

How Investment Returns Impact Employer Contributions

Finance and Administration Committee
September 19, 2023

Annual Actuarial Valuation Reports

Published 13 months after fiscal year end

SCHOOLS



Employer Contribution Rates Effective 1 Year Following Published Valuation Date

STATE



Employer Contribution Rates Effective 1 Year Following Published Valuation Date

PUBLIC AGENCIES



Employer Contribution Rates Effective 2 Years Following Published Valuation Date

Valuation Report Actuarial Assumptions



Board approves during asset-liability management cycle

Actual & Assumed Experience of

- **Investment Returns**
- Payroll
- Benefits
- Longevity

Each valuation report reflects any difference between actual and assumed plan experience

Valuation Report Actuarial Assumptions



Actuarial Valuation
Reports

Assumptions represent **long-term** expectations (20+ years)

- Not typically changed due to 1 or 2 years of inconsistent experience

Asset-Liability Mid-Cycle Review (2023)

- Capital Market Assumptions
- Strategic Asset Allocations
- More Details in November

Not recommending any changes to assumptions during Mid-Cycle Review

Investment Return Reporting

Investment Returns



Preliminary Rates in July

Finalized in September

PERF Asset Valuations



**Annual Comprehensive
Financial Report**

Published in November

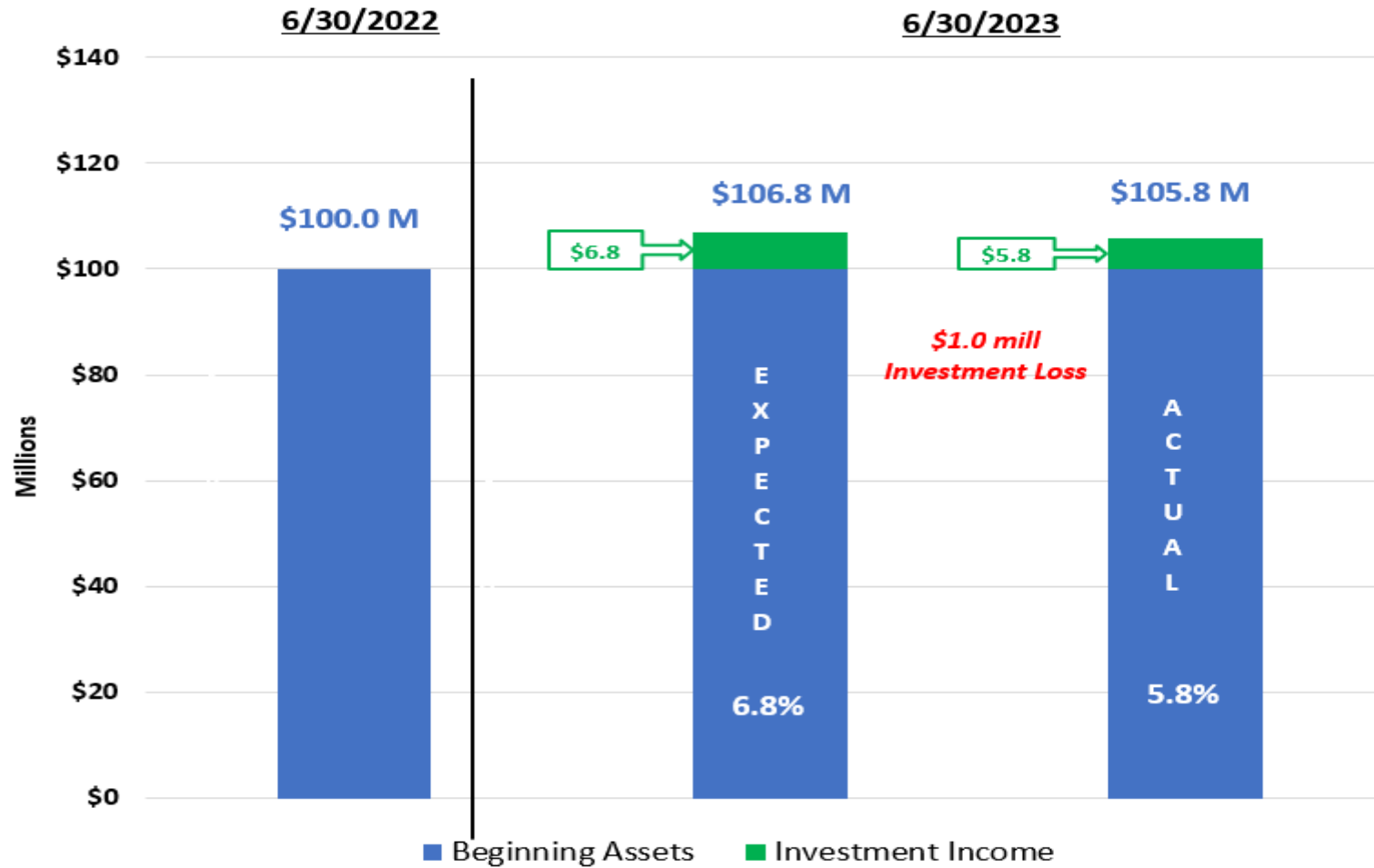
Investment Return Reporting Example

Fiscal Year	Investment*		ACFR & Valuation Reports**	
	Market Value of Assets	1-Yr Return	Market Value of Assets	1-Yr Return
FY 22/23	\$462.8 billion	5.8%	TBD	TBD
FY 21/22	\$440.2 billion	-6.1%	\$439.4 billion	-7.5%
FY 20/21	\$470.8 billion	+21.3%	\$477.3 billion	+22.4%

* Reflects private equity and real asset valuations as of Mar 31

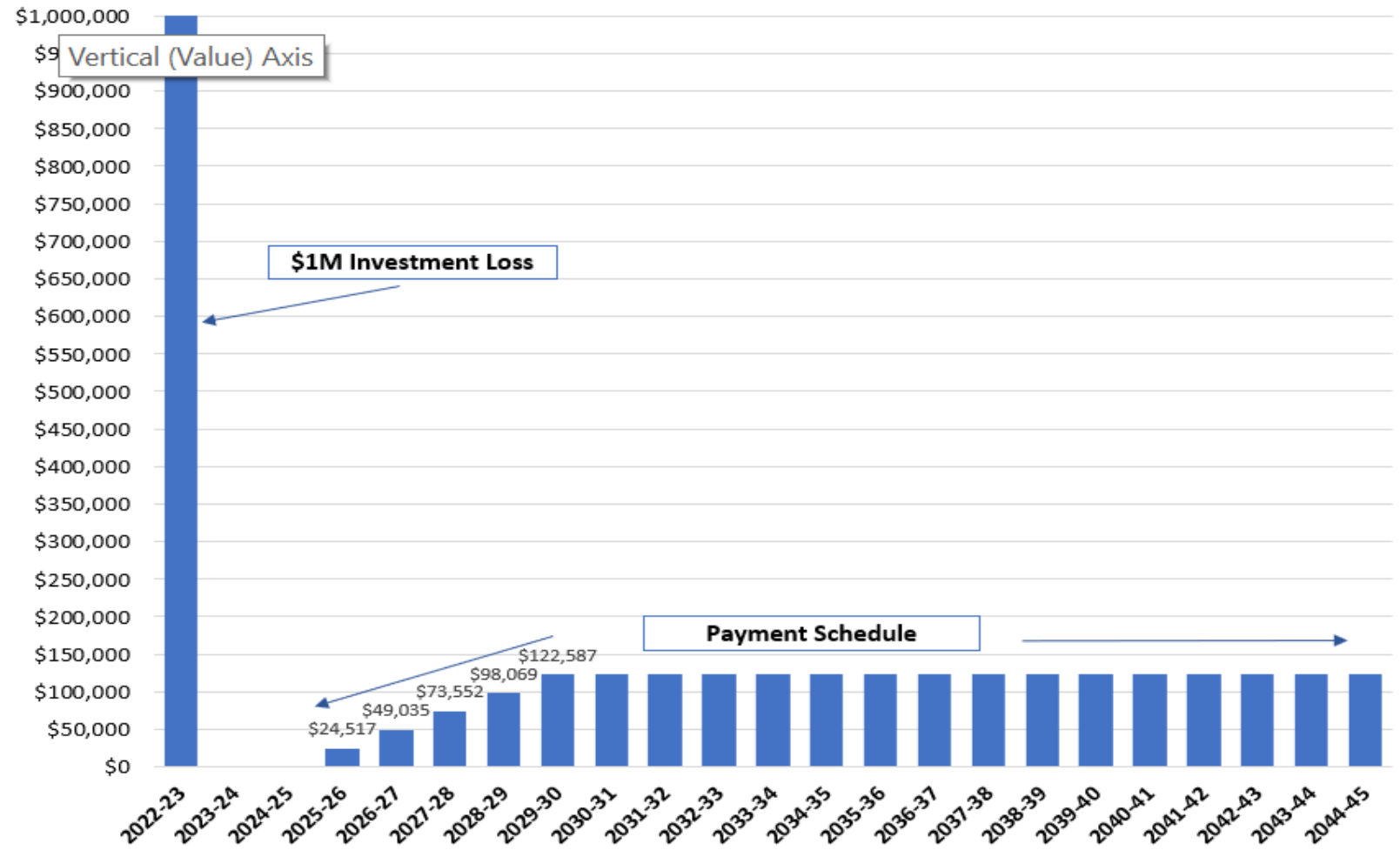
** Reflects private equity and real asset valuations as of June 30

1% Investment Loss for Plan with \$100 M in Assets



1% Investment Loss for Plan with \$100 M in Assets

- Investment Loss - \$1 million at 6.30.23
- Payments commence FY 2025-26



Pension Outlook Tool – Model Any Plan’s Contribution Rate Projections

+ Modeling Assumptions

Modeling Assumptions

Economic Assumptions

Details	Baseline	Model
Discount Rate	6.800%	6.800%
Payroll Growth	2.800%	2.800%
Inflation Rate	2.300%	2.300%

Investment Scenario Chosen

Rate	Period
5.800%	1
6.800%	1
6.800%	7
6.800%	20

Other Assumptions

Details	Baseline	Model
PEPRA	Yes	Yes
Transition Years	15	15
ADP	No	No

30 Year Budget

Download the [Fiscal Year Cost and Annual Relative Increase in Cost \(XLSX\)](#).

Pension Outlook Tool – Model Any Plan’s Contribution Rate Projections

Summary

Funding

Cash Flow

Budget

