SCERS

2026 Actuarial Assumption Review

Stakeholder Briefing

July 17, 2026

Section I: Why Are We Here?

Today’s Objectives

Today’s discussion will:

- Explain the Experience Study
- Review preliminary recommendations
- Discuss contribution rate impacts
- Explain potential employer phase-in options
- Receive stakeholder feedback

Why Does SCERS Review Assumptions?

Every 3 Years

- Required good governance
- Looks at demographic and economic trends
- Helps keep contributions aligned with expected costs

Experience Study

Review Actual Experience

Update Assumptions

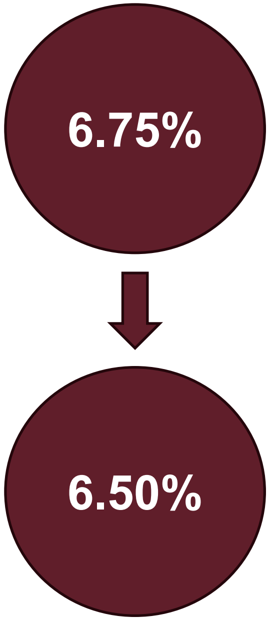
Maintain Long-Term Funding

What Assumptions Are Being Reviewed?

- **Investment Return**
- **Mortality**
- **Salary Growth**
- **Retirement Patterns**

Section II: Preliminary Recommendations

Recommendation to reduce the assumed long-term investment return from **6.75% to 6.50%** to maintain risk exposure, based on capital market assumptions.

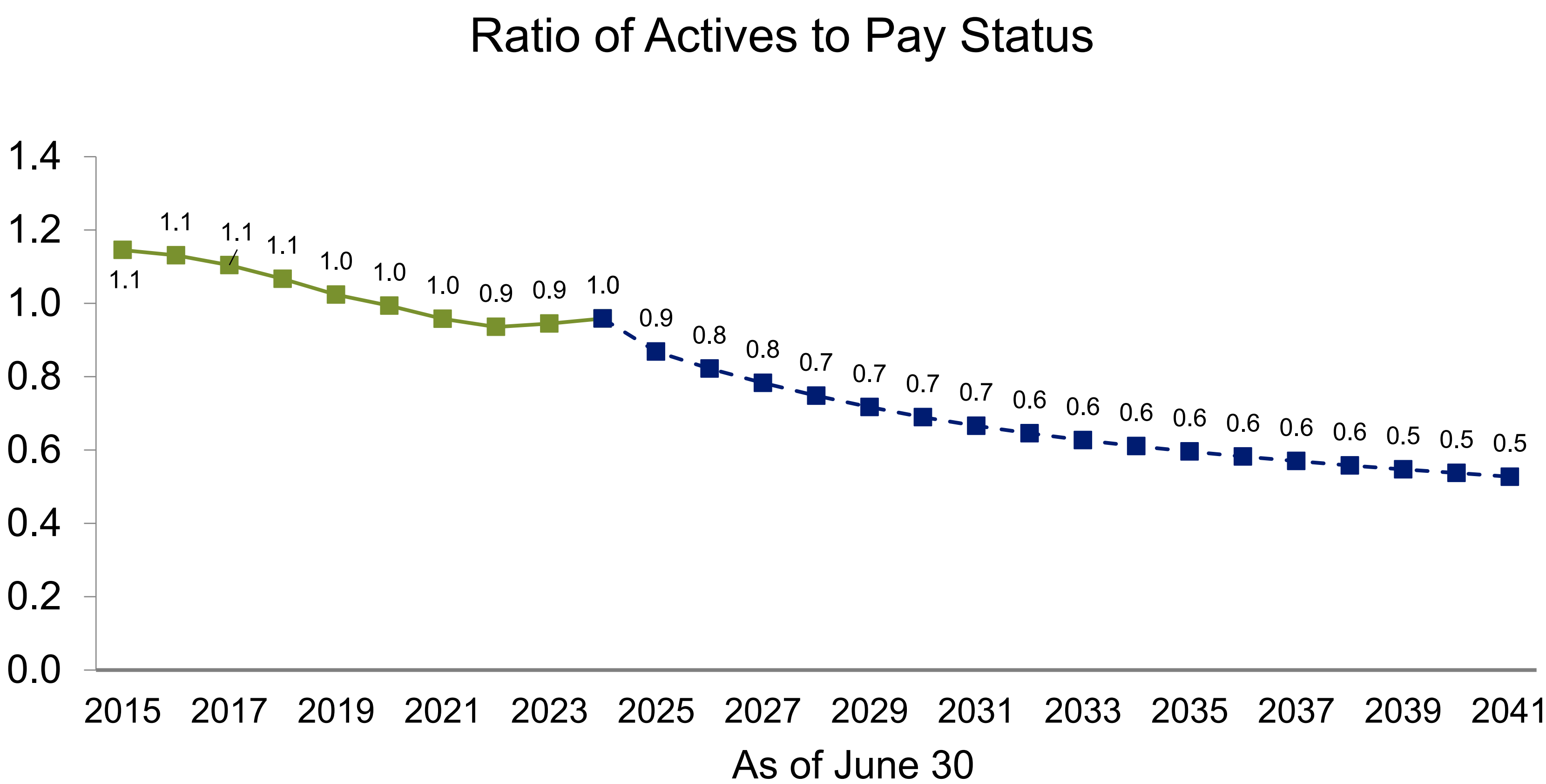


The Board has NOT made a decision.

Why Consider Lowering the Investment Return?

- Lower capital market expectations
- Mature retirement system
- More confidence in achieving assumptions
- Stable long-term funding

SCERS Plan Maturity



Risk Position Over Time

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

Why Are Rates Increasing if SCERS is 94% Funded?

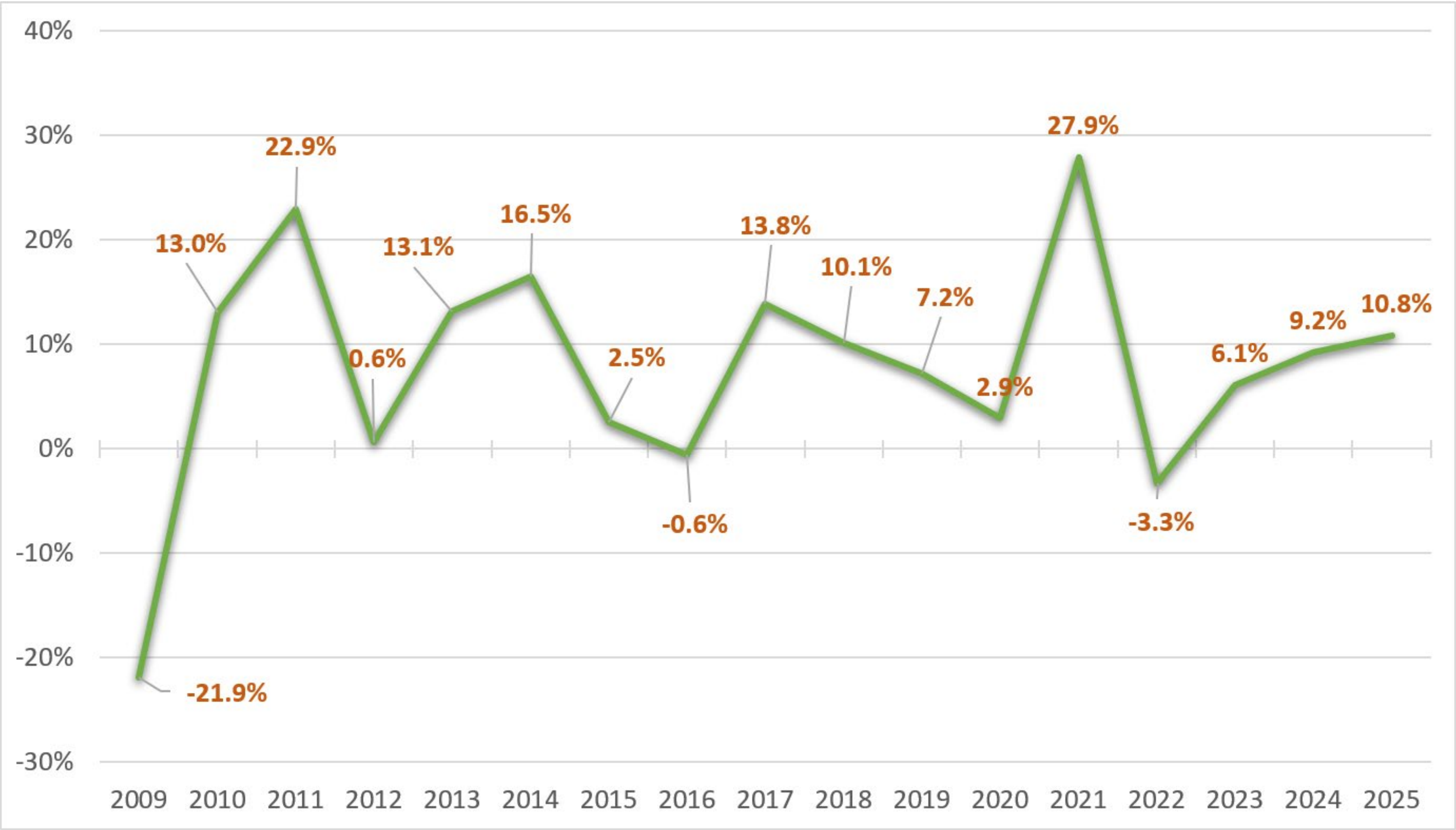
Because...

SCERS is financially strong
- Approximately 94% funded

Funding decisions look decades ahead
- Recent returns don't determine long-term assumptions

Conservative assumptions reduce future risk
- Helps avoid larger contribution increases later

Investment Performance



Section III: Contribution Impacts

Estimated Employer Contribution Increases

Employer	Preliminary Increase
County Miscellaneous	2.0%
County Safety	4.9%
Courts	2.2%
Special Districts	2.1%
SacSewer	2.6%

Effective July 1, 2027 if adopted

➡ Employer impacts vary by tier and employer group.

Estimated Employee Contribution Increases

Retirement Tier	Estimated Rate Increase
County Miscellaneous Tier 3	0.8%
County Miscellaneous Tier 5	0.6%
County Safety Tier 2	1.9%
County Safety Tier 4	1.1%
Courts & Special Districts Miscellaneous Tier 3	0.5%
Courts & Special Districts Miscellaneous Tier 5	0.6%
SacSewer Miscellaneous Tier 3	0.6%
SacSewer Miscellaneous Tier 5	0.5%

MOUs for BU3 (Deputy Sheriffs) and BU19 (Probation) cap employee rates for legacy members at 2023-24 levels through 2026-27.

Section IV: Understanding Employer Rates

How Employer Contributions Work

Employer Rate

Normal Cost	UAAL
Benefits earned today	Unfunded obligations when assumptions are not met

Why Only UAAL Can Be Phased In

Normal Cost	UAAL
Must be recognized immediately	May be phased in

Only the UAAL portion for employers is eligible for phase-in.

Employer Phase-In Comparison

Fiscal Year	2026-27	2027-28	2028-29	2029-30	2030-31	2031-32	2032-33
No Change	27.5%	26.6%	25.5%	25.8%	25.3%	24.7%	24.3%
Full Impact	27.5%	29.3%	28.2%	28.5%	28.0%	27.4%	27.0%
2-Year	27.5%	28.4%	28.2%	28.6%	28.0%	27.4%	27.1%
3-Year	27.5%	28.1%	27.6%	28.6%	28.1%	27.5%	27.0%

Projected aggregate employer contributions

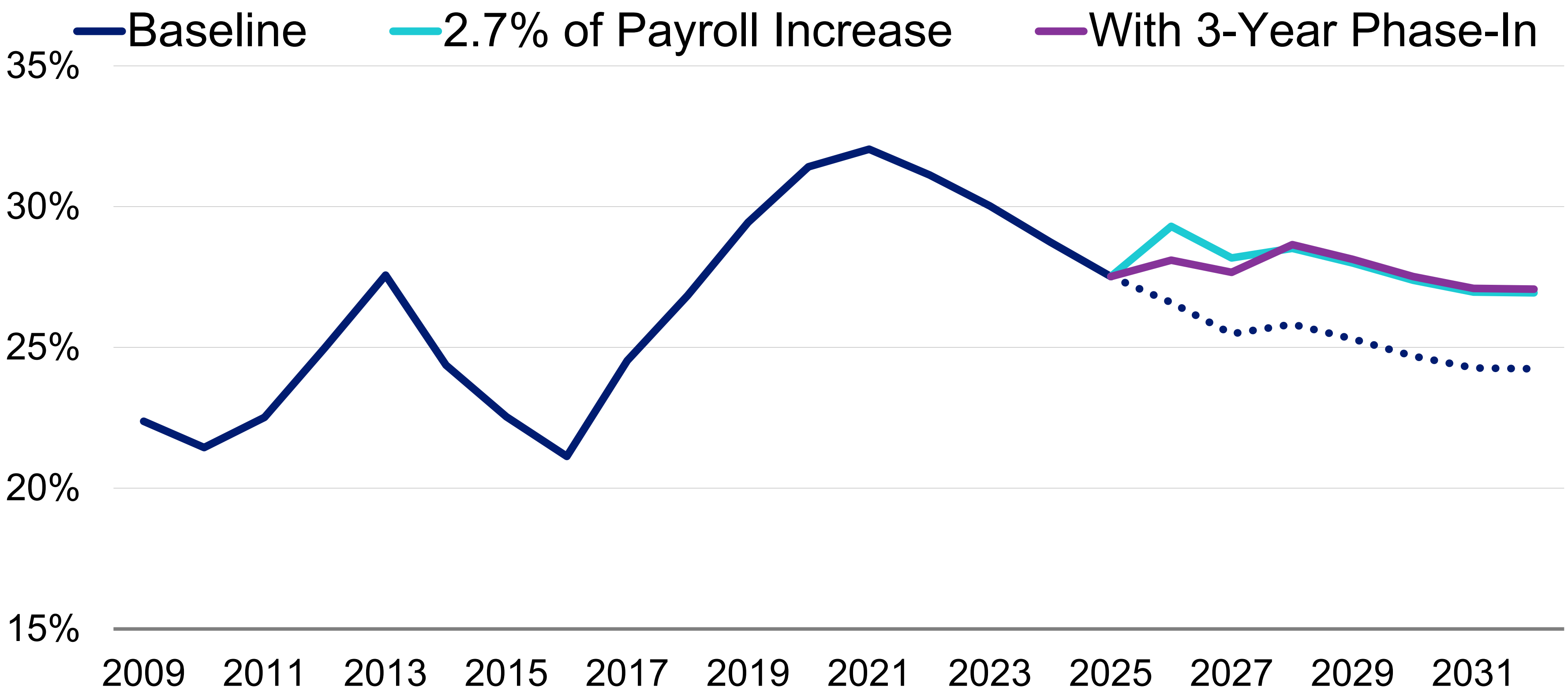
- Deferred gains minimize/offset assumption change impacts
- Assumes 6.50% return in 2025-26; if preliminary 2025-26 return exceeds 10%, rates will decrease by approximately 0.3% (0.2% Misc Tiers, 0.5% Safety Tiers)

Phase-In Trade-Offs

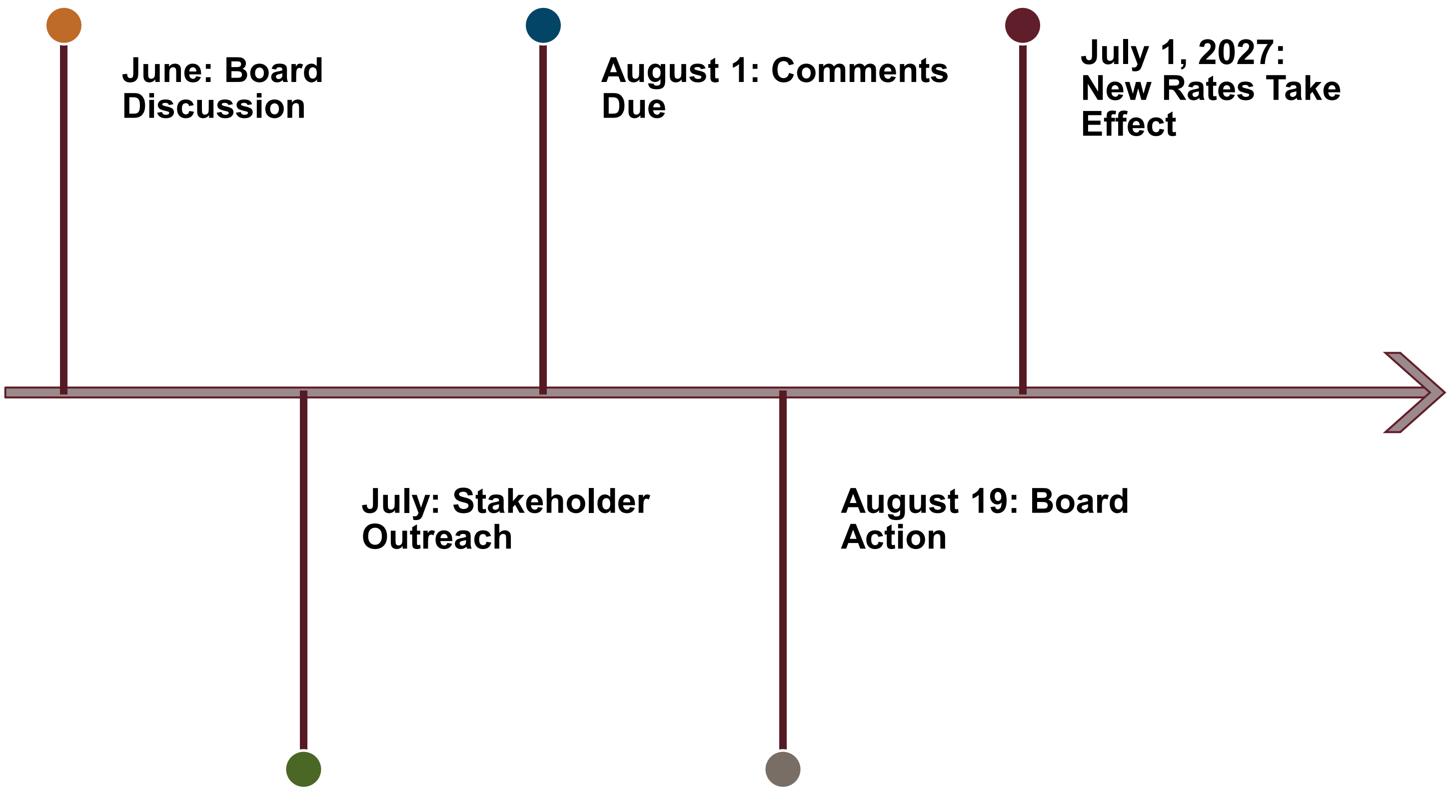
Benefits	Considerations
Smaller initial increase	Slightly higher future rates
Easier budgeting	Deferred contributions become future UAAL
Common California practice	Overall funding remains disciplined
Allows gradual adjustment	

→ Phase-ins smooth near-term costs but modestly increase future contributions.

Potential Employer Rate Impact



Section VI: Next Steps



Appendix A

Detailed Employer Rates

Employer	Rate
Miscellaneous County	+2.03% of payroll (increase in UAAL rate is 1.35%)
Safety County	+4.94% of payroll (increase in UAAL rate is 3.47%)
Courts	+2.20% of payroll (increase in UAAL rate is 1.35%)
Districts	+2.05% of payroll (increase in UAAL rate is 1.26%)
SacSewer	+2.61% of payroll (increase in UAAL rate is 1.78%)
Aggregate	+2.67% of payroll (increase in UAAL rate is 1.81%)

Appendix B

Detailed Employee Rates

Member		Rate
Miscellaneous 50:50	Tier 1	+1.41% of payroll
	Tier 2	+0.68% of payroll
	Tier 3	+0.83% of payroll
	Tier 4	+0.72% of payroll
	Tier 5	+0.59% of payroll
Miscellaneous Full	Tier 1	+1.05% of payroll
	Tier 2	+0.31% of payroll
	Tier 3	+0.49% of payroll
Safety 50:50	Tier 1	+1.87% of payroll
	Tier 2	+1.94% of payroll
	Tier 3	+1.68% of payroll
	Tier 4	+1.12% of payroll
SacSewer	Tier 2	+0.36% of payroll
	Tier 3	+0.58% of payroll
	Tier 4	+0.80% of payroll
	Tier 5	+0.53% of payroll
Aggregate		+0.82% of payroll

Questions

Thank You!

SCERS

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