

Schools Pool 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 **Fiscal Year 2020-2021**
- All participating school employers pay the same employer contribution rate based on total results of the Schools Pool

Significant Events Since June 30, 2018 Valuation

- Investment return of 6.7%, before reduction for administrative expenses, for FY ending June 30, 2019.
- New assumptions adopted by the Board in December 2017
 - New discount and inflation rate assumptions reflected in June 30, 2019 valuation (has been delayed one year compared to State valuations).
- New amortization policy adopted by the Board in February 2018.
 - 20-year level-dollar amortization for bases established on/after June 30, 2019.
 - No ramp-up/ramp-down except for investment (gain)/loss.
 - Change in assumption is amortized under the old policy.
- Additional \$904M contributed in July 2019 (SB-90)
 - Reduced total FY 2020-21 required contribution by approximately \$37 million.
 - Not reflected on June 30, 2019 valuation funded status.

Assets and Liability (\$ in millions)

	June 30, 2018	June 30, 2019
Market Value of Assets	\$ 64,846	\$ 68,177
Accrued Liability	\$ 92,071	\$ 99,528
Unfunded Accrued Liability	\$ 27,225	\$ 31,351
Funded Status	70.4%	68.5%
	Fiscal Year 2019-20	Fiscal Year 2020-21
Employer Contribution Rate*	19.721%	22.68%
PEPRA Member Contribution Rate	7.00%	7.00%

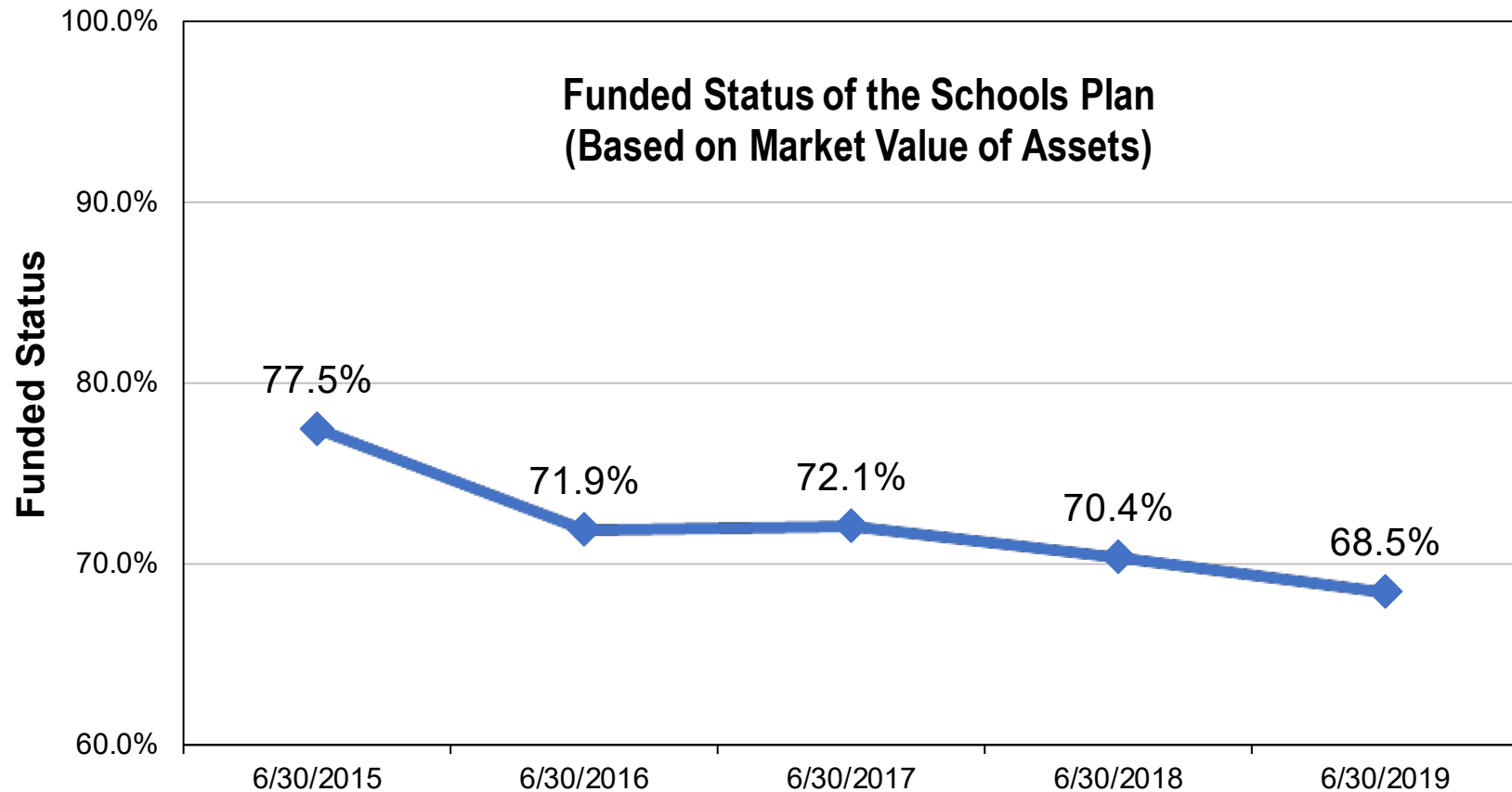
* Reflected State Contribution (Section 20825.2)

Current and Prior Year Contributions (\$ in millions)

	Fiscal Year 2019-20	Fiscal Year 2020-21	
Employer Contribution Rate%		(estimated*)	(actual)
Employer Normal Cost	8.992%	9.6%	9.47%
Unfunded Liability Rate	11.741%	13.9%	13.88%
State Contribution	<u>(1.012%)</u>	<u>(0.7%)</u>	<u>(0.67%)</u>
Required Employer Rate	19.721%	22.8%	22.68%
Expected Employer Contribution Dollars\$			
Employer Normal Cost	\$ 1,280	\$ 1,404	\$ 1,406
Unfunded Liability	1,671	2,033	2,061
State Contribution	<u>(144)</u>	<u>(100)</u>	<u>(100)</u>
Required Employer	\$ 2,807	\$ 3,337	\$ 3,367

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

Funded Status Recent History



PEPRA Member Contributions

- As of June 30, 2019 the payroll for PEPRA members is \$4.99 billion (36% of active payroll)
 - Currently saves employers 0.9% of active payroll due to the lower cost of PEPRA benefits.
- Current PEPRA member contribution rate is **7.00%**
- Since the PEPRA normal cost rate did not change by more than 1.00%, the PEPRA member contribution rate will remain at **7.00%** for the 2020-21 fiscal year.

Projected Employer Contribution Rates

Assumes 7.00% return for FY 2019-20 and thereafter

Valuation Date	Fiscal Year Impact	Projected Employer Contribution Rate
6/30/2020	2021-22	24.6%
6/30/2021	2022-23	25.5%
6/30/2022	2023-24	26.2%
6/30/2023	2024-25	26.5%
6/30/2024	2025-26	26.4%
6/30/2025	2026-27	26.2%