



Finance and Administration Committee

Agenda Item 4e

February 20, 2024

Item Name: Legislators’ Retirement System Actuarial Valuation and Employer and Employee Contribution Rates

Program: Actuarial Office

Item Type: Action Consent

Recommendation

- Approve the June 30, 2023, Legislators’ Retirement System Actuarial Valuation report and the corresponding transmittal letter to the governor and Legislature.
- Adopt the employer contribution amount of \$75,085 for the period of July 1, 2024, through June 30, 2025, for the Legislators’ Retirement System.

Executive Summary

The following table summarizes key results from the valuation:

	June 30, 2022	June 30, 2023
Present Value of Benefits	\$ 94,756,910	\$ 97,069,061
Accrued Liability	\$ 94,697,328	\$ 97,069,061
Market Value of Assets	\$ 103,991,312	\$ 96,998,773
Unfunded Liability/(Surplus)	(\$ 9,293,984)	\$ 70,288
Funded Status	109.8%	99.9%
Required Employer Contribution Rate	0.00%	N/A ¹
Unfunded Accrued Liability Payment	\$ 0	\$ 75,085
Paid either as		
1) Monthly Payment	\$ 0	\$ 6,257
<i>Or</i>		
2) Annual Prepayment Option	\$ 0	\$ 73,451

1) The Legislators’ Retirement System no longer has active members and therefore no projected payroll. Employer Contribution Rates reported as a percent of payroll are no longer applicable for this plan.

Strategic Plan

This action item is being presented as part of the regular and ongoing workload of the Actuarial Office and supports the Strategic Plan goal of Pension Sustainability.

Background

The Legislators' Retirement System was established in 1947. This actuarial valuation report is presented in accordance with Section 9354.5 of the LRS Law. The valuation report provides information regarding retirement and ancillary benefits for Senators and Members of the Assembly (first elected prior to November 7, 1990), Constitutional Officers (first elected prior to December 31, 2012), and Legislative Statutory Officers (first appointed prior to December 31, 2012).

The system was closed to newly elected Senators and Members of the Assembly by the Political Reform Act of 1990 (Proposition 140) but remained open to new Constitutional and Legislative Statutory Officers.

With the passage of Assembly Bill 340 (PEPRA) in 2012, the LRS was closed to all new potential members effective January 1, 2013.

Assembly Bill 340 also required public employer's contributions, in combination with employee contributions, cannot be less than the normal cost rate.

Analysis

In the June 30, 2022, Legislators' Actuarial Valuation, the plan was in a surplus position with a funded status of 109.8%. The Board adopted an employer contribution rate of 0.00%.

In the June 30, 2023, valuation, the plan has moved into an unfunded position with a funded status of 99.9%. This decrease was largely driven by recent investment losses and higher than assumed cost of living adjustments.

The actuarial office recommends the board adopt a contribution of \$75,085 for FY 2024-25. This contribution will completely amortize the June 30, 2023, unfunded accrued liability.

Budget and Fiscal Impacts

Not Applicable

Benefits and Risks

One key risk measured in the June 30, 2023, funding valuation is the funded status of a plan. The funded status of a pension plan is defined as the ratio of assets to a plan's accrued liabilities. This measure, when below a certain level along with other risk measures, indicates whether a plan is at risk of not meeting future benefit obligations. This plan is not fully funded as of the valuation date. However, it is expected to be fully funded as a result of the recommended employer contribution for FY 2024-25.

During the time period between the valuation date and the publication of this report, inflation has been higher than the expected inflation of 2.3% per annum. Since inflation influences cost-of-living increases for retirees and beneficiaries, higher inflation is likely to put at least some upward pressure on contribution requirements and downward pressure on the funded status in the June 30, 2024, valuation.

Attachments

Attachment 1 – Transmittal letter to the governor and Legislature

Attachment 2 – Legislators' Retirement System Actuarial Valuation report as of June 30, 2023

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