



Finance and Administration Committee

Agenda Item 4e

February 18, 2025

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, 2024 Legislators’ Retirement System Actuarial Valuation report and the corresponding transmittal letter to the governor and Legislature.

Adopt the employer the contribution amount of \$493,219 for the period of July 1, 2025 through June 30, 2026 for the Legislators’ Retirement System.

Executive Summary

The following table summarizes key results from the valuation:

	June 30, 2023	June 30, 2024
Present Value of Benefits	\$ 97,069,061	\$ 97,714,684
Accrued Liability	\$ 97,069,061	\$ 97,714,684
Market Value of Assets	\$ 96,998,773	\$ 93,823,484
Unfunded Liability/(Surplus)	\$ 70,288	\$ 3,891,200
Funded Status	99.9%	96.0%
Required Employer Contribution Rate	N/A ¹	N/A ¹
Unfunded Accrued Liability Payment	\$ 75,085	\$ 493,219
Paid either as		
1) Monthly Payment	\$ 6,257	\$ 41,102
Or		
2) Annual Prepayment Option	\$ 73,451	\$ 482,483

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 Employer Contribution Rates reported as a percent of payroll are no longer applicable for this plan.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 fund 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, 2023 Actuarial Valuation, the plan was in an unfunded position, with a funded status of 99.9%. The Board approved an employer contribution of \$75,085 for FY 2024-25.

As of the June 30, 2024 valuation, the plan remains unfunded, with a reduced funded status of 96.0%. This decline was primarily due to unfavorable plan experience, notably higher-than-expected cost-of-living adjustments.

Based on the updated actuarial analysis, the actuarial office recommends that the Board approve an employer contribution of \$493,219 for FY 2025-26.

Budget and Fiscal Impacts

Not Applicable

Benefits and Risks

One key risk measured in the June 30, 2024 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 no longer fully funded but is still considered well-funded at this time.

Legislators' retiree and beneficiary cost of living adjustments, which are based on the United States city average of the Consumer Price Index for all Urban Consumers, after the valuation date were not known upon completion of the valuation and are therefore not reflected in this

report. However, it is possible that higher than expected increases to benefits could continue to reduce the future funded status of the plan.

Attachments

Attachment 1 – Transmittal letter to the Governor and Legislature

Attachment 2 – Legislators' Retirement System Actuarial Valuation report as of June 30, 2024

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