



**STANISLAUS COUNTY
EMPLOYEES' RETIREMENT ASSOCIATION**
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To: All StanCERA Employers

From: Rick Santos, Executive Director

Subject: Fiscal Year 2014-2015 Employer Contribution Rates

On March 25, 2014, the 2013 Actuarial Valuation Report for the Stanislaus County Employees' Retirement Association (StanCERA) was presented and approved by the StanCERA Board of Retirement. The actuarial valuation sets the funded status for the System as of June 30, 2013 and employer and employee contribution rates for fiscal year 2014-2015.

StanCERA's funded status increased over the last year from 76.9% to 79.4%, due mainly to a change in funding methodology required by the Government Accounting Standard's Board (GASB). While StanCERA enjoyed a 14.5% investment return for fiscal year 2012-2013, these gains were used mainly to offset the 0.7% return experienced in fiscal year 2011-2012. Over the past 2 years, StanCERA's compound return was 7.43%, which is just slightly below its assumed rate of 7.75%. Over the intermediate and long term, StanCERA's has experienced 3, 5, 10 and 18 year annual compound returns of 12.4%, 6.6%, 7.5% and 8.1%, respectively.

System-wide rates are trending upwards by about 2.3% due to the following:

- *Asset experience* – while the portfolio performed well in 2012-2013, the gains were slightly offset by the loss experienced in 2011-2012. This caused rates to increase by 0.3%
- *Demographic experience* – Increased rates of retirement and disabilities and lower than expected mortality caused rates to increase by approximately 0.6%
- *GASB Changes* – Changes in funding methodology due to GASB requirements increased rates by 2.1%
- *Safety Salary Giveback* (County Safety Only) – Safety salary givebacks for most safety members increased rates by around 0.3%
- *Phase in of GASB Changes* – The StanCERA Board of Retirement decided to phase in the 2.1% increase over 2 years, this phase in decreased rates by approximately 1%. Because of this, overall rates will be slightly higher in years 2017 and beyond

Future Rates

Future employer rates can be expected to increase within the next 3 years due mainly to expected improvements in mortality. The Society of Actuaries has recommended using mortality tables that incorporate improvement in life expectancy over time. For instance, a 50 year old today might be expected to live another 30 years, while in 20 years a 50 year old might be expected to live another 35 years due to future improvements in technology and medicine. This change in mortality is expected to increase rates between 3% and 5%.

Also, last July, the StanCERA Board approved a long-term change to its funding policy. This change would entail a move into assets that are less risky and more suited towards funding and securing its future benefit payments. While this transition most likely will take place over an extended period of time, it is possible the change would cause a slow decrease in the discount rate over time, increasing employer rates.

Contact Information

Should you have any questions regarding the new rates or the trending of future rates, please contact StanCERA staff at 525-6393.

Fiscal Year 2014-2015 Employer Contribution Rates

County and Former County Members

Rate Component	General						Safety			
	Tier 1	Tier 2	Tier 3	Tier 4	Tier 5	Tier 6	Tier 2	Tier 4	Tier 5	Tier 6
Normal Cost	13.56%	7.45%	3.08%	14.43%	9.69%	7.63%	14.07%	29.47%	18.89%	12.82%
Unfunded Liability	10.93%	10.93%	10.93%	10.93%	10.93%	10.93%	15.71%	15.71%	15.71%	15.71%
Admin Expense	1.00%	0.75%	0.57%	1.04%	0.84%	0.76%	1.22%	1.84%	1.41%	1.17%
Phase-in %	-0.83%	-0.83%	-0.83%	-0.83%	-0.83%	-0.83%	-2.06%	-2.06%	-2.06%	-2.06%
Employer Cost	24.66%	18.30%	13.75%	25.57%	20.63%	18.49%	28.94%	44.96%	33.95%	27.64%

Ceres/Other District Members

Rate Component	General						Safety			
	Tier 1	Tier 2	Tier 3	Tier 4	Tier 5	Tier 6	Tier 2	Tier 4	Tier 5	Tier 6
Normal Cost	N/A	7.78%	N/A	12.15%	10.57%	7.71%	N/A	28.07%	17.73%	12.82%
Unfunded Liability	N/A	10.28%	N/A	10.28%	10.28%	10.28%	N/A	14.29%	14.29%	14.29%
Admin Expense	N/A	0.74%	N/A	0.92%	0.85%	0.73%	N/A	1.73%	1.31%	1.17%
Phase-in %	N/A	-0.83%	N/A	-0.83%	-0.83%	-0.83%	N/A	-2.06%	-2.06%	-2.06%
Employer Cost	N/A	17.97%	N/A	22.52%	20.87%	17.89%	N/A	42.03%	31.27%	26.22%

Tier 6 Employee Contribution Rates

On September 12, 2012 the Governor of California signed into law the Public Employee Pension Reform Act (PEPRA). For all tiers other than PEPRA Tier 6, employee contribution rates will not change for fiscal year 2014-2015. For the new PEPRA Tier 6, Government Code Section 7522.30 requires new employees to pay 50% of the total normal cost. Each year, the actuary recalculates and adjusts the total normal cost for the plan and in general, that cost does not change by much. Consequently, employee contribution rates for the PEPRA tier most likely will change slightly each year. Tier 6 employee contribution rates for 2014-2015 are displayed in the table below with 2013-2014 rates shown for comparison:

Classification	2013-2014		2014-2015	
	All Members	County	County	Ceres/Other Districts
General	7.50%	7.63%	7.63%	7.70%
Safety	13.00%	12.82%	12.82%	12.82%