



Board of Retirement Meeting

San Joaquin County Employees' Retirement Association

Agenda Item 6.0

August 21, 2019

SUBJECT: Actuarial Reports and 2020 Retirement Contribution Rates

SUBMITTED FOR: ___ CONSENT X ACTION ___ INFORMATION

RECOMMENDATION

Staff recommends that the Board of Retirement:

1. Accept and file the triennial Actuarial Experience Study for January 1, 2016 through December 31, 2018 prepared by Cheiron and approve the assumption changes.
2. Accept and file the annual Actuarial Valuation Report as of January 1, 2019 prepared by Cheiron and approve the employer and member contribution rates for calendar year 2020 presented therein.
3. Approve Resolution 2019-08-01 titled "Actuarial Report and 2020 Retirement Contribution Rates," which implements these recommendations.

PURPOSE

The primary purpose of the actuarial valuation is to measure, describe, and identify the following:

- SJCERA's financial condition
- Past and expected trends in SJCERA's financial progress
- Employer and employee contribution rates for the Plan Year 2020
- An assessment and disclosure of key risks

Every three years, the Board of Retirement also requests an actuarial experience study of the retirement plan. The purpose of this study is to evaluate whether or not the current assumptions adequately reflect SJCERA's long-term expectations, and if not, to recommend adjustments.

DISCUSSION

Experience Study

At the July 12, 2019 meeting, the Board elected to maintain the economic assumptions used in the last actuarial valuation, which included:

Nominal Rate of Return	7.25%
Long-term Inflation Rate	2.90%
Real Rate of Return	4.35%
Wage Growth	3.15%
Post Retirement COLA	2.60%

In addition, there were minor adjustments to various demographic assumptions, including: merit salary increases, retirement rates, termination rates, disability rates; mortality rates and other miscellaneous assumptions. The real return assumption is consistent with the long-term capital market assumptions from a survey of investment consultants and the other data presented in the experience study are reasonable.

Actuarial Valuation

The funded ratio based on the Market Value of Assets (MVA) decreased from 64.0 percent last year to 60.2 percent this year. The funded ratio based on the Actuarial Value of Assets (AVA) decreased from 64.8 percent to 64.5 percent.

Employer and Employee Contribution Rates

Employer contribution rates will increase in 2020. The primary driver is the asset experience, which increased the employer contribution rate by 1.69 percent. Rates are shown below.

CONTRIBUTION TYPE		2020				2019			
		Contribution rates as a percentage of Active Member Payroll							
		TIER 1			TIER 2	TIER 1			TIER 2
		Members Pay Basic Rate Only	Members Pay Basic w/ COLA Cost Share	Members Pay Basic w /COLA Cost Share Plus ¹		Members Pay Basic Rate Only	Members Pay Basic w/COLA Cost Share	Members Pay Basic w/COLA Cost Share Plus ¹	
Employer	General	47.28%	44.51%	43.98%	37.57%	44.42%	41.78%	41.27%	35.39%
	Safety	87.52%	82.77%	81.24%	70.50%	84.55%	79.79%	78.31%	67.22%
	Composite	54.72%	51.58%	50.86%	41.00%	51.81%	48.78%	48.09%	38.60%
Member²	General	2.83%-5.23%	4.76%-9.14%	5.16%-9.87%	9.47%	2.67%-5.10%	4.43%-8.85%	4.81%-9.56%	9.21%
	Safety	4.27%-6.60%	8.65%-12.89%	10.07%-15.08%	14.67%	4.16%-6.29%	8.68%-12.08%	10.05%-14.15%	14.61%

1. "Plus" refers to additional contributions members have agreed to pay (up to 14% of the Basic General Member Contribution Rate, and 33% of the Basic Safety Member Contribution Rate).
2. Tier 1 member contribution rates vary by entry age; Table presents the range.

Upon the Board's adoption of proposed Resolution 2019-08-01, staff will transmit the Retirement Contribution Rates for 2020 to the County Administrator's Office for formal action by the Board of Supervisors.

ATTACHMENTS

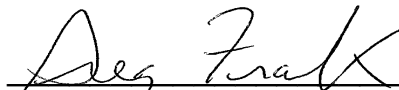
Annual Actuarial Valuation Report as of January 1, 2019

Actuarial Experience Study for January 1, 2016 through December 31, 2018

Proposed Resolution 2019-08-01 "Actuarial Reports and 2020 Retirement Contribution Rates"



JOHANNA SHICK
Chief Executive Officer



GREG FRANK
Management Analyst III