

SDCERS Actuarial Valuation Update for the



September 14, 2021

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San Diego City Employees Retirement System

Mission

Deliver Accurate and Timely Benefits to Participants
Ensure the Trust Fund's Safety, Integrity, and Growth

Values

Customer Service

Accountability

Professionalism

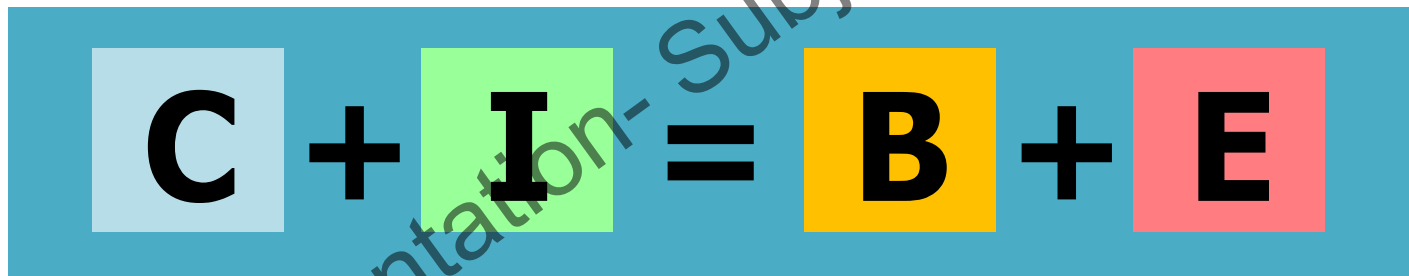
Fiduciary

Integrity

Transparency

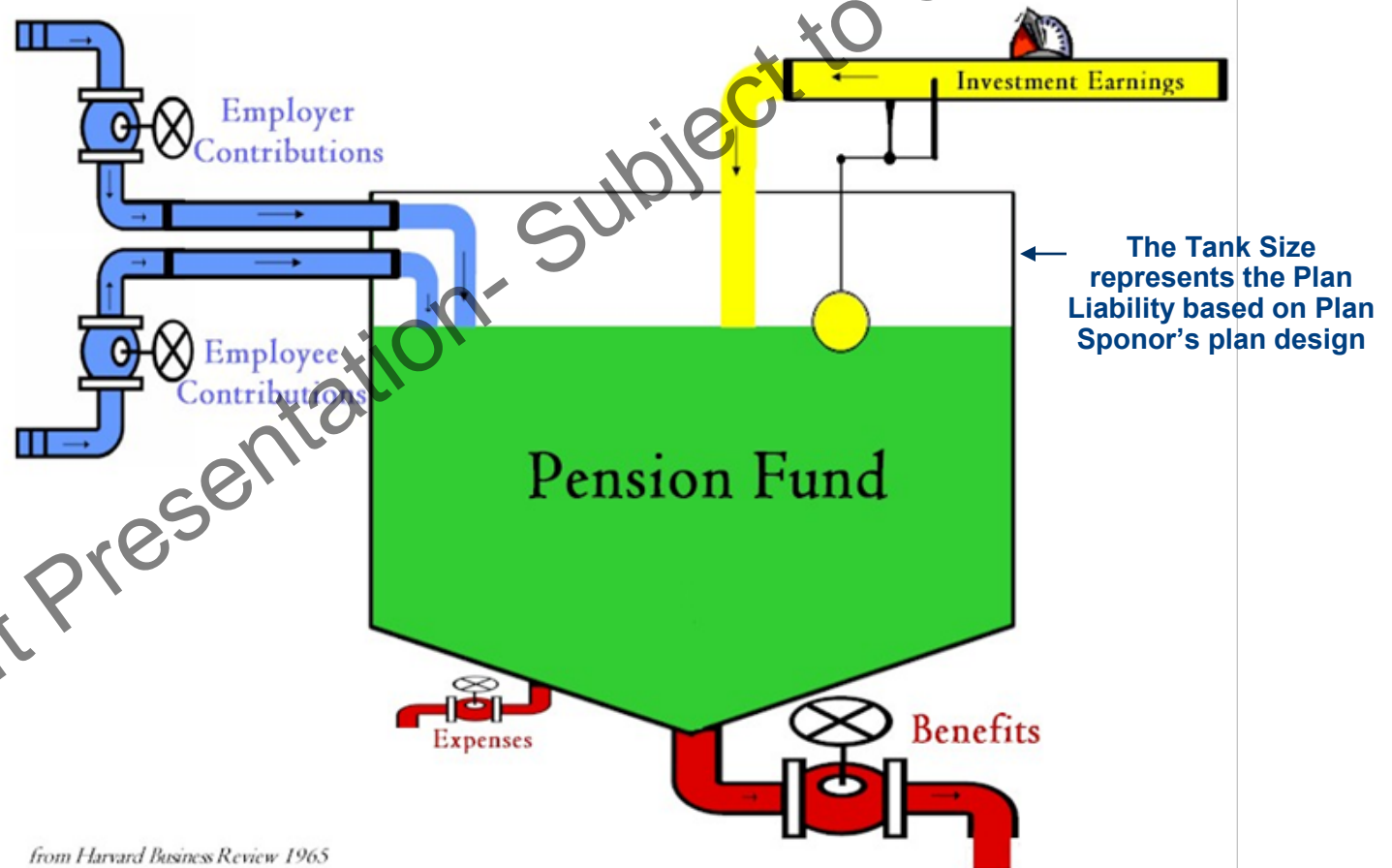
The Big Picture

Contributions + **I**nvestments


$$\mathbf{C} + \mathbf{I} = \mathbf{B} + \mathbf{E}$$

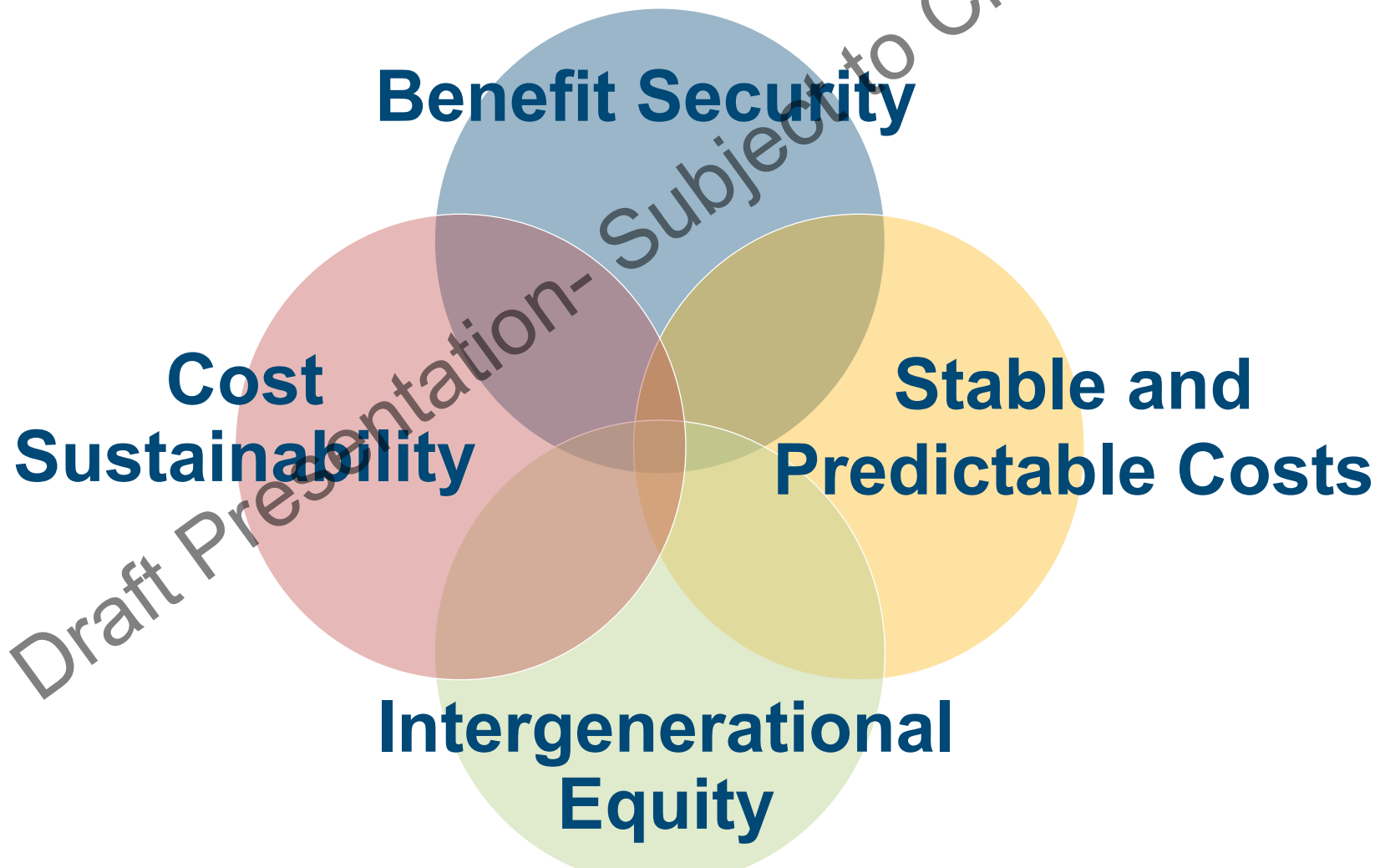
= **B**enefits + **E**xpenses

The Valuation Process



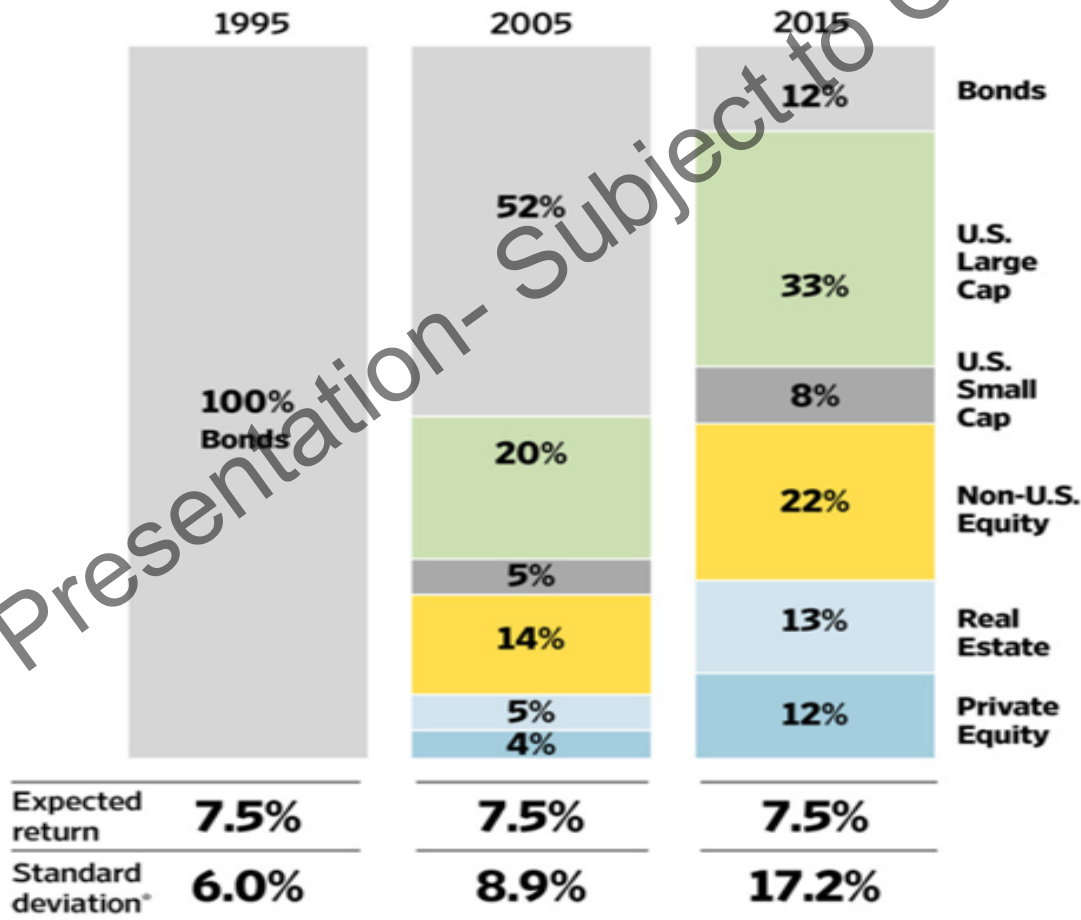
from Harvard Business Review 1965

Balancing Funding Objectives



Declining Interest Rates

Estimates of what investors needed to earn 7.5%

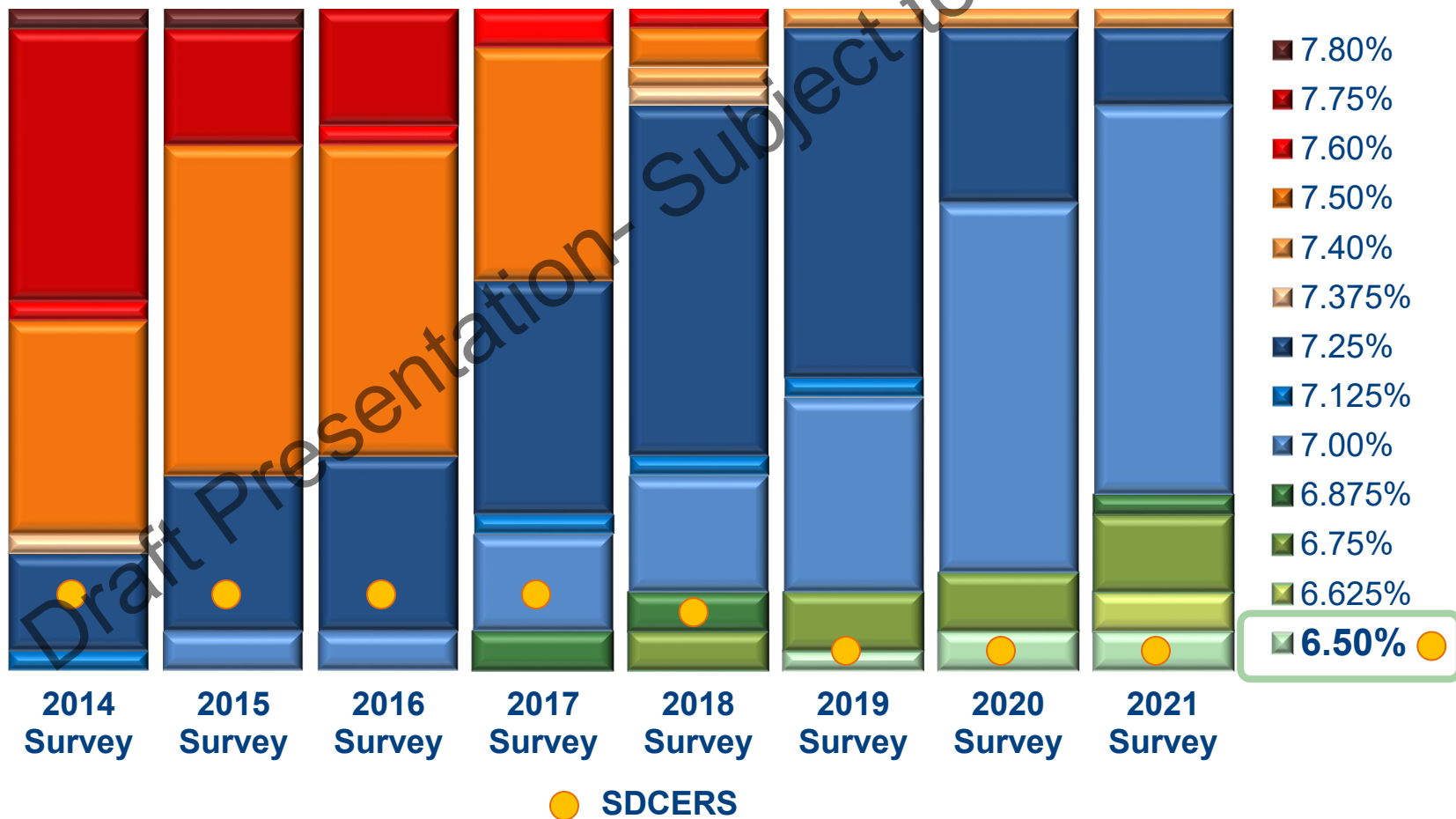


*Likely amount by which returns could vary
 Source: Callan Associates

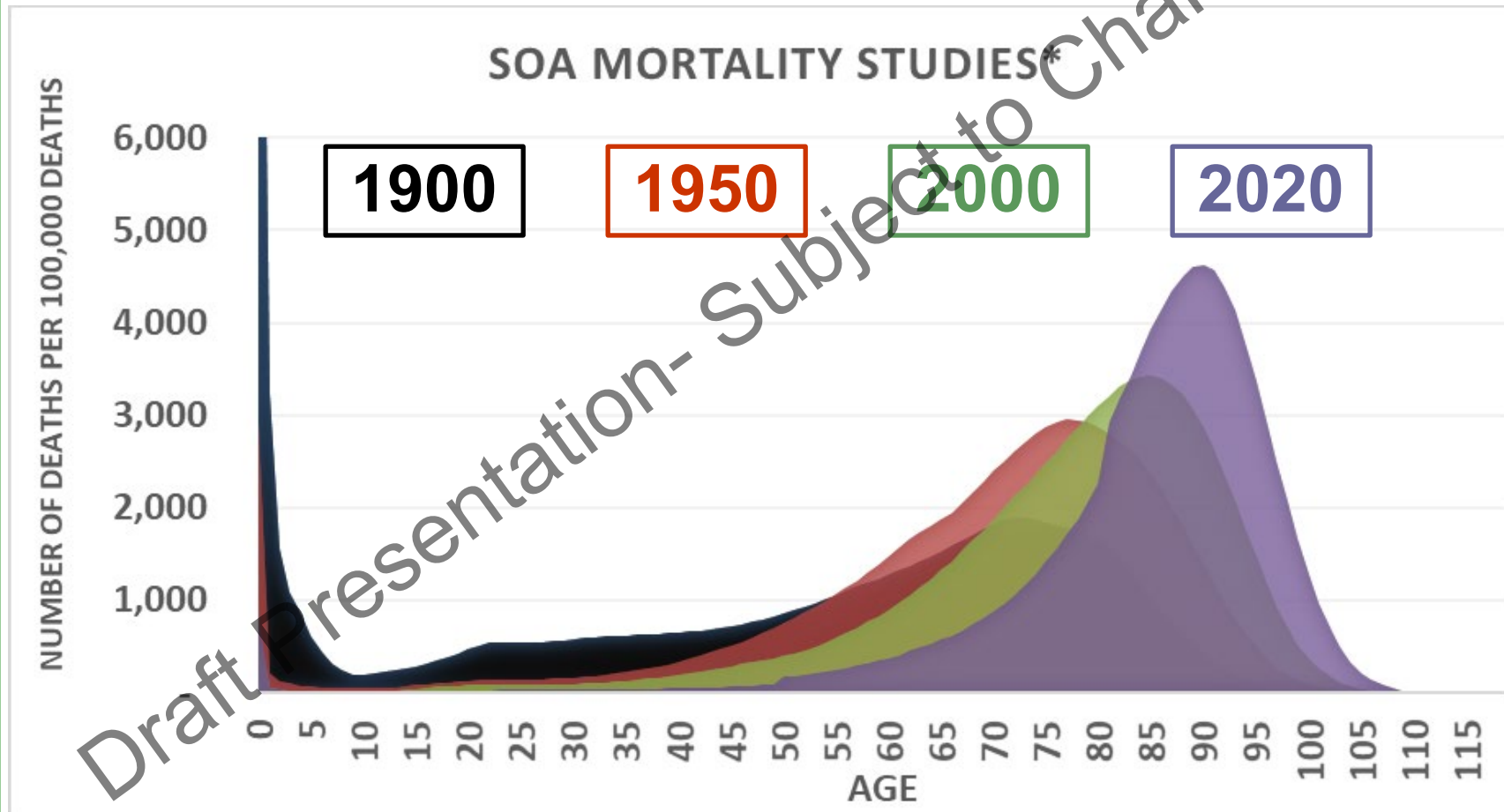
THE WALL STREET JOURNAL.

Investment Return Assumption

Investment Earnings Assumption
 California State, County and City Retirement Systems

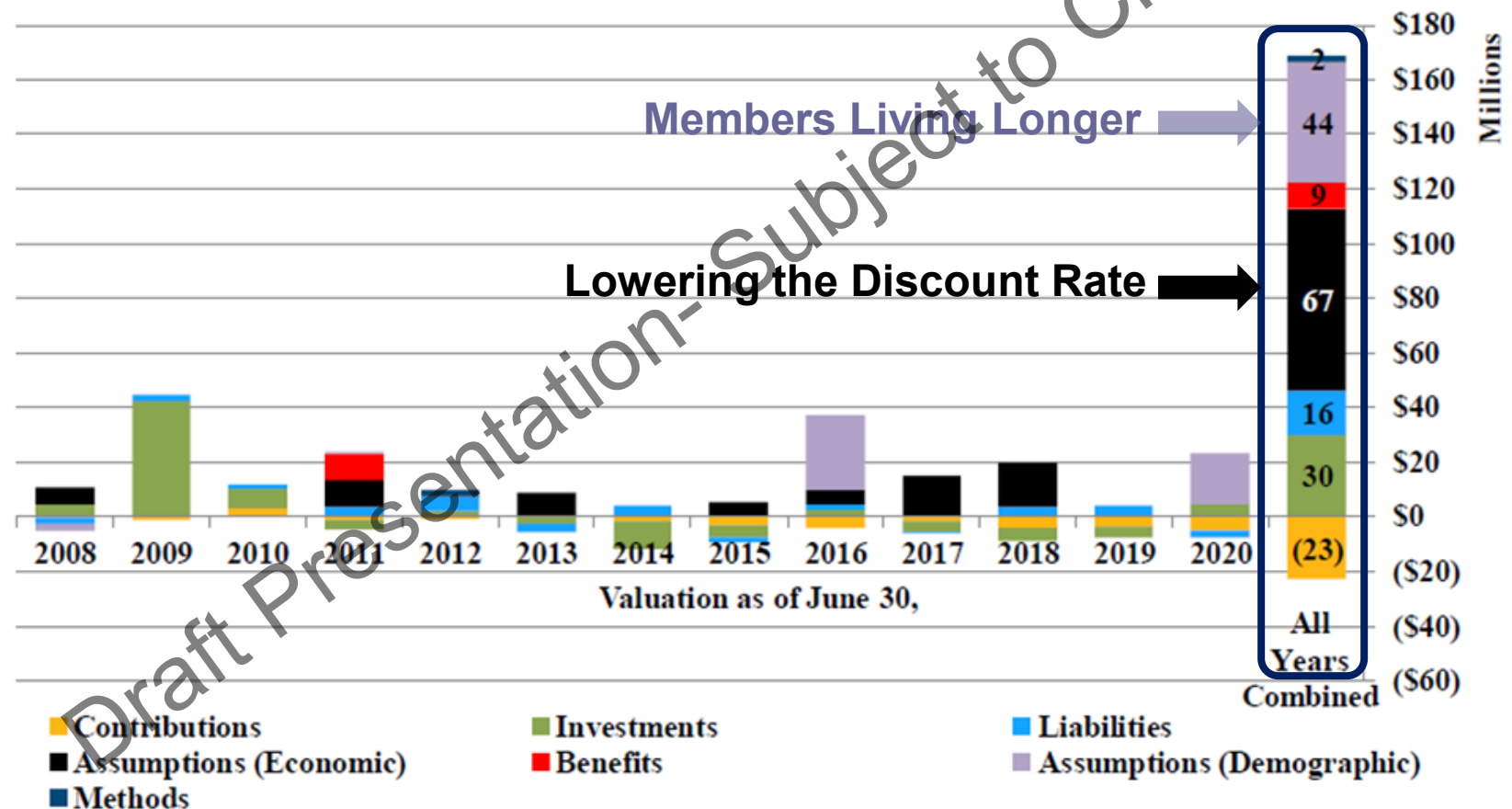


Members Living Longer



**1900, 1950, 2000 from Social Security tables on the general US population, 2020 is estimated from latest Society of Actuaries tables on the pension participant population*

Unfunded Liability Change History



Valuation Results

Valuation as of June 30,			
		2019	2020
<u>Membership</u>			Change
Actives		361	362 0.3%
Payroll (\$ in millions)	\$	36.8	\$ 37.3 1.4%
Average Salary	\$	101,967	\$ 103,068 1.1%
In Pay Status		599	628 4.8%
Total Annual Benefits (\$ in millions)	\$	28.4	\$ 30.8 8.2%
Average Benefit	\$	47,461	\$ 48,978 3.2%
<u>Assets and Liabilities (\$ in millions)</u>			
Actuarial Liability	\$	599.8	\$ 635.1 5.9%
Actuarial Value Assets	\$	453.7	\$ 473.3 4.3%
Market Value Assets	\$	465.7	\$ 460.7 -1.1%
Unfunded Actuarial Liability (UAL)	\$	146.1	\$ 161.8 10.7%
Actuarial Value Funding Ratio		75.6%	74.5% -1.1%
Market Value Funding Ratio		77.6%	72.5% -5.1%
<u>Contributions (ADC in \$millions)</u>			
Employer Normal Cost	\$	5.2	\$ 5.8 11.4%
UAL Payment	\$	13.7	\$ 15.6 13.8%
Administrative Expenses	\$	0.8	\$ 0.7 -15.5%
Total ADC (BOY)	\$	19.7	\$ 22.1 11.9%

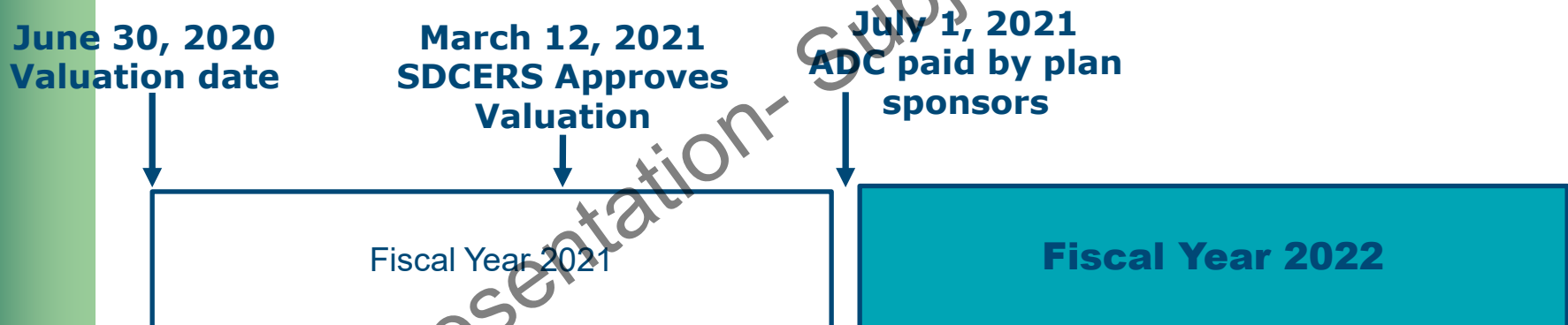
Source: Cheiron June 30, 2020 Valuation

Valuation Sources of Change

	<u>Actuarial</u> <u>Liability</u>	<u>Actuarial</u> <u>Assets</u>	(\$ in millions)	
			<u>UAL</u>	<u>ADC</u>
2019 actual results	\$ 599.8	\$ 453.7	\$ 146.1	\$ 19.7
2020-expected (no changes)	\$ 18.6	\$ 26.9	\$ (8.3)	\$ 0.1
FYE 2020 asset experience	\$ -	\$ (7.6)	\$ 7.6	\$ 0.7
FYE 2020 liability experience	\$ (2.4)	\$ -	\$ (2.4)	\$ (0.2)
change in demographic assumptions	\$ 18.8	\$ -	\$ 18.8	\$ 1.8
other misc (includes PSC, DROP)	\$ 0.3	\$ 0.3	\$ -	\$ -
2020 actual results	\$ 635.1	\$ 473.3	\$ 161.8	\$ 22.1

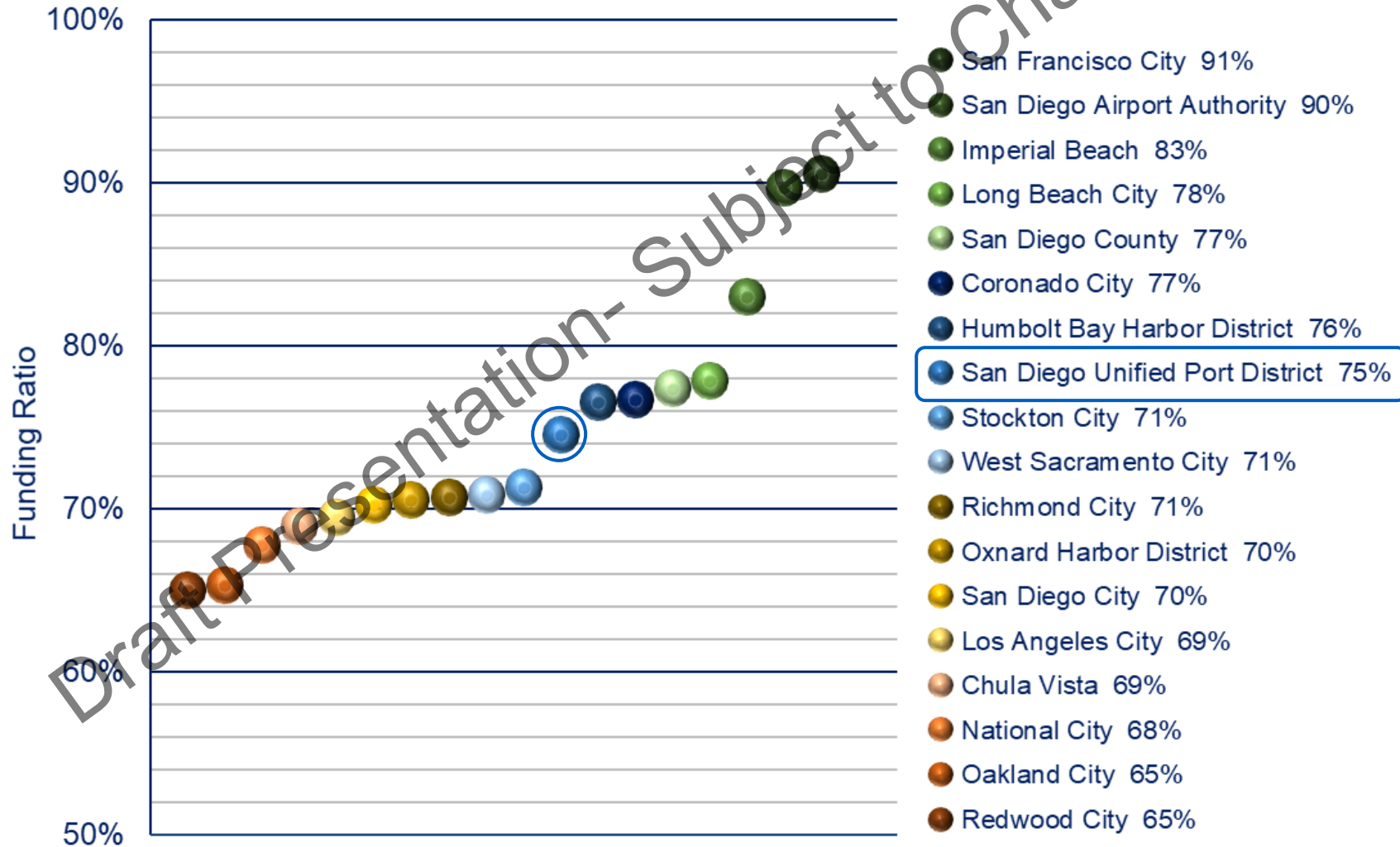
Timing

June 30, 2020 valuation results determine the FY 2022 Actuarially Determined Contribution (ADC) and member contributions

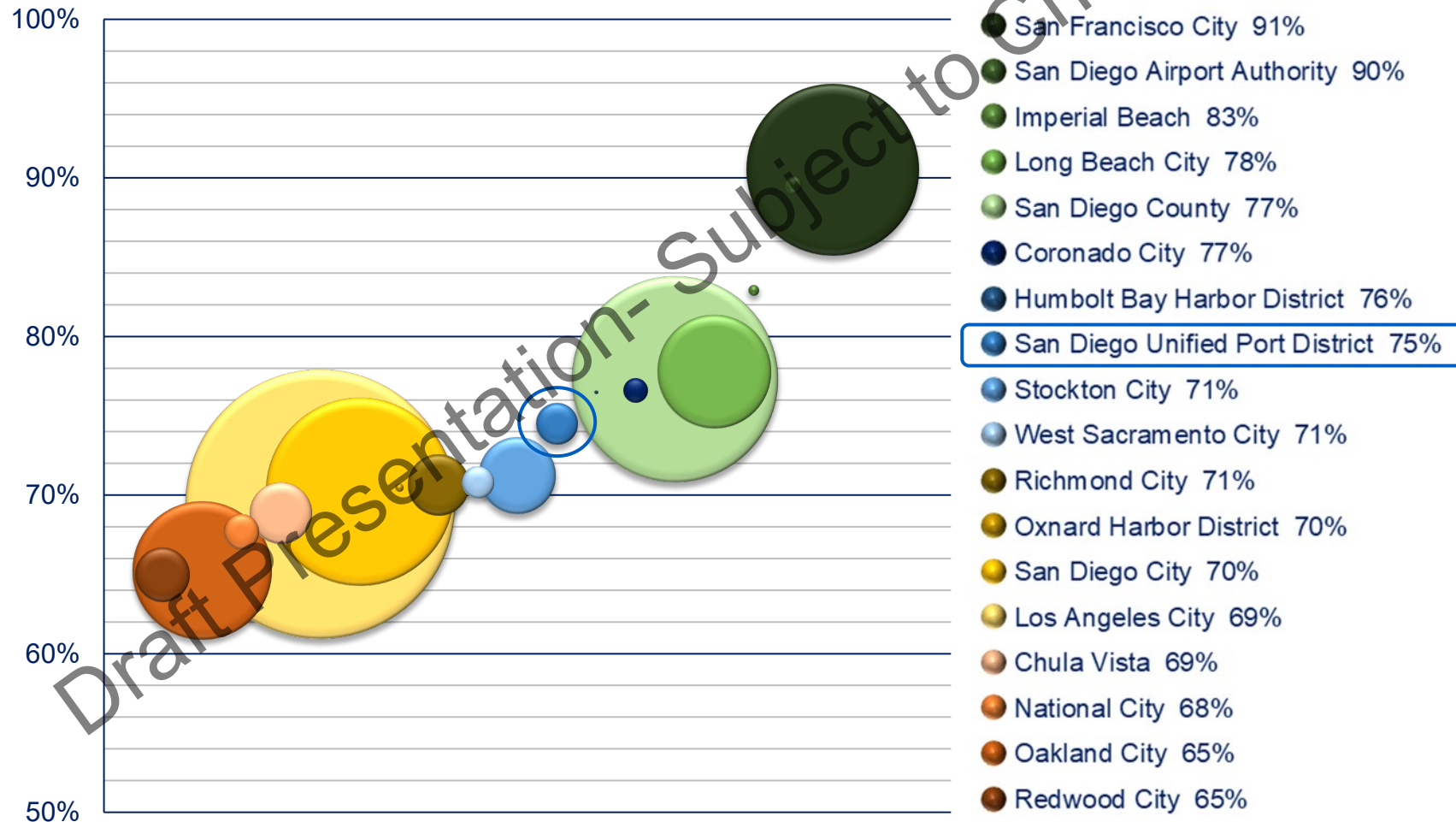


The SDCERS Board reviews preliminary Valuation results in January and then votes to approve the Valuation at their March meeting

Funding Ratio Survey



Funding Survey



Required Disclosures

The purpose of this presentation is to present actuarial valuation results for the San Diego City Employees' Retirement System. This presentation is for the use of the Board of Administration and its auditors.

In preparing our presentation, we relied on information, some oral and some written, supplied by the San Diego City Employees' Retirement System. This information includes, but is not limited to, the plan provisions, employee data, and financial information. We performed an informal examination of the obvious characteristics of the data for reasonableness and consistency in accordance with Actuarial Standard of Practice No. 28.

This presentation and its contents have been prepared in accordance with generally recognized and accepted actuarial principles and practices and our understanding of the Code of Professional Conduct and applicable Actuarial Standards of Practice set out by the Actuarial Standards Board as well as applicable laws and regulations. Furthermore, as credentialed actuaries, we meet the Qualification Standards of the American Academy of Actuaries to render the opinion contained in this presentation. This presentation does not address any contractual or legal issues. We are not attorneys, and our firm does not provide any legal services or advice.

This presentation was prepared exclusively for the San Diego City Employees' Retirement System for the purpose described herein. Other users of this presentation are not intended users as defined in the Actuarial Standards of Practice, and Cheiron assumes no duty or liability to such other users.

The actuarial assumptions, data, and methods are those used in the preparation of the actuarial valuation reports as of June 30, 2019.

The assumptions reflect our understanding of the likely future experience of the System, and the assumptions as a whole represent our best estimate for the future experience of the System. Future results may differ significantly from the current results presented in this presentation due to such factors as the following: plan experience differing from that anticipated by the assumptions; changes in assumptions; and changes in plan provisions or applicable law.

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