



Finance and Administration Committee

Agenda Item 6a

September 14, 2021

Item Name: Revised State Employer and Employee Contribution Rates

Program: Actuarial Office

Item Type: Action

Recommendation

Adopt the revised State employer contribution rates for the period July 1, 2021 to June 30, 2022 as set forth in the table in the executive summary of this agenda item.

Executive Summary

In April 2021, the board adopted employer contribution rates for the State plans for fiscal year 2021-22. Subsequently, the actuarially determined rates have been revised to reflect a change to certain member rates. Original and revised rates are as follow:

	Original (Adopted April 2021)	Revised Actuarially Determined Rate
State Miscellaneous	29.18%	29.12%
California Highway Patrol	62.39%	61.46%

Strategic Plan

This action item is being presented as part of the workload of the Actuarial Office and supports the strategic plan goal of fund sustainability.

Background

The five plans included in this valuation provide retirement benefits to members employed by the State of California. This includes employees of the California State University system but generally does not include employees of the University of California system. It also does not cover school employees or employees of local governments that have elected to contract with CalPERS.

In April 2021, the board adopted contribution rates for the State plans for fiscal year 2021-22, determined by the June 30, 2020 actuarial valuation. Subsequently, due to collective bargaining, certain member categories in bargaining units 5 and 9 have increased member contribution

rates effective July 1, 2021. These changes affect the actuarially determined employer contribution rates for fiscal year 2021-22 and require reapproval by the board.

Certain other results of the June 30, 2020 valuation, including but not limited to accrued liability, market value of assets, unfunded accrued liability, and funded status, are unchanged from what was reported in Agenda Item 6c from the April 19, 2021 Finance and Administration Committee meeting.

Analysis

Member Contribution Changes

The employer contribution rates initially adopted by the board in April 2021 used the previously known member contribution rates that were to be effective July 1, 2021. As a result of collective bargaining, certain member contribution rates, effective July 1, 2021, will be higher than previously anticipated. This necessitates a decrease in the required employer contribution rates for fiscal year 2021-22.

Members represented by State Bargaining Units 5 and 9 are required to contribute 50% of the total annual normal cost of their pension benefit. While the concept is analogous to PEPPRA normal cost sharing under Government Code section 7522.30, the specific rules governing the change in member rates for most state employees differ by Bargaining Unit. Please refer to attachment 1 for details of the member contribution rates for these Bargaining Units.

Impact of Changes on Actuarially Determined Employer Contributions

Shown here are the original actuarially determined employer contributions for fiscal year 2021-22 approved by the board in April 2021, the effects of the changes described above, and the revised total employer contributions:

Plan	Original Rate (Approved by Board in April 2021)	Change due to change in Member Rate	Revised Total Employer Contribution Rate
State Miscellaneous	29.18%	(0.06%)	29.12%
California Highway Patrol	62.39%	(0.93%)	61.46%

Additional Contribution Pursuant to Government Code Section 20683.2

Employer contributions pursuant to Government Code section 20683.2, appropriated annually as part of the state budget, are in addition to the actuarially determined contributions. For more background on these contributions, see [agenda Item 6c](#) from the April 19, 2021 Finance and Administration Committee meeting. Employer contributions for fiscal year 2021-22 including the section 20683.2 additional contributions are as follow:

Plan	Revised Total Employer Contribution for 2021-22	Additional Statutory Contribution for GC §20683.2	Final Total Contribution for 2021-22
State Miscellaneous	29.12%	0.10%	29.22%
California Highway Patrol	61.46%	1.32%	62.78%

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 – Member Contribution Rates for State Bargaining Units 5 & 9

Attachment 2 – Revised State Employer and Employee Contribution Rates PowerPoint Presentation

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