

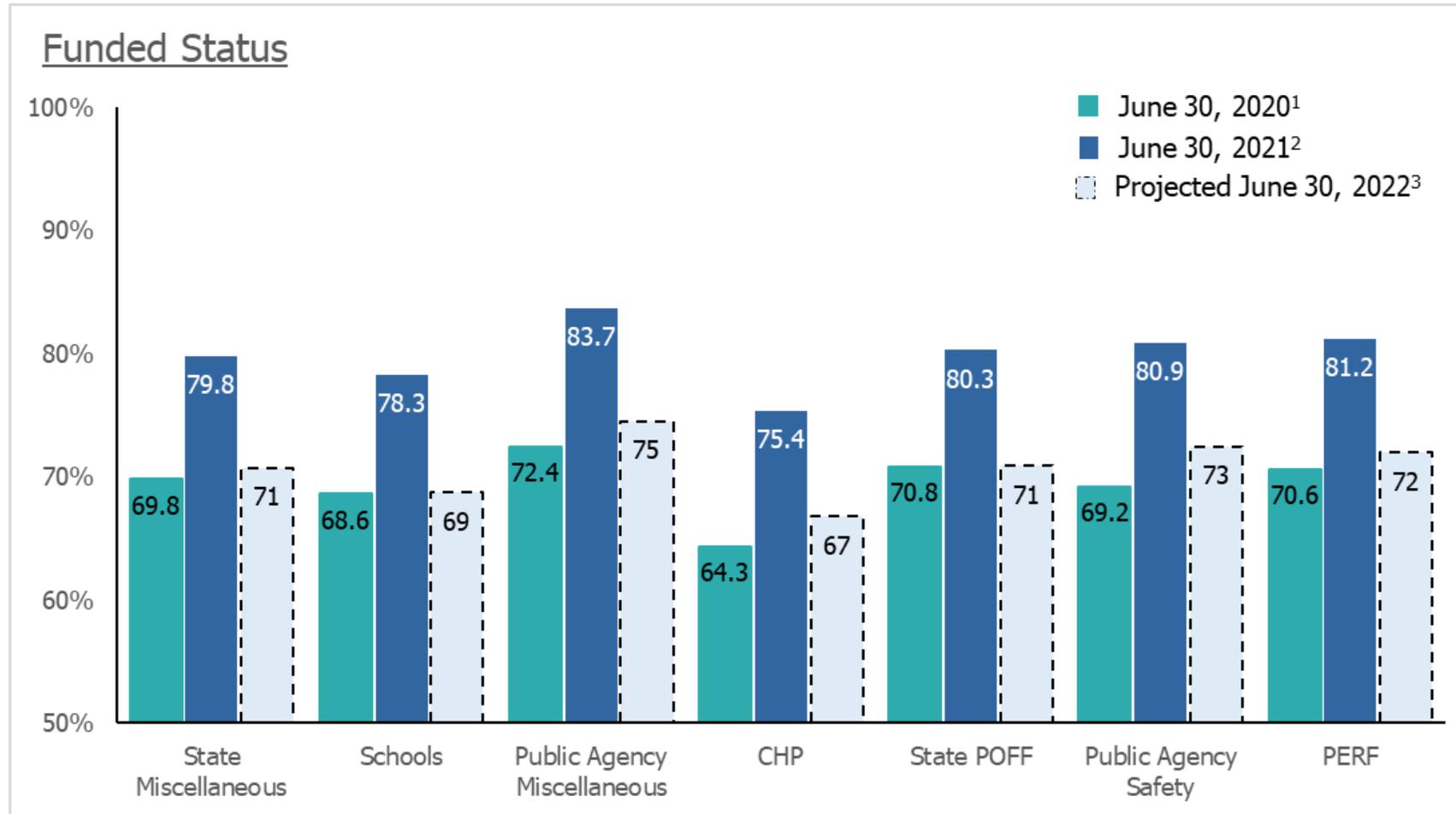
2022 Annual Review of Funding Levels and Risks Report

Finance & Administration Committee
November 15, 2022

Important Items

- Current Funded Status of Retirement System
- Current and Projected Contribution Requirements
- Identification of Key Risks and Potential Impacts
- Opportunities for Risk Mitigation and Improved System Sustainability – Past and Future

Funded Status



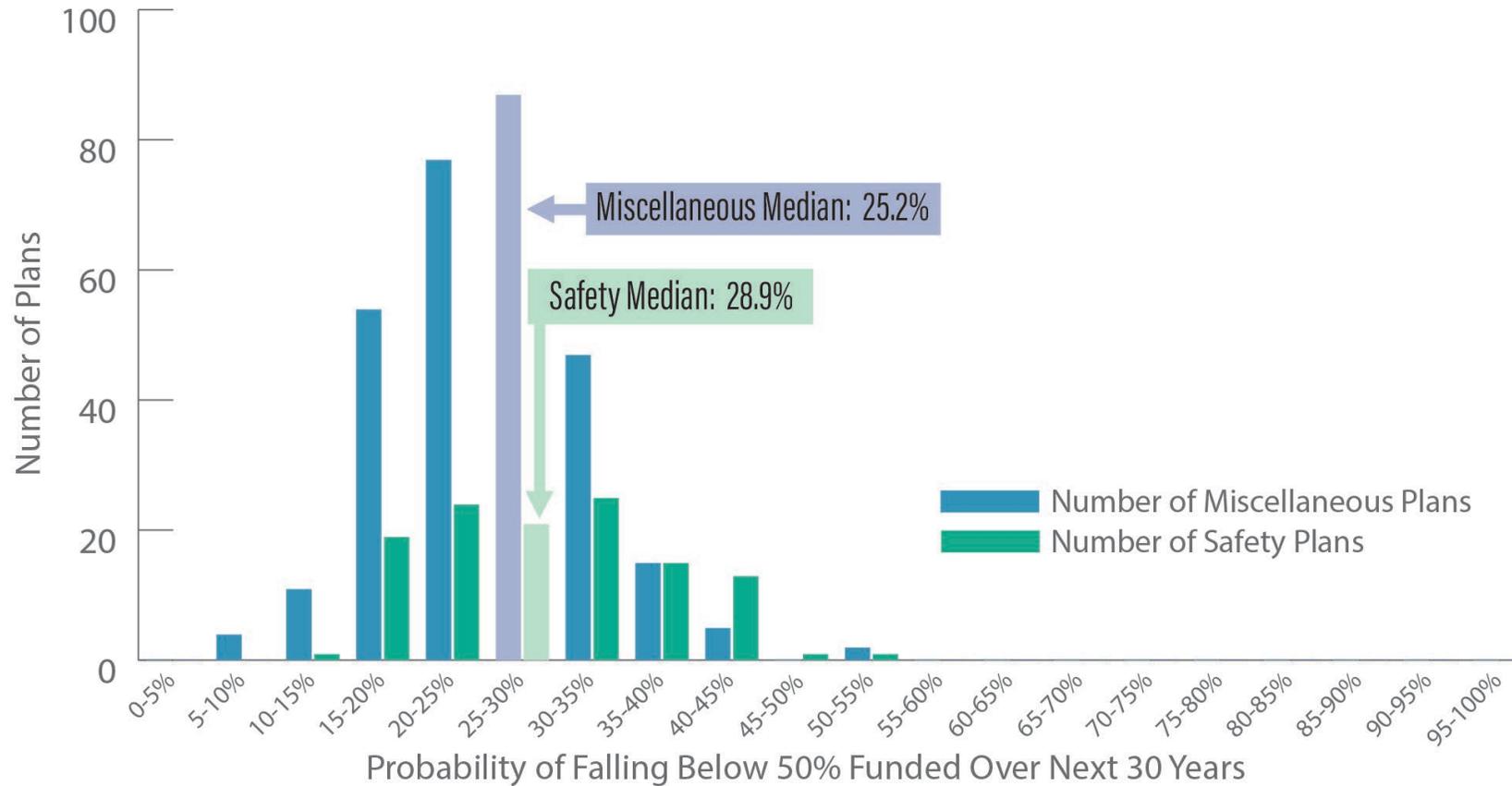
¹June 30, 2020 valuations using 7.00% discount rate.

²June 30, 2021 valuations using 6.80% discount rate.

³June 30, 2022 projected funded status based on a preliminary investment return of -7.4% for FY 2021-22.

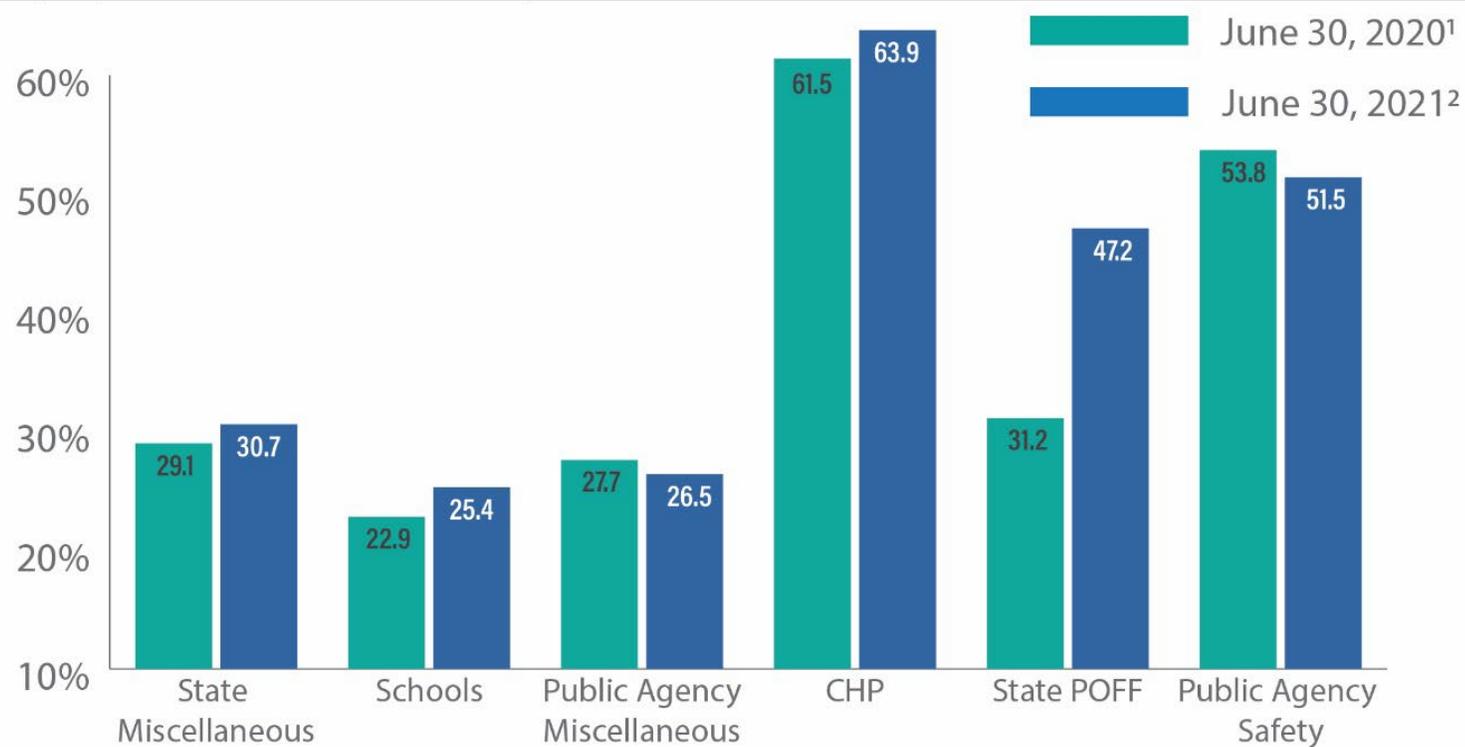
Risk of Falling Below 50% Funded

Distribution of Non-Pooled Public Agency Plans



Employer Contribution Rates

Employer Contribution Rates by Valuation Date



¹June 30, 2020 valuations for state plans and the schools pool set FY 2021-22 rates and set FY 2022-23 rates for public agencies.

²June 30, 2021 valuations for state plans and the schools pool set FY 2022-23 rates and set FY 2023-24 rates for public agencies.

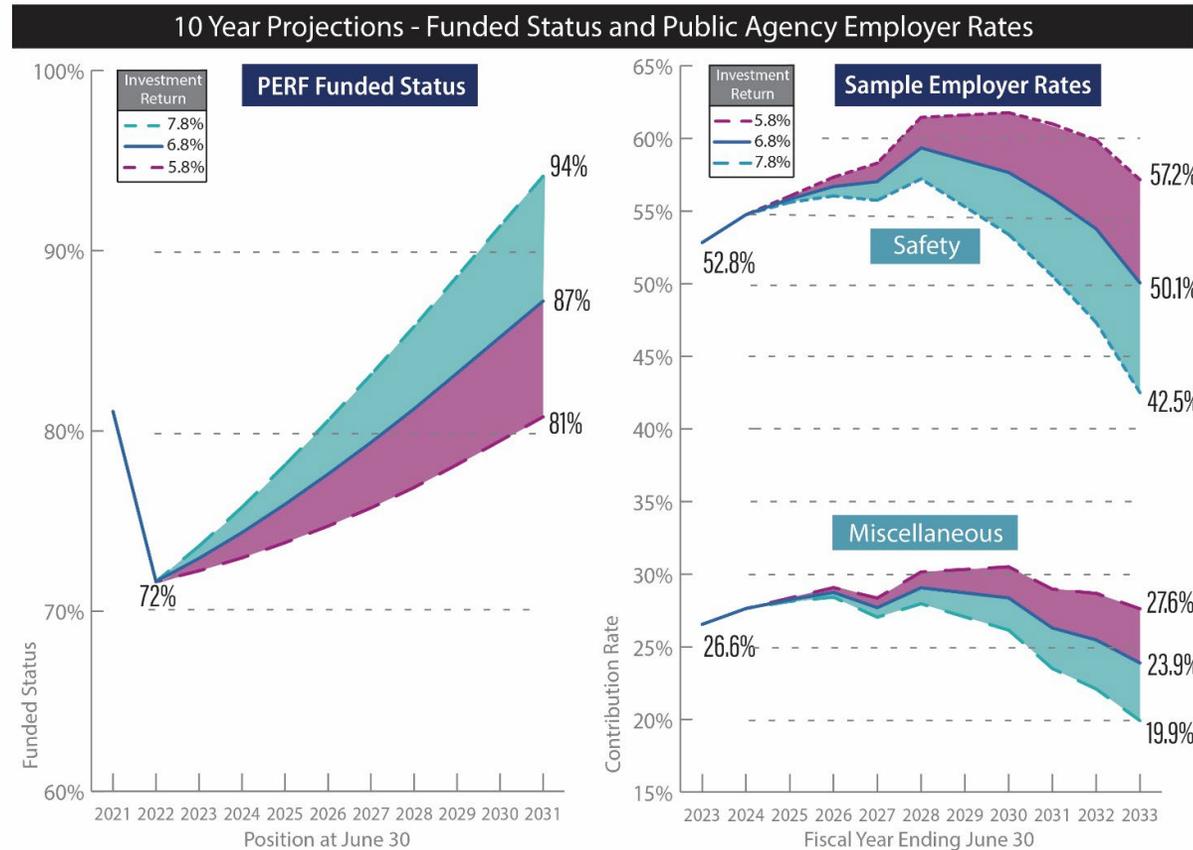
Projected Contribution Rates

Recent and Projected¹ Employer Contribution Rates (FY 2022-23 through FY 2027-28)



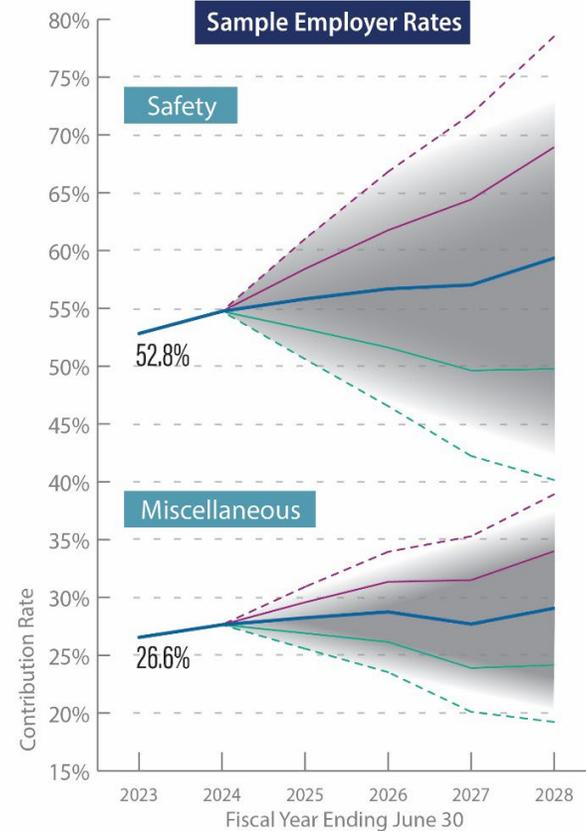
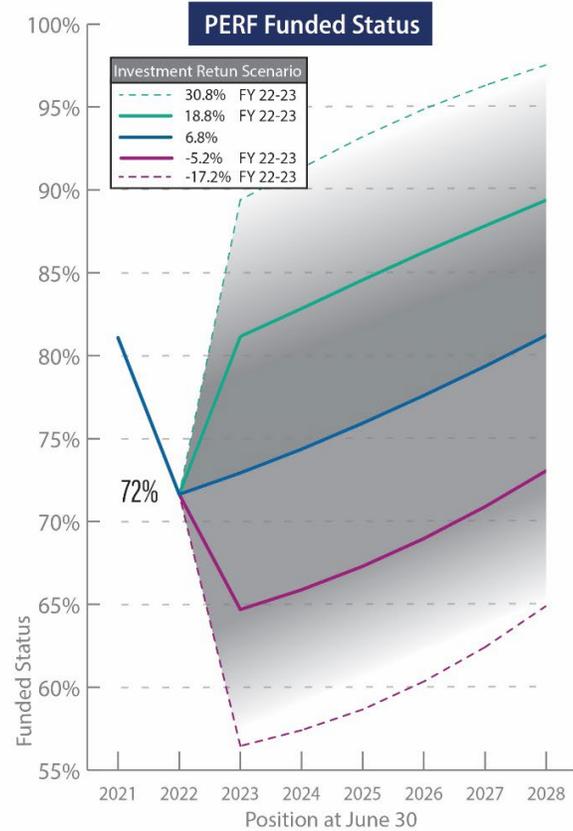
¹FY 2022-23 state plan and schools pool rates are actual. FY 2022-23 and 2023-24 public agency rates are actual.

Alternate Investment Scenarios



Alternate Investment Scenarios

Hypothetical Investment Return Scenarios - Funded Status and Public Agency Employer Rates



Inflation

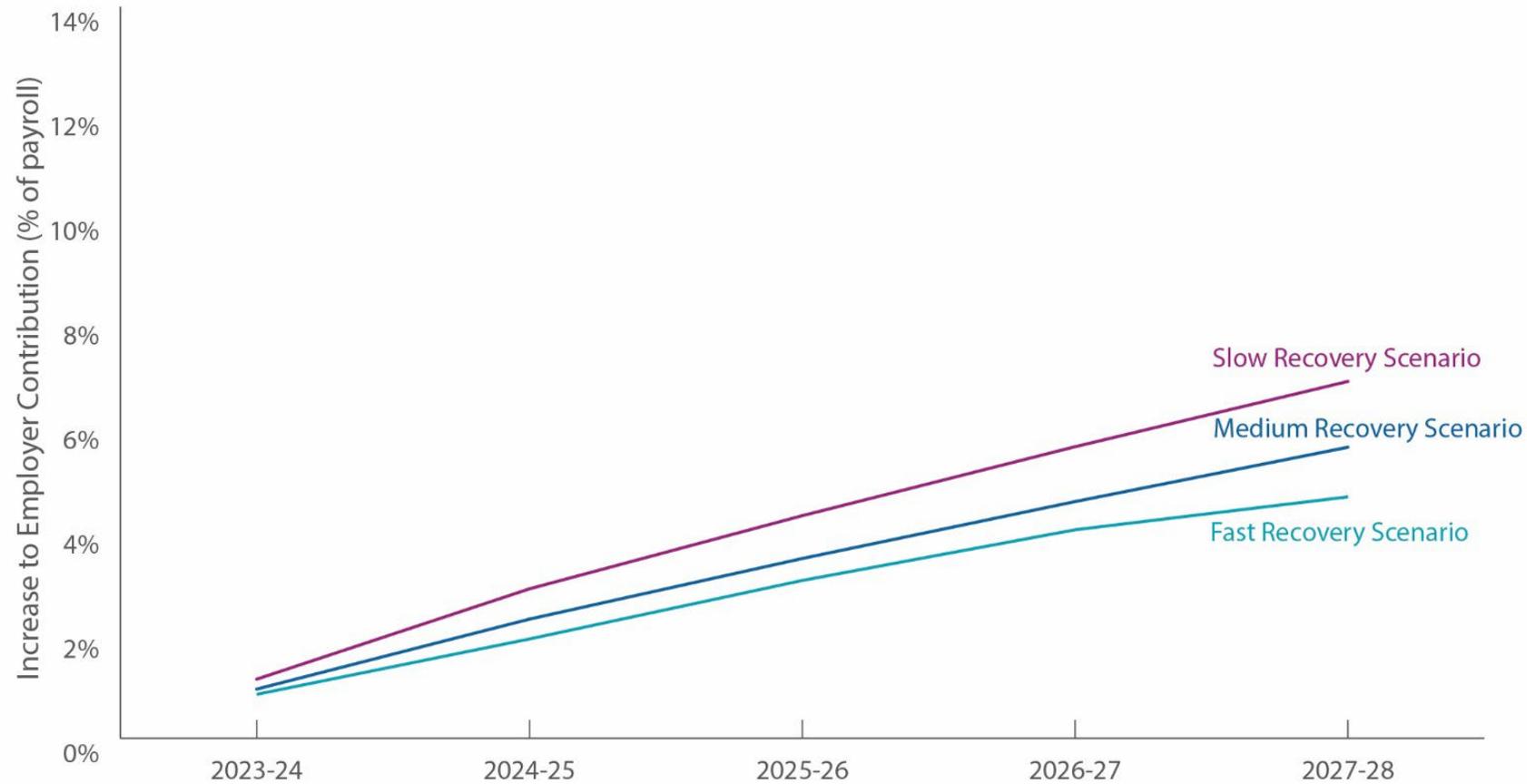
- 40-year high
- Impacts
 - Cost of Living Adjustments
 - Salary increases
 - PEPRA pay cap
 - Federal limits on compensation and benefits
- How long will high inflation persist?

Inflation Recovery Scenarios

Projection Year	Fast	Medium	Slow
1	5.0%	5.0%	5.0%
2	8.0%	8.0%	8.0%
3	3.0%	4.0%	6.0%
4	2.3%	3.0%	4.0%
5 and beyond	2.3%	2.3%	2.3%

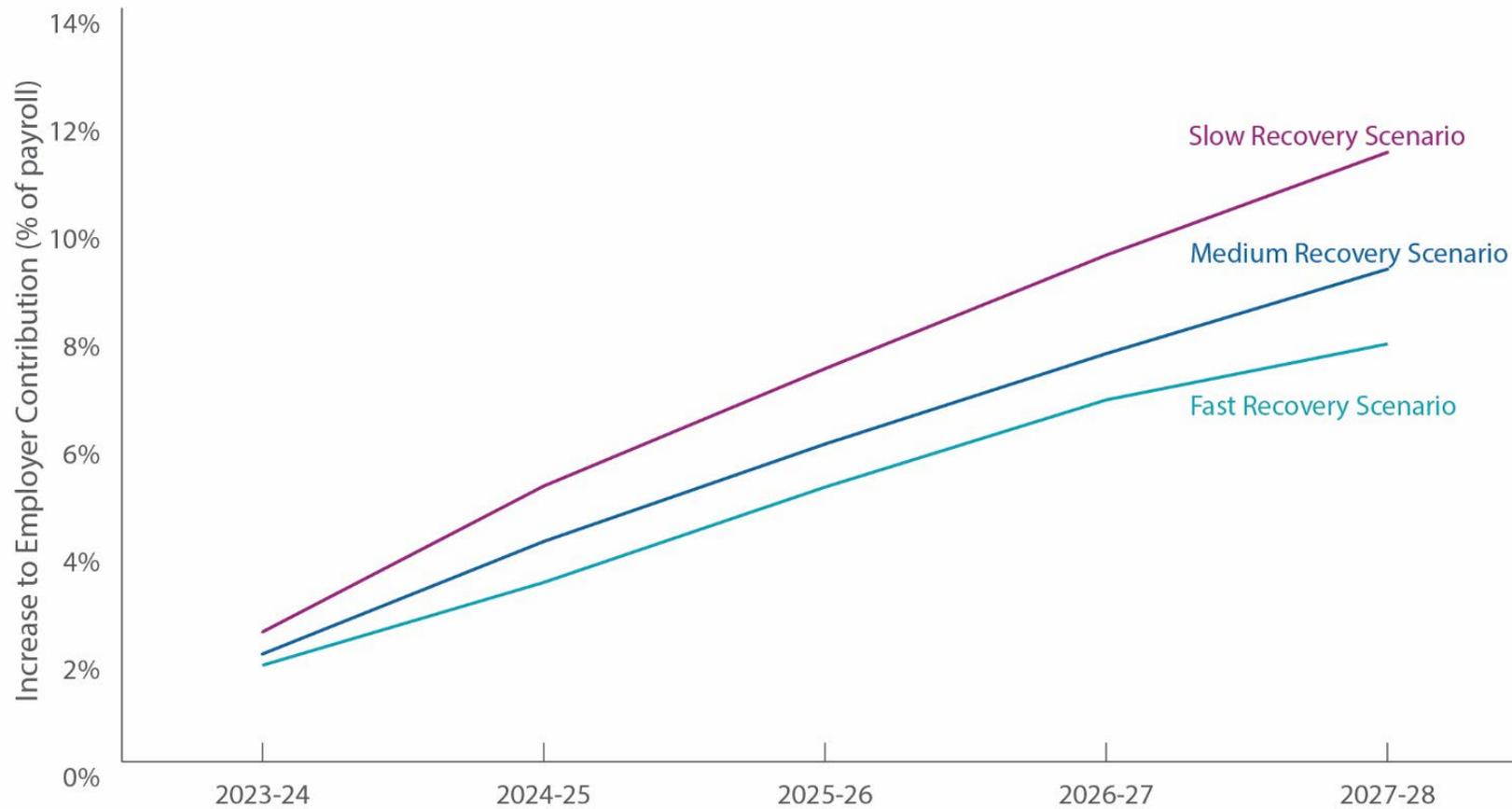
Possible Impact of High Inflation – Miscellaneous

Miscellaneous Non-Pooled Public Agency Plans



Possible Impact of High Inflation – Safety

Safety Non-Pooled Public Agency Plans

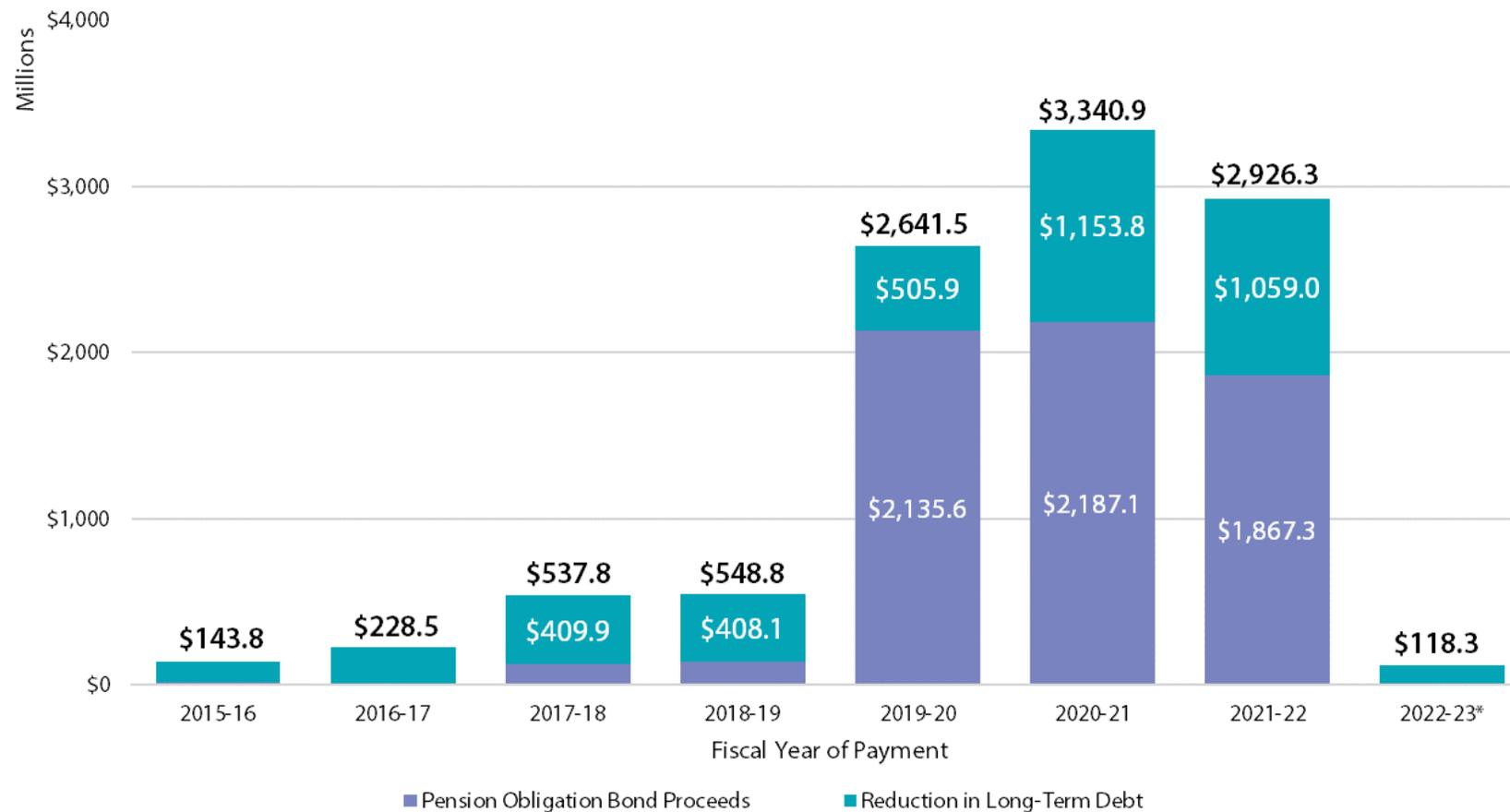


Recent Risk-Mitigating Activities

- Adoption of Modified Amortization Policy
- Substantial additional discretionary payments made by employers (ADPs)
- Use of separate 115 trust by many employers
- Adoption of new investment policy
- Improvements in actuarial assumption setting methods
- Improved stakeholder modeling tools

History of Additional ADPs

Public Agency Additional Discretionary Payments by Fiscal Year



Recommended Areas of Ongoing Focus

- Continual evaluation of investment risk targets including the Funding Risk Mitigation Policy
- Continue to improve modeling tools and stakeholder education
- Stakeholder outreach for information on employers' ability to make required contributions