

**Financial Advisory Commission
Special Meeting
10/05/2022**



1



2

Financial Advisory Commission 10/05/2022

Study Session Item No. 1

Discuss the City's Outstanding Pension Obligations and the
Financial Advisory Subcommittee Recommendations



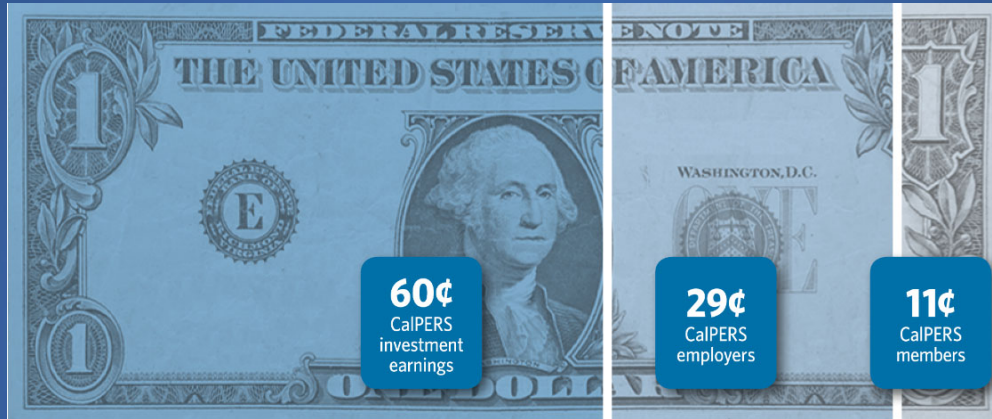
3

CalPERS at a Glance

- Largest pension fund in the nation
 - \$477.3 billion in assets (6/30/2021)
 - 12.3%, or \$58.7 billion in California investments
- 2,892 employers – state, local agencies, school districts
- Over 2 million members

4

How Retiree Benefits are Funded



5

Benefit Tiers/Plan Types

- Classic: Employees hired on or before December 31, 2012.
 - Benefit formula: 2.5% at 55
- PEPR: Public Employees Pension Reform Act, all employees hired on or after January 1, 2013.
 - Benefit formula: 2% at 62
- Tier 2: The City offers a tier for Classic employees coming from other agencies.
 - Benefit formula: 2% at 60

6

Benefit Tiers, Con't

	Classic Tier	Tier 2	PEPRA Tier
Hire Date	On and before 12/31/2012	On and after 12/17/2012	On and after 1/1/2013
Benefit Formula	2.5% at age 55	2% at age 60	2% at age 62
Benefit Vesting Schedule	5 years of service	5 years of service	5 years of service
Benefit Payments	monthly for life	monthly for life	monthly for life
Retirement Age	50 and up	50 and up	52 and up
Required employee contribution	7.960%	6.930%	7.750%
Required employer contribution	14.060%	10.100%	7.680%
Number of Active Members*	22	7	58
Number of Retired Members*	118	2	0

* As of June 30, 2021 from CalPERS valuation reports.

7

Classic Plan Stats

- Unfunded Liability: \$10.2 million
- Required UAL Contribution FY 23/24: \$930,275
- Normal Cost: 14.06% of payroll
- 22 Active and 118 Retired Members

8

PEPRA and Tier 2

- Both are super-funded as of June 2021
- No UAL contributions for FY 23/24
- Normal costs 10.1% for Tier 2 and 7.68% for PEPRA
- Tier 2 has only 7 active members and 2 retirees
- PEPRA has 58 active members and no retirees, but this plan will continue to grow

9

Funded Status

	Classic Tier	Tier 2	PEPRA Tier
Entry Age Normal Accrued Liability	\$54,300,788	\$925,328	\$2,912,438
Plan's Market Value of Assets	\$44,042,560	\$1,013,126	\$3,184,276
Unfunded Accrued Liability	\$10,258,228	-\$87,798	-\$271,838
Funded Ratio	81.10%	109.50%	109.30%

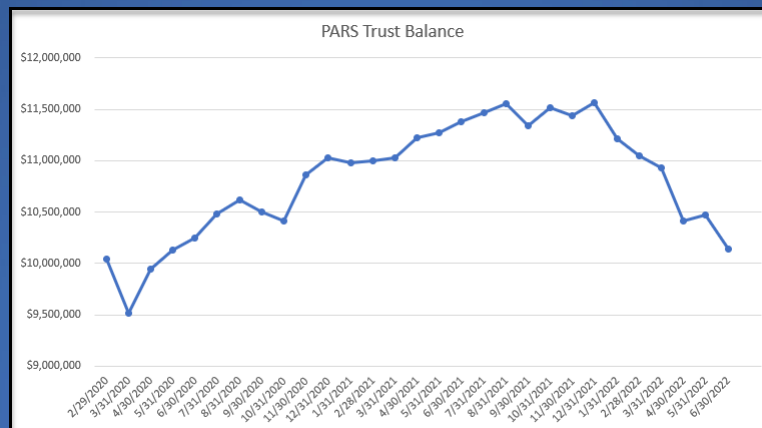
10

Pension Trust

- Established in 2019
- Sets aside funds that can only be used to pay pension liabilities
- Target balance was set at \$10 million during Reserves Study
- Trust was opened with \$6.5 million and fully funded to target in February 2020

11

Pension Trust Balance



12

Trust and CalPERS Returns

Annualized Returns As of June 30, 2021		
	PARS Trust	CalPERS
YTD	11.58%	21.30%
3-years	8.18%	10.70%
5-years	6.56%	10.30%
10-years	5.73%	8.50%

13

ADPs and Recommendations

Additional Discretionary Payments to CalPERS				
Fiscal Year	Classic Tier	Tier 2	PEPRA Tier	Total
2018/19	\$ -	\$ 15,353	\$ 22,060	\$ 37,413
2019/20	\$ -	\$ 20,000	\$ 10,000	\$ 30,000
2020/21	\$ 1,000,000	\$ 6,419	\$ 57,345	\$ 1,063,764
2021/22	\$ 2,500,000			\$ 2,500,000
TOTAL	\$ 3,500,000	\$ 41,772	\$ 89,405	\$ 3,631,177

	Recommendations		
	Total Unfunded Liability Payment	Funding Source	
		Pension Trust	Unassigned Reserves
Option 1	\$10,258,228	\$5,000,000	\$5,258,228
Option 2	\$7,500,000	\$5,000,000	\$2,500,000
Option 3	\$5,000,000	\$2,500,000	\$2,500,000

14

The Financial Advisory Commission's
Next Regular Quarterly Meeting is on
November 9, 2022

