



SCERS
CELEBRATING **80** YEARS

EMPLOYER FORUM

January 28, 2021

10-11:30 a.m.

SACRAMENTO COUNTY EMPLOYEES' RETIREMENT SYSTEM

Agenda

- **Happy 80th Birthday!**
- **Office Closure**
- **Funding**
- **Investments**
- **Benefits**

Office Closure

All staff working remotely
until further notice

sacretire@saccounty.net
(916) 874-9119

Drop Box on ground floor
lobby



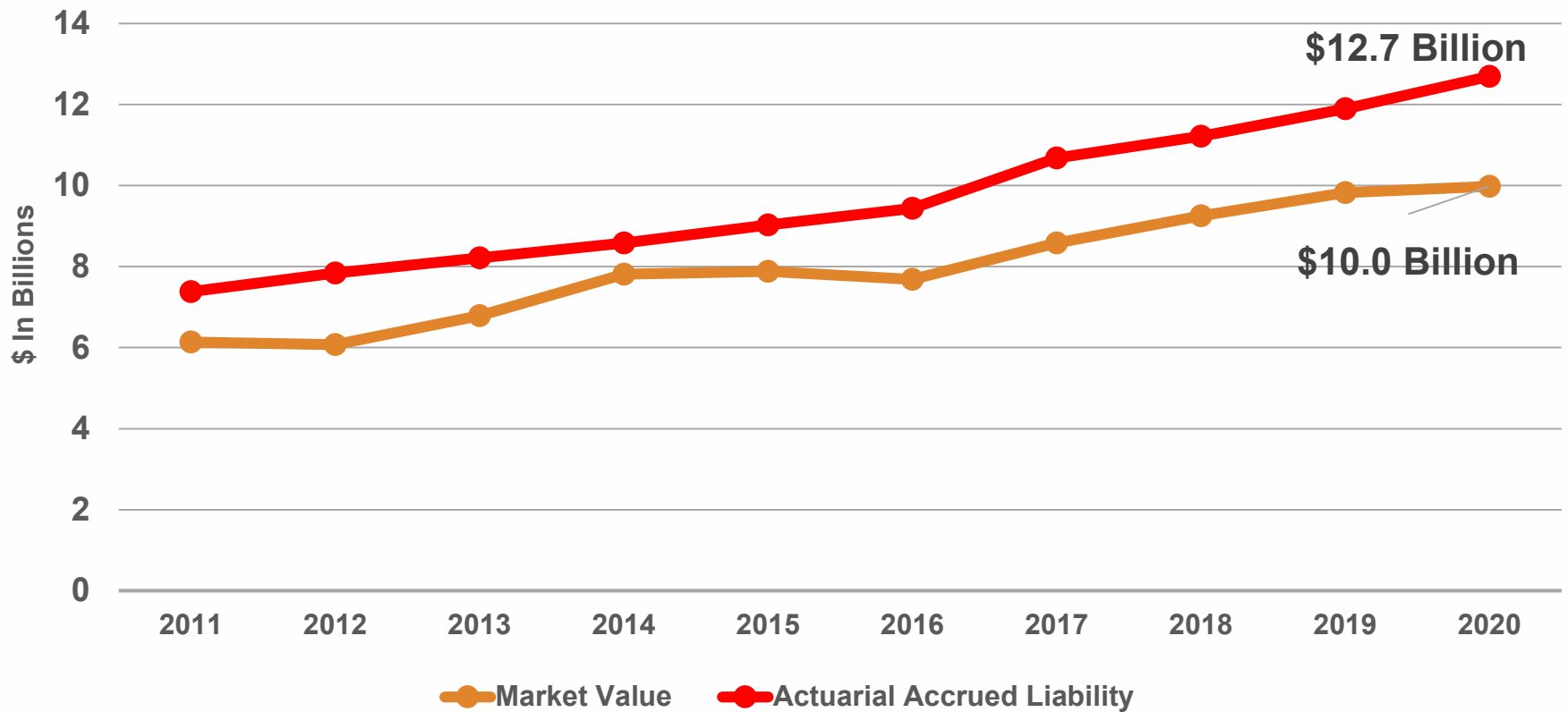
Funding: What happened in 2019-20?

- Experience Study in May 2020
 - Investment rate of return lowered from 7% to 6.75%
- COVID market volatility
 - 3% investment return in 2019-20

Funding: What happened in 2019-20?

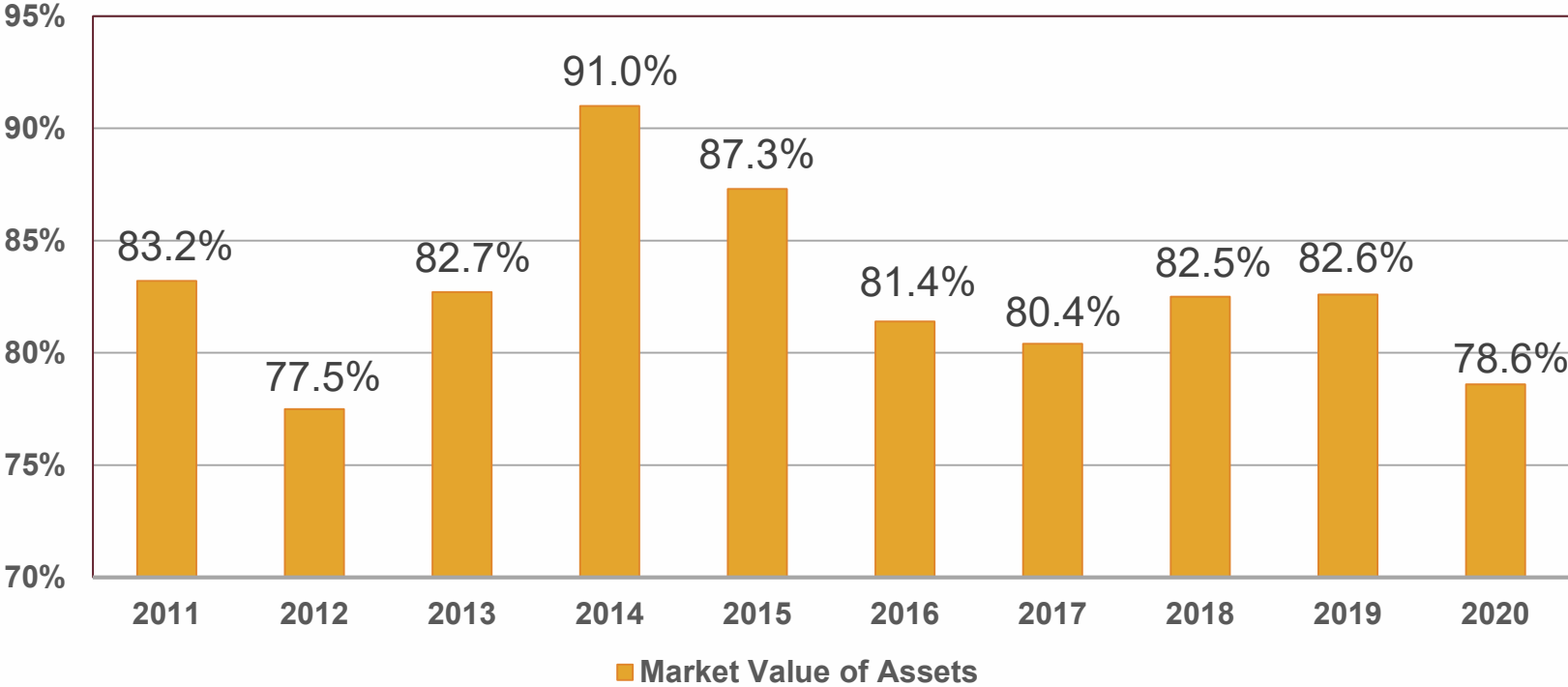
- Funded status dropped to 79%
 - \$2.7 billion funding gap
- Ave. employer rates going up 4 percentage points of pay, phased-in over 2 years
 - 29.4% to 31.4% in 2021-22
 - 31.4% to 33.3% in 2022-23

Assets vs Liabilities

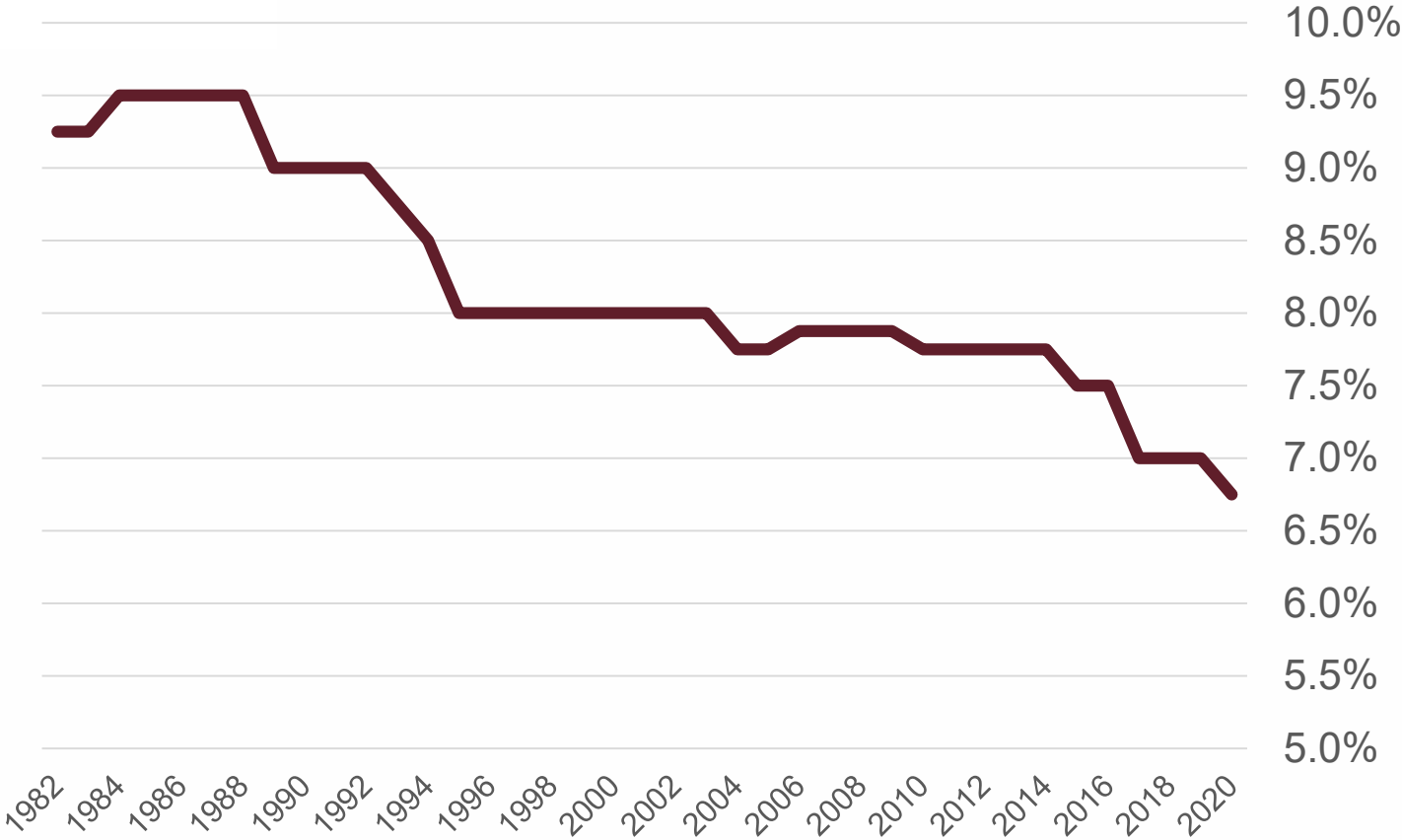


Funded Status

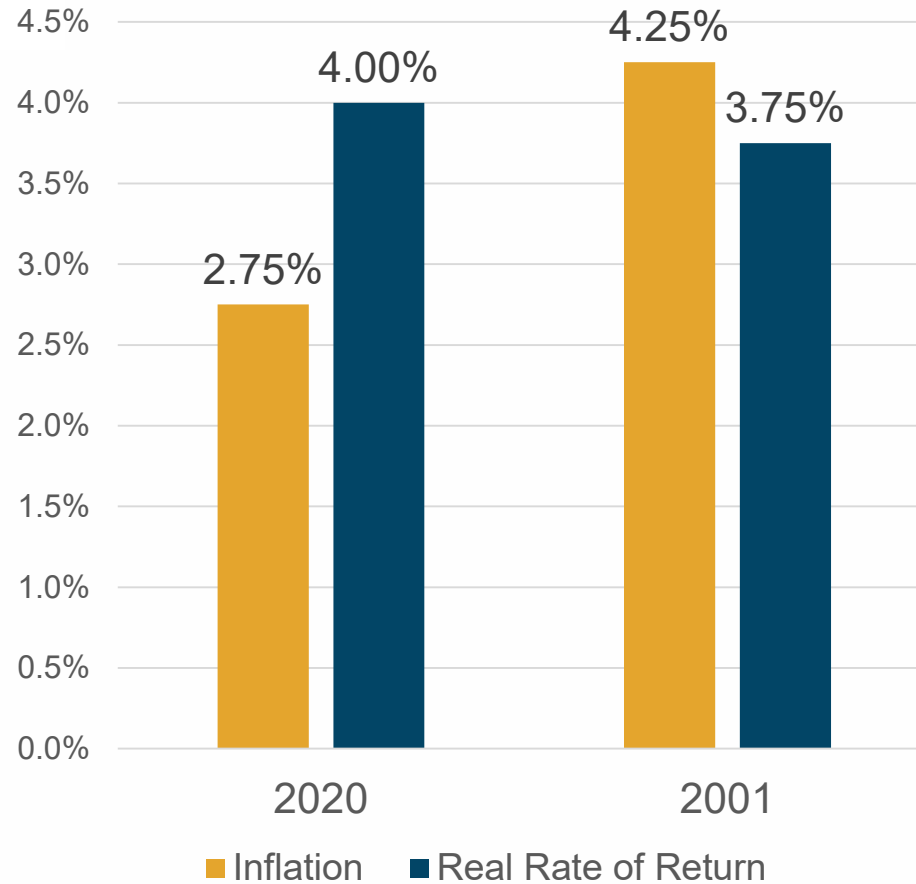
Funding Ratio For the Ten Years Ended June 30



Investment Assumptions at SCERS



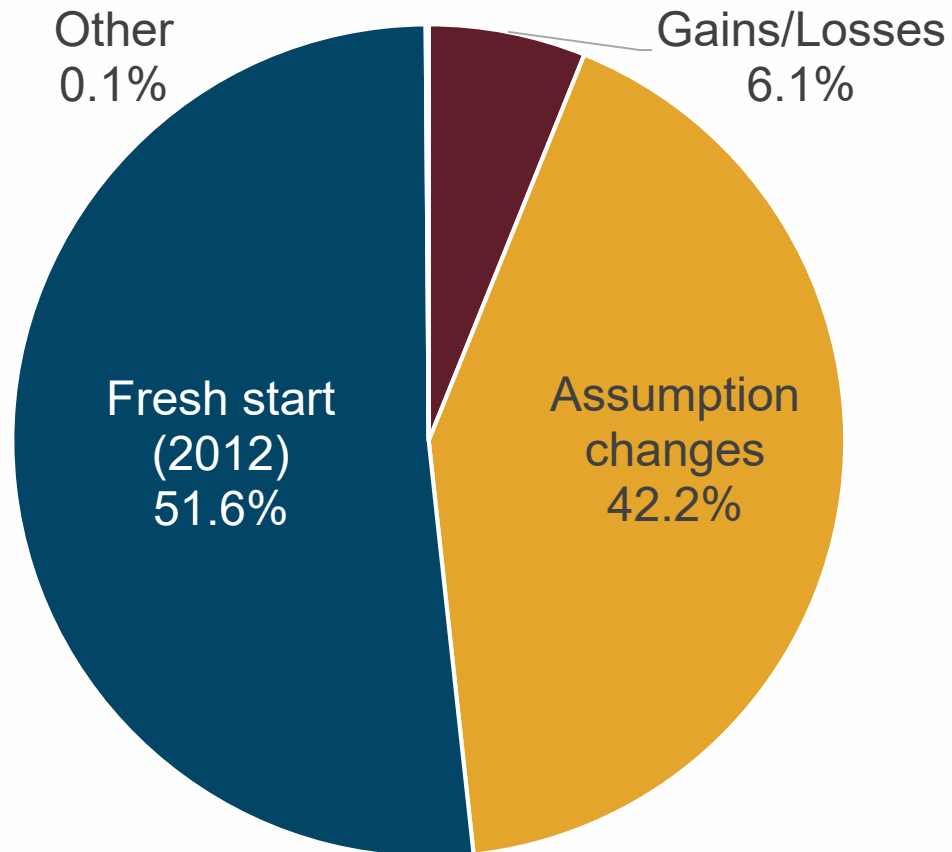
Evolution of Investment Assumption



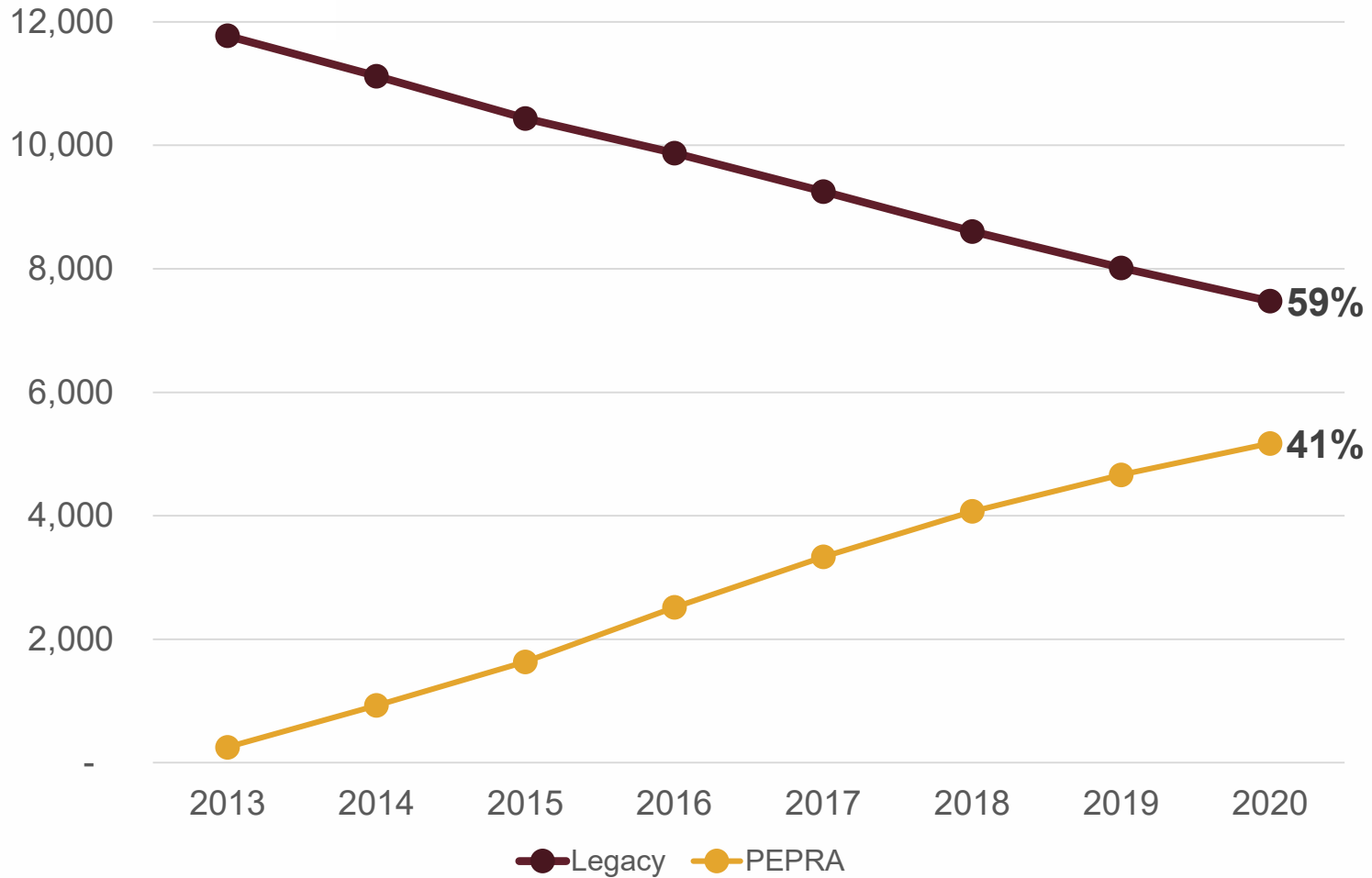
Contribution Rate Components

- Normal Costs
 - ❖ Annual service cost, based on assumptions
 - ❖ Shared between Employee/Employer
- Unfunded Liability Payment
 - ❖ Differences between expected and actual experience
 - ❖ Investment gains and losses “smoothed” over 7 years
 - ❖ Amortization over 20 years
 - ❖ Paid by Employer

What makes up Unfunded Liability?

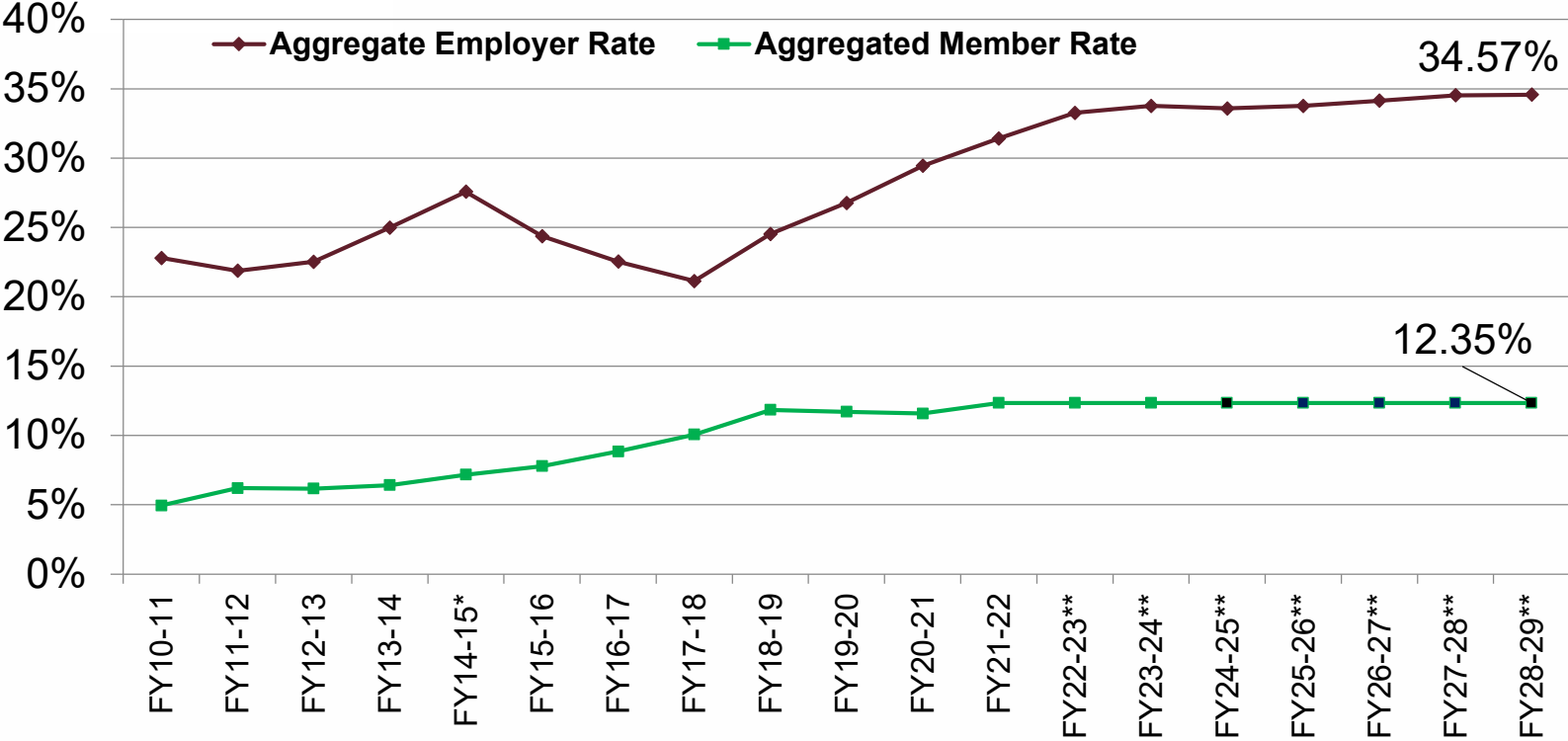


System Membership



Contribution Rates: All Plans and Tiers

Aggregate Employer and Member Contribution Rates

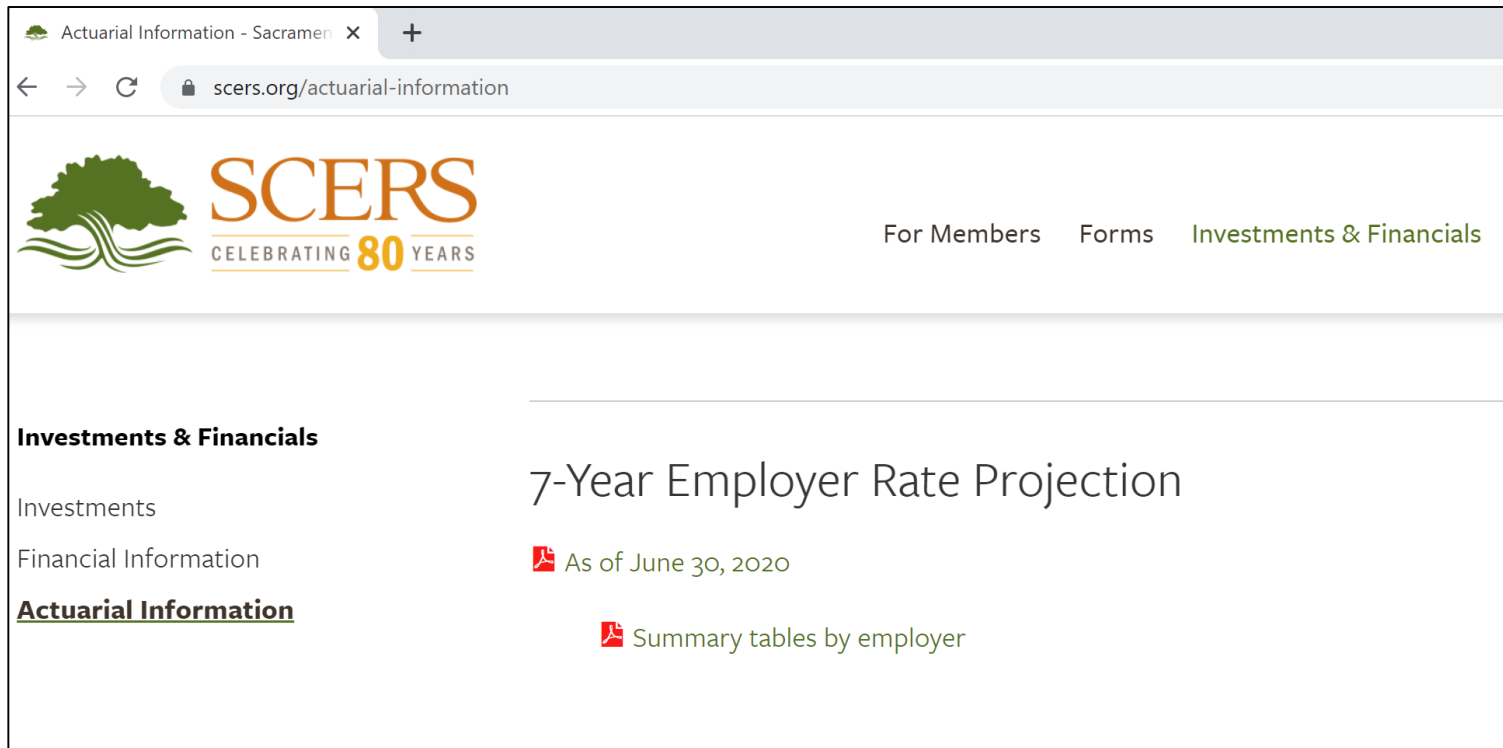


* Employees of the County of Sacramento entered first year of normal cost sharing arrangement. By FY19-20, all County employees were paying 50% of the total normal cost.

** Projected employer and member rates. Projected member rates are the same as the aggregate member rate based on the most recent actuarial valuation report as of June 30, 2020.

7-Year Rate Projections

<https://www.scers.org/actuarial-information>

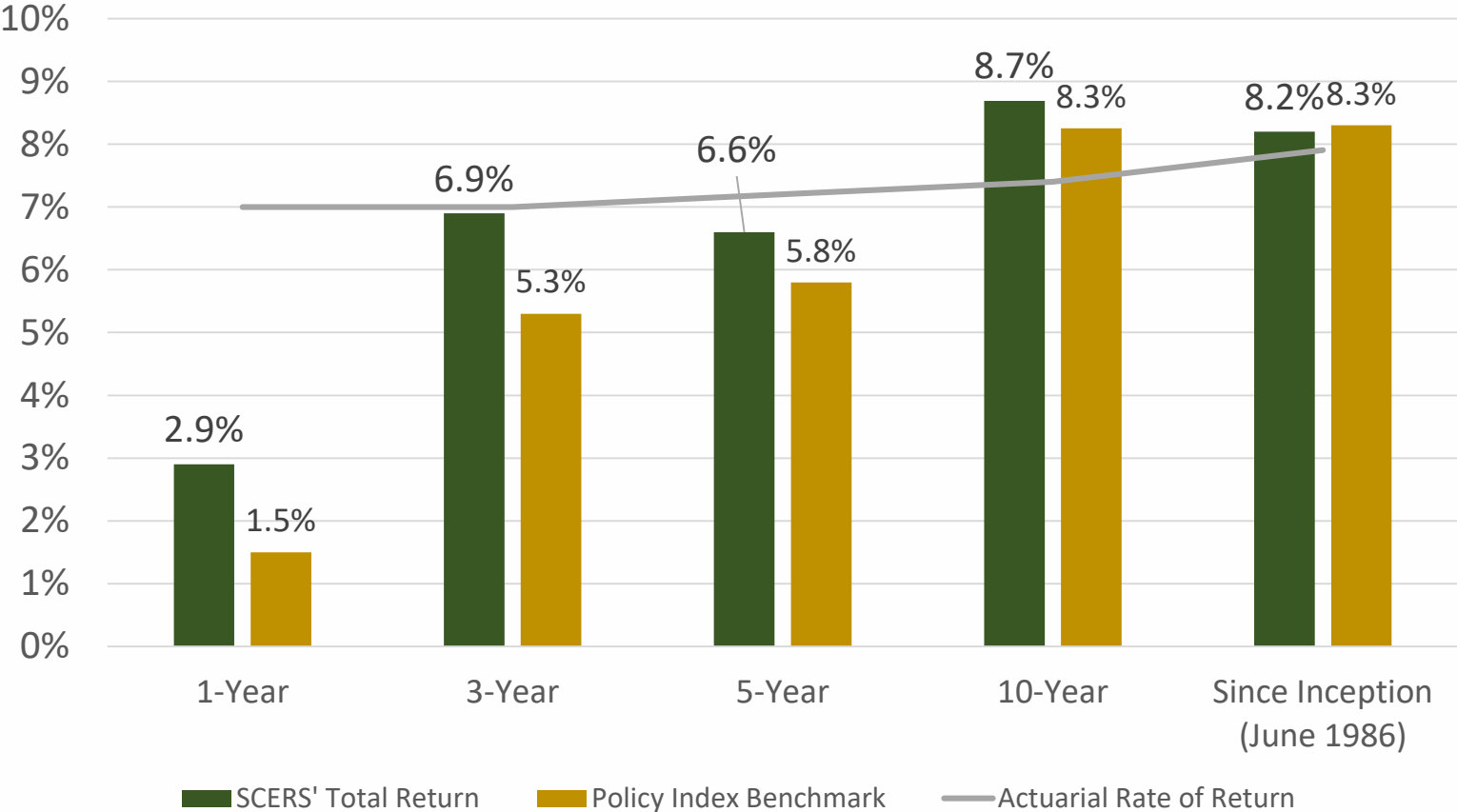


The screenshot shows a web browser window with the following elements:

- Browser tab: Actuarial Information - Sacramen
- Address bar: [scers.org/actuarial-information](https://www.scers.org/actuarial-information)
- Logo: SCERS CELEBRATING 80 YEARS (with a tree icon)
- Navigation links: For Members, Forms, Investments & Financials
- Left sidebar menu:
 - Investments & Financials
 - Investments
 - Financial Information
 - Actuarial Information**
- Main content area:
 - Section title: 7-Year Employer Rate Projection
 - Text: As of June 30, 2020
 - Link: Summary tables by employer

SCERS Investment Performance

SCERS' Total Plan Returns (as of June 30, 2020)



Macro Environment - 2020

COVID-19 was the central theme

- Health and human toll of the pandemic has been devastating
- Economic impact has been dramatic
 - Unemployment spiked and economy entered into recession
 - Certain industries impacted significantly more than others

Macro Environment - 2020

Financial Markets

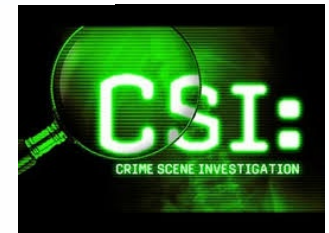
- Asset prices down across the board early on, with extreme volatility
- Markets rallied during the remainder of 2020
 - Driven by unprecedented monetary and fiscal policy stimulus, and vaccine development and distribution
 - Divergence between markets and economy

2020 Investment Activity

Made 19 new investments across six asset classes

- Shamrock Content Fund II, LP
 - Invests in entertainment royalty assets across music, film, and television
 - Cash flows and income is the primary driver of returns
 - The manager has historically invested across 800+ films, 1,000+ TV episodes, and 5,000+ songs
 - Streaming content represents a secular shift in the entertainment industry
- Harrison Street Social Infrastructure Fund, LP
 - Invests in social infrastructure assets that support education, healthcare, and government sectors
 - Expected to produce predictable cash flows and resiliency through market cycles
 - Underlying investments include on-campus university student housing, hospitals and outpatient care facilities, and water treatment systems

Taylor Swift



2021 Outlook

Challenges related to the pandemic will remain until mass vaccinations occur

- As the pandemic is brought under control, expect significant recovery in economic activity
 - Services sectors should benefit the most
 - Global GDP contracted by an estimated 4.1% in 2020; forecasts call for global GDP expansion of over 5% in 2021

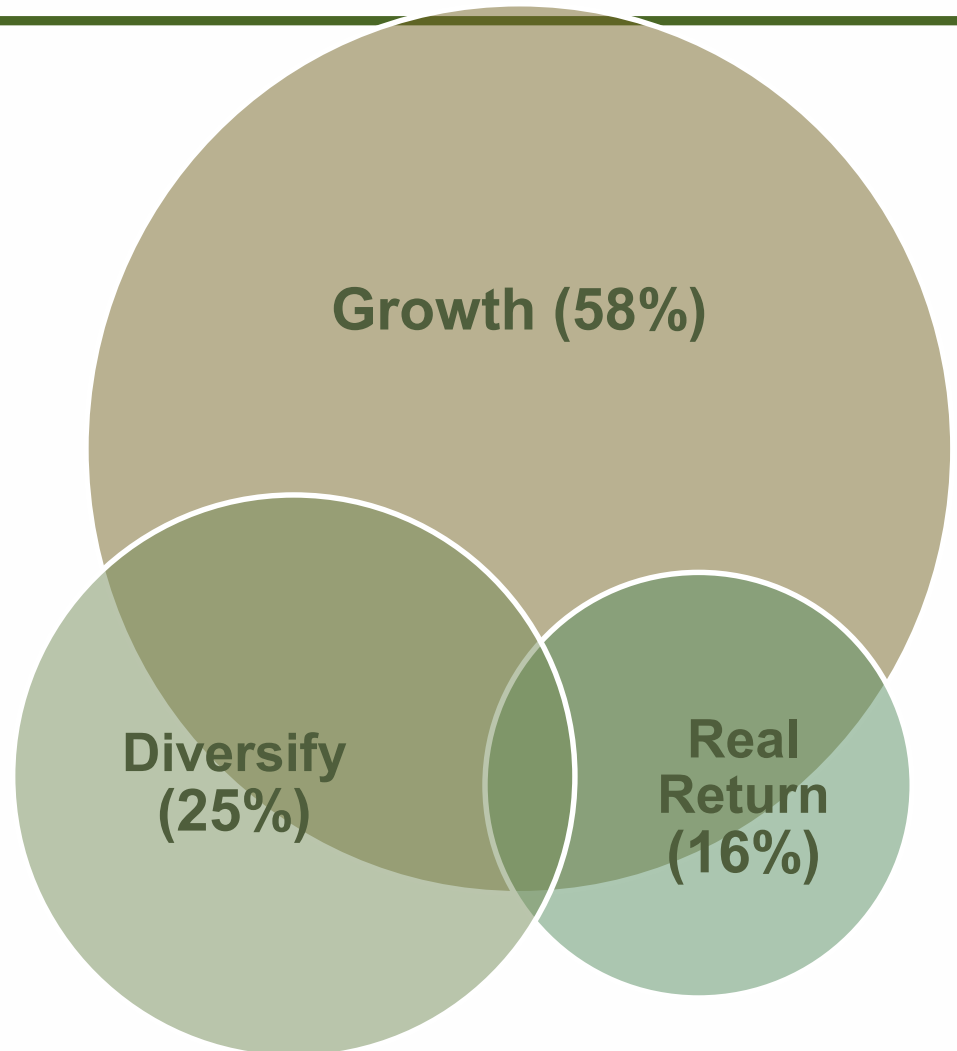
2021 Outlook

- Monetary and fiscal policy should remain accommodative
 - Interest rates will remain low
 - Potential for additional stimulus
- Risks
 - Highly priced asset prices
 - COVID-19 vaccine rollout
 - U.S.-China Relations and other political risks

What's Ahead in 2021

Asset Liability Modeling Study

- Determine appropriate strategic asset allocation
- Current strategic asset allocation emphasizes diversification and minimizing downside risk to meet 6.75%
- Do not expect significant changes
- Market return expectations have moderated



* Asset allocation contains a 1% cash allocation

Benefits Update

Return-to-work rules relaxed

- Governor Newsom issued Executive Orders N-25-20 and N-35-20 to ensure adequate staffing in state and local government to respond to the emergency.
- Suspends 180-day sit-out period for new retirees before returning to work
- Suspends 960-hour annual limit on work hours for retirees who are serving their former employers.
- Waiver in effect until emergency is lifted.

Membership Policy Recap

- Policy adopted in 2018, effective January 1, 2019.
- Law requires mandatory membership for full-time employees.
- Policy clarified rules for part-time/temp
- Set bright line of 1,566 hours in a calendar year.
- Hour limit applies to all periods of employment.

Alameda Ruling

- On July 30, 2020, the California Supreme Court issued a decision in *Alameda County Deputy Sheriffs' Association et al. v. Alameda County Employees' Retirement Association and Board of Retirement of ACERA* (“Alameda”)
- In October 2020, SCERS Board adopted conforming changes to comply with court ruling.
- Affects retirement calculations on or after January 1, 2013 when PEPRA was enacted.

Alameda (continued)

- New pay items excluded retro to January 1, 2013:
 - Overtime on differentials/incentives
 - Standby pay
 - Vacation Cash-In that exceeds what can be earned and paid in each 12-month period, whether calendar year or fiscal year
 - Animal allowance
- County is updating payroll system
- SCERS is making corrections back to 2013; overpaid contributions will be refunded for active/deferred employees

New Laws: AB 2101 (Chapter 275, Statutes of 2020)

GC 31646: **Parental Leave**

- Permits employees to buy back up to 12 months of service credit for unpaid leave of absence. Member pays both employee and employer contributions.
- Not operative until the Board of Supervisors makes the provisions applicable to that county.
- Applies to parental leave that commences after BOS adoption.

GC 31672: **60-Day Application Window**

- Allows Board of Retirement to broaden application period.

Member and Employer Portals Coming Soon

Online portal access for employers

- Access to real-time data
 - Data validations and errors
 - Greater visibility of data reported, including historical reporting
- Greater employer control of the data
 - Submission of documents electronically
 - Data audit trail
- Communication channel and repository
 - Message board, job aids, secure messages

Member and Employer Portals Coming Soon

Online portal access for employees and retirees

- Access to annual statements (contributions, service credit information)
- Ability to update beneficiary info
- Paperless pension “pay stubs”
- Communications

Check out scers.org for more info

- Contribution Rates
- Benefit Calculator
- Videos
- Webinars
- Handbook
- COLA Tracker

