

Schools Pool Valuation and Employer/Employee Contribution Rates

Actuarial Office

Overview

- Actuarial valuation date: **June 30, 2024**
 - Determines required employer and PEPRA employee contributions for **fiscal year 2025-26**
- All participating school employers pay the same employer contribution rate for all active members based on total results of the Schools Pool
- Unlike public agencies, the entire employer contribution is paid as a rate (percentage of covered payroll)

Key Experience Since Prior Valuation

- Money-weighted investment return was 9.5% in fiscal year 2023-24
- Salary increases for active members averaged 9.7% in the year ending June 30, 2024
- Total pool payroll increased by 12.6% over the prior year
- While salary increases remain elevated, cost of living adjustments to benefits in payment have returned to around 2%

Key Results (\$ in millions)

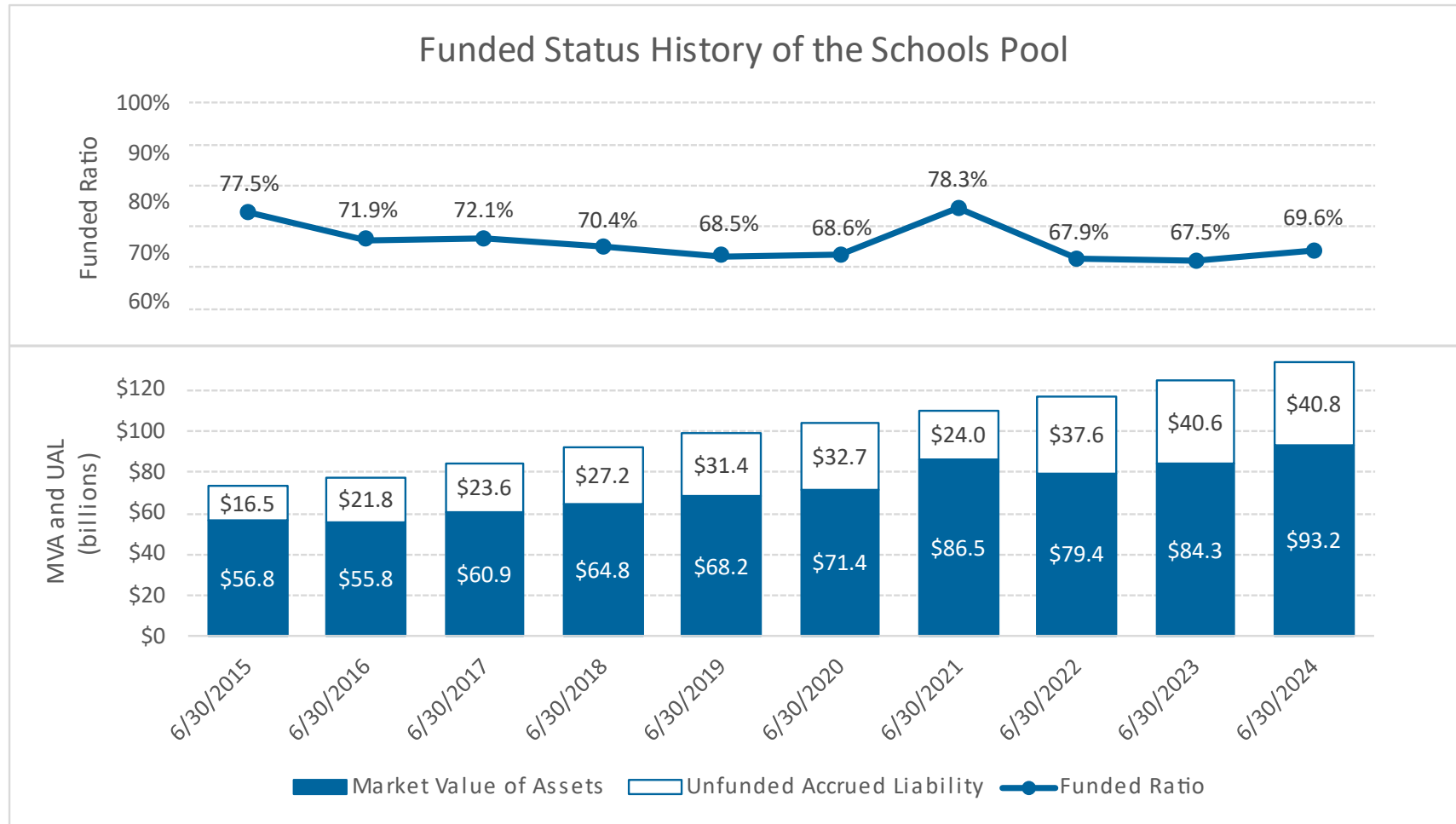
| | June 30, 2023 | June 30, 2024 |
|--------------------------------|----------------------------|----------------------------|
| Accrued Liability | \$ 124,924 | \$ 133,978 |
| Market Value of Assets | \$ 84,292 | \$ 93,187 |
| Unfunded Accrued Liability | \$ 40,632 | \$ 40,791 |
| Funded Ratio | 67.5% | 69.6% |
| Discount Rate | 6.80% | 6.80% |
| | Fiscal Year 2024-25 | Fiscal Year 2025-26 |
| Employer Contribution Rate | 27.05% | 26.81% |
| PEPRA Member Contribution Rate | 8.00% | 8.00% |

Employer Contributions (\$ in millions)

| | Fiscal Year 2024-25 | Fiscal Year 2025-26 | |
|---|---------------------|--------------------------------|---------------|
| Employer Contribution Rate (%) | | <i>[estimated¹]</i> | [actual] |
| Employer Normal Cost | 9.58% | 9.5% | 9.37% |
| Unfunded Liability Rate | <u>17.47%</u> | <u>17.9%</u> | <u>17.44%</u> |
| Employer Contribution Rate | 27.05% | 27.4% | 26.81% |
| | | | |
| Projected Payroll in Contribution Year | \$ 19,055 | \$ 19,588 | \$ 21,450 |
| | | | |
| Expected Employer Contribution (\$) | \$ 5,153 | | \$ 5,751 |

¹ As published in Circular Letter 200-040-24 dated August 30, 2024, *School Employer Projected Contribution Rates*

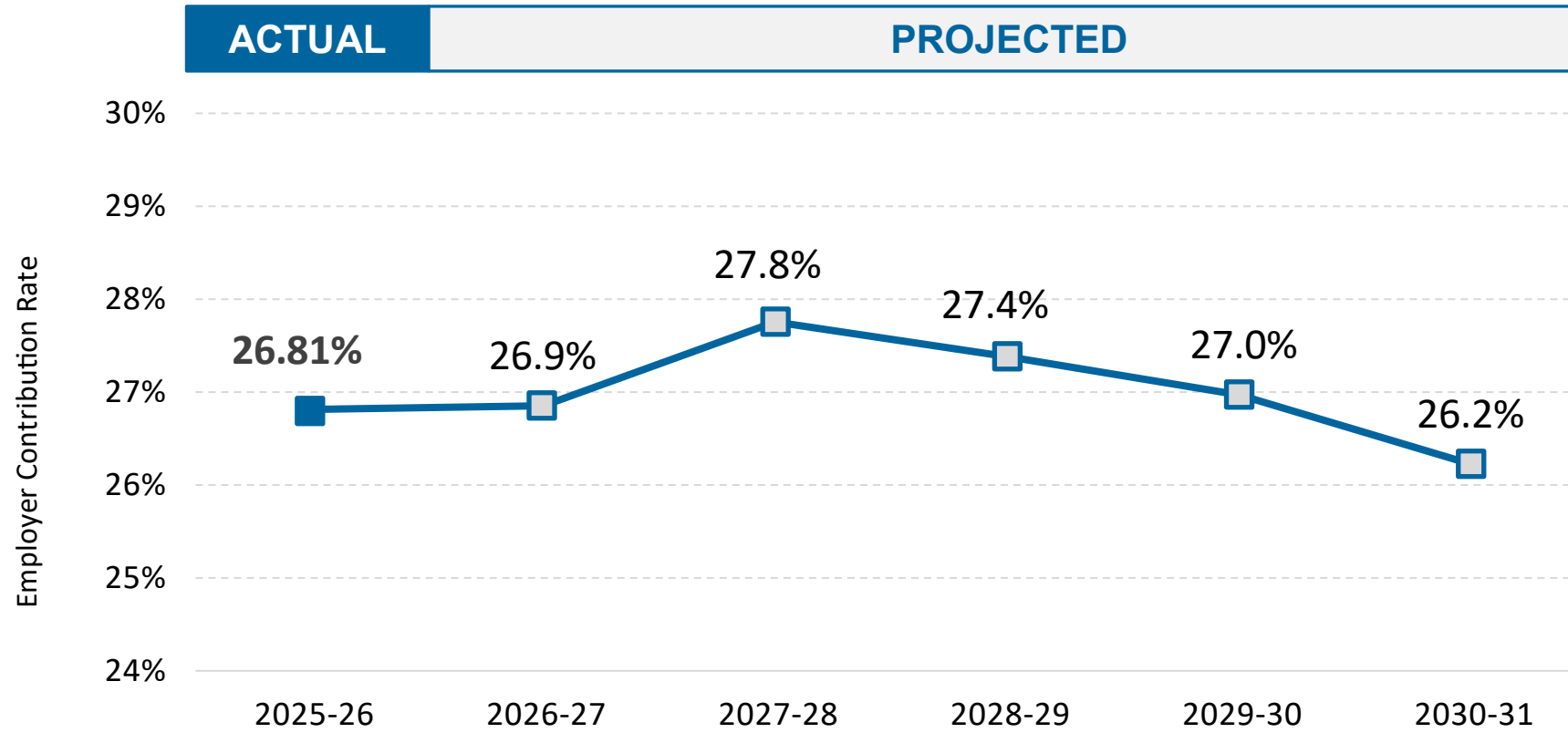
Funded Status Recent History



Employee Contributions

- PEPRA members in the Schools Pool are required to contribute 50% of normal cost
- PEPRA member contribution rate will remain 8.00% in fiscal year 2025-26
- The Classic member contribution rate is set by statute (7.00%)
- PEPRA members represent 67% of Schools Pool active membership by headcount and 58% by payroll

Projected Employer Contribution Rate



Projected rates assume 6.8% investment return in FY 2024-25 and thereafter with no changes to benefits, assumptions, or methods during the projection period. All plan experience is assumed to match the actuarial assumptions, including the expectation that normal cost will continue to gradually decline over time as new employees enter the PEPRA benefit tier.