Sacramento County Employees' Retirement System

SCALE Presentation

January 31, 2019

SCERS

SACRAMENTO COUNTY
EMPLOYEES' RETIREMENT SYSTEM

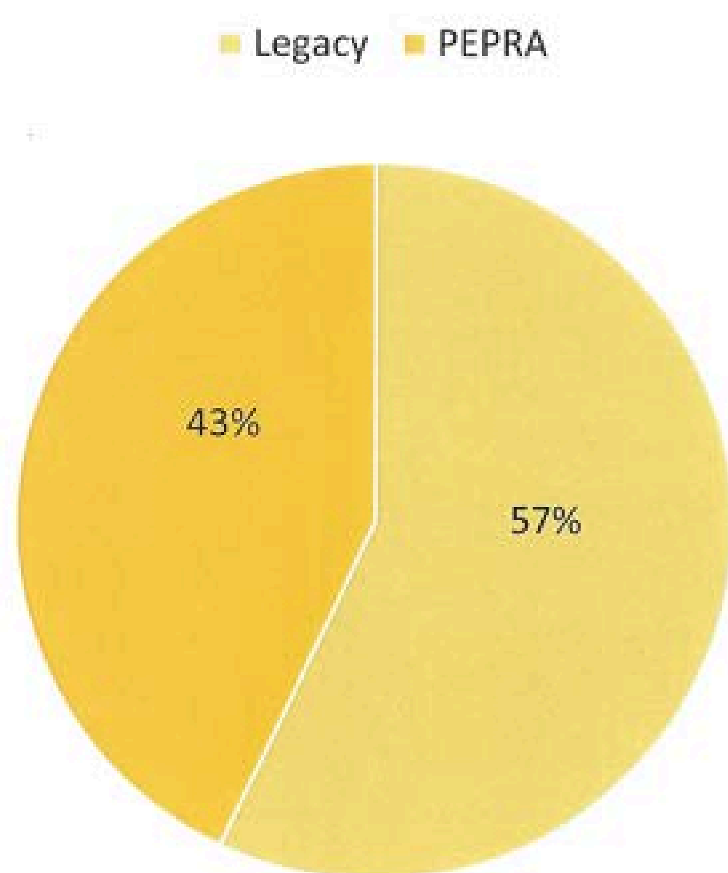
Retirement Benefit Overview

- 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

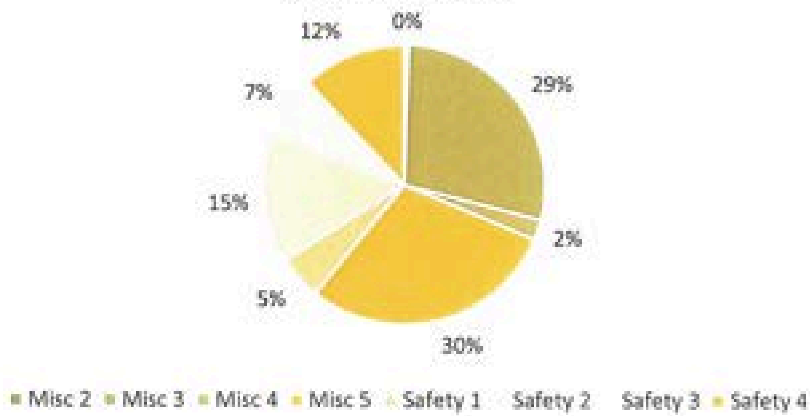
Legacy	PEPRA
Misc Tiers 1-3: 2% at 55 ½ Misc Tier 4: 2% at 61 ¼ Safety Tiers 1-2: 3% at 50 Safety Tier 3: 3% at 55	Misc Tier 5: 2% at 62 Safety Tier 4: 2.7% at 57
1-3 year Final Compensation Period	3-year Final Compensation Period
Compensation Earnable: Includes Pay Differentials, Vacation Sellback	Pensionable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

SCALE Membership

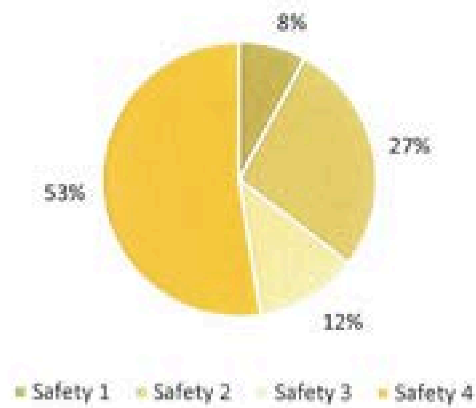


SCALE Membership by Retirement Tier

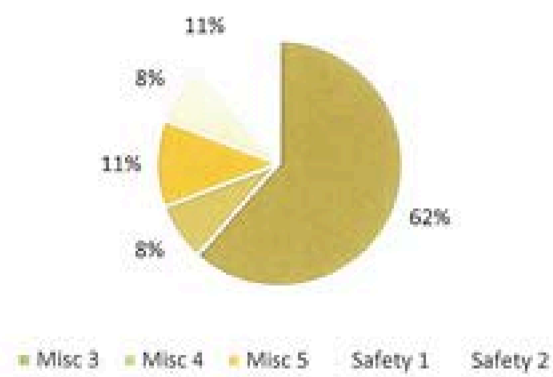
Supervisory Unit (004):
217 Members



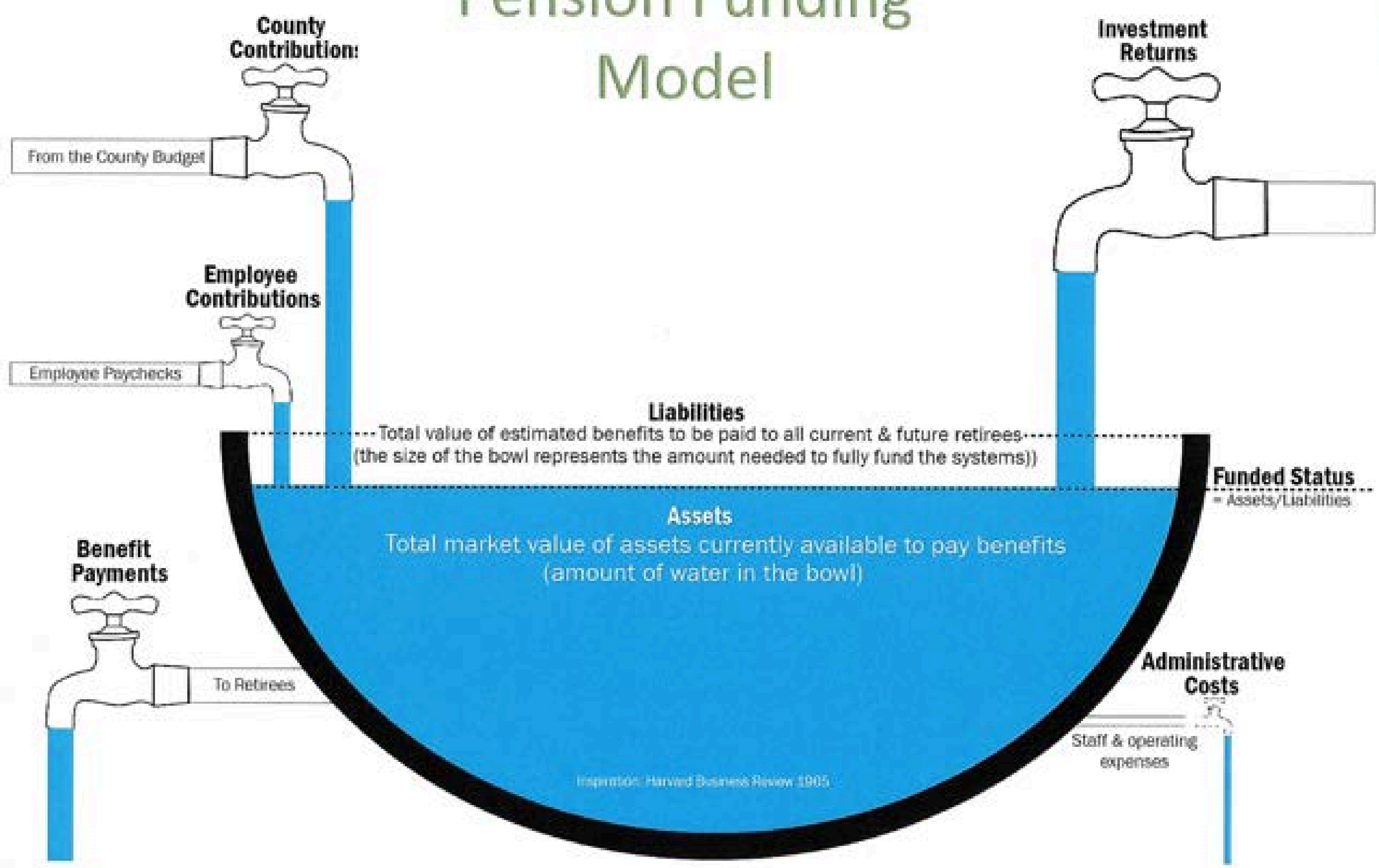
Peace Officers Unit (031):
116 Members



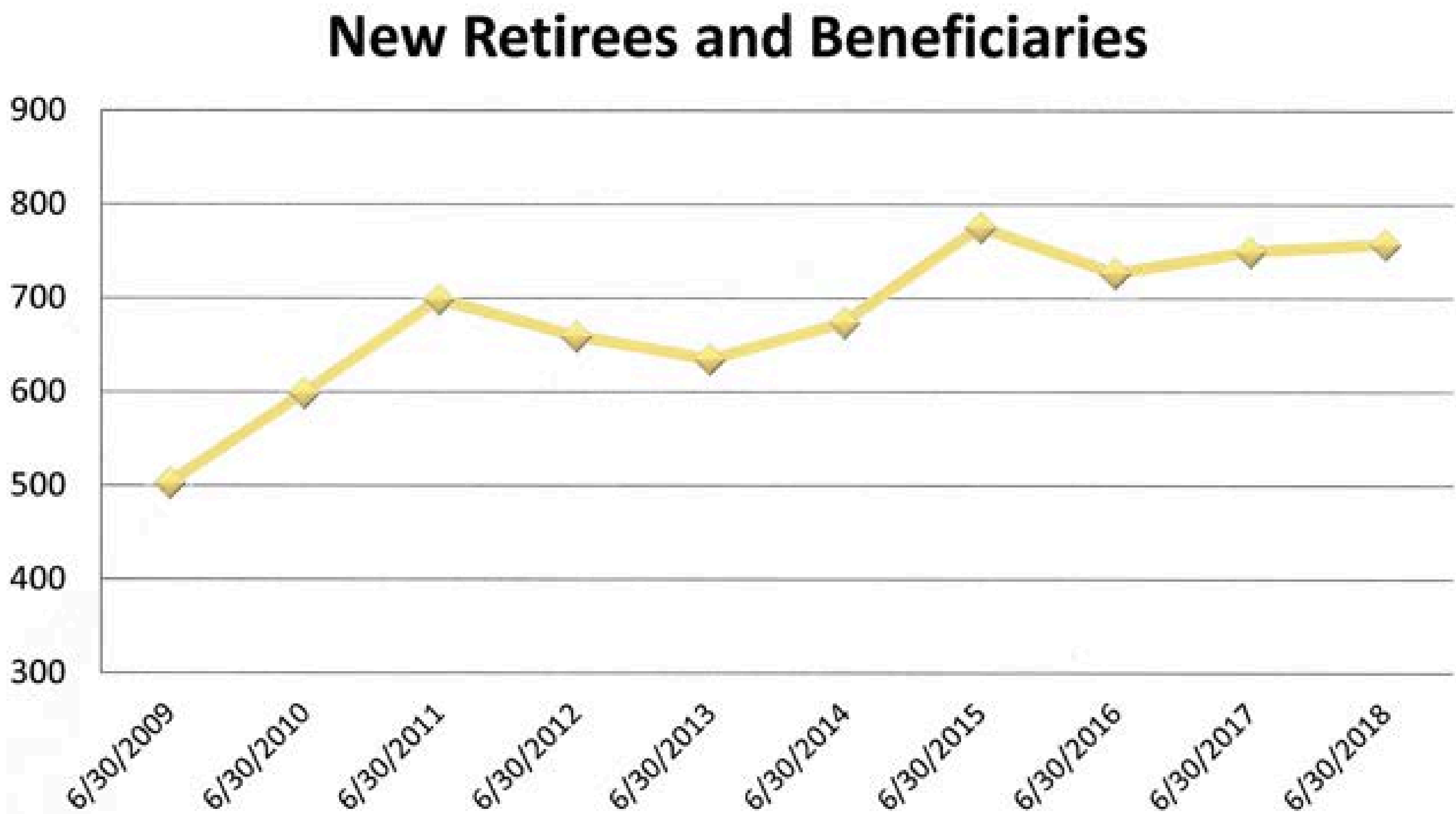
Law Enforcement Support Unit (002):
26 Members



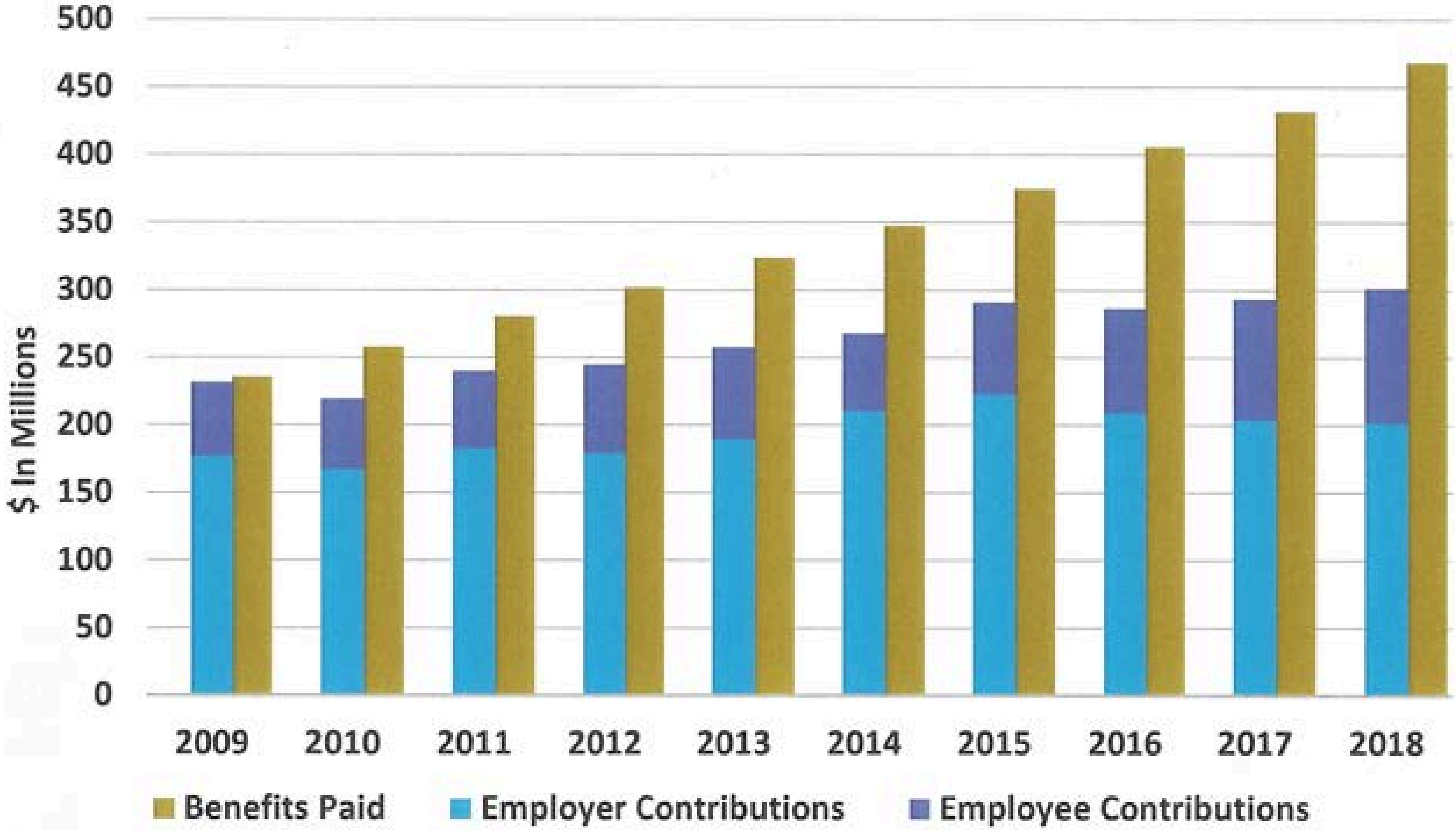
Pension Funding Model



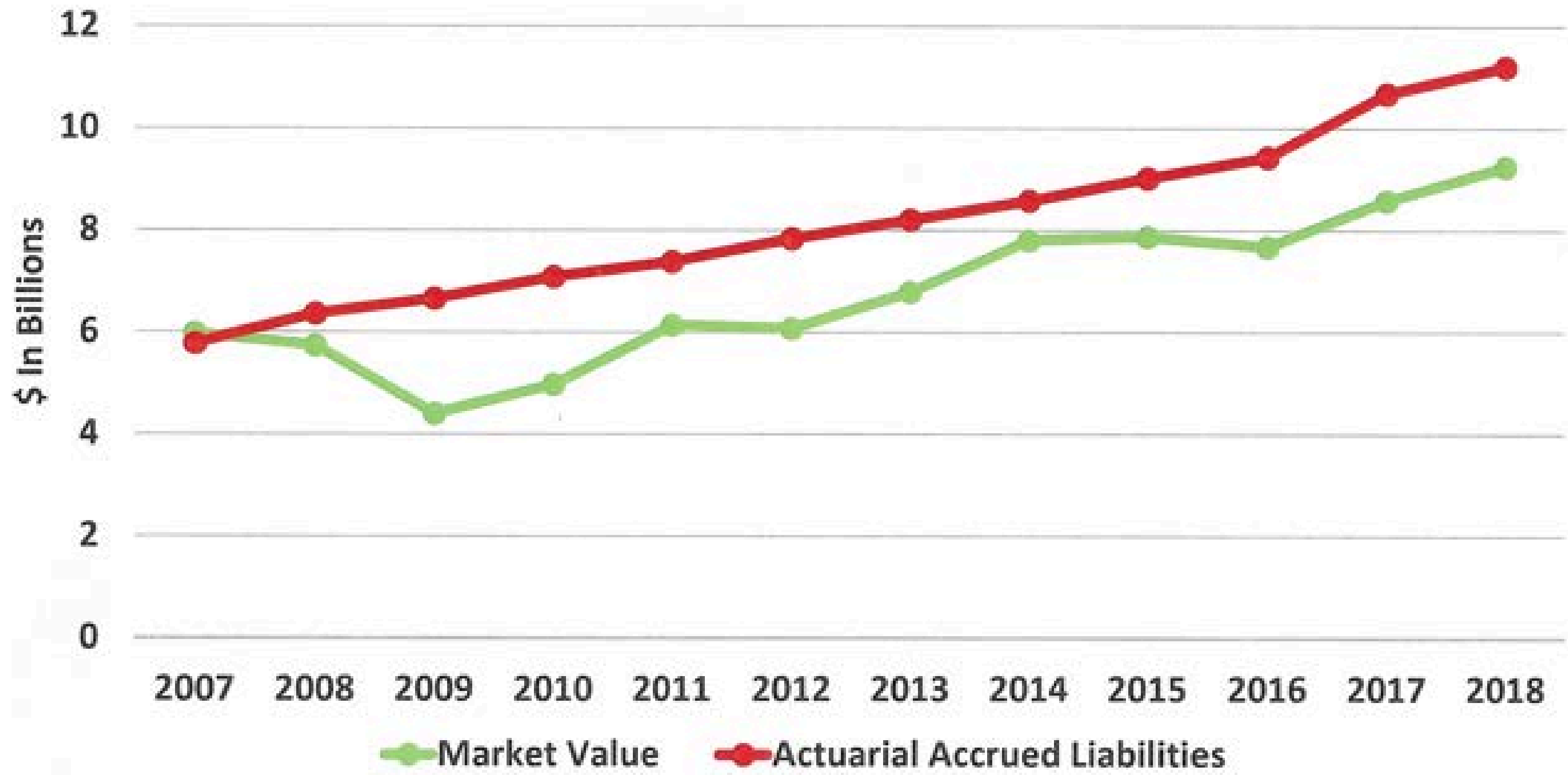
Retirements up 50% over last decade



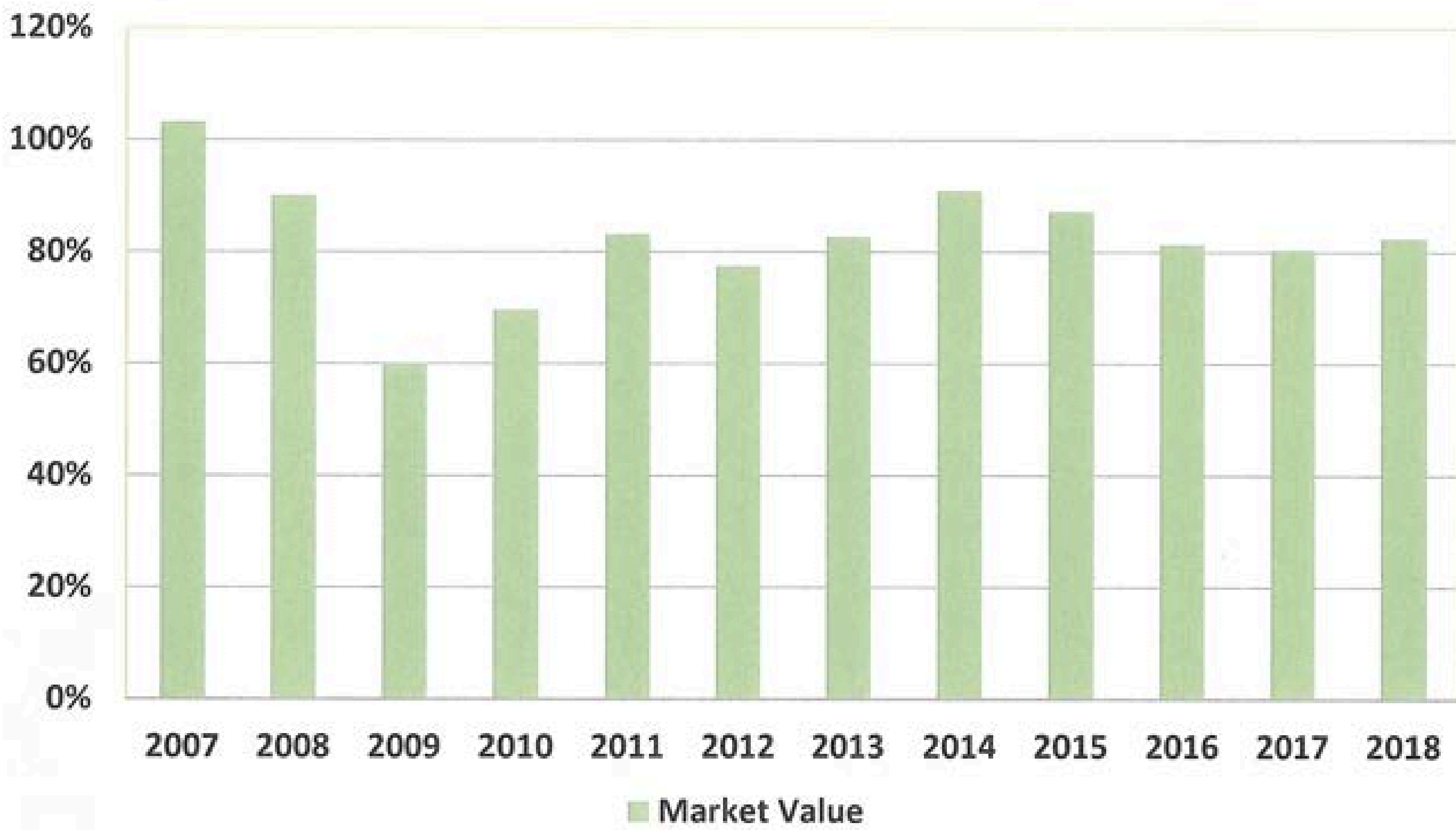
Contributions In – Benefit Payments Out



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

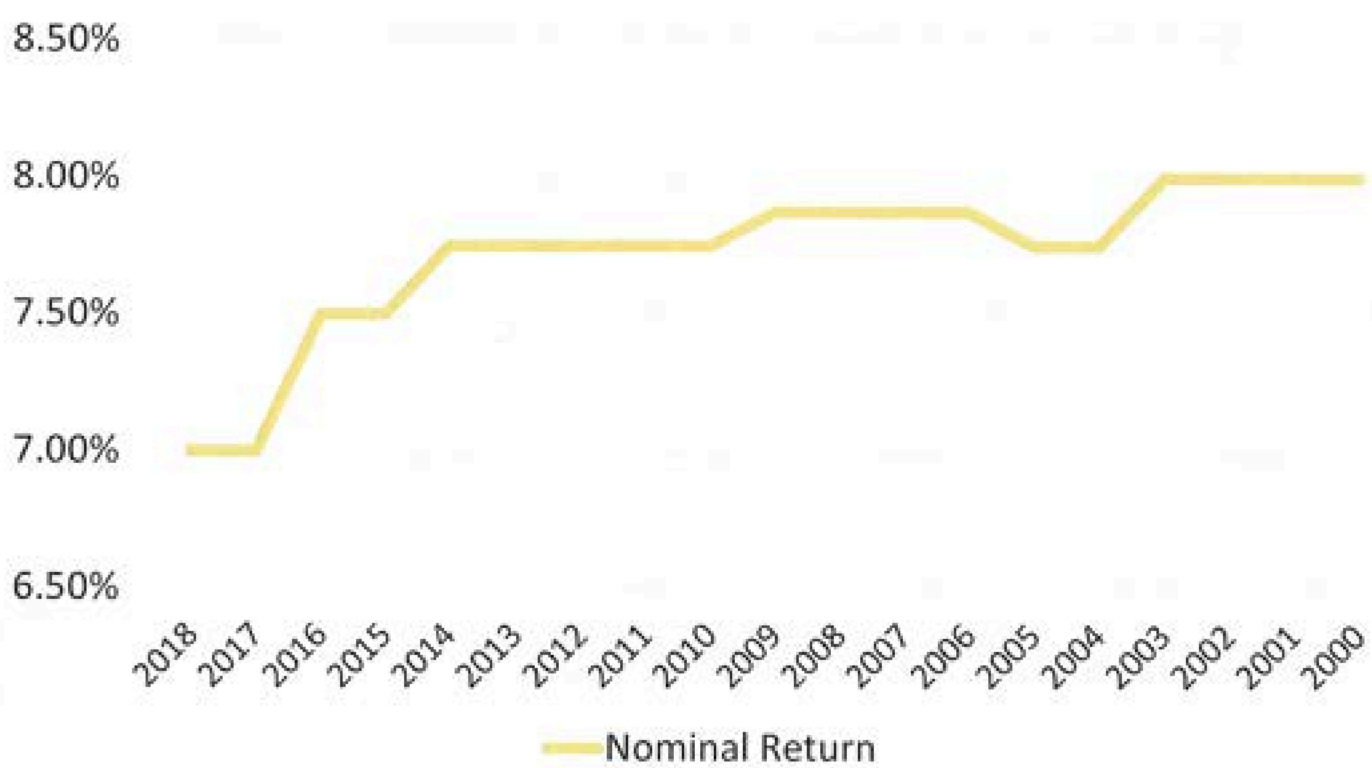
Contribution Rates

- 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

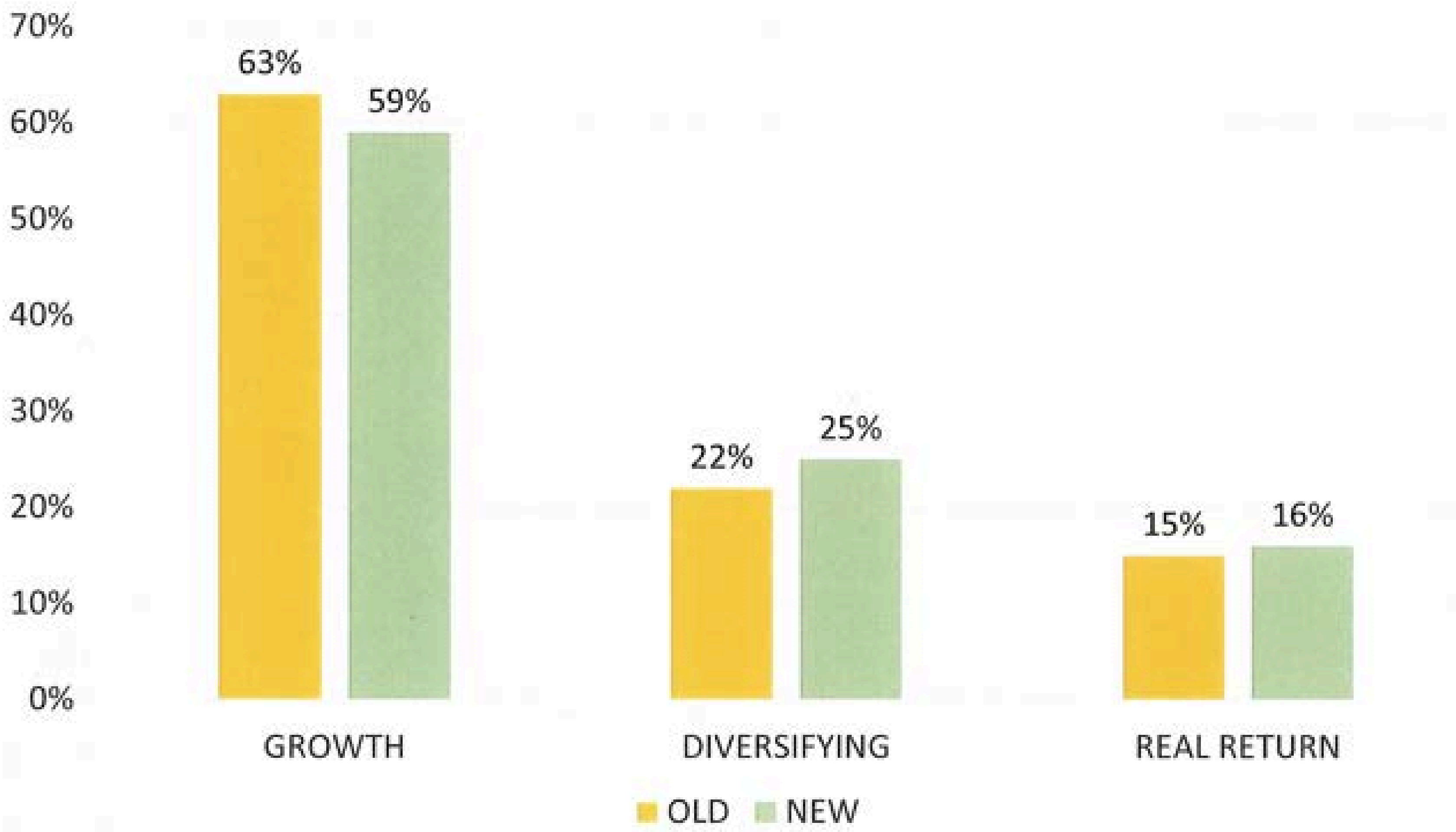
- Most powerful single assumption
  - Higher expected return → lower expected contributions
  - Overtime, actual contributions will depend on actual investment returns
- Strategic asset allocation is selected to achieve the actuarially assumed rate of return
  - Diversified portfolio
  - Manage risk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

Discount Rates at SCERS

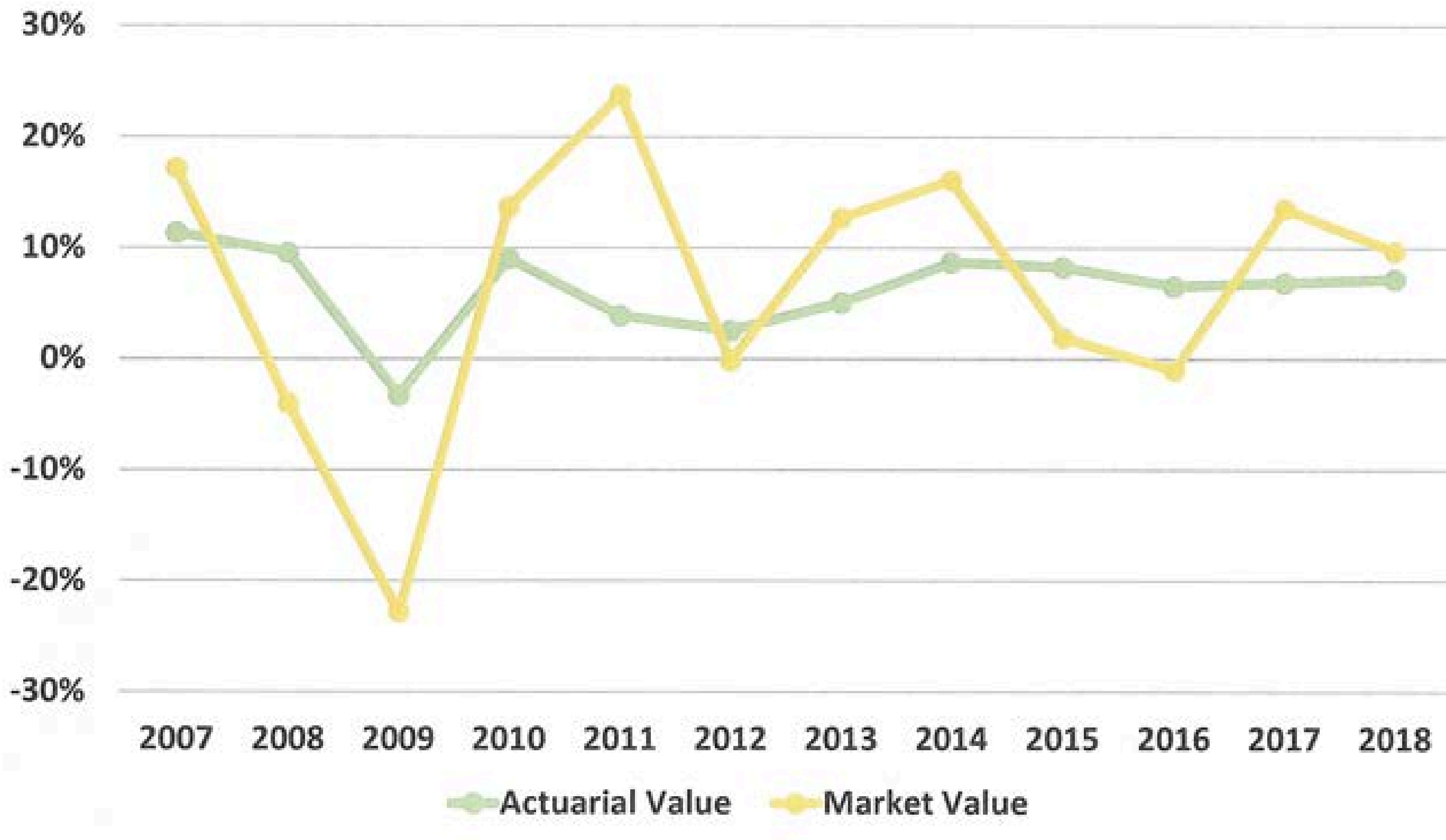


Discount Rates: Inflation vs. Real Return

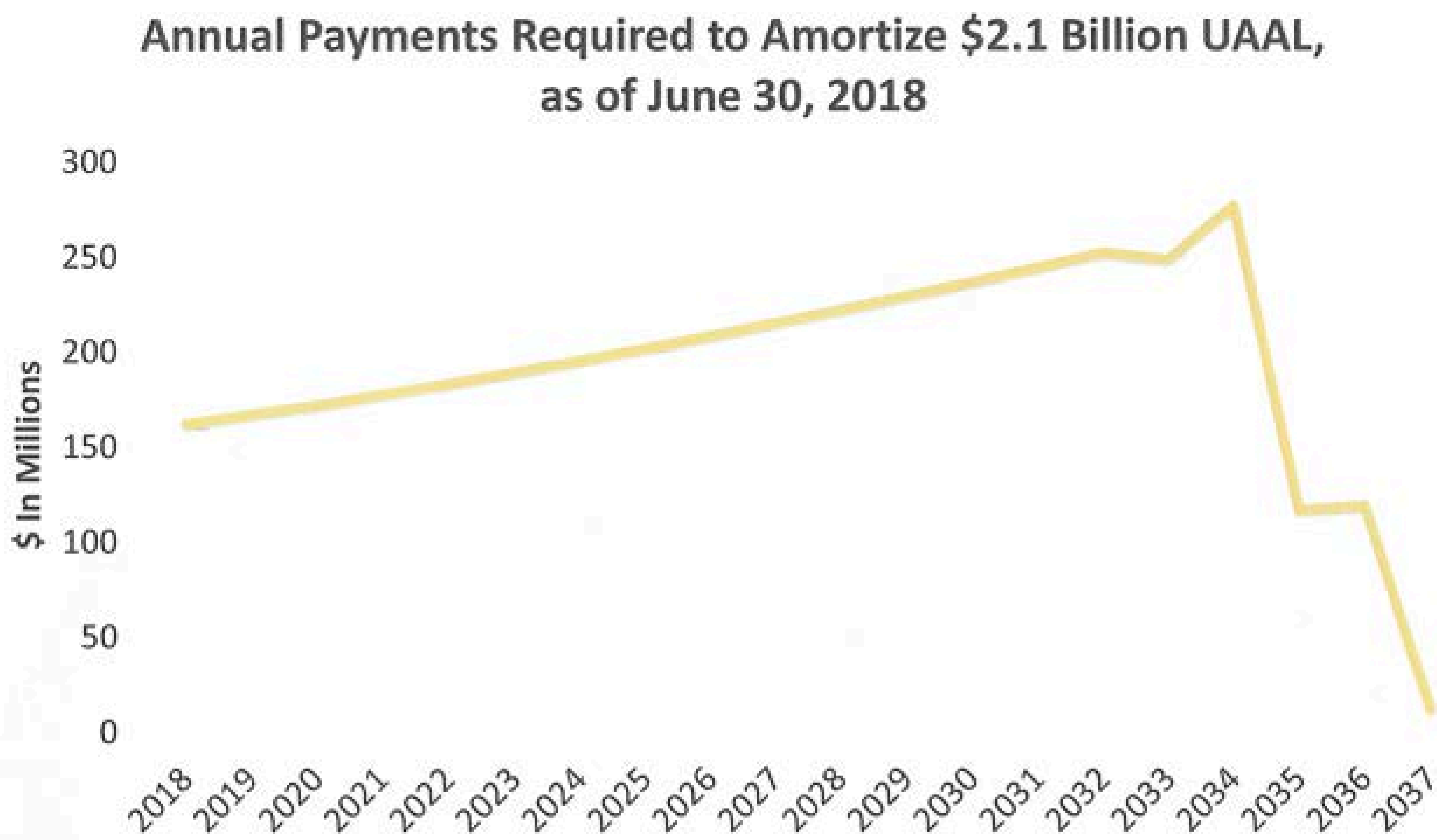
Asset Allocation Changes in 2017



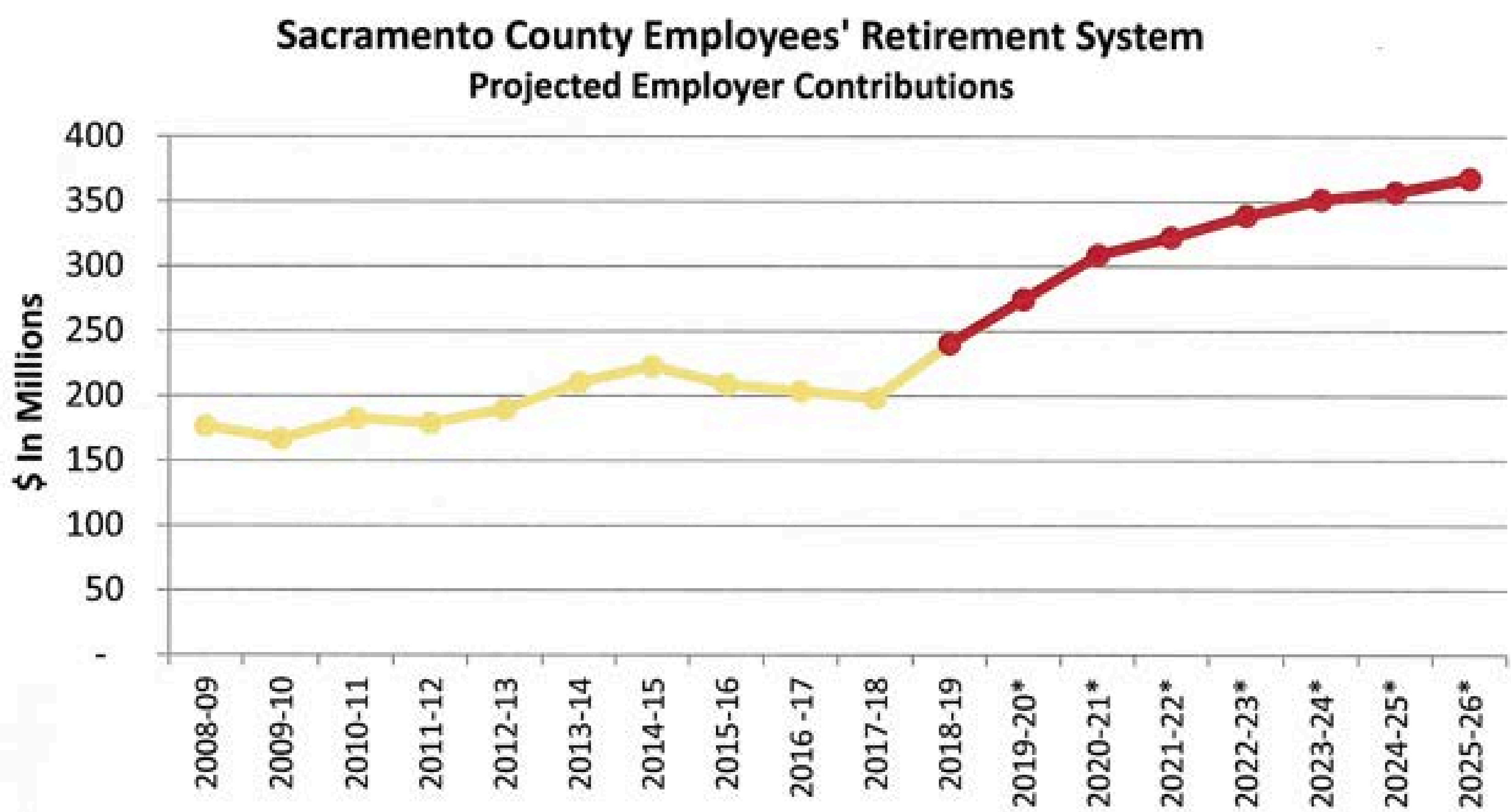
Market vs. Actuarial Rate of Return



Paying Down Unfunded Liability



Contribution Rates in Dollars



* 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

* 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?

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