



**STANISLAUS COUNTY
EMPLOYEES' RETIREMENT ASSOCIATION**
832 12th Street, Suite 600
Modesto, CA 95354
P.O. Box 3150 Modesto, CA 95353-3150

Phone (209) 525-6393
Fax (209) 558-4976
www.stancera.org
e-mail: retirement@stancera.org

Date: February 21, 2013

To: All StanCERA Employers

From: Rick Santos, Executive Director

Subject: Fiscal Year 2013-2014 Employer Contribution Rates

On February 13, 2013, the StanCERA Board of Retirement approved the June 30, 2012 Actuarial Valuation which sets the funded status as of that date and employer and employee contribution rates for fiscal year 2013-2014. As of June 30, 2012 StanCERA was funded at 72.2% on a market value of asset basis and 76.9% on a smoothed asset basis.

Overall, rates are trending upwards on average by about 3% for fiscal year 2013-2014. There are several reasons for this increase:

- **Investment Returns** – StanCERA experienced a 0.7% return for fiscal year 2011-2012. During that period, the expected investment return was 8%
- **Changes in Economic Assumptions** – The Board of Retirement lowered the expected long-term annual inflation assumption from 3.50% to 3.25% and as a result, the expected investment return decreased from 8% to 7.75%
- **Recognition of an Explicit Administrative Expense in the Employer Contribution Rate** - The StanCERA Board approved the Governmental Accounting Standards Board's (GASB) recommendation to create an explicit administrative expense line item in the employer contribution rate.

The attached exhibits lay out the 2013-2014 fiscal year employer contribution rates for the County and for the City of Ceres and our other Special Districts. Rate information for fiscal year 2012-2013 is shown for comparison. These new rates go into effect for the first full payroll period in July, 2013.

PEPRA Tier 6

Be aware that the new PEPRA Tier 6 normal costs were developed in a special study commissioned by the Board late in 2012. These normal costs are good through June 30, 2014; however, since each pool shares in the unfunded liability, the rate attributable to this portion of the total cost was adjusted for 2013-2014.

Future Rates

Overall, there is an upwards bias in employer contribution rates down the road. Next year the StanCERA Board will be contemplating other recommended GASB changes which would result in higher contribution rates. In addition, last year the Board agreed to amortize or pay off the System's unfunded liability over a set number of years. Given the way amortization schedules are constructed within pension systems, this will cause rates to trend upwards as well. Over the past year, the StanCERA Board has taken a very proactive approach to funding pension liabilities. This requires a delicate balance between managing risk and employer contribution rates. This combination of risk management and the lower pension tiers that were implemented recently should produce a System that can be sustained well into the future.

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 2012-2013 Employer Contribution Rates for County and Former County Members

Rate Component	General						Safety			
	<u>Tier 1</u>	<u>Tier 2</u>	<u>Tier 3</u>	<u>Tier 4</u>	<u>Tier 5</u>	<u>Tier 6</u>	<u>Tier 2</u>	<u>Tier 4</u>	<u>Tier 5</u>	<u>Tier 6</u>
Normal Cost	N/A	6.15%	2.16%	4.91%	5.04%	7.71%	20.22%	1.26%	9.31%	13.09%
Unfunded Liability	N/A	<u>10.79%</u>	<u>10.79%</u>	<u>10.79%</u>	<u>10.79%</u>	<u>10.79%</u>	<u>18.23%</u>	<u>18.23%</u>	<u>18.23%</u>	<u>18.23%</u>
Employer Cost	N/A	16.94%	12.95%	15.70%	15.83%	18.50%	38.45%	19.49%	27.54%	31.32%

Fiscal Year 2013-2014 Employer Contribution Rates for County and Former County Members

Rate Component	General						Safety			
	<u>Tier 1</u>	<u>Tier 2</u>	<u>Tier 3</u>	<u>Tier 4</u>	<u>Tier 5</u>	<u>Tier 6</u>	<u>Tier 2</u>	<u>Tier 4</u>	<u>Tier 5</u>	<u>Tier 6</u>
Normal Cost	N/A	6.52%	2.20%	4.64%	5.09%	7.71%	12.44%	1.20%	8.86%	13.09%
Unfunded Liability	N/A	12.43%	12.43%	12.43%	12.43%	12.43%	20.57%	20.57%	20.57%	20.57%
Admin Expense	N/A	<u>0.94%</u>	<u>0.72%</u>	<u>0.84%</u>	<u>0.87%</u>	<u>0.98%</u>	<u>1.63%</u>	<u>1.08%</u>	<u>1.46%</u>	<u>0.98%</u>
Employer Cost	N/A	19.89%	15.35%	17.91%	18.39%	21.12%	34.64%	22.85%	30.89%	34.64%

Fiscal Year 2012-2013 Employer Contribution Rates for 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	0.36%	7.43%	N/A	6.22%	5.24%	7.71%	N/A	5.26%	9.38%	13.09%
Unfunded Liability	<u>10.00%</u>	<u>10.00%</u>	N/A	<u>10.00%</u>	<u>10.00%</u>	<u>10.00%</u>	N/A	<u>13.97%</u>	<u>13.97%</u>	<u>13.97%</u>
Employer Cost	10.36%	17.43%	N/A	16.22%	15.24%	17.71%	N/A	19.23%	23.35%	27.06%

Fiscal Year 2013-2014 Employer Contribution Rates for 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	0.31%	6.63%	N/A	5.44%	5.22%	7.71%	N/A	4.94%	8.82%	13.09%
Unfunded Liability	11.86%	11.86%	N/A	11.86%	11.86%	11.86%	N/A	18.01%	18.01%	18.01%
Admin Expense	<u>0.60%</u>	<u>0.91%</u>	N/A	<u>0.86%</u>	<u>0.84%</u>	<u>0.98%</u>	N/A	<u>1.13%</u>	<u>1.33%</u>	<u>0.98%</u>
Employer Cost	12.77%	19.40%	N/A	18.16%	17.92%	20.55%	N/A	24.08%	28.16%	32.08%