



# Board of Retirement Regular Meeting

## Sacramento County Employees' Retirement System

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### Agenda Item 12

**MEETING DATE:** May 20, 2026

**SUBJECT:** Education: Actuarial Assumptions

**SUBMITTED FOR:**  Action  Information

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#### **RECOMMENDATION**

Receive and file report on actuarial assumptions and considerations as part of the upcoming Experience Study, as presented by Segal.

#### **PURPOSE/STRATEGIC PRIORITY**

This item supports the Strategic Management Plan objective to solidify SCERS' long-term financial sustainability and proactively develop strategies for sustaining a high funded ratio.

#### **DISCUSSION**

Segal will present an overview of the upcoming triennial Experience Study for the period of July 1, 2022, through June 30, 2025. The discussion will provide early visibility into potential assumption updates, informed by evolving capital market expectations and economic and demographic conditions. Additionally, Segal will discuss options to further mitigate risk and ensure ample liquidity.

Segal will return to the Board on August 19, 2026, to present formal recommendations for approval. Any resulting assumption charges will apply to valuations for the period July 1, 2026, through June 30, 2029, for fiscal-year contribution rates beginning July 1, 2027.

#### **ATTACHMENTS**

- Board Order
- Segal Presentation

Prepared by:

/S/

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Margo Allen  
Chief Operations Officer

Reviewed by:

/S/

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Eric Stern  
Chief Executive Officer



# Retirement Board Order

## Sacramento County Employees' Retirement System

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Before the Board of Retirement  
May 20, 2026

AGENDA ITEM:

### Education: Actuarial Assumptions

THE BOARD OF RETIREMENT hereby approves the Staff recommendation to receive and file report on actuarial assumptions and considerations as part of the upcoming Experience Study, as presented by Segal.

I HEREBY CERTIFY that the above order was passed and adopted on May 20, 2026 by the following vote of the Board of Retirement, to wit:

AYES:

NOES:

ABSENT:

ABSTAIN:

ALTERNATES (Present but not voting):

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Chris Giboney  
Board President

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Eric Stern  
Chief Executive Officer and  
Board Secretary



Sacramento County Employees' Retirement System

# Experience Study 101 & SCERS Strategic Vision

May 20, 2026 / Todd Tauzer

# Agenda

## **Experience Study 101**

**Experience Study Overview**

**Economic Assumptions**

**Demographic Assumptions**

## **SCERS Strategic Vision**

**Plan Maturity & The Future**

**Contribution Strategies**

**Surplus Management**

# Experience Study Overview

# Purpose of the Actuarial Experience Study

## **Develop recommended assumptions for annual actuarial valuation**

- Performed on a periodic basis, typically every three years
  - Reviews both economic and demographic assumptions
- Current study is based on the **three-year** period from 2022-2025
  - Various assumptions include experience from prior studies

## **Segal's role is to make appropriate recommendations to the Board**

- Recommendations follow guidance of Actuarial Standards of Practice
  - Assumptions are reasonable individually and in aggregate (ASOP No. 27)
- The Board can adopt all, none, or some of the recommendations

# Actuarial Assumption Types



## Economic

How will assets grow?

How will salaries and benefits increase?

How will UAAL be amortized?

What type of benefits will be paid?

When will benefits be paid and how long?



## Demographic

Actuaries develop assumptions about when and how members exit active service, as well as the amount, duration, and present value of expected benefits paid.

# Selection of Actuarial Assumptions



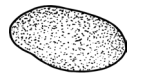



## Primary considerations






- Objective
- Long-term
- Client specific (or not)
- Consistency
- Pattern of cost incidence
- Future expectations

# Actuarial Assumption Impact on Liability

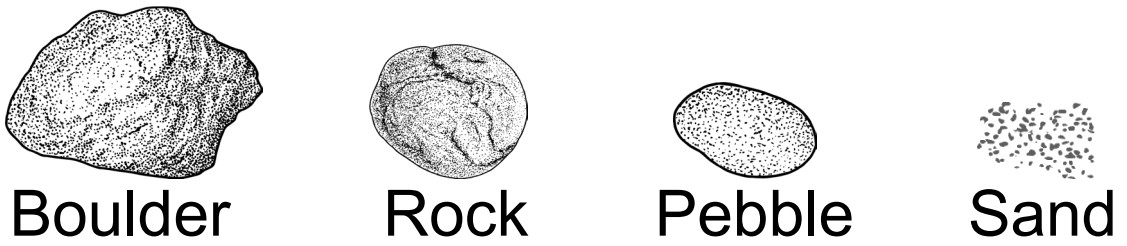
## Economic

-  Inflation
-  Investment return
-  Salary increase
-  COLA

## Demographic

-  Post-retirement mortality
-  Pre-retirement mortality
-  Retirement
-  Termination
-  Disability

### Scale of relative impact of assumptions



A diagram illustrating the scale of relative impact of assumptions, enclosed in a blue-bordered box. It features four icons representing different levels of impact: a large boulder, a medium rock, a small pebble, and a pile of sand. Each icon is positioned above its corresponding label: Boulder, Rock, Pebble, and Sand.

# Role of Actuarial Assumptions and Methods

$$C + I = B + E$$

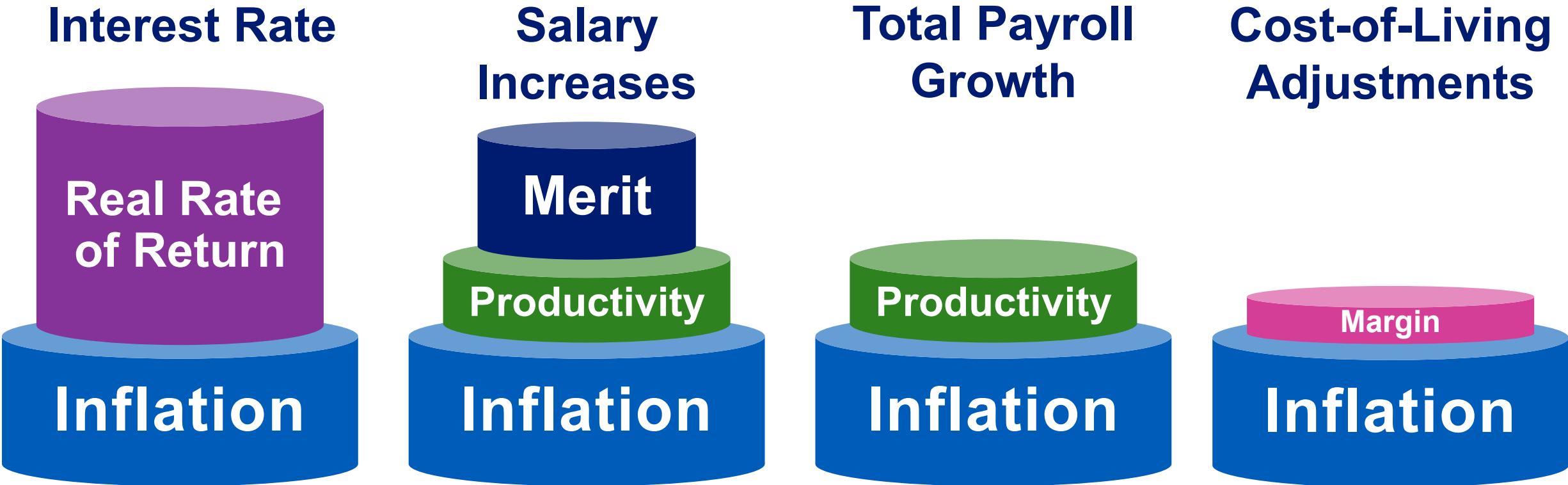
Contributions + Investment Income  
equals  
Benefit Payments + Expenses

Assumptions do not directly affect the **payment** of benefits, only the **timing** of contributions

- Actuarial valuation determines the “current” cost, not the ultimate cost

# Economic Assumptions

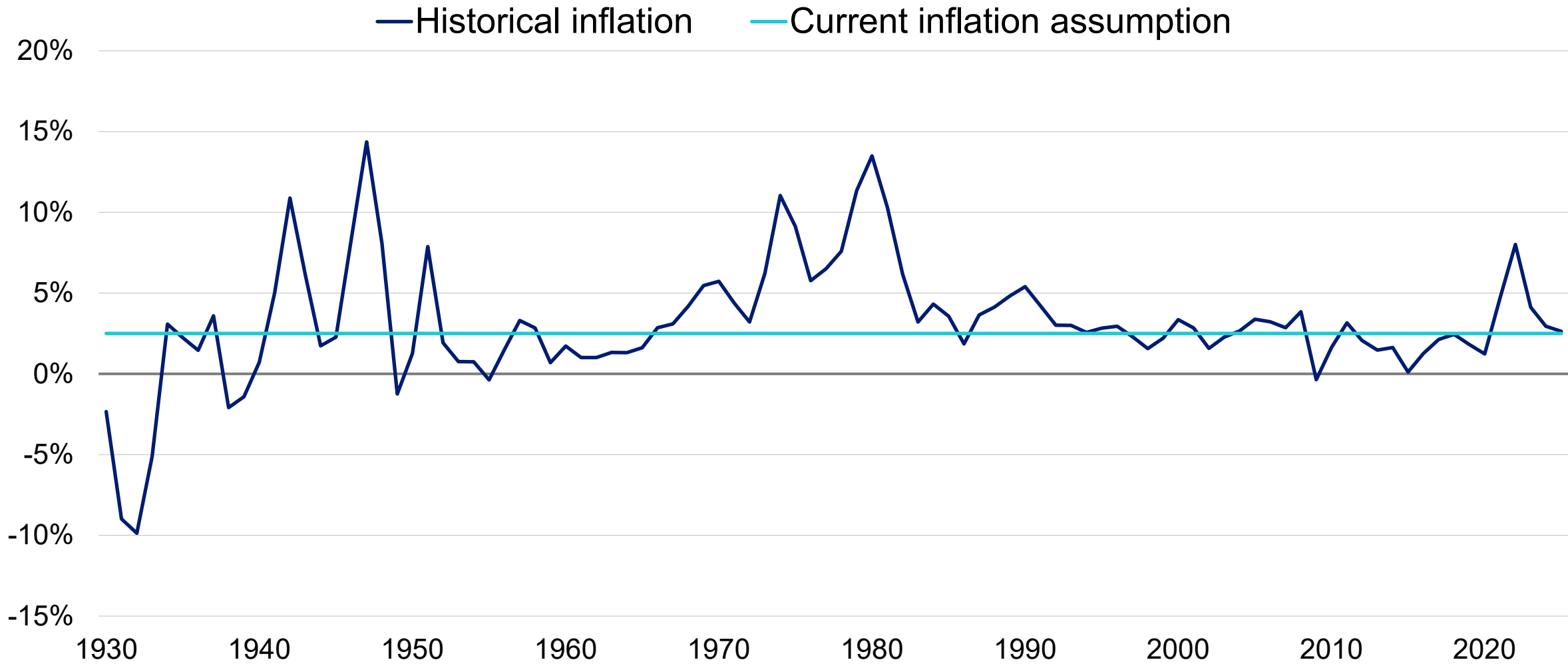
# Summary of Economic Assumptions



Each component should be consistent across all economic assumptions

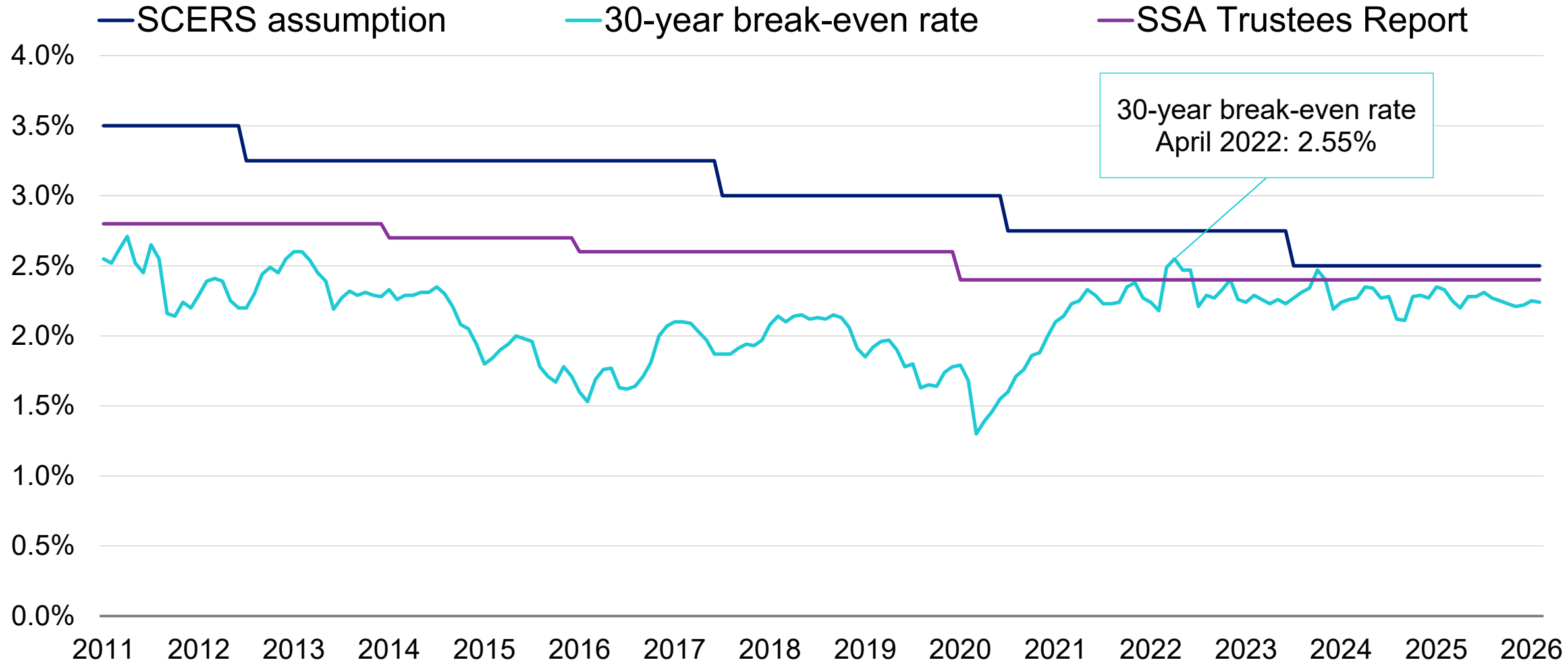
# Historical Consumer Price Index (CPI)

*Price inflation historical review*



# Inflation Forecasts Review

## Price inflation comparisons



# Investment Return Assumption

*Also used as the discount rate*

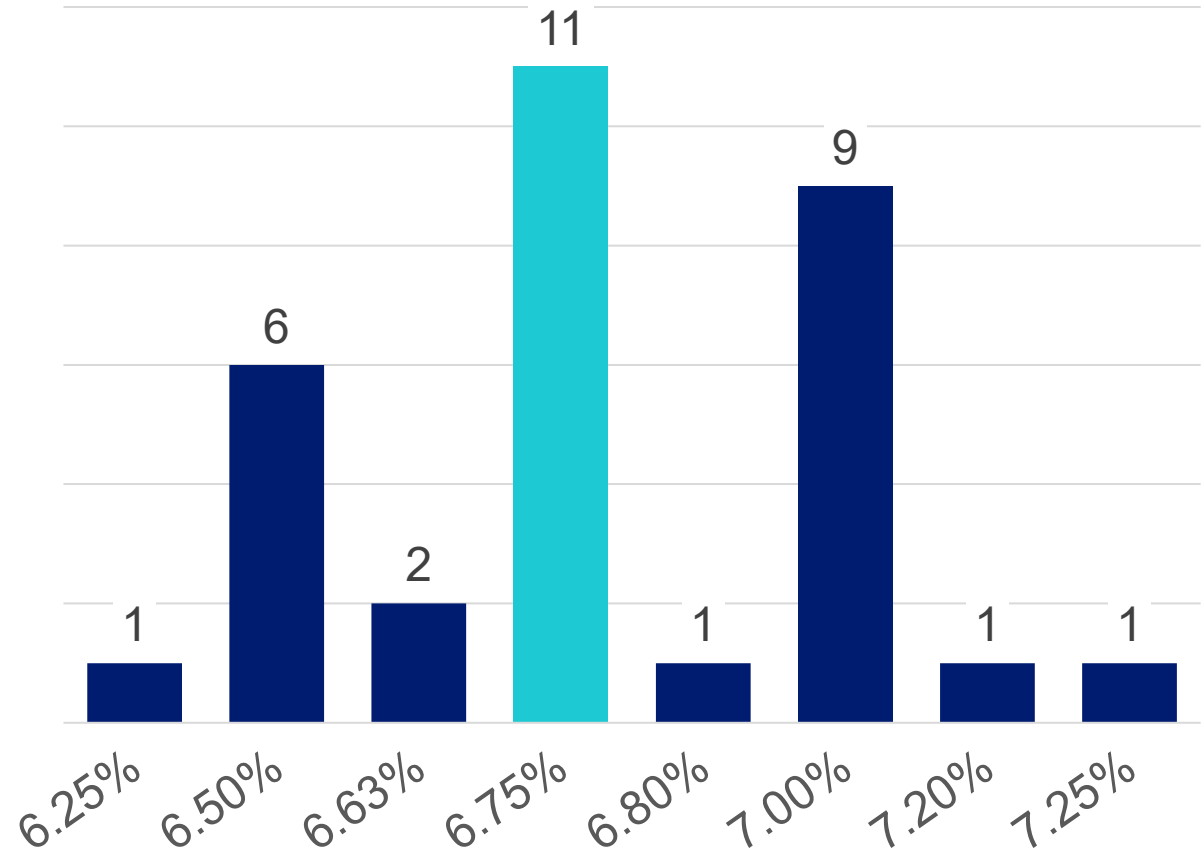
**Investment return is used to project future assets and to discount expected benefit payments**

- Building-block methodology
  - Inflation
  - Real rate of return by asset class
  - Expense and risk adjustment
- Affects **timing** of Plan costs
  - Lower assumed rate means higher **current measured** cost
  - **Actual** earnings will determine **ultimate** cost
  - As the **plan matures**, contribution rates are more sensitive to investment volatility

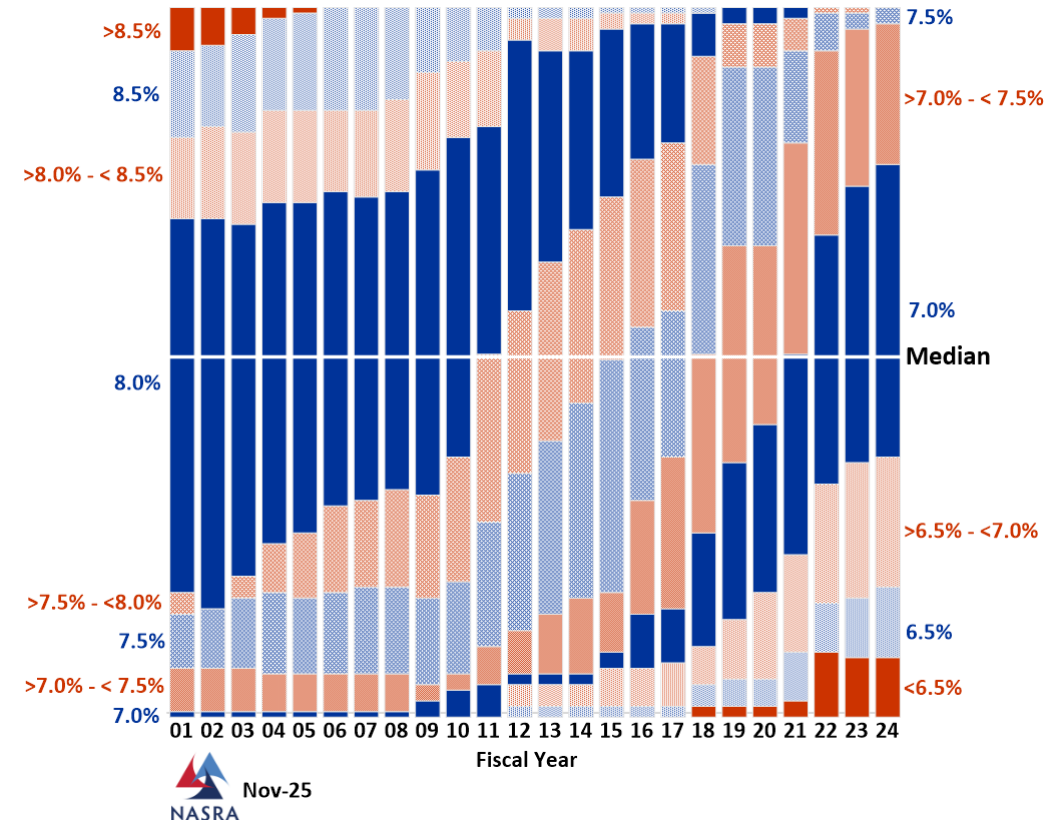
# Comparison with Other Systems

*Current investment return assumption for SCERS is 6.75%*

## California Public Sector Systems



## NASRA Public Fund Survey



# Investment Earnings Assumption

*Putting it all together*

<b>Assumption Component</b>	<b>June 30, 2023 Adopted</b>	<b>June 30, 2020 Adopted</b>
Inflation	2.50%	2.75%
Portfolio expected arithmetic real return	5.92%	5.04%
Expense adjustment	(0.15%)	(0.75%)
Adjustment to expected geometric real return	(0.62%)	N/A
Risk adjustment	(0.90%)	(0.29%)
<b>Total</b>	<b>6.75%</b>	<b>6.75%</b>
<b>Confidence level</b>	<b>62%</b>	<b>54%</b>

Preliminary real return for 2026 is 5.71% which is a decrease of 0.21%

# Risk Adjustment

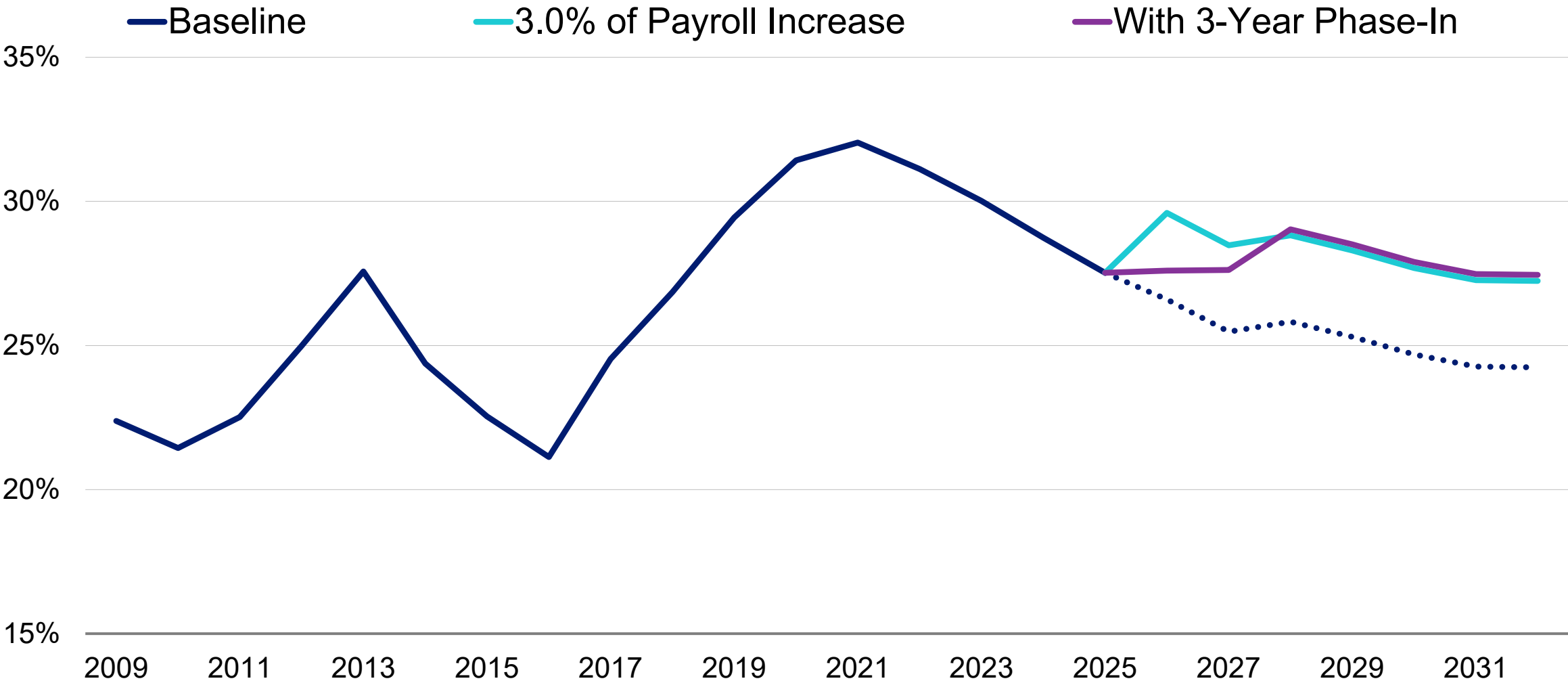
## Compares risk position over time

Years Ending June 30	Investment Return	Risk Adjustment	Confidence Level
2012 – 2013	7.50%	1.27%	64%
2014 – 2016	7.50%	0.92%	60%
2017 – 2019	7.00%	0.50%	57%
2020 – 2022	6.75%	0.29%	54%
2023 – 2025	6.75%	0.90%	62%
2026 Preliminary	6.50%	0.90%	62%
2026 Comparison	6.75%	0.65%	58%

Board will make a decision in August based on full report

# Potential Employer Rate Impact

*Actual cost impact will be determined as of June 30, 2026*



# Salary Assumptions

**Individual salaries** are projected over a member's career to estimate future benefits

- Price inflation
- “Across-the-board” wage increase
- Merit and promotion increases

**Total payroll growth** is used to amortize UAAL or applicable surplus when calculating employer contributions

- Includes price inflation and “across-the-board” wage increases
  - Assumes constant future active headcount

# Demographic Assumptions

# Demographic Assumptions Overview

## Rates of decrement

- Mortality
- Disability retirement
- Termination
- Service retirement



## Miscellaneous assumptions

- Spousal assumptions
- Service from unused sick leave conversion

# Rates of Decrement

**Mortality rates** are applied to each plan participant to estimate the duration of future benefit payments

- SOA recently published new public sector mortality tables (Pub-2016)
  - Increases life expectancies for older members & slightly decreases life expectancies for younger members
- Scale MP-2021 is still the latest mortality improvement scale released

**Disability & termination rates** estimate rates of decrements for active members

- Minor refinements expected based on actual experience

# Service Retirement Assumptions

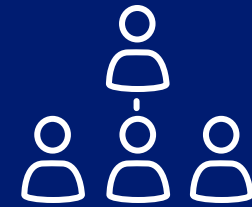
**The age at which a member retires will affect the benefits paid and the period over which funding must take place**

- Current rates vary by age, service, tier, and membership (Miscellaneous or Safety)
  - Based on actual experience for all service retirements

Questions?

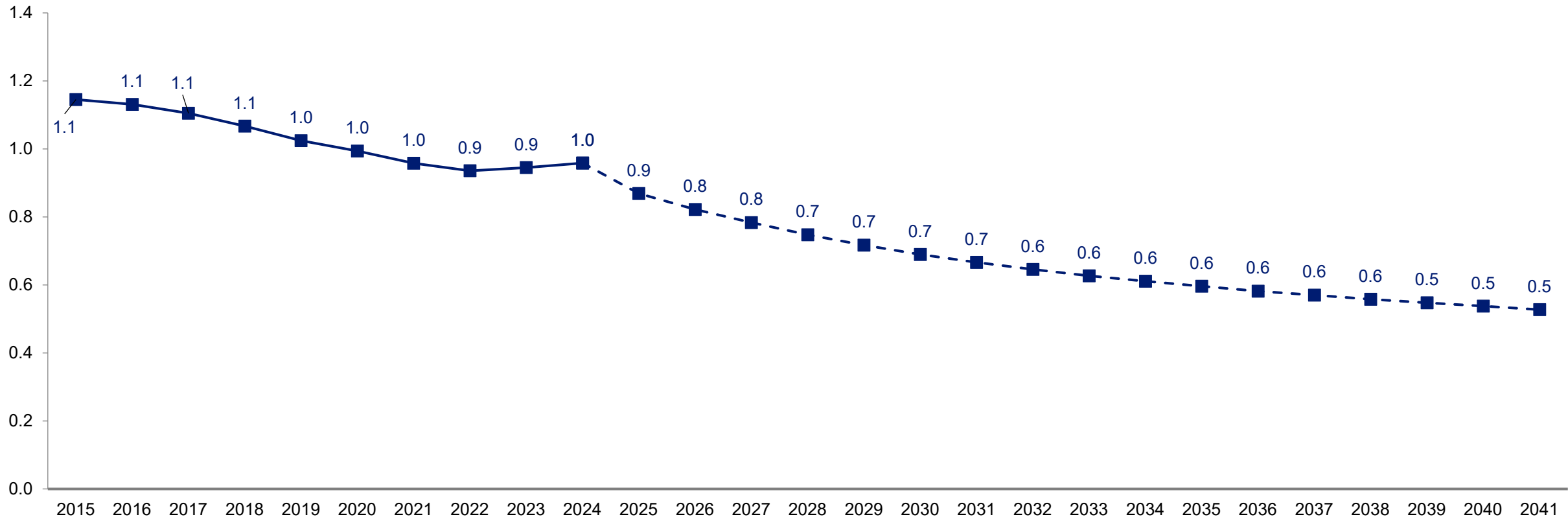


# Plan Maturity & The Future



# SCERS Plan Maturity - Headcount

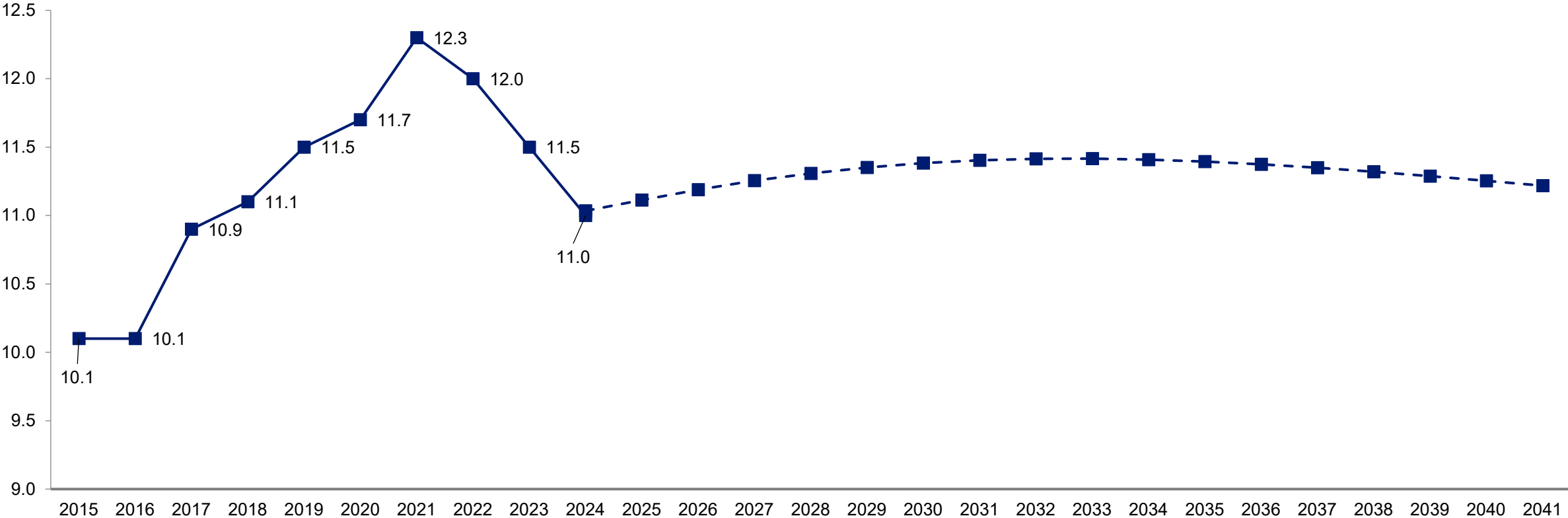
Ratio of Actives to Pay Status



As of June 30

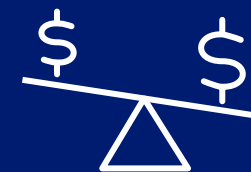
# SCERS Plan Maturity – Volatility

Liability Volatility Ratio

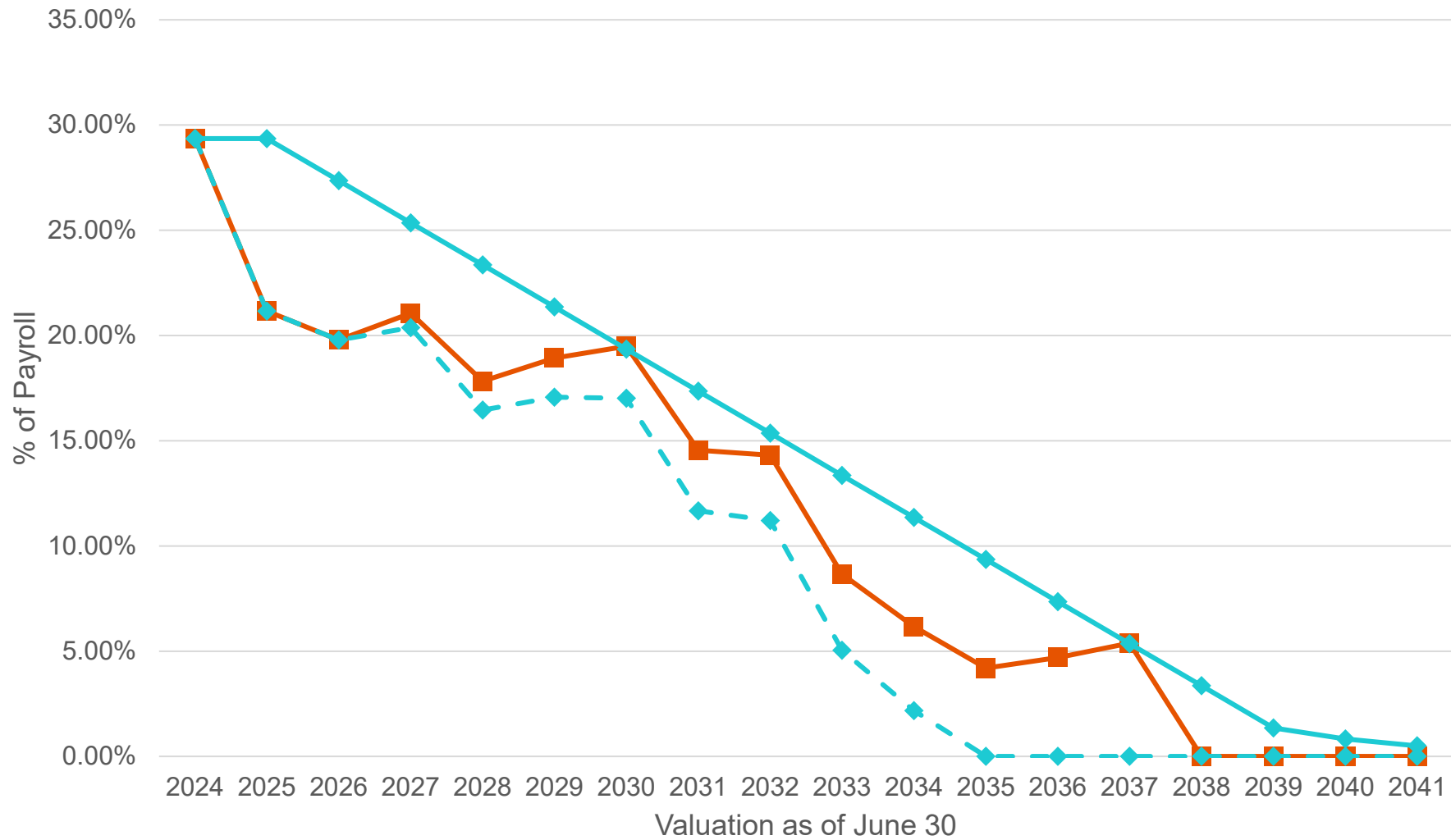


As of June 30

# Contribution Strategies

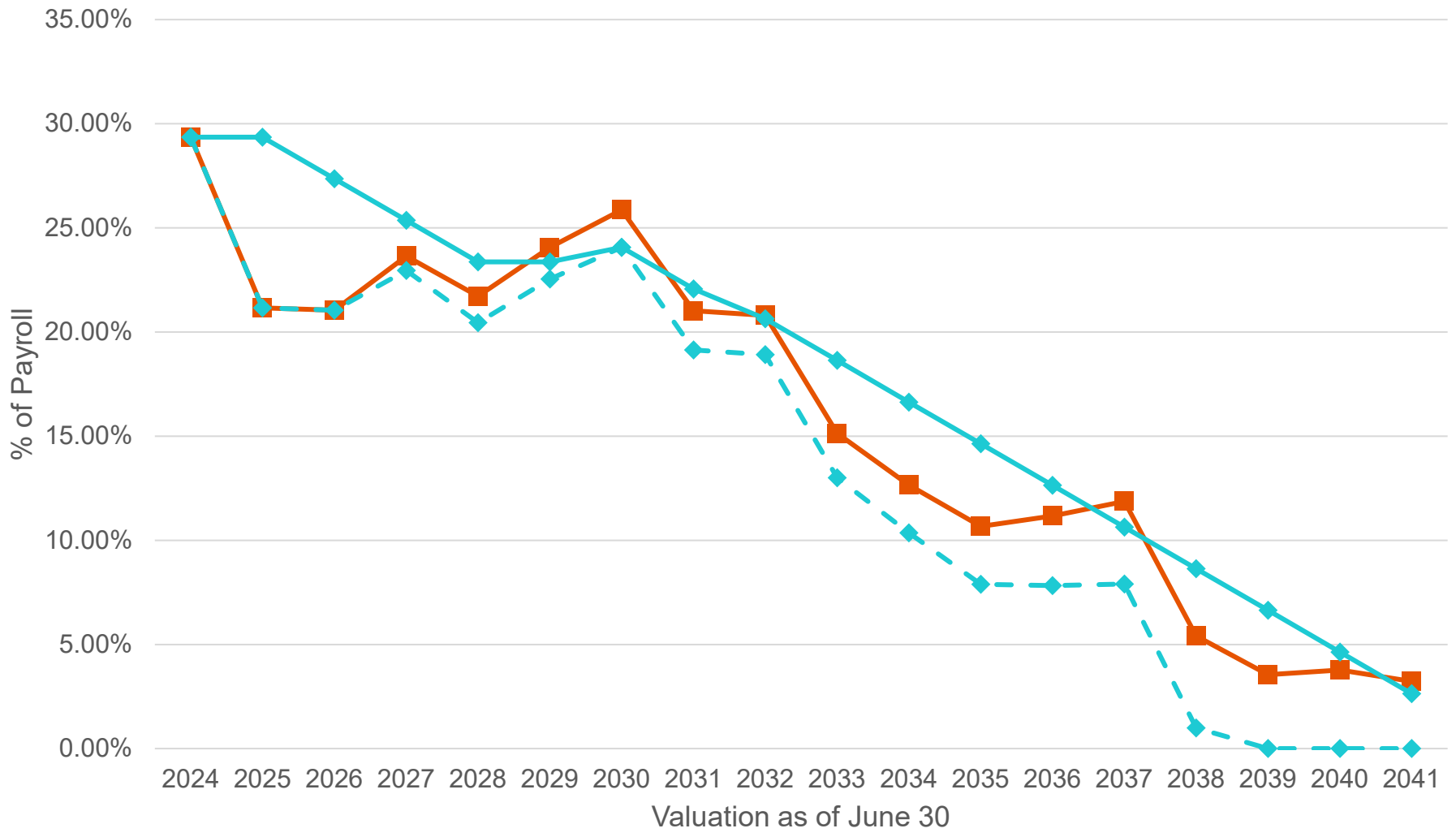


# Sample of Contribution Smoothing



- 100% Recognition (Baseline)
- ◆— 0% Recognition & Downward Corridor w/Limits
- - -◆- - Underlying UAAL Rate for 0% Recognition & Downward Corridor w/Limits

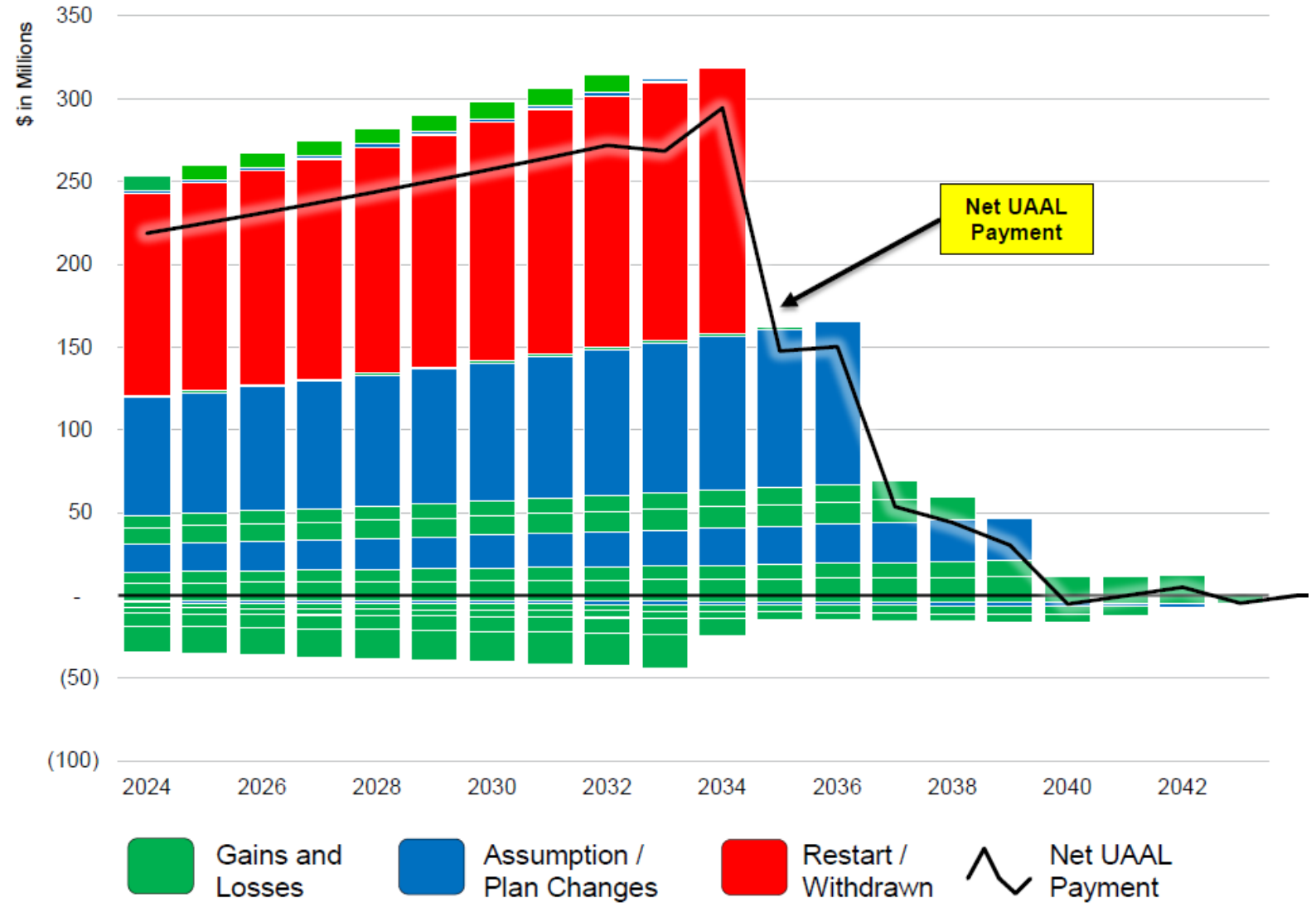
# Sample with Poor Investment Year (25-26)



- 100% Recognition (Baseline)
- ◆— 0% Recognition & Downward Corridor w/Limits & Market Loss
- ◆— Underlying UAAL Rate for 0% Recognition & Downward Corridor w/Limits & Market Loss

# SCERS Future UAAL Contributions

Annual Payments Required to Amortize \$2,191 Million in Net UAAL as of June 30, 2024  
 (\$ in Millions)

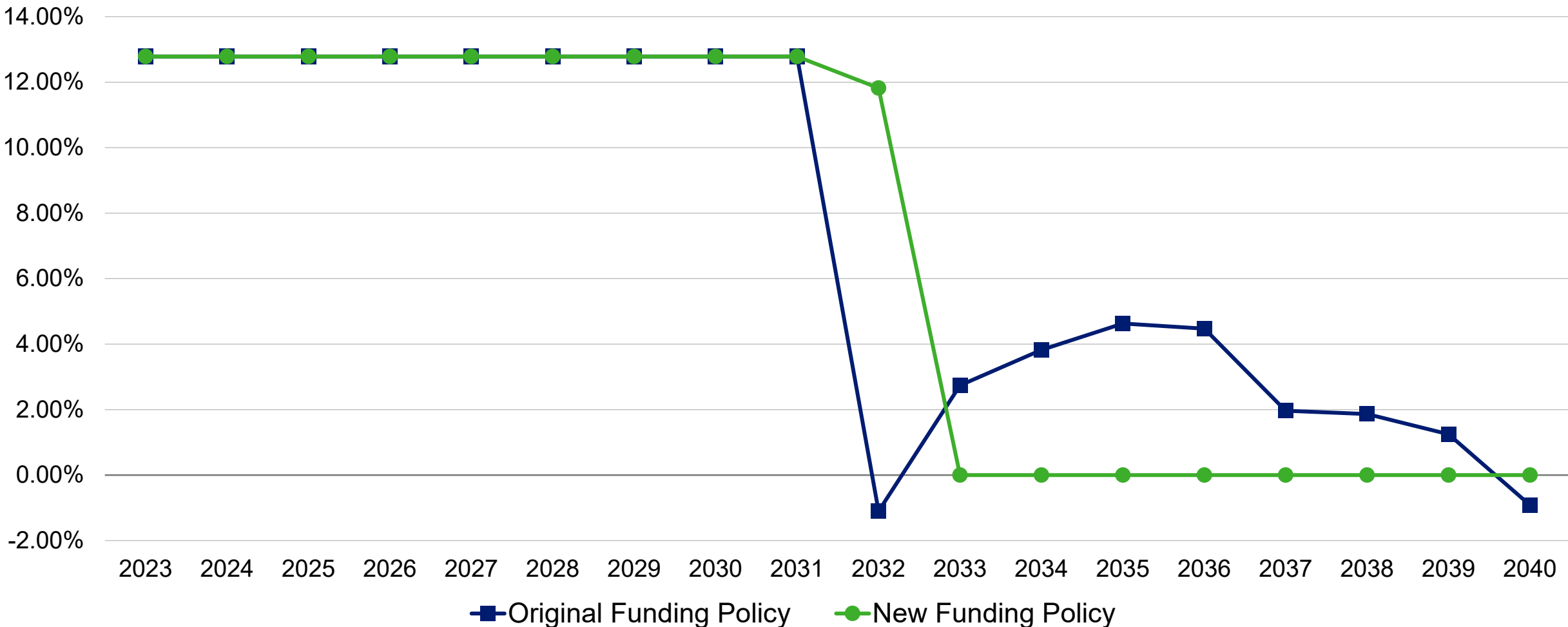


# Surplus Management



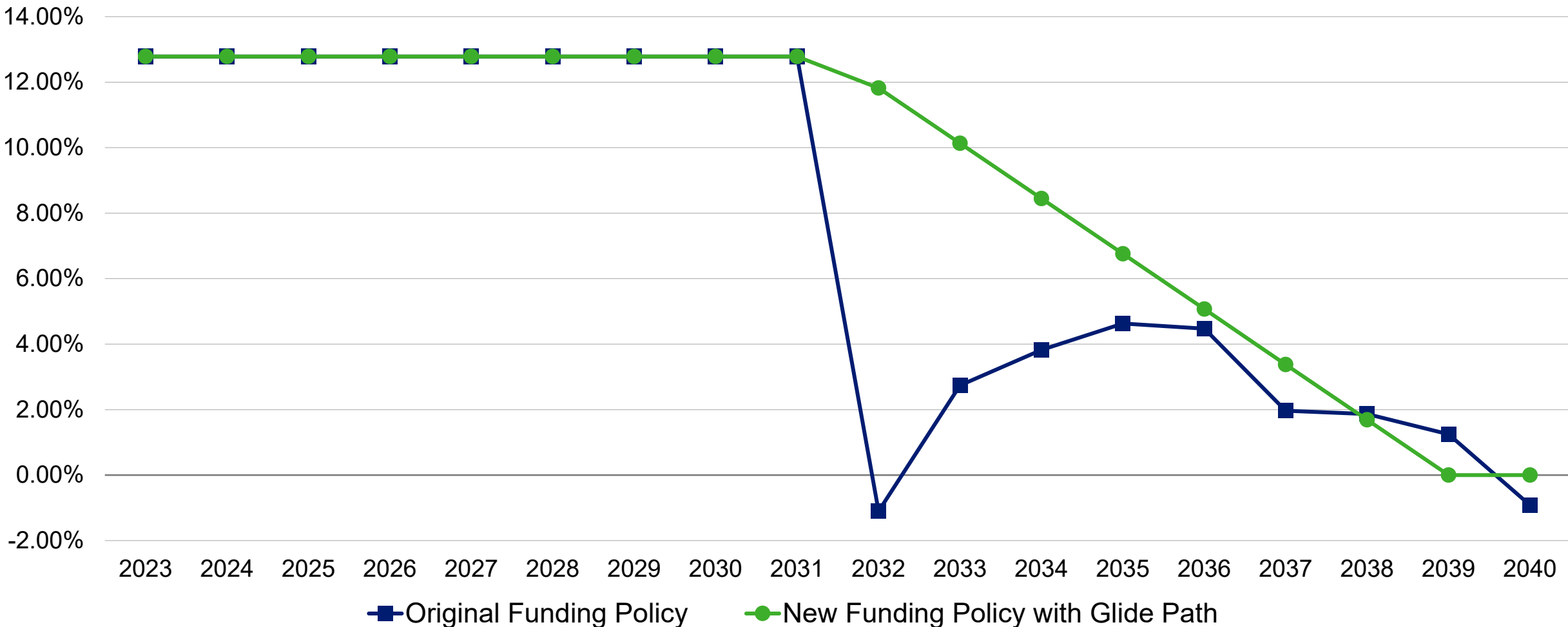
# Tail Volatility Example

*Projection of UAAL Contribution Rates (% of pay)*



# Tail Volatility Example

*Projection of UAAL Contribution Rates with Glide Path (% of pay)*



# Key Takeaways



# In Summary – Preparing for SCERS' Future:

**1** **Plan Maturity**  
Requires updates to assumptions, investments, other strategies

**Growing Volatility**  
Consider strategies to stabilize contributions and funded positions

**2**

**3** **Full Funding**  
We are working towards full funding – we should prepare for it!

# Thank You

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Senior Vice President and Actuary  
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