

RETIREMENT NEWS

Office of Retirement Services (ORS)

Issue No. 3: April 2017

Actuarial Valuation Reports Edition

Each year, we partner with our contracted actuary to prepare annual valuations. These valuations document important historical and statistical information that is used to manage each plan. The main objectives for performing the actuarial valuations are to calculate the required contribution rates and determine the funding status/level of the plans. Due to the complex nature of this activity, we utilize an external actuarial firm specializing in pensions. Actuarial valuations require a unique skill set to make the economic and demographic assumptions needed to manage member data and the plans. These complex but informative documents take several months to complete after the close of each fiscal year. Complete valuation reports are located on our website, if you would like to learn more than what is covered in this publication.

For Federated, please see: <https://www.sjretirement.com/Fed/Plan/CAFR.asp>; and for Police and Fire, please see: <https://www.sjretirement.com/PF/Plan/CAFR.asp>.

Pension Actuarial Valuations as of June 30, 2016

The actuarial valuations for the City of San Jose retirement plans were completed as of June 30, 2016, by our actuarial consultant, Cheiron Inc. with the following results:

- The **Police and Fire** pension plan had \$3.30 billion in actuarial value of assets versus \$4.36 billion in actuarial accrued liabilities (AAL) for a funding ratio of 75.7% and unfunded actuarial accrued liabilities (UAAL) of \$1.06 billion; and
- The **Federated** pension system had \$2.03 billion in actuarial value of assets versus \$3.79 billion in actuarial accrued liabilities (AAL) for a funding ratio of 53.7% and unfunded actuarial accrued liabilities (UAAL) of \$1.75 billion. *Continued on next page ...*



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Pension Valuations *continued from page 1...*

Although **neither Board has approved contribution rates yet**, in the Pension Valuations it describes the following:

	Federated		Police	Fire
	6/30/18		6/30/18	6/30/18
Tier 1 Member	6.60%		10.88%	11.38%
Tier 1 City	18.00%		30.20%	31.11%
Tier 1 City - UAL	76.04%		65.11%	64.95%
Total City – Tier 1	94.04%		95.31%	96.06%
Total Tier 1	100.64%		106.19%	107.44%
Tier 2 Member	6.25%		11.31%	11.77%
Tier 2 City	6.25%		11.31%	11.77%
Total Tier 2	12.50%		22.62%	23.54%

Post-Employment Healthcare Plan Actuarial Valuations as of June 30, 2016

The **Police and Fire** Other Post-Employment Benefits (OPEB) plan had \$135.2 million in actuarial value of assets versus \$624.2 million in actuarial accrued liabilities (AAL) for a funding ratio of 21.7% and unfunded actuarial accrued liabilities (UAAL) of \$489 million; while, the **Federated** Other Post-Employment Benefits (OPEB) system had \$225.8 million in actuarial value of assets versus \$736.7 million in actuarial accrued liabilities (AAL) for a funding ratio of 30.7% and unfunded actuarial accrued liabilities (UAAL) of \$511 million.

The retirement contribution rates for the OPEB are more complicated than the pension contribution rates due to negotiated rate caps between the employee organizations and the City of San Jose. Having said that:

- Total **Federated** City contributions for OPEB is approximately \$32 million based on a rate of 11.86% for employees with coverage and 16.73% for employees without coverage on a GASB valuation basis; and
- Total **Police and Fire** contributions for OPEB is approximately \$21.9 million based on a negotiated cap rate of 10.31% for Police and 10.62% for Fire.

Please note, **none of these valuations reflect any changes in plan provisions arising from Measure F.**

Contact Us

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Audit of the Actuarial Valuations

For the first time in the history of the actuarial valuations for the City San Jose retirement plans, the actuarial valuations produced by our actuarial consultant were audited by another actuarial firm, Segal Consulting. The audit scope was to review the liabilities and the contribution rates for the plans that were included in the June 30, 2016 actuarial valuation reports. The audit reports included an independent reproduction of the detailed valuation results that appears in the Valuations prepared by Cheiron and were based on actuarial reports, employee data and supplemental information provided by both the plans and Cheiron. We are happy to report that the audits confirm that the results of the actuarial calculations as of June 30, 2016 are reasonable, and that those calculations are based on generally accepted actuarial principles and practices.

THE OFFICE OF
RETIREMENT SERVICES
CITY OF SAN JOSE