



## Finance and Administration Committee

# Agenda Item 6a

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**September 15, 2020**

**Item Name:** Revised State and Schools Employer/Employee Contribution Rates

**Program:** Actuarial Office

**Item Type:** Action

### **Recommendation**

Adopt the revised State and Schools employer contribution rates for the period July 1, 2020 to June 30, 2021 as set forth in Attachments 1 and 2 of this agenda item.

### **Executive Summary**

In April 2020, the Board adopted employer contribution rates for the State plans and the Schools Pool for fiscal year 2020-21. Subsequently, the actuarially determined rates have been revised to reflect changes in the State's application of the \$3.4 billion supplemental payment made in July 2019 as well as modification to certain member rates.

### **Strategic Plan**

This action item is being presented as part of the workload of the Actuarial Office and supports the Strategic Plan Goal A: Improve long-term pension and health benefit stability.

### **Background**

Government Code sections 20825.1 and 20825.2 direct the State to make supplemental payments to reduce the Unfunded Accrued Liability (UAL) for the State plans and the Schools Pool. The impact that these payments were expected to have on the fiscal year 2020-21 employer contribution rates depended on specific direction provided by the Department of Finance in 2019. Based on that direction, in April 2020, the Board adopted contribution rates for the State and Schools plans for fiscal year 2020-21, determined by the June 30, 2019 actuarial valuations. Subsequently, due to budget challenges caused by the COVID-19 pandemic, the Department of Finance provided CalPERS with new direction in June 2020. In addition, the member rate for California Highway Patrol was revised via Side Letter agreement from what was reflected in the June 30, 2019 actuarial valuation. These changes affect the actuarially determined employer contribution rates for fiscal year 2020-21 and require reapproval by the Board.

## Analysis

Revised employer contribution rates for the affected plans are shown in the table below:

	<b>Original (Adopted April 2020)</b>	<b>Change</b>	<b>Revised Employer Rate</b>
State Miscellaneous	31.43%	(2.16%)	29.27%
State Industrial	21.04%	(3.73%)	17.31%
State Safety	21.28%	(2.51%)	18.77%
State Peace Officers & Firefighters	47.00%	(12.55%)	34.45%
California Highway Patrol	58.84%	0.92%	59.76%
Schools Pool	22.68%	(1.98%)	20.70%

For the State plans, the final employer contribution rates also include additional contributions pursuant to Government Code section 20683.2, which are not reflected in the table above. See Attachment 1 for more details.

## Budget and Fiscal Impacts

Not applicable.

## Benefits and Risks

Information about the risks associated with the funding of these plans will be included in the valuation report that will be released later this year. This information includes investment return scenarios, discount rate sensitivity, volatility ratios, and other analyses.

## Attachments

Attachment 1 – Revised State Employer Contribution Rates

Attachment 2 – Revised Schools Employer Contribution Rate

Attachment 3 – PowerPoint Presentation

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