

# StanCERA

Stanislaus County Employees' Retirement Association

## Presentation of Information Impacting Future Employer and Employee Retirement Contribution Rates

February/March 2009



# Information Impacting Contribution Rates for FY 2009 – 2010

- Actuarial Audit – Assumption Changes
- Investment Losses through June 30, 2008



# Actuarial Audit –Assumption Changes

Actuarial Audit Findings:

Major, necessary actuarial assumption changes  
(level 1)

Less critical findings for changes in assumptions

Other recommendations



# Major Necessary Actuarial Assumption Changes (Level 1)

- 1. Members Who Terminate Employment and Who Are Eligible To Receive Service Retirement Benefits Should Not Be Assumed To Elect Deferred Retirement or A Refund of Contributions**



# Major Necessary Actuarial Assumption Changes - Level 1 (Cont.)

2. Termination Assumptions Based On Service (Not Age)
3. Increase Service Retirement Rates To Reflect Experience
4. Review How Adjustments Are Made for Non-Valuation Assets



# Other Actuarial Assumption Changes to Consider

1. Add a Productivity Component to the Salary Increase Assumption
2. Lower the Inflation and Investment Assumption rates



# Other Actuarial Assumption Changes to Consider (cont.)

3. Add Final Pay Assumption for In-Service Vacation Cash Outs

4. Post-Retirement Mortality Assumption Changes



# Other Actuarial Assumption Changes to Consider (cont.)

5. Base Merit Salary Increases on Service Not Age
6. Lower the Assumed Commencement Age for Deferred Vested Members



# Other Actuarial Assumption Changes to Consider (cont.)

7. Use Separate Service Retirement Assumptions for Tier 3

8. Use Lower Survivor Assumption for Males and Higher for Females



# Other Recommendations from the Actuarial Audit

1. Review Funding of Liabilities and Contributions for Non-County Employers to be More In Line with County
2. Show More Detail On Reports
3. Include Member Credited Service to Date in Addition to Hire Date



# Actuarial Assumption Changes Impact on Employer and Employee Retirement Contribution Rates for FY 2009 - 2010

StanCERA does not have any firm report yet on rates

The Estimate that has been provided is that the current **Employer** rate of about 9% of payroll will go to 15% to 17% of payroll...that is a 70% to 90% increase in dollar terms for **Employers**



# Actuarial Assumption Changes Impact on Employer and Employee Retirement Contribution Rates for FY 2009 – 2010 (cont.)

- **Employee** rates will be more stable with a potential minor change due to the assumption changes



# Investment Losses Through June 30, 2008

The Retirement System experienced a -8.2% return for the fiscal year ending June 30, 2008

The losses experienced for this fiscal year will be smoothed with prior years' gains over a five year period



# Investment Losses Through June 30, 2008 (cont.)

At present, StanCERA does not know the impact that this will have on contribution rates, but it will be minor compared with the above changes in actuarial assumptions



# When Will the FY 2009 - 2010 Increased Rates Commence?

**Normally** Employer and Employee retirement contribution rates are changed with the payroll paid that includes **July 1**



# When Will the FY 2009 - 2010 Increased Rates Commence? (cont.)

Government Code section 31454 **allows** the Board of Supervisors to adjust the rates of contributions **up to 90 days after** the beginning of the fiscal year...this action if taken would have the increased rates effective as late as the pay period that includes **September 29**



# What About Recent Investment Losses?

The significant investment market losses experienced in the last quarter of 2008 will be combined with all other investment experience (dividends and interest received, potential future market gains) for the entire fiscal year of July 1, 2008 through June 30, 2009 and will be reflected as net losses or gains as of June 30, 2009



# What About Recent Investment Losses? (cont.)

If significant investment losses are still reflected as of June 30, 2009, the actuary will take this into account in recommendations for setting Employer contribution rates in **Fiscal Year 2010 – 2011**



# **When Will We Be Able to Have More Precise Information About Fiscal Year 2009 – 2010 Employer and Employee Retirement Contribution Rates?**

The initial report and presentation from the actuary related to the establishment of Fiscal Year 2009 – 2010 Employer and Employee retirement contribution rates is scheduled for the Wednesday, April 8, 2009 Retirement Board meeting



# **When Will We Be Able to Have More Precise Information About Fiscal Year 2009 – 2010 Employer and Employee Retirement Contribution Rates? (cont.)**

StanCERA would encourage Employer and  
Employee Representatives to attend this important  
Retirement Board meeting



# Questions ???

