

State Valuation and Employer/Employee Contribution Rates

Finance & Administration Committee
April 18, 2022

Overview

- Actuarial valuation date – **June 30, 2021**
 - Determines required employer/employee contributions for **FY 2022-23**
- Five member sub-groups
 - State Miscellaneous
 - State Industrial
 - State Safety
 - State Peace Officers & Firefighters
 - California Highway Patrol

Significant Events Since June 30, 2020 Valuation

- Investment Return
 - Investment return for fiscal year 2020-21 of 21.3% (before reduction for administrative expenses)
- Assumption Changes
 - Funding Risk Mitigation policy triggered, reducing the discount rate from 7.0% to 6.8%
 - Demographic assumptions have been updated in accordance with latest experience study approved by the board in November 2021

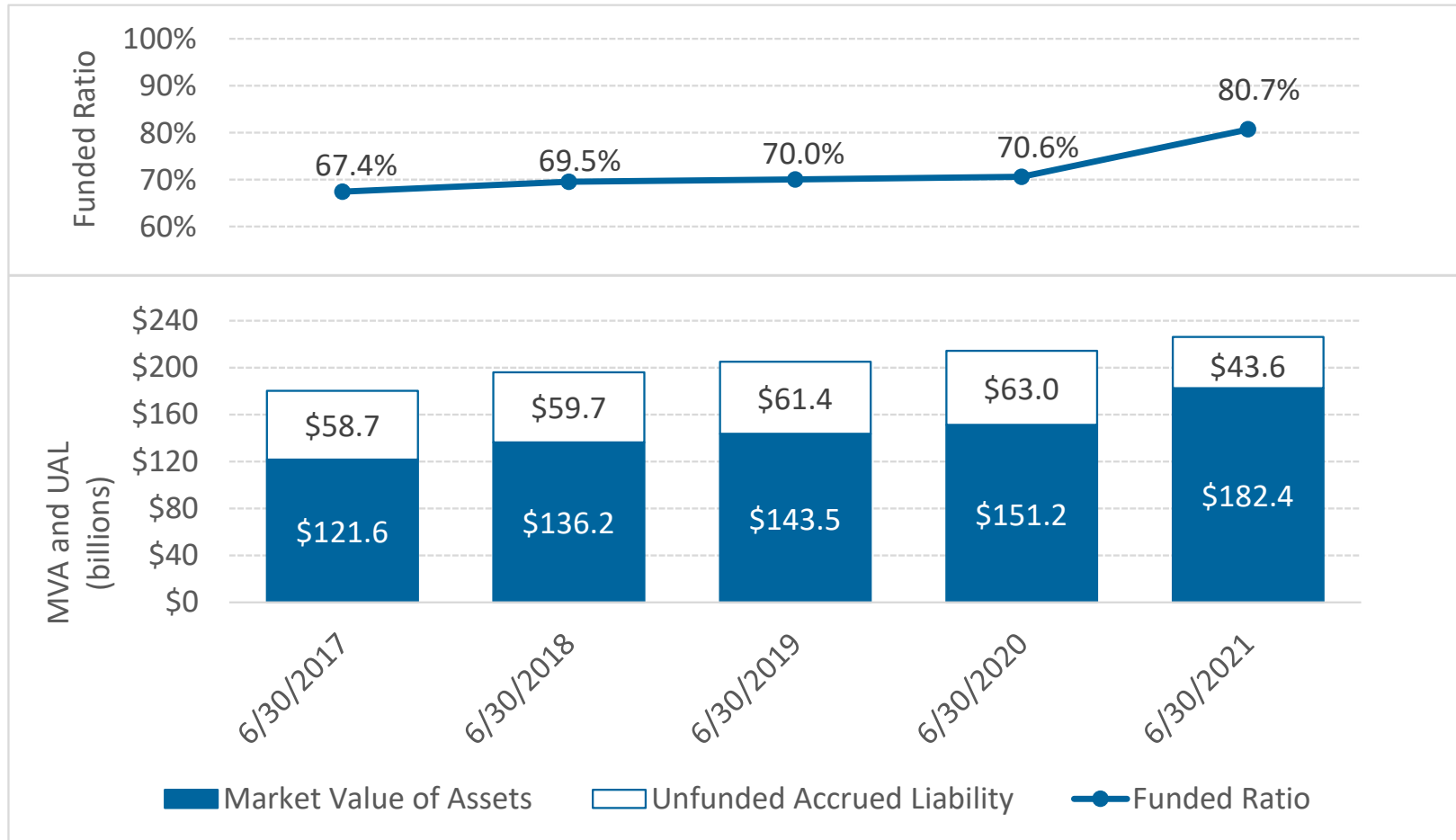
Significant Events Since June 30, 2020 Valuation (continued)

- Additional Contributions
 - \$1.9 billion contributed in July 2021 (Prop 2)
 - Allocated to plans in proportion to State's general fund CalPERS contributions
 - Reduced total FY 2022-23 required contribution by approximately \$429 million, equivalent to 1.97% of total payroll
 - \$25 million contributed to CHP in August 2021
 - Annual savings due to additional payment deferred to FY 2023-24
 - Additional contributions will be reflected in funded status as of June 30, 2022

Assets and Liability (in millions)

	June 30, 2020	June 30, 2021
Accrued Liability	\$ 214,161	\$ 225,974
Market Value of Assets	\$ 151,209	\$ 182,354
Unfunded Accrued Liability	\$ 62,952	\$ 43,621
Funded Ratio	70.6%	80.7%
Expected Employer Contributions based on Actuarially Determined Contribution Rates	\$ 6,633	\$ 7,597
Expected Employer Contributions Including Additional Contributions Pursuant California State Budget Act	\$ 6,765	\$ 7,980

Funded Status History of State Plans (aggregate)



Actuarially Determined Contribution Rates (\$ in millions)

	FY 2021-22			FY 2022-23	
	Employer Contribution Rate	Expected Contribution in Dollars	<i>Estimated Rate*</i>	Employer Contribution Rate	Expected Contribution in Dollars
State Miscellaneous	29.12%	\$ 4,160	32.3%	30.71%	\$ 4,453
State Industrial	16.46%	133	21.9%	19.51%	157
State Safety	18.29%	476	21.9%	21.13%	537
State Peace Officers & Firefighters	31.19%	1,263	51.6%	47.21%	1,851
California Highway Patrol	61.46%	601	64.6%	63.89%	599
Total State		\$ 6,633			\$ 7,597

* As projected in the June 30, 2020 addendum to the actuarial valuation report, did not include supplemental payments since June 30, 2021

Total FY 2021-22 Contributions by Plan

	Actuarially Required Employer Contribution for FY 2022-23	Additional Statutory Contribution per GC 20683.2	Additional Contribution Rate*	Total Contribution FY 2022-23
State Miscellaneous	30.71%	0.10%	1.19%	32.00%
State Industrial	19.51%	0.88%	0.61%	21.00%
State Safety	21.13%	1.18%	0.44%	22.75%
State Peace Officers & Firefighters	47.21%	1.65%	1.14%	50.00%
California Highway Patrol	63.89%	1.32%	2.33%	67.54%

* For the general fund plans, Additional Contribution Rate is the Stable Contribution Rate adjustment. For CHP, the Additional Contribution Rate is Bargaining Unit 5 Agreement.

Member Contributions

- Most State employees are exempt from the PEPRA requirement that members contribute 50% of normal cost
- PEPRA members subject to automatic 50% cost sharing:
 - Legislature
 - California State University
 - Judicial Branch
- Member contributions effective July 1, 2022 :
 - Miscellaneous members: increase from 7.25% to 8.00%
 - POFF members: increase from 12.00% to 13.25%

Member Contributions – Bargaining Units 5, 9, 16 and 18

- State employees in Bargaining Units 5, 9, 16 and 18 generally contribute 50% of normal cost.
- Member contributions effective July 1, 2022:
 - Miscellaneous members in BU 5: increase from 8.25% to 8.75%
 - Patrol members in BU 5: increase from 12.50% to 13.50%
 - Miscellaneous members in BU 9: decrease from 8.50% to 8.00%
 - Safety members in BU 9: decrease from 11.50% to 11.00%

Projected Required Future Employer Rates

Plan	Actual	Projected				
	2022-23	2023-24	2024-25	2025-26	2026-27	2027-28
State Miscellaneous	30.71%	29.7%	28.5%	27.3%	25.8%	25.9%
State Industrial	19.51%	18.4%	17.3%	16.2%	14.9%	14.9%
State Safety	21.13%	19.4%	18.3%	17.2%	16.0%	15.9%
State Peace Officers & Firefighters	47.21%	45.7%	43.6%	41.4%	38.8%	38.8%
California Highway Patrol	63.89%	61.4%	57.0%	53.9%	48.7%	48.4%

Projected rates assume 6.8% investment return in FY 2021-22 and following years with no changes to benefits, assumptions, methods, or supplemental payments during the projection period. Adjustments were made to estimate the effects of future hires entering PEPRA benefit tiers and future member contribution rate changes already codified in statute. All other demographic experience is assumed to match the actuarial assumptions.