



# Board of Retirement Regular Meeting

## Sacramento County Employees' Retirement System

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### Agenda Item 8

**MEETING DATE:** July 17, 2019

**SUBJECT:** Sacramento County 2019-20 Contribution Prepayment

**SUBMITTED FOR:**   X   Consent                          Deliberation and Action                          Receive and File

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### **RECOMMENDATION**

Staff recommends the Board accept payments of approximately \$251 million to reflect Sacramento County's prepayment of the 2019-20 employer contribution and reconciliation of 2018-19 employer contributions. The total payment to be made by the County will be remitted on July 26, 2019.

### **PURPOSE**

This item supports the 2018-19 Strategic Management Plan by maintaining transparent communications to stakeholders and demonstrating fiscal responsibility and stewardship.

### **DISCUSSION**

Government Code Section 31582 permits employers to prepay their contributions to SCERS in a lump sum. The County has elected to prepay its employer contributions, and the Board has approved of this election for several years.

The County employer contribution prepayment for 2019-20 was determined by Segal Consulting based on the 2019-20 projected payroll provided by the County. As part of this process, Staff also prepared a final reconciliation of the County employer contribution prepayment for 2018-19 based on actual payroll information, which shown an underpayment of required employer contribution for 2018-19. In addition, the final reconciliation includes an offset of replacement benefit plan payments made by the County in calendar year 2018. The replacement benefit plan was established by the County to pay benefits above the annual benefit payment limit set by the Internal Revenue Service.

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**ATTACHMENTS**

- Letter from Ben Lamera dated July 9, 2019
- County 2019-20 Employer Contribution Prepayment Schedule Prepared by Segal Consulting
- County 2018-19 Final Contribution Prepayment Reconciliation

Prepared by:

/S/

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Debbie Chan  
Senior Accounting Manager

Reviewed by:

/S/

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Eric Stern  
Chief Executive Officer

**Department of Finance**

Ben Lamera  
Director



**Divisions**

Administration  
Auditor-Controller  
Consolidated Utilities Billing & Service  
Investments  
Tax Collection & Business Licensing  
Treasury

**County of Sacramento**

July 9, 2019

Board of Retirement  
Sacramento County Employees'  
Retirement System  
980 Ninth Street, 19<sup>th</sup> Floor  
Sacramento, CA 95812

Dear Board Members:

The County of Sacramento (County) elects to prepay its employer contributions (Normal and Unfunded Actuarial Accrued Liability contributions) to the Sacramento County Employees' Retirement System (SCERS) for Fiscal Year 2019-20. The employer contribution prepayment for Fiscal Year 2019-20 is based on the Fiscal Year 2019-20 projected payroll that the County provided to your actuary, Segal Consulting.

To determine the total payment to be paid to SCERS on July 26, 2019, SCERS staff prepared a final reconciliation of the County's employer contribution prepayment for Fiscal Year 2018-19 based on actual payroll information. In addition, the final reconciliation included offset of replacement benefit plan payments made by the County in calendar year 2018 pursuant to the Memorandum of Understanding approved by your Board with Resolution No. 2006-13.

Please refer to the attached County Fiscal Year 2018-19 Final Contribution Prepayment reconciliation for the detailed calculation of the total payment to be remitted on July 26, 2019. I understand that discussion of this prepayment will be held during your Board of Retirement meeting on July 17, 2019.

If you have any further questions regarding the accounting for the estimated or required normal retirement contributions, please contact Ross McCarthy at (916) 874-6299.

Sincerely,

A handwritten signature in blue ink, appearing to read "Ben Lamera", is written over the word "Sincerely,".

**Ben Lamera**  
Director of Finance

**Attachments**

cc: Nancy Newton, Assistant County Executive, County of Sacramento  
Eric Stern, Chief Executive Officer, SCERS  
David Villanueva, Deputy County Executive, County of Sacramento  
Britt Ferguson, Chief Fiscal Officer, County of Sacramento



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Andy Yeung, ASA, MAAA, FCA, EA  
Vice President & Actuary  
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June 28, 2019

Mr. Eric Stern  
Chief Executive Officer  
Sacramento County Employees' Retirement System  
980 9th Street, Suite 1900  
Sacramento, CA 95814-2738

**Re: Prepayment of Employer Contributions by Sacramento County for Fiscal Year 2019-2020**

Dear Eric:

As requested by the System, we have calculated the discounted contribution amount for Sacramento County for fiscal year 2019-2020.

We understand that the County wants to prepay their fiscal year 2019-2020 employer contributions in a lump sum on July 26, 2019. In an e-mail dated June 24, 2019 sent by the County to your office, the County provided projected payrolls of \$748,949,451 and \$222,998,619 for Miscellaneous and Safety, respectively, for 26 pay periods in fiscal year 2019-2020. We then took the total payroll of \$971,948,070 and calculated a biweekly payroll of \$37,382,618. Using the \$37,382,618 of biweekly payroll together with the tier-by-tier employer rates calculated using the proportion of payroll for members in each category as reported in the data for the June 30, 2018 valuation, we determined the prepayment required to be \$248,241,132. Our calculations are provided in the enclosed table. The effective discount factor, which is calculated by taking the discounted contribution amount and dividing by the undiscounted contribution amount, is about 96.82%.

Any differences between the biweekly projected and actual payroll should be tracked by the System. Those differences should be used by the System to "true-up" the contributions at the end of the fiscal year.

I am a member of the American Academy of Actuaries and I meet the qualification requirements to render the actuarial opinion contained herein.

Please let us know if you have any questions.

Sincerely,

A handwritten signature in black ink that reads "Andy Yeung".

Andy Yeung

JAC/hy

cc: Debbie Chan, CPA, CGMA

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**SACRAMENTO COUNTY EMPLOYEES' RETIREMENT SYSTEM**

Prepayment of County Employer Contributions

Fiscal Year 2019-2020  
ASSUMES PAYMENT ON July 26, 2019

Discount Rate = 7.00%

Biweekly Pay Period	Biweekly Payroll Estimate	Normal	UAAL	Discount Factor	Total	Total	Total
		Contribution Rate <sup>(1)</sup>	Contribution Rate <sup>(1)</sup>		Biweekly Normal Cost Discounted	Biweekly UAAL Contrib. Discounted	Biweekly Contribution Discounted
1	\$37,382,618	12.44%	13.94%	1.0000000	\$4,650,398	\$5,211,137	\$9,861,535
2	\$37,382,618	12.44%	13.94%	0.9974011	\$4,638,312	\$5,197,594	\$9,835,906
3	\$37,382,618	12.44%	13.94%	0.9948090	\$4,626,257	\$5,184,086	\$9,810,343
4	\$37,382,618	12.44%	13.94%	0.9922236	\$4,614,234	\$5,170,613	\$9,784,847
5	\$37,382,618	12.44%	13.94%	0.9896450	\$4,602,243	\$5,157,176	\$9,759,419
6	\$37,382,618	12.44%	13.94%	0.9870730	\$4,590,282	\$5,143,773	\$9,734,055
7	\$37,382,618	12.44%	13.94%	0.9845077	\$4,578,352	\$5,130,404	\$9,708,756
8	\$37,382,618	12.44%	13.94%	0.9819491	\$4,566,454	\$5,117,071	\$9,683,525
9	\$37,382,618	12.44%	13.94%	0.9793972	\$4,554,586	\$5,103,773	\$9,658,359
10	\$37,382,618	12.44%	13.94%	0.9768518	\$4,542,749	\$5,090,509	\$9,633,258
11	\$37,382,618	12.44%	13.94%	0.9743131	\$4,530,943	\$5,077,279	\$9,608,222
12	\$37,382,618	12.44%	13.94%	0.9717810	\$4,519,168	\$5,064,084	\$9,583,252
13	\$37,382,618	12.44%	13.94%	0.9692555	\$4,507,424	\$5,050,923	\$9,558,347
14	\$37,382,618	12.44%	13.94%	0.9667365	\$4,495,709	\$5,037,796	\$9,533,505
15	\$37,382,618	12.44%	13.94%	0.9642241	\$4,484,026	\$5,024,704	\$9,508,730
16	\$37,382,618	12.44%	13.94%	0.9617182	\$4,472,372	\$5,011,645	\$9,484,017
17	\$37,382,618	12.44%	13.94%	0.9592188	\$4,460,749	\$4,998,621	\$9,459,370
18	\$37,382,618	12.44%	13.94%	0.9567259	\$4,449,156	\$4,985,630	\$9,434,786
19	\$37,382,618	12.44%	13.94%	0.9542395	\$4,437,593	\$4,972,673	\$9,410,266
20	\$37,382,618	12.44%	13.94%	0.9517595	\$4,426,060	\$4,959,749	\$9,385,809
21	\$37,382,618	12.44%	13.94%	0.9492860	\$4,414,557	\$4,946,859	\$9,361,416
22	\$37,382,618	12.44%	13.94%	0.9468190	\$4,403,085	\$4,934,003	\$9,337,088
23	\$37,382,618	12.44%	13.94%	0.9443583	\$4,391,642	\$4,921,180	\$9,312,822
24	\$37,382,618	12.44%	13.94%	0.9419040	\$4,380,228	\$4,908,391	\$9,288,619
25	\$37,382,618	12.44%	13.94%	0.9394561	\$4,368,844	\$4,895,634	\$9,264,478
26	\$37,382,618	12.44%	13.94%	0.9370146	\$4,357,491	\$4,882,911	\$9,240,402
Annual Payroll	\$971,948,000						
Rate		12.44%	13.94%				
Contribution Amount		\$120,910,340	\$135,489,561		\$117,062,914	\$131,178,218	\$248,241,132
		(Undiscounted)	(Undiscounted)		(Discounted)	(Discounted)	(Discounted)
Discount Percentage					96.82%	96.82%	

<sup>(1)</sup> These rates were calculated by taking the Tier specific contribution rates adopted by the Board for the June 30, 2018 valuation, the projected payroll of \$748,949,451 for Miscellaneous members and \$222,998,619 for Safety members as provided by the County for this prepayment calculation and compositing them using the proportion of the County's payroll in those Tiers within the Miscellaneous and Safety groups as reported for the June 30, 2018 valuation.



**Sacramento County's Employer Contribution Prepayment for FY 2019-20 and Final Prepayment Reconciliation for FY 2018-19**

**Reconciliation of 2018-19 Prepaid Employer Contributions vs. Actual Employer Contributions at Discounted Value**

Prepaid Employer Contributions for 2018-19 (Based on projected payroll for 2018-19)	\$ 217,633,510
Final 2018-19 Employer Contributions (Based on actual payroll in 2018-19)	<u>(221,006,775)</u>
<b>Underpayment of 2018-19 Employer Contributions</b>	<b><u>\$ (3,373,265)</u></b>

**Summary of 2018-19 Contribution Underpayment at Undiscounted Value and Other Adjustments**

2018-19 Employer Contribution Underpayment at Undiscounted Value	\$ 3,600,013
Interest Between Due Date and Actual Payment Date (from 7/13/2019 to 7/26/2019 at 7% annual rate)	9,666
Replacement Benefit Plan Payments for Calendar Year 2018	<u>(632,609)</u>
<b>Additional Employer Contributions for 2018-19</b>	<b><u>\$ 2,977,070</u></b>

**Total 2019-20 Employer Contribution Prepayment Amount**

Additional 2018-19 Employer Contributions	\$ 2,977,070
Employer Contribution Prepayment for 2019-20 Determined by Segal	<u>248,241,132</u>
<b>Total Employer Contributions Due from County on 7/26/2019</b>	<b><u>\$ 251,218,202</u></b>