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San Bernardino County Employees'
Retirement Association

Origination	4/6/2006
Last Approved	N/A
Effective	Upon Approval
Last Revised	7/6/2017
Next Review	3 years after approval

Area	General
Applicability	SBCERA systemwide

Pre-Funding of Contributions

POLICY NO. 010

Background: Pursuant to Government Code section 31582 participating employers of SBCERA may pre-fund employer contributions. The pre-funding, or advance payment, may represent all or a part of the participating employer's estimated required annual actuarially determined employer contribution to SBCERA. SBCERA's actuary has advised that any discount rate that is not greater than the actuarial rate assumed in the SBCERA actuarial valuation is acceptable. Since SBCERA is a pass-through agency there is no advantage for SBCERA to negotiate a lower discount rate, thereby charging additional monies for the pre-funding, since gains and losses are recognized through the smoothing and amortization process. However, SBCERA incurs trading costs associated with the pre-funding based on the one-month large cash inflow and then eleven months of negative cash flow. This may result in an overall loss to SBCERA if any potential trading costs are not included in any discount rate used at the time of the pre-funding.

Pre-Funding of Contribution Policy

When a participating employer elects to pre-fund their employer contributions to SBCERA, pursuant to Government Code section 31582, SBCERA will charge the participating employer a discount rate equal to the actuarial rate assumed in the SBCERA actuarial valuation that is effective for the year contributions are due, reduced by an additional rate to minimize the anticipated loss associated with potential trading costs, not to exceed 0.50% without Board approval.

Approval Signatures

Step Description	Approver	Date
Policy Owner	Debby Cherney: Chief Executive Officer	Pending

Applicability

SBCERA, SBCERA Internal

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