

State Valuation and Employer/Employee Contribution Rates

Finance & Administration Committee
April 19, 2021

Overview

- Actuarial valuation date – **June 30, 2020**
 - Determines required employer/employee contributions for **FY 2021-22**
- Five plans
 - State Miscellaneous
 - State Industrial
 - State Safety
 - State Peace Officers & Firefighters
 - California Highway Patrol

Significant Events Since June 30, 2019 Valuation

- Investment Return
 - Investment return for fiscal year 2019-20 of 4.7% (before reduction for administrative expenses)
- Additional Contributions
 - \$2.5 billion contributed in July 2019 (AB 84)
 - Allocated to plans in proportion to State's general fund CalPERS contributions
 - Reduced total FY 2021-22 required contribution by approximately \$1.4 billion, equivalent to 6.18% of total payroll
 - Improved the funded ratio by about 1.2%
 - \$268M contributed to CHP in August 2020
 - Will be reflected in the June 30, 2021 funded status
 - Annual savings due to additional payment deferred to FY 2023-24

Assets and Liability (in millions)

	June 30, 2019	June 30, 2020
Market Value of Assets	\$ 143,466	\$ 151,209
Accrued Liability	\$ 204,836	\$ 214,161
Unfunded Accrued Liability	\$ 61,370	\$ 62,952
Expected Employer Contributions based on Actuarially Determined Contribution Rates	\$ 6,491	\$ 6,651
Expected Employer Contributions Including Additional Contributions Pursuant to G.C. Section 20683.2	\$ 6,617	\$ 6,783

Contribution Rates (\$ in millions)

	FY 2020-21		<i>Estimated Rate*</i>	FY 2021-22	
	Employer Contribution Rate	Expected Contribution in Dollars		Employer Contribution Rate	Expected Contribution in Dollars
State Miscellaneous	29.27%	\$ 3,986	29.4%	29.18%	\$ 4,169
State Industrial	17.31%	133	16.6%	16.46%	133
State Safety	18.77%	479	18.2%	18.29%	476
State Peace Officers & Firefighters	34.45%	1,318	30.9%	31.19%	1,263
California Highway Patrol	59.76%	575	61.3%	62.39%	610
Total State		\$ 6,491			\$ 6,651

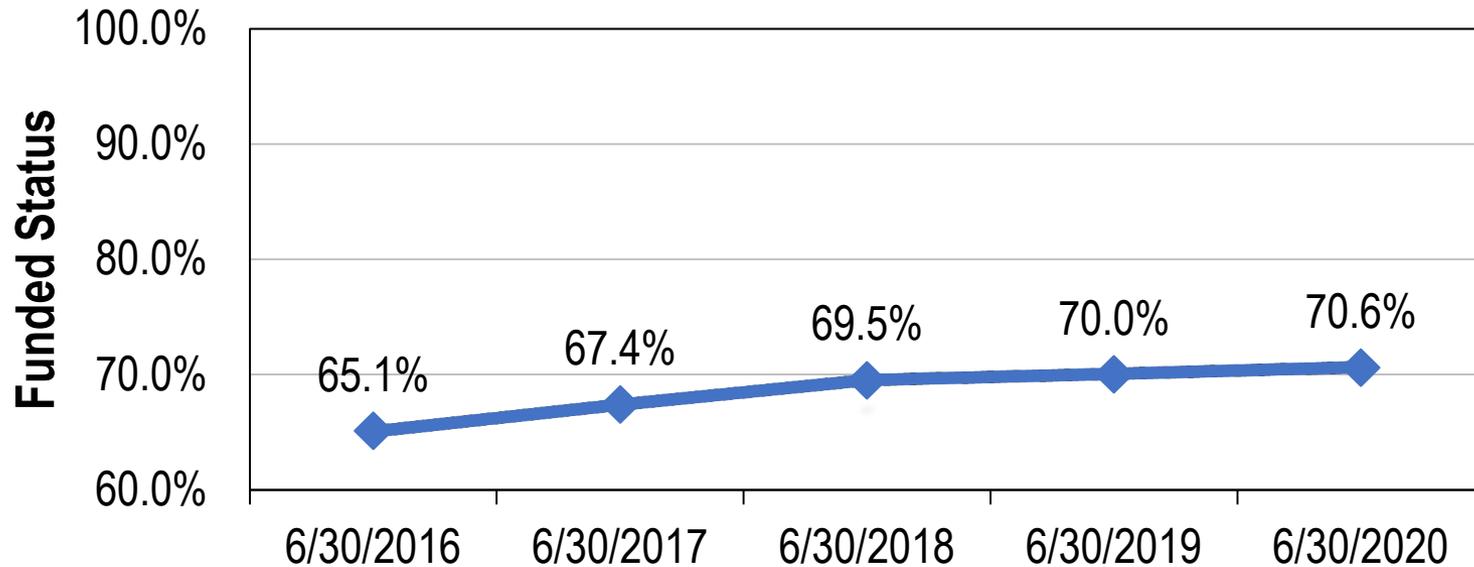
* As projected in the June 30, 2019 actuarial valuation report

Total FY 2021-22 Contributions by Plan

	Actuarially Required Employer Contribution for FY 2021-22	Additional Statutory Contribution to Offset Increased Member Contributions	Total Contribution FY 2021-22
State Miscellaneous	29.18%	0.10%	29.28%
State Industrial	16.46%	0.88%	17.34%
State Safety	18.29%	1.18%	19.47%
State Peace Officers & Firefighters	31.19%	1.65%	32.84%
California Highway Patrol	62.39%	1.32%	63.71%

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% 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 2021-22

Member Contributions – Bargaining Unit 16

- State employees in Bargaining Unit 16 generally contribute 50% of normal cost
- No change to member contributions in FY 2021-22

Projected Future Employer Rates

Plan	2021-22	2022-23	2023-24	2024-25	2025-26	2026-27
State Miscellaneous	29.18%	33.0%	33.7%	33.1%	33.2%	33.1%
State Industrial	16.46%	22.5%	22.7%	21.3%	21.2%	21.1%
State Safety	18.29%	22.5%	22.1%	22.1%	22.2%	21.9%
State Peace Officers & Firefighters	31.19%	50.9%	51.9%	50.8%	51.0%	50.6%
California Highway Patrol	62.39%	63.3%	62.4%	61.6%	61.9%	59.3%

Projected rates assume 7% investment return in FY 2020-21 and following years with no changes to benefits, assumptions, or methods during the projection period. Adjustments were made to estimate the effects of future hires entering PEPPRA benefit tiers and future member contribution rate changes already codified in statute. All other demographic experience is assumed to match the actuarial assumptions.