

# Imperial County Employees' Retirement System

## **Actuarial Valuation and Review**

As of June 30, 2020



This report has been prepared at the request of the Board of Retirement to assist in administering the Fund. This valuation report may not otherwise be copied or reproduced in any form without the consent of the Board of Retirement and may only be provided to other parties in its entirety, unless expressly authorized by Segal. The measurements shown in this actuarial valuation may not be applicable for other purposes.

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December 4, 2020

Board of Retirement  
Imperial County Employees' Retirement System  
1221 West State Street  
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Dear Board Members:

We are pleased to submit this Actuarial Valuation and Review as of June 30, 2020. It summarizes the actuarial data used in the valuation, analyzes the preceding year's experience, and establishes the funding requirements for fiscal year 2021-2022.

This report was prepared in accordance with generally accepted actuarial principles and practices at the request of the Board to assist in administering the Retirement System. The census information and financial information on which our calculations were based was prepared by the staff of the System. That assistance is gratefully acknowledged.

The actuarial calculations were directed under the supervision of Andy Yeung, ASA, Enrolled Actuary, MAAA, FCA. We are members of the American Academy of Actuaries and we meet the Qualification Standards of the American Academy of Actuaries to render the actuarial opinion herein. To the best of our knowledge, the information supplied in this actuarial valuation is complete and accurate. Further, in our opinion, the assumptions as approved by the Board are reasonably related to the experience of and the expectations for the System.

We look forward to reviewing this report at your next meeting and to answering any questions.

Sincerely,

Segal

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

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Andy Yeung, ASA, EA, MAAA, FCA  
Vice President and Actuary

A handwritten signature in black ink that reads "Paul Angelo".

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Paul Angelo, FSA, EA, MAAA, FCA  
Senior Vice President and Actuary

MAM/jl

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# Section 1: Actuarial Valuation Summary

## Purpose and Basis

This report was prepared by Segal to present a valuation of the Imperial County Employees' Retirement System ("ICERS" or "the System") as of June 30, 2020. The valuation was performed to determine whether the assets and contribution rates are sufficient to provide the prescribed benefits. The measurements shown in this actuarial valuation may not be applicable for other purposes. In particular, the measures herein are not necessarily appropriate for assessing the sufficiency of Plan assets to cover the estimated cost of settling the Plan's benefit obligations.

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: plan experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements; and changes in plan provisions or applicable law.

The contribution requirements presented in this report are based on:

- The benefit provisions of the pension plan, as administered by the Board;
- The characteristics of covered active members, inactive vested members, and retired members and beneficiaries as of June 30, 2020, provided by ICERS;
- The assets of the Plan as of June 30, 2020, provided by ICERS;
- Economic assumptions regarding future salary increases and investment earnings adopted by the Board for the June 30, 2020 valuation;
- Other actuarial assumptions regarding employee terminations, retirement, death, etc. adopted by the Board for the June 30, 2020 valuation; and
- The funding policy adopted by the Board.

One of the general goals of an actuarial valuation is to establish contributions which fully fund the System's liabilities, and which, as a percentage of payroll, remain as level as possible for each generation of active members. Annual actuarial valuations measure the progress toward this goal, as well as test the adequacy of the contribution rates.

In preparing this valuation, we have employed generally accepted actuarial methods and assumptions to evaluate the System's liabilities and future contribution requirements. Our calculations are based upon member data and financial information provided to us by the

## Section 1: Actuarial Valuation Summary

System's staff. This information has not been audited by us, but it has been reviewed and found to be consistent, both internally and with prior year's information.

The contribution requirements are determined as a percentage of payroll. The System's employer rates provide for both Normal Cost and a contribution to amortize any unfunded or overfunded actuarial accrued liabilities. In this valuation, we have applied the funding policy adopted by the Board on March 21, 2012 and reviewed by the Board on May 8, 2017. Details of the funding policy are provided in *Section 4, Exhibit I* on page 80.

A schedule of current amortization balances and payments may be found in *Section 3, Exhibit H* starting on page 61. A graphical projection of the Unfunded Actuarial Accrued Liability (UAAL) amortization balances and payments has been included in *Section 3, Exhibit I* starting on page 66.

The rates calculated in this report may be adopted by the Board for the fiscal year that extends from July 1, 2021 through June 30, 2022.

# Section 1: Actuarial Valuation Summary

## Valuation Highlights

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1. With the exception of the terminal pay assumptions (which have subsequently been eliminated following our discussions with ICERS staff so as to implement the Board's Resolution 2020-2 as discussed in the next item), the results in this valuation reflect changes in the economic and non-economic actuarial assumptions as recommended by Segal and adopted by the Board for the June 30, 2020 valuation. These changes were documented in our Actuarial Experience Study and are also outlined in *Section 4, Exhibit I* of this report. These assumption changes, in particular the reduction in the investment return from 7.25% to 7.00% and the new mortality assumptions, resulted in an increase in the aggregate employer contribution rate of 4.18% of payroll and an increase in the average member contribution rate of 1.79% of payroll. These assumption changes increased the UAAL by \$64.1 million.
  2. On July 30, 2020, the California Supreme Court issued a decision in the Alameda County Deputy Sheriff's Assoc. et. al., v. Alameda County Employees' Retirement Assn. litigation that clarified what should be considered pensionable compensation for that and other similarly situated 1937 Act county employees' retirement systems. In response to the Alameda Decision, the Board adopted Resolution 2020-2. Based on our discussions with ICERS staff, we have been directed to eliminate the terminal pay assumption used in our prior valuations to anticipate cashout of unused vacation and holiday compensatory time included in Legacy members' final 12-month compensation earnable for the calculation of retirement benefits. The results in this valuation reflect the impact of this Resolution, which resulted in a decrease in the aggregate employer contribution rate of 1.92% of payroll and a decrease in the average member contribution rate of 0.60% of payroll. This change decreased the UAAL by \$24.2 million. However, it should be noted any additional cost impact due to subsequent direction by future court rulings and/or advice of ICERS' tax counsel related to overpayment of benefits and/or refunds of member contributions previously paid in conjunction with terminal pay has not been included in the results prepared for the June 30, 2020 valuation.
- Pg. 82
3. The results of this valuation reflect agreements in effect as of August 26, 2020 for the County to pick up the Supplemental UAAL contributions for the Tier 3 members. According to a list provided by ICERS on August 26, 2020, all bargaining units covering General Tier 3 and Safety Tier 3 members have reached this agreement with the County. Additional details, including their combined payroll, are provided in *Section 2*. Members belonging to the bargaining units that have reached this agreement (referenced in this valuation report as "Employer Picks Up Supplemental UAAL") have a separate set of Tier 3 employer and member contribution rates that differ from the Tier 3 employer and member contribution rates for members who are not a part of the bargaining units that have reached this agreement (referenced in this valuation report as "Member Pays Supplemental UAAL"). We understand that General Tier 3 members who are employed by the Courts or one of the other districts are not covered by such an agreement.
- Pgs. 37, 101, 104
4. As of June 30, 2020, the System has a zero balance in the Member and Retiree Non-valuation Reserves, Employee Benefit Enhancement Reserve, Employee COLA Contribution Relief Reserve and Unallocated Earnings Reserve. Because the interest credited on the valuation reserves, gross of the negative contingency reserve, was greater than the System's actual investment
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## Section 1: Actuarial Valuation Summary

return, in order to credit interest to the valuation reserves at the assumed earnings rate the balance of the Contingency Reserve decreased from negative \$113.4 million as of June 30, 2019 to negative \$125.3 million as of June 30, 2020. According to the Interest Crediting and Undistributed Earnings Policy updated by the Board in 2011, the Contingency Reserve has to be restored to 1% of the assets in the future before the System will accumulate unallocated earnings that could be used to provide contribution rate relief and/or non-statutory benefits.

- Pgs. 31, 40
5. In this June 30, 2020 valuation, the ratio of the valuation value of assets to the actuarial accrued liabilities has decreased from 87.1% to 84.8%. On a market value basis, this funded ratio has decreased from 87.7% to 82.0%. In this valuation, the System's UAAL when measured on a valuation value of assets basis has increased from \$129.1 million to \$166.4 million. The increase in UAAL is primarily due to the change in actuarial assumptions, offset somewhat by the exclusion of terminal pay from compensation earnable. A reconciliation of the change in UAAL is provided in *Section 2, Subsection E*.
- Pgs. 33, 34
6. The adopted and recommended aggregate employer rate from the June 30, 2019 valuation was 22.33%.<sup>1</sup> The aggregate employer rate calculated in this valuation has increased to 24.53% of payroll. The employer rates include the funding of the Regular benefit plus an amount required to fund the outstanding balance of one-third of the UAAL for the Safety members' Supplemental benefit as determined in the June 30, 2006 valuation, plus the pickup of Supplemental UAAL contributions for Tier 3 members belonging to a bargaining unit that has reached such agreement. This year's increase in the rate is primarily due to: (i) the change in actuarial assumptions and (ii) contributions lower than expected due to the one-year lag in implementing the contributions recommended in the June 30, 2019 valuation, offset somewhat by (iii) the exclusion of terminal pay from compensation earnable and (iv) a greater than expected return on the assets for Regular benefits after "smoothing".<sup>2</sup> A reconciliation of the System's aggregate employer rate as well as employer rates by tier are provided in *Section 2, Subsection F*.
- Pgs. 35, 36
7. The adopted and recommended aggregate member rate from the June 30, 2019 valuation was 12.00%.<sup>3</sup> The aggregate member rate calculated in this valuation has increased to 13.26% of payroll. This year's increase in the rate is primarily due to the change in actuarial assumptions, offset somewhat by the exclusion of terminal pay from compensation earnable. A reconciliation of the System's aggregate member rate as well as member rates by tier are provided in *Section 2, Subsection F*.
- Pg. 72
8. Contributions toward administrative expenses are allocated between the employers and the members based on the relative proportion of their respective contributions to the total. We have updated the allocation of contribution rates for administrative expenses to reflect the agreements reached by one additional bargaining unit for the employer to pick up the Supplemental UAAL contributions for Tier 3 members that had not yet been reached at the time of the prior valuation. We will continue this

<sup>1</sup> The calculated employer rates include an employer pick-up of members' contributions equal to 3% of payroll for General and Safety members in the Legacy Tiers.

<sup>2</sup> It should be noted that while the market return for the System was 3.15% for 2019/2020, the return that fell short of the assumed rate of 7.25% per annum was earned in the second half of 2019/2020 and as a result only 10% of those losses were recognized in developing the smoothed return for 2019/2020.

<sup>3</sup> The aggregate member rate is calculated by taking the member rates for a General Legacy member at entry age 32, a Safety Legacy member at entry age 28, a General Tier 3 member, and a Safety Tier 3 member, and weighting those rates by the projected payrolls for members in the four tiers.

## Section 1: Actuarial Valuation Summary

practice of updating the allocation annually in future actuarial valuations to reflect any changes in the relative proportions of employer and member contributions.

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9. As part of the June 30, 2019 valuation, the Board adopted an adjustment to the asset smoothing method recommended by Segal that combined the net deferred unrecognized investment gains as of June 30, 2019 of \$3.8 million into a single four and a half year smoothing “layer”. Those net deferred gains are then recognized over the next four and a half years from that date in nine level amounts of approximately \$0.4 million for each six month period. This reduces the volatility associated with the pattern of deferred gain recognition and results in both more stable projected funded ratios (on an actuarial value basis) and more level contribution rates.

The total unrecognized net investment loss as of June 30, 2020 is \$32.4 million as compared to an unrecognized net investment gain of \$3.8 million in the previous valuation. This deferred investment loss will be recognized in the determination of the valuation value of assets for funding purposes in the next few years as shown in *Section 2, Subsection B*.

The net deferred losses of \$32.4 million represent about 3.6% of the market value of assets. Unless offset by future investment gains or other favorable experience, the recognition of the \$32.4 million market losses is expected to have an impact on the System’s future funded percentage and contribution rate requirements. This potential impact may be illustrated as follows:

- a. If the deferred losses were recognized immediately in the valuation value of assets (and assuming further that the Reserve for Capital Assets were to be used as assets in the valuation), the funded percentage would decrease from 84.8% to 82.0%.

For comparison purposes, if all the deferred gains in the June 30, 2019 valuation had been recognized immediately in the June 30, 2019 valuation, the funded percentage would have increased from 87.1% to 87.7%.

- b. If the deferred losses were recognized immediately in the valuation value of assets (and assuming further that the Reserve for Capital Assets were to be used as assets in the valuation), the aggregate employer contribution rate would increase from 24.53% of payroll to 26.42% of payroll and the aggregate member contribution rate would increase from 13.26% of payroll to 13.39% of payroll.

For comparison purposes, if all the deferred gains in the June 30, 2019 valuation had been recognized immediately in the June 30, 2019 valuation, the recommended aggregate employer contribution rate would have decreased from 22.52% of payroll to 22.11% of payroll and the recommended aggregate member contribution rate would have decreased from 12.21% of payroll to 12.18% of payroll.<sup>4</sup>

10. At this time, there has been no resolution to the Deputy Sheriffs’ Association, et. al., v. County of Imperial and Imperial County Employees’ Retirement System litigation. We will reflect any outcome, once it is known, in future actuarial valuations.

<sup>4</sup> These recommended rates are different from those shown above because they have not been recomposited to reflect the proportion of payrolls among the different Tiers and General/Safety membership classes.

## Section 1: Actuarial Valuation Summary

11. We understand that the County has offered one year of additional service to certain members in an early retirement incentive program (“Golden Handshake”), and that the window for members to accept this offer is still open at this time. Because the particular members who will accept the offer is unknown, the impact of the Golden Handshake is not reflected in this valuation. We will reflect any outcome, once it is known, in the next actuarial valuation as of June 30, 2021.
12. It is important to note that this actuarial valuation is based on plan assets as of June 30, 2020. Due to the COVID-19 pandemic, market conditions have changed significantly during 2020. The Plan’s funded status does not reflect short-term fluctuations of the market, but rather is based on the market values on the last day of the Plan Year. While it is impossible to determine how the pandemic will continue to affect market conditions prior to next year’s valuation, Segal is available to prepare projections of potential outcomes upon request.
13. Actuarial Standard of Practice No. 51 (ASOP 51) requires actuaries to identify and assess risks that “may reasonably be anticipated to significantly affect the plan’s future financial condition”. Examples of key risks listed that are particularly relevant to ICERS are asset/liability mismatch risk, investment risk, and longevity risk. The standard also requires an actuary to consider if there is any ongoing contribution risk to the plan, however it does not require the actuary to evaluate the particular ability or willingness of contributing entities to make contributions when due, nor does it require the actuary to assess the likelihood or consequences of future changes in applicable law.

The actuary’s initial assessment can be strictly a qualitative discussion about potential adverse experience and the possible effect on future results, but it may also include quantitative numerical demonstrations where informative. The actuary is also encouraged to consider a recommendation as to whether a more detailed assessment or risk report would be significantly beneficial for the intended user in order to examine particular financial risks. When making that recommendation, the actuary will take into account such factors as the plan’s design, risk profile, maturity, size, funded status, asset allocation, cash flow, possible insolvency and current market conditions.

Since the actuarial valuation results are dependent on a fixed set of assumptions and data as of a specific date, there is risk that emerging results may differ, perhaps significantly, as actual experience is fluid and will not exactly track current assumptions. This potential divergence may have a significant impact on the future financial condition of the plan.

The stand-alone risk assessment report associated with this June 30, 2020 valuation is presented along with this report. That assessment further discusses and highlights information and risks particular to ICERS including detailed historical experience and key events, growing plan maturity, heightened contribution sensitivity to asset and liability changes, and projected sensitivity to potential future investment returns through selected scenario projections. For completeness, we have included in this report a brief discussion of key risks that may affect the System in *Section 2, Subsection J*.

14. Segal strongly recommends an actuarial funding policy that targets 100% funding of the Actuarial Accrued Liability. Generally, this implies payments that are ultimately at least enough to cover Normal Cost, interest on the Unfunded Actuarial Accrued Liability and the principal balance. The funding policy adopted by the Board meets this standard.

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## Section 1: Actuarial Valuation Summary

15. This report constitutes an actuarial valuation for the purpose of determining the actuarially determined contribution under the plan's funding policy and measuring the progress of that funding policy. The Net Pension Liability (NPL) and Pension Expense under Governmental Accounting Standards Board (GASB) Statements No. 67 and No. 68, for inclusion in the plan and employer's financial statements as of June 30, 2020, will be provided separately. The accounting disclosures will utilize different methodologies from those employed in the funding valuation, as required by the GASB. However, the actuarially determined contribution in this valuation is expected to be used as the actuarially determined contribution (ADC) for GASB financial reporting.

## Section 1: Actuarial Valuation Summary

### Summary of Key Valuation Results

		June 30, 2020		June 30, 2019	
		Total Rate	Estimated Annual Dollar Amount <sup>1</sup> (\$ in '000s)	Total Rate	Estimated Annual Dollar Amount <sup>1</sup> (\$ in '000s)
<b>Employer Contribution Rates:</b>	• General Legacy	23.57%	\$15,555	22.38%	\$14,769
	• General Tier 3 (Member Pays Supplemental UAAL)	19.07%	742	17.03%	662
	• General Tier 3 (Employer Picks up Supplemental UAAL)	19.92%	7,833	17.59%	6,917
	• Safety Legacy	35.82%	5,732	31.85%	5,096
	• Safety Tier 3 (Member Pays Supplemental UAAL) <sup>2</sup>	30.12%	0	24.69%	0
	• Safety Tier 3 (Employer Picks up Supplemental UAAL)	36.58%	2,591	29.48%	2,089
	<b>All Categories Combined</b>	<b>24.53%</b>	<b>\$32,453</b>	<b>22.33%<sup>3</sup></b>	<b>\$29,533</b>
<b>Average Member Contribution Rates:</b>	• General Legacy (Average Entry Age: 32) <sup>4</sup>	11.59%	\$7,649	10.77%	\$7,108
	• General Tier 3 (Member Pays Supplemental UAAL)	11.27%	438	9.82%	382
	• General Tier 3 (Employer Picks up Supplemental UAAL)	10.33%	4,062	9.20%	3,618
	• Safety Legacy (Average Entry Age: 28)	26.56%	4,250	23.41%	3,746
	• Safety Tier 3 (Member Pays Supplemental UAAL) <sup>2</sup>	23.09%	0	19.69%	0
	• Safety Tier 3 (Employer Picks up Supplemental UAAL)	16.11%	1,141	14.48%	1,026
	<b>All Categories Combined</b>	<b>13.26%</b>	<b>\$17,540</b>	<b>12.00%<sup>3</sup></b>	<b>\$15,880</b>

<sup>1</sup> Based on June 30, 2020 projected compensation.

<sup>2</sup> At the time of this valuation, Safety Tier 3 members are part of bargaining units that have reached an agreement with the County for the employer to pick up the Supplemental UAAL contributions for the Tier 3 members. The employer and member contribution rates for Safety Tier 3 where the member still pays the Supplemental UAAL have been included for informational purposes only.

<sup>3</sup> The aggregate recommended rates as of June 30, 2019 are different from those shown in the June 30, 2020 report because they have been recomposited to reflect the proportion of June 30, 2020 projected payrolls among the different Tiers and General/Safety membership classes.

<sup>4</sup> In this valuation, the average entry age for General Legacy decreased from 33 to 32. Using the prior year's average entry age of 33, the General Legacy average member contribution rate of 10.93% as of June 30, 2019 would have increased to 11.75% as of June 30, 2020.

## Section 1: Actuarial Valuation Summary

### Summary of Key Valuation Results (continued)

		June 30, 2020 (\$ in '000s)	June 30, 2019 (\$ in '000s)
<b>Actuarial Accrued Liability as of June 30:</b>	Retired members and beneficiaries	\$587,999	\$530,146
	Inactive vested members <sup>1</sup>	47,510	41,781
	Active members	456,258	426,763
	Total Actuarial Accrued Liability	1,091,767	998,690
	Normal Cost for plan year beginning June 30 <sup>2</sup>	34,568	32,093
<b>Assets as of June 30:</b>	Market Value of Assets (MVA)	\$895,018	\$876,015
	Valuation Value of Assets (VVA) <sup>3</sup>	925,377	869,620
<b>Funded status as of June 30:</b>	Unfunded Actuarial Accrued Liability on MVA basis	\$196,749	\$122,675
	Funded percentage on MVA basis	82.0%	87.7%
	Unfunded Actuarial Accrued Liability on VVA basis	\$166,390	\$129,070
	Funded percentage on VVA basis	84.8%	87.1%
<b>Key assumptions:</b>	Net investment return	7.00%	7.25%
	Price Inflation	2.75%	3.00%
	Payroll growth increase	3.25%	3.50%

<sup>1</sup> Includes inactive members due a refund of member contributions.

<sup>2</sup> Includes the administrative expense load applied to the Normal Cost contribution rates.

<sup>3</sup> Excludes non-valuation reserves.

## Section 1: Actuarial Valuation Summary

### Summary of Key Valuation Results (continued)

	June 30, 2020	June 30, 2019	Change From Prior Year
<b>Demographic data as of June 30:</b>			
<b>Active Members:</b>			
Number of members	2,246	2,283	(1.6%)
Average age	42.1	41.8	0.3
Average service	10.1	9.8	0.3
Total projected compensation	\$132,291,691	\$128,680,972	2.8%
Average projected compensation	\$58,901	\$56,365	4.5%
<b>Retired Members and Beneficiaries:</b>			
Number of members:			
– Service retired	954	912	4.6%
– Disability retired	152	142	7.0%
– Beneficiaries	174	178	(2.2%)
– Total	1,280	1,232	3.9%
Average age	69.3	69.3	0.0
Average monthly benefit	\$3,062	\$2,989	2.4%
<b>Inactive Vested Members:</b>			
Number of members <sup>1</sup>	572	526	8.7%
Average Age	42.9	43.0	(0.1)
<b>Total Members:</b>	<b>4,098</b>	<b>4,041</b>	<b>1.4%</b>

<sup>1</sup> Includes inactive members due a refund of member contributions.

## Section 1: Actuarial Valuation Summary

### Important Information About Actuarial Valuations

An actuarial valuation is a budgeting tool with respect to the financing of future projected obligations of a pension plan. It is an estimated forecast – the actual long-term cost of the plan will be determined by the actual benefits and expenses paid and the actual investment experience of the plan.

In order to prepare a valuation, Segal relies on a number of input items. These include:

<b>Plan of benefits</b>	Plan provisions define the rules that will be used to determine benefit payments, and those rules, or the interpretation of them, may change over time. Even where they appear precise, outside factors may change how they operate. It is important to keep Segal informed with respect to plan provisions and administrative procedures, and to review the plan summary included in our report to confirm that Segal has correctly interpreted the plan of benefits.
<b>Participant data</b>	An actuarial valuation for a plan is based on data provided to the actuary by the System. Segal does not audit such data for completeness or accuracy, other than reviewing it for obvious inconsistencies compared to prior data and other information that appears unreasonable. It is important for Segal to receive the best possible data and to be informed about any known incomplete or inaccurate data.
<b>Assets</b>	The valuation is based on the Market Value of Assets as of the valuation date, as provided by the System. The System uses a “Valuation Value of Assets” that differs from market value to gradually reflect six-month changes in the Market Value of Assets in determining the contribution requirements.
<b>Actuarial assumptions</b>	In preparing an actuarial valuation, Segal projects the benefits to be paid to existing plan participants for the rest of their lives and the lives of their beneficiaries. This projection requires actuarial assumptions as to the probability of death, disability, withdrawal, and retirement of each participant for each year. In addition, the benefits projected to be paid for each of those events in each future year reflect actuarial assumptions as to salary increases and cost-of-living adjustments. The projected benefits are then discounted to a present value, based on the assumed rate of return that is expected to be achieved on the plan’s assets. There is a reasonable range for each assumption used in the projection and the results may vary materially based on which assumptions are selected. It is important for any user of an actuarial valuation to understand this concept. Actuarial assumptions are periodically reviewed to ensure that future valuations reflect emerging plan experience. While future changes in actuarial assumptions may have a significant impact on the reported results that does not mean that the previous assumptions were unreasonable.
<b>Models</b>	Segal valuation results are based on proprietary actuarial modeling software. The actuarial valuation models generate a comprehensive set of liability and cost calculations that are presented to meet regulatory, legislative and client requirements. Our Actuarial Technology and Systems unit, comprised of both actuaries and programmers, is responsible for the initial development and maintenance of these models. The models have a modular structure that allows for a high degree of accuracy, flexibility and user control. The client team programs the assumptions and the plan provisions, validates the models, and reviews test lives and results, under the supervision of the responsible actuary.

## Section 1: Actuarial Valuation Summary

The user of Segal's actuarial valuation (or other actuarial calculations) should keep the following in mind:

The actuarial valuation is prepared at the request of the System. Segal is not responsible for the use or misuse of its report, particularly by any other party.

An actuarial valuation is a measurement of the plan's assets and liabilities at a specific date. Accordingly, except where otherwise noted, Segal did not perform an analysis of the potential range of future financial measures. The actual long-term cost of the plan will be determined by the actual benefits and expenses paid and the actual investment experience of the plan. Future contribution requirements may differ from those determined in the valuation because of:

- Differences between actual experience and anticipated experience;
- Changes in actuarial assumptions or methods;
- Changes in statutory provisions; and
- Differences between the contribution rates determined by the valuation and those adopted by the Board.<sup>1</sup>

Some actuarial results in this report are not rounded, but that does not imply precision.

If the System is aware of any event or trend that was not considered in this valuation that may materially change the results of the valuation, Segal should be advised, so that we can evaluate it.

Segal does not provide investment, legal, accounting, or tax advice. Segal's valuation is based on our understanding of applicable guidance in these areas and of the plan's provisions, but they may be subject to alternative interpretations. The System should look to their other advisors for expertise in these areas.

As Segal has no discretionary authority with respect to the management or assets of the Plan, it is not a fiduciary in its capacity as actuaries and consultants with respect to the Plan.

<sup>1</sup> ICERS has a proven track record of adopting the Actuarial Determined Contributions as determined by the valuation and based on the Board's Actuarial Funding Policy.

# Section 2: Actuarial Valuation Results

## A. Member Data

The Actuarial Valuation and Review considers the number and demographic characteristics of covered members, including active members, inactive vested members, retired members and beneficiaries.

This section presents a summary of significant statistical data on these member groups.

More detailed information for this valuation year and the preceding valuation can be found in *Section 3, Exhibits A, B, and C.*

### Member Population: 2011 – 2020

Year Ended June 30	Active Members	Inactive Vested Members <sup>1</sup>	Retired Members and Beneficiaries <sup>2</sup>	Total Non-Actives	Ratio of Non-Actives to Actives	Ratio of Retired Members and Beneficiaries to Actives
2011	1,947	247	924	1,171	0.60	0.47
2012	1,921	332	977	1,309	0.68	0.51
2013	1,919	354	975	1,329	0.69	0.51
2014	1,987	374	1,007	1,381	0.70	0.51
2015	2,057	404	1,027	1,431	0.70	0.50
2016	2,127	425	1,078	1,503	0.71	0.51
2017	2,186	451	1,121	1,572	0.72	0.51
2018	2,161	500	1,193	1,693	0.78	0.55
2019	2,283	526	1,232	1,758	0.77	0.54
2020	2,246	572	1,280	1,852	0.82	0.57

<sup>1</sup> Starting with the June 30, 2012 valuation, includes terminated members due a refund of member contributions. For all years, members with both General and Safety service were counted once based on their latest membership category.

<sup>2</sup> Prior to the 2013 valuation, retired members and beneficiaries receiving both General and Safety benefits were reported as two separate records. Starting with the June 30, 2013 valuation, these members are only counted once based on their latest membership category. There were 66 such retired members and beneficiaries as of June 30, 2013.

## Section 2: Actuarial Valuation Results

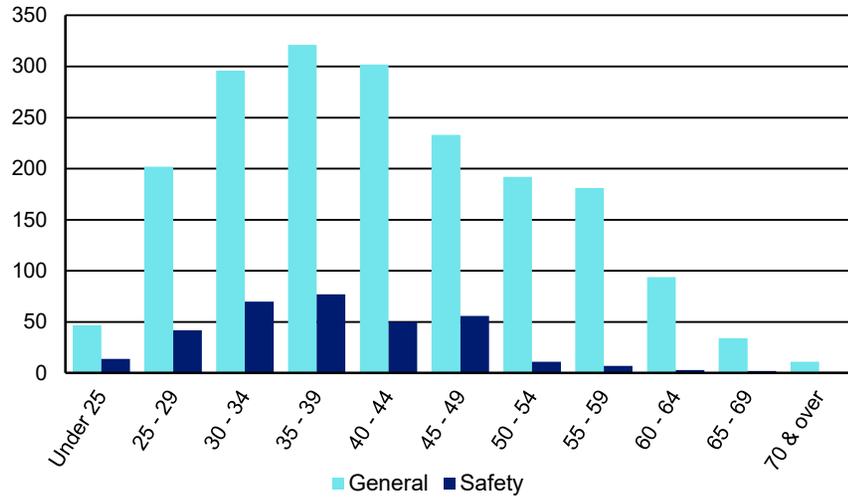
### Active Members

Plan costs are affected by the age, years of service and compensation of active members. In this year's valuation, there were 2,246 active members with an average age of 42.1, average years of service of 10.1 years and average compensation of \$58,901. The 2,283 active members in the prior valuation had an average age of 41.8, average service of 9.8 years and average compensation of \$56,365.

Among the active members, there were none with unknown age information.

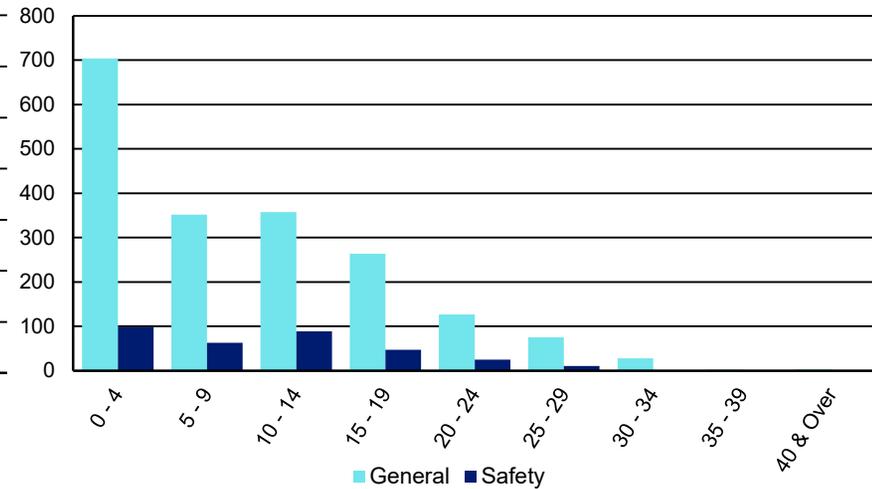
#### Distribution of Active Members as of June 30, 2020

##### Actives by Age



Average age	42.1
Prior year average age	41.8
Difference	0.3

##### Actives by Years of Service



Average years of service	10.1
Prior year average years of service	9.8
Difference	0.3

### Inactive Members

In this year's valuation, there were 572 members with a vested right to a deferred or immediate vested benefit or entitled to a return of their member contributions versus 526 in the prior valuation.

## Section 2: Actuarial Valuation Results

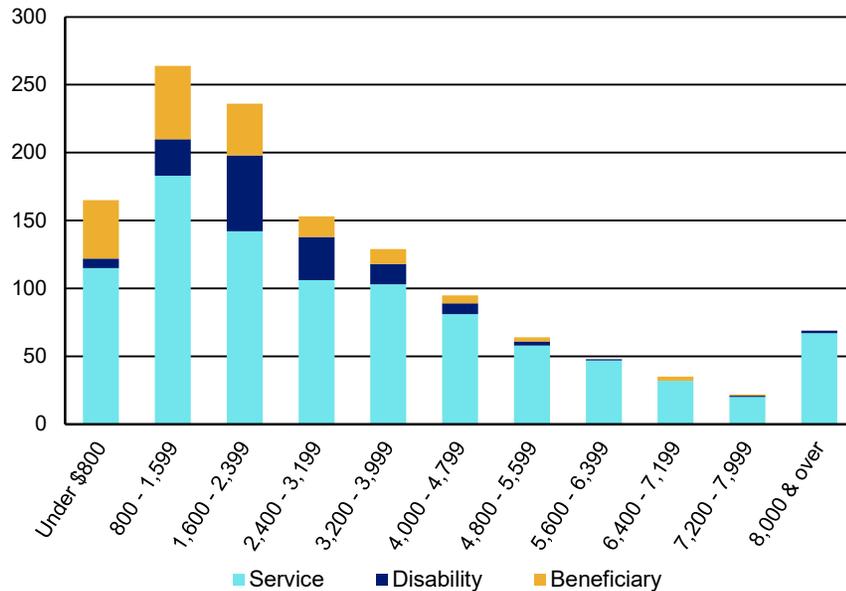
### Retired Members and Beneficiaries

As of June 30, 2020, 1,106 retired members and 174 beneficiaries were receiving total monthly benefits of \$3,919,656. For comparison, in the previous valuation, there were 1,054 retired members and 178 beneficiaries receiving monthly benefits of \$3,682,960.

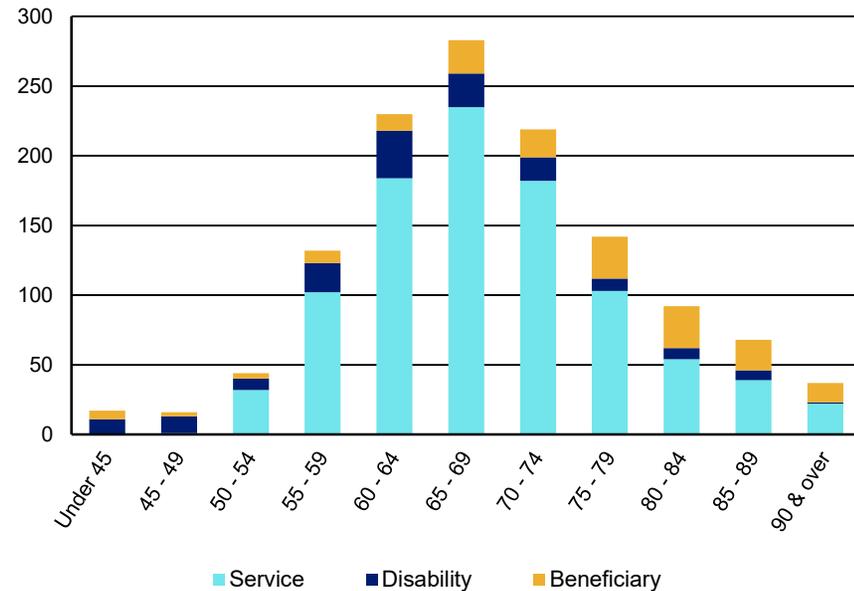
As of June 30, 2020, the average monthly benefit for retired members and beneficiaries is \$3,062, compared to \$2,989 in the previous valuation. The average age for retired members and beneficiaries is 69.3 in the current valuation, the same as in the prior valuation.

#### Distribution of Retired Members and Beneficiaries as of June 30, 2020

Retired Members and Beneficiaries  
by Type and Monthly Amount



Retired Members and Beneficiaries  
by Type and Age



## Section 2: Actuarial Valuation Results

### Historical Plan Population

The chart below demonstrates the progression of the active population over the last ten years. The chart also shows the growth among the retired population over the same time period.

#### Member Data Statistics: 2011 – 2020

Year Ended June 30	Active Members			Retired Members and Beneficiaries		
	Count	Average Age	Average Service	Count	Average Age	Average Monthly Amount
2011	1,947	42.1	9.6	924	67.8	2,224
2012	1,921	42.3	9.9	977	67.7	2,306
2013	1,919	42.4	10.1	975	68.3	2,533
2014	1,987	42.2	10.1	1,007	68.8	2,598
2015	2,057	42.3	10.1	1,027	69.1	2,656
2016	2,127	42.2	10.1	1,078	69.2	2,726
2017	2,186	42.0	10.0	1,121	69.1	2,858
2018	2,161	42.1	10.1	1,193	69.1	2,904
2019	2,283	41.8	9.8	1,232	69.3	2,989
2020	2,246	42.1	10.1	1,280	69.3	3,062

## Section 2: Actuarial Valuation Results

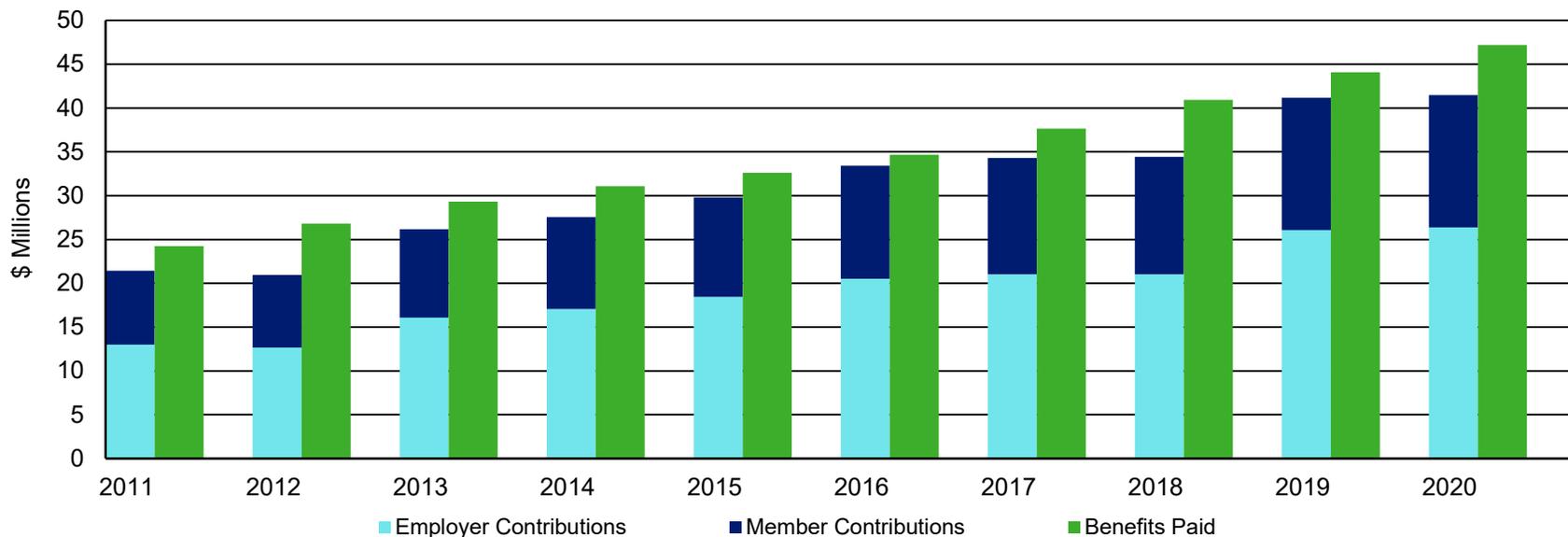
### B. Financial information

Retirement plan funding anticipates that, over the long term, both contributions (less administrative expenses) and investment earnings (less investment fees) will be needed to cover benefit payments. Retirement plan assets change as a result of the net impact of these income and expense components.

Additional financial information, including a summary of transactions for the valuation year, is presented in *Section 3, Exhibits D, E, F and G.*

It is desirable to have level and predictable plan costs from one year to the next. For this reason, the Board has approved an asset valuation method that gradually adjusts to market value. Under this valuation method, the full value of market fluctuations is not recognized in a single year and, as a result, the asset value and the plan costs are more stable. The amount of the adjustment to recognize market value is treated as income, which may be positive or negative. Realized and unrealized gains and losses are treated equally and, therefore, the sale of assets has no immediate effect on the actuarial value.

Comparison of Contributions Made with Benefits  
for Years Ended June 30, 2011 – 2020



## Section 2: Actuarial Valuation Results

### Determination of Actuarial Value of Assets for Year Ended June 30, 2020

<b>1 Market Value of Assets</b>					<b>\$895,017,899</b>	
		<b>Actual Return</b>	<b>Expected Return</b>	<b>Investment Gain / (Loss)</b>	<b>Percent Deferred</b>	<b>Unrecognized Amount</b>
<b>2</b>	Calculation of unrecognized return					
<b>a)</b>	June 30, 2019 combined net deferred gain <sup>1</sup>			\$3,819,799	77.78%	\$2,970,955
<b>b)</b>	Six months ended December 31, 2019	\$48,131,273	\$31,679,593	16,451,680	80	13,161,344
<b>c)</b>	Six months ended June 30, 2020	(20,673,896)	33,271,113	(53,945,009)	90	<u>(48,550,508)</u>
<b>d)</b>	Total unrecognized return <sup>2</sup>					\$(32,418,209)
<b>3</b>	<b>Actuarial Value of Assets (1) – (2d)</b>					<b>\$927,436,108</b>
<b>4</b>	Actuarial Value of Assets as a percentage of Market Value of Assets <b>3 ÷ 1</b>					103.6%
<b>5</b>	Actuarial Value of Assets Corridor Limits:					
<b>a)</b>	Lower Limit - 70% of Market Value of Assets					\$626,512,529
<b>b)</b>	Upper Limit - 130% of Market Value of Assets					\$1,163,523,269
<b>6</b>	Non-valuation reserves:					
<b>a)</b>	Reserve for Capital Assets					\$2,059,595
<b>b)</b>	Subtotal					\$2,059,595
<b>7</b>	<b>Valuation Value of Assets (3) – (6b)</b>					<b>\$925,376,513</b>

Note: Results may be slightly off due to rounding.

<sup>1</sup> The net deferred gain as of June 30, 2019 was combined and will be recognized over four and a half years. See the next page for the individual six-month periods that were combined.

<sup>2</sup> Deferred return as of June 30, 2020 recognized in each of the next five years:

(a)	Amount recognized on June 30, 2021	\$(6,649,822)
(b)	Amount recognized on June 30, 2022	(6,649,821)
(c)	Amount recognized on June 30, 2023	(6,649,821)
(d)	Amount recognized on June 30, 2024	(7,074,244)
(e)	Amount recognized on June 30, 2025	<u>(5,394,501)</u>
(f)	Subtotal	\$(32,418,209)

## Section 2: Actuarial Valuation Results

### Determination of Actuarial Value of Assets for Year Ended June 30, 2020 (continued)

Deferred gains and losses that were combined as of June 30, 2019:

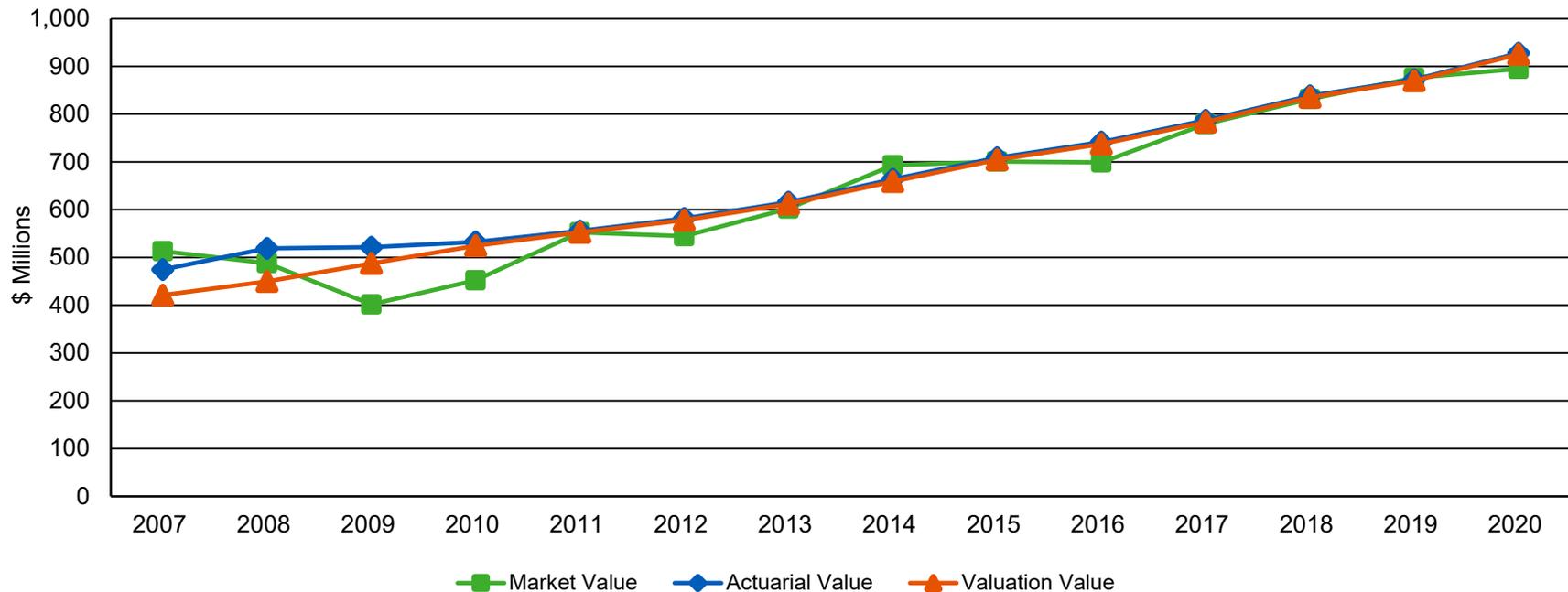
Calculation of unrecognized return		Actual Return	Expected Return	Investment Gain / (Loss)	Percent Deferred	Unrecognized Amount
a)	Six months ended December 31, 2014	\$(10,352,400)	\$26,817,010	\$(37,169,410)	0%	\$0
b)	Six months ended June 30, 2015	21,084,669	26,361,000	(5,276,331)	10	(527,633)
c)	Six months ended December 31, 2015	(24,947,582)	26,253,854	(51,201,436)	20	(10,240,287)
d)	Six months ended June 30, 2016	26,673,765	25,251,820	1,421,945	30	426,584
e)	Six months ended December 31, 2016	26,224,337	26,163,655	60,682	40	24,273
f)	Six months ended June 30, 2017	59,548,536	27,038,927	32,509,609	50	16,254,805
g)	Six months ended December 31, 2017	53,571,926	29,132,665	24,439,261	60	14,663,557
h)	Six months ended June 30, 2018	7,587,563	30,977,537	(23,389,974)	70	(16,372,982)
i)	Six months ended December 31, 2018	(40,549,793)	30,027,491	(70,577,284)	80	(56,461,827)
j)	Six months ended June 30, 2019	90,736,513	28,455,059	62,281,454	90	56,053,309
<b>Combined net deferred gain as of June 30, 2019</b>						<b>\$3,819,799</b>

Note: Results may be slightly off due to rounding.

## Section 2: Actuarial Valuation Results

The Market Value, Actuarial Value and Valuation Value of Assets are representations of the Plan's financial status. As investment gains and losses are gradually taken into account, the Actuarial Value of Assets tracks the Market Value of Assets. The Valuation Value of Assets is the Actuarial Value, excluding any non-valuation reserves. The Valuation Value of Assets is significant because the Plan's liabilities are compared to these assets to determine what portion, if any, remains unfunded. Amortization of the unfunded actuarial accrued liability is an important element in determining the contribution requirement.

Market Value, Actuarial Value, and Valuation Value of Assets as of June 30, 2007 – 2020



## Section 2: Actuarial Valuation Results

### C. Actuarial experience

To calculate any actuarially determined contribution, assumptions are made about future events that affect the amount and timing of benefits to be paid and assets to be accumulated. Each year actual experience is measured against the assumptions. If overall experience is more favorable than anticipated (an actuarial gain), the actuarially determined contribution will decrease from the previous year. On the other hand, the actuarially determined contribution will increase if overall actuarial experience is less favorable than expected (an actuarial loss).

Taking account of experience gains or losses in one year without making a change in assumptions reflects the belief that the single year's experience was a short-term development and that, over the long term, experience will return to the original assumptions. For contribution requirements to remain stable, assumptions should approximate experience.

If assumptions are changed, the contribution requirement is adjusted to take into account a change in experience anticipated for all future years. The changes in actuarial assumptions based on the experience study performed earlier this year are reflected in this valuation.

The net total loss is \$0.1 million, which includes \$1.5 million from investment gains, a net loss of \$3.0 million from contribution experience, and \$1.4 million in gains from all other sources. The net experience variation from individual sources other than investments and contributions was 0.1% of the Actuarial Accrued Liability. A discussion of the major components of the actuarial experience is on the following pages.

#### Actuarial Experience for Year Ended June 30, 2020

<b>1</b>	Net gain from investments <sup>1</sup>	\$1,469,000
<b>2</b>	Net loss from contribution experience	(2,984,000)
<b>3</b>	Net gain from other experience <sup>2</sup>	<u>1,430,000</u>
<b>4</b>	<b>Net experience loss: 1 + 2 + 3</b>	<b>\$(85,000)</b>

<sup>1</sup> Details on next page.

<sup>2</sup> See *Section 2, Subsection E* for further details. Does not include the effect of plan or assumption changes, if any.

## Section 2: Actuarial Valuation Results

### Investment experience

A major component of projected asset growth is the assumed rate of return. The assumed return should represent the expected long-term rate of return, based on the Plan's investment policy. The rate of return on the Market Value of Assets was 3.15% for the year ended June 30, 2020.

For valuation purposes, the assumed rate of return on the Valuation Value of Assets is 7.25% (based on the June 30, 2019 actuarial valuation). The actual rate of return on a valuation basis for the 2019/2020 plan year was 7.42%. Since the actual return for the year was greater than the assumed return, the Plan experienced an actuarial gain during the year ended June 30, 2020 with regard to its investments.

#### Investment Experience for Year Ended June 30, 2020

	Market Value	Actuarial Value	Valuation Value
<b>1</b> Net investment income	\$27,457,377	\$63,695,385	\$64,210,448
<b>2</b> Average value of assets	871,787,807	867,968,008	865,393,350
<b>3</b> Rate of return: <b>1 ÷ 2</b>	3.15%	7.34%	7.42% <sup>1</sup>
<b>4</b> Assumed rate of return	7.25%	7.25%	7.25%
<b>5</b> Expected investment income: <b>2 x 4</b>	63,204,616	62,927,681	62,741,018
<b>6</b> Actuarial gain/(loss): <b>1 - 5</b>	<b>\$(35,747,239)</b>	<b>\$767,704</b>	<b>\$1,469,430</b>

<sup>1</sup> It should be noted that while the market return for the System was 3.15% for 2019/2020, the return that fell short of the assumed rate of 7.25% per annum was earned in the second half of 2019/2020 and as a result only 10% of those losses were recognized in developing the smoothed return for 2019/2020.

## Section 2: Actuarial Valuation Results

Because actuarial planning is long term, it is useful to see how the assumed investment rate of return has followed actual experience over time. The chart below shows the rate of return on an actuarial and valuation basis compared to the actual market value investment return for the last ten years, including averages over select time periods.

### Investment Return – Market Value, Actuarial Value and Valuation Value: 2011 – 2020

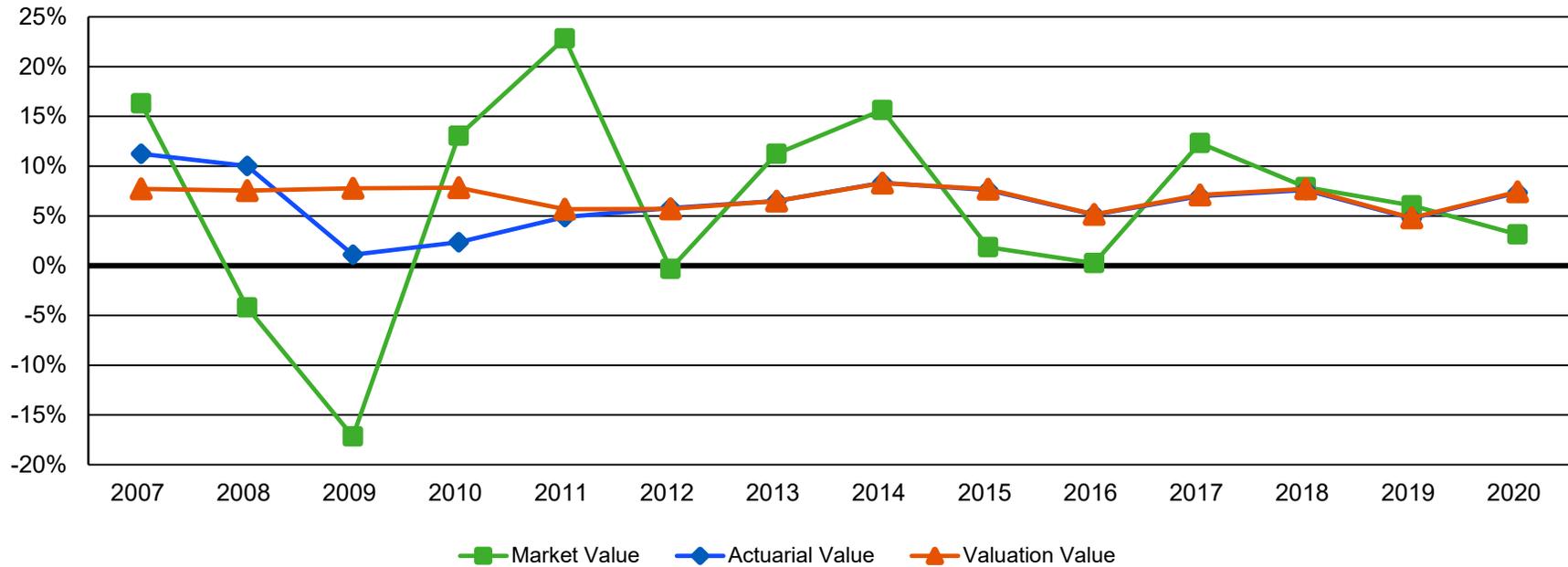
Year Ended June 30	Market Value Investment Return		Actuarial Value Investment Return		Valuation Value Investment Return	
	Amount	Percent	Amount	Percent	Amount	Percent
2011	\$102,867,409	22.82%	\$25,933,294	4.89%	\$29,730,509	5.68%
2012	(1,690,458)	(0.31%)	31,968,680	5.79%	31,399,883	5.72%
2013	61,035,244	11.24%	37,610,549	6.49%	37,380,401	6.49%
2014	93,940,703	15.64%	51,145,482	8.33%	50,662,571	8.30%
2015 <sup>1</sup>	12,811,880	1.86%	50,202,263	7.59%	50,521,248	7.69%
2016	1,726,183	0.25%	36,242,034	5.13%	36,294,248	5.16%
2017	85,772,873	12.32%	51,597,137	6.98%	52,109,565	7.09%
2018	61,159,489	7.89%	59,601,622	7.61%	60,114,051	7.71%
2019	50,186,720	6.06%	39,564,871	4.74%	40,064,782	4.81%
2020	27,457,377	3.15%	63,695,385	7.34%	64,210,448	7.42%
<b>Most recent five-year geometric average return</b>		<b>5.85%</b>	<b>6.35%</b>		<b>6.43%</b>	
<b>Most recent ten-year geometric average return</b>		<b>7.87%</b>	<b>6.48%</b>		<b>6.60%</b>	

<sup>1</sup> Starting with 2015, returns provide have been developed on a gross of administrative expense basis.

## Section 2: Actuarial Valuation Results

Section 2, Subsection B described the actuarial asset valuation method that gradually recognizes fluctuations in the market value rate of return. The goal of this is to stabilize the actuarial rate of return and to produce more level pension plan costs.

Market, Actuarial and Valuation Rates of Return for Years Ended June 30, 2007 – 2020



## Section 2: Actuarial Valuation Results

### Contributions

Contributions for the year ended June 30, 2020 totaled \$41.5 million, compared to the projected amount of \$44.5 million. This resulted in a net loss of \$3.0 million from contribution experience for the year, when adjusted for timing and refundability.

### Non-investment experience

There are other differences between the expected and the actual experience that appear when the new valuation is compared with the projections from the previous valuation. These include:

- the extent of turnover among participants,
- retirement experience (earlier or later than projected),
- mortality (more or fewer deaths than projected),
- the number of disability retirements (more or fewer than projected),
- salary increases (greater or smaller than projected), and
- cost-of-living adjustments (COLAs) higher or lower than anticipated.

The net gain from this other experience for the year ended June 30, 2020 amounted to \$1.4 million, which is 0.1% of the Actuarial Accrued Liability. See *Section 2, Subsection E* for a detailed development of the Unfunded Actuarial Accrued Liability.

## Section 2: Actuarial Valuation Results

### D. Other Changes in the Actuarial Accrued Liability

The Actuarial Accrued Liability as of June 30, 2020 is \$1,091.8 million, an increase of \$93.1 million, or 9.3%, from the Actuarial Accrued Liability as of the prior valuation date. The liability is expected to grow each year with Normal Cost and interest, and to decline due to benefit payments made. Additional fluctuations can occur due to actual experience that differs from expected (as discussed in the previous subsection).

#### Actuarial assumptions

This report reflects the assumption changes from the Actuarial Experience Study dated April 7, 2020, covering the period July 1, 2016 through June 30, 2019.<sup>1</sup>

- The changes in actuarial assumptions increased the Actuarial Accrued Liability by \$64.1 million (a 6.1% increase) and increased the total Normal Cost by \$3.2 million (a 9.8% increase). The effect on the employer contribution rate was an increase of 4.18% of payroll.

Details on actuarial assumptions and methods are in *Section 4, Exhibit I*.

#### Plan Provisions

In response to the Alameda Decision, the Board adopted Resolution 2020-2. Based on our discussions with ICERS staff, we have been directed to eliminate the terminal pay assumption used in our prior valuations to anticipate cashout of unused vacation and holiday compensatory time included in Legacy members' final 12-month compensation earnable for the calculation of retirement benefits.<sup>2</sup>

- The change in plan provisions decreased the Actuarial Accrued Liability by \$24.2 million (a 2.2% decrease) and decreased the total Normal Cost by \$1.2 million (a 3.2% decrease). The effect on the employer contribution rate is a decrease of 1.92% of payroll and the effect on the member contribution rate is a decrease of 0.60% of payroll.

A summary of plan provisions is in *Section 4, Exhibit II*.

<sup>1</sup> The Actuarial Experience Study recommended a decrease in the terminal pay assumptions for General Legacy from 5.00% to 4.75% and for Safety Legacy from 6.00% to 5.75%. We have not reflected that decrease in the assumption changes for this valuation. Instead, the entire elimination of terminal pay in compensation earnable is measured separately as a plan amendment in this valuation, as described under "Plan Provisions".

<sup>2</sup> It is our understanding that the final average salary data provided by the System for inactive vested members includes any terminal pay that the members have earned through the date of termination. In order to reflect this change in plan provisions, we have used the terminal pay assumptions from the June 30, 2019 valuation to estimate the final average salary without terminal pay. We anticipate that the data provided by the System for such members in future years will not include terminal pay in the final average salary.

## Section 2: Actuarial Valuation Results

### E. Development of Unfunded Actuarial Accrued Liability

Development for Year Ended June 30, 2020 (\$ in '000s)

<b>1</b>	<b>Unfunded Actuarial Accrued Liability at beginning of year</b>	<b>\$129,070</b>
<b>2</b>	Total Normal Cost at middle of year <sup>1</sup>	30,470
<b>3</b>	Expected administrative expenses	2,316
<b>4</b>	Expected employer and member contributions	(44,365)
<b>5</b>	Interest	<u>8,933</u>
<b>6</b>	Expected Unfunded Actuarial Accrued Liability at end of year	\$126,424
<b>7</b>	Changes due to:	
	a) Investment return greater than expected after "smoothing"	\$(1,469)
	b) Actual contributions less than expected in item 4 (mainly from scheduled one-year delay in implementing higher contribution rates from June 30, 2019 valuation)	2,984
	c) Individual salary increases less than expected	(68)
	d) Other experience gain <sup>2</sup>	(1,362)
	e) Changes in actuarial assumptions	64,113
	f) Plan amendment <sup>3</sup>	<u>(24,232)</u>
	Total changes	\$39,966
<b>8</b>	<b>Unfunded Actuarial Accrued Liability at end of year</b>	<b>\$166,390</b>

Note: The sum of items 6c and 6d equals the "Net gain from other experience" shown in *Section 2, Subsection C*.

<sup>1</sup> Excludes administrative expense load.

<sup>2</sup> Other differences in actual versus expected experience include mortality, retirement, disability, and termination experience.

<sup>3</sup> Effective with the June 30, 2020 valuation, terminal pay was eliminated from compensation earnable for the calculation of retirement benefits.

## Section 2: Actuarial Valuation Results

### F. Recommended Contribution

The recommended contribution is equal to the employer Normal Cost payment and a payment on the Unfunded Actuarial Accrued Liability. As of June 30, 2020, the average recommended employer contribution is 24.53% of compensation.

The Board sets the funding policy used to calculate the recommended contribution based on layered amortization periods. See *Section 4, Exhibit I* for further details on the funding policy.

The contribution requirement as of June 30, 2020 is based on the data previously described, the actuarial assumptions and Plan provisions described in *Section 4*, including all changes affecting future costs adopted at the time of the actuarial valuation, actuarial gains and losses, and changes in the actuarial assumptions.

#### Average Recommended Employer Contribution for Year Ended June 30

	2020		2019	
	Amount (\$ in '000s)	% of Projected Compensation	Amount (\$ in '000s)	% of Projected Compensation
<b>1</b> Total Normal Cost <sup>1</sup>	\$34,568	26.13%	\$32,093	24.94%
<b>2</b> Expected member Normal Cost contributions <sup>2</sup>	<u>15,686</u>	<u>11.86%</u>	<u>14,212</u>	<u>11.04%</u>
<b>3</b> Employer Normal Cost: <b>1 – 2</b>	\$18,882	14.27%	\$17,881	13.90%
<b>4</b> Actuarial Accrued Liability	1,091,767		998,690	
<b>5</b> Valuation Value of Assets	<u>925,377</u>		<u>869,620</u>	
<b>6</b> Unfunded Actuarial Accrued Liability: <b>4 – 5</b>	\$166,390		\$129,070	
<b>7</b> Total Payment on Unfunded Actuarial Accrued Liability <sup>1</sup>	\$15,345	11.60%	\$12,406	9.64%
<b>8</b> Payment on Unfunded Actuarial Accrued Liability by Member <sup>2</sup>	<u>1,774</u>	<u>1.34%</u>	<u>1,308</u>	<u>1.02%</u>
<b>9</b> Payment on Unfunded Actuarial Accrued Liability by Employer: <b>7 – 8</b>	\$13,571	10.26%	\$11,098	8.62%
<b>10</b> Total average recommended employer contribution: <b>(3) + (9)</b>	\$32,453	24.53%	\$28,979	22.52%
<b>11</b> Projected compensation	\$132,291		\$128,681	

Note: Contributions are assumed to be paid at the middle of the year.

<sup>1</sup> Includes administrative expense load.

<sup>2</sup> This is the aggregate member contribution rate based on summing the contributions for each member.

## Section 2: Actuarial Valuation Results

### Reconciliation of Average Recommended Employer Contribution Rate

The chart below details the changes in the average recommended employer contribution rate from the prior valuation to the current year's valuation.

#### Reconciliation from June 30, 2019 to June 30, 2020

	Total Contribution Rate
<b>1 Average Recommended Employer Contribution as of June 30, 2019</b>	<b>22.33%</b>
2 Effect of investment return greater than expected after "smoothing"	(0.14%)
3 Effect of actual contributions less than expected (mainly from scheduled one-year lag in implementing contributions rates from June 30, 2019 valuation)	0.17%
4 Effect of individual salary increases less than expected	(0.01%)
5 Effect of amortizing prior years' UAAL over a smaller than expected projected total payroll	0.05%
6 Effect of demographic changes on Normal Cost	(0.08%)
7 Effect of increase in the Supplemental UAAL contributions for Tier 3 members picked up by employer	0.02%
8 Effect of other experience gains <sup>1</sup>	(0.07%)
9 Effect of changes in actuarial assumptions	4.18%
10 Effect of plan amendment <sup>2</sup>	<u>(1.92%)</u>
11 Total change	2.20%
<b>12 Average Recommended Employer Contribution as of June 30, 2020</b>	<b>24.53%</b>

<sup>1</sup> Other differences in actual versus expected experience include mortality, retirement, disability, and termination experience.

<sup>2</sup> Effective with the June 30, 2020 valuation, terminal pay was eliminated from compensation earnable for the calculation of retirement benefits.

## Section 2: Actuarial Valuation Results

### Reconciliation of Average Recommended Employer Contribution Rate (continued)

#### Reconciliation from June 30, 2019 to June 30, 2020 by Tier

	General Legacy	General Tier 3	General Tier 3	Safety Legacy	Safety Tier 3	Safety Tier 3	Total	
		Member Pays Supplemental UAAL	Employer Picks Up Supplemental UAAL		Member Pays Supplemental UAAL	Employer Picks Up Supplemental UAAL		
<b>1</b>	<b>Average Recommended Employer Contribution as of June 30, 2019</b>	<b>22.38%</b>	<b>17.03%</b>	<b>17.59%</b>	<b>31.85%</b>	<b>24.69%</b>	<b>29.48%</b>	<b>22.33%</b>
<b>2</b>	Effect of investment return greater than expected after "smoothing"	(0.13%)	(0.13%)	(0.13%)	(0.21%)	(0.21%)	(0.21%)	(0.14%)
<b>3</b>	Effect of actual contributions less than expected (mainly from scheduled one-year lag in implementing contributions rates from June 30, 2019 valuation)	0.16%	0.16%	0.16%	0.21%	0.21%	0.21%	0.17%
<b>4</b>	Effect of individual salary increases greater/(less) than expected	(0.10%)	(0.10%)	(0.10%)	0.40%	0.40%	0.40%	(0.01%)
<b>5</b>	Effect of amortizing prior years' UAAL over a smaller than expected projected total payroll	0.04%	0.04%	0.04%	0.12%	0.12%	0.12%	0.05%
<b>6</b>	Effect of demographic changes on Normal Cost	(0.11%)	0.07%	0.07%	(0.34%)	0.02%	0.02%	(0.08%)
<b>7</b>	Effect of increase in the Supplemental UAAL contributions for Tier 3 members picked up by employer	0.00%	0.00%	0.00%	0.00%	0.00%	0.35%	0.02%
<b>8</b>	Effect of other experience gains <sup>1</sup>	(0.07%)	(0.07%)	(0.07%)	(0.05%)	(0.02%)	(0.02%)	(0.07%)
<b>9</b>	Effect of changes in actuarial assumptions	3.30%	3.38%	3.80%	6.94%	6.87%	8.71%	4.18%
<b>10</b>	Effect of plan amendment <sup>2</sup>	<u>(1.90%)</u>	<u>(1.31%)</u>	<u>(1.44%)</u>	<u>(3.10%)</u>	<u>(1.96%)</u>	<u>(2.48%)</u>	<u>(1.92%)</u>
<b>11</b>	Total change	1.19%	2.04%	2.33%	3.97%	5.43%	7.10%	2.20%
<b>12</b>	<b>Average Recommended Employer Contribution as of June 30, 2020</b>	<b>23.57%</b>	<b>19.07%</b>	<b>19.92%</b>	<b>35.82%</b>	<b>30.12%</b>	<b>36.58%</b>	<b>24.53%</b>

<sup>1</sup> Other differences in actual versus expected experience include mortality, retirement, disability, and termination experience.

<sup>2</sup> Effective with the June 30, 2020 valuation, the terminal pay was eliminated from compensation earnable for the calculation of retirement benefits.

## Section 2: Actuarial Valuation Results

### Reconciliation of Average Recommended Member Contribution Rate

The chart below details the changes in the average recommended member contribution rate from the prior valuation to the current year's valuation. The chart on the following page provides similar information by tier.

#### Reconciliation from June 30, 2019 to June 30, 2020

	Total Contribution Rate
<b>1</b> Average Recommended Member Contribution as of June 30, 2019 <sup>1</sup>	<b>12.00%</b>
<b>2</b> Effect of investment return less than expected after "smoothing" <sup>2</sup>	0.03%
<b>3</b> Effect of actual contributions less than expected (mainly from scheduled one-year lag in implementing contributions rates from June 30, 2019 valuation)	0.02%
<b>4</b> Effect of individual salary increases less than expected	0.01%
<b>5</b> Effect of amortizing prior year's UAAL over a smaller than expected projected total payroll	0.01%
<b>6</b> Effect of demographic changes on Normal Cost	0.02%
<b>7</b> Effect of other experience gains <sup>3</sup>	(0.02%)
<b>8</b> Effect of changes in actuarial assumptions	1.79%
<b>9</b> Effect of plan amendment <sup>4</sup>	(0.60%)
<b>10</b> Total change	1.26%
<b>11</b> Average Recommended Member Contribution as of June 30, 2020 <sup>1</sup>	<b>13.26%</b>

<sup>1</sup> The aggregate member rates are based on average entry ages of 32 and 28 for General Legacy and Safety Legacy, respectively.

<sup>2</sup> Similar to prior valuations, the impact of investment experience is different in the rate reconciliation for the employer and the member due to such factors as actual versus estimated timing when contributions and benefits were paid during the year, rounding, etc.

<sup>3</sup> Other differences in actual versus expected experience include mortality, retirement, disability, and termination experience.

<sup>4</sup> Effective with the June 30, 2020 valuation, terminal pay was eliminated from compensation earnable for the calculation of retirement benefits.

## Section 2: Actuarial Valuation Results

### Reconciliation of Average Recommended Member Contribution Rate (continued)

#### Reconciliation from June 30, 2019 to June 30, 2020 by Tier

	General Legacy	General Tier 3	General Tier 3	Safety Legacy	Safety Tier 3	Safety Tier 3	Total
		Member Pays Supplemental UAAL	Employer Picks Up Supplemental UAAL		Member Pays Supplemental UAAL	Employer Picks Up Supplemental UAAL	
<b>1</b> Average Recommended Member Contribution as of June 30, 2019 <sup>1</sup>	10.77%	9.82%	9.20%	23.41%	19.69%	14.48%	12.00%
<b>2</b> Effect of investment return less than expected after "smoothing" <sup>2</sup>	0.02%	0.02%	N/A	0.19%	0.19%	N/A	0.03%
<b>3</b> Effect of actual contributions less than expected (mainly from scheduled one-year lag in implementing contributions rates from June 30, 2019 valuation)	0.02%	0.02%	N/A	0.07%	0.07%	N/A	0.02%
<b>4</b> Effect of individual salary increases greater/(less) than expected	(0.01%)	(0.01%)	N/A	0.09%	0.09%	N/A	0.01%
<b>5</b> Effect of amortizing prior year's UAAL over a smaller than expected projected total payroll	0.00%	0.00%	N/A	0.07%	0.07%	N/A	0.01%
<b>6</b> Effect of demographic changes on Normal Cost	0.00%	0.07%	0.07%	(0.01%)	0.02%	0.02%	0.02%
<b>7</b> Effect of other experience gains <sup>3</sup>	(0.03%)	(0.03%)	0.00%	(0.04%)	(0.04%)	0.00%	(0.02%)
<b>8</b> Effect of changes in actuarial assumptions	1.58%	1.50%	1.05%	4.63%	3.55%	1.60%	1.79%
<b>9</b> Effect of plan amendment <sup>4</sup>	(0.76%)	(0.12%)	0.01%	(1.85%)	(0.55%)	0.01%	(0.60%)
<b>10</b> Total change	0.82%	1.45%	1.13%	3.15%	3.40%	1.63%	1.26%
<b>11</b> Average Recommended Member Contribution as of June 30, 2020 <sup>1</sup>	11.59%	11.27%	10.33%	26.56%	23.09%	16.11%	13.26%

<sup>1</sup> The aggregate member rates are based on average entry ages of 32 and 28 for General Legacy and Safety Legacy, respectively.

<sup>2</sup> Similar to prior valuations, the impact of investment experience is different in the rate reconciliation for the employer and the member due to such factors as actual versus estimated timing when contributions and benefits were paid during the year, rounding, etc.

<sup>3</sup> Other differences in actual versus expected experience include mortality, retirement, disability, and termination experience.

<sup>4</sup> Effective with the June 30, 2020 valuation, terminal pay was eliminated from compensation earnable for the calculation of retirement benefits.

## Section 2: Actuarial Valuation Results

### Recommended Employer Contribution Rates

	June 30, 2020 Actuarial Valuation <sup>1</sup> Recommended Rates for FY 2021-22				June 30, 2019 Actuarial Valuation <sup>2</sup> Recommended Rates for FY 2020-21			
	Basic	COLA	Total	Estimated Annual Dollar Amount <sup>3</sup> (\$ in '000s)	Basic	COLA	Total	Estimated Annual Dollar Amount <sup>3</sup> (\$ in '000s)
<b>General Legacy</b>								
Normal Cost	12.82%	2.01%	14.83%	\$9,787	12.71%	1.84%	14.55%	\$9,602
UAAL	3.89%	4.85%	8.74%	5,768	3.65%	4.18%	7.83%	5,167
<b>Total Contributions</b>	<b>16.71%</b>	<b>6.86%</b>	<b>23.57%</b>	<b>\$15,555</b>	<b>16.36%</b>	<b>6.02%</b>	<b>22.38%</b>	<b>\$14,769</b>
<b>General Tier 3 (Member Pays Supplemental UAAL)</b>								
Normal Cost	8.51%	1.82%	10.33%	\$402	7.68%	1.52%	9.20%	\$358
UAAL	3.89%	4.85%	8.74%	340	3.65%	4.18%	7.83%	304
<b>Total Contributions</b>	<b>12.40%</b>	<b>6.67%</b>	<b>19.07%</b>	<b>\$742</b>	<b>11.33%</b>	<b>5.70%</b>	<b>17.03%</b>	<b>\$662</b>
<b>General Tier 3 (Employer Picks Up Supplemental UAAL)</b>								
Normal Cost	8.51%	1.82%	10.33%	\$4,062	7.68%	1.52%	9.20%	\$3,618
UAAL	4.54%	5.05%	9.59%	3,771	4.08%	4.31%	8.39%	3,299
<b>Total Contributions</b>	<b>13.05%</b>	<b>6.87%</b>	<b>19.92%</b>	<b>\$7,833</b>	<b>11.76%</b>	<b>5.83%</b>	<b>17.59%</b>	<b>\$6,917</b>
<b>Safety Legacy<sup>4</sup></b>								
Normal Cost	18.37%	3.44%	21.81%	\$3,490	18.51%	3.13%	21.64%	\$3,462
UAAL <sup>5</sup>	5.61%	8.40%	14.01%	2,242	3.94%	6.27%	10.21%	1,634
<b>Total Contributions</b>	<b>23.98%</b>	<b>11.84%</b>	<b>35.82%</b>	<b>\$5,732</b>	<b>22.45%</b>	<b>9.40%</b>	<b>31.85%</b>	<b>\$5,096</b>

<sup>1</sup> The Basic Normal Cost and UAAL rates shown for each cost group as of June 30, 2020 include an explicit administrative expense of 0.66% and 0.58% of payroll, respectively.

<sup>2</sup> The Basic Normal Cost and UAAL rates shown for each cost group as of June 30, 2019 include an explicit administrative expense of 0.63% and 0.54% of payroll, respectively.

<sup>3</sup> Amounts are in thousands and are based on June 30, 2020 projected annual compensation shown on the next page.

<sup>4</sup> The contribution rates for June 30, 2020 do not include a pickup of member contributions due to members who have attained 30 years of service, because there are no such members as of June 30, 2020. The contribution rates for June 30, 2019 include a pickup of member contributions of 0.03% Normal Cost and 0.02% UAAL associated with the Supplemental benefit for a member who has attained 30 years of service as of June 30, 2019, and a similar adjustment has also been made to the Normal Cost for the Regular benefit.

<sup>5</sup> The UAAL Total Rate associated with the Safety Supplemental UAAL Relief is 1.09% as of June 30, 2020 and 1.08% as of June 30, 2019.

## Section 2: Actuarial Valuation Results

### Recommended Employer Contribution Rate (continued)

	June 30, 2020 Actuarial Valuation <sup>1</sup> Recommended Rates for FY 2021-22				June 30, 2019 Actuarial Valuation <sup>2</sup> Recommended Rates for FY 2020-21			
	Basic	COLA	Total	Estimated Annual Dollar Amount <sup>3</sup> (\$ in '000s)	Basic	COLA	Total	Estimated Annual Dollar Amount <sup>3</sup> (\$ in '000s)
<b>Safety Tier 3 (Member Pays Supplemental UAAL)</b>								
Normal Cost	12.74%	3.37%	16.11%	\$0	11.68%	2.80%	14.48%	\$0
UAAL	5.61%	8.40%	14.01%	0	3.94%	6.27%	10.21%	0
<b>Total Contributions</b>	<b>18.35%</b>	<b>11.77%</b>	<b>30.12%</b>	<b>\$0</b>	<b>15.62%</b>	<b>9.07%</b>	<b>24.69%</b>	<b>\$0</b>
<b>Safety Tier 3 (Employer Picks Up Supplemental UAAL)</b>								
Normal Cost	12.74%	3.37%	16.11%	\$1,141	11.68%	2.80%	14.48%	\$1,026
UAAL	10.33%	10.14%	20.47%	1,450	7.49%	7.51%	15.00%	1,063
<b>Total Contributions</b>	<b>23.07%</b>	<b>13.51%</b>	<b>36.58%</b>	<b>\$2,591</b>	<b>19.17%</b>	<b>10.31%</b>	<b>29.48%</b>	<b>\$2,089</b>
<b>All Categories Combined</b>								
Normal Cost	12.08%	2.19%	14.27%	\$18,882	11.71%	1.95%	13.66%	\$18,066
UAAL	4.64%	5.62%	10.26%	13,571	4.02%	4.65%	8.67%	11,467
<b>Total Contributions</b>	<b>16.72%</b>	<b>7.81%</b>	<b>24.53%</b>	<b>\$32,453</b>	<b>15.73%</b>	<b>6.60%</b>	<b>22.33%</b>	<b>\$29,533</b>

June 30, 2020 projected annual compensation:

	Legacy (\$ in '000s)	Tier 3 (Member Pays Supplemental UAAL) (\$ in '000s)	Tier 3 (Employer Picks Up Supplemental UAAL) (\$ in '000s)	Total (\$ in '000s)
General	\$65,995	\$3,888	\$39,323	\$109,206
Safety	16,000	0	7,085	23,085
<b>Total</b>	<b>\$81,995</b>	<b>\$3,888</b>	<b>\$46,408</b>	<b>\$132,291</b>

<sup>1</sup> The Basic Normal Cost and UAAL rates shown for each cost group as of June 30, 2020 include an explicit administrative expense of 0.66% and 0.58% of payroll, respectively.

<sup>2</sup> The Basic Normal Cost and UAAL rates shown for each cost group as of June 30, 2019 include an explicit administrative expense of 0.63% and 0.54% of payroll, respectively.

<sup>3</sup> Amounts are in thousands and are based on June 30, 2020 projected annual compensation shown above.

## Section 2: Actuarial Valuation Results

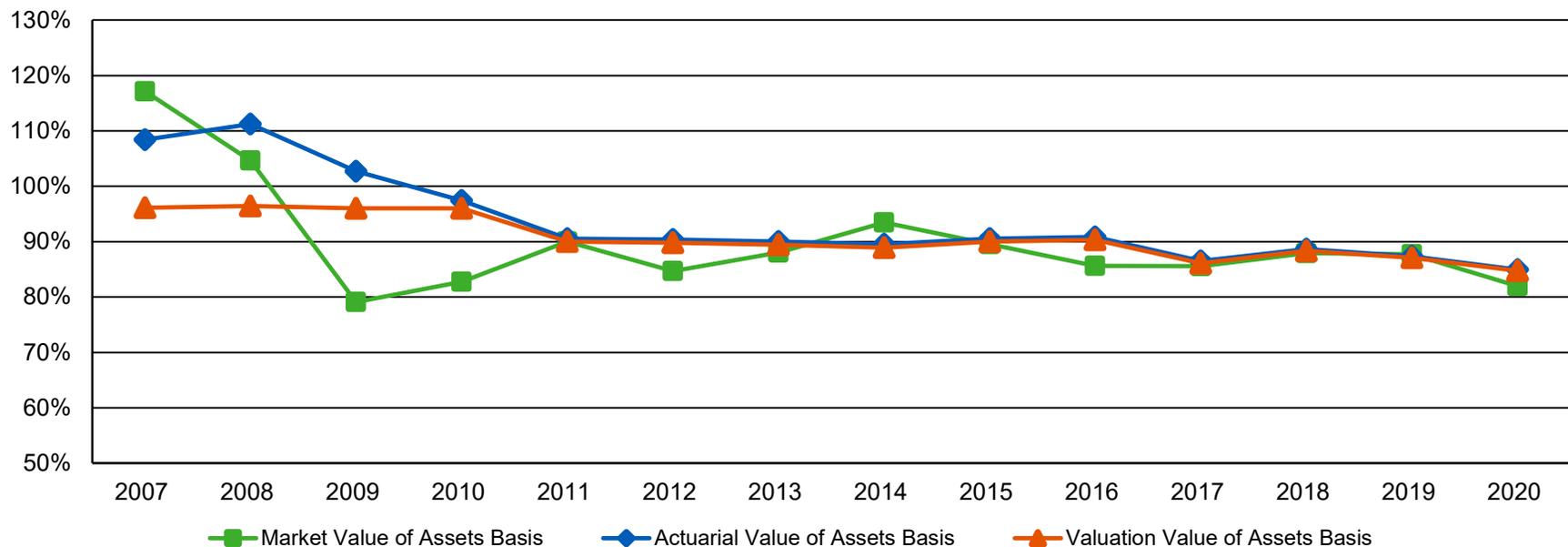
### G. Funded Status

A commonly reported piece of information regarding the Plan's financial status is the funded ratio. These ratios compare the Market, Actuarial and Valuation Value of Assets to the Actuarial Accrued Liability of the Plan. Higher ratios indicate a relatively well-funded plan while lower ratios may indicate recent changes to actuarial assumptions, funding of the plan below actuarial requirements, poor asset performance, or a variety of other causes.

The chart below depicts a history of the funded ratio for the Plan. The chart on the next page shows the Plan's schedule of funding progress for the last ten years.

The funded status measures shown in this valuation are appropriate for assessing the need for or amount of future contributions. However, they are not necessarily appropriate for assessing the sufficiency of Plan assets to cover the estimated cost of settling the Plan's benefit obligations. As the chart below shows, the measures are different depending on whether the Actuarial, Valuation or Market Value of Assets is used.

Funded Ratio for Years Ended June 30, 2007 – 2020



## Section 2: Actuarial Valuation Results

### Schedule of Funding Progress for Years Ended June 30, 2011 – 2020

Actuarial Valuation Date as of June 30	Valuation Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded/ (Overfunded) AAL (UAAL) (b) - (a)	Funded Ratio (%) (a) / (b)	Projected Covered Payroll (c)	UAAL as a Percentage of Covered Payroll (%) [(b) - (a)] / (c)
2011	\$552,209,000	\$613,584,000	\$61,375,000	90.0%	\$101,610,000	60.4%
2012	577,753,000	643,322,000	65,569,000	89.8%	100,356,000	65.3%
2013	611,989,000	684,303,000	72,314,000	89.4%	102,548,000	70.5%
2014	659,148,000	741,242,000	82,094,000	88.9%	105,731,000	77.6%
2015	704,758,000	782,840,000	78,082,000	90.0%	112,465,000	69.4%
2016	737,506,000	816,442,000	78,936,000	90.3%	115,443,000	68.4%
2017	783,848,000	910,321,000	126,473,000	86.1%	119,934,000	105.5%
2018	835,211,000	945,385,000	110,174,000	88.3%	118,800,000	92.7%
2019	869,620,000	998,690,000	129,070,000	87.1%	128,681,000	100.3%
2020	925,377,000	1,091,767,000	166,390,000	84.8%	132,291,000	125.8%

## Section 2: Actuarial Valuation Results

### H. Actuarial Balance Sheet

An overview of the Plan's funding is given by an Actuarial Balance Sheet. In this approach, first the amount and timing of all future payments that will be made by the Plan for current participants is determined. Then these payments are discounted at the valuation interest rate to the date of the valuation, thereby determining the present value, referred to as the Actuarial Present Value of Future Benefits of the Plan.

Second, this Actuarial Present Value of Future Benefits is compared to the assets. The "assets" for this purpose include the net amount of assets already accumulated by the Plan, the present value of future member contributions, the present value of future employer Normal Cost contributions, and the present value of future employer amortization payments for the Unfunded Actuarial Accrued Liability.

#### Actuarial Balance Sheet for Year Ended June 30, 2020

	Regular & Tier 3 (\$ in '000s)	Supplemental (\$ in '000s)	Total (\$ in '000s)
Actuarial Present Value of Future Benefits			
Present value of benefits for retired members and beneficiaries	\$527,902	\$60,097	\$587,999
• Present value of benefits for inactive vested members	42,837	4,673	47,510
• Present value of benefits for active members	<u>677,519</u>	<u>72,650</u>	<u>750,169</u>
<b>Total Actuarial Present Value of Future Benefits</b>	<b>\$1,248,258</b>	<b>\$137,420</b>	<b>\$1,385,678</b>
Current and future assets			
• Total Valuation Value of Assets	\$838,837	\$86,540	\$925,377
• Present value of future contributions by members			
• Entry age normal cost	127,097	21,171	148,268
• Unfunded actuarial accrued liability	0	27,453	27,453
• Present value of future contributions by employers			
• Entry age Normal Cost	145,643	0 <sup>1</sup>	145,643
• Unfunded Actuarial Accrued Liability	<u>136,681</u>	<u>2,256<sup>1</sup></u>	<u>138,937</u>
<b>Total of current and future assets</b>	<b>\$1,248,258</b>	<b>\$137,420</b>	<b>\$1,385,678</b>

<sup>1</sup> Before taking into consideration employer pickup of member contributions after Safety Legacy members have attained 30 years of service.

## Section 2: Actuarial Valuation Results

### I. Volatility Ratios

Retirement plans are subject to volatility in the level of required contributions. This volatility tends to increase as retirement plans become more mature.

The Asset Volatility Ratio (AVR), which is equal to the Market Value of Assets divided by total payroll, provides an indication of the potential contribution volatility for any given level of investment volatility. A higher AVR indicates that the plan is subject to a greater level of contribution volatility. This is a current measurement since it is based on the current level of assets.

The current AVR is about 6.8. This means that a 1% asset gain or loss (relative to the assumed investment return) translates to about 6.8% of one year's payroll. Since actuarial gains and losses are amortized over 15 years, there would be a 0.6% of payroll decrease/(increase) in the required contribution for each 1% asset gain/(loss).

The Liability Volatility Ratio (LVR), which is equal to the Actuarial Accrued Liability divided by payroll, provides an indication of the longer-term potential for contribution volatility for any given level of investment volatility. This is because, over an extended period of time, the plan's assets should track the plan's liabilities.

The LVR also indicates how volatile contributions will be in response to changes in the Actuarial Accrued Liability due to actual experience or to changes in actuarial assumptions. The current total plan LVR is about 8.3, but is 7.3 for General compared to 13.0 for Safety. This means, for example, that assumption changes will have a greater impact on employer contribution rates for Safety than for General.

The chart shows how the asset and liability volatility ratios have varied over time.

#### Volatility Ratios for Years Ended 2011 – 2020

Year Ended June 30	Asset Volatility Ratio			Liability Volatility Ratio		
	General	Safety	Total	General	Safety	Total
2011	N/A	N/A	5.4	5.4	8.9	6.0
2012	4.9	7.9	5.4	5.7	9.5	6.4
2013	5.3	8.3	5.9	6.0	9.6	6.7
2014	5.9	9.3	6.6	6.3	10.3	7.0
2015	5.6	8.9	6.2	6.2	10.2	7.0
2016	5.4	8.8	6.1	6.3	10.6	7.1
2017	5.9	9.3	6.5	6.8	11.0	7.6
2018	6.3	10.0	7.0	7.1	11.5	8.0
2019	6.0	10.4	6.8	6.9	11.9	7.8
2020	6.0	10.4	6.8	7.3	13.0	8.3

## Section 2: Actuarial Valuation Results

### J. Risk Assessment

Since the actuarial valuation results are dependent on a fixed set of assumptions and data as of a specific date, there is risk that emerging results may differ, perhaps significantly, as actual experience is fluid and will not exactly track current assumptions. This potential divergence may have a significant impact on the future financial condition of the plan.

The stand-alone risk assessment report associated with this June 30, 2020 valuation will be presented along with this report. That assessment further discusses and highlights information and risks particular to ICERS such as detailed historical experience and key events, growing plan maturity, heightened contribution sensitivity to asset and liability changes, and projected sensitivity to potential future investment returns through selected scenario projections. While this section does not contain a detailed analysis of the potential range of future measurements, it does include a concise discussion of some of the primary risks that may affect the Plan's future financial condition.

This section provides descriptions and basic assessments of the primary risks that are likely to have an ongoing influence on the Plan's financial health, as well as a discussion of historical trends and maturity measures.

### Risk Assessments

- Asset/Liability Mismatch Risk (the potential that future plan experience does not affect asset and liability values in the same way, causing them to diverge)

The most significant asset/liability mismatch risk to the Plan is investment risk, as discussed below. In fact, investment risk has the potential to impact asset/liability mismatch in two ways. The first mismatch is evident in annual valuations: when asset values deviate from assumptions they are typically independent from liability changes. The second mismatch can be caused when systemic asset deviations from assumptions may signal the need for an assumption change, which causes liability values and contribution rates to move in the opposite direction from any change in the expected experience of asset growth rates.

Asset/liability mismatch can also be caused by demographic assumption risk such as longevity, which affects liabilities but have no impact on asset levels. This risk is also discussed below.

- Investment Risk (the risk that investment returns will be different than expected)

The investment return assumption is a long-term, static assumption for valuation purposes even though in reality market experience can be quite volatile in any given year. That volatility can cause significant changes in the financial condition of the Plan, affecting both funded status and contribution rates. The inherent year-to-year volatility is reduced by smoothing through the Actuarial Value of Assets, however investment experience can still have a sizable impact. As discussed in *Section 2, Subsection 1, Volatility Ratios*, on page 42, a 1% asset gain or loss (relative to the assumed investment return) translates to about 6.8% of one-year's payroll. Since actuarial gains

## Section 2: Actuarial Valuation Results

and losses are amortized over 15 years, there would be a 0.6% of payroll decrease/(increase) in the required contribution for each 1% asset gain/(loss).

The single year market value rate of return over the last 10 years has ranged from a low of (0.31%) to a high of 22.82%.

- Longevity Risk (the risk that mortality experience will be different than expected)

The actuarial valuation includes current life expectancy assumptions and an expectation of future improvement in life expectancy, which are significant assumptions given the relatively long duration of liabilities for pension plans. Emerging plan experience that does not match these expectations will result in increases or decreases in the actuarially determined contribution over time. This risk can be reduced by using tables appropriate for the Plan (public experience tables) that are weighted by benefit levels, and by using generational mortality projections. Effective with the June 30, 2020 valuation, the Board has adopted benefit weighted mortality tables with generational mortality projections.

- Other Risks

In addition to longevity, the valuation includes a variety of other assumptions that are unlikely to match future experience exactly. One example is projected salary scales over time. As salary is central to the determination of benefits paid in retirement, deviations from the projected salary scales could have a material impact on the benefits anticipated for each member. Examples of demographic assumptions include retirement, termination and disability assumptions, and will likely vary in significance for different groups (for example, disability assumptions are typically more significant for Safety groups).

Some plans also carry significant contribution risk, defined as the potential for actual future contributions deviating from expected future contributions. However, the employer has a proven track record of making the Actuarially Determined Contributions based on the Board's Actuarial Funding Policy, so contribution risk is minimal.

### Evaluation of Historical Trends

Past experience can help demonstrate the sensitivity of key results to the Plan's actual experience. Over the past 10 years:

- The funded percentage on the Valuation Value of Assets has decreased from 90.0% to 84.8%. This is primarily due to the recognition of investment losses from 2008 and 2009 and the adoption of more conservative investment and mortality assumptions. For a more detailed history see *Section 2, Subsection G, Funded Status* starting on page 39.
- The geometric average investment return on the Valuation Value of Assets over the last 10 years was 6.60%. This includes a high of an 8.30% return and a low of 4.81%. The average over the last 5 years was 6.43%. For more details see the Investment Return table in *Section 2, Subsection C* on page 27.

## Section 2: Actuarial Valuation Results

- Beyond investment losses, the primary source of new UAAL was the strengthening of assumptions through multiple assumption changes. For example, the assumption changes in 2014 reduced the discount rate from 7.75% to 7.50% and updated mortality tables, adding \$21.6 million in unfunded liability. The assumption changes in 2017 reduced the discount rate from 7.50% to 7.25% and updated mortality tables, adding \$46.7 million in unfunded liability. The assumption changes in 2020 reduced the discount rate from 7.25% to 7.00% and again updated mortality tables, adding \$64.1 million in unfunded liability. For more details on unfunded liability changes see *Section 3, Exhibit H, Table of Amortization Bases* starting on page 61. A graphical representation of historical changes in UAAL by source is included in the stand-alone risk assessment report.
- The plan's funding policy effectively deals with these unfunded liabilities over time. This can be seen most clearly in the *Section 3, Exhibit I, Projection of UAAL Balances and Payments* provided on pages 66 and 67.

### Maturity Measures

In the last 10 years the ratio of members in pay status to active participants has increased from 0.47 to 0.57. An increased ratio indicates that the plan has grown in maturity over time. This is to be expected, but is also informative to understanding plan sensitivity to particular risks. For more details see *Section 2, Subsection A, Member Data* on page 17.

As pension plans mature, the cash needed to fulfill benefit obligations will increase over time. Therefore, cash flow projections and analysis should be performed to assure that the Plan's asset allocation is aligned to meet emerging pension liabilities. For the prior year, benefits paid were \$5.7 million more than contributions received. Plans with high levels of negative cash flows may have a need for a larger allocation to income generating assets, which can create a drag on investment return. However, this plan currently has relatively low levels of negative cash flows. For more details on historical cash flows see the Comparison of Contributions with Benefits in *Section 2, Subsection B* on page 21.

A further discussion of plan maturity measures and how they relate to changes in assets and liabilities is included in *Section 2, Subsection I, Volatility Ratios* on page 42.

# Section 3: Supplemental Information

## Exhibit A: Table of Plan Coverage

Category	Total Plan		Change From Prior Year
	2020 <sup>1</sup>	2019 <sup>2</sup>	
<b>Active members in valuation:</b>			
• Number	2,246	2,283	(1.6%)
• Average age	42.1	41.8	0.3
• Average years of service	10.1	9.8	0.3
• Total projected compensation	\$132,291,691	\$128,680,972	2.8%
• Average projected compensation	\$58,901	\$56,365	4.5%
• Account balances	\$130,417,139	\$124,242,231	5.0%
<b>Inactive vested members:</b>			
• Number	572	526	8.7%
• Average age	42.9	43.0	(0.1)
<b>Retired members:</b>			
• Number in pay status	954	912	4.6%
• Average age at retirement	59.0	58.9	0.1
• Average age	69.3	69.1	0.2
• Average monthly benefit	\$3,390	\$3,328	1.9%
<b>Disabled members:</b>			
• Number in pay status	152	142	7.0%
• Average age at retirement	48.6	48.7	(0.1)
• Average age	63.6	64.0	(0.4)
• Average monthly benefit	\$2,469	\$2,413	2.3%
<b>Beneficiaries:</b>			
• Number in pay status	174	178	(2.2%)
• Average age	74.1	74.2	(0.1)
• Average monthly benefit	\$1,783	\$1,716	3.9%

<sup>1</sup> Includes 146 active members, 30 inactive vested members, 67 retired members, 27 disabled members, and 10 beneficiaries with service from both the General and Safety Tiers.

<sup>2</sup> Includes 145 active members, 28 inactive vested members, 64 retired members, 24 disabled members, and 10 beneficiaries with service from both the General and Safety Tiers.

## Section 3: Supplemental Information

### Exhibit A: Table of Plan Coverage (continued)

#### General Legacy

Category	Year Ended June 30		Change From Prior Year
	2020 <sup>1</sup>	2019 <sup>2</sup>	
<b>Active members in valuation:</b>			
• Number	1,021	1,102	(7.4%)
• Average age	48.4	47.7	0.7
• Average years of service	16.1	15.2	0.9
• Total projected compensation	\$65,994,800	\$68,586,648	(3.8%)
• Average projected compensation	\$64,637	\$62,238	3.9%
• Account balances	\$78,294,660	\$76,672,807	2.1%
<b>Inactive vested members:</b>			
• Number	325	321	1.2%
• Average age	46.6	46.2	0.4
<b>Retired members:</b>			
• Number in pay status	779	744	4.7%
• Average age at retirement	59.9	59.8	0.1
• Average age	70.1	70.0	0.1
• Average monthly benefit	\$3,052	\$2,975	2.6%
<b>Disabled members:</b>			
• Number in pay status	76	70	8.6%
• Average age at retirement	51.2	51.7	(0.5)
• Average age	66.3	67.7	(1.4)
• Average monthly benefit	\$1,879	\$1,851	1.5%
<b>Beneficiaries:</b>			
• Number in pay status	143	146	(2.1%)
• Average age	75.2	75.4	(0.2)
• Average monthly benefit	\$1,666	\$1,587	5.0%

<sup>1</sup> Includes 8 active members, 1 inactive vested member, 7 retired members, 3 disabled members, and 2 beneficiaries with service from both the General and Safety Legacy Tiers.

<sup>2</sup> Includes 7 active members, 1 inactive vested member, 4 retired members, 2 disabled members, and 2 beneficiaries with service from both the General and Safety Legacy Tiers.

## Section 3: Supplemental Information

### Exhibit A: Table of Plan Coverage (continued)

#### General Tier 3

Category	Year Ended June 30		Change From Prior Year
	2020 <sup>1</sup>	2019 <sup>2</sup>	
<b>Active members in valuation:</b>			
• Number	892	834	7.0%
• Average age	36.3	35.5	0.8
• Average years of service	3.1	2.6	0.5
• Total projected compensation	\$43,211,246	\$37,440,158	15.4%
• Average projected compensation	\$48,443	\$44,892	7.9%
• Account balances	\$11,500,118	\$8,530,758	34.8%
<b>Inactive vested members:</b>			
• Number	165	130	26.9%
• Average age	37.3	36.8	0.5
<b>Retired members:</b>			
• Number in pay status	4	2	100.0%
• Average age at retirement	64.4	67.6	(3.2)
• Average age	65.9	69.2	(3.3)
• Average monthly benefit	\$688	\$1,105	(37.7%)
<b>Disabled members:</b>			
• Number in pay status	0	0	N/A
• Average age at retirement	N/A	N/A	N/A
• Average age	N/A	N/A	N/A
• Average monthly benefit	N/A	N/A	N/A
<b>Beneficiaries:</b>			
• Number in pay status	0	0	N/A
• Average age	N/A	N/A	N/A
• Average monthly benefit	N/A	N/A	N/A

<sup>1</sup> Includes 6 active members with service from both the General and Safety Tiers 3.

<sup>2</sup> Includes 4 active members with service from both the General and Safety Tiers 3.

## Section 3: Supplemental Information

### Exhibit A: Table of Plan Coverage (continued)

#### Safety Legacy

Category	Year Ended June 30		Change From Prior Year
	2020 <sup>1</sup>	2019 <sup>2</sup>	
<b>Active members in valuation:</b>			
• Number	206	226	(8.8%)
• Average age	42.8	42.3	0.5
• Average years of service	15.0	14.2	0.8
• Total projected compensation	\$16,000,179	\$16,421,029	(2.6%)
• Average projected compensation	\$77,671	\$72,659	6.9%
• Account balances	\$37,033,079	\$36,204,089	2.3%
<b>Inactive vested members:</b>			
• Number	66	64	3.1%
• Average age	41.4	41.0	0.4
<b>Retired members:</b>			
• Number in pay status	171	166	3.0%
• Average age at retirement	54.9	54.8	0.1
• Average age	65.8	65.5	0.3
• Average monthly benefit	\$4,992	\$4,937	1.1%
<b>Disabled members:</b>			
• Number in pay status	76	72	5.6%
• Average age at retirement	45.9	45.7	0.2
• Average age	60.9	60.5	0.4
• Average monthly benefit	\$3,059	\$2,960	3.3%
<b>Beneficiaries:</b>			
• Number in pay status	31	32	(3.1%)
• Average age	69.0	68.6	0.4
• Average monthly benefit	\$2,322	\$2,303	0.8%

<sup>1</sup> Includes 96 active members, 24 inactive vested members, 60 retired members, 24 disabled members, and 8 beneficiaries with service from both the General and Safety Legacy Tiers.

<sup>2</sup> Includes 103 active members, 24 inactive vested members, 60 retired members, 22 disabled members, and 8 beneficiaries with service from both the General and Safety Legacy Tiers.

## Section 3: Supplemental Information

### Exhibit A: Table of Plan Coverage (continued)

#### Safety Tier 3

Category	Year Ended June 30		Change From Prior Year
	2020 <sup>1</sup>	2019 <sup>2</sup>	
<b>Active members in valuation:</b>			
• Number	127	121	5.0%
• Average age	31.2	30.6	0.6
• Average years of service	3.5	2.9	0.6
• Total projected compensation	\$7,085,466	\$6,233,137	13.7%
• Average projected compensation	\$55,791	\$51,514	8.3%
• Account balances	\$3,589,281	\$2,834,576	26.6%
<b>Inactive vested members:</b>			
• Number	16	11	45.5%
• Average age	33.3	34.2	(0.9)
<b>Retired members:</b>			
• Number in pay status	0	0	N/A
• Average age at retirement	N/A	N/A	N/A
• Average age	N/A	N/A	N/A
• Average monthly benefit	N/A	N/A	N/A
<b>Disabled members:</b>			
• Number in pay status	0	0	N/A
• Average age at retirement	N/A	N/A	N/A
• Average age	N/A	N/A	N/A
• Average monthly benefit	N/A	N/A	N/A
<b>Beneficiaries:</b>			
• Number in pay status	0	0	N/A
• Average age	N/A	N/A	N/A
• Average monthly benefit	N/A	N/A	N/A

<sup>1</sup> Includes 36 active members and 5 inactive vested members with service from both General and Safety Tiers 3.

<sup>2</sup> Includes 31 active members and 3 inactive vested members with service from both General and Safety Tiers 3.

## Section 3: Supplemental Information

### Exhibit B: Members in Active Service as of June 30, 2020 by Age, Years of Service, and Average Projected Compensation

#### Total Plan

Age	Years of Service									
	Total	0 – 4	5 – 9	10 – 14	15 – 19	20 – 24	25 – 29	30 – 34	35 – 39	40 & over
Under 25	61	61	--	--	--	--	--	--	--	--
	\$41,417	\$41,417	--	--	--	--	--	--	--	--
25 - 29	244	216	28	--	--	--	--	--	--	--
	44,646	43,853	\$50,763	--	--	--	--	--	--	--
30 - 34	366	204	126	36	--	--	--	--	--	--
	52,382	46,339	59,482	\$61,774	--	--	--	--	--	--
35 - 39	398	149	99	128	22	--	--	--	--	--
	59,377	51,040	59,488	67,306	\$69,204	--	--	--	--	--
40 - 44	352	80	61	102	90	18	1	--	--	--
	62,718	50,463	61,438	63,849	70,764	\$75,625	\$49,217	--	--	--
45 - 49	289	35	38	75	81	46	14	--	--	--
	66,803	51,873	60,610	61,934	68,594	80,045	93,151	--	--	--
50 - 54	203	24	23	34	41	38	32	11	--	--
	63,424	51,706	65,039	59,905	55,198	76,184	69,873	\$64,309	--	--
55 - 59	188	17	24	42	40	26	26	11	2	--
	64,602	61,928	56,933	56,355	57,364	74,732	81,308	78,908	\$69,761	--
60 - 64	97	12	9	20	24	18	7	5	--	2
	63,146	48,468	63,512	63,210	61,195	62,807	76,280	95,357	--	\$48,909
65 - 69	36	3	6	8	7	5	5	1	--	1
	76,478	76,034	94,869	72,599	53,000	57,855	101,409	139,524	--	68,263
70 & over	12	1	1	2	6	1	1	--	--	--
	65,546	47,774	68,883	42,958	59,576	86,545	139,976	--	--	--
<b>Total</b>	<b>2,246</b>	<b>802</b>	<b>415</b>	<b>447</b>	<b>311</b>	<b>152</b>	<b>86</b>	<b>28</b>	<b>2</b>	<b>3</b>
	<b>\$58,901</b>	<b>\$47,457</b>	<b>\$60,068</b>	<b>\$63,381</b>	<b>\$64,959</b>	<b>\$74,919</b>	<b>\$80,049</b>	<b>\$78,275</b>	<b>\$69,761</b>	<b>\$55,361</b>

## Section 3: Supplemental Information

### Exhibit B: Members in Active Service as of June 30, 2020 by Age, Years of Service, and Average Projected Compensation (continued)

#### General Legacy Tier

Age	Years of Service									
	Total	0 – 4	5 – 9	10 – 14	15 – 19	20 – 24	25 – 29	30 – 34	35 – 39	40 & over
Under 25	--	--	--	--	--	--	--	--	--	--
	--	--	--	--	--	--	--	--	--	--
25 - 29	4	--	4	--	--	--	--	--	--	--
	\$55,845	--	\$55,845	--	--	--	--	--	--	--
30 - 34	63	--	42	21	--	--	--	--	--	--
	58,002	--	58,527	\$56,952	--	--	--	--	--	--
35 - 39	146	3	38	89	16	--	--	--	--	--
	63,053	\$69,175	60,290	63,976	\$63,333	--	--	--	--	--
40 - 44	201	1	29	82	74	14	1	--	--	--
	64,456	62,298	57,396	61,553	68,709	\$74,848	\$49,217	--	--	--
45 - 49	183	1	17	64	58	33	10	--	--	--
	66,659	103,979	60,768	60,274	64,503	75,506	97,108	--	--	--
50 - 54	157	--	11	31	41	34	29	11	--	--
	65,066	--	79,414	58,338	55,198	76,230	67,965	\$64,309	--	--
55 - 59	150	1	10	42	38	23	23	11	2	--
	65,222	177,236	58,405	56,355	54,914	73,147	81,674	78,908	\$69,761	--
60 - 64	77	--	4	19	24	17	6	5	--	2
	65,570	--	86,668	59,393	61,195	62,987	76,609	95,357	--	\$48,909
65 - 69	30	--	4	7	7	5	5	1	--	1
	67,700	--	63,220	57,574	53,000	57,855	101,409	139,524	--	68,263
70 & over	10	--	1	2	5	1	1	--	--	--
	67,872	--	68,883	42,958	59,479	86,545	139,976	--	--	--
<b>Total</b>	<b>1,021</b>	<b>6</b>	<b>160</b>	<b>357</b>	<b>263</b>	<b>127</b>	<b>75</b>	<b>28</b>	<b>2</b>	<b>3</b>
	<b>\$64,637</b>	<b>\$91,839</b>	<b>\$61,226</b>	<b>\$60,469</b>	<b>\$62,076</b>	<b>\$72,916</b>	<b>\$79,686</b>	<b>\$78,275</b>	<b>\$69,761</b>	<b>\$55,361</b>

## Section 3: Supplemental Information

### Exhibit B: Members in Active Service as of June 30, 2020 by Age, Years of Service, and Average Projected Compensation (continued)

#### General Tier 3

Age	Years of Service									
	Total	0 – 4	5 – 9	10 – 14	15 – 19	20 – 24	25 – 29	30 – 34	35 – 39	40 & over
Under 25	47	47	--	--	--	--	--	--	--	--
	\$37,983	\$37,983	--	--	--	--	--	--	--	--
25 - 29	198	182	16	--	--	--	--	--	--	--
	42,497	42,308	\$44,642	--	--	--	--	--	--	--
30 - 34	233	178	55	--	--	--	--	--	--	--
	47,742	45,287	55,687	--	--	--	--	--	--	--
35 - 39	175	129	46	--	--	--	--	--	--	--
	51,408	49,816	55,874	--	--	--	--	--	--	--
40 - 44	101	74	26	1	--	--	--	--	--	--
	53,169	49,353	64,084	\$51,699	--	--	--	--	--	--
45 - 49	50	33	17	--	--	--	--	--	--	--
	53,456	50,429	59,332	--	--	--	--	--	--	--
50 - 54	35	23	12	--	--	--	--	--	--	--
	51,574	51,423	51,863	--	--	--	--	--	--	--
55 - 59	31	16	14	--	1	--	--	--	--	--
	58,369	54,721	55,881	--	\$151,549	--	--	--	--	--
60 - 64	17	12	5	--	--	--	--	--	--	--
	47,444	48,468	44,987	--	--	--	--	--	--	--
65 - 69	4	3	1	--	--	--	--	--	--	--
	94,913	76,034	151,549	--	--	--	--	--	--	--
70 & over	1	1	--	--	--	--	--	--	--	--
	47,774	47,774	--	--	--	--	--	--	--	--
<b>Total</b>	<b>892</b>	<b>698</b>	<b>192</b>	<b>1</b>	<b>1</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>--</b>
	<b>\$48,443</b>	<b>\$46,139</b>	<b>\$56,267</b>	<b>\$51,699</b>	<b>\$151,549</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>--</b>

## Section 3: Supplemental Information

### Exhibit B: Members in Active Service as of June 30, 2020 by Age, Years of Service, and Average Projected Compensation (continued)

#### Safety Legacy Tier 1

Age	Years of Service									
	Total	0 – 4	5 – 9	10 – 14	15 – 19	20 – 24	25 – 29	30 – 34	35 – 39	40 & over
Under 25	--	--	--	--	--	--	--	--	--	--
	--	--	--	--	--	--	--	--	--	--
25 - 29	2	--	2	--	--	--	--	--	--	--
	\$66,083	--	\$66,083	--	--	--	--	--	--	--
30 - 34	27	1	13	13	--	--	--	--	--	--
	70,241	\$73,765	70,079	\$70,132	--	--	--	--	--	--
35 - 39	54	1	8	39	6	--	--	--	--	--
	75,988	84,766	73,523	74,904	\$84,858	--	--	--	--	--
40 - 44	45	2	4	19	16	4	--	--	--	--
	76,879	74,366	74,897	74,397	80,270	\$78,344	--	--	--	--
45 - 49	55	--	4	11	23	13	4	--	--	--
	79,770	--	65,375	71,594	78,909	91,568	\$83,257	--	--	--
50 - 54	10	--	--	3	--	4	3	--	--	--
	79,642	--	--	76,094	--	75,799	88,314	--	--	--
55 - 59	7	--	--	--	1	3	3	--	--	--
	78,921	--	--	--	56,304	86,877	78,503	--	--	--
60 - 64	3	--	--	1	--	1	1	--	--	--
	89,924	--	--	135,725	--	59,737	74,311	--	--	--
65 - 69	2	--	1	1	--	--	--	--	--	--
	171,278	--	164,784	177,772	--	--	--	--	--	--
70 & over	1	--	--	--	1	--	--	--	--	--
	60,060	--	--	--	60,060	--	--	--	--	--
<b>Total</b>	<b>206</b>	<b>4</b>	<b>32</b>	<b>87</b>	<b>47</b>	<b>25</b>	<b>11</b>	--	--	--
	<b>\$77,671</b>	<b>\$76,816</b>	<b>\$73,664</b>	<b>\$75,584</b>	<b>\$79,250</b>	<b>\$85,093</b>	<b>\$82,526</b>	--	--	--

## Section 3: Supplemental Information

### Exhibit B: Members in Active Service as of June 30, 2020 by Age, Years of Service, and Average Projected Compensation (continued)

#### Safety Tier 3

Age	Years of Service									
	Total	0 – 4	5 – 9	10 – 14	15 – 19	20 – 24	25 – 29	30 – 34	35 – 39	40 & over
Under 25	14	14	--	--	--	--	--	--	--	--
	\$52,946	\$52,946	--	--	--	--	--	--	--	--
25 - 29	40	34	6	--	--	--	--	--	--	--
	53,093	52,123	\$58,591	--	--	--	--	--	--	--
30 - 34	43	25	16	2	--	--	--	--	--	--
	58,075	52,734	66,422	\$58,068	--	--	--	--	--	--
35 - 39	23	16	7	--	--	--	--	--	--	--
	57,665	55,397	62,850	--	--	--	--	--	--	--
40 - 44	5	3	2	--	--	--	--	--	--	--
	58,261	57,946	58,734	--	--	--	--	--	--	--
45 - 49	1	1	--	--	--	--	--	--	--	--
	47,409	47,409	--	--	--	--	--	--	--	--
50 - 54	1	1	--	--	--	--	--	--	--	--
	58,226	58,226	--	--	--	--	--	--	--	--
55 - 59	--	--	--	--	--	--	--	--	--	--
	--	--	--	--	--	--	--	--	--	--
60 - 64	--	--	--	--	--	--	--	--	--	--
	--	--	--	--	--	--	--	--	--	--
65 - 69	--	--	--	--	--	--	--	--	--	--
	--	--	--	--	--	--	--	--	--	--
70 & over	--	--	--	--	--	--	--	--	--	--
	--	--	--	--	--	--	--	--	--	--
<b>Total</b>	<b>127</b>	<b>94</b>	<b>31</b>	<b>2</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>--</b>
	<b>\$55,791</b>	<b>\$53,166</b>	<b>\$63,604</b>	<b>\$58,068</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>--</b>

## Section 3: Supplemental Information

### Exhibit C: Reconciliation of Member Data

	Active Members	Inactive Vested Members	Retired Members	Disabled Members	Beneficiaries	Total
<b>Number as of June 30, 2019</b>	<b>2,283</b>	<b>526</b>	<b>912</b>	<b>142</b>	<b>178</b>	<b>4,041</b>
• New members	168	1	N/A	N/A	N/A	169
• Terminations – with vested rights	(85)	85	N/A	N/A	N/A	0
• Contribution refunds	(62)	(22)	N/A	N/A	N/A	(84)
• Retirements	(49)	(12)	61	N/A	N/A	0
• New disabilities	(9)	(2)	(1)	12	N/A	0
• Return to work	3	(3)	0	0	N/A	0
• Died with or without beneficiary	(3)	(1)	(18)	(2)	(4) <sup>1</sup>	(28)
• Data adjustments	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
<b>Number as of June 30, 2020</b>	<b>2,246</b>	<b>572</b>	<b>954</b>	<b>152</b>	<b>174</b>	<b>4,098</b>

<sup>1</sup> This is the net increase/(decrease) in the number of beneficiaries after subtracting the number of beneficiaries who died during the year.

## Section 3: Supplemental Information

### Exhibit D: Summary Statement of Income and Expenses on a Market Value Basis

	Year Ended June 30, 2020	Year Ended June 30, 2019
<b>Net assets at market value at the beginning of the year</b>	<b>\$876,015,092</b>	<b>\$831,483,648</b>
<b>Contribution income:</b>		
• Employer contributions	\$26,378,159	\$26,078,469
• Member contributions	15,111,979	15,085,120
• Less administrative expenses	<u>(2,742,587)</u>	<u>(2,736,486)</u>
Net contribution income	\$38,747,551	\$38,427,103
<b>Investment income:</b>		
• Interest, dividends, asset appreciation and other income	\$32,580,260	\$54,308,833
• Less investment fees	<u>(5,122,883)</u>	<u>(4,122,111)</u>
Net investment income	<u>\$27,457,377</u>	<u>\$50,186,720</u>
<b>Total income available for benefits</b>	<b>\$66,204,928</b>	<b>\$88,613,825</b>
<b>Less benefit payments:</b>		
• Service retirement	\$(45,512,613)	\$(42,553,359)
• Death payments	(187,330)	(157,159)
• Member refunds	<u>(1,502,178)</u>	<u>(1,371,863)</u>
Net benefit payments	<u>\$(47,202,121)</u>	<u>\$(44,082,381)</u>
<b>Change in net assets at market value</b>	<b>\$19,002,807</b>	<b>\$44,531,444</b>
<b>Net assets at market value at the end of the year</b>	<b>\$895,017,899</b>	<b>\$876,015,092</b>

Note: Results may be slightly off due to rounding.

## Section 3: Supplemental Information

### Exhibit E: Summary Statement of Plan Assets

	June 30, 2020	June 30, 2019
Cash equivalents	\$5,099,324	\$4,043,107
Capital Assets	\$2,059,595	\$2,574,658
<b>Accounts receivable:</b>		
Contributions	\$1,241,709	\$1,309,364
Interest and dividends	467,108	275,605
Sale of investments	1,035,640	114,579
Others	<u>10,065</u>	<u>23,916</u>
Total accounts receivable	\$2,754,522	\$1,723,464
<b>Investments:</b>		
• Fixed income	\$236,646,355	\$242,751,321
• Equities	470,437,074	475,773,422
• Alternative	81,104,666	54,484,910
• Real estate	<u>98,591,336</u>	<u>95,781,690</u>
Total investments at market value	<u>\$886,779,431</u>	<u>\$868,791,343</u>
Total assets	\$896,692,872	\$877,132,572
<b>Accounts payable:</b>		
Investment payables	\$(1,410,401)	\$(889,490)
Others	<u>(264,571)</u>	<u>(227,990)</u>
Total accounts payable	<u>\$(1,674,972)</u>	<u>\$(1,117,480)</u>
<b>Net assets at market value</b>	<b>\$895,017,899</b>	<b>\$876,015,092</b>
<b>Net assets at actuarial value</b>	<b>\$927,436,108</b>	<b>\$872,195,293</b>
<b>Net assets at valuation value</b>	<b>\$925,376,513</b>	<b>\$869,620,635</b>

Note: Results may be slightly off due to rounding.

## Section 3: Supplemental Information

### Exhibit F: Summary of Reported Reserve Information as of June 30, 2020

	Regular & Tier 3 Reserves	Supplemental Reserves	Total Reserves
<b>Used in Development of Valuation Value of Assets:</b>			
Members' deposit reserves	\$147,979,867	\$44,343,965	\$192,323,832
Employer's advance reserves	388,204,750	5,959,350	394,164,100
Service pension reserves (members' contributions)	111,084,518	9,086,838	120,171,356
Service pension reserves (employer's contributions)	269,764,171	32,645,552	302,409,723
Disability pension reserves (members' contributions)	4,380,182	1,922,202	6,302,384
Disability pension reserves (employer's contributions)	22,178,403	2,965,715	25,144,118
Survivors' death benefit reserve	6,709,647	431,856	7,141,503
Death benefit reserve	<u>2,998,769</u>	<u>0</u>	<u>2,998,769</u>
<b>Subtotal</b>	<b>\$953,300,307</b>	<b>\$97,355,478</b>	<b>\$1,050,655,785</b>
Contingency reserve			<u>\$(125,279,272)</u>
<b>Subtotal: Valuation Value of Assets</b>			<b>\$925,376,513</b>
<b>Not Used in Development of Valuation Value of Assets:</b>			
Member and retiree non-valuation reserves			\$0
Employee benefit enhancement			0
Employee COLA contribution relief			0
Unallocated earnings			0
Fixed asset reserve			0
Retiree health insurance premiums			0
Reserve for Capital Assets			2,059,595
Miscellaneous			<u>0</u>
<b>Subtotal</b>			<b>\$2,059,595</b>
<b>Subtotal: Actuarial Value of Assets</b>			<b>\$927,436,108</b>
Market Stabilization Reserve			<u>\$(32,418,209)</u>
<b>Total: Market Value of Assets</b>			<b>\$895,017,899</b>

Note: Results may be slightly off due to rounding.

## Section 3: Supplemental Information

### Exhibit G: Development of the Fund through June 30, 2020

Year Ended June 30	Employer Contributions	Member Contributions	Administrative Expenses	Net Investment Return <sup>1</sup>	Benefit Payments	Market Value of Assets at Year-End	Valuation Value of Assets at Year-End	Valuation Value as a Percent of Market Value
2011	\$12,982,633	\$8,460,354	\$0	\$102,867,409	\$24,240,745	\$552,207,190	\$552,208,618	100.00%
2012	12,673,237	8,297,628	0	(1,690,458)	26,826,616	544,660,981	577,752,750	106.08%
2013	16,082,961	10,093,363	0	61,035,244	29,320,590	602,551,959	611,988,885	101.57%
2014	17,045,429	10,519,020	0	93,940,703	31,068,263	692,988,848	659,147,642	95.12%
2015	18,458,585	11,328,165	2,079,611	12,811,880	32,617,937	700,889,930	704,758,092	100.55%
2016	20,506,786	12,918,809	2,303,583	1,726,183	34,668,642	699,069,483	737,505,710	105.50%
2017	21,009,400	13,299,670	2,441,608	85,772,872	37,634,981	779,074,836	783,847,755	100.61%
2018	21,014,523	13,405,766	2,224,214	61,159,489	40,946,752	831,483,648	835,211,129	100.45%
2019	26,078,469	15,085,120	2,736,486	50,186,720	44,082,381	876,015,092	869,620,635	99.27%
2020	26,378,159	15,111,979	2,742,587	27,457,377	47,202,121	895,017,899	925,376,513	103.39%

Note: Results may be slightly off due to rounding.

<sup>1</sup> Net of investment fees and administrative expenses prior to 2015. Starting in 2015, administrative expenses are included in a separate column.

## Section 3: Supplemental Information

### Exhibit H: Table of Amortization Bases

#### General Legacy Regular Plus General Tier 3

Type	Date Established	Initial Amount (\$ in '000s)	Initial Period	Outstanding Balance (\$ in '000s)	Years Remaining	Annual Payment (\$ in '000s)
Restart Amortization	June 30, 2012	\$40,847	19	\$36,050	11	\$4,029
Actuarial Loss	June 30, 2013	5,116	15	3,945	8	576
Actuarial Gain	June 30, 2014	(7,650)	15	(6,275)	9	(829)
Assumption Changes	June 30, 2014	10,549	20	10,065	14	929
Actuarial Gain	June 30, 2015	(2,641)	15	(2,282)	10	(276)
Actuarial Loss	June 30, 2016	743	15	668	11	75
Actuarial Loss	June 30, 2017	635	15	591	12	62
Assumption Changes	June 30, 2017	36,622	20	36,194	17	2,887
Actuarial Gain	June 30, 2018	(9,142)	15	(8,769)	13	(857)
Actuarial Loss	June 30, 2019	15,470	15	15,189	14	1,401
Actuarial Gain	June 30, 2020	(1,783)	15	(1,783)	15	(156)
Assumption Changes	June 30, 2020	34,956	20	34,956	20	2,486
Plan Amendment <sup>1</sup>	June 30, 2020	(16,148)	15	(16,148)	15	(1,413)
<b>Subtotal</b>				<b>\$102,401</b>		<b>\$8,914</b>

Note: Results may be slightly off due to rounding.

<sup>1</sup> Effective with the June 30, 2020 valuation, terminal pay was eliminated from compensation earnable for the calculation of retirement benefits.

## Section 3: Supplemental Information

### Exhibit H: Table of Amortization Bases (continued)

#### General Legacy Supplemental

Type	Date Established	Initial Amount (\$ in '000s)	Initial Period	Outstanding Balance (\$ in '000s)	Years Remaining	Annual Payment (\$ in '000s)
Restart Amortization	June 30, 2012	\$4,449	19	\$3,927	11	\$439
Actuarial Gain	June 30, 2013	(213)	15	(165)	8	(24)
Actuarial Gain	June 30, 2014	(687)	15	(564)	9	(74)
Assumption Changes	June 30, 2014	1,702	20	1,624	14	150
Actuarial Gain	June 30, 2015	(412)	15	(356)	10	(43)
Actuarial Gain	June 30, 2016	(191)	15	(173)	11	(19)
Actuarial Gain	June 30, 2017	(335)	15	(312)	12	(32)
Assumption Changes	June 30, 2017	1,264	20	1,249	17	100
Actuarial Gain	June 30, 2018	(229)	15	(220)	13	(22)
Actuarial Loss	June 30, 2019	1,554	15	1,526	14	141
Actuarial Loss	June 30, 2020	25	15	25	15	2
Assumption Changes	June 30, 2020	6,406	20	6,406	20	456
Plan Amendment <sup>1</sup>	June 30, 2020	(1,586)	15	(1,586)	15	(139)
<b>Subtotal</b>				<b>\$11,381</b>		<b>\$935</b>

Note: Results may be slightly off due to rounding.

<sup>1</sup> Effective with the June 30, 2020 valuation, terminal pay was eliminated from compensation earnable for the calculation of retirement benefits.

## Section 3: Supplemental Information

### Exhibit H: Table of Amortization Bases (continued)

#### Safety Legacy Regular Plus Safety Tier 3

Type	Date Established	Initial Amount (\$ in '000s)	Initial Period	Outstanding Balance (\$ in '000s)	Years Remaining	Annual Payment (\$ in '000s)
Restart Amortization	June 30, 2012	\$11,321	19	\$9,991	11	\$1,117
Actuarial Loss	June 30, 2013	815	15	629	8	92
Actuarial Gain	June 30, 2014	(3,097)	15	(2,541)	9	(336)
Assumption Changes	June 30, 2014	6,871	20	6,556	14	605
Actuarial Gain	June 30, 2015	(654)	15	(565)	10	(68)
Actuarial Loss	June 30, 2016	800	15	721	11	81
Actuarial Loss	June 30, 2017	1,773	15	1,652	12	172
Assumption Changes	June 30, 2017	7,653	20	7,563	17	603
Actuarial Gain	June 30, 2018	(5,148)	15	(4,938)	13	(483)
Actuarial Loss	June 30, 2019	2,488	15	2,443	14	225
Actuarial Loss	June 30, 2020	1,073	15	1,073	15	94
Assumption Changes	June 30, 2020	16,832	20	16,832	20	1,197
Plan Amendment <sup>1</sup>	June 30, 2020	(5,136)	15	(5,136)	15	(450)
<b>Subtotal</b>				<b>\$34,280</b>		<b>\$2,849</b>

Note: Results may be slightly off due to rounding.

<sup>1</sup> Effective with the June 30, 2020 valuation, terminal pay was eliminated from compensation earnable for the calculation of retirement benefits.

## Section 3: Supplemental Information

### Exhibit H: Table of Amortization Bases (continued)

#### Safety Legacy Supplemental

Type	Date Established	Initial Amount (\$ in '000s)	Initial Period	Outstanding Balance (\$ in '000s)	Years Remaining	Annual Payment (\$ in '000s)
Restart Amortization	June 30, 2012	\$8,952	19	\$7,901	11	\$883
Actuarial Loss	June 30, 2013	965	15	744	8	109
Actuarial Gain	June 30, 2014	(210)	15	(173)	9	(23)
Assumption Changes	June 30, 2014	2,526	20	2,409	14	222
Actuarial Loss	June 30, 2015	129	15	111	10	13
Actuarial Loss	June 30, 2016	160	15	144	11	16
Actuarial Gain	June 30, 2017	(268)	15	(250)	12	(26)
Assumption Changes	June 30, 2017	1,168	20	1,155	17	92
Actuarial Gain	June 30, 2018	(206)	15	(197)	13	(19)
Actuarial Loss	June 30, 2019	1,178	15	1,157	14	107
Actuarial Loss	June 30, 2020	770	15	770	15	67
Assumption Changes	June 30, 2020	5,919	20	5,919	20	421
Plan Amendment <sup>1</sup>	June 30, 2020	(1,362)	15	(1,362)	15	(119)
<b>Subtotal</b>				<b>\$18,328</b>		<b>\$1,743</b>

Note: Results may be slightly off due to rounding.

<sup>1</sup> Effective with the June 30, 2020 valuation, terminal pay was eliminated from compensation earnable for the calculation of retirement benefits.

## Section 3: Supplemental Information

### Exhibit H: Table of Amortization Bases (continued)

Total						
Type	Date Established	Initial Amount (\$ in '000s)	Initial Period	Outstanding Balance (\$ in '000s)	Years Remaining	Annual Payment (\$ in '000s)
Restart Amortization	June 30, 2012	\$65,569	19	\$57,869	11	\$6,467
Actuarial Loss	June 30, 2013	6,683	15	5,153	8	753
Actuarial Gain	June 30, 2014	(11,644)	15	(9,553)	9	(1,262)
Assumption Changes	June 30, 2014	21,648	20	20,654	14	1,906
Actuarial Gain	June 30, 2015	(3,578)	15	(3,092)	10	(374)
Actuarial Loss	June 30, 2016	1,512	15	1,360	11	152
Actuarial Loss	June 30, 2017	1,805	15	1,681	12	175
Assumption Changes	June 30, 2017	46,707	20	46,161	17	3,682
Actuarial Gain	June 30, 2018	(14,725)	15	(14,124)	13	(1,381)
Actuarial Loss	June 30, 2019	20,690	15	20,315	14	1,874
Actuarial Loss	June 30, 2020	85	15	85	15	7
Assumption Changes	June 30, 2020	64,113	20	64,113	20	4,559
Plan Amendment <sup>1</sup>	June 30, 2020	(24,232)	15	(24,232)	15	(2,121)
<b>Grand Total</b>				<b>\$166,390</b>		<b>\$14,437</b>

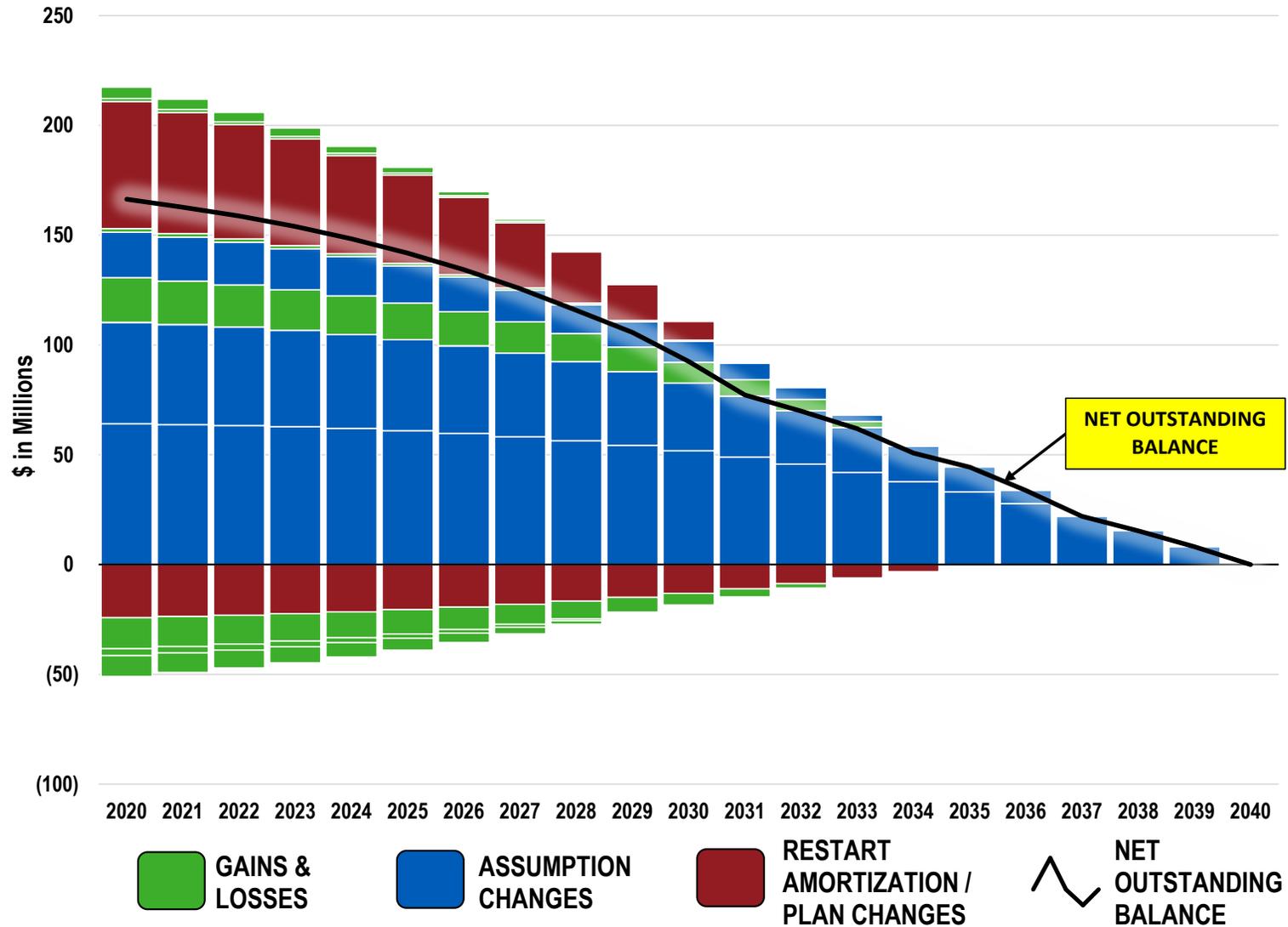
Note: Results may be slightly off due to rounding.

<sup>1</sup> Effective with the June 30, 2020 valuation, terminal pay was eliminated from compensation earnable for the calculation of retirement benefits.

## Section 3: Supplemental Information

### Exhibit I: Projection of UAAL Balances and Payments

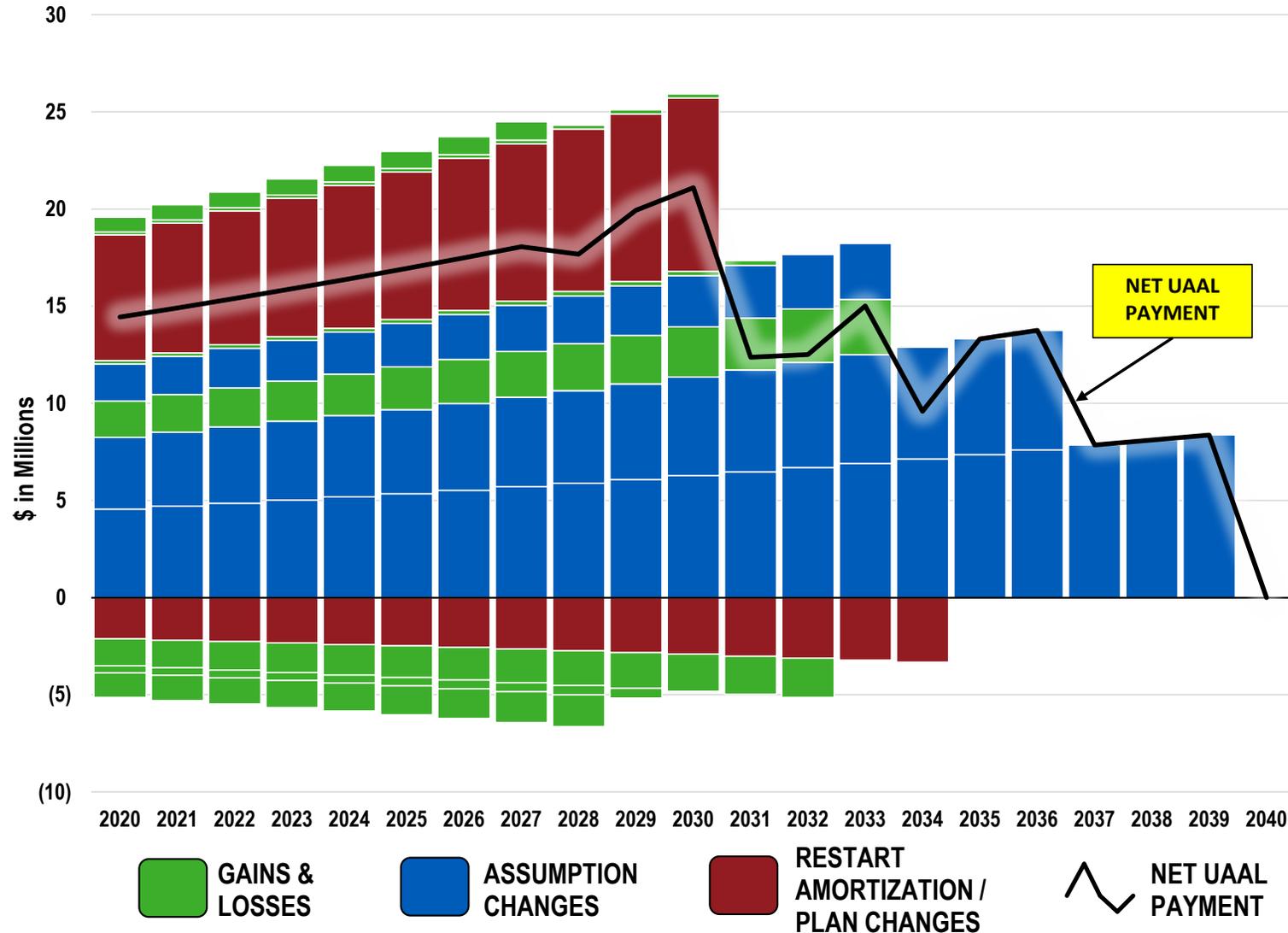
Outstanding Balance of \$166 Million in Net UAAL as of June 30, 2020



## Section 3: Supplemental Information

### Exhibit I: Projection of UAAL Balances and Payments (continued)

Annual Payments Required to Amortize \$166 Million in Net UAAL as of June 30, 2020



## Section 3: Supplemental Information

### Exhibit J: Definition of Pension Terms

The following list defines certain technical terms for the convenience of the reader:

<b>Actuarial Accrued Liability for Actives:</b>	The equivalent of the accumulated normal costs allocated to the years before the valuation date.
<b>Actuarial Accrued Liability for Pensioners and Beneficiaries:</b>	The single-sum value of lifetime benefits to existing pensioners and beneficiaries. This sum takes account of life expectancies appropriate to the ages of the annuitants and the interest that the sum is expected to earn before it is entirely paid out in benefits.
<b>Actuarial Cost Method:</b>	A procedure allocating the Actuarial Present Value of Future Benefits to various time periods; a method used to determine the Normal Cost and the Actuarial Accrued Liability that are used to determine the actuarially determined contribution.
<b>Actuarial Gain or Loss:</b>	A measure of the difference between actual experience and that expected based upon a set of Actuarial Assumptions, during the period between two Actuarial Valuation dates. Through the actuarial assumptions, rates of decrements, rates of salary increases, and rates of fund earnings have been forecasted. To the extent that actual experience differs from that assumed, Actuarial Accrued Liabilities emerge which may be the same as forecasted, or may be larger or smaller than projected. Actuarial gains are due to favorable experience, e.g., assets earn more than projected, salary increases are less than assumed, members retire later than assumed, etc. Favorable experience means actual results produce actuarial liabilities not as large as projected by the actuarial assumptions. On the other hand, actuarial losses are the result of unfavorable experience, i.e., actual results yield in actuarial liabilities that are larger than projected. Actuarial gains will shorten the time required for funding of the actuarial balance sheet deficiency while actuarial losses will lengthen the funding period.
<b>Actuarially Equivalent:</b>	Of equal actuarial present value, determined as of a given date and based on a given set of Actuarial Assumptions.
<b>Actuarial Present Value (APV):</b>	<p>The value of an amount or series of amounts payable or receivable at various times, determined as of a given date by the application of a particular set of Actuarial Assumptions. Each such amount or series of amounts is:</p> <p>Adjusted for the probable financial effect of certain intervening events (such as changes in compensation levels, marital status, etc.)</p> <p>Multiplied by the probability of the occurrence of an event (such as survival, death, disability, withdrawal, etc.) on which the payment is conditioned, and</p> <p>Discounted according to an assumed rate (or rates) of return to reflect the time value of money.</p>

## Section 3: Supplemental Information

<b>Actuarial Present Value of Future Plan Benefits:</b>	The Actuarial Present Value of benefit amounts expected to be paid at various future times under a particular set of Actuarial Assumptions, taking into account such items as the effect of advancement in age, anticipated future compensation, and future service credits. The Actuarial Present Value of Future Plan Benefits includes the liabilities for active members, retired members, beneficiaries receiving benefits, and inactive members entitled to either a refund or a future retirement benefit. Expressed another way, it is the value that would have to be invested on the valuation date so that the amount invested plus investment earnings would provide sufficient assets to pay all projected benefits and expenses when due.
<b>Actuarial Valuation:</b>	The determination, as of a valuation date, of the Normal Cost, Actuarial Accrued Liability, Actuarial Value of Assets, and related Actuarial Present Values for a plan. An Actuarial Valuation for a governmental retirement system typically also includes calculations of items needed for compliance with GASB, such as the Actuarially Determined Contribution (ADC) and the Net Pension Liability (NPL).
<b>Actuarial Value of Assets (AVA):</b>	The value of the Fund's assets as of a given date, used by the actuary for valuation purposes. This may be the market or fair value of plan assets, but commonly plans use a smoothed value in order to reduce the year-to-year volatility of calculated results, such as the funded ratio and the ADC.
<b>Actuarially Determined:</b>	Values that have been determined utilizing the principles of actuarial science. An actuarially determined value is derived by application of the appropriate actuarial assumptions to specified values determined by provisions of the law.
<b>Actuarially Determined Contribution (ADC):</b>	The employer's periodic required contributions, expressed as a dollar amount or a percentage of covered plan compensation, determined under the Plan's funding policy. The ADC consists of the Employer Normal Cost and the Amortization Payment.
<b>Amortization Method:</b>	A method for determining the Amortization Payment. The most common methods used are level dollar and level percentage of payroll. Under the Level Dollar method, the Amortization Payment is one of a stream of payments, all equal, whose Actuarial Present Value is equal to the UAAL. Under the Level Percentage of Pay method, the Amortization Payment is one of a stream of increasing payments, whose Actuarial Present Value is equal to the UAAL. Under the Level Percentage of Pay method, the stream of payments increases at the assumed rate at which total covered payroll of all active members will increase.
<b>Amortization Payment:</b>	The portion of the pension plan contribution, or ADC, that is designed to pay interest on and to amortize the Unfunded Actuarial Accrued Liability.

## Section 3: Supplemental Information

<b>Assumptions or Actuarial Assumptions:</b>	<p>The estimates upon which the cost of the Fund is calculated, including:</p> <p><u>Investment return</u> - the rate of investment yield that the Fund will earn over the long-term future;</p> <p><u>Mortality rates</u> - the death rates of employees and pensioners; life expectancy is based on these rates;</p> <p><u>Retirement rates</u> - the rate or probability of retirement at a given age or service;</p> <p><u>Disability rates</u> - the probability of disability retirement at a given age;</p> <p><u>Termination rates</u> - the rates at which employees of various ages are expected to leave employment for reasons other than death, disability, or retirement;</p> <p><u>Salary increase rates</u> - the rates of salary increase due to inflation and productivity growth.</p>
<b>Closed Amortization Period:</b>	<p>A specific number of years that is counted down by one each year, and therefore declines to zero with the passage of time. For example, if the amortization period is initially set at 30 years, it is 29 years at the end of one year, 28 years at the end of two years, etc. See Open Amortization Period.</p>
<b>Decrements:</b>	<p>Those causes/events due to which a member's status (active-inactive-retiree-beneficiary) changes, that is: death, retirement, disability, or withdrawal.</p>
<b>Defined Benefit Plan:</b>	<p>A retirement plan in which benefits are defined by a formula applied to the member's compensation and/or years of service.</p>
<b>Defined Contribution Plan:</b>	<p>A retirement plan, such as a 401(k) plan, a 403(b) plan, or a 457 plan, in which the contributions to the plan are assigned to an account for each member, the plan's earnings are allocated to each account, and each member's benefits are a direct function of the account balance.</p>
<b>Employer Normal Cost:</b>	<p>The portion of the Normal Cost to be paid by the employer. This is equal to the Normal Cost less expected member contributions.</p>
<b>Experience Study:</b>	<p>A periodic review and analysis of the actual experience of the Fund that may lead to a revision of one or more actuarial assumptions. Actual rates of decrement and salary increases are compared to the actuarially assumed values and modified as deemed appropriate by the Actuary.</p>
<b>Funded Ratio:</b>	<p>The ratio of the Actuarial Value of Assets (AVA) to the actuarial accrued liability (AAL). Plans sometimes calculate a market funded ratio, using the Market Value of Assets (MVA), rather than the AVA.</p>
<b>Investment Return:</b>	<p>The rate of earnings of the Fund from its investments, including interest, dividends and capital gain and loss adjustments, computed as a percentage of the average value of the fund. For actuarial purposes, the investment return often reflects a smoothing of the capital gains and losses to avoid significant swings in the value of assets from one year to the next.</p>

## Section 3: Supplemental Information

<b>Normal Cost:</b>	That portion of the Actuarial Present Value of pension plan benefits and expenses allocated to a valuation year by the Actuarial Cost Method. Any payment with respect to an Unfunded Actuarial Accrued Liability is not part of Normal Cost (see Amortization Payment). For pension plan benefits that are provided in part by employee contributions, Normal Cost refers to the total of employee contributions and employer Normal Cost unless otherwise specifically stated.
<b>Open Amortization Period:</b>	An open amortization period is one which is used to determine the Amortization Payment but which does not change over time. If the initial period is set as 30 years, the same 30-year period is used in determining the Amortization Period each year. In theory, if an Open Amortization Period with level percentage of payroll is used to amortize the Unfunded Actuarial Accrued Liability, the UAAL will never decrease, but will become smaller each year, in relation to covered payroll, if the actuarial assumptions are realized.
<b>Unfunded Actuarial Accrued Liability:</b>	The excess of the Actuarial Accrued Liability over the Actuarial Value of Assets. This value may be negative, in which case it may be expressed as a negative Unfunded Actuarial Accrued Liability, also called the Funding Surplus.
<b>Valuation Date or Actuarial Valuation Date:</b>	The date as of which the value of assets is determined and as of which the Actuarial Present Value of Future Plan Benefits is determined. The expected benefits to be paid in the future are discounted to this date.
<b>Valuation Value of Assets:</b>	The Actuarial Value of Assets reduced by the value of non-valuation reserves.

# Section 4: Actuarial Valuation Basis

## Exhibit I: Actuarial Assumptions and Methods

<b>Rationale for Assumptions:</b>	The information and analysis used in selecting each assumption that has a significant effect on this actuarial valuation is shown in the July 1, 2016 through June 30, 2019 Actuarial Experience Study report dated April 7, 2020. Unless otherwise noted, all actuarial assumptions and methods shown below apply to all tiers. These assumptions were adopted by the Board.		
<b><u>Economic Assumptions</u></b>			
<b>Net Investment Return:</b>	7.00%; net of investment expenses. Based on the Actuarial Experience Study referenced above, expected investment expenses represent about 0.40% of the Actuarial Value of Assets.		
<b>Administrative Expenses:</b>	1.90% of payroll allocated to both the employer and member based on the components of the total average contribution rate (before expenses) for the employer and member. This results in an administrative expense load as shown below:		
	<b>Average Contribution Rate Before Administrative Expense</b>	<b>Weighting</b>	<b>Total Loading</b>
	Employer 23.29%	65.00%	1.24%
	Member 12.54%	<u>35.00%</u>	<u>0.66%</u>
	Total	100.00%	1.90%
	Under this approach, the employer Normal Cost rate is then increased by the same percent of payroll as the member rate with the remaining employer loading allocated to the employer UAAL rate. This is done to maintain a 50/50 sharing of Normal Cost for those in Tier 3. The table below shows this allocation.		
	<b>Allocation of Administrative Expense Load as a % of Payroll</b>		
	Addition to Employer Regular Basic Normal Cost Rate	0.66%	
	Addition to Employer Regular Basic UAAL Rate	0.58%	
	Addition to Member Regular Basic Rate	<u>0.66%</u>	
	Total Addition to Contribution Rates	1.90%	
	The administrative expense load is added to the Regular Basic rates for employers and members.		
<b>Member Contribution Crediting Rate:</b>	2.75%; credited semi-annually		

## Section 4: Actuarial Valuation Basis

<b>Consumer Price Index:</b>	Increase of 2.75% per year, retiree COLA increases due to CPI subject to a 2.00% maximum change per year for all General and Safety.																																																					
<b>Payroll Growth:</b>	Inflation of 2.75% per year plus real “across the board” salary increases of 0.50% per year.																																																					
<b>Increase in Internal Revenue Code Section 401(a)(17) Compensation Limit:</b>	Increase of 2.75% per year from the valuation date.																																																					
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<b>Salary Increases:</b>	<p>The annual rate of compensation increase includes: inflation at 2.75%, plus “across the board” salary increases of 0.50% per year, plus the following merit and promotion increases:</p> <table border="1"> <thead> <tr> <th rowspan="2">Years of Service</th> <th colspan="2">Rate (%)</th> </tr> <tr> <th>General</th> <th>Safety</th> </tr> </thead> <tbody> <tr> <td>Less than 1</td> <td>6.00</td> <td>8.00</td> </tr> <tr> <td>1 – 2</td> <td>5.75</td> <td>6.25</td> </tr> <tr> <td>2 – 3</td> <td>5.50</td> <td>5.75</td> </tr> <tr> <td>3 – 4</td> <td>4.50</td> <td>5.50</td> </tr> <tr> <td>4 – 5</td> <td>4.00</td> <td>4.00</td> </tr> <tr> <td>5 – 6</td> <td>3.50</td> <td>3.50</td> </tr> <tr> <td>6 – 7</td> <td>3.25</td> <td>3.25</td> </tr> <tr> <td>7 – 8</td> <td>3.00</td> <td>3.25</td> </tr> <tr> <td>8 – 9</td> <td>3.00</td> <td>3.25</td> </tr> <tr> <td>9 – 10</td> <td>2.75</td> <td>3.25</td> </tr> <tr> <td>10 – 11</td> <td>2.50</td> <td>2.25</td> </tr> <tr> <td>11 – 12</td> <td>2.00</td> <td>1.50</td> </tr> <tr> <td>12 – 13</td> <td>1.50</td> <td>1.25</td> </tr> <tr> <td>13 – 14</td> <td>1.50</td> <td>1.25</td> </tr> <tr> <td>14 – 15</td> <td>1.25</td> <td>1.25</td> </tr> <tr> <td>15 &amp; Over</td> <td>1.25</td> <td>1.25</td> </tr> </tbody> </table>	Years of Service	Rate (%)		General	Safety	Less than 1	6.00	8.00	1 – 2	5.75	6.25	2 – 3	5.50	5.75	3 – 4	4.50	5.50	4 – 5	4.00	4.00	5 – 6	3.50	3.50	6 – 7	3.25	3.25	7 – 8	3.00	3.25	8 – 9	3.00	3.25	9 – 10	2.75	3.25	10 – 11	2.50	2.25	11 – 12	2.00	1.50	12 – 13	1.50	1.25	13 – 14	1.50	1.25	14 – 15	1.25	1.25	15 & Over	1.25	1.25
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## Section 4: Actuarial Valuation Basis

### Demographic Assumptions:

#### Post-Retirement Mortality Rates:

##### *Healthy*

- **General Members:** Pub-2010 General Healthy Retiree Amount-Weighted Above-Median Mortality Table (separate tables for males and females) with rates increased by 10%, projected generationally with the two-dimensional mortality improvement scale MP-2019
- **Safety Members:** Pub-2010 Safety Healthy Retiree Amount-Weighted Above-Median Mortality Table (separate tables for males and females), projected generationally with the two-dimensional mortality improvement scale MP-2019

##### *Disabled*

- **General Members:** Pub-2010 Non-Safety Disabled Retiree Amount-Weighted Mortality Table (separate tables for males and females), projected generationally with the two-dimensional mortality improvement scale MP-2019
- **Safety Members:** Pub-2010 Safety Disabled Retiree Amount-Weighted Mortality Table (separate tables for males and females), projected generationally with the two-dimensional mortality improvement scale MP-2019

##### *Beneficiaries*

- Pub-2010 Contingent Survivor Amount-Weighted Above-Median Mortality Table (separate tables for males and females), projected generationally with the two-dimensional mortality improvement scale MP-2019

The Pub-2010 mortality tables and adjustments as shown above reasonably reflect the mortality experience as of the measurement date. These mortality tables were adjusted to future years using the generational projection to reflect future mortality improvement between the measurement date and those years.

## Section 4: Actuarial Valuation Basis

### Pre-Retirement Mortality Rates:

- **General Members:** Pub-2010 General Employee Amount-Weighted Above-Median Mortality Table (separate tables for males and females), projected generationally with the two-dimensional mortality improvement scale MP-2019
- **Safety Members:** Pub-2010 Safety Employee Amount-Weighted Above-Median Mortality Table (separate tables for males and females), projected generationally with the two-dimensional mortality improvement scale MP-2019

Age	Rate (%) <sup>1</sup>			
	General		Safety	
	Male	Female	Male	Female
25	0.02	0.01	0.03	0.02
30	0.03	0.01	0.04	0.02
35	0.04	0.02	0.04	0.03
40	0.06	0.03	0.05	0.04
45	0.09	0.05	0.07	0.06
50	0.13	0.08	0.10	0.08
55	0.19	0.11	0.15	0.11
60	0.28	0.17	0.23	0.14
65	0.41	0.27	0.35	0.20
70	0.61	0.44	0.66	0.39

For General members, all pre-retirement deaths are assumed to be non-service connected.

For Safety members, 50% of pre-retirement deaths are assumed to be non-service connected and the other 50% are assumed to be service connected.

<sup>1</sup> Generational projections beyond the base year (2010) are not reflected in the above mortality rates.

### Mortality Rates for Member Contributions:

- **General Members:** Pub-2010 General Healthy Retiree Amount-Weighted Above-Median Mortality Table (separate tables for males and females) with rates increased by 10%, projected 30 years (from 2010) with the two-dimensional mortality improvement scale MP-2019, weighted 30% male and 70% female
- **Safety Members:** Pub-2010 Safety Healthy Retiree Amount-Weighted Above-Median Mortality Table (separate tables for males and females), projected 30 years (from 2010) with the two-dimensional mortality improvement scale MP-2019, weighted 80% male and 20% female

## Section 4: Actuarial Valuation Basis

### Disability Incidence Rates:

Age	Rate (%)		
	General		Safety
	Male	Female	Male and Female
20	0.000	0.000	0.020
25	0.006	0.006	0.038
30	0.010	0.022	0.230
35	0.010	0.054	0.620
40	0.028	0.118	0.980
45	0.064	0.180	1.400
50	0.104	0.260	1.720
55	0.168	0.420	2.220
60	0.440	0.650	3.100
65	0.240	0.300	1.400

70% of General disabilities are assumed to be service connected disabilities. The other 30% are assumed to be non-service connected disabilities.

100% of Safety disabilities are assumed to be service connected disabilities.

## Section 4: Actuarial Valuation Basis

### Termination Rates:

Years of Service	Rate (%)	
	General	Safety
Less than 1	18.50	10.00
1 – 2	8.50	8.25
2 – 3	7.50	6.50
3 – 4	7.00	6.00
4 – 5	6.50	5.00
5 – 6	6.00	4.75
6 – 7	5.50	4.75
7 – 8	5.00	4.50
8 – 9	4.50	3.50
9 – 10	4.00	3.25
10 – 11	3.50	3.00
11 – 12	3.00	2.75
12 – 13	2.75	2.50
13 – 14	2.75	2.00
14 – 15	2.75	1.50
15 – 16	2.75	1.00
16 – 17	2.00	1.00
17 – 18	1.75	1.00
18 – 19	1.50	1.00
19 – 20	1.25	1.00
20 & Over	1.00	1.00

### Proportion of Total Terminations Assumed to Receive Refunds and Deferred Vested Benefits

Years of Service	Rate (%)	
	Refunds	Deferred Vested Benefits
0 – 4	100.00	0.00
5 – 9	40.00	60.00
10 – 14	35.00	65.00
15 – 19	30.00	70.00
20 & Over	0.00	100.00

No termination is assumed after a member is eligible for retirement (as long as a retirement rate is present).

## Section 4: Actuarial Valuation Basis

### Retirement Rates:

Age	General		Rate <sup>1</sup> (%)		
	Legacy		Safety		
	Less than 30 Years of Service	Over 30 Years of Service	Tier 3	Legacy <sup>2</sup>	Tier 3
	45	0.00	0.00	0.00	3.00
46	0.00	0.00	0.00	3.00	0.00
47	0.00	0.00	0.00	3.00	0.00
48	0.00	0.00	0.00	5.00	0.00
49	0.00	0.00	0.00	8.00	0.00
50	3.00	10.00	0.00	12.00	8.00
51	3.00	10.00	0.00	20.00	7.00
52	3.00	10.00	3.00	20.00	11.00
53	3.00	10.00	2.00	20.00	12.00
54	7.00	10.00	3.00	20.00	12.00
55	8.00	25.00	4.00	20.00	14.00
56	8.00	25.00	5.50	20.00	14.00
57	9.00	25.00	7.50	20.00	14.00
58	10.00	25.00	7.50	20.00	10.00
59	12.00	25.00	9.50	25.00	10.00
60	14.00	25.00	11.00	25.00	35.00
61	16.00	25.00	11.00	25.00	35.00
62	18.00	25.00	15.00	30.00	35.00
63	20.00	25.00	20.00	30.00	35.00
64	25.00	25.00	21.00	30.00	35.00
65	25.00	35.00	26.00	35.00	35.00
66	25.00	35.00	28.00	35.00	35.00
67	30.00	35.00	30.00	35.00	35.00
68	30.00	35.00	30.00	35.00	35.00
69	30.00	35.00	30.00	35.00	35.00
70	40.00	35.00	40.00	100.00	100.00
71	40.00	35.00	40.00	100.00	100.00
72	40.00	35.00	40.00	100.00	100.00
73	40.00	35.00	40.00	100.00	100.00
74	40.00	35.00	40.00	100.00	100.00
75 & Over	100.00	100.00	100.00	100.00	100.00

<sup>1</sup> The retirement rates only apply to members that are eligible to retire at the age shown.

<sup>2</sup> Safety Legacy members have a 100% retirement rate upon accruing a benefit of 100% of final average earnings.

## Section 4: Actuarial Valuation Basis

<b>Retirement Age and Benefit for Deferred Vested Members:</b>	<p>For current and future deferred vested members, retirement assumptions are as follows:</p> <p>General Retirement Age: 60 Safety Retirement Age: 54</p> <p>Current deferred vested non-reciprocal members who terminate with less than five years of service are assumed to retire at age 70 for General and at age 60 for Safety if they decide to leave their contributions on deposit.</p> <p>65% of future General and 80% of future Safety deferred vested members are assumed to continue to work for a reciprocal employer. For reciprocals, projected salary is calculated based on the salary increase assumption.</p>
<b>Future Benefit Accruals:</b>	1.0 year of service per year of employment.
<b>Unknown Data for Members:</b>	Same as those exhibited by members with similar known characteristics. If not specified, members are assumed to be male.
<b>Inclusion of Deferred Vested Members:</b>	All deferred vested members are included in the valuation.
<b>Definition of Active Members:</b>	All active members of ICERS as of the valuation date.
<b>Form of Payment:</b>	All active and inactive members are assumed to elect the unmodified option at retirement.
<b>Percent Married:</b>	For all active and inactive members, 75% of male members and 55% of female members are assumed to be married at pre-retirement death or retirement.
<b>Age and Gender of Spouse:</b>	For all active and inactive members, male members are assumed to have a female spouse who is 2 years younger than the member and female members are assumed to have a male spouse who is 2 years older than the member.
<b>Terminal Pay Assumptions:</b>	None.
<b>Sick Leave Conversion:</b>	Conversion of 22 hours for General (36 hours for Safety) for each year of service.

## Section 4: Actuarial Valuation Basis

### Actuarial Funding Policy

<b>Actuarial Cost Method:</b>	Entry Age Actuarial Cost Method. Entry Age is the age on the valuation date minus years of service. Normal Cost and Actuarial Accrued Liability are calculated on an individual basis and are based on costs allocated as a level percentage of compensation, as if the current benefit formula for each individual has always been in effect (i.e., “replacement life within a tier”).
<b>Actuarial Value of Assets:</b>	Market value of assets (MVA) less unrecognized returns in each of the last nine semi-annual interest crediting periods. Unrecognized returns are equal to the difference between the actual market return and the expected return on the market value, and are recognized semi-annually over a five-year period. Deferred gains and losses as of June 30, 2019 have been combined and will be recognized in equal amounts over a period of four and a half years from that date. The actuarial value of assets (AVA) is limited by a 30% corridor; the AVA cannot be less than 70% of MVA, nor greater than 130% of MVA.
<b>Valuation Value of Assets:</b>	The Actuarial Value of Assets reduced by the value of the non-valuation reserves.
<b>Amortization Policy:</b>	<p>The Unfunded Actuarial Accrued Liability associated with the Regular Legacy Benefit as of June 30, 2012 is amortized over a declining 19-year period (with 11 years remaining as of June 30, 2020).</p> <p>The Unfunded Actuarial Accrued Liability associated with the Supplemental UAAL relief for Safety members is amortized over a declining 19-year period (with 11 years remaining as of June 30, 2020).</p> <p>Any new UAAL emerging after June 30, 2012 that arises due to actuarial gains or losses will be amortized over a 15-year closed period. Any change in UAAL as a result of a change in actuarial assumptions or methods will be amortized over a 20-year closed period. Any change in UAAL that arises due to plan amendments will be amortized over a 15-year closed period and any change in UAAL due to temporary retirement incentive programs will be amortized over a 5-year closed period. If ICERS becomes overfunded, such surplus and any subsequent surpluses will be amortized over an open amortization period of 30 years.</p>

## Section 4: Actuarial Valuation Basis

### Other Actuarial Methods

#### **Employer Contributions:**

Employer contributions consist of two components:

##### *Normal Cost*

The annual contribution rate that, if paid annually from a member's first year of membership through the year of retirement, would accumulate to the amount necessary to fully fund the member's retirement-related benefits. Accumulation includes annual crediting of interest at the assumed investment earning rate. The contribution rate is expressed as a level percentage of the member's compensation.

##### *Contribution to the Unfunded Actuarial Accrued Liability (UAAL)*

The annual contribution rate that, if paid annually over the UAAL amortization period, would accumulate to the amount necessary to fully fund the UAAL. Accumulation includes annual crediting of interest at the assumed investment earning rate. The contribution (or rate credit in the case of a negative UAAL) is calculated to remain as a level percentage of future active member payroll (including payroll for new members as they enter the System) assuming a constant number of active members. In order to remain as a level percentage of payroll, amortization payments (credits) are scheduled to increase at the annual rate of 3.25% (i.e., 2.75% inflation plus 0.50% across-the-board salary increase).

The amortization policy is described on the previous page.

The recommended employer contributions are provided in *Section 2, Subsection D*.

## Section 4: Actuarial Valuation Basis

### Member Contributions:

#### General Legacy and Safety Legacy Members

Articles 6 and 6.8 of the 1937 Act define the methodology to be used in the calculation of member basic contribution rates for General Legacy members and Safety Legacy members, respectively.

The basic contribution rate for the Regular benefit is determined so that the accumulation of a member's basic contributions made in a given year until a certain age will be sufficient to fund an annuity at that age that is equal to 1/120 of Final Average Salary for General and 1/100 of Final Average Salary for Safety. That age is 55 for all General and 50 for all Safety.

It is assumed that contributions are made annually at the same rate, starting at entry age. In addition to their basic contributions for the Regular benefit, members pay one-half of the total normal cost necessary to fund their cost-of-living Regular benefit. Accumulation includes semi-annual crediting of interest at the assumed investment earning rate.

Members pay the additional Normal Cost attributable to the difference between the Total (i.e., Regular plus Supplemental) and Regular benefits. In addition, members also pay for the cost of any unfunded actuarial accrued liability attributable to the difference between the Total and the Regular benefits.

#### General Tier 3 and Safety Tier 3 Members

Pursuant to Section 7522.30(a) of the Government Code, General Tier 3 and Safety Tier 3 members are required to contribute at least 50% of the Normal Cost rate. In addition, there are certain additional requirements that would have to be met such as requiring the new employees to pay the contribution rate of "similarly situated employees", if it is greater (reference: Section 7522.30(c)). We further understand that different rules may have to be applied for collectively bargained employees, non-represented, managerial or other supervisory employees (reference: Section 7522.30(e)). In preparing the Normal Cost rates in this report, we have assumed that exactly 50% of the Normal Cost would be paid by the new members and we have taken into account in this valuation only the requirements of Section 7522.30(c), but not requirements of Section 7522.30(e).

Members also pay for the cost of any unfunded actuarial accrued liability (UAAL) for General Legacy and Safety Legacy Tiers attributable to the difference between the Total (i.e., Regular plus Supplemental) and the Regular benefits.

The results of this valuation reflect agreements in effect for the County to pick up the Supplemental UAAL contributions for the Tier 3 members. According to a list provided by ICERS on August 26, 2020, all bargaining units covering General Tier 3 and Safety Tier 3 members have reached this agreement with the County. Members belonging to the bargaining units that have reached this agreement (referenced in this valuation report as "Employer Picks Up Supplemental UAAL") have a separate set of Tier 3 employer and member contribution rates that differ from the Tier 3 employer and member contribution rates for members who are not a part of the bargaining units that have reached this agreement (referenced in this valuation report as "Member Pays Supplemental UAAL"). We understand that General Tier 3 members who are employed by the Courts or one of the other districts are not covered by such an agreement.

The member contribution rates for all members are provided in *Section 4, Exhibit III*.

## Section 4: Actuarial Valuation Basis

### **Internal Revenue Code Section 415:**

Section 415 of the Internal Revenue Code (IRC) specifies the maximum benefits that may be paid to an individual from a defined benefit plan and the maximum amounts that may be allocated each year to an individual's account in a defined contribution plan.

A qualified pension plan may not pay benefits in excess of the Section 415 limits. The ultimate penalty for non-compliance is disqualification: active participants could be taxed on their vested benefits and the IRS may seek to tax the income earned on the plan's assets.

In particular, Section 415(b) of the IRC limits the maximum annual benefit payable at the Normal Retirement Age to a dollar limit of \$160,000 indexed for inflation. That limit is \$230,000 for 2020. Normal Retirement Age for these purposes is age 62. These are the limits in simplified terms. They must be adjusted based on each participant's circumstances, for such things as age at retirement, form of benefits chosen and after tax contributions.

Plan A benefits in excess of the limits may be paid through a qualified governmental excess plan that meets the requirements of Section 415(m).

Legal Counsel's review and interpretation of the law and regulations should be sought on any questions in this regard.

Plan A contribution rates determined in this valuation have not been reduced for the Section 415 limitations. Actual limitations will result in gains as they occur.

## Section 4: Actuarial Valuation Basis

<b>Changed Actuarial Assumptions:</b>	Based on the Actuarial Experience Study, the following assumptions were changed. Previously, these assumptions and methods were as follows:
<b>Prior Actuarial Assumptions:</b>	
<b><u>Economic Assumptions</u></b>	
<i>Net Investment Return:</i>	7.25%; net of investment expenses.
<i>Administrative Expenses:</i>	1.80% of payroll allocated to both the employer and member based on the components of the total average contribution rate (before expenses) for the employer and member. The administrative expense load is added to the Regular Basic rates for employers and members.
<i>Member Contribution Crediting Rate:</i>	3.00%
<i>Consumer Price Index:</i>	Increase of 3.00% per year, retiree COLA increases due to CPI subject to a 2.00% maximum change per year for all General and Safety.
<i>Payroll Growth:</i>	Increase of 3.00% per year plus real “across the board” salary increases of 0.50% per year.
<i>Increase in Internal Revenue Code Section 401(a)(17) Compensation Limit:</i>	Increase of 3.00% per year from the valuation date.
<i>Increase in Section 7522.10 Compensation Limit:</i>	Increase of 3.00% per year from the valuation date.

## Section 4: Actuarial Valuation Basis

### Prior Actuarial Assumptions (continued):

*Salary Increases:*

The annual rate of compensation increase includes: inflation at 3.00%, plus “across the board” salary increases of 0.50% per year, plus the following merit and promotion increases:

Years of Service	Rate (%)	
	General	Safety
Less than 1	4.75	8.00
1 – 2	4.50	6.25
2 – 3	4.25	5.50
3 – 4	4.00	5.50
4 – 5	3.50	4.00
5 – 6	3.25	3.50
6 – 7	3.00	3.25
7 – 8	2.75	3.25
8 – 9	2.75	3.25
9 – 10	2.75	3.25
10 – 11	2.50	2.50
11 – 12	2.25	2.00
12 – 13	2.00	1.50
13 – 14	1.75	1.50
14 – 15	1.50	1.50
15 & Over	1.25	1.25

## Section 4: Actuarial Valuation Basis

### Prior Actuarial Assumptions (continued):

#### Demographic Assumptions:

##### *Post-Retirement Mortality Rates:*

##### *Healthy*

- **General and Safety Members and All Beneficiaries:** Headcount-Weighted RP-2014 Healthy Annuitant Mortality Table, projected 20 years with the two-dimensional projection scale MP-2016, set forward one year

##### *Disabled*

- **General and Safety Members:** Headcount-Weighted RP-2014 Healthy Annuitant Mortality Table, projected 20 years with the two-dimensional projection scale MP-2016, set forward seven years for males and set forward five years for females

##### *Pre-Retirement Mortality Rates:*

- **General and Safety Members:** Headcount-Weighted RP-2014 Employee Mortality Tables projected 20 years with the two-dimensional MP-2016 projection scale

Age	Rate (%) <sup>1</sup>			
	General		Safety	
	Male	Female	Male	Female
20	0.04	0.02	0.04	0.02
25	0.05	0.02	0.05	0.02
30	0.05	0.02	0.05	0.02
35	0.06	0.03	0.06	0.03
40	0.07	0.04	0.07	0.04
45	0.10	0.07	0.10	0.07
50	0.17	0.12	0.17	0.12
55	0.28	0.18	0.28	0.18
60	0.47	0.26	0.47	0.26
65	0.83	0.38	0.83	0.38

For General members, all pre-retirement deaths are assumed to be non-service connected.

For Safety members, 50% of pre-retirement deaths are assumed to be non-service connected and the other 50% are assumed to be service connected.

<sup>1</sup> Generational projections beyond the base year (2014) are not reflected in the above mortality rates.

## Section 4: Actuarial Valuation Basis

### Prior Actuarial Assumptions (continued):

#### *Mortality Rates for Member Contributions:*

- **General Members:** Headcount-Weighted RP-2014 Healthy Annuitant Mortality Table, projected 20 years with the two-dimensional projection scale MP-2016, set forward one year, weighted 30% male and 70% female
- **Safety Members:** Headcount-Weighted RP-2014 Healthy Annuitant Mortality Table, projected 20 years with the two-dimensional projection scale MP-2016, set forward one year, weighted 80% male and 20% female

#### *Disability Incidence Rates:*

Age	Rate (%)		
	General		Safety
	Male	Female	Male and Female
20	0.000	0.000	0.020
25	0.006	0.006	0.038
30	0.010	0.022	0.230
35	0.016	0.054	0.500
40	0.050	0.088	0.780
45	0.088	0.130	1.110
50	0.142	0.180	2.000
55	0.236	0.260	2.500
60	0.310	0.420	2.500
65	0.132	0.200	1.000

60% of General disabilities are assumed to be service connected disabilities. The other 40% are assumed to be non-service connected disabilities.

100% of Safety disabilities are assumed to be service connected disabilities.

## Section 4: Actuarial Valuation Basis

### Prior Actuarial Assumptions (continued):

#### Termination Rates:

#### Less Than Five Years of Service

Years of Service	Rate (%)	
	General	Safety
Less than 1	18.50	10.00
1 – 2	9.00	9.00
2 – 3	7.50	8.00
3 – 4	6.50	6.00
4 – 5	6.50	6.00

#### Five or More Years of Service

Age	Rate (%)	
	General	Safety
20	6.00	5.50
25	6.00	5.20
30	5.40	4.10
35	4.40	3.05
40	3.70	2.30
45	3.20	1.70
50	3.00	0.60
55	3.00	0.00
60	2.40	0.00

#### Proportion of Total Terminations Assumed to Receive Refunds and Deferred Vested Benefits

Years of Service	Rate (%)	
	Refunds	Deferred Vested Benefits
0 – 4	100.00	0.00
5 – 9	45.00	55.00
10 – 14	40.00	60.00
15 – 19	30.00	70.00
20 & Over	0.00	100.00

No termination is assumed after a member is eligible for retirement (as long as a retirement rate is present).

## Section 4: Actuarial Valuation Basis

### Prior Actuarial Assumptions (continued):

#### Retirement Rates:

Age	Rate <sup>1</sup> (%)			
	General		Safety	
	Legacy	Tier 3	Legacy	Tier 3
48	0.00	0.00	0.00	0.00
49	0.00	0.00	3.00	0.00
50	2.00	0.00	9.00	8.00
51	2.00	0.00	18.00	7.00
52	3.00	3.00	18.00	11.00
53	3.00	2.00	15.00	12.00
54	5.00	3.00	15.00	12.00
55	6.00	4.00	17.00	14.00
56	7.00	5.50	17.00	14.00
57	9.00	7.50	25.00	14.00
58	11.00	7.50	25.00	10.00
59	13.00	9.50	25.00	10.00
60	15.00	11.00	40.00	40.00
61	17.00	11.00	40.00	40.00
62	20.00	15.00	40.00	40.00
63	25.00	20.00	40.00	40.00
64	30.00	21.00	40.00	40.00
65	30.00	26.00	50.00	50.00
66	30.00	28.00	50.00	50.00
67	30.00	30.00	50.00	50.00
68	40.00	40.00	50.00	50.00
69	40.00	40.00	50.00	50.00
70	40.00	40.00	100.00	100.00
71	40.00	40.00	100.00	100.00
72	40.00	40.00	100.00	100.00
73	40.00	40.00	100.00	100.00
74	40.00	40.00	100.00	100.00
75 & Over	100.00	100.00	100.00	100.00

<sup>1</sup> The retirement rates only apply to members that are eligible to retire at the age shown.

## Section 4: Actuarial Valuation Basis

### Prior Actuarial Assumptions (continued):

#### *Retirement Age and Benefit for Deferred Vested Members:*

For current and future deferred vested members, retirement assumptions are as follows:

General Retirement Age: 58

Safety Retirement Age: 54

Current deferred vested non-reciprocal members who terminate with less than five years of service are assumed to retire at age 70 for General and at age 60 for Safety if they decide to leave their contributions on deposit.

65% of future General and 75% of future Safety deferred vested members are assumed to continue to work for a reciprocal employer. For reciprocals, projected salary is calculated based on the salary increase assumption.

#### *Percent Married:*

For all active and inactive members, 80% of male members and 60% of female members are assumed to be married at pre-retirement death or retirement.

#### *Age and Gender of Spouse:*

For all active and inactive members, male members are assumed to have a female spouse who is 3 years younger than the member and female members are assumed to have a male spouse who is 2 years older than the member.

#### *Terminal Pay Assumptions:*

The following assumptions for terminal pay due to conversion of unused vacation and holiday compensation time as a percentage of final average pay are used:

- General Legacy: 5.00%
- Safety Legacy: 6.00%
- Tier 3: None

## Section 4: Actuarial Valuation Basis

### Exhibit II: Summary of Plan Provisions

This exhibit summarizes the major provisions of the Plan included in the valuation. It is not intended to be, nor should it be interpreted as, a complete statement of all plan provisions.

<b>Plan Year:</b>	July 1 through June 30
<b>Membership Eligibility:</b>	Membership with ICERS usually begins with the first day of the pay period following the date of appointment to a full-time position of at least 30 hours per week.
<i>General</i>	All General members terminated before July 1, 2005 will receive the General Regular Benefit. All General members terminated on or after July 1, 2005 with membership dates prior to January 1, 2013 will receive the Regular plus Supplemental Benefit. All other General members will receive the CalPEPRA Benefit (Tier 3).
<i>Safety</i>	All Safety members with membership dates prior to January 1, 2013 will receive the Regular plus Supplemental Benefit. All other Safety members will receive the CalPEPRA Benefit (Tier 3).
<b>Final Compensation for Benefit Determination:</b>	
<i>General Legacy and Safety Legacy</i>	Highest consecutive 12 months of compensation earnable (§31462.1) (FAS1).
<i>Tier 3</i>	Highest consecutive 36 months of pensionable compensation (§7522.32) (FAS3).
<b>Service:</b>	Years of service (Yrs) are generally based on a member's employment during a period of time for which deductions are made from their compensation.
<b>Service Retirement Eligibility:</b>	
<i>General Legacy</i>	Age 50 with 10 years of service, or age 70 regardless of service, or after 30 years regardless of age (§31672).
<i>General Tier 3</i>	Age 52 with 5 years of service (§7522.20(a)), or age 70 regardless of service (§31672.3).
<i>Safety Legacy</i>	Age 50 with 10 years of service, or age 60 regardless of service, or after 20 years regardless of age (§31663.25).
<i>Safety Tier 3</i>	Age 50 with 5 years of service (§7522.25(d)), or age 70 regardless of service (§31672.3).

## Section 4: Actuarial Valuation Basis

### Benefit Formula:

*General Regular (§31676.11)*

#### Retirement Age

#### Benefit Formula

50

1.24% x FAS1 x Yrs

55

1.67% x FAS1 x Yrs

60

2.18% x FAS1 x Yrs

65 & Over

2.61% x FAS1 x Yrs

*General Regular Plus  
Supplemental (§31676.14)*

#### Retirement Age

#### Benefit Formula

50

1.48% x FAS1 x Yrs

55

1.95% x FAS1 x Yrs

60

2.44% x FAS1 x Yrs

65 & Over

2.61% x FAS1 x Yrs

*General Tier 3 (§7522.20(a))*

#### Retirement Age

#### Benefit Formula

52

1.00% x FAS3 x Yrs

55

1.30% x FAS3 x Yrs

60

1.80% x FAS3 x Yrs

62

2.00% x FAS3 x Yrs

65

2.30% x FAS3 x Yrs

67 & Over

2.50% x FAS3 x Yrs

*Safety Regular (§31664)*

#### Retirement Age

#### Benefit Formula

50

2.00% x FAS1 x Yrs

55 & Over

2.62% x FAS1 x Yrs

*Safety Regular Plus  
Supplemental (§31664.1)*

#### Retirement Age

#### Benefit Formula

50 & Over

3.00% x FAS1 x Yrs

*Safety Tier 3 (§7522.25(d))*

#### Retirement Age

#### Benefit Formula

50

2.00% x FAS3 x Yrs

55

2.50% x FAS3 x Yrs

57 & Over

2.70% x FAS3 x Yrs

## Section 4: Actuarial Valuation Basis

### Maximum Benefit:

<i>General Legacy and Safety Legacy</i>	100% of Highest Average Compensation (§31676.11, §31676.14, §31664, and §31664.1).
<i>Tier 3</i>	There is no final compensation limit on the maximum retirement benefit.

### Non-Service Connected Disability:

<i>All Members</i>	
<i>Eligibility</i>	Five years of service (§31720).
<i>Benefit Formula</i>	20% of Final Compensation for the first five years of service plus 2% for each year of additional service for a maximum of 40% of Final Compensation (§31727.7). The service retirement benefit is paid, if greater

### Service Connected Disability:

<i>All Members</i>	
<i>Eligibility</i>	No age or service requirements (§31720).
<i>Benefit Formula</i>	50% of the Final Compensation or 100% of Service Retirement benefit, if greater (§31727.4).

## Section 4: Actuarial Valuation Basis

### Pre-Retirement Death:

#### All Members

<i>Eligibility</i>	No age or service requirements.
<i>Basic lump sum benefit</i>	Refund of employee contributions with interest, plus one month's compensation for each year of service, to a maximum of six months' compensation (§31781).
<i>Line-of-Duty Death</i>	50% of Final Compensation or 100% of Service Retirement benefit, if greater, payable to spouse or minor children (§31787).

#### Vested Members

<i>Eligibility</i>	Five years of service.
<i>Basic benefit</i>	60% of the greater of Service Retirement or Ordinary Disability Retirement benefit payable to surviving eligible spouse (§31765.1, §31781.1), in lieu of the basic lump sum benefit above.
<i>Line-of-Duty Death</i>	50% of Final compensation or 100% of Service Retirement benefit, if greater, payable to spouse or minor children (§31787).

#### Safety Members

<i>Eligibility</i>	No age or service requirements.
<i>Violent Death</i>	Lump sum of twelve months' compensation.

### Death After Retirement:

#### All Members

<i>Service Retirement or Non Service Connected Disability Retirement</i>	60% of member's unmodified allowance continued to eligible spouse (§31760.1) and \$5,000 lump sum benefit payable to member's beneficiary (§31789.3). An eligible spouse is a surviving spouse who was married to the member at least one year prior to the date of retirement (§31760.1) or at least two years prior to the date of death and has attained age 55 on or prior to the date of death (§31786.1).
<i>Line-of-Duty Disability</i>	100% of member's allowance continued to eligible spouse (§31786).

### Withdrawal Benefits:

#### Less than Five Years of Service

Refund of accumulated employee contributions with interest, or earned benefit at age 70 (§31628). Effective January 1, 2003, a member may also elect to leave contributions on deposit in the retirement fund (§31629.5).

#### Five or More Years of Service

If contributions left on deposit, a member is entitled to earned benefits commencing at any time after eligible to retire (§31700).

## Section 4: Actuarial Valuation Basis

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### **Post-Retirement Cost-of-Living Benefits:**

*General and Safety*

Future changes based on Consumer Price Index to a maximum of 2% per year; excess “banked” (§31870).

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### **Compensation Earnable:**

*General and Safety Legacy*

Includes base pay plus uniform allowance, shift differential, on-call pay, bilingual pay, training officer stipend, bomb stipend, EMT/paramedic stipend, firefighters in lieu of holiday pay, resident duty pay, educational allowance, annual vacation buyback (dept. heads and management only), staff stipend, in lieu of mileage, and sick leave buyback.

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### **Pensionable Compensation:**

*General and Safety Legacy*

Includes base pay plus shift differential, on-call pay, bilingual pay, training officer stipend, bomb stipend, EMT/paramedic stipend, firefighters in lieu of holiday pay, hazardous stipend, educational allowance, and staff stipend.

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## Section 4: Actuarial Valuation Basis

<b>Member Contributions:</b>	Please refer to <i>Section 4, Exhibit III</i> for specific rates.
<i>General Legacy</i>	
<i>Basic Regular</i>	Entry age based rates that provide for an annuity at age 60 equal to 1/100 of FAS1 (§31621.2).
<i>Cost-of-Living Regular</i>	Entry age based rates that provide for one-half of future Cost-of-Living costs.
<i>Supplemental</i>	Members pay the additional Normal Cost attributable to the difference between the Total (i.e., Regular and Supplemental benefits) and Regular benefits. In addition, members also pay for the cost of any unfunded actuarial accrued liability attributable to the difference between the Total and the Regular benefits.
<i>Employer Pickup</i>	3% of pay.
<i>General Tier 3</i>	Non-entry age based rates that provide for 50% of total Normal Cost Rate.
<i>Supplemental UAAL</i>	Members also pay, as the same level percentage salary as all other General members, the cost of any unfunded actuarial accrued liability attributable to the difference between the Total and the Regular benefits for General Legacy members.
<i>Employer Pickup</i>	Certain General County bargaining units have reached an agreement for the employer to pick up the Supplemental UAAL contributions for the Tier 3 members. Details are provided in <i>Section 4, Exhibit I</i> .
<i>Safety Legacy</i>	
<i>Basic Regular</i>	Entry age based rates that provide for an annuity at age 50 equal to 1/100 of FAS1 (§31639.25).
<i>Cost-of-Living Regular</i>	Entry age based rates that provide for one-half of future Cost-of-Living costs.
<i>Supplemental</i>	Members pay the additional Normal Cost attributable to the difference between the Total (i.e., Regular and Supplemental benefits) and Regular benefits. In addition, members also pay for the cost of any unfunded actuarial accrued liability attributable to the difference between the Total and the Regular benefits.
<i>Employer Pickup</i>	3% of pay.
<i>Safety Tier 3</i>	Non-entry age based rates that provide for 50% of total Normal Cost Rate.
<i>Supplemental UAAL</i>	Members also pay, as the same level percentage salary as all other Safety members, the cost of any unfunded actuarial accrued liability attributable to the difference between the Total and the Regular benefits for Safety Legacy members.
<i>Employer Pickup</i>	All Safety County bargaining units have reached an agreement for the employer to pick up the Supplemental UAAL contributions for the Tier 3 members. Details are provided in <i>Section 4, Exhibit I</i> .
<b>Other Information:</b>	Safety Legacy members with 30 or more years of service are exempt from paying member contributions. The same applies for General Legacy members hired on or before March 7, 1973.

## Section 4: Actuarial Valuation Basis

### **Changed Plan Provisions:**

On July 30, 2020, the California Supreme Court issued a decision in the Alameda County Deputy Sheriff's Assoc. et. al., v. Alameda County Employees' Retirement Assn. litigation that clarified what should be considered pensionable compensation for that and other similarly situated 1937 Act county employees retirement systems. In response to the Alameda Decision, the Board adopted Resolution 2020-2. Based on our discussions with ICERS staff, we have been directed to eliminate the terminal pay assumption used in our prior valuations to anticipate cashout of unused vacation and holiday compensatory time included in Legacy members' final 12-month compensation earnable for the calculation of retirement benefits.

Note: The summary of major plan provisions is designed to outline principal plan benefits as interpreted for purposes of the actuarial valuation. If the System should find the plan summary not in accordance with the actual provisions, the System should alert the actuary so they can both be sure the proper provisions are valued.

## Section 4: Actuarial Valuation Basis

### Exhibit III: Member Contribution Rates

Comparison of Total Member Rate from June 30, 2020 (New)<sup>1</sup> and June 30, 2019 (Current)<sup>2</sup> Valuations:

General Legacy			
Entry Age	Current	New	Change
25	9.76%	10.55%	<b>0.79%</b>
35	11.26%	12.09%	<b>0.83%</b>
45	12.77%	13.89%	<b>1.12%</b>

Safety Legacy			
Entry Age	Current	New	Change
25	22.79%	25.92%	<b>3.13%</b>
35	25.13%	28.33%	<b>3.20%</b>
45	26.58%	30.18%	<b>3.60%</b>

General Tier 3 (Member Pays Supplemental UAAL)			
Entry Age	Current	New	Change
Any	9.82%	11.27%	<b>1.45%</b>

Safety Tier 3 (Member Pays Supplemental UAAL)			
Entry Age	Current	New	Change
Any	19.69%	23.09%	<b>3.40%</b>

General Tier 3 (Employer Picks Up Supplemental UAAL)			
Entry Age	Current	New	Change
Any	9.20%	10.33%	<b>1.13%</b>

Safety Tier 3 (Employer Picks Up Supplemental UAAL)			
Entry Age	Current	New	Change
Any	14.48%	16.11%	<b>1.63%</b>

<sup>1</sup> Includes an explicit administrative expense load of 0.66% payroll that have been allocated to the New member contribution rates.

<sup>2</sup> Includes an explicit administrative expense load of 0.63% payroll that have been allocated to the Current member contribution rates.

## Section 4: Actuarial Valuation Basis

### Exhibit III: Member Contribution Rates (continued)

General Legacy Members' Contribution Rates Based on the June 30, 2020 Actuarial Valuation  
(as a % of monthly payroll)

General Legacy					
Entry Age	Basic	COLA	Supplemental <sup>1</sup>	Pickup	Total
15	7.21%	1.75%	3.43%	(3.00%)	9.39%
16	7.21%	1.75%	3.43%	(3.00%)	9.39%
17	7.31%	1.78%	3.43%	(3.00%)	9.52%
18	7.40%	1.80%	3.43%	(3.00%)	9.63%
19	7.50%	1.83%	3.43%	(3.00%)	9.76%
20	7.60%	1.86%	3.43%	(3.00%)	9.89%
21	7.70%	1.88%	3.43%	(3.00%)	10.01%
22	7.81%	1.91%	3.43%	(3.00%)	10.15%
23	7.91%	1.94%	3.43%	(3.00%)	10.28%
24	8.02%	1.97%	3.43%	(3.00%)	10.42%
25	8.12%	2.00%	3.43%	(3.00%)	10.55%
26	8.23%	2.03%	3.43%	(3.00%)	10.69%
27	8.35%	2.06%	3.43%	(3.00%)	10.84%
28	8.46%	2.09%	3.43%	(3.00%)	10.98%
29	8.58%	2.12%	3.43%	(3.00%)	11.13%
30	8.70%	2.15%	3.43%	(3.00%)	11.28%
31	8.82%	2.18%	3.43%	(3.00%)	11.43%
32	8.94%	2.22%	3.43%	(3.00%)	11.59%
33	9.07%	2.25%	3.43%	(3.00%)	11.75%
34	9.21%	2.29%	3.43%	(3.00%)	11.93%
35	9.34%	2.32%	3.43%	(3.00%)	12.09%
36	9.48%	2.36%	3.43%	(3.00%)	12.27%
37	9.63%	2.40%	3.43%	(3.00%)	12.46%
38	9.78%	2.44%	3.43%	(3.00%)	12.65%
39	9.95%	2.49%	3.43%	(3.00%)	12.87%

## Section 4: Actuarial Valuation Basis

### Exhibit III: Member Contribution Rates (continued)

General Legacy (continued)					
Entry Age	Basic	COLA	Supplemental <sup>1</sup>	Pickup	Total
40	10.12%	2.53%	3.43%	(3.00%)	13.08%
41	10.27%	2.57%	3.43%	(3.00%)	13.27%
42	10.44%	2.62%	3.43%	(3.00%)	13.49%
43	10.58%	2.65%	3.43%	(3.00%)	13.66%
44	10.68%	2.68%	3.43%	(3.00%)	13.79%
45	10.76%	2.70%	3.43%	(3.00%)	13.89%
46	10.83%	2.72%	3.43%	(3.00%)	13.98%
47	10.91%	2.74%	3.43%	(3.00%)	14.08%
48	10.97%	2.76%	3.43%	(3.00%)	14.16%
49	11.03%	2.77%	3.43%	(3.00%)	14.23%
50	11.06%	2.78%	3.43%	(3.00%)	14.27%
51	11.05%	2.78%	3.43%	(3.00%)	14.26%
52	10.98%	2.76%	3.43%	(3.00%)	14.17%
53	10.89%	2.74%	3.43%	(3.00%)	14.06%
54 & Over	10.78%	2.71%	3.43%	(3.00%)	13.92%

Interest:	7.00% per annum
COLA:	2.00%
Administrative Expenses:	0.66% of payroll added to Basic rates
Mortality:	See <i>Section 4, Exhibit I</i>
Salary Increase:	Inflation (2.75%) + Across-the-Board Increase (0.50%) + Merit (See <i>Section 4, Exhibit I</i> )
COLA Loading Factor:	26.76% for Regular benefits, applied to Basic rates prior to adjustment for administrative expenses
Non-Refundability Factor:	91.30%
Terminal Pay:	0.00%

<sup>1</sup> The breakdown of the Supplemental Benefit into Normal Cost and UAAL rates is as follows:

Normal Cost:	2.49%
UAAL:	<u>0.94%</u>
Total:	3.43%

## Section 4: Actuarial Valuation Basis

### Exhibit III: Member Contribution Rates (continued)

General Tier 3 Members' Contribution Rates Based on the June 30, 2020 Actuarial Valuation  
(as a % of monthly payroll)<sup>1</sup>

<b>General Tier 3 (Member Pays Supplemental UAAL)</b>				
<b>Entry Age</b>	<b>Basic</b>	<b>COLA</b>	<b>Legacy Supplemental UAAL</b>	<b>Total</b>
All Ages	8.51%	1.82%	0.94%	11.27%

<b>General Tier 3 (Employer Picks Up Supplemental UAAL)</b>				
<b>Entry Age</b>	<b>Basic</b>	<b>COLA</b>	<b>Legacy Supplemental UAAL</b>	<b>Total</b>
All Ages	8.51%	1.82%	0.00%	10.33%

The General Tier 3 member contribution rate is 50% of the Total Normal Cost (Basic + COLA) plus, as the same level percentage salary as all other General members, the cost of any unfunded actuarial accrued liability attributable to the difference between the Total and the Regular benefits for General Legacy members. The Basic rate shown above also includes an administrative expense load of 0.66% of payroll.

<sup>1</sup> It is our understanding that in the determination of pension benefits under the CalPEPRA formulas, the maximum compensation that can be taken into account for 2020 is equal to \$151,549 (reference: Section 7522.10). These amounts should be adjusted for changes to the Consumer Price Index for All Urban Consumers after 2020 (reference: Section 7522.10(d)).

## Section 4: Actuarial Valuation Basis

### Exhibit III: Member Contribution Rates (continued)

Safety Legacy Members' Contribution Rates Based on the June 30, 2020 Actuarial Valuation  
(as a % of monthly payroll)

Safety Legacy					
Entry Age	Basic	COLA	Supplemental <sup>1</sup>	Pickup	Total
15	9.49%	3.14%	14.59%	(3.00%)	24.22%
16	9.49%	3.14%	14.59%	(3.00%)	24.22%
17	9.62%	3.19%	14.59%	(3.00%)	24.40%
18	9.75%	3.24%	14.59%	(3.00%)	24.58%
19	9.88%	3.28%	14.59%	(3.00%)	24.75%
20	10.02%	3.33%	14.59%	(3.00%)	24.94%
21	10.16%	3.38%	14.59%	(3.00%)	25.13%
22	10.30%	3.43%	14.59%	(3.00%)	25.32%
23	10.44%	3.48%	14.59%	(3.00%)	25.51%
24	10.59%	3.53%	14.59%	(3.00%)	25.71%
25	10.74%	3.59%	14.59%	(3.00%)	25.92%
26	10.89%	3.64%	14.59%	(3.00%)	26.12%
27	11.05%	3.70%	14.59%	(3.00%)	26.34%
28	11.21%	3.76%	14.59%	(3.00%)	26.56%
29	11.38%	3.82%	14.59%	(3.00%)	26.79%
30	11.55%	3.88%	14.59%	(3.00%)	27.02%
31	11.73%	3.94%	14.59%	(3.00%)	27.26%
32	11.91%	4.00%	14.59%	(3.00%)	27.50%
33	12.10%	4.07%	14.59%	(3.00%)	27.76%
34	12.31%	4.15%	14.59%	(3.00%)	28.05%
35	12.52%	4.22%	14.59%	(3.00%)	28.33%
36	12.75%	4.30%	14.59%	(3.00%)	28.64%
37	12.99%	4.39%	14.59%	(3.00%)	28.97%
38	13.23%	4.47%	14.59%	(3.00%)	29.29%
39	13.40%	4.54%	14.59%	(3.00%)	29.53%

## Section 4: Actuarial Valuation Basis

### Exhibit III: Member Contribution Rates (continued)

Safety Legacy (continued)					
Entry Age	Basic	COLA	Supplemental <sup>1</sup>	Pickup	Total
40	13.46%	4.56%	14.59%	(3.00%)	29.61%
41	13.53%	4.58%	14.59%	(3.00%)	29.70%
42	13.62%	4.61%	14.59%	(3.00%)	29.82%
43	13.72%	4.65%	14.59%	(3.00%)	29.96%
44	13.81%	4.68%	14.59%	(3.00%)	30.08%
45	13.88%	4.71%	14.59%	(3.00%)	30.18%
46	13.80%	4.68%	14.59%	(3.00%)	30.07%
47	13.71%	4.65%	14.59%	(3.00%)	29.95%
48	13.60%	4.61%	14.59%	(3.00%)	29.80%
49 & Over	13.35%	4.52%	14.59%	(3.00%)	29.46%

Interest: 7.00% per annum  
 COLA: 2.00%  
 Administrative Expenses: 0.66% of payroll added to Basic rates  
 Mortality: See *Section 4, Exhibit I*  
 Salary Increase: Inflation (2.75%) + Across-the-Board Increase (0.50%) + Merit (See *Section 4, Exhibit I*)  
 COLA Loading Factor: 35.60% for Regular benefits, applied to Basic rates prior to adjustment for administrative expenses  
 Non-Refundability Factor: 92.51%  
 Terminal Pay: 0.00%

<sup>1</sup> The breakdown of the Supplemental Benefit into Normal Cost and UAAL rates is as follows:

Normal Cost:	7.61%
UAAL:	6.98%
Total:	14.59%

## Section 4: Actuarial Valuation Basis

### Exhibit III: Member Contribution Rates (continued)

Safety Tier 3 Members' Contribution Rates Based on the June 30, 2020 Actuarial Valuation  
(as a % of monthly payroll)<sup>1</sup>

<b>Safety Tier 3 (Member Pays Supplemental UAAL)</b>				
<b>Entry Age</b>	<b>Basic</b>	<b>COLA</b>	<b>Legacy Supplemental UAAL</b>	<b>Total</b>
All Ages	12.74%	3.37%	6.98%	23.09%

<b>Safety Tier 3 (Employer Picks Up Supplemental UAAL)</b>				
<b>Entry Age</b>	<b>Basic</b>	<b>COLA</b>	<b>Legacy Supplemental UAAL</b>	<b>Total</b>
All Ages	12.74%	3.37%	0.00%	16.11%

The Safety Tier 3 member contribution rate is 50% of the Total Normal Cost (Basic + COLA) plus, as the same level percentage salary as all other Safety members, the cost of any unfunded actuarial accrued liability attributable to the difference between the Total and the Regular benefits for Safety Legacy members. The Basic rate shown above also includes an administrative expense load of 0.66% of payroll.

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<sup>1</sup> It is our understanding that in the determination of pension benefits under the CalPEPRA formulas, the maximum compensation that can be taken into account for 2020 is equal to \$151,549 (reference: Section 7522.10). These amounts should be adjusted for changes to the Consumer Price Index for All Urban Consumers after 2020 (reference: Section 7522.10(d)).