



Seattle City Employees' Retirement System

**January 1, 2010
Actuarial Valuation**

Presented by:

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July 9, 2010



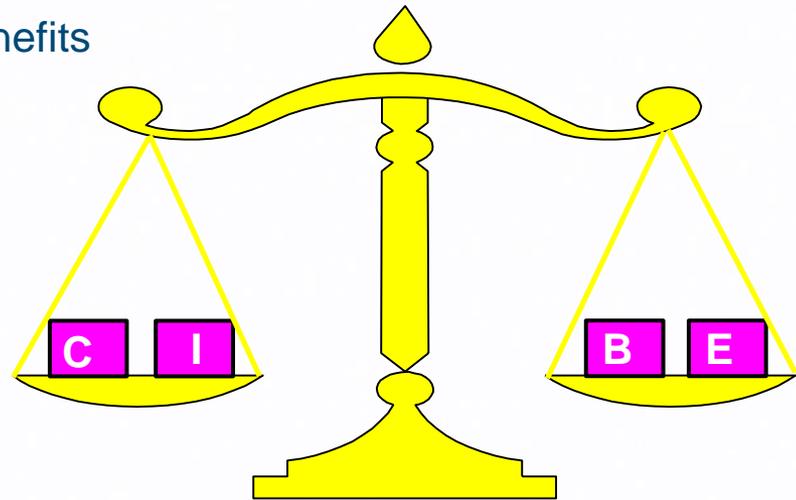
Overview

- Actuarial primer
- Results
- Changes since prior valuation
- Looking ahead



Actuarial Balance

- Basic Equation for any Retirement System
 - Contributions + Investment Income = Benefits + Expenses
 - Actuary's job is to help system keep things in balance
 - Recommend contribution rates for employers
 - Make sure assets plus future contributions are sufficient to pay expected benefits



C = Contributions
I = Inv. Income

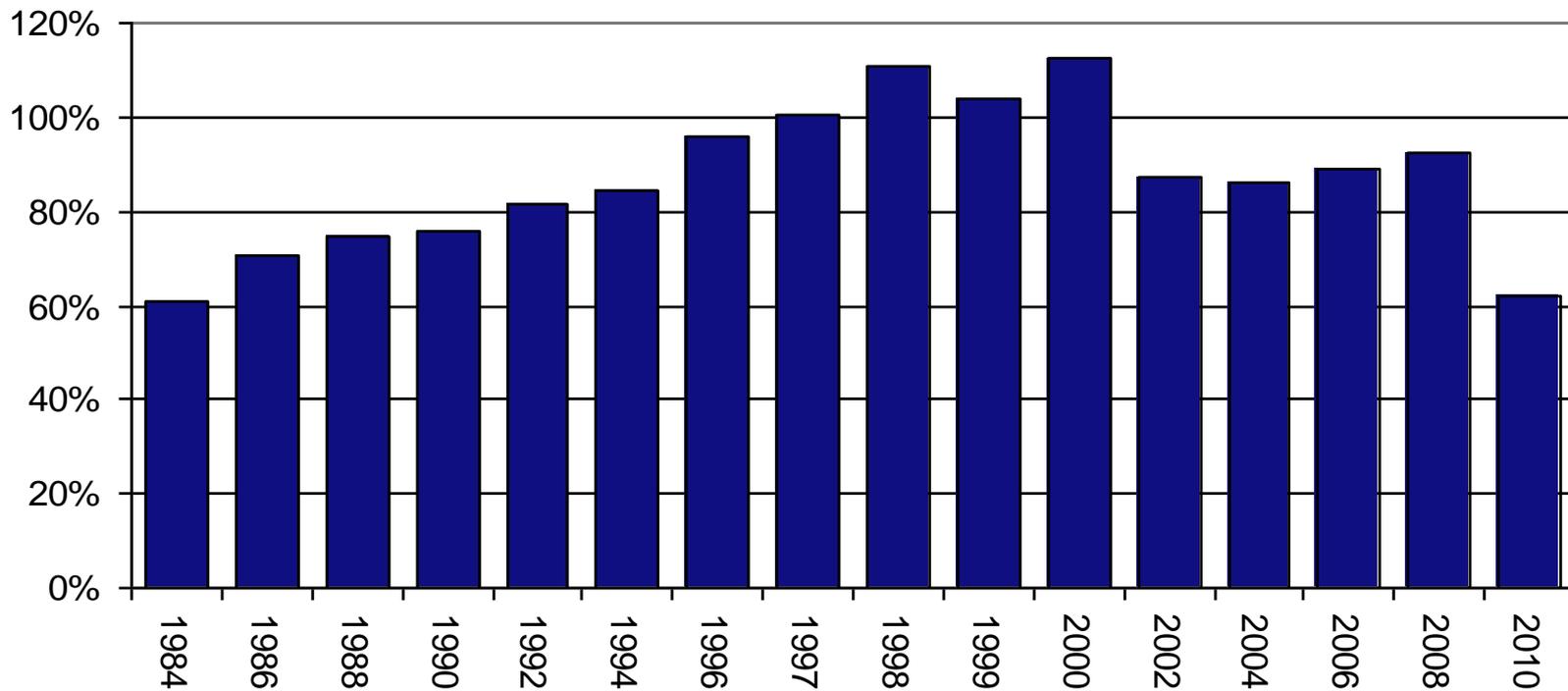
B = Benefits
E = Expenses

Actuarial Terms

- Normal Cost: value of benefits expected to be earned in next year
- Actuarial Accrued Liability (AAL): value of all benefits allocated to service earned to date
- Funding Ratio: $\text{Market Value of Assets} / \text{Actuarial Accrued Liability}$
- Unfunded Actuarial Accrued Liability (UAAL): shortfall between Market Value of Assets and Actuarial Accrued Liability
- Total Contribution Rate: Sum of:
 - 1. Normal Cost
 - 2. Amortization of UAAL

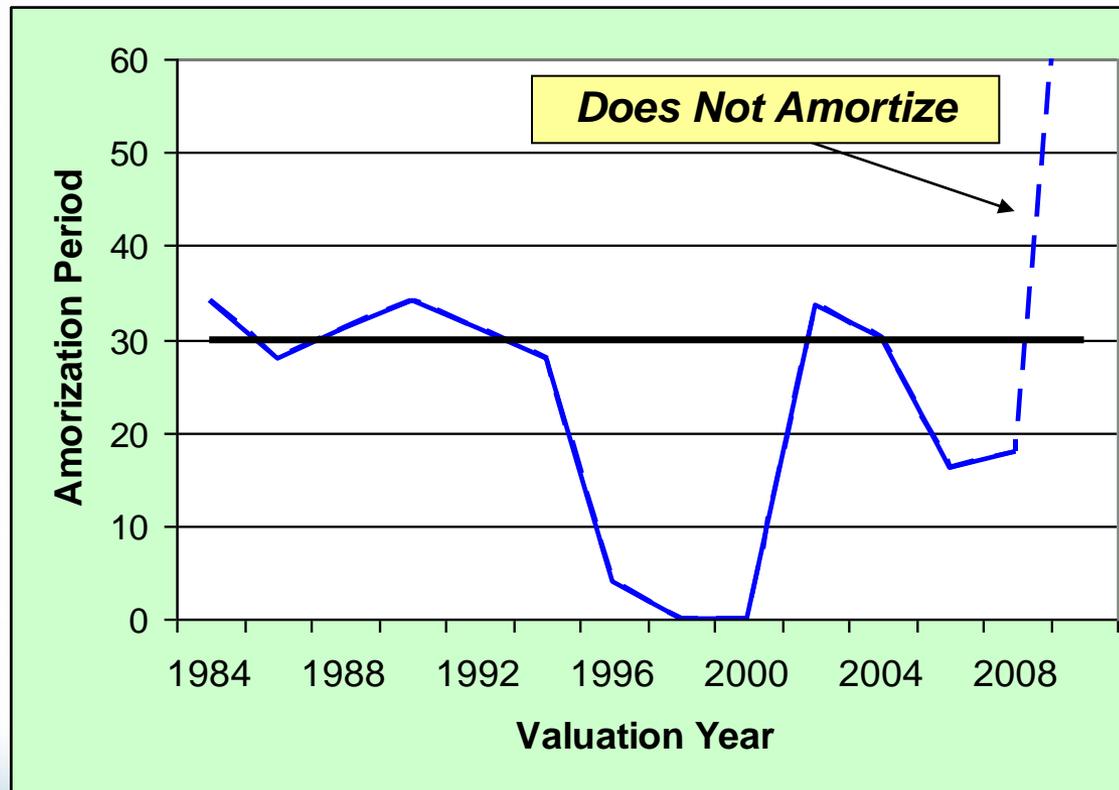
Results – Funding Ratio

Funding Ratio Decreased from 92.4% (2008) to 62.0% (2010)



Results – Amortization Period

- UAAL **never** projected to be paid off at current 16.06% contribution rate (if all assumptions are met in the future)
- Current contribution rate is **NOT** sufficient



Changes since prior valuation (2008)

- Decrease in Funding Ratio mostly due to large asset losses experienced by market in 2008

Sources of Change	Funding Ratio
January 1, 2008 Actuarial Valuation	92.4 %
Expected Valuation-to-Valuation Change	2.0 %
Asset Gain/(Loss)	(30.0)%
Salary Less/(Greater) Than Expected	(0.2)%
Assumption Change (Mortality)	(2.8)%
Other	0.6 %
Total Change	(30.4)%
January 1, 2010 Actuarial Valuation	62.0 %

Looking Ahead

- Amortization period for UAAL should be 30 years OR LESS
 - 30 years is minimum goal of SCERS
- What does this mean?
 - Increase in contribution rates is needed to maintain actuarial balance.
 - Employees and employer share rate increases, but rate increase for employees is limited to 2.00% (10.03% total).
 - As of January 1, 2011, employer rate increase needed is 6.97% of payroll.
 - Total employer portion would increase from 8.03% to 15.00% of payroll.
- SCERS is different than most systems
 - Actuarially funded vs. Fixed Rate



Looking Ahead (continued)

■ Alternative Schedule

- If employer rate increases 2.00% per year, schedule of increases shown below:
- Moving target – future amortization is subject to year-to-year volatility

Effective Date of Contribution Rate	Total Contribution Rate	Total Increase	Employer Increase
January 1, 2010	16.06%	0.00%	0.00%
January 1, 2011	20.06%	4.00% *	2.00%
January 1, 2012	22.06%	6.00%	4.00%
January 1, 2013	24.06%	8.00%	6.00%
January 1, 2014 **	25.59%	9.53%	7.53%

* 2011 increase includes 2.00% employer increase and a 2.00% member increase.

** Total Contribution Rate remains at 25.59% until January 1, 2040.

Questions?

