



# Board of Retirement Regular Meeting

## Sacramento County Employees' Retirement System

### Agenda Item 11

**MEETING DATE:** August 21, 2024

**SUBJECT:** Employer Contribution Prepayments

**SUBMITTED FOR:**  Consent       Deliberation and Action       Receive and File

### RECOMMENDATION

Receive and file report confirming County contribution prepayment for fiscal year 2024-25, SacSewer contribution prepayment for fiscal year 2024-25, and Metro Fire contribution prepayment for 2025-26.

### PURPOSE

This item supports the Strategic Management Plan by maintaining transparent communications to stakeholders and demonstrating fiscal responsibility and stewardship.

### DISCUSSION

For the fiscal year beginning July 1, 2024, SCERS received three (3) contribution prepayments. The County Employees Retirement Law (CERL) authorizes county government and districts “to make advanced payment of all or part of the ...estimated annual contribution to the retirement fund” (Government Code section 31582(b) and (c)).

Sacramento County (County) made a contribution prepayment for fiscal year 2024-25 on July 21, 2024, in the amount of \$344,427,122. The County’s initial prepayment estimate, as prepared by the actuary, Segal, was \$346,589,974 and was based on the County’s 2024-25 projected payroll and then adjusted by Segal to reflect the mid-year separation of the Sacramento Area Sewer District (SacSewer) from the County as of December 15, 2024. Consistent with prior years, staff then reconciled the County’s initial prepayment estimate to include the adjusted offset of replacement benefit plan payments made by the County in calendar year 2023<sup>1</sup> in the amount of \$2,162,852, which reduced the initial estimate to the final contribution prepayment.

As an independent district, SacSewer also opted to make its first contribution prepayment in the amount of \$9,668,145. Consequently, Segal calculated the SacSewer contribution prepayment to be for the pay period starting December 15, 2024 to June 30, 2025.

Additionally, the Sacramento Metropolitan Fire District (Metro Fire) opted to make a contribution prepayment in the amount of \$2.8 million in addition to its \$1.15 million scheduled payment for

<sup>1</sup> The replacement benefit plan was established by the County to pay benefits above the annual benefit payment limit set by the Internal Revenue Service.

2024-25 (\$3.95 million total). Under a 2018 funding agreement with SCERS, Metro Fire is making annual payments to SCERS to pay off the unfunded liabilities on behalf of former Florin Fire and North Highlands fire district employees who were previously SCERS members. Metro Fire's contribution prepayment will help level out the anticipated volatility in the liability payment caused by a shorter, three-year smoothing of investment gains and losses.

**ATTACHMENT**

- Board Order
- Letter from Segal dated June 21, 2024
- Letter from Segal dated July 3, 2024

Prepared by:

*/s/*

---

Margo Allen  
Chief Operations Officer

Reviewed by:

*/s/*

---

Eric Stern  
Chief Executive Officer



# Retirement Board Order

## Sacramento County Employees' Retirement System

---

Before the Board of Retirement  
August 21, 2024

AGENDA ITEM:

### Employer Contribution Prepayments

THE BOARD OF RETIREMENT hereby accepts the recommendation of staff to receive and file report confirming County contribution prepayment for fiscal year 2024-25, SacSewer contribution prepayment for fiscal year 2024-25, and Metro Fire contribution prepayment for 2025-26.

I HEREBY CERTIFY that the above order was passed and adopted on August 21, 2024 by the following vote of the Board of Retirement, to wit:

AYES:

NOES:

ABSENT:

ABSTAIN:

ALTERNATES:

(Present but not voting)

---

Board President

---

Eric Stern  
Chief Executive Officer and  
Board Secretary



Andy Yeung, ASA, MAAA, FCA, EA  
Vice President and Actuary  
T 415.263.8283  
ayeung@segalco.com

180 Howard Street  
Suite 1100  
San Francisco, CA 94105-6147  
segalco.com

June 21, 2024

Mr. Eric Stern  
Chief Executive Officer  
Sacramento County Employees' Retirement System  
980 9th Street, Suite 1900  
Sacramento, CA 95814-2738

**Re: Prepayment of Employer Contributions by Sacramento County for Fiscal Year  
2024-2025**

Dear Eric:

As requested by the System, we have calculated the discounted contribution amount for Sacramento County for fiscal year 2024-2025.

We understand that the County wants to prepay their fiscal year 2024-2025 employer contributions in a lump sum on July 19, 2024. In e-mails dated June 13, 2024 and June 14, 2024 sent by your office, the System provided the County payrolls of \$962,762,326 and \$254,973,775 for Miscellaneous and Safety, respectively, for 26 pay periods in fiscal year 2024-2025. Due to the pending separation of the Sacramento Area Sewer District (SacSewer) from the County, the Miscellaneous payroll for July-December 2024 is projected to be \$521,544,719, while the Miscellaneous payroll for January-June 2025 is projected to be \$441,217,607. We then took the total payroll of \$1,217,736,101 and calculated a biweekly payroll of \$49,925,508 for July-December 2024, and a biweekly payroll of \$43,746,500 for January-June 2025. Using the biweekly payroll amounts together with the tier-by-tier employer rates calculated using the proportion of payroll for members in each category as reported in the data for the June 30, 2023 valuation, we determined the prepayment required to be \$346,589,974. Our calculations are provided in the enclosed Exhibit A.

The normal cost contribution rates of 11.80% and 12.02% and the UAAL contribution rates of 17.12% and 17.80% for July-December 2024 and January-June 2025, respectively, were calculated by taking the Tier specific contribution rates adopted by the Board for the June 30, 2023 valuation, the projected payroll of \$962,762,326 for Miscellaneous members and \$254,973,775 for Safety members as provided by the County for this prepayment calculation and compositing them using the proportion of the County's payroll in those Tiers within the Miscellaneous and Safety groups as reported for the June 30, 2023 valuation. We have made a simplifying assumption that the proportion of the County's Miscellaneous members enrolled in the various Tiers would remain about the same before and after the separation of SacSewer. The effective discount factor, which is calculated by taking the discounted contribution amount and dividing by the undiscounted contribution amount, is about 97.01%.

Mr. Eric Stern  
June 21, 2024  
Page 2

Any differences between the biweekly projected and actual payroll should be tracked by the System. Those differences should be used by the System to “true-up” the contributions at the end of the fiscal year.

I am a member of the American Academy of Actuaries and I meet the qualification requirements to render the actuarial opinion contained herein.

Please let us know if you have any questions.

Sincerely,

A handwritten signature in black ink that reads "Andy Yeung". The signature is written in a cursive style with a large, stylized 'Y'.

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

ST/jl  
Enclosure

cc: Margo Allen  
Jose Martinez

Prepayment of County Employer Contributions  
 Assuming Payment on July 19, 2024 for Fiscal Year 2024-2025  
 based on a discount rate of 6.75% per annum

Biweekly Pay Period	Biweekly Payroll Estimate	Normal Cost Contribution Rate	UAAL Contribution Rate	Discount Factor	Total Biweekly Normal Cost Discounted	Total Biweekly UAAL Contribution Discounted	Total Biweekly Contribution Discounted
1	\$49,925,508	11.80%	17.12%	1.0000000	\$5,891,210	\$8,547,247	\$14,438,457
2	\$49,925,508	11.80%	17.12%	0.9974909	\$5,876,428	\$8,525,801	\$14,402,229
3	\$49,925,508	11.80%	17.12%	0.9949880	\$5,861,683	\$8,504,408	\$14,366,091
4	\$49,925,508	11.80%	17.12%	0.9924915	\$5,846,976	\$8,483,070	\$14,330,046
5	\$49,925,508	11.80%	17.12%	0.9900012	\$5,832,305	\$8,461,785	\$14,294,090
6	\$49,925,508	11.80%	17.12%	0.9875171	\$5,817,671	\$8,440,553	\$14,258,224
7	\$49,925,508	11.80%	17.12%	0.9850393	\$5,803,073	\$8,419,374	\$14,222,447
8	\$49,925,508	11.80%	17.12%	0.9825677	\$5,788,513	\$8,398,249	\$14,186,762
9	\$49,925,508	11.80%	17.12%	0.9801023	\$5,773,988	\$8,377,176	\$14,151,164
10	\$49,925,508	11.80%	17.12%	0.9776431	\$5,759,501	\$8,356,157	\$14,115,658
11	\$49,925,508	11.80%	17.12%	0.9751901	\$5,745,050	\$8,335,191	\$14,080,241
12	\$49,925,508	11.80%	17.12%	0.9727432	\$5,730,634	\$8,314,276	\$14,044,910
13	\$49,925,508	11.80%	17.12%	0.9703025	\$5,716,256	\$8,293,415	\$14,009,671
14	\$43,746,500	12.02%	17.80%	0.9678678	\$5,089,368	\$7,536,668	\$12,626,036
15	\$43,746,500	12.02%	17.80%	0.9654393	\$5,076,598	\$7,517,757	\$12,594,355
16	\$43,746,500	12.02%	17.80%	0.9630169	\$5,063,860	\$7,498,894	\$12,562,754
17	\$43,746,500	12.02%	17.80%	0.9606006	\$5,051,154	\$7,480,079	\$12,531,233
18	\$43,746,500	12.02%	17.80%	0.9581903	\$5,038,480	\$7,461,310	\$12,499,790
19	\$43,746,500	12.02%	17.80%	0.9557861	\$5,025,838	\$7,442,589	\$12,468,427
20	\$43,746,500	12.02%	17.80%	0.9533879	\$5,013,228	\$7,423,914	\$12,437,142
21	\$43,746,500	12.02%	17.80%	0.9509957	\$5,000,649	\$7,405,287	\$12,405,936
22	\$43,746,500	12.02%	17.80%	0.9486095	\$4,988,101	\$7,386,705	\$12,374,806
23	\$43,746,500	12.02%	17.80%	0.9462293	\$4,975,585	\$7,368,171	\$12,343,756
24	\$43,746,500	12.02%	17.80%	0.9438551	\$4,963,101	\$7,349,684	\$12,312,785
25	\$43,746,500	12.02%	17.80%	0.9414869	\$4,950,648	\$7,331,243	\$12,281,891
26	\$43,746,500	12.02%	17.80%	0.9391245	\$4,938,226	\$7,312,847	\$12,251,073
<b>Total</b>	<b>\$1,217,736,000 Annual Payroll</b>	<b>\$144,944,010 Undiscounted</b>	<b>\$212,343,612 Undiscounted</b>		<b>\$140,618,124 Discounted</b>	<b>\$205,971,850 Discounted</b>	<b>\$346,589,974 Discounted</b>

Contribution discount percentage of 97.01%



Andy Yeung, ASA, MAAA, FCA, EA  
Vice President and Actuary  
T 415.263.8283  
ayeung@segalco.com

180 Howard Street  
Suite 1100  
San Francisco, CA 94105-6147  
segalco.com

July 3, 2024

Mr. Eric Stern  
Chief Executive Officer  
Sacramento County Employees' Retirement System  
980 9th Street, Suite 1900  
Sacramento, CA 95814-2738

**Re: Prepayment of Employer Contributions by Sacramento Area Sewer District  
(SacSewer) for the second half of Fiscal Year 2024-2025**

Dear Eric:

As requested by the System, we have calculated the discounted contribution amount for SacSewer for the second half of fiscal year 2024-2025.

We understand that SacSewer wants to prepay their fiscal year 2024-2025 employer contributions for the second half of the year in a lump sum on July 19, 2024. In an e-mail dated June 26, 2024 sent by your office, the System provided the SacSewer annualized payroll of \$83,425,600 for 26 pay periods in fiscal year 2024-2025 (together with instructions from SacSewer that the payroll for the full year should be divided in half). This payroll was split as \$106,989 for Miscellaneous Tier 2, \$36,745,100 for Miscellaneous Tier 3, \$2,709,040 for Miscellaneous Tier 4, and \$43,864,471 for Miscellaneous Tier 5. The payroll for the second half of fiscal year 2024-2025 is therefore projected to be \$41,712,800. We then took the total payroll of \$41,712,800 and calculated a biweekly payroll of \$3,208,677 for the second half of fiscal year 2024-2025. Using the biweekly payroll amount together with the tier-by-tier employer rates calculated using the proportion of payroll for members in each Tier as reported in the June 26, 2024 e-mail, we determined the prepayment required to be \$9,668,145. Our calculations are provided in the enclosed Exhibit A.

The normal cost contribution rate of 11.95% and the UAAL contribution rate of 12.36% for the second half of fiscal year 2024-2025 were calculated by taking the Tier specific contribution rates provided in our April 25, 2024 letter determined based on the Agreement between SCERS, SacSewer and the County, the projected payroll of \$41,712,800 as provided by SacSewer for this prepayment calculation and compositing them using the proportion of SacSewer's payroll in those Tiers as reported in the June 26, 2024 e-mail. The effective discount factor, which is calculated by taking the discounted contribution amount and dividing by the undiscounted contribution amount, is about 95.34%.


Any differences between the biweekly projected and actual payroll should be tracked by the System. Those differences should be used by the System to "true-up" the contributions at the end of the fiscal year.

Mr. Eric Stern  
July 3, 2024  
Page 2

I am a member of the American Academy of Actuaries and I meet the qualification requirements to render the actuarial opinion contained herein.

Please let us know if you have any questions.

Sincerely,

A handwritten signature in black ink that reads "Andy Yeung". The signature is written in a cursive, slightly slanted style.

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

ST/bbf  
Enclosure

cc: Margo Allen  
Jose Martinez



Prepayment of SacSewer Employer Contributions  
Assuming Payment on July 19, 2024 for  
the second half of Fiscal Year 2024-2025  
based on a discount rate of 6.75% per annum

Biweekly Pay Period	Biweekly Payroll Estimate	Normal Cost Contribution Rate	UAAL Contribution Rate	Discount Factor	Total Biweekly Normal Cost Discounted	Total Biweekly UAAL Contribution Discounted	Total Biweekly Contribution Discounted
1	N/A	N/A	N/A	1.0000000	N/A	N/A	N/A
2	N/A	N/A	N/A	0.9974909	N/A	N/A	N/A
3	N/A	N/A	N/A	0.9949880	N/A	N/A	N/A
4	N/A	N/A	N/A	0.9924915	N/A	N/A	N/A
5	N/A	N/A	N/A	0.9900012	N/A	N/A	N/A
6	N/A	N/A	N/A	0.9875171	N/A	N/A	N/A
7	N/A	N/A	N/A	0.9850393	N/A	N/A	N/A
8	N/A	N/A	N/A	0.9825677	N/A	N/A	N/A
9	N/A	N/A	N/A	0.9801023	N/A	N/A	N/A
10	N/A	N/A	N/A	0.9776431	N/A	N/A	N/A
11	N/A	N/A	N/A	0.9751901	N/A	N/A	N/A
12	N/A	N/A	N/A	0.9727432	N/A	N/A	N/A
13	N/A	N/A	N/A	0.9703025	N/A	N/A	N/A
14	\$3,208,677	11.95%	12.36%	0.9678678	\$371,116	\$383,849	\$754,965
15	\$3,208,677	11.95%	12.36%	0.9654393	\$370,185	\$382,886	\$753,071
16	\$3,208,677	11.95%	12.36%	0.9630169	\$369,256	\$381,925	\$751,181
17	\$3,208,677	11.95%	12.36%	0.9606006	\$368,330	\$380,967	\$749,297
18	\$3,208,677	11.95%	12.36%	0.9581903	\$367,406	\$380,011	\$747,417
19	\$3,208,677	11.95%	12.36%	0.9557861	\$366,484	\$379,058	\$745,542
20	\$3,208,677	11.95%	12.36%	0.9533879	\$365,564	\$378,106	\$743,670
21	\$3,208,677	11.95%	12.36%	0.9509957	\$364,647	\$377,158	\$741,805
22	\$3,208,677	11.95%	12.36%	0.9486095	\$363,732	\$376,211	\$739,943
23	\$3,208,677	11.95%	12.36%	0.9462293	\$362,819	\$375,267	\$738,086
24	\$3,208,677	11.95%	12.36%	0.9438551	\$361,909	\$374,326	\$736,235
25	\$3,208,677	11.95%	12.36%	0.9414869	\$361,001	\$373,387	\$734,388
26	\$3,208,677	11.95%	12.36%	0.9391245	\$360,095	\$372,450	\$732,545
<b>Total</b>	<b>\$41,713,000</b> Total Payroll	<b>\$4,984,680</b> Undiscounted	<b>\$5,155,702</b> Undiscounted		<b>\$4,752,544</b> Discounted	<b>\$4,915,601</b> Discounted	<b>\$9,668,145</b> Discounted

Contribution discount percentage of 95.34%