



# STAFF REPORT – CITY COUNCIL MEETING

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March 15, 2023

**TO:** Honorable Mayor and City Council Members

**FROM:** Tabatha Miller, Finance Director

**PREPARER:** Tabatha Miller, Finance Director

**DATE:** March 09, 2023

**TITLE:** **Receive a Presentation on CalPERS Pension Update from GovInvest.**

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## **RECOMMENDATION:**

Receive a presentation on the City's CalPERS Pension Update from GovInvest representatives and provide direction to staff as appropriate.

## **INTRODUCTION:**

The City participates in the California Public Employees' Retirement System (CalPERS). Like many municipalities in California and across the United States, Arcata's pension liability is its single largest debt and a significant ongoing expenditure. The Unfunded Accrued Liability (UAL) is the present value of future employer contributions for service *that has already been earned*. It is the shortfall between the City's pension assets and what is needed to fully payout the benefits already promised to retirees. Current estimates place the City's UAL at \$29.61 million. This is in addition to the normal ongoing cost of contributions for employees.

## **BACKGROUND:**

The most current CalPERS actuarial reports, as of 6-30-21, reflect a City UAL or debt of \$18.85 million. However, these values were calculated based on the 21.3% rate of return on investments as of that date. For the year ending 6-30-22, CalPERS returned -6.1% investment earnings, which essentially wiped out the progress gained from the 21.3% return and reset UAL values to 6-30-20 levels plus more. GovInvest estimates Arcata's UAL at \$29.61 million as of 6-30-22.

The presentation by GovInvest, a private company that provides tools and resources for understanding, managing and reducing pension costs and liabilities, will walk the Council through those changes and provide an update that reflects the current state of the City's pension obligations.

## **BUDGET/FISCAL IMPACT:**

The City's FY 23-24 minimum required pension contribution is estimated at \$3.04 million but is estimated to jump to \$4.36 million in FY 24-25, as a result of the -6.1% investment earnings rate for the year ended 6-30-22. An increase of \$1.32 million will impact the City's budget and make it difficult to find ways to paydown the UAL to save future interest costs without impacting City

services. Moreover, recent economic and investment volatility makes it challenging to predict future pension costs.

**ATTACHMENTS:**

A. Arcata Pension Funding Presentation 3.15.23 (PPTX)