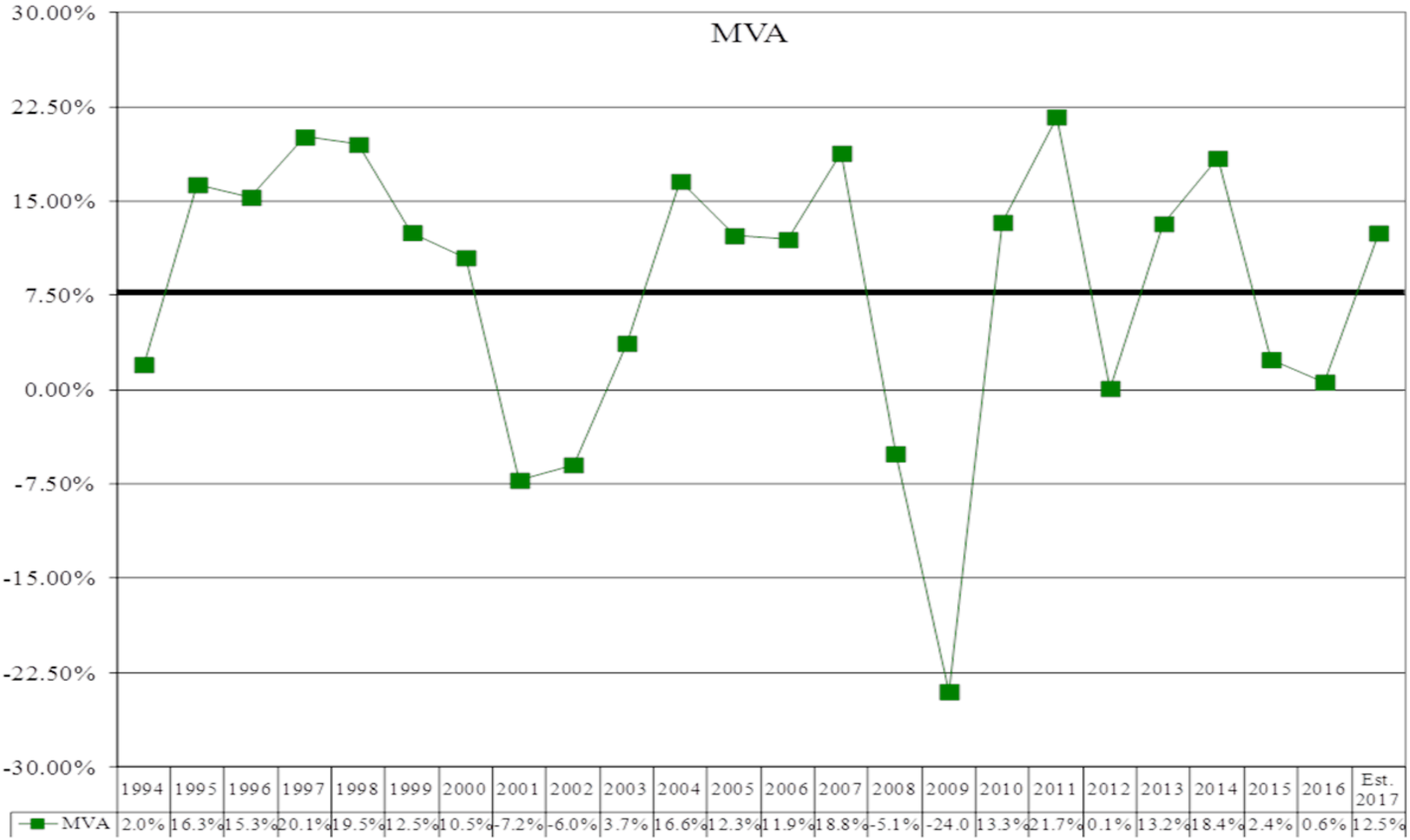
How Did We Get Here?

- Investment Losses
- Enhanced Benefits
- CalPERS Contribution Policy
- Demographics

Historical Investment Returns



Enhanced Benefits

- At CalPERS, implemented using all (future & prior) service
- Typically not negotiated with cost sharing
- County

County	Tier 1	Tier 2	PEPRA
Miscellaneous	2%@55	2%@60	2%@62
Safety	3%@50	2%@50	2.7%@57

  - No enhanced benefits for Miscellaneous

CalPERS Contribution Policy

- Effective with 2003 valuations:
  - Slow (15 year) recognition of investment losses into funded status
  - Rolling 30 year amortization of all (primarily investment) losses
- Designed to:
  - First smooth rates
  - Second pay off UAL and
- Mitigated contribution volatility

Demographics

- Around the State
  - Large retiree liability compared to actives
  - Declining active population
- County percentage of liability belonging to retirees:
  - Miscellaneous 56%
  - Safety 64%

Recent CalPERS Changes

- Contribution Policy
- Assumptions
- Risk Mitigation Strategy
- Discount Rate
- Other

Contribution Policy Changes

- No asset smoothing
- 5-year ramp up
- All amortization bases have fixed amortization periods
  - No rolling amortization

Contribution Policy Changes

- June 30, 2013 Valuation (15/16 rates)
- Designed to:
  - First pay off UAL and
  - Second smooth rates
- Uses MVA so only one funded status/ratio
- If assumptions are met then:
  - Contributions go up in the short run but then come down
  - UAL will be paid off

Assumption Changes

- June 30, 2014 Valuation, 2016/17 rates
- No changes to economic assumptions
- Anticipate future mortality improvement
- Other, modest, changes to assumptions

Risk Mitigation Strategy

- Move to more conservative investments over time
  - Only when investment return is better than expected
- Lower discount rate in concert with investment allocation changes
- Essentially use ≈50% of investment gains to pay for cost increases
- Likely reduces discount rate 100 basis points over ≈20 years

Timing

	Valuation	First Impact	Full Impact
■ Contribution Policy	6/30/13	2015/16	2019/20
■ Assumptions	6/30/14	2016/17	2020/21
■ Risk Mitigation	Because based on investment gains, timing is uncertain		

Discount Rate Changes

- Decrease discount rate from 7½% to 7% over next 3 valuations
  - Based on anticipated returns for current asset allocation

	Rate	Initial	Full
6/30/16 val.	7.375%	18/19	22/23
6/30/17 val.	7.25%	19/20	23/24
6/30/18 val.	7.00%	20/21	24/25

  - Risk mitigation suspended until 6/30/18

Discount Rate Changes

- Estimated impact of discount rate change
  - Ultimate rate in 2024/25, as % of payroll
  - On top of all other projected increases
  - For average public agency
  - Lower for non-enhanced formulas

	Miscellaneous	Safety
Normal Cost Rate	2.0%	3.5%
UAL Rate	5.5%	9.5%
Total	7.5%	13.0%
Standard Deviation	1%	2%

Other Changes

- Collect payment on UAL as dollar amount for stand alone plans
  - Beginning with 2017/18 fiscal year
- Capital Market Assumptions Study
  - Beginning summer 2017, finish early 2018
  - Likely confirm 7.0% discount rate for current asset allocation

COUNTY OF EL DORADO
CalPERS

BARTEL ASSOCIATES, LLC

Recent Changes

Mary Beth Redding
Vice President & Actuary

January 24, 2017

Agenda