



Seattle City Employees' Retirement System

**January 1, 2012
Actuarial Valuation**

Presented by:

Nick Collier, ASA, EA, MAAA

August 1, 2012

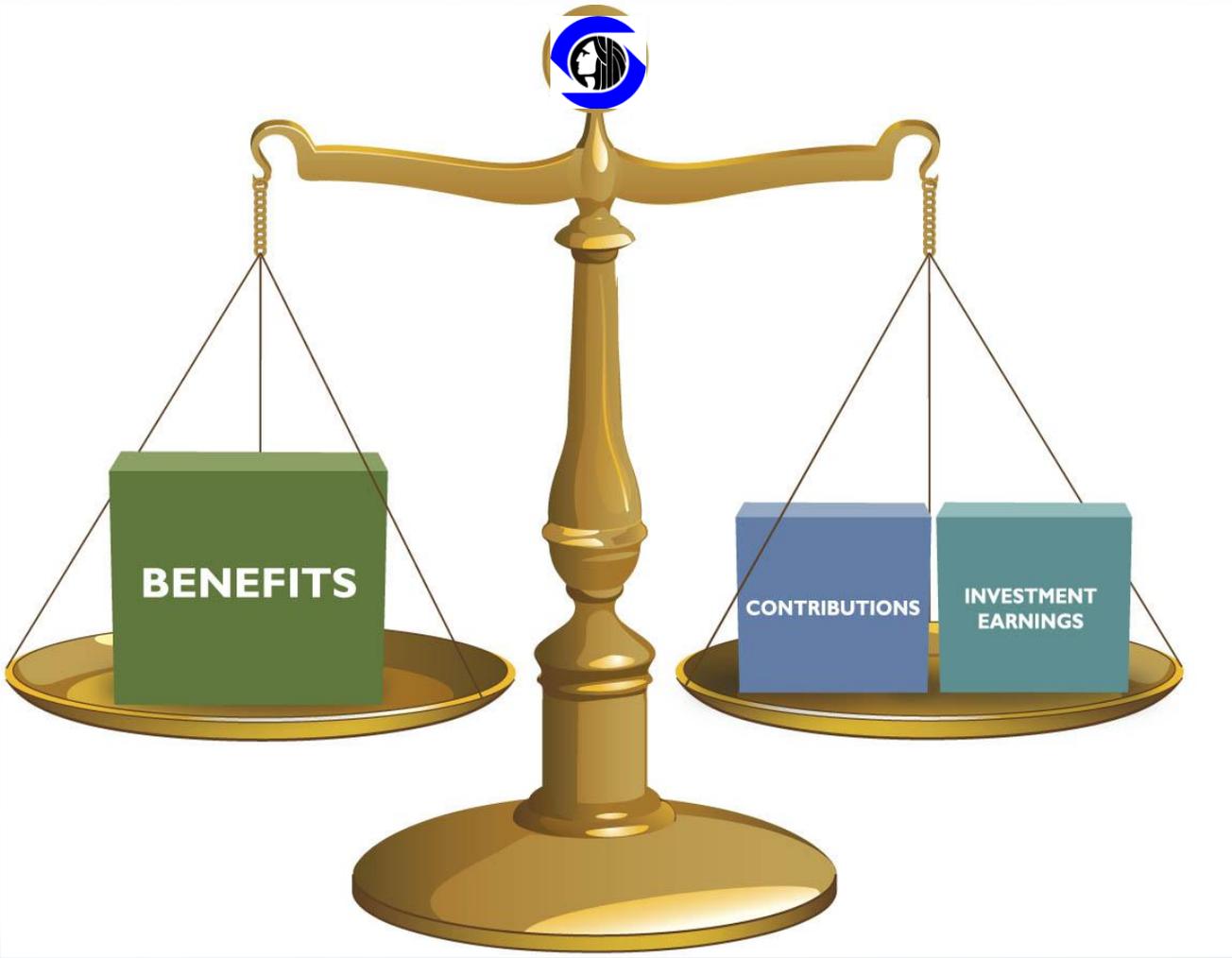


Overview

- Pension Funding
- Results
- Changes Since Prior Valuation
- Looking Ahead



Pension Funding

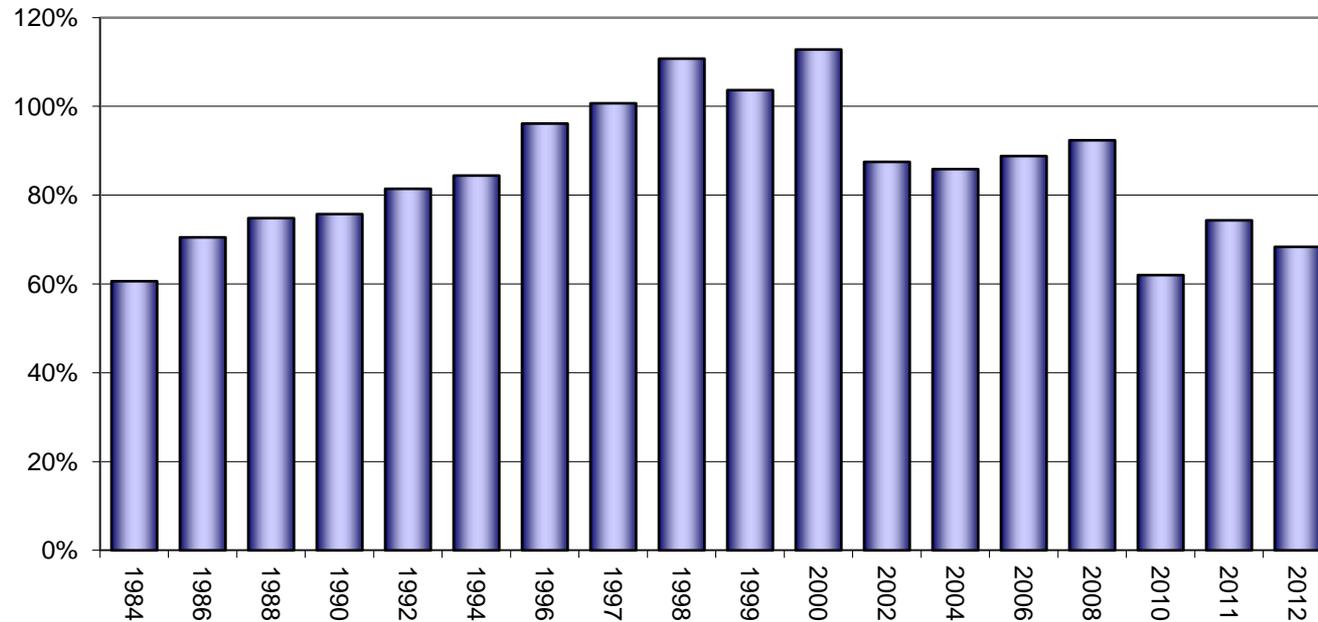


Pension Funding Measurements

- Funding Ratio
 - Asset Value divided by Actuarial Accrued Liability
 - Measured at a single date – January 1, 2012 (the valuation date)
- Actuarial Required Contribution Rate
 - Normal Cost Rate (value of benefits expected to be earned in next year)
 - --- plus ----
 - UAAL Contribution (payment towards shortfall)
 - 30-year amortization of Unfunded Actuarial Accrued Liability
 - As a level percentage of payroll
 - Portion paid by members
 - One year lag in rate
 - January 1, 2012 valuation determines rate to be paid effective January 1, 2013

Results – Funding Ratio

Funding Ratio decreased from 74.3% (2011) to 68.3% (2012)



Results – Total Contribution Rate Needed

- Combined city and member rate needed to pay off the UAAL over a 30-year period (Actuarial Required Contribution Rate)

	January 1, 2012 Valuation	January 1, 2011 Valuation*
Normal Cost as a Percent of Salary	14.95%	14.99%
30-Year Amortization of UAAL	<u>7.97%</u>	<u>6.05%</u>
Total Contribution Rate Needed	22.92%	21.04%

**After reflecting revised member crediting rate policy, adopted subsequent to 2011 valuation.*

Results – Total Contribution Rate Needed (cont'd)

	Actuarial Required Contribution Beginning	
	<u>January 1, 2013</u>	<u>January 1, 2012</u> ⁽¹⁾
A. Total normal cost rate	14.95 %	14.99 %
B. UAAL amortization rate	<u>7.97</u>	<u>6.05</u>
C. Actuarial required contribution rate	22.92 %	21.04 %
D. Member contribution rate	<u>10.03</u>	<u>10.03</u>
E. Allocation of employer contribution rate ⁽²⁾		
Normal cost	4.92 %	4.96 %
Amortization payment	<u>7.97</u>	<u>6.05</u>
Total employer contribution rate	12.89 %	11.01 %

⁽¹⁾ Actuarial required rate beginning January 1, 2012 reflects revision to Normal Cost for new Member Contribution Rate Crediting Policy, adopted after the January 1, 2011 valuation was completed.

⁽²⁾ If member contributions are all allocated to paying normal cost.

Assets

- Market Value of Assets returned -1.1% in 2011
 - 12.6% in 2010
 - 13.0% in 2009
- \$200M Loss is being deferred in the 2012 Actuarial Value of Assets
 - 2011 asset loss is \$127 million of current deferred amount
 - Actuarial Value of Assets is \$1.95 billion as of January 1, 2012
 - Market value is \$1.75 billion as of January 1, 2012, down from \$1.81 billion at January 1, 2011.



Assumptions & Benefits

- New member crediting policy adopted for 2012 valuation
 - Member contributions made after December 31, 2011 will be credited at a variable rate to be determined each year, not to exceed 5.75%
 - Actuarial assumption for new crediting is 5.0% (long-term)
- Member contribution rate is currently 10.03%. City is committed to paying the rest of the Actuarial Required Contribution Rate
- No changes to assumptions other than crediting rate

Changes Since Prior Valuation

- Decrease in Funding Ratio mostly due to recognition of asset losses
- Salary gain due to lower-than-assumed increases since 2011

Sources of Change	Funding Ratio
January 1, 2011 Actuarial Valuation	74.3 %
Revision to Member Crediting Rate	0.2 %
Expected Valuation-to-Valuation Change	0.1 %
Asset Gain/(Loss) on Actuarial Value	(6.1)%
Salary Less/(Greater) Than Expected	0.8 %
Data Revisions	(0.7)%
Other	(0.1)%
Total Change	(6.0)%
January 1, 2012 Actuarial Valuation	68.3 %

Changes Since Prior Valuation (continued)

- Sources of change in actuarial required contribution rate shown below

Sources of Change	Actuarial Req. Rate
January 1, 2011 Actuarial Valuation	21.30 %
Revision to Member Crediting Rate	<u>(0.26)%</u>
2012 Actuarial Required Contribution Rate	21.04 %
Expected Valuation-to-Valuation Change	(0.13)%
Asset (Gain)/Loss on Actuarial Value	1.48 %
Salary/Membership Growth Less Than Expected	0.23 %
Data Revisions	0.28 %
Other	<u>0.02 %</u>
Total Change	<u>1.88 %</u>
January 1, 2012 Actuarial Valuation	22.92 %

Looking Ahead

- Projected schedule of increases (recognizing expected phase-in of currently deferred losses) shown below at 90% confidence interval for expected returns on assets

Projected Total Actuarial Required Contribution Rate		
Contribution Year*	Assuming 7.75% Future Returns	90% Confidence Interval
2013	22.92%	22.92% - 22.92%
2014	24.31%	23.67% - 24.92%
2015	24.12%	22.67% - 25.53%
2016	24.07%	21.80% - 26.36%
2017	23.92%	20.84% - 27.09%
2018	23.95%	20.23% - 27.78%

* Contribution year lags valuation year by 1. For example: Contribution Year 2013 is based on the 2012 valuation results, amortized over 30 years beginning in 2012, if the increase takes place in 2013.

Questions?



Caveats and Disclaimers

This presentation is based on the data, methods, assumptions and plan provisions described in our actuarial valuation report dated July 6, 2012. The statements of reliance and limitations on the use of this material is reflected in the actuarial report and still apply to this presentation.

These statements include reliance on data provided, on actuarial certification, and the purpose of the report.

Milliman's work product was prepared exclusively for SCERS for a specific and limited purpose. It is a complex, technical analysis that assumes a high level of knowledge concerning SCERS' operations, and uses SCERS' data, which Milliman has not audited. It is not for the use or benefit of any third party for any purpose. Any third party recipient of Milliman's work product who desires professional guidance should not rely upon Milliman's work product, but should engage qualified professionals for advice appropriate to its own specific needs.