

Experience Study Analysis Plan, In Preparation for the 2015-2016 Budget

The City Council requests that the SCERS Board of Administration and its actuary provide an analysis of the following assumption and policy changes by May 15, 2014, along with recommendations for the Council to consider as part of the 2015-2016 Budget. The actuary is encouraged to offer any additional variations or changes that, in his or her professional judgment, would be appropriate for SCERS. The effects of these choices should be illustrated with appropriate comparative payoff curves. Periods and amounts of any negative amortization should also be identified.

The actuary is also requested to provide his or her best recommendation for each of the assumptions and policies below. If the recommendations would result in a change to the required contribution rate of more than 2% of payroll, then the actuary is also requested to propose a transition path that would phase the change in over one to two biennial budget cycles (2-4 years).

Current Key Assumptions *(all percentages annual)*

Consumer Price Inflation (CPI)	3.5%	Consumer Price Inflation (CPI)	3.5%
+ <u>Real Return</u>	<u>4.25%</u>	+ Real Wage Inflation	0.5%
= Investment Return (net of fees)	7.75%	+ <u>Membership Growth</u>	<u>1.0%</u>
		= Total Payroll Growth	5.0%

Amortization of Unfunded Liability: 30 years, level % of payroll

Option	Assumption / Policy Change	Change in Unfunded Liability / Funded Ratio	Change in Required Contribution Rate
1a	CPI to 3.25% => Invest. Return to 7.5% => Payroll Growth to 4.75%		
1b	CPI to 3.25% Real Return to 4.0% => Invest. Return to 7.25% => Payroll Growth to 4.75%		
1c	CPI to 3.25% Real Return to 3.75% => Invest. Return to 7.0% => Payroll Growth to 4.75%		
1d	CPI to 3.0% Real Return to 4.0% => Invest. Return to 7.0% => Payroll Growth to 4.5%		
2a	Membership growth to 0.75% => Payroll Growth to 4.75%		
2b	Membership growth to 0.5% => Payroll Growth to 4.5%		
2c	Membership growth to 0% => Payroll Growth to 4.0%		
3a	25 year, level % of payroll amortization, fixed (2013-2037)		
3b	20 year, level % of payroll amortization, fixed (2013-2032)		
3c	Period chosen so that there is ≥ \$1 positive amortization in first year, level % of payroll, fixed (2013-20XX)		

Option	Assumption / Policy Change	Change in Unfunded Liability / Funded Ratio	Change in Required Contribution Rate
3d	Amortize over average remaining active service years, level % of payroll, fixed (2013-20XX)		
3e	20 year, level % of payroll amortization, open		
3f	30 year, level dollar amortization, fixed (2013-2042)		