



Finance and Administration Committee

Agenda Item 4d

February 18, 2025

Item Name: Judges’ Retirement System II Actuarial Valuation Report and Employer and Employee Contribution Rates

Program: Actuarial Office

Item Type: Action Consent

Recommendation

Approve the Judges’ Retirement System II Actuarial Valuation Report as of June 30, 2024 and the corresponding transmittal letter to the governor and Legislature.

Adopt the employer contribution rate of 22.62% and a member contribution rate of 16.75% of salary for members subject to the Public Employees’ Pension Reform Act of 2013 (PEPRA) for the period of July 1, 2025 through June 30, 2026 for the Judges’ Retirement System II.

Executive Summary

The following table summarizes key results from the valuation and shows a comparison of the prior year report.

Comparison of Current and Prior Year Results		
	June 30, 2023	June 30, 2024
Present Value of Benefits	\$3,386,429,250	\$3,670,336,037
Accrued Liability	2,361,939,313	2,553,215,373
Market Value of Assets	2,333,468,381	2,638,410,175
Unfunded Liability/(Surplus)	28,470,933	(85,194,802)
Funded Status	98.8%	103.3%
Required Employer Contribution Rate	23.79%	22.62%

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 fund sustainability.

Background

The Judges' Retirement System II (JRS II) began on November 9, 1994 to provide retirement and ancillary benefits to judges elected or appointed on or after that date. The employer contribution rate from the inception of the plan until June 30, 1996 was set by State statute. Subsequently, the employer contribution rate was determined through an actuarial valuation process. This actuarial valuation sets the employer contribution rate for fiscal year (FY) July 1, 2025 through June 30, 2026.

Analysis

As of June 30, 2024, JRS II has a funded status of 103.3%, having increased from 98.8% since the prior valuation. This increase was the result of investment gains. In FY 2023-24 the fund earned approximately 11.3%.

The actuarial office recommends the board adopt a contribution rate of 22.62% for FY 2025-26. This rate is comprised of 22.62% for the employer normal cost and 0.00% for the amortization of the unfunded liability.

With the enactment of the Public Employees' Pension Reform Act of 2013 (PEPRA), PEPRA members are required to contribute at least 50% of the total annual normal cost as determined by the actuary.

The following table illustrates a history of the normal cost of the PEPRA group and the resulting employee contribution rate. The employee contribution for the PEPRA group changes if the total normal cost for the PEPRA group changes by 1% or more from the Base Total Normal Cost Rate. The Base Total Normal Cost Rate for PEPRA members is 33.35%. The new Total PEPRA Normal Cost is 33.40%. This results in no change to the PEPRA member contribution rate of 16.75% for FY 2025-26.

Fiscal Year	Total PEPRA Normal Cost	Employee PEPRA Normal Cost
2017-18	33.562%	16.75%
2018-19	32.104%	16.00%
2019-20	32.760%	16.00%
2020-21	32.56%	16.00%
2021-22	32.62%	16.00%
2022-23	32.43%	16.00%
2023-24	32.36%	16.00%
2024-25	33.35%*	16.75%
2025-26	33.40%	16.75%

* Base Total Normal Cost Rate for members subject to the PEPRA, until the actual PEPRA Total Normal Cost Rate changes by 1% or more.

Budget and Fiscal Impacts

Not Applicable.

Benefits and Risks

One risk measurement is the Volatility Ratios (assets/payroll ratio, liability/payroll ratio). The Volatility Ratios for this plan are 6.5 and 6.3, respectively. Both numbers are displayed in the Risk Analysis section of the valuation report. The volatility ratios indicate this plan has a lower risk of large changes to employer rates when it comes to investment earnings and changes in liability when compared to most plans in the PERF.

Another key risk measurement in the June 30, 2024 valuation report is the funded status of the plan. The funded status of a pension plan is defined as the ratio of assets to a plan's accrued liabilities. When below a certain level, this measure indicates whether a plan is at risk of meeting future benefit obligations. The funded status of this plan is 103.3% as of June 30, 2024. The target funded level is 100%.

Attachments

Attachment 1 – Transmittal letter to the governor and Legislature

Attachment 2 – Judges' Retirement System II Actuarial Valuation as of June 30, 2024

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