



CITY OF SACRAMENTO

SACRAMENTO CITY EMPLOYEES' RETIREMENT SYSTEM

801 NINTH STREET, ROOM 110
SACRAMENTO, CALIFORNIA 95814
TELEPHONE (916) 449-5685

Richard E. Snyder
~~SECRETARY~~
RETIREMENT SYSTEM MANAGER
SECRETARY TO THE BOARD

March 24, 1982
By the City Clerk
Office of the City Clerk

MAR 30 1982

CITY MANAGER'S OFFICE
RECEIVED
MAR 24 1982

City Council
Sacramento, California

Honorable Members in Session:

SUBJECT: REPORT ON EFFECT OF SALARY INCREASES ABOVE ANNUAL INCREASE RATE ASSUMPTION ON THE UNFUNDED SUPPLEMENTAL PRESENT VALUE OF THE SACRAMENTO CITY EMPLOYEES' RETIREMENT SYSTEM

SUMMARY

A recent letter from Towers, Perrin, Forster & Crosby, actuaries for the Sacramento City Employees' Retirement System, indicates that employee salary increases above the assumed annual increase rate of five percent (5%) will significantly increase the system's unfunded supplemental present value (USPV; commonly referred to as the system's unfunded liability). This increase is spread over the next 25 years (2007). The approximate value of such increases is as follows:

<u>Each 1% salary increase above assumed rate (5%)</u>	<u>Increased USPV.Costs</u>
Safety Members (Police and Fire)	\$900,000
Miscellaneous Members	\$750,000

BACKGROUND

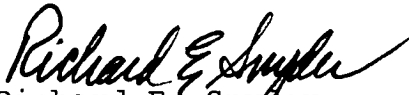
At the March 15, 1982 meeting of the Administration, Investment and Fiscal Management (AIFM) Board, the Board received the attached letter (Attachment 1) from Towers, Perrin, Forster & Crosby, actuaries for the Sacramento City Employees' Retirement System. After discussion, the Board directed the Secretary to the Board to transmit information regarding the effect of salary increases above the assumed actuarial rate to the City Council.

City Council
March 24, 1982
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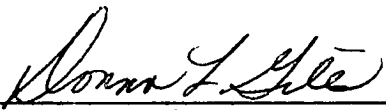
RECOMMENDATION

This item is for the information of the City Council and requires no immediate action.

Respectfully submitted,

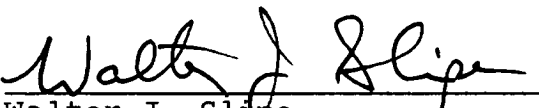

Richard E. Snyder
Secretary to the AIFM Board

APPROVED:



Donna L. Giles
Director of Personnel

APPROVED FOR CITY COUNCIL INFORMATION



Walter J. Slive
City Manager

RES/yb

Attachment:

1. Letter: Towers, Perrin, Forster & Crosby

March 30, 1982
All Districts

RECEIVED

MAR 12 1982

EMPLOYEE SERVICES

TOWERS, PERRIN, FORSTER & CROSBY
ONE CENTURY PLAZA
LOS ANGELES, CALIFORNIA 90067
(213)553-3470

March 10, 1982

Mr. Richard E. Snyder
Acting Retirement System Manager
Sacramento City Employees'
Retirement System
801 Ninth Street, Room 110
Sacramento, California 95814

Dear Dick:

You have asked us for the increase in unfunded supplemental present value (USPV) associated with salary increases above the annual increase rate of 5% used as the valuation assumption. Based on the valuation as of June 30, 1981, we estimate that the USPV for safety members will increase about \$900,000 for each 1% pay increase beyond the assumed rate of 5%. Similarly, the USPV for miscellaneous members will increase about \$750,000 for each 1% pay increase beyond the assumed rate of 5%.

If you have any further questions, please contact us.

Sincerely,



Charles L. Thorne, A.S.A.
Actuarial Adviser

CLT:sds