

Revised Schools Employer Contribution Rate

In April 2020, the Board adopted the employer contribution rate for the Schools Pool for fiscal year 2020-21. Subsequently, the actuarially determined rates have been revised to reflect a change in the application of the \$904 million supplemental payment made by the State in July 2019. Original and revised rates are as follow:

Comparison of Schools Pool Employer Contribution (\$ in millions)

Employer Costs by Rate and Dollars	April Board Meeting Fiscal Year 2020-21	AB 84/SB 111 Reallocation of State Payment	Final Fiscal Year 2020-21
Employer Contribution Rate			
Employer Normal Cost	9.47%	0.00%	9.47%
Unfunded Liability Rate	13.88%	0.25%	14.13%
State Contribution (Section 20825.2)	<u>(0.67%)</u>	<u>(2.23%)</u>	<u>(2.90%)</u>
Required Employer Rate	22.68%	(1.98%)	20.70%
Projected Payroll*	\$14,844		\$14,844
Employer Contribution Dollars			
Employer Normal Cost	\$1,406	\$0	\$1,406
Unfunded Liability Rate	2,061	37	2,098
State Contribution (Section 20825.2)	<u>(100)</u>	<u>(330)</u>	<u>(430)</u>
Required Employer Rate	\$3,367	(\$293)	\$3,074

* Note that the projected payroll is the payroll used in the valuation projected to the contribution year using the payroll growth assumption of 2.75% per year. To the extent that payroll in the contribution year is different than the projected payroll, the actual contribution amounts will be different than the expected contributions shown in the table above.

Background

In April 2020, the Board adopted the employer contribution rate for the Schools Pool for fiscal year 2020-21, determined by the June 30, 2019 actuarial valuation. Subsequently, due to budget challenges caused by the COVID-19 pandemic, the State modified the application of the \$904 million supplemental payment made by the State in July 2019 via the enactment of Assembly Bill 84/Senate Bill 111. This change affects the actuarially determined employer contribution rate for fiscal year 2020-21.

Certain other results of the June 30, 2019 valuation, including but not limited to Member contribution rates, accrued liability, market value of assets, unfunded accrued liability, and funded status, are unchanged from what was reported in Agenda Item 7d from the April 21, 2020 Finance and Administration Committee meeting.

Expected Future Changes

An updated projection will be included in the actuarial valuation report that will include the impact of the actual investment return in fiscal year 2019-20. This report will be available later this year.

Benefits and Risks

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