribution Rate	Expected Contribution in Dollars		Employer Contribution Rate	Expected Contribution in Dollars
State Miscellaneous	30.977%	\$ 4,007	31.7%	31.43%	\$ 4,279
State Industrial	20.823%	154	21.1%	21.04%	162
State Safety	21.526%	526	21.6%	21.28%	543
State Peace Officers & Firefighters	47.198%	1,755	47.0%	47.00%	1,798
California Highway Patrol	57.811%	532	59.7%	58.84%	566
Total State		\$ 6,974			\$ 7,348

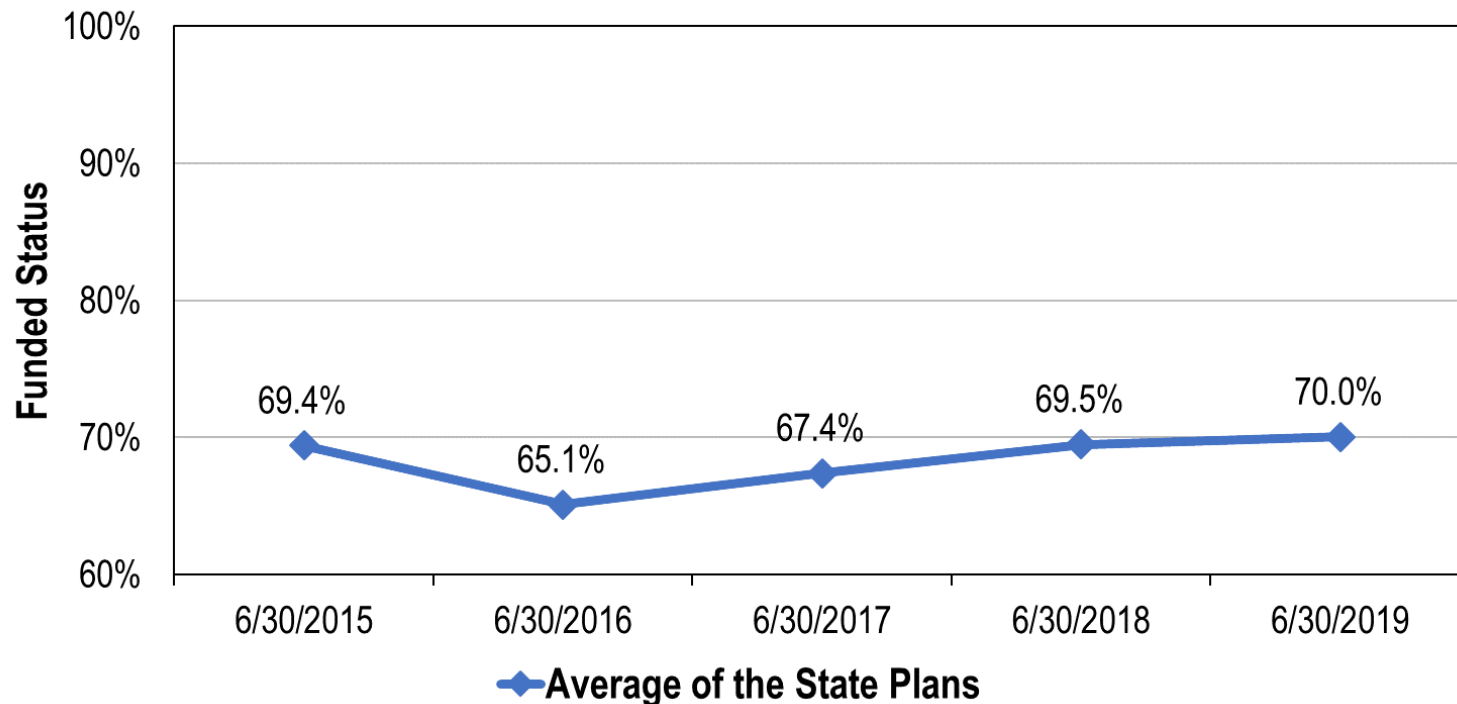
* As projected in the June 30, 2018 actuarial valuation report

Total FY 2020-21 Contributions by Plan

	Actuarially Required Employer Contribution for FY 2020-21	Additional Statutory Contribution to Offset Increased Member Contributions	Total Contribution FY 2020-21
State Miscellaneous	31.43%	0.10%	31.53%
State Industrial	21.04%	0.88%	21.92%
State Safety	21.28%	1.18%	22.46%
State Peace Officers & Firefighters	47.00%	1.65%	48.65%
California Highway Patrol	58.84%	1.32%	60.16%

Funded Status Recent History

Funded Status of the State Plans (Based on the Market Value of Assets)



Member Contributions

- Most State employees are exempt from the PEPRA requirement that members contribute 50 percent of normal cost
- PEPRA members subject to automatic 50% cost sharing:
 - Legislature
 - California State University
 - Judicial Branch
 - No change to PEPRA member contributions in FY 2020-21

Member Contributions — Bargaining Units 5, 9, 10, and 16

- State employees in Bargaining Units (BU) 5, 9, 10, and 16 generally contribute 50 percent of normal cost
- Provisions vary slightly by BU
- Member contributions effective July 1, 2020:
 - Patrol members in BU 5: increase from 11.50% to 12.50%
 - Miscellaneous members in BU 5: increase from 8.00% to 8.25%
 - Miscellaneous members in BU 9: decrease from 8.50% to 8.00% *
 - Safety members in BU 9: decrease from 11.50% to 11.00% *
 - All others in BU 5/9/10/16: no change

* 50% of normal cost sharing provisions for BU 9 expire June 30, 2020; member rates will revert to prior levels on July 1, 2020

Projected Future Employer Rates

Plan	2020-21	2021-22	2022-23	2023-24	2024-25	2025-26
State Miscellaneous	31.43%	32.0%	32.3%	32.7%	31.8%	31.6%
State Industrial	21.04%	21.4%	21.5%	21.5%	19.8%	19.5%
State Safety	21.28%	21.4%	21.4%	20.8%	20.5%	20.3%
State Peace Officers & Firefighters	47.00%	47.7%	48.1%	48.8%	47.4%	47.2%
California Highway Patrol	58.84%	59.0%	58.5%	59.1%	58.1%	58.1%

Projected rates assume 7% investment return in FY 2019-20 and following years with no changes to benefits, assumptions, or methods during the projection period. Projected rates reflect the additional \$2.5 billion contributed by the State in July 2019 pursuant to SB 90. Adjustments were made to estimate the effects of future hires entering PEPRA benefit tiers and future member contribution rate changes already codified in statute. All other demographic experience is assumed to match the actuarial assumptions.