

Sacramento County Employees' Retirement System



SCERS

SACRAMENTO COUNTY
EMPLOYEES' RETIREMENT SYSTEM

SCALE Presentation
January 31, 2019

Retirement Benefit Overview

- County enhanced benefits for SCERS members effective 6/29/2003.
- State Legislature set a lower standard benefit as part of Public Employees' Pension Reform Act of 2013 (PEPRA), which applies to members joining public retirement systems on and after 1/1/2013.
- 5 years later, SCERS' membership and benefit commitments have changed significantly.

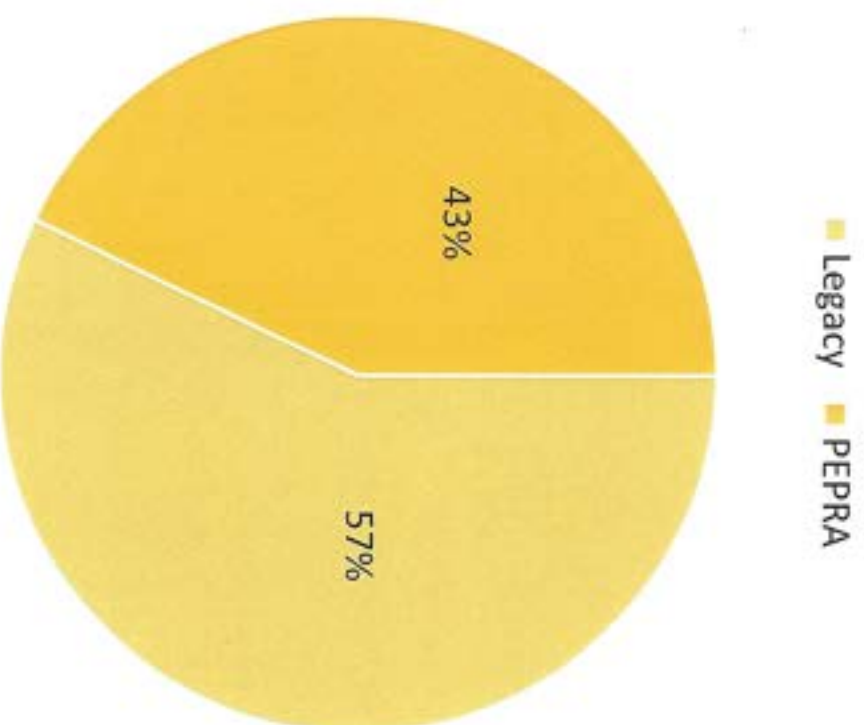


Comparison of Benefit Tiers

Legacy	PEPRA
Misc Tiers 1-3: 2% at 55 ½	Misc Tier 5: 2% at 62
Misc Tier 4: 2% at 61 ¼	Safety Tier 4: 2.7% at 57
Safety Tiers 1-2: 3% at 50	
Safety Tier 3: 3% at 55	
1-3 year Final Compensation Period	3-year Final Compensation Period
Compensation Earnable: Includes Pay Differentials, Vacation Sellback	Pensionable Compensation: Base Pay Only; Cap on pensionable earnings
50/50 Normal Cost-Sharing by MOU	50/50 Normal Cost-Sharing by Statute

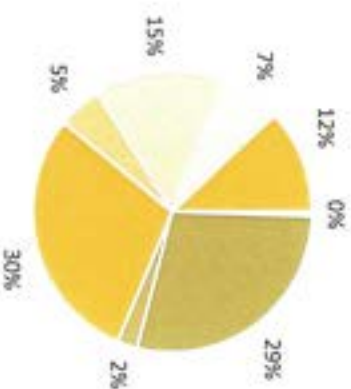


SCALE Membership

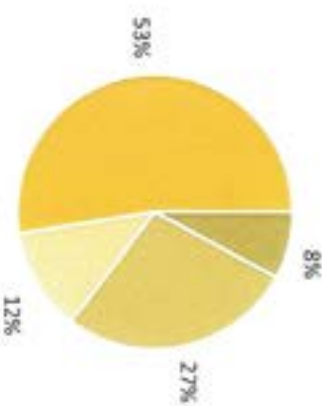


SCALE Membership by Retirement Tier

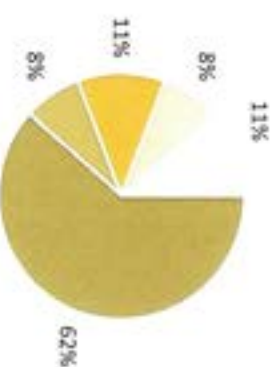
Supervisory Unit (004):
217 Members



Peace Officers Unit (031):
116 Members



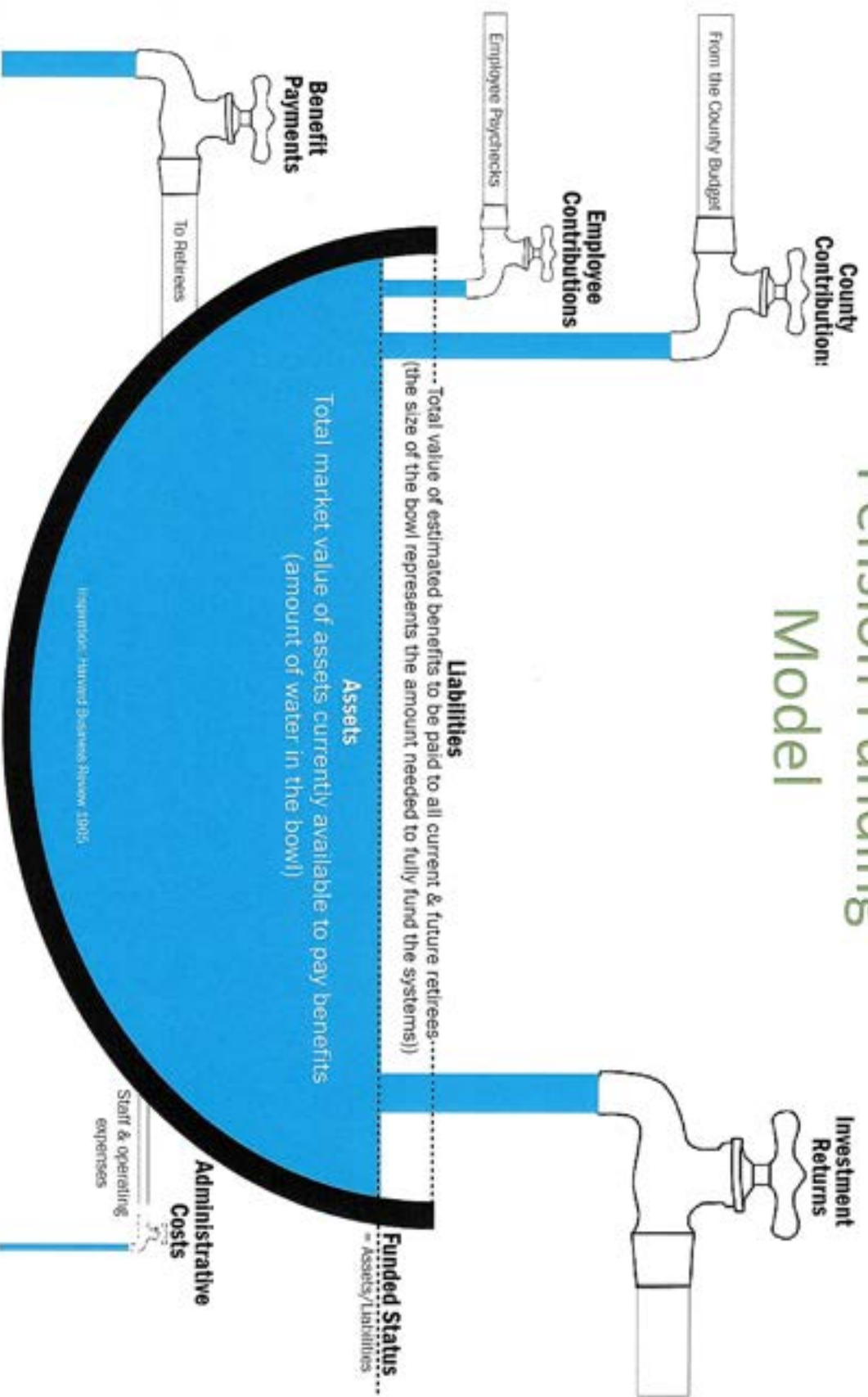
Law Enforcement Support Unit (002):
26 Members



Misc 2 ■ Misc 3 ■ Misc 4 ■ Misc 5 ■ Safety 1 ■ Safety 2 ■ Safety 3 ■ Safety 4

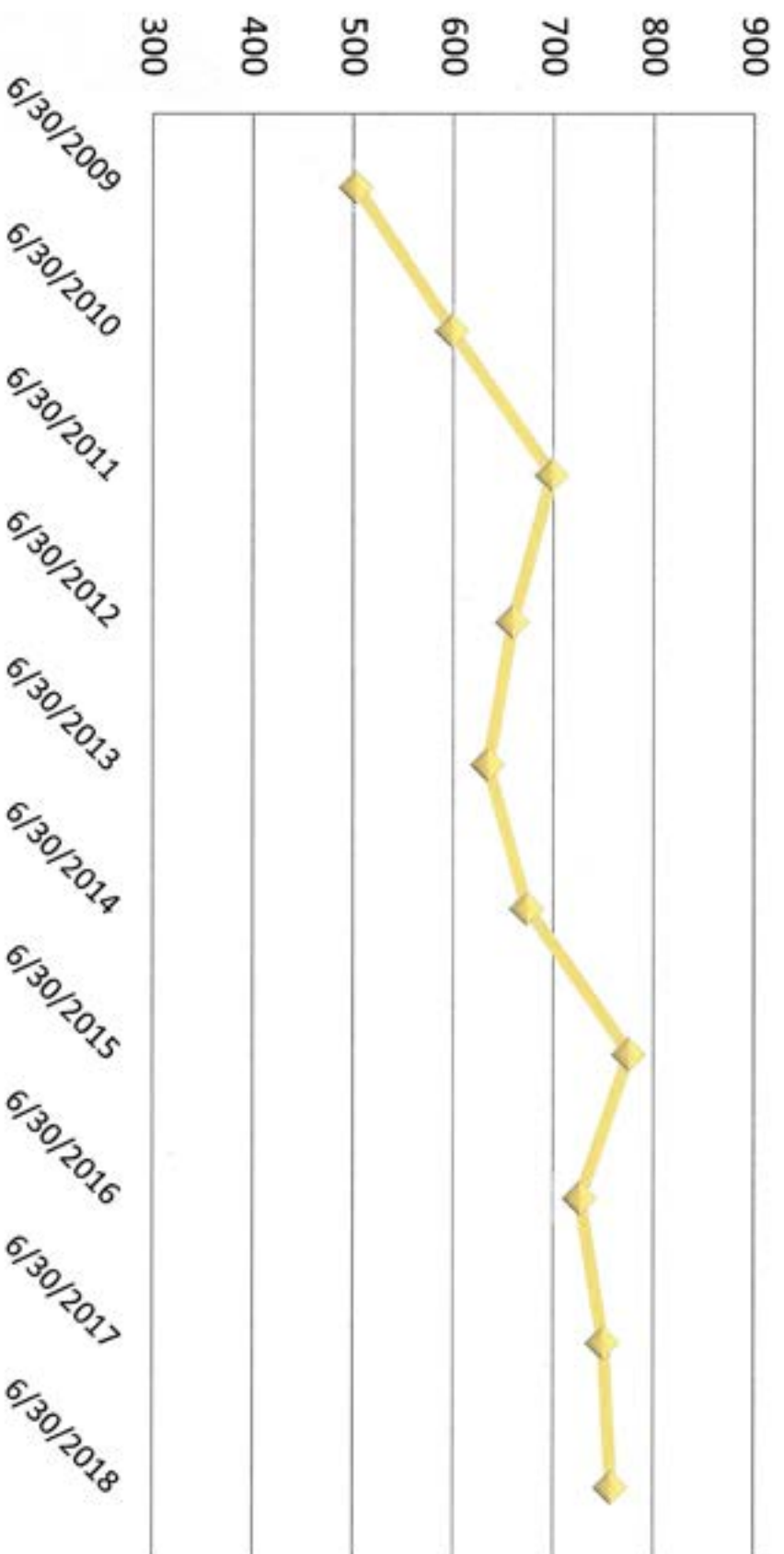
Misc 3 ■ Misc 4 ■ Misc 5 ■ Safety 1 ■ Safety 2

Pension Funding Model

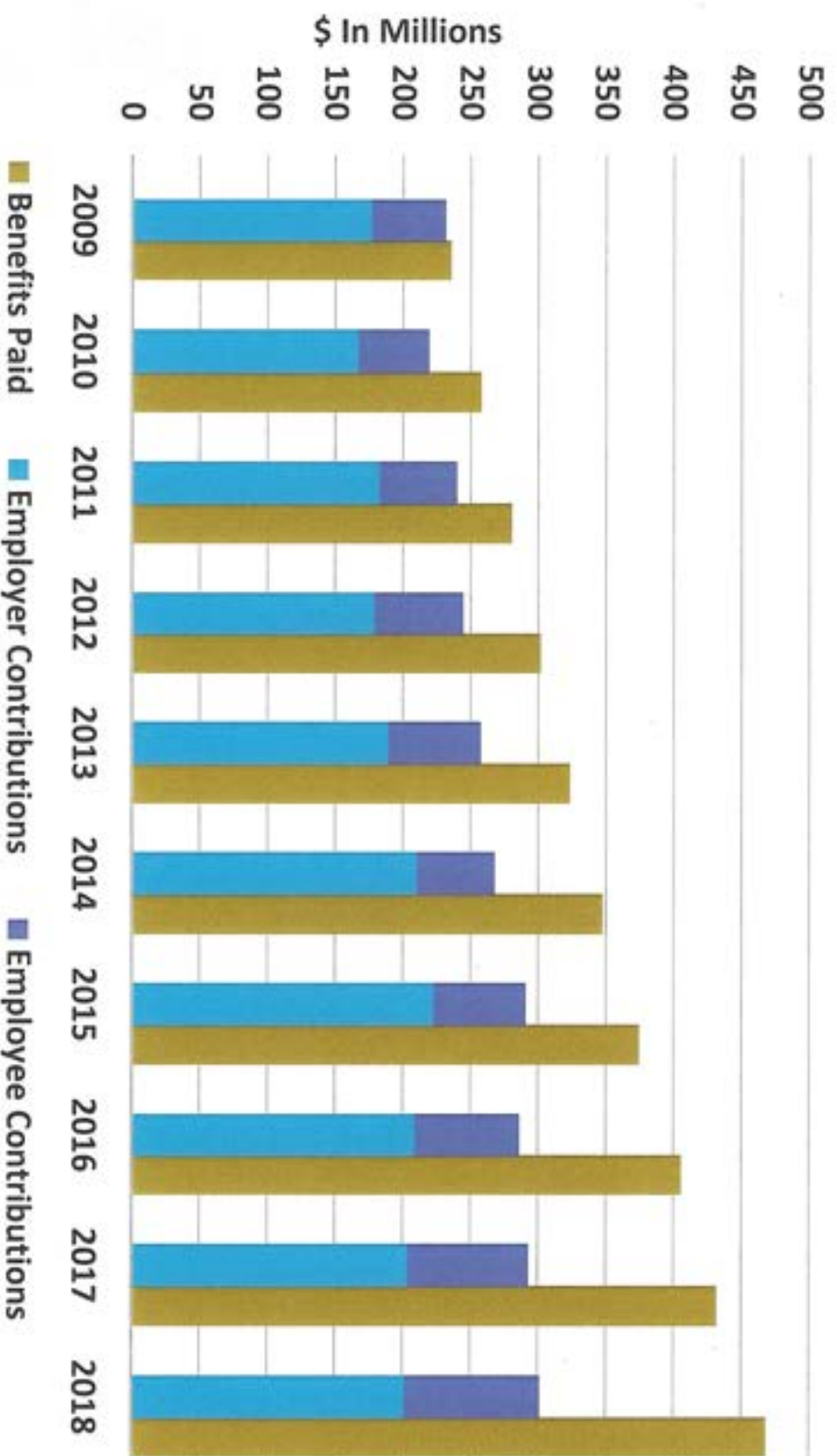


Retirements up 50% over last decade

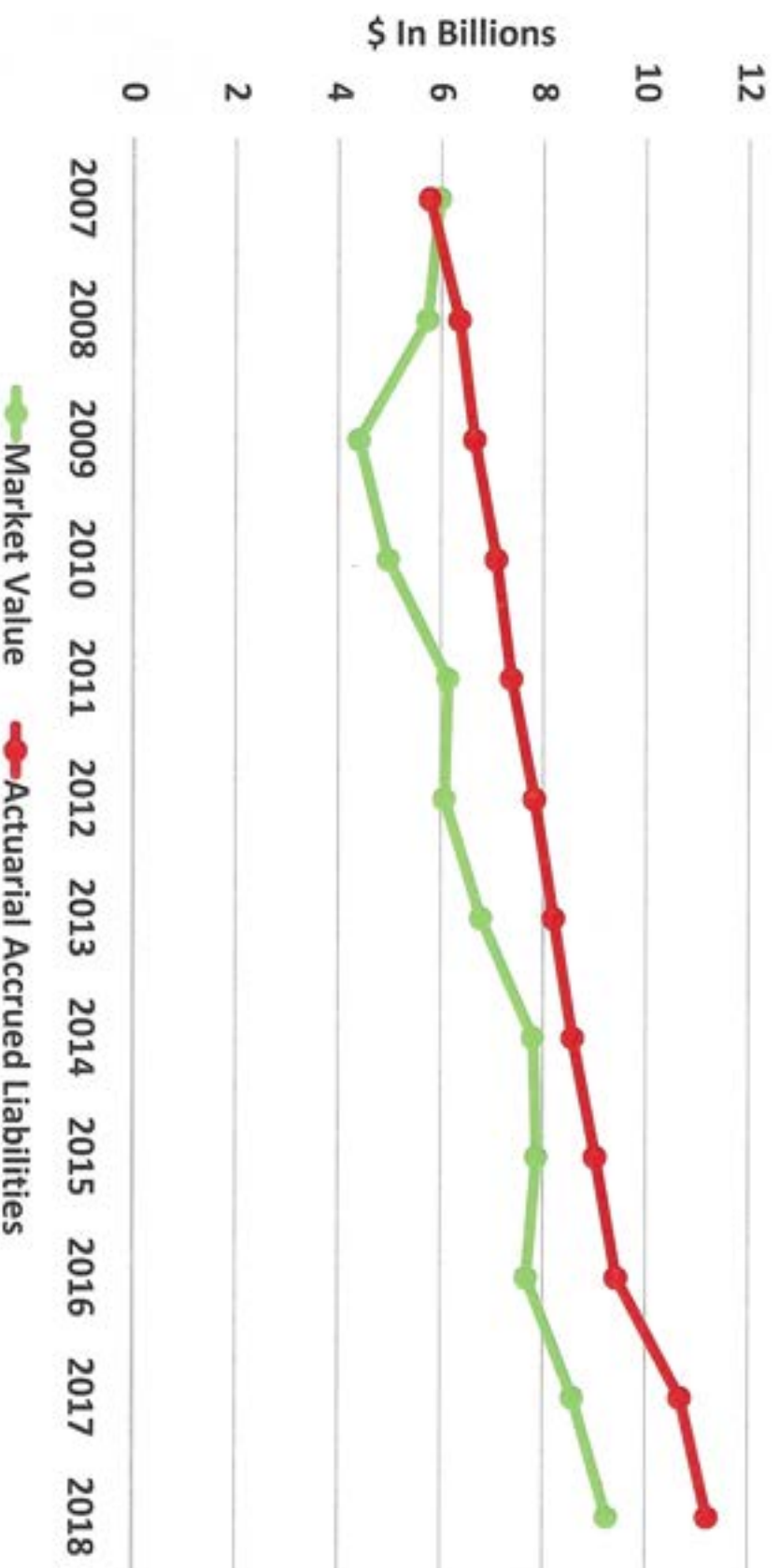
New Retirees and Beneficiaries



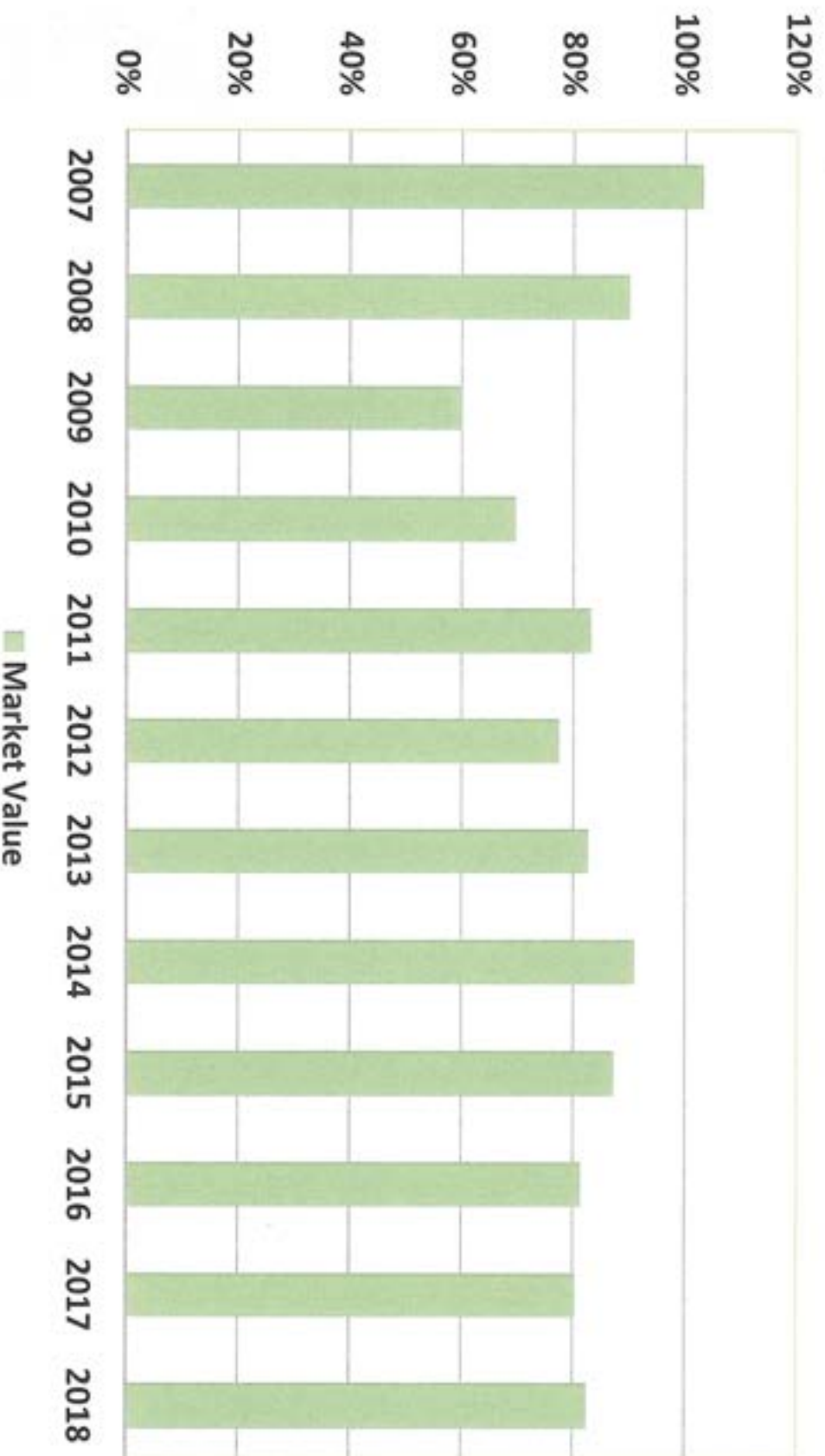
Contributions In – Benefit Payments Out



Assets Should Equal Liabilities



Funded Status



Calculating Liabilities

- Funding Target: Amount of assets you need to have on hand to pay for promised benefits.
- Projecting pension cash flow requires:
 - Demographic information on plan participants
 - Details on plan benefits/provisions
 - Long-term assumptions
 - Economic assumptions
 - Expected return on assets, payroll or wage growth, and inflation.
 - Demographic assumptions
 - Retirement, mortality, termination, disability



Contribution Rates

- Normal Costs
 - Annual service cost, based on assumptions
- Unfunded Liability Payment
 - Occurs when experience is different than assumptions, or when assumptions are changed.
 - Investment gains and losses “smoothed” over 7 years.
- Amortized over 20 years.

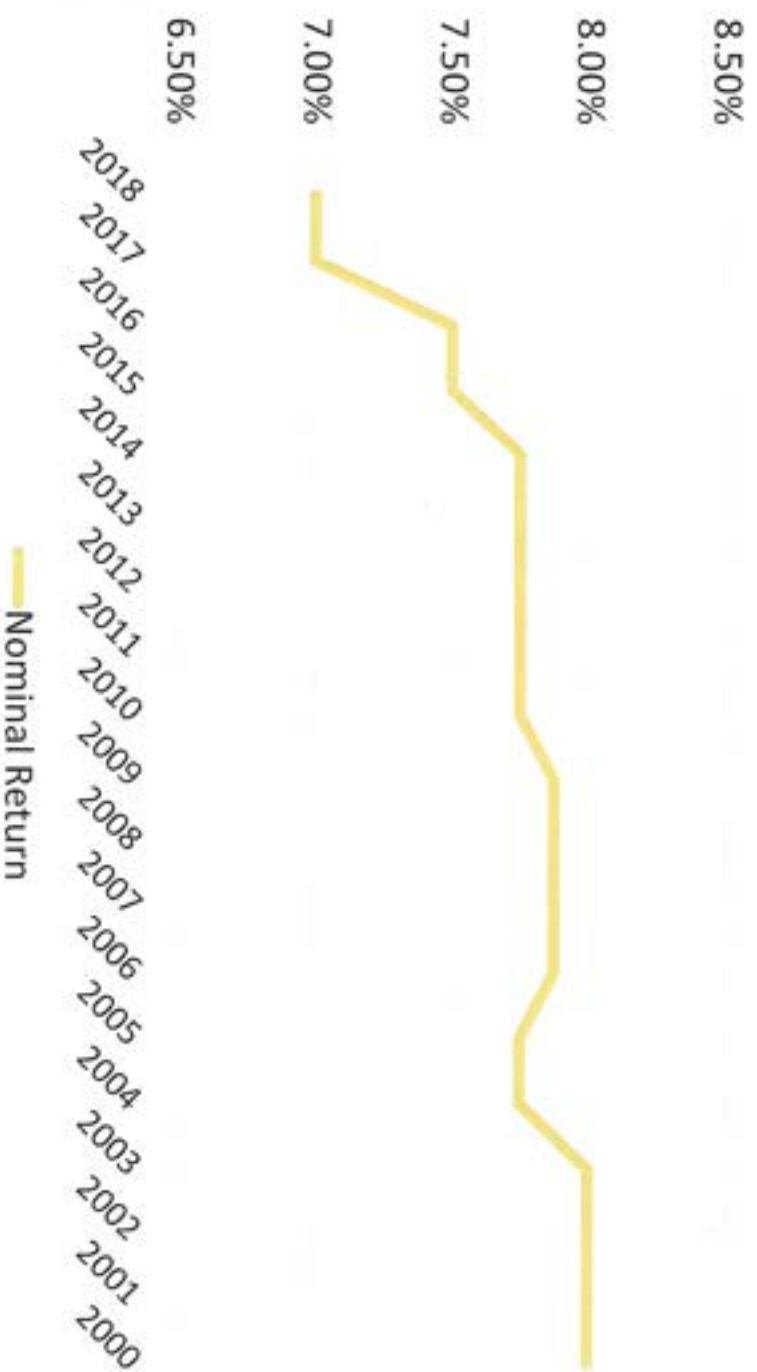


Expected Return on Assets

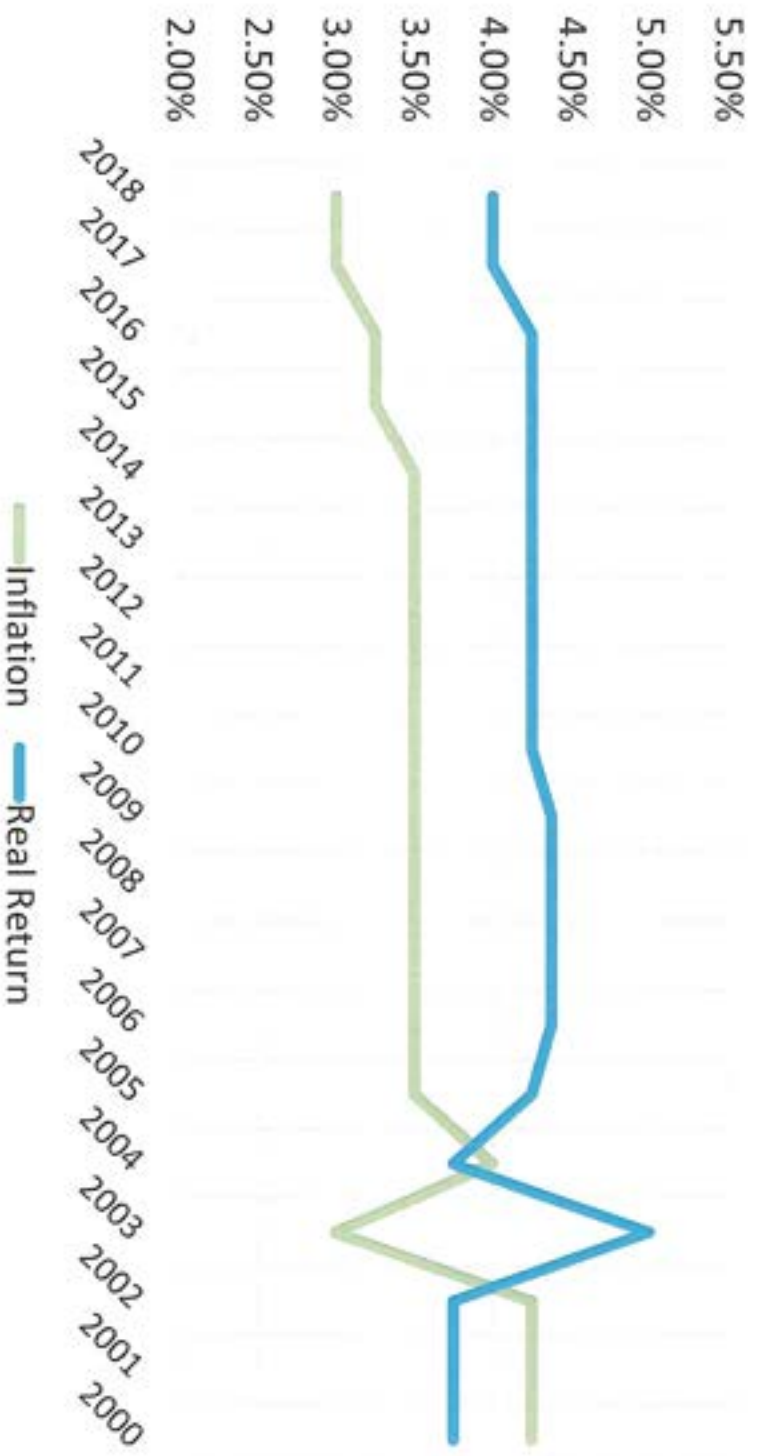
- Most powerful single assumption
 - Higher expected return → lower expected contributions
 - Overtime, actual contributions will depend on actual investment returns
- Strategic asset allocation is selected to achieve the actuarially assumed rate of return
 - Diversified portfolio
 - Manage risk
 - Cash generation



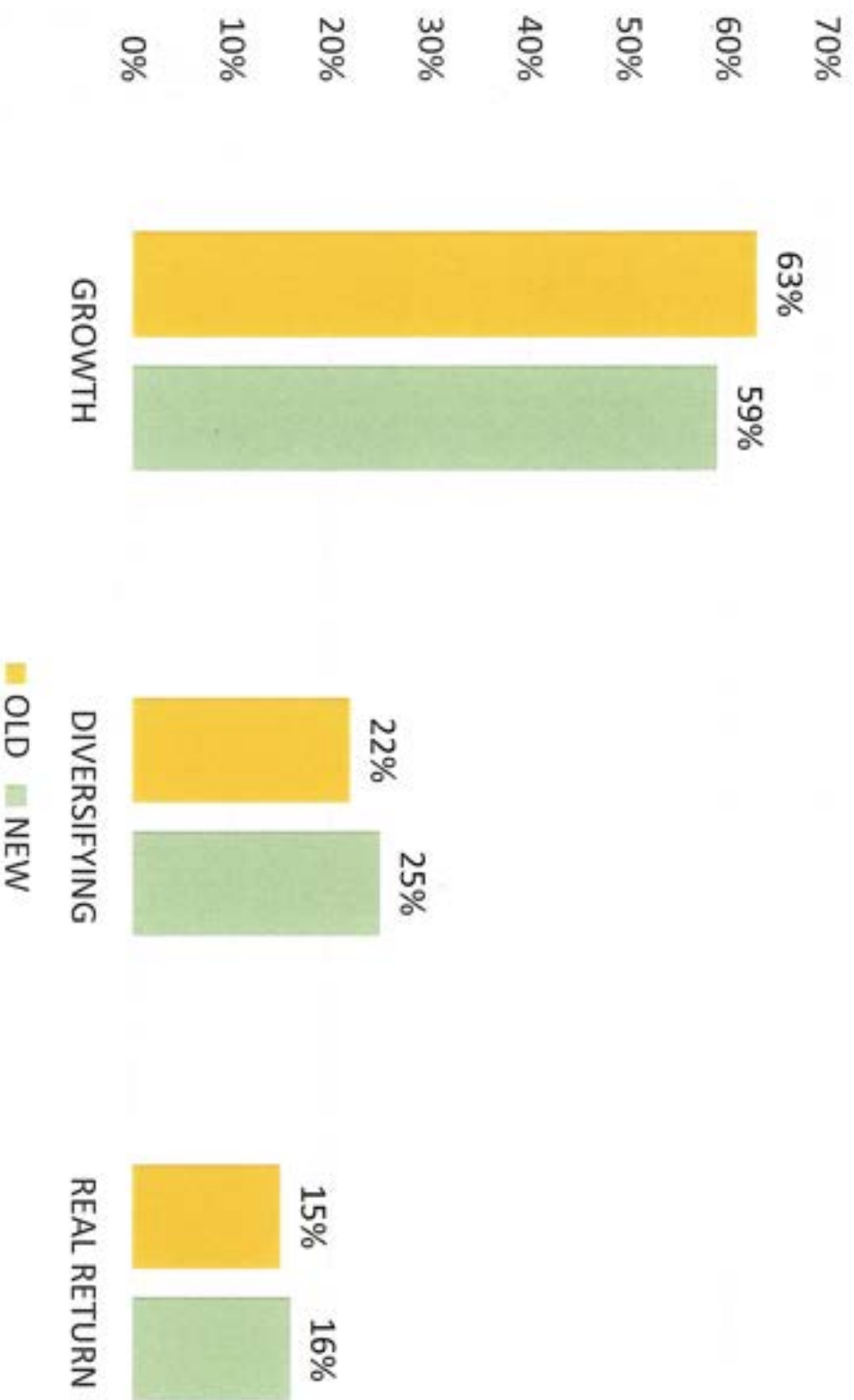
Discount Rates at SCERS



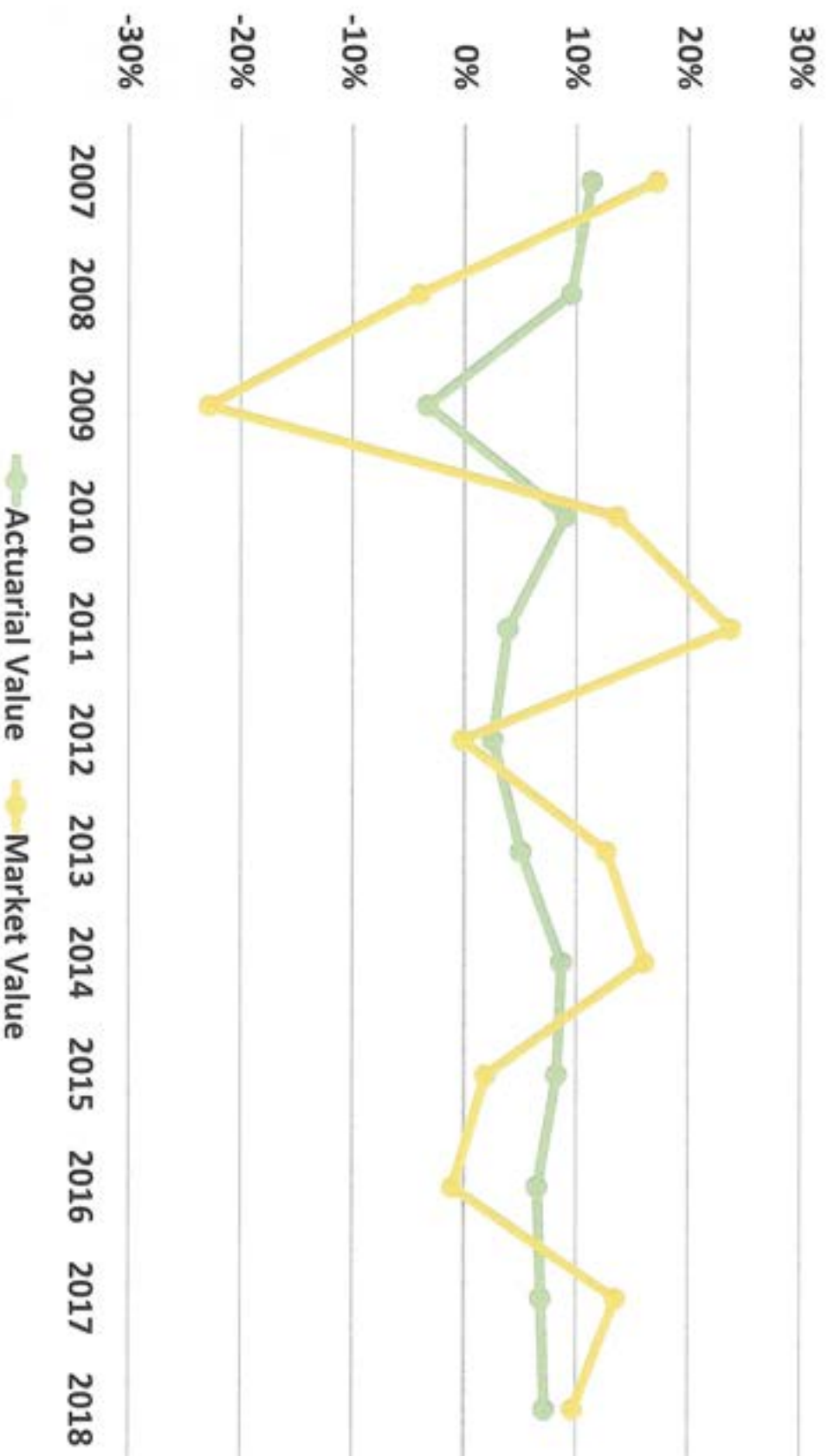
Discount Rates: Inflation vs. Real Return



Asset Allocation Changes in 2017

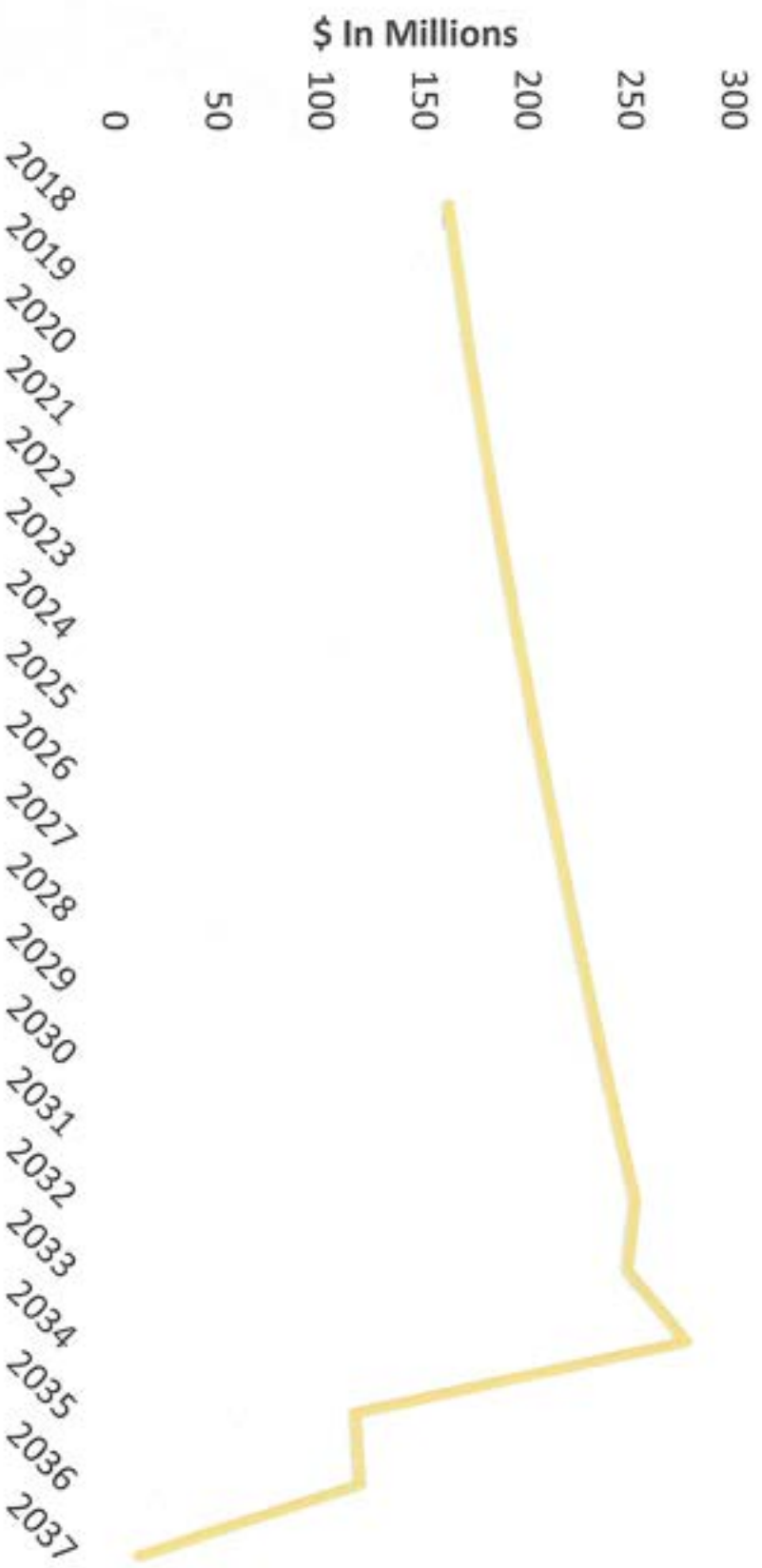


Market vs. Actuarial Rate of Return



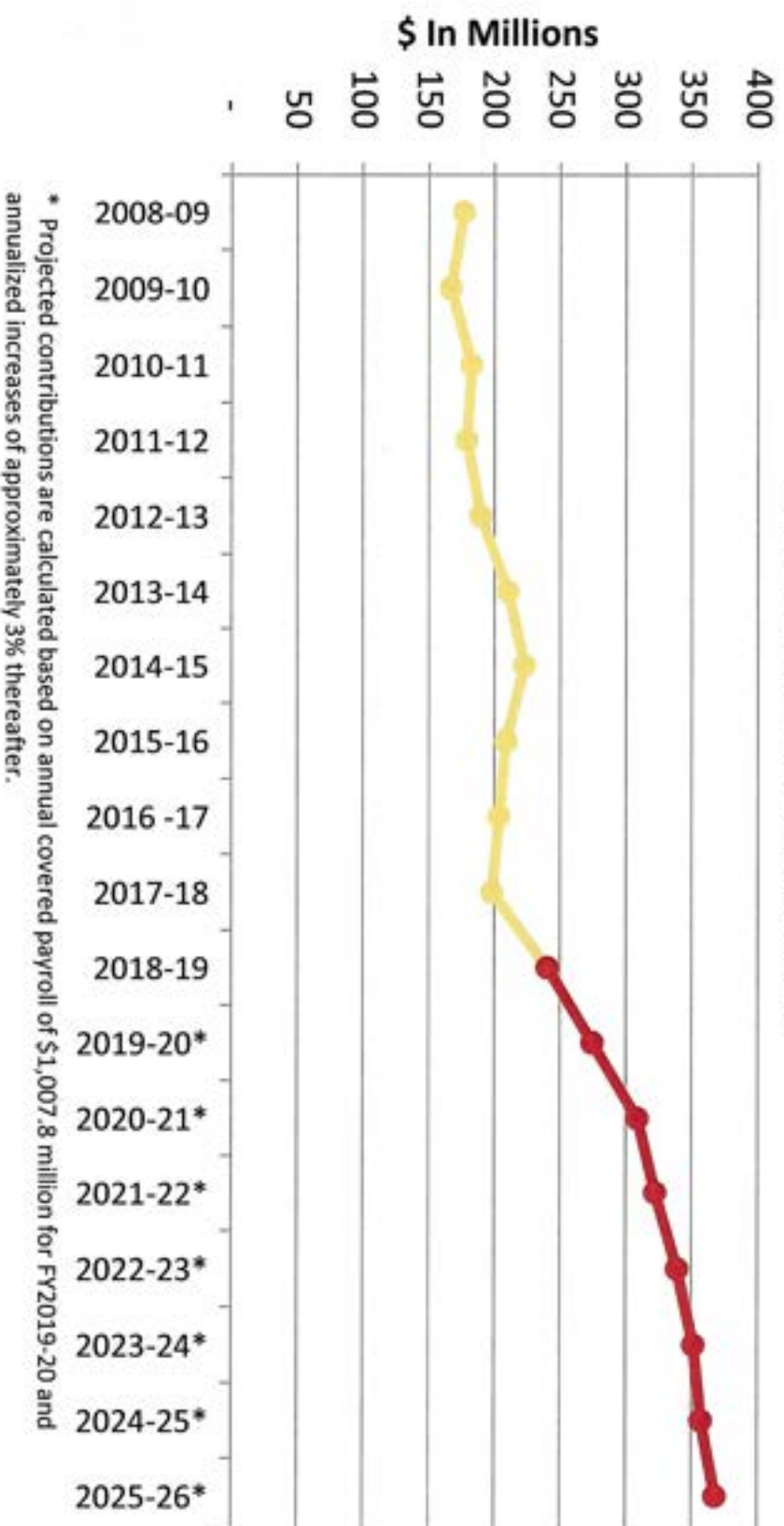
Paying Down Unfunded Liability

Annual Payments Required to Amortize \$2.1 Billion UAAL,
as of June 30, 2018



Contribution Rates in Dollars

Sacramento County Employees' Retirement System
Projected Employer Contributions

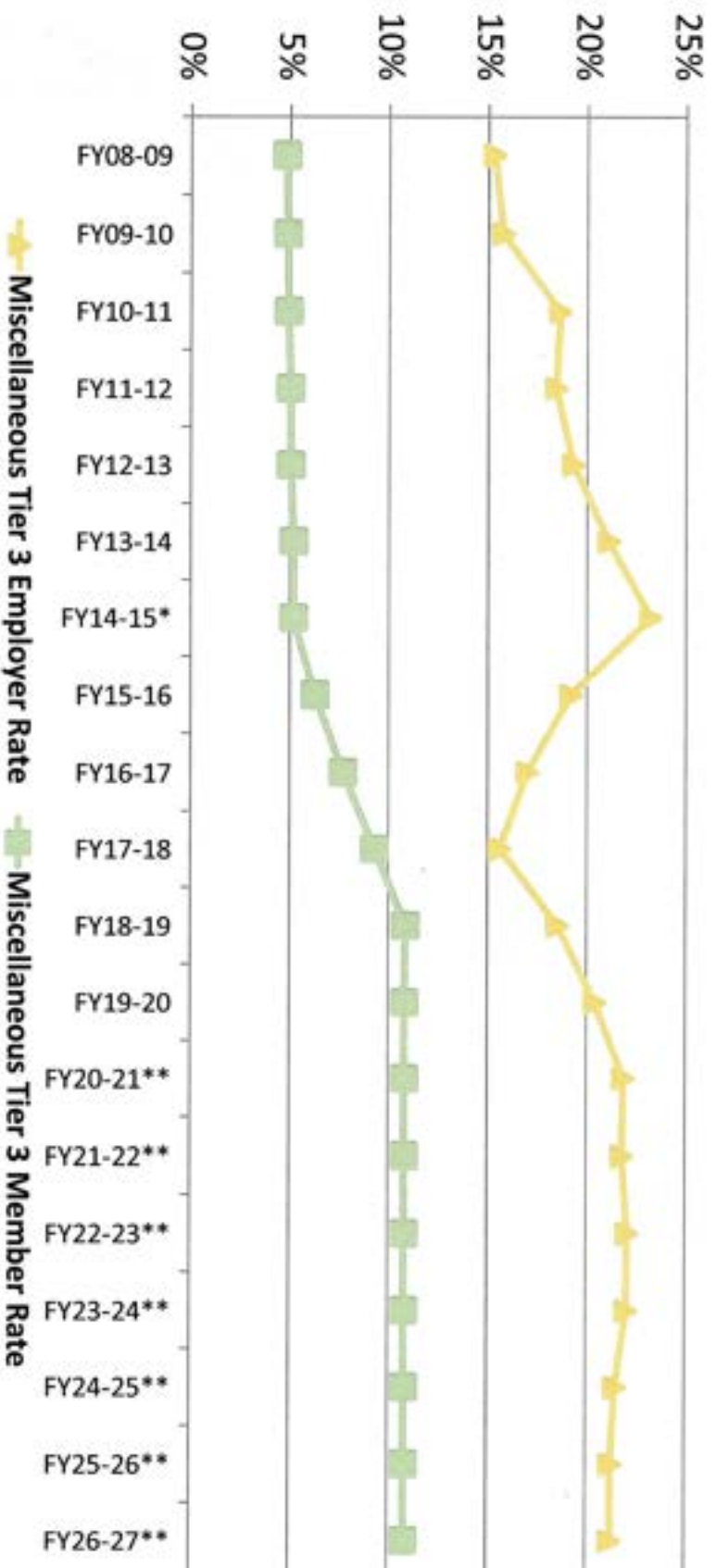


* Projected contributions are calculated based on annual covered payroll of \$1,007.8 million for FY2019-20 and annualized increases of approximately 3% thereafter.



Miscellaneous Tier 3 Employer and Member Contribution Rates

Bargaining Units 002, 004 and 031 - Law Enforcement Support Unit, Supervisory Law Enforcement Support Unit, and Peace Officers



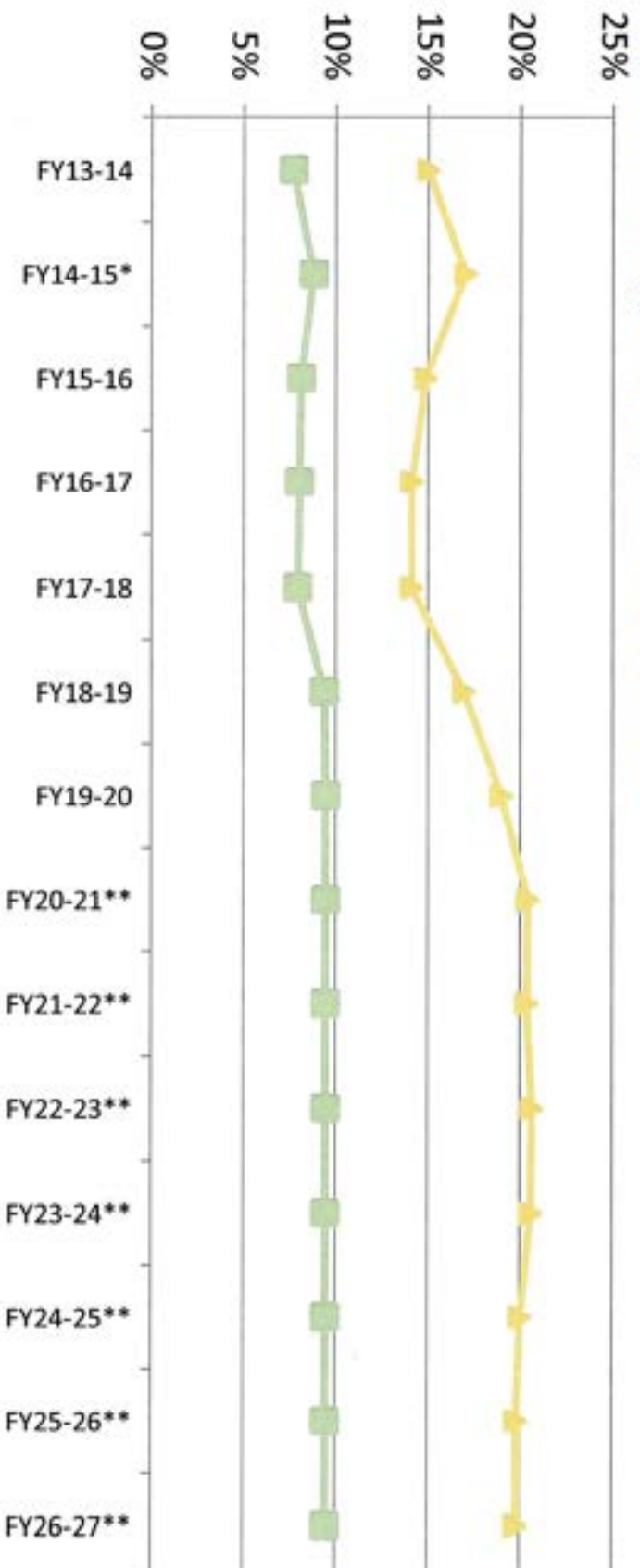
* Members' first year of entering into a normal cost sharing arrangement. By FY17-18, all members were paying 50% of the normal cost.

** Projected rates.



Miscellaneous Tier 5 Employer and Member Contribution Rates

Bargaining Units 002, 004 and 031 - Law Enforcement Support Unit, Supervisory Law Enforcement Support Unit, and Peace Officers



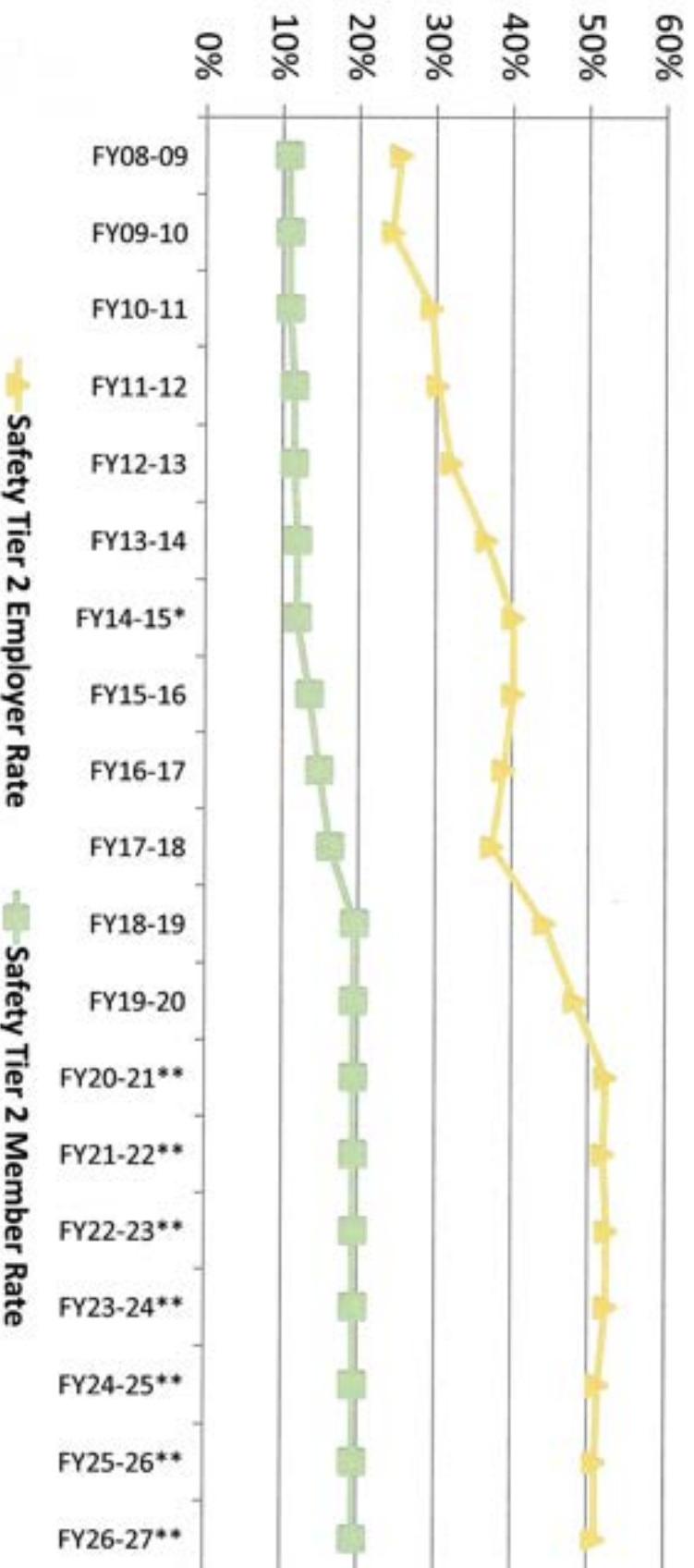
▲ Miscellaneous Tier 5 Employer Rate
 ■ Miscellaneous Tier 5 Member Rate

* Members' first year of entering into a normal cost sharing arrangement. By FY17-18, all members were paying 50% of the normal cost.

** Projected rates.

Safety Tier 2 Employer and Member Contribution Rates

Bargaining Units 002, 004 and 031 - Law Enforcement Support Unit, Supervisory Law Enforcement Support Unit, and Peace Officers

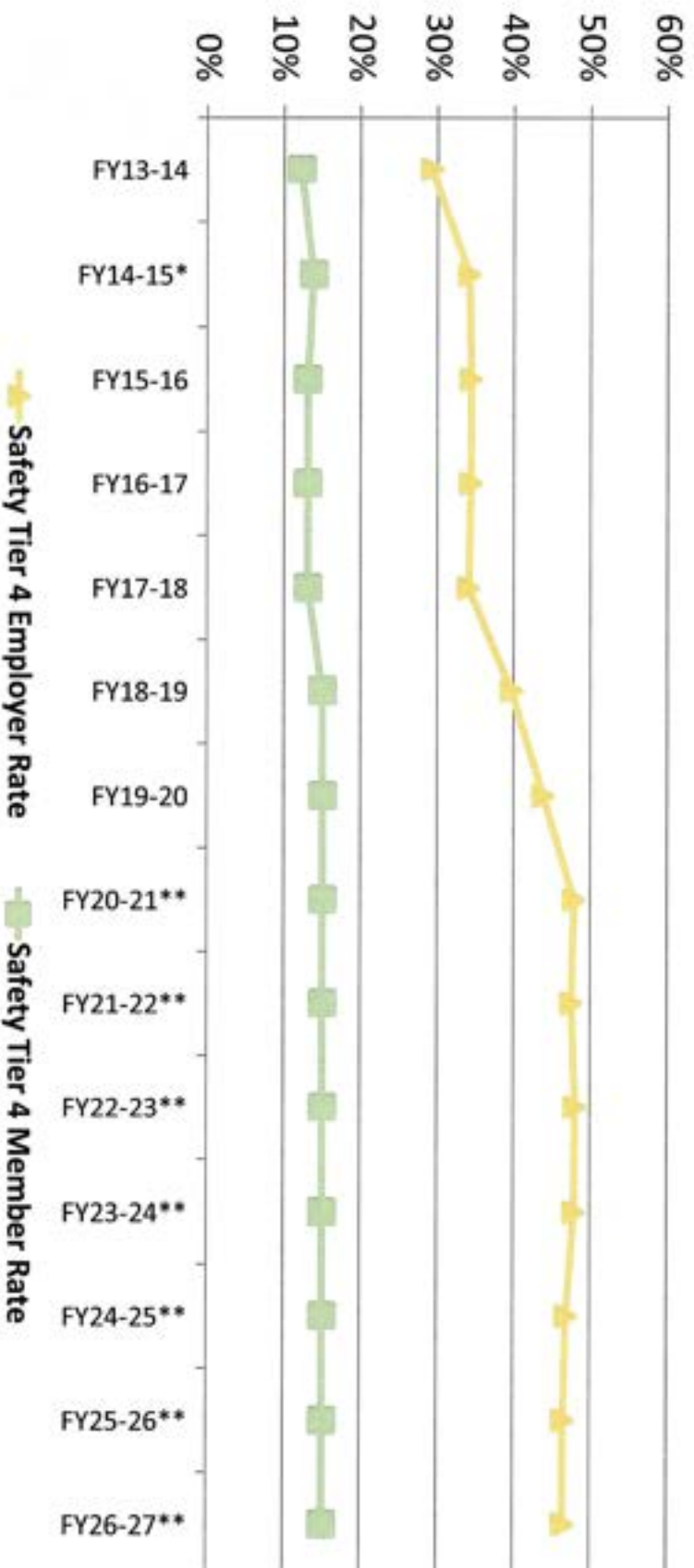


** Members' first year of entering into a normal cost sharing arrangement. By FY17-18, all members were paying 50% of the normal cost.

** Projected rates.

Safety Tier 4 Employer and Member Contribution Rates

Bargaining Units 002, 004 and 031 - Law Enforcement Support Unit, Supervisory Law Enforcement Support Unit, and Peace Officers



* Members' first year of entering into a normal cost sharing arrangement. By FY17-18, all members were paying 50% of the normal cost.

** Projected rates.

Wrapping Up

- Normal costs increased on July 1, 2018.
 - Primarily due to lower investment assumption (7.5% to 7%)
- Helps SCERS weather ups and downs of the economy.
- Keeps funding on track.
- Protects benefits.
- Shared responsibility between employees and employers.



Questions?

sacretire@sacounty.net
sterne@saccounty.net

