



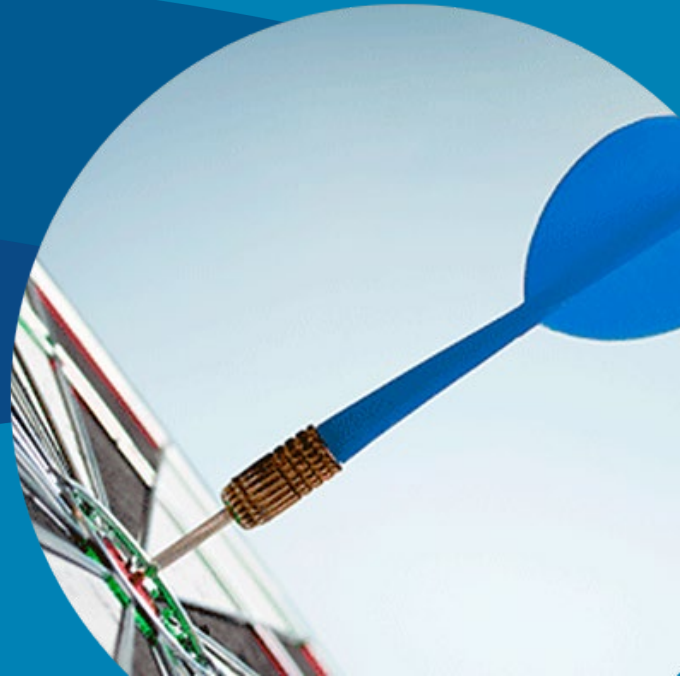
County Employees Retirement System

2023 Actuarial Valuation Results

December 4, 2023

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Comments on Valuation Results

- Board adopted new assumptions in May 2023
 - **Investment Return Assumption:** Increased to 6.50% for all funds
 - **Mortality:** Update the base mortality assumption to reflect recent experience (data dependent). Update the improvement assumption based on more recent published report (anticipated trend).
 - Increase disability mortality. No change to pre-retirement mortality
 - **Termination/Withdrawal:** Increase the rates of termination prior to retirement age
 - **Disability incidence:** Decrease the rate of disability incidence
 - **Individual salary increases:** Increase assumption at certain service intervals
 - **Cash Balance Interest Credit:** Increased to 6.75%

Comments on Valuation Results

- Change in active membership and payroll
 - Active membership increased across both funds
 - Non-Hazardous: 8% increase in membership payroll
 - Hazardous: 9% increase in membership payroll
- Overview of legislation passed in 2023
 - **HB 506:** reinstated the Partial Lump Sum Option Form of payment, and adjusted the minimum required separation period for return to work

Comments on Valuation Results

- FYE 2023 Investment Experience
 - 10% return on market value
 - Assumed rate of return: 6.25% (6.50% after the 2023 after the valuation date)
 - Fund assets \$600M more than expected for CERS (\$420M pension and \$180M insurance)
 - \$44M in asset gains recognized this year (\$33M pension and \$11M insurance)

Comments on Valuation Results

- Retirement Fund Liability Experience
 - \$328M loss for both retirement funds combined
 - Primarily attributed to salary increases greater than expected for individual active members
- Insurance Fund Liability Experience
 - \$331M loss for both insurance funds combined
 - 2024 Pre-Medicare premiums higher than expected partially offset by Medicare premiums lower than expected

Required Employer Contributions

	CERS Non-Hazardous		CERS Hazardous	
	2022 Val	2023 Val	2022 Val	2023 Val
(1)	(2)	(3)	(4)	(5)
Pension Fund	23.34%	19.71%	41.11%	36.49%
Insurance Fund	<u>0.00%</u>	<u>0.00%</u>	<u>2.58%</u>	<u>2.12%</u>
Actuarially Determined Contribution Rate, payable as a percentage of payroll	23.34%	19.71%	43.69%	38.61%
Difference		-3.63%		-5.08%

Note: 2022 Valuation set the contribution rates for FYE2024.

2023 Valuation will be used to set the contribution rates for FYE2025.

Required Employer Contributions (\$millions)

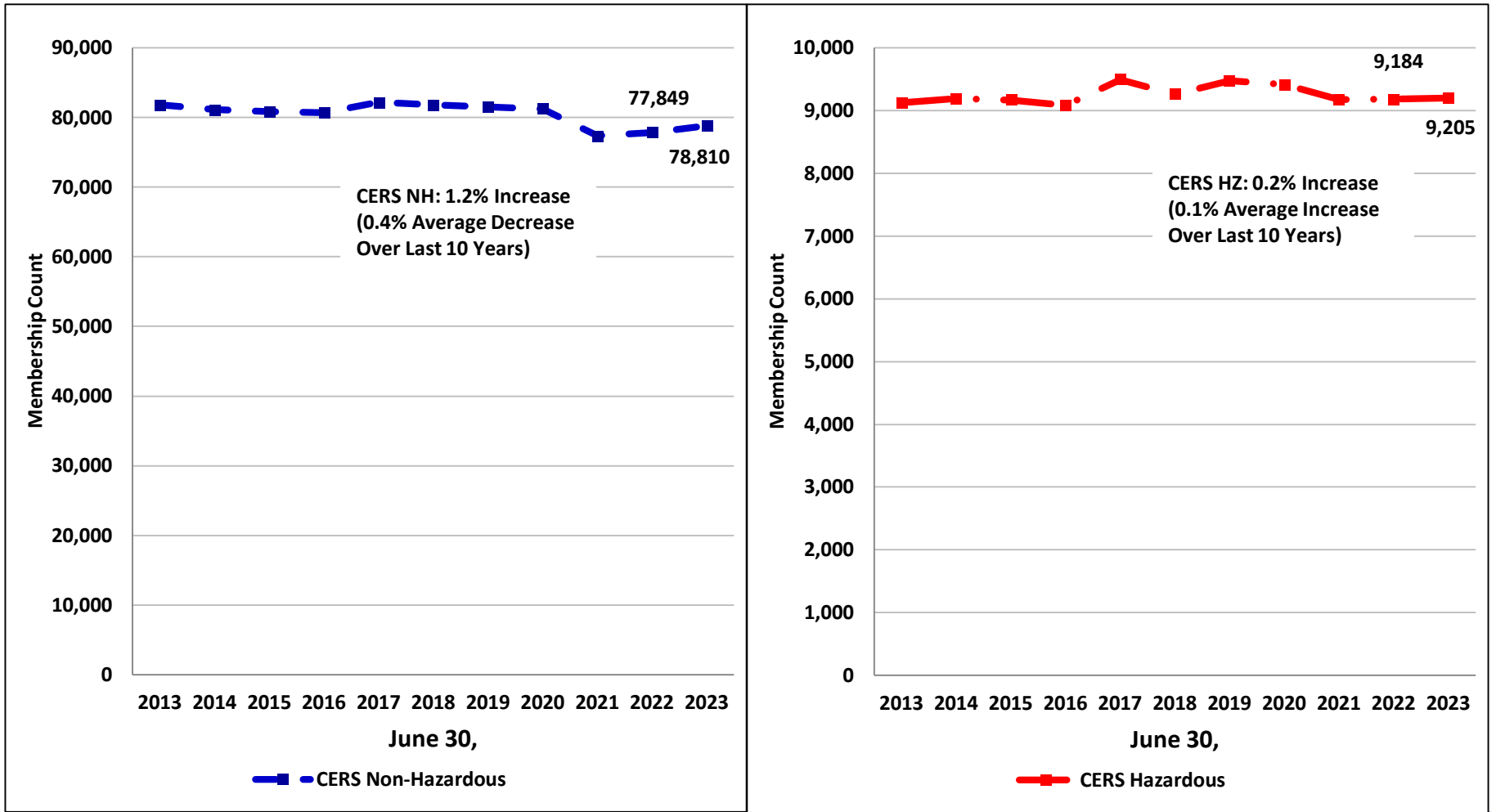
	CERS Non-Hazardous		CERS Hazardous	
	2022 Val	2023 Val	2022 Val	2023 Val
(1)	(2)	(3)	(4)	(5)
Pension Fund	\$641	\$583	\$260	\$252
Insurance Fund	<u>0</u>	<u>0</u>	<u>16</u>	<u>15</u>
Total Actuarially Determined Employer Contribution	\$641	\$583	\$276	\$267
Change in Actuarially Determined Employer Contribution		\$(58)		\$(9)

Note: 2022 Valuation set the contribution rates for FYE2024.
 2023 Valuation will be used to set the contribution rates for FYE2025.

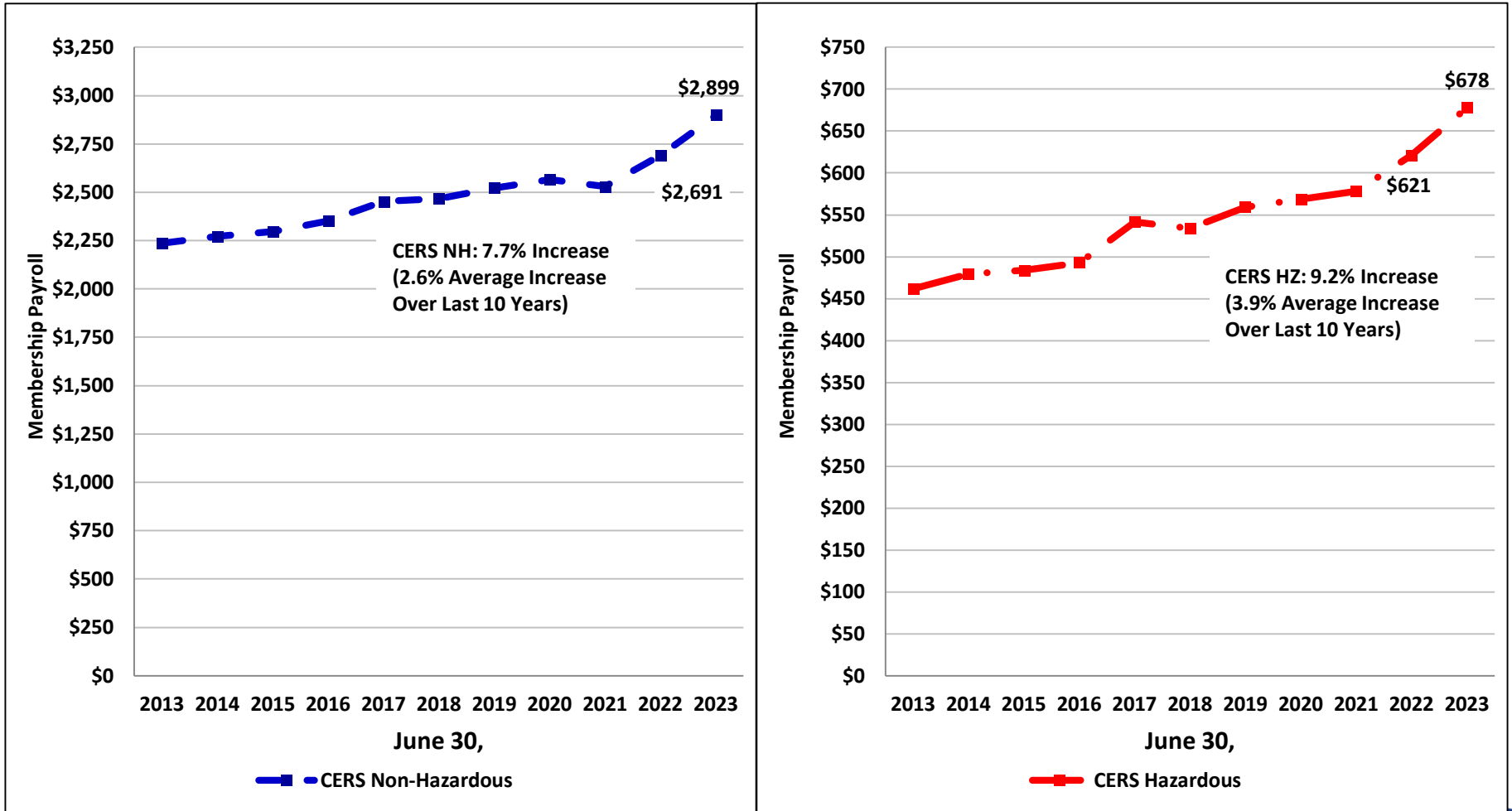
Unfunded Actuarial Accrued Liability – Actuarial Value of Asset Basis (\$ in Billions)

	CERS Non-Hazardous		CERS Hazardous	
	2022 Val	2023 Val	2022 Val	2023 Val
(1)	(2)	(3)	(4)	(5)
Pension Fund	\$7.53	\$6.71	\$3.07	\$2.84
Insurance Fund	<u>(0.77)</u>	<u>(0.81)</u>	<u>(0.02)</u>	<u>(0.01)</u>
Total Unfunded Actuarial Accrued Liability	\$6.76	\$5.91	\$3.06	\$2.83
Change in Unfunded Actuarial Accrued Liability		\$(0.85)		\$(0.23)

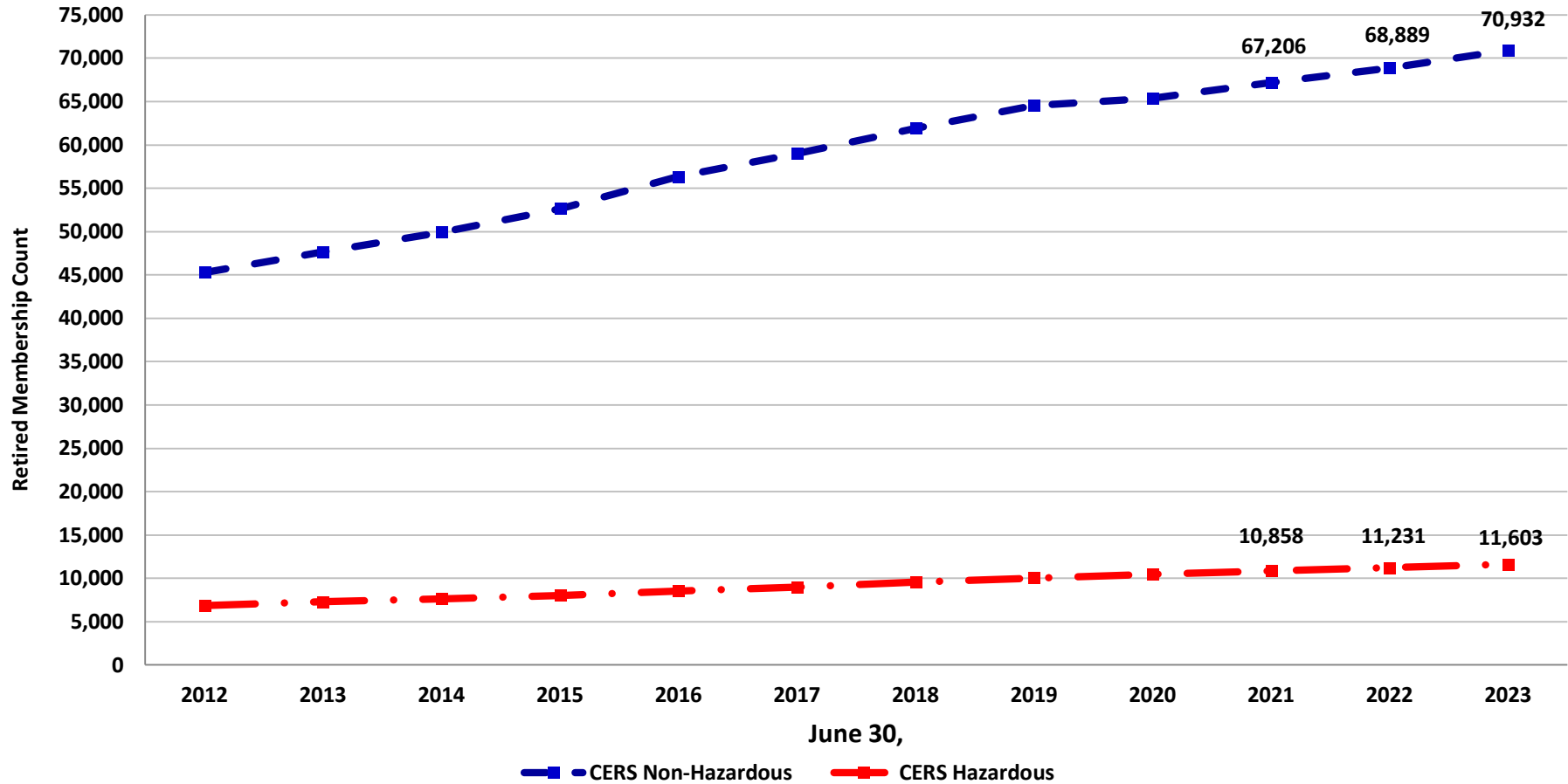
Active Membership Count



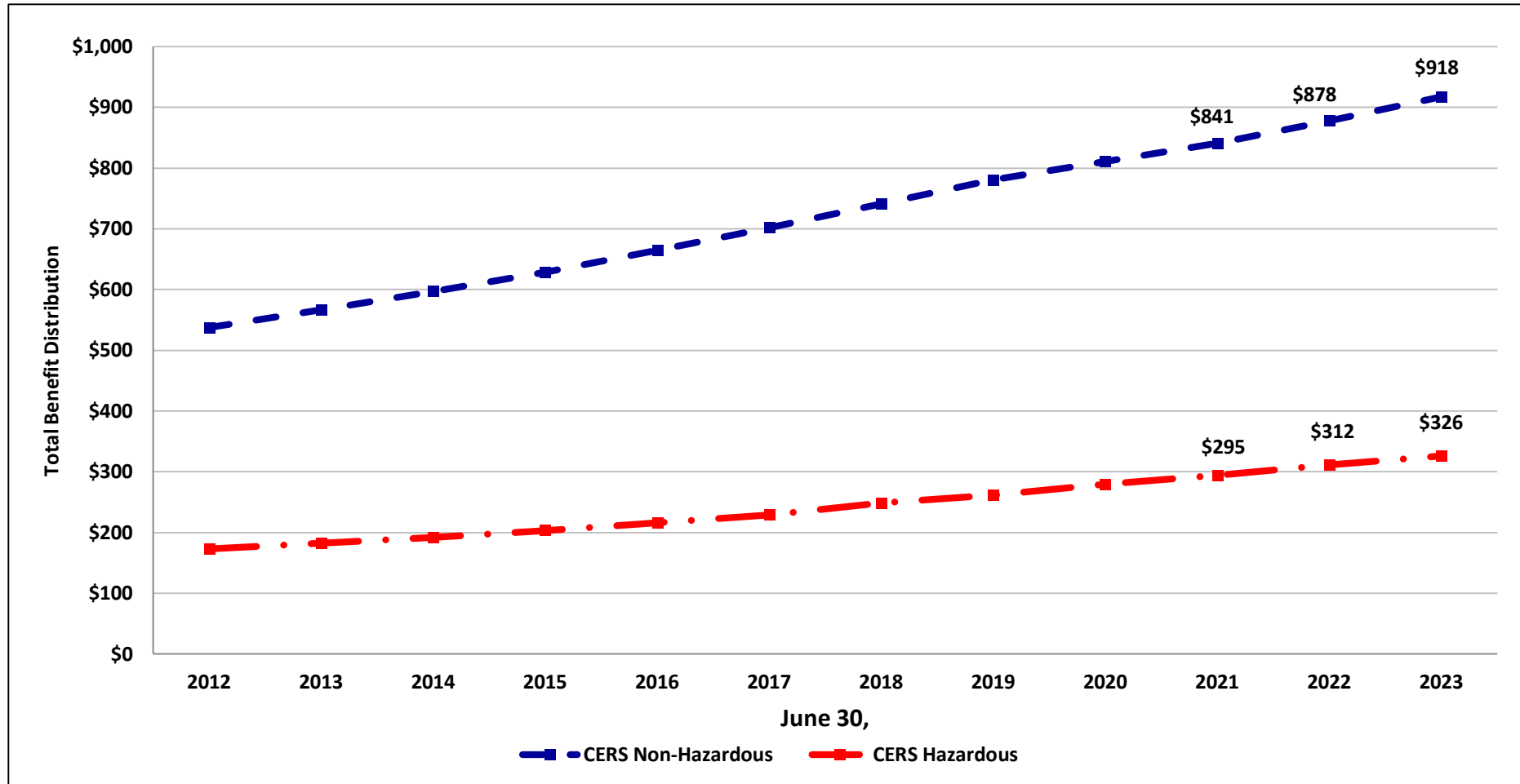
Membership Payroll (\$ in Millions)



Retired Membership Count



Pension Benefit Distributions (\$ in Millions)



Funding Results – CERS (\$ in millions)

Item	Non-Hazardous System				Hazardous System			
	Pension		Insurance		Pension		Insurance	
	2022	2023	2022	2023	2022	2023	2022	2023
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
Total Normal Cost Rate	10.22%	9.46%	2.69%	2.35%	18.02%	17.46%	4.50%	3.77%
Member Rate	<u>(5.00)%</u>	<u>(5.00)%</u>	<u>(0.59)%</u>	<u>(0.63)%</u>	<u>(8.00)%</u>	<u>(8.00)%</u>	<u>(0.59)%</u>	<u>(0.64)%</u>
Employer Normal Cost Rate	5.22%	4.46%	2.10%	1.72%	10.02%	9.46%	3.91%	3.13%
Administrative Expenses	0.84%	0.83%	0.04%	0.03%	0.32%	0.31%	0.08%	0.08%
Amortization Cost	<u>17.28%</u>	<u>14.42%</u>	<u>(3.01)%</u>	<u>(2.86)%</u>	<u>30.77%</u>	<u>26.72%</u>	<u>(1.41)%</u>	<u>(1.09)%</u>
Total Actuarially Determined Rate	23.34%	19.71%	0.00%	0.00%	41.11%	36.49%	2.58%	2.12%
Actuarial Accrued Liability (AAL)	\$15,674	\$15,296	\$2,392	\$2,560	\$5,862	\$5,850	\$1,538	\$1,604
Actuarial Value of Assets	<u>\$8,149</u>	<u>\$8,585</u>	<u>\$3,160</u>	<u>\$3,366</u>	<u>\$2,789</u>	<u>\$3,008</u>	<u>\$1,554</u>	<u>\$1,615</u>
Unfunded AAL	\$7,525	\$6,711	\$(768)	\$(806)	\$3,073	\$2,842	\$(16)	\$(11)
Funded Ratio	52.0%	56.1%	132.1%	131.5%	47.6%	51.4%	101.0%	100.7%



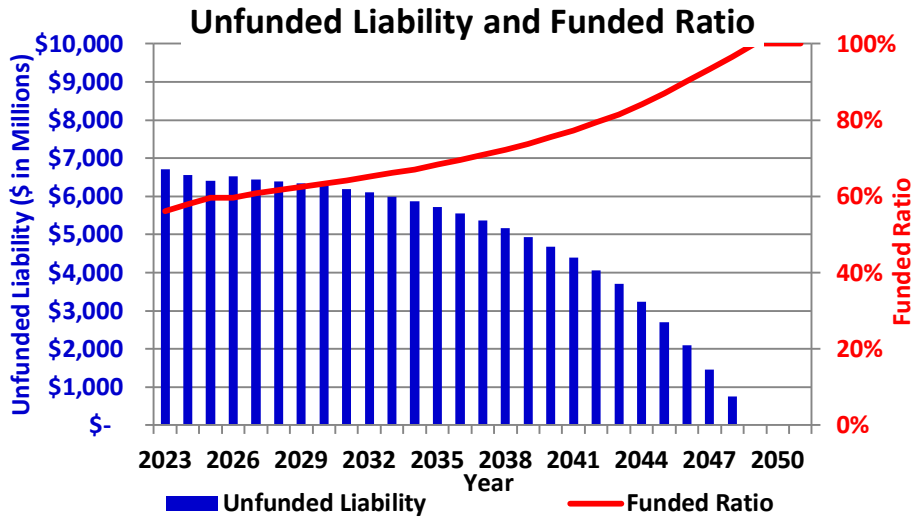
PROJECTION INFORMATION PENSION AND INSURANCE

Projection Assumptions

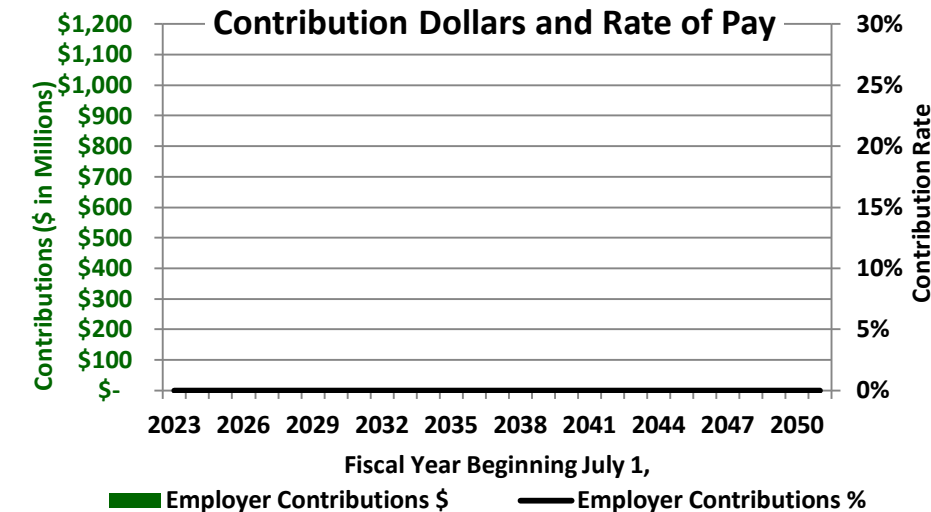
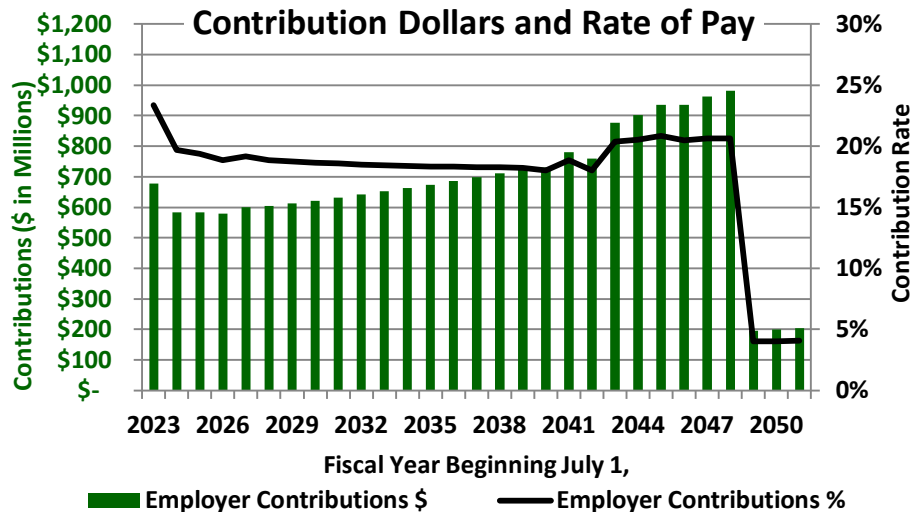
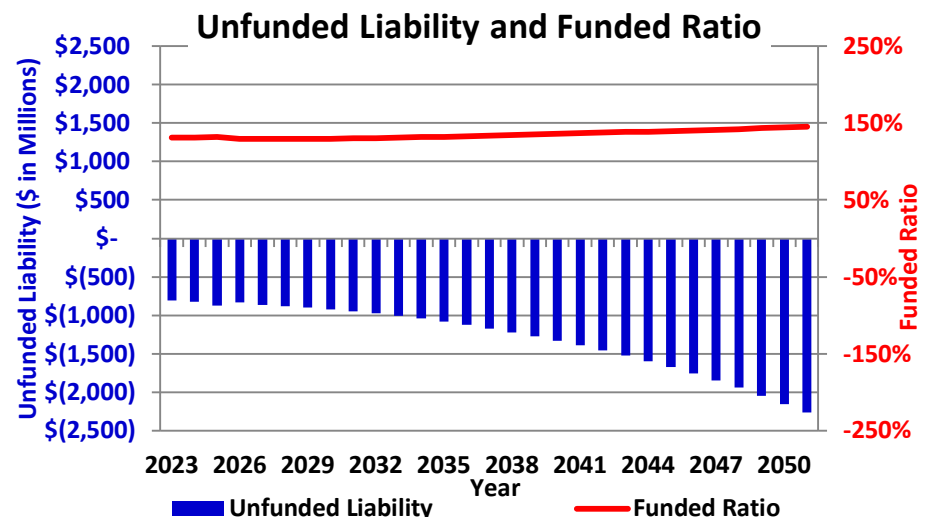
- Assumes that all actuarial assumptions are realized, including the assumed annual asset return of 6.50%
- Full actuarially determined contribution paid each year
- Membership payroll assumed to increase by 2% each year
 - Total active population assumed to remain level

CERS Non-Hazardous Projection

Pension

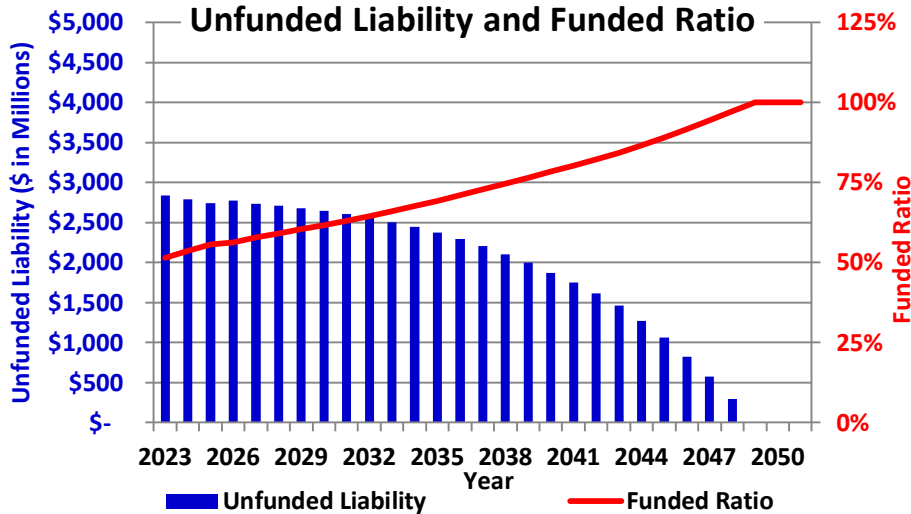


Insurance

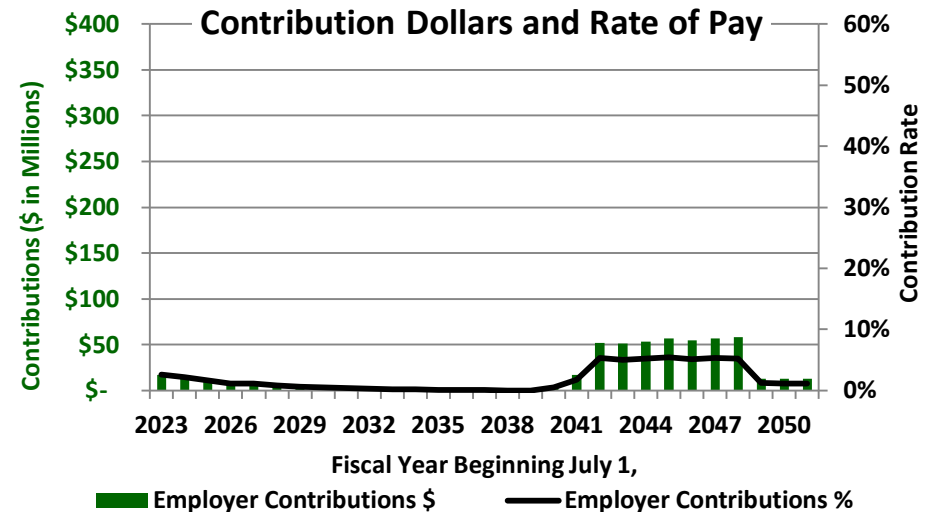
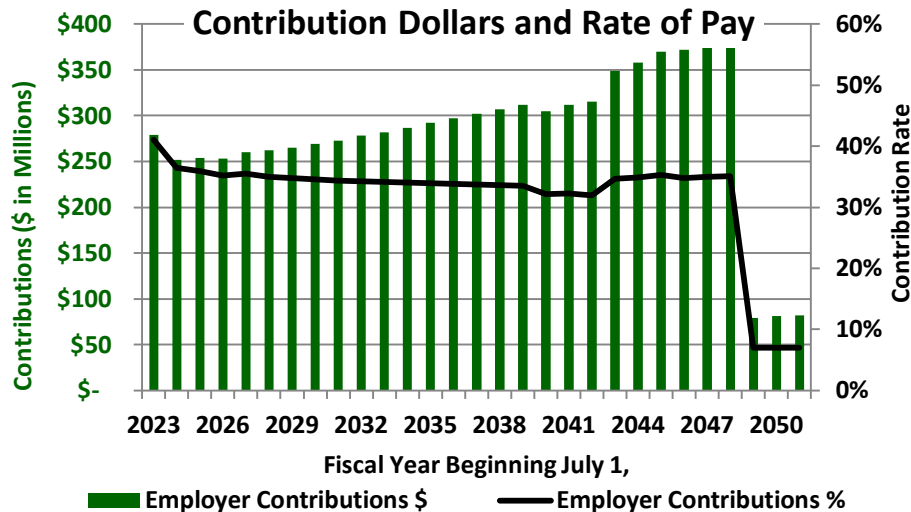
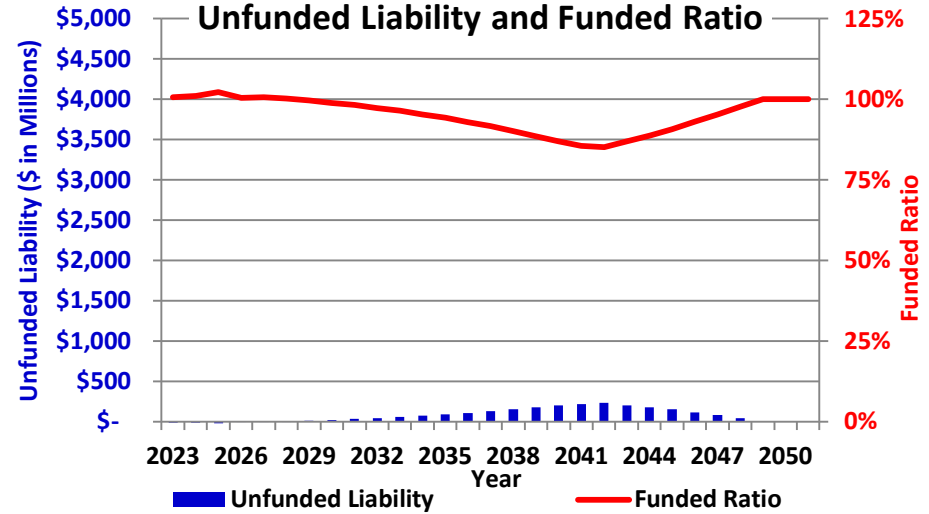


CERS Hazardous Projection

Pension



Insurance



Closing Comments on 2023 Valuation Results

- It is imperative the participating employers continue contributing the actuarially determined contributions in each future year to improve the System's financial security
- Last year's increase in active membership and payroll is a positive signal for the System and its participating employers

Disclaimers

- This presentation is intended to be used in conjunction with the actuarial valuation as of June 30, 2023. This presentation should not be relied on for any purpose other than the purpose described in the valuation report.
- This presentation shall not be construed to provide tax advice, legal advice or investment advice.
- Readers are cautioned to examine original source materials and to consult with subject matter experts before making decisions related to the subject matter of this presentation.