

# Sacramento County Employees' Retirement System

SCALE Presentation  
January 31, 2019



**SCERS**  
SACRAMENTO COUNTY  
EMPLOYEES' RETIREMENT SYSTEM

## Retirement Benefit Overview

- County enhanced benefits for SCERS members effective 6/29/2003.
- State Legislature set a lower standard benefit as part of Public Employees' Pension Reform Act of 2013 (PEPRA), which applies to members joining public retirement systems on and after 1/1/2013.
- 5 years later, SCERS' membership and benefit commitments have changed significantly.



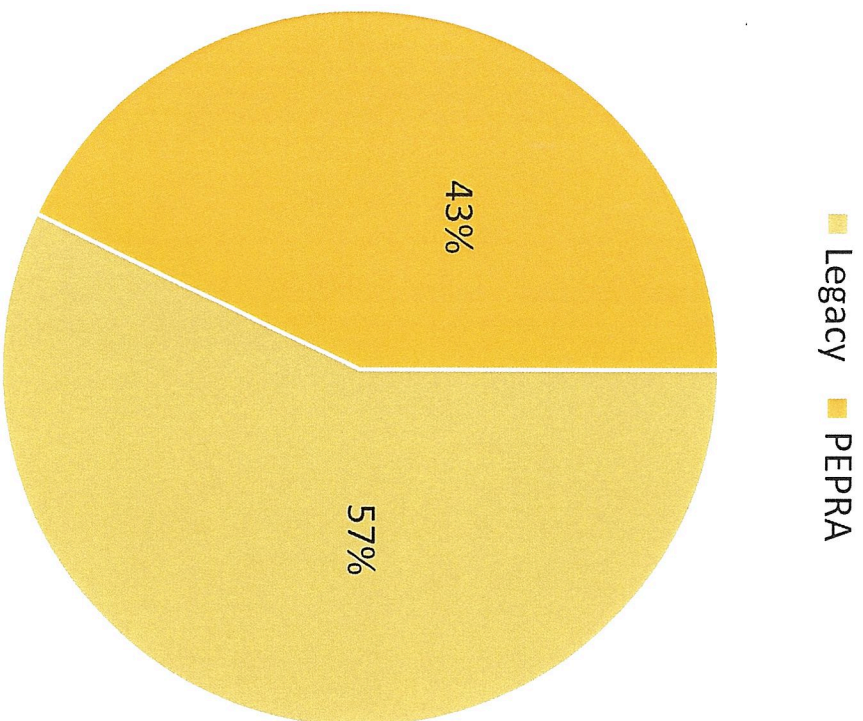


# Comparison of Benefit Tiers

<b>Legacy</b>	<b>PEPRA</b>
<p>Misc Tiers 1-3: 2% at 55 ½</p> <p>Misc Tier 4: 2% at 61 ¼</p> <p>Safety Tiers 1-2: 3% at 50</p> <p>Safety Tier 3: 3% at 55</p> <p>1-3 year Final Compensation Period</p>	<p>Misc Tier 5: 2% at 62</p> <p>Safety Tier 4: 2.7% at 57</p> <p>3-year Final Compensation Period</p>
<p>Compensation Earnable: Includes Pay Differentials, Vacation Sellback</p>	<p>Pensionable Compensation: Base Pay Only; Cap on pensionable earnings</p>
<p>50/50 Normal Cost-Sharing by MOU</p>	<p>50/50 Normal Cost-Sharing by Statute</p>



# SCALE Membership

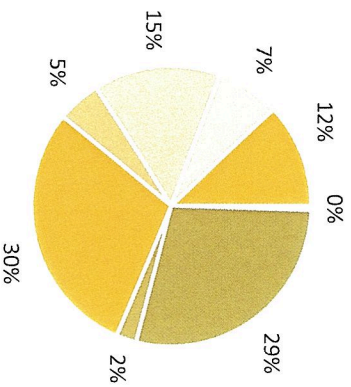




# SCALE Membership by Retirement Tier

Supervisory Unit (004):

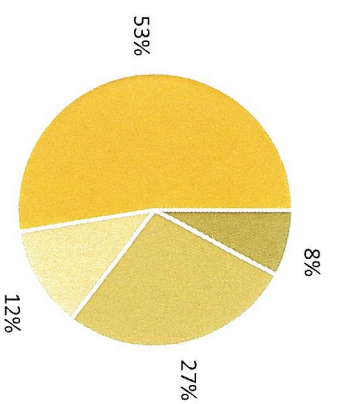
217 Members



■ Misc 2 ■ Misc 3 ■ Misc 4 ■ Misc 5 ■ Safety 1 ■ Safety 2 ■ Safety 3 ■ Safety 4

Peace Officers Unit (031):

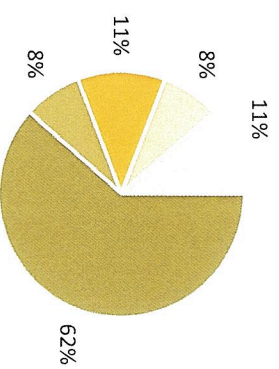
116 Members



■ Safety 1 ■ Safety 2 ■ Safety 3 ■ Safety 4

Law Enforcement Support Unit (002):

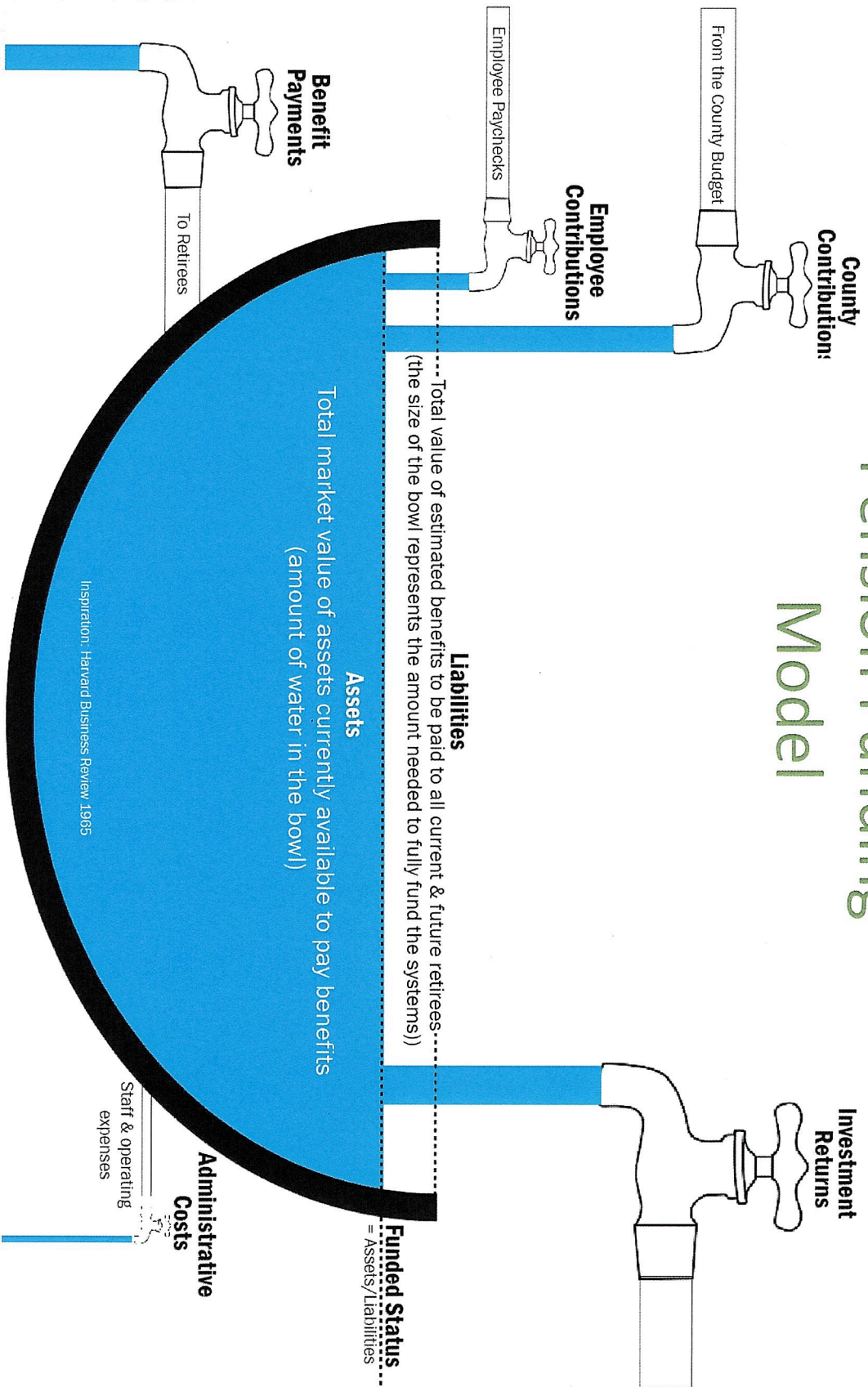
26 Members



■ Misc 3 ■ Misc 4 ■ Misc 5 ■ Safety 1 ■ Safety 2

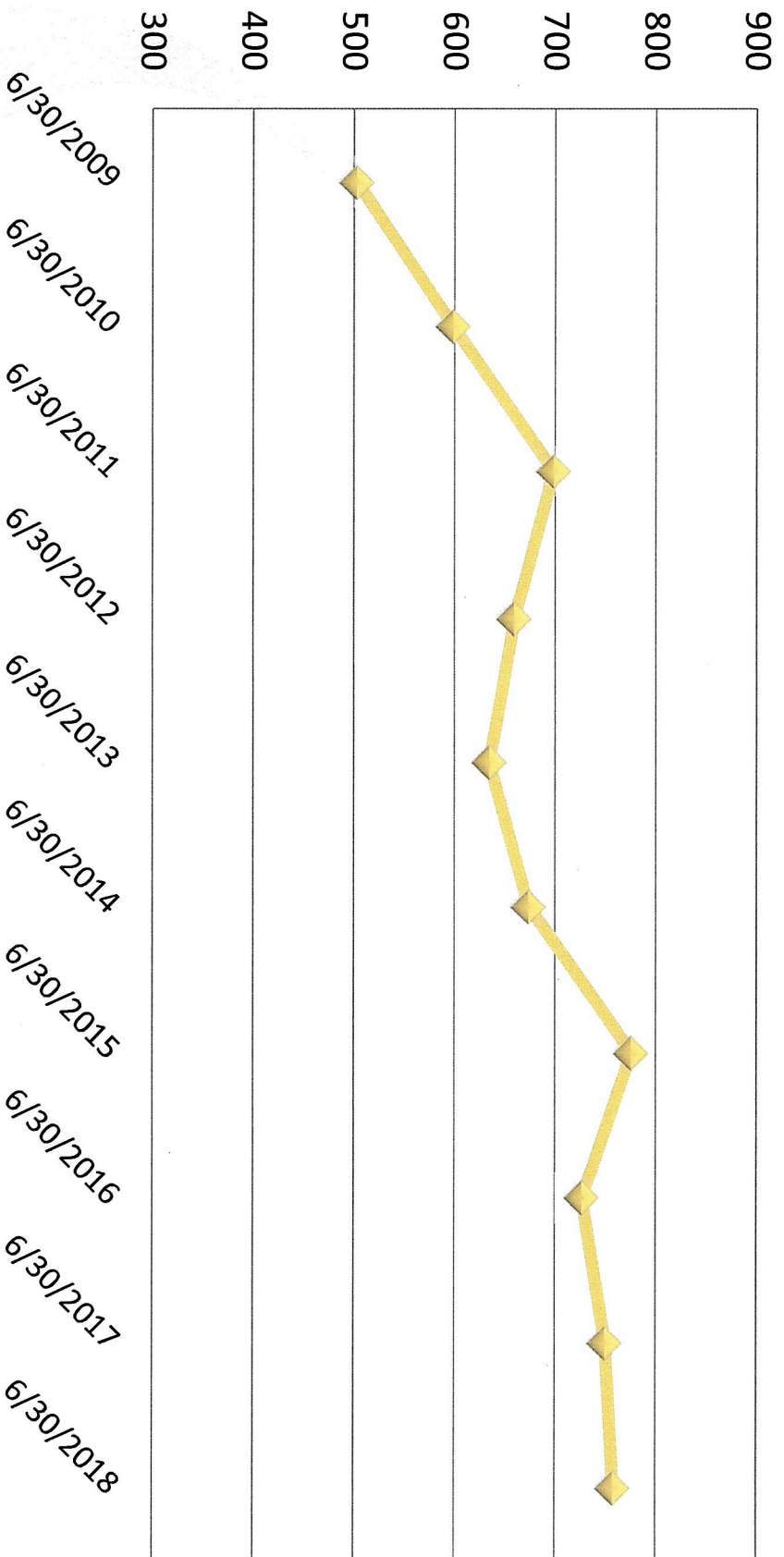


# Pension Funding Model



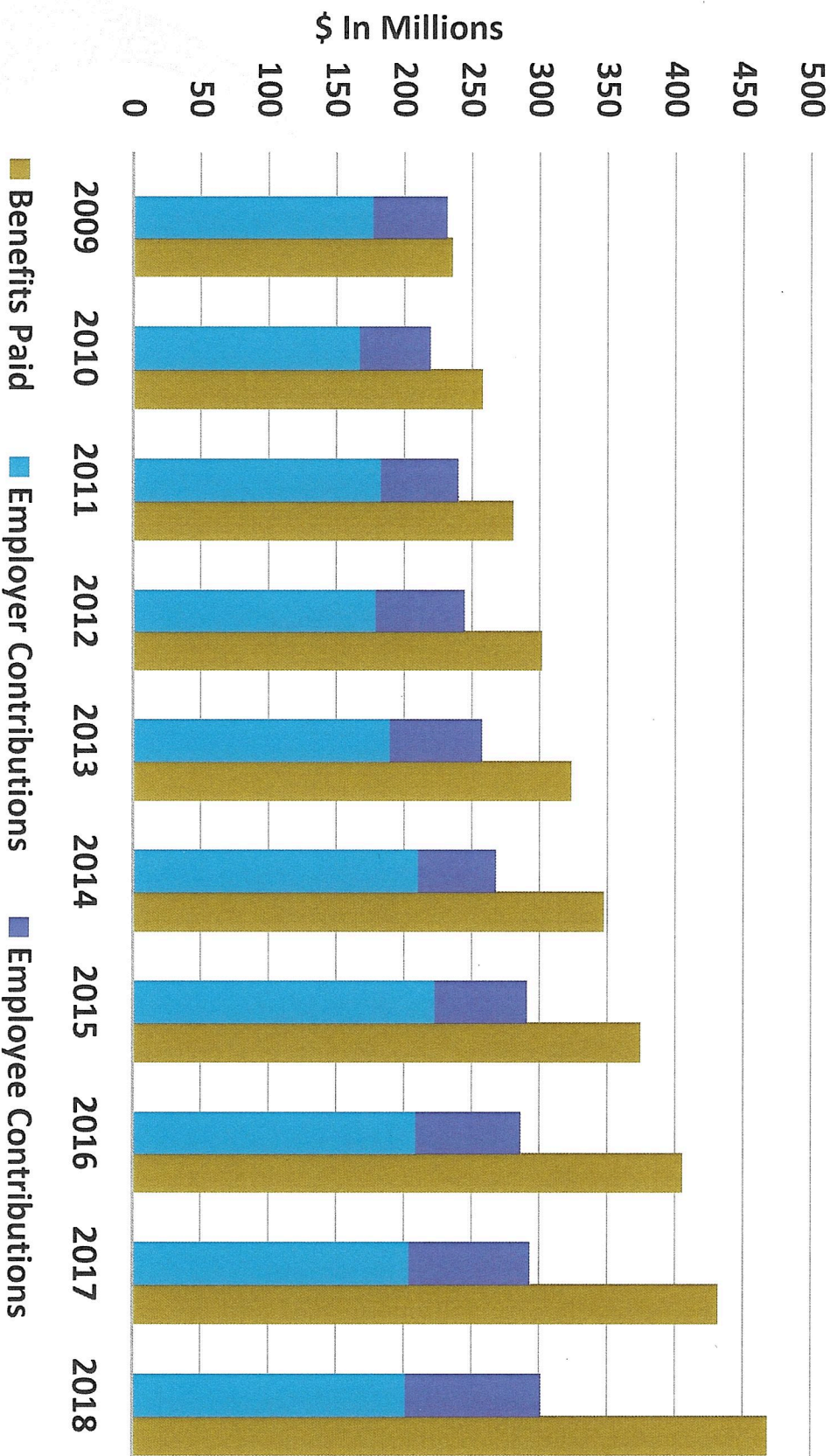
# Retirements up 50% over last decade

## New Retirees and Beneficiaries

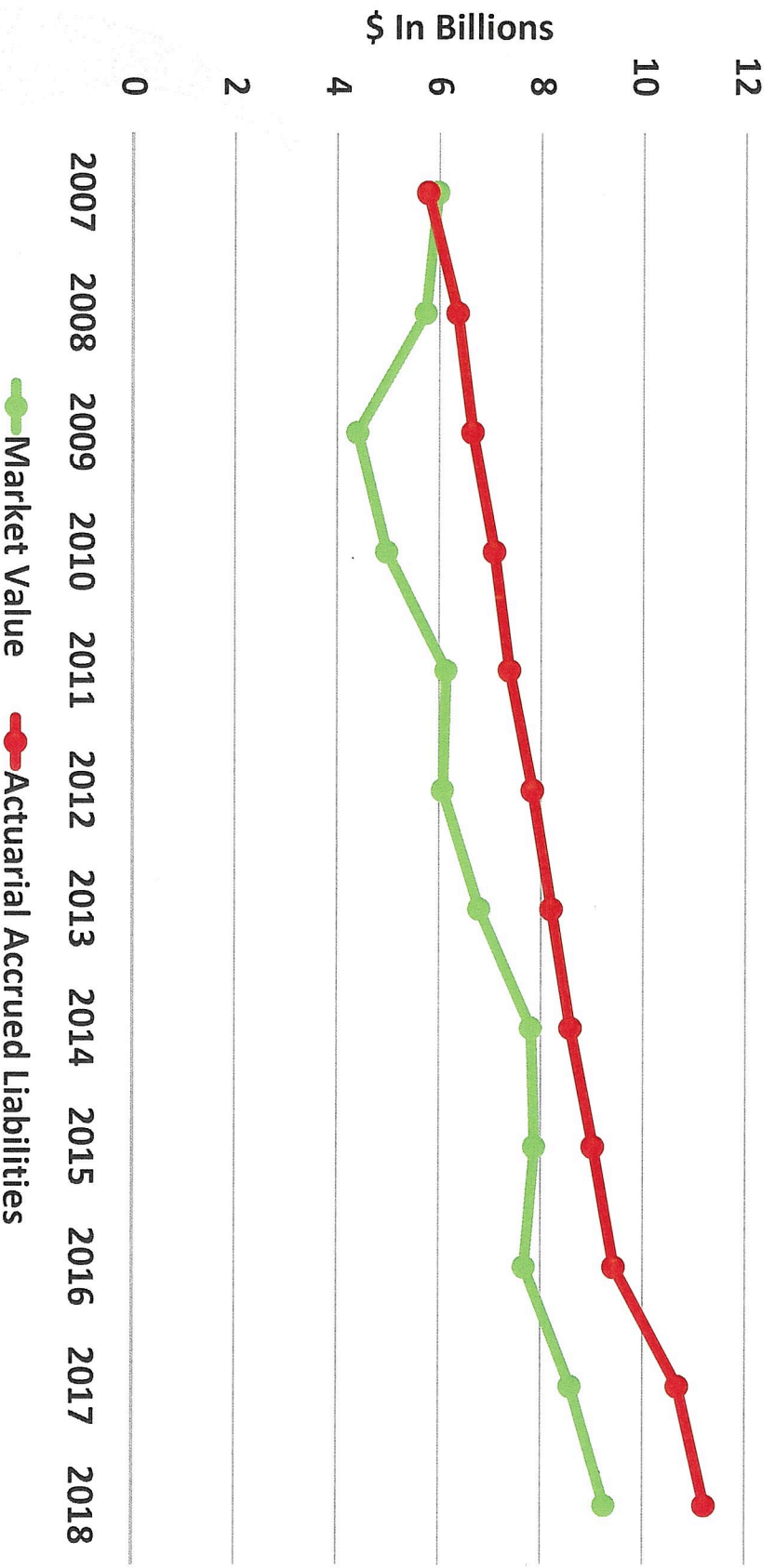




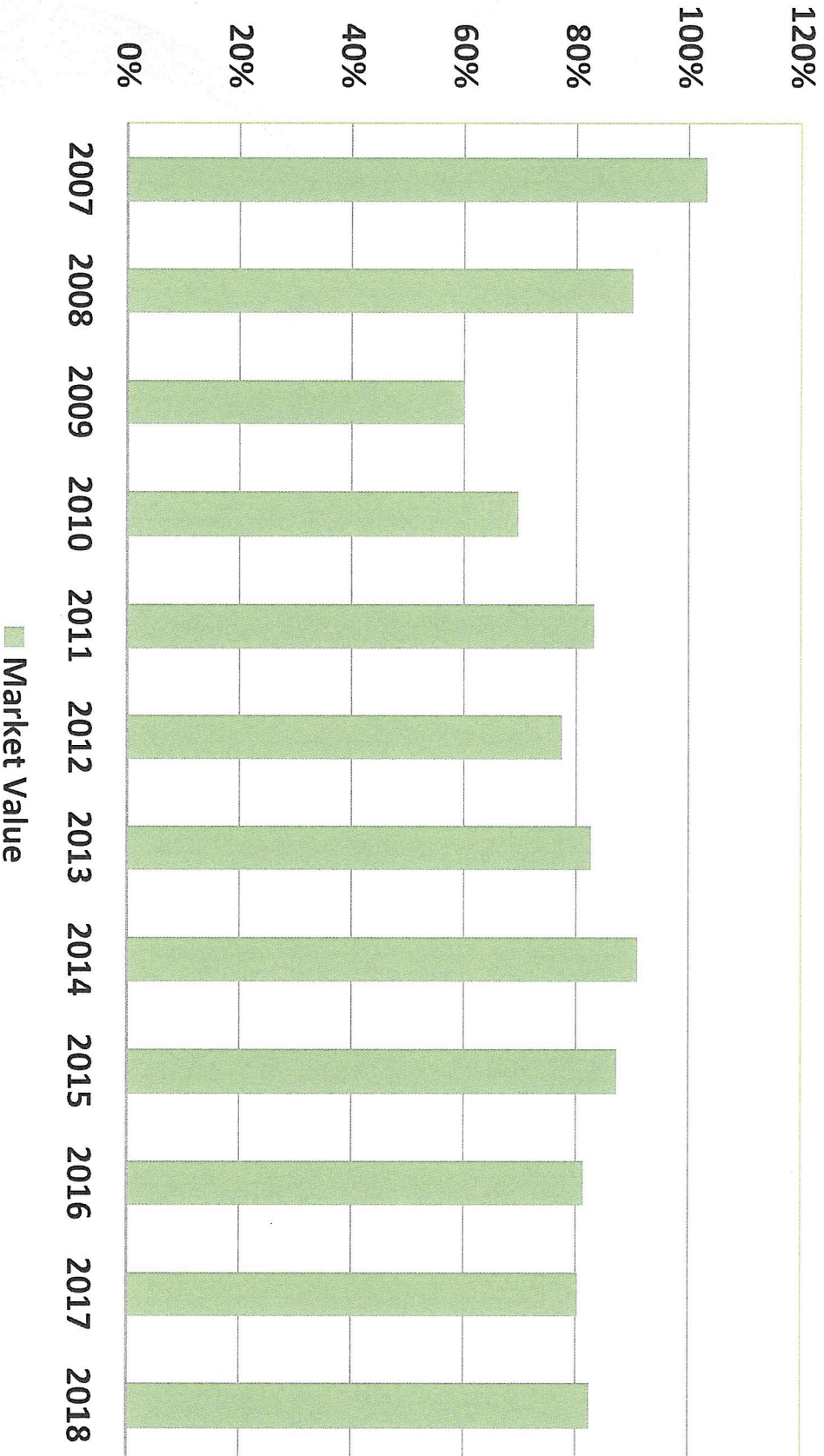
# Contributions In – Benefit Payments Out



# Assets Should Equal Liabilities



# Funded Status





# Calculating Liabilities

- **Funding Target: Amount of assets you need to have on hand to pay for promised benefits.**
- **Projecting pension cash flow requires:**
  - Demographic information on plan participants
  - Details on plan benefits/provisions
- **Long-term assumptions**
  - **Economic assumptions**
    - Expected return on assets, payroll or wage growth, and inflation.
  - **Demographic assumptions**
    - Retirement, mortality, termination, disability



## Contribution Rates

- Normal Costs
  - Annual service cost, based on assumptions
- Unfunded Liability Payment
  - Occurs when experience is different than assumptions, or when assumptions are changed.
  - Investment gains and losses “smoothed” over 7 years.
- Amortized over 20 years.



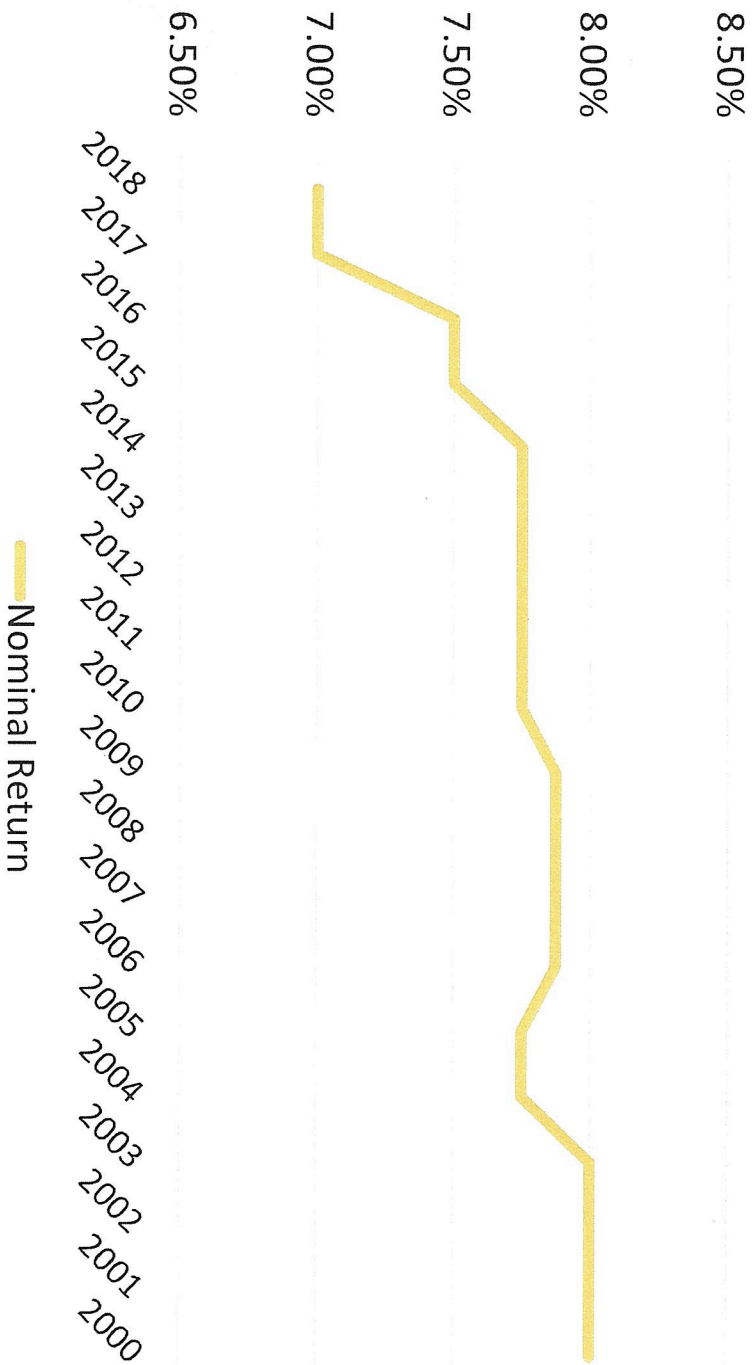
## Expected Return on Assets

- Most powerful single assumption
  - Higher expected return → lower expected contributions
  - Overtime, actual contributions will depend on actual investment returns
- Strategic asset allocation is selected to achieve the actuarially assumed rate of return
  - Diversified portfolio
  - Manage risk
  - Cash generation

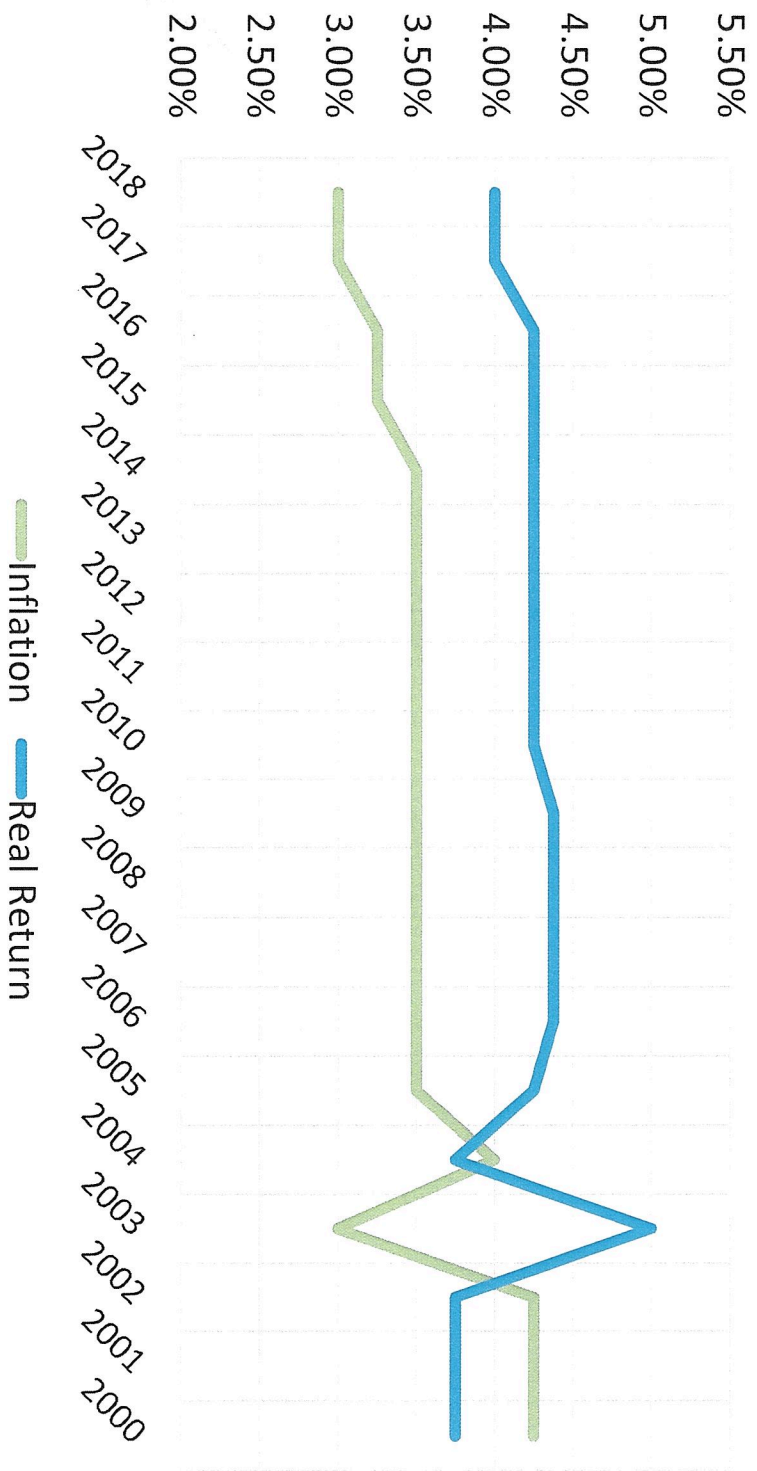




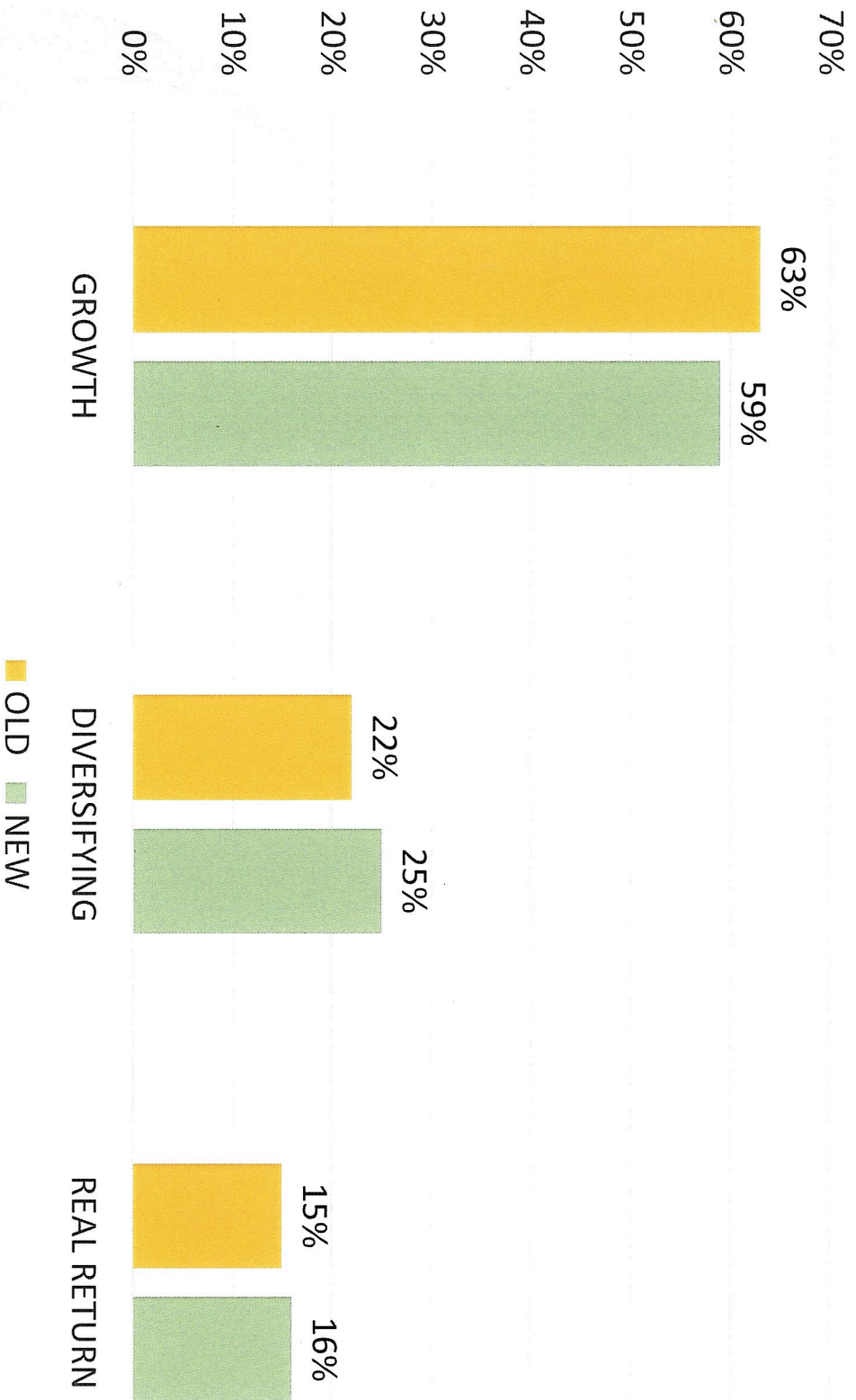
# Discount Rates at SCERS



# Discount Rates: Inflation vs. Real Return

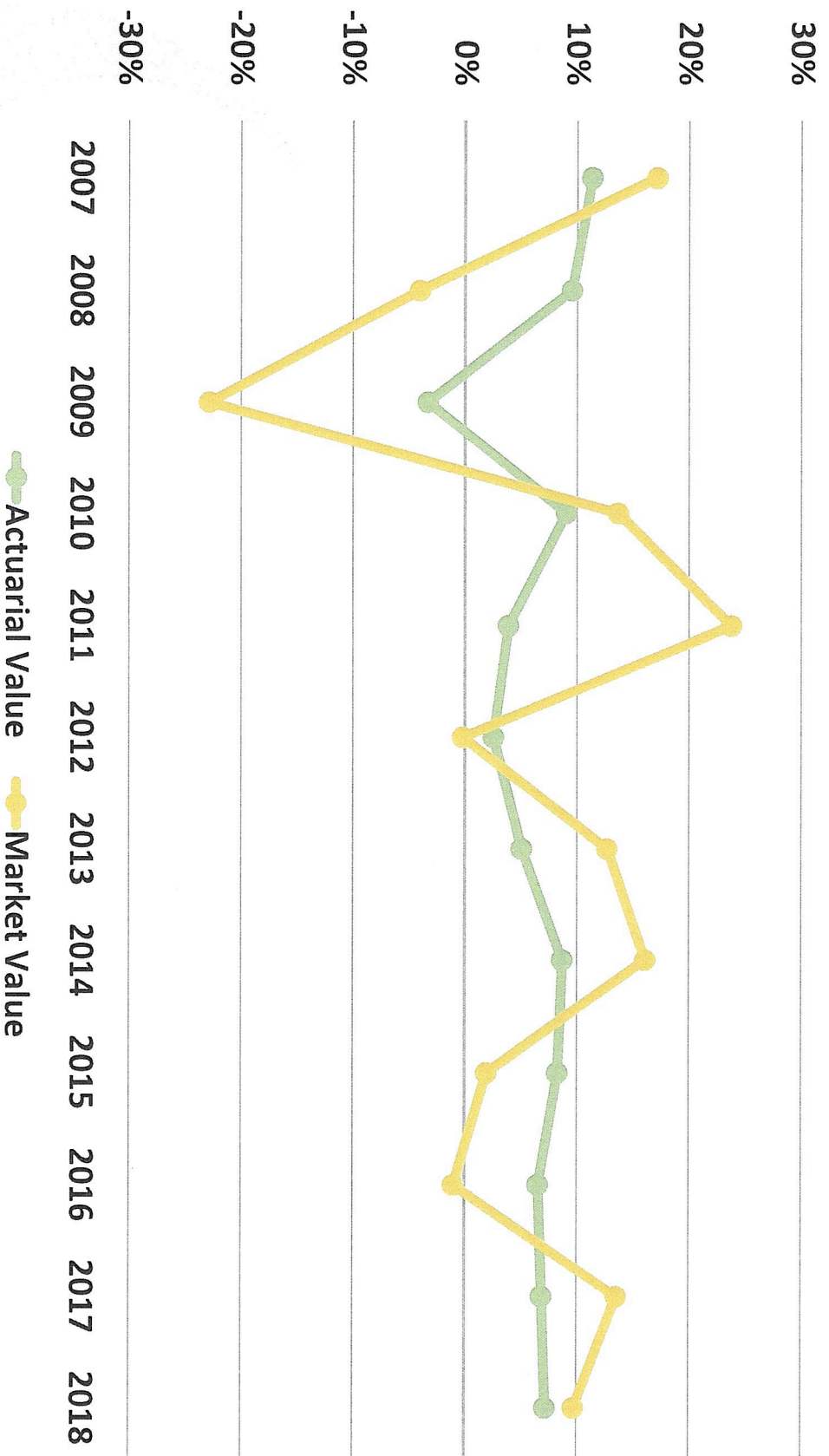


# Asset Allocation Changes in 2017



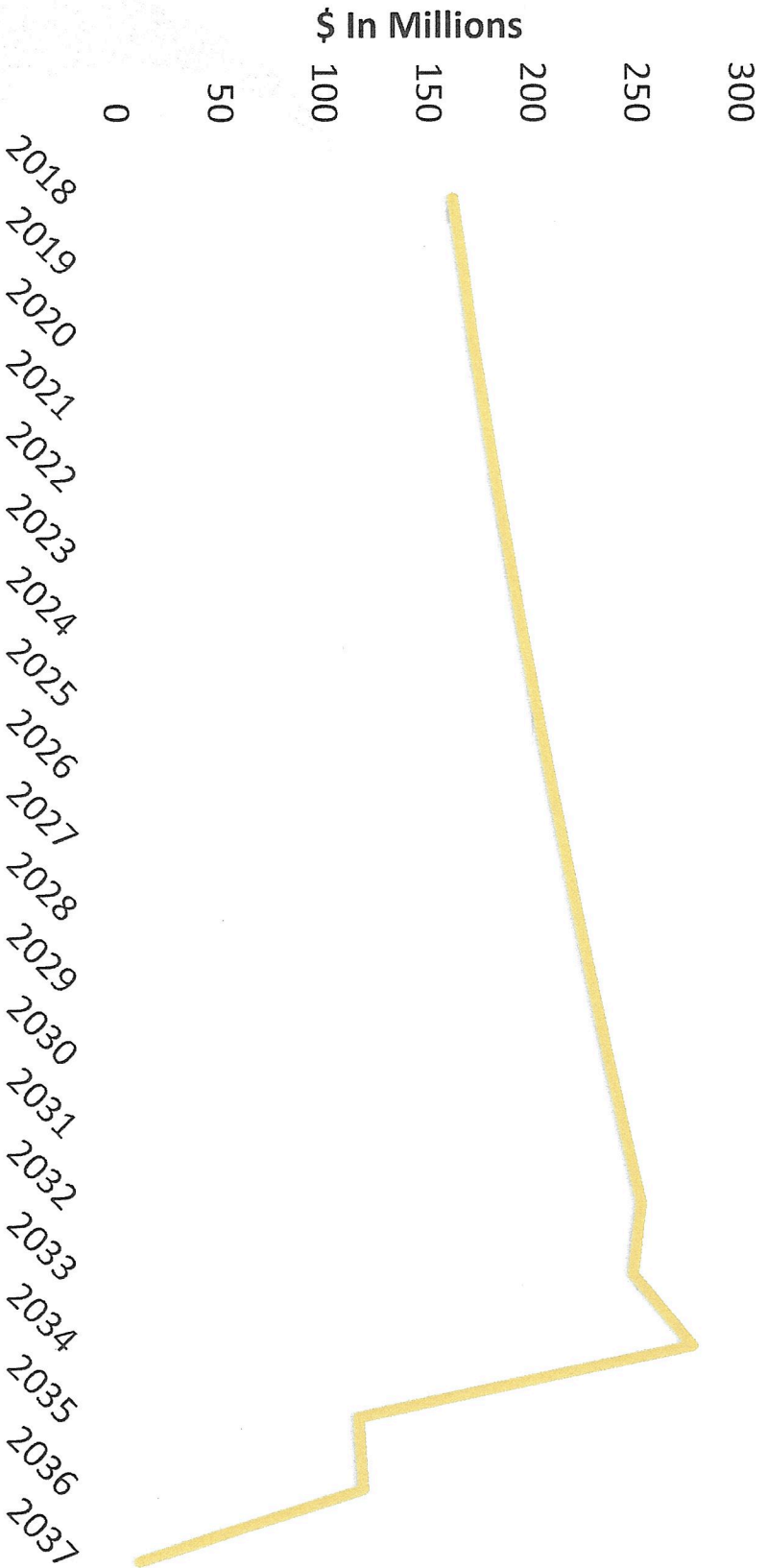


# Market vs. Actuarial Rate of Return



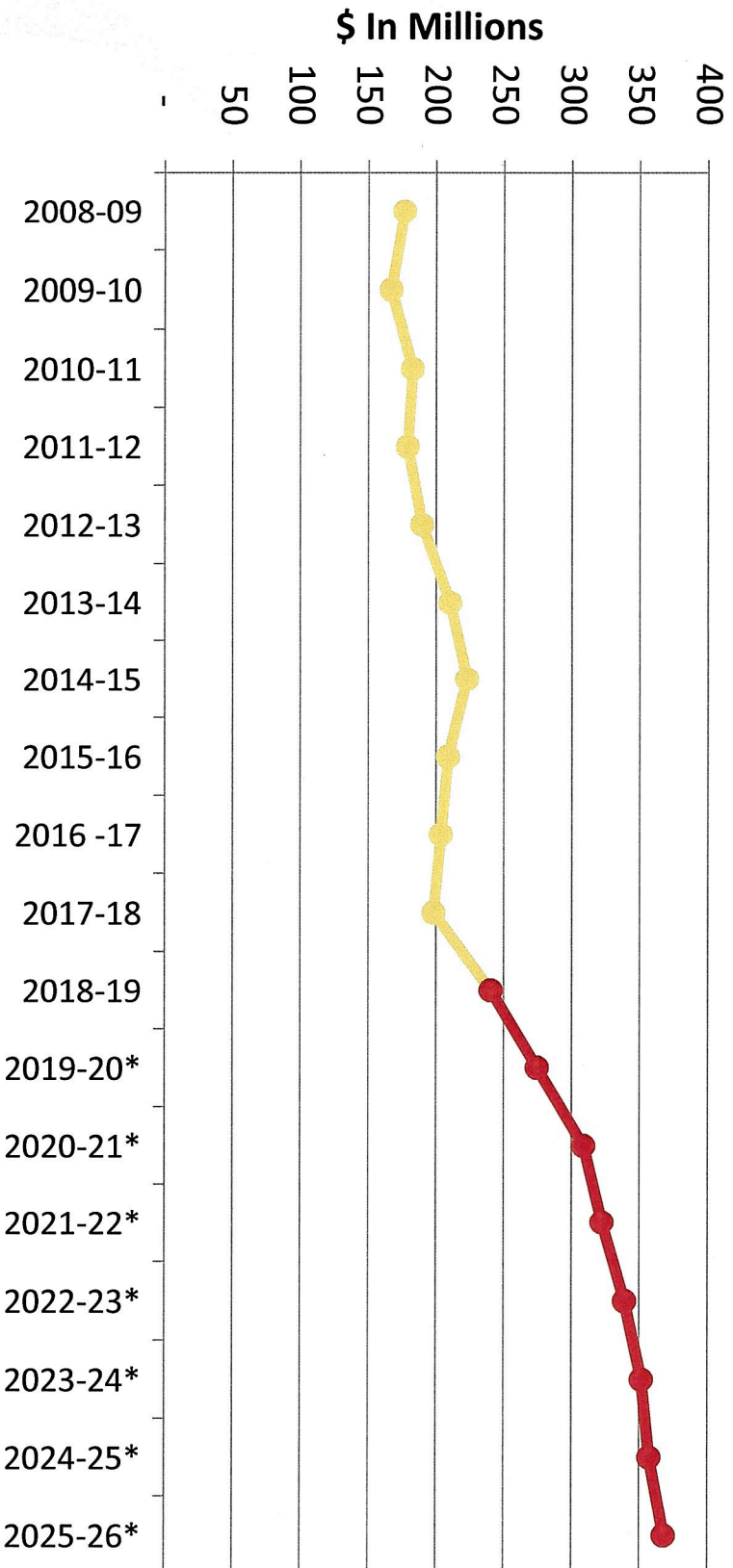
# Paying Down Unfunded Liability

Annual Payments Required to Amortize \$2.1 Billion UAAL,  
as of June 30, 2018



# Contribution Rates in Dollars

**Sacramento County Employees' Retirement System  
Projected Employer Contributions**



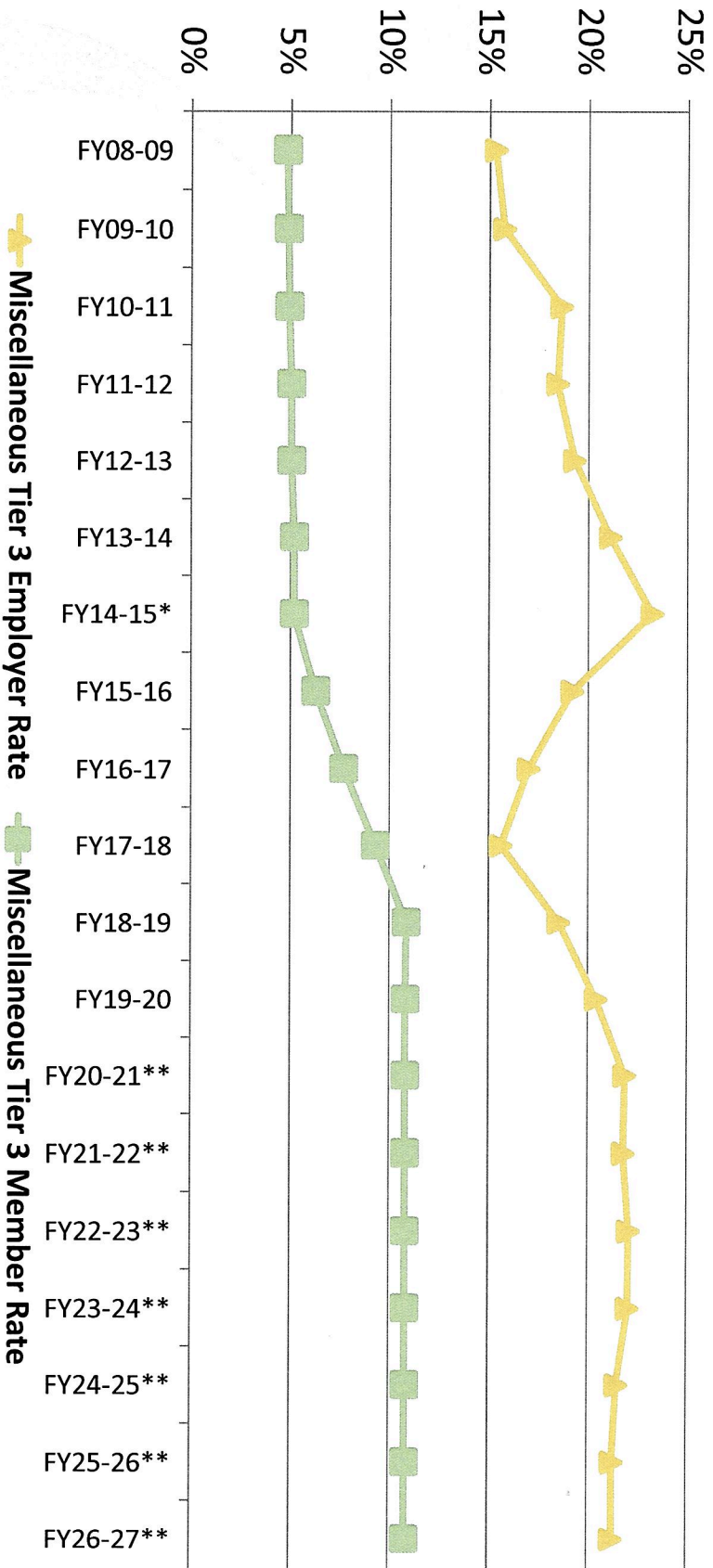
\* Projected contributions are calculated based on an annual covered payroll of \$1,007.8 million for FY2019-20 and annualized increases of approximately 3% thereafter.





# Miscellaneous Tier 3 Employer and Member Contribution Rates

Bargaining Units 002, 004 and 031 - Law Enforcement Support Unit, Supervisory Law Enforcement Support Unit, and Peace Officers



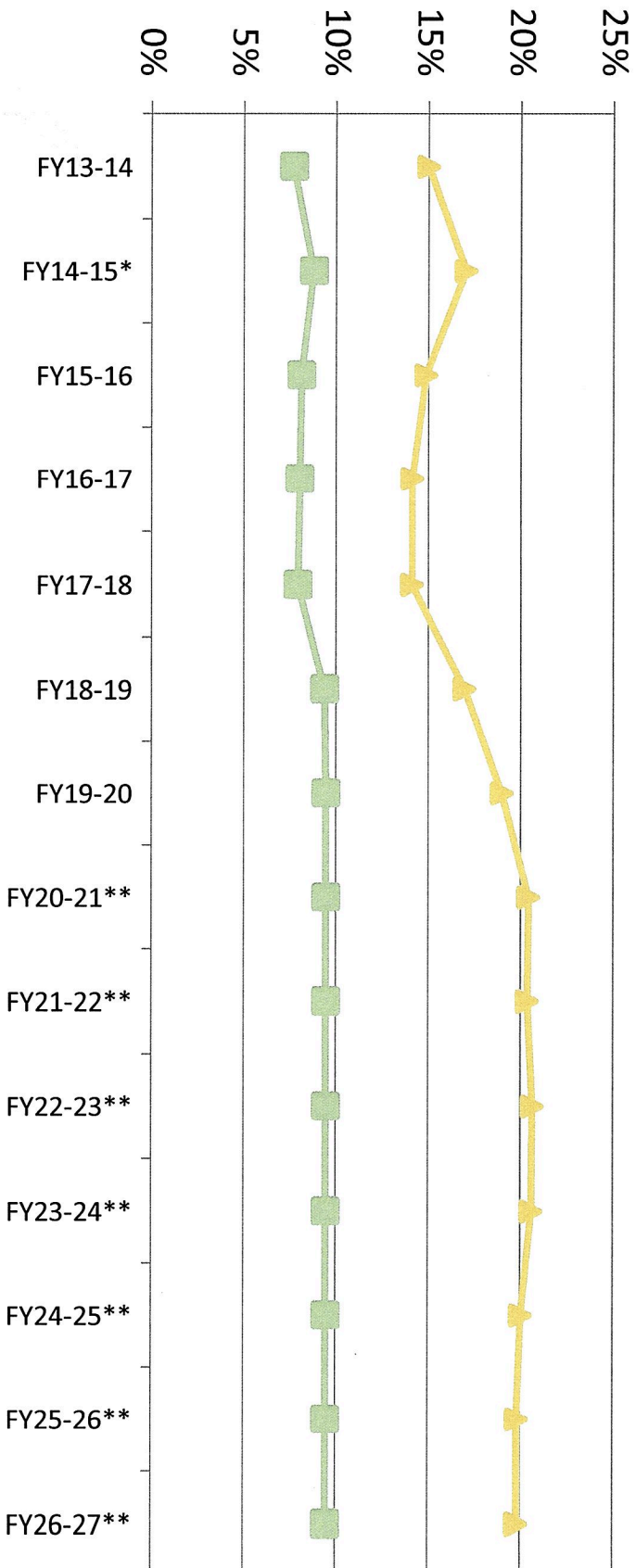
\* Members' first year of entering into a normal cost sharing arrangement. By FY17-18, all members were paying 50% of the normal cost.

\*\* Projected rates.



# Miscellaneous Tier 5 Employer and Member Contribution Rates

Bargaining Units 002, 004 and 031 - Law Enforcement Support Unit, Supervisory Law Enforcement Support Unit, and Peace Officers



▲ Miscellaneous Tier 5 Employer Rate
 ■ Miscellaneous Tier 5 Member Rate

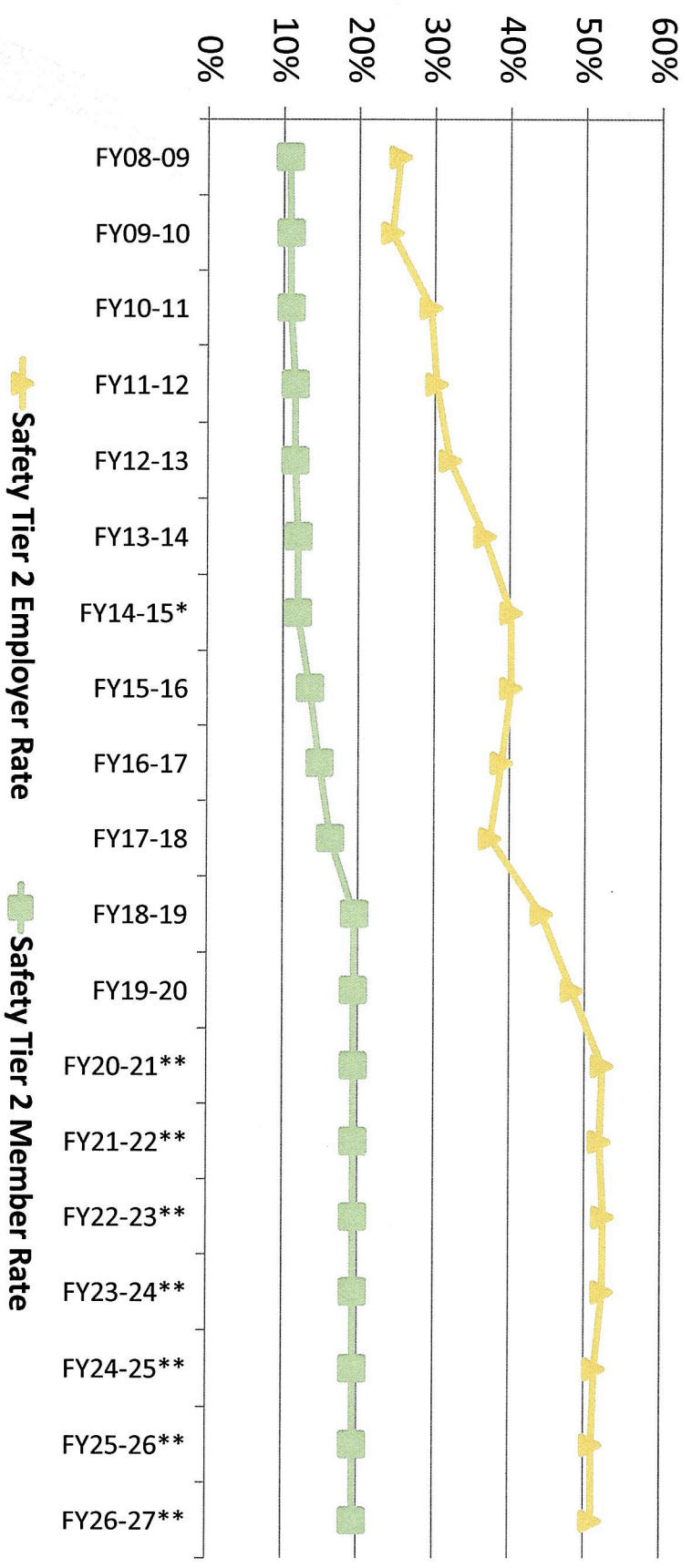
\* Members' first year of entering into a normal cost sharing arrangement. By FY17-18, all members were paying 50% of the normal cost.

\*\* Projected rates.



# Safety Tier 2 Employer and Member Contribution Rates

Bargaining Units 002, 004 and 031 - Law Enforcement Support Unit, Supervisory Law Enforcement Support Unit, and Peace Officers



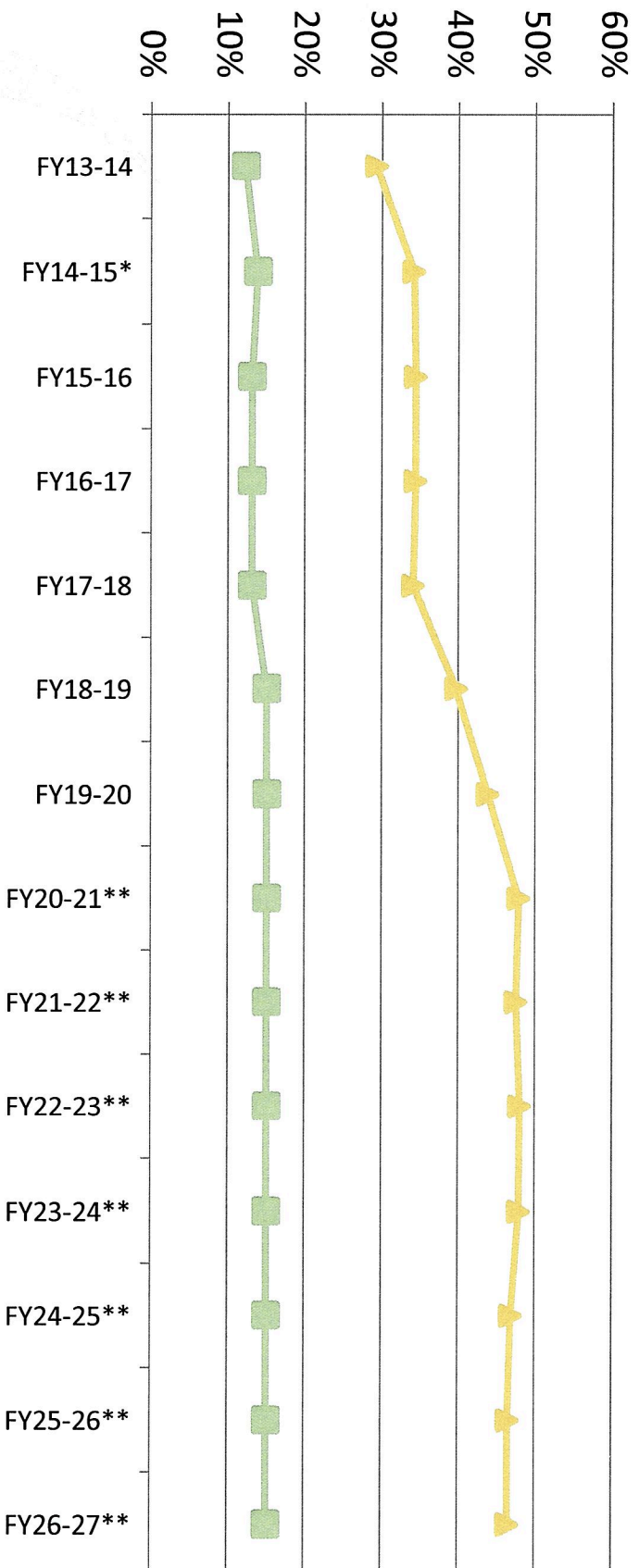
\* \* Members' first year of entering into a normal cost sharing arrangement. By FY17-18, all members were paying 50% of the normal cost.  
 \*\* Projected rates.





# Safety Tier 4 Employer and Member Contribution Rates

Bargaining Units 002, 004 and 031 - Law Enforcement Support Unit, Supervisory Law Enforcement Support Unit, and Peace Officers



\* Members' first year of entering into a normal cost sharing arrangement. By FY17-18, all members were paying 50% of the normal cost.

\*\* Projected rates.



## Wrapping Up

- Normal costs increased on July 1, 2018.
  - Primarily due to lower investment assumption (7.5% to 7%)
- Helps SCERS weather ups and downs of the economy.
- Keeps funding on track.
- Protects benefits.
- Shared responsibility between employees and employers.



Questions?

[sacretire@sacounty.net](mailto:sacretire@sacounty.net)  
[sterne@saccountry.net](mailto:sterne@saccountry.net)

