

CalPERS Pension Update

Arcata, CA

March 15, 2023



Agenda



CalPERS
Pension Basics



Changes
to CalPERS



Impact of these
Changes on CalPERS
Costs



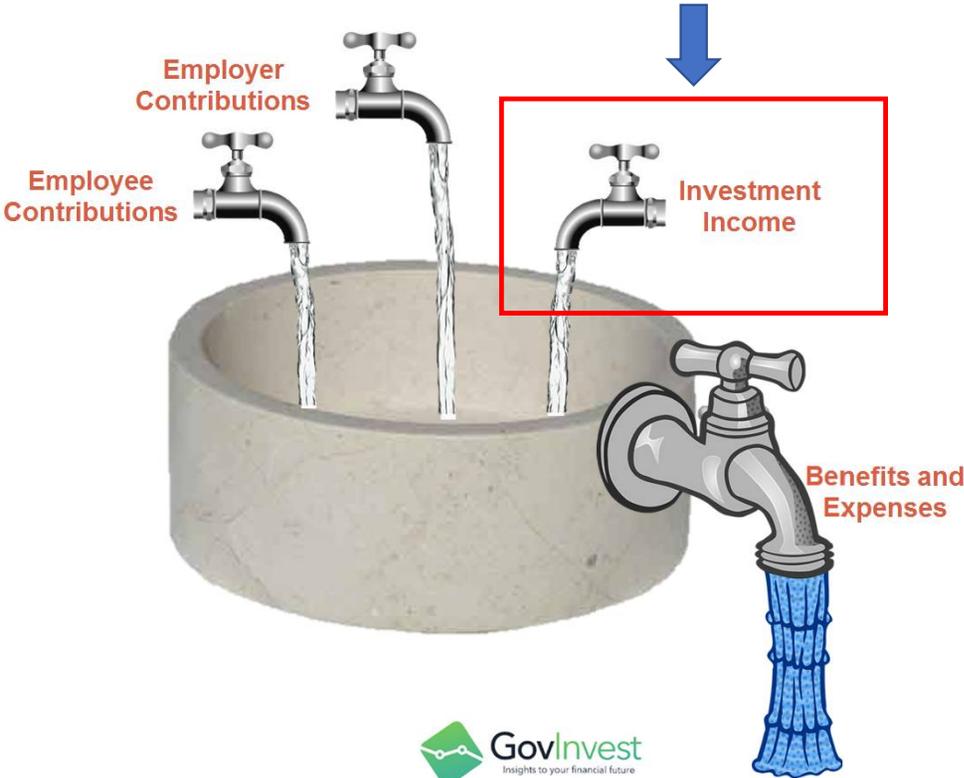
Potential
Solutions

CalPERS Pension Basics

Money going into CalPERS is equal to the Money coming out of CalPERS

Major Driver of Plan Cost

Funding a Pension Plan



CalPERS Projects Future Benefit Payments using a Series of Assumptions



Economic

- Inflation
- Investment Return
- Salary Growth



Demographic

- Retirement
- Disability
- Death
- Termination

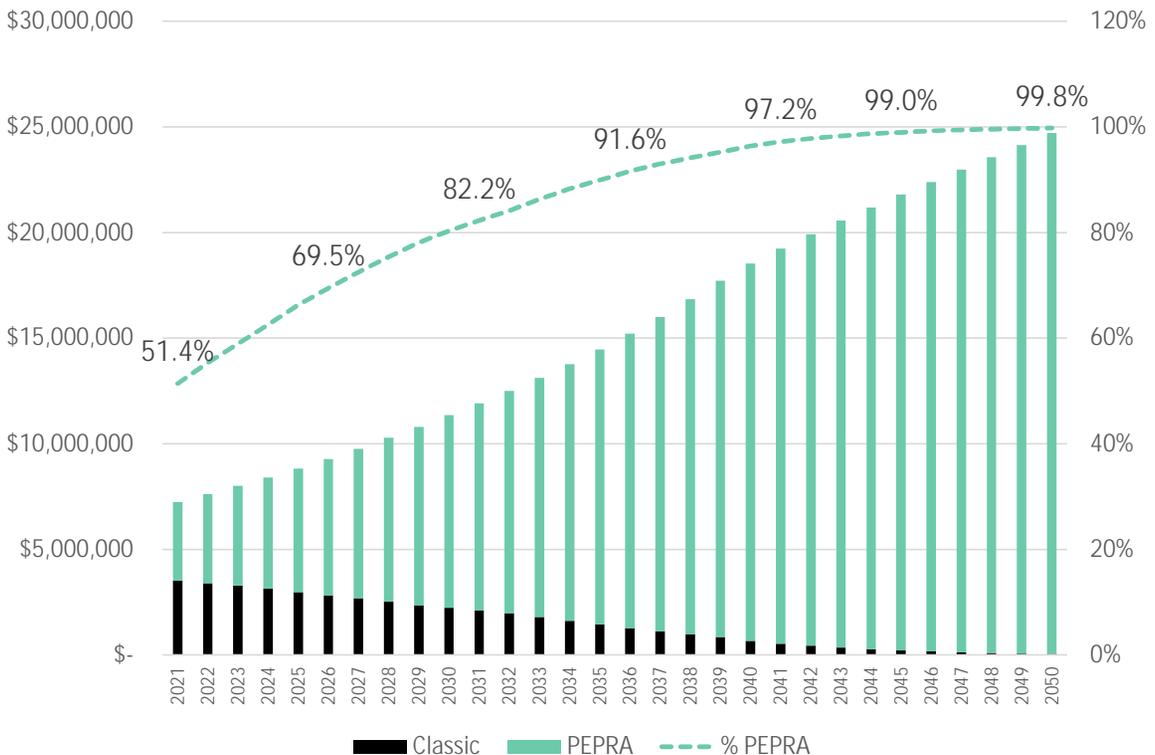
Arcata has 3 Benefit Structures within CalPERS for Miscellaneous Employees

	Miscellaneous Tier 1	Miscellaneous Tier 2	Miscellaneous PEPRA
Hire Date	On or before 6/23/2012	Between 6/24/12 and 12/31/12	On or after 1/1/2013
Formula	2.7% @ 55	2% @ 55	2% @ 62
Final Pay Period	12 months	36 months	36 months
COLA	2% per year	2% per year	2% per year
Basic Employee Contributions	8% of Pay	7% of Pay	7.75% of Pay (50% of Normal Cost) (Effective July 1, 2023)
Additional Employee Contributions	1% to 3% of Pay	1% to 3% of Pay	0% to 3% of Pay

Arcata has 3 Benefit Structures within CalPERS for Safety Employees

	Safety Tier 1	Safety Tier 2	Safety PEPR A
Hire Date	On or before 6/23/12	Between 6/24/12 and 12/31/12	On or after 1/1/2013
Formula	3% @ 50	3% @ 55	2.7% @ 57
Final Pay Period	12 months	36 months	36 months
COLA	2% per year	2% per year	2% per year
Basic Employee Contributions	9% of Pay	9% of Pay	13.75% of Pay (50% of Normal Cost) (Effective July 1, 2023)
Additional Employee Contributions	3% of Pay	3% of Pay	1.5% of Pay

Over the next few years, more of the active workforce will be in PEPRA



As more of the workforce becomes PEPRAs members, Normal Cost will decrease as a percent of payroll



Comparison to Other CalPERS Agencies

Comparison Metrics

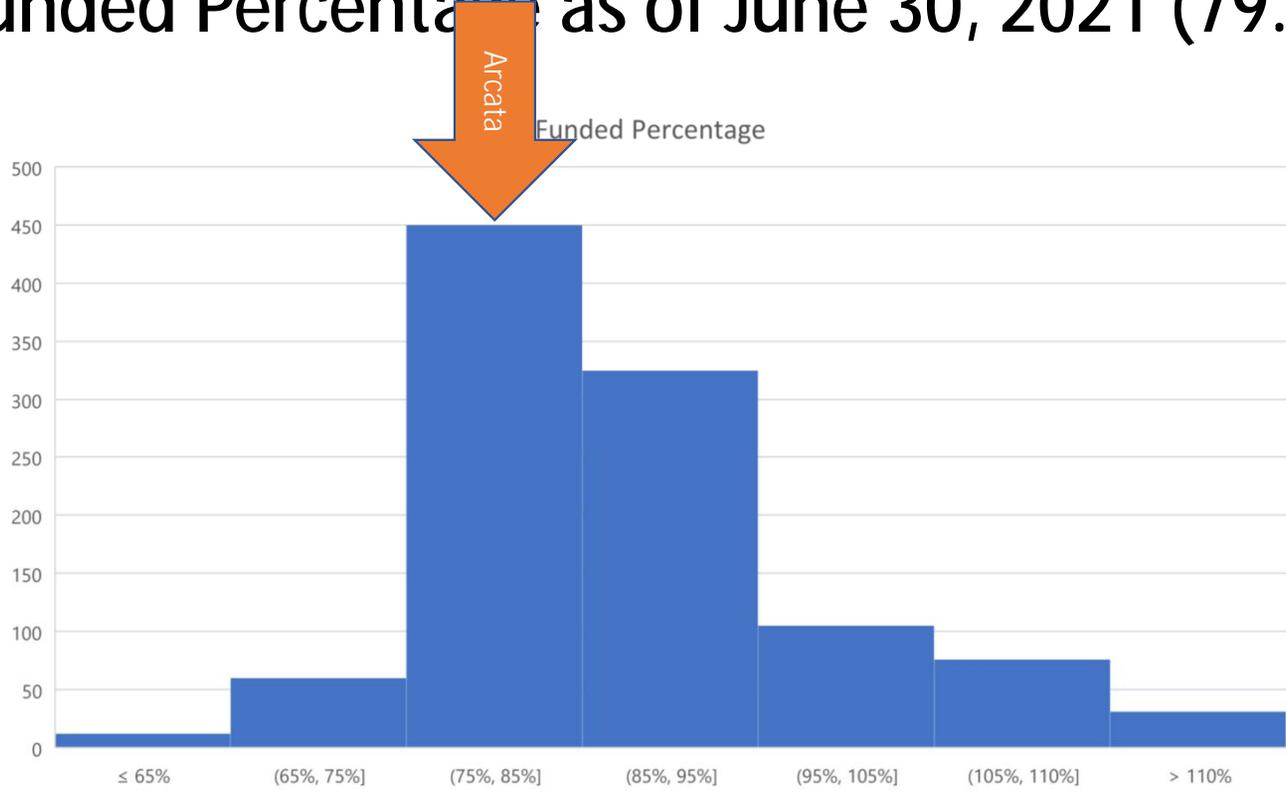
- Funded Percentage
 - Plan assets divided by Plan liabilities
 - Calculated as of June 30, 2021
- Total Contribution Percentage
 - Required Contribution for Fiscal Year 2023-24 divided by Projected Pensionable Compensation

Comparison Group

- City results are being compared against the results for all CalPERS agencies in the Risk Pool
- Comparisons are made to similar classifications:
 - Classic Miscellaneous Plan against all Classic Miscellaneous Plans
 - PEPRAs Miscellaneous Plan against all PEPRAs Miscellaneous Plans
 - Classic Safety Plan against all Classic Safety Plans
 - PEPRAs Safety Plan against all PEPRAs Safety Plans

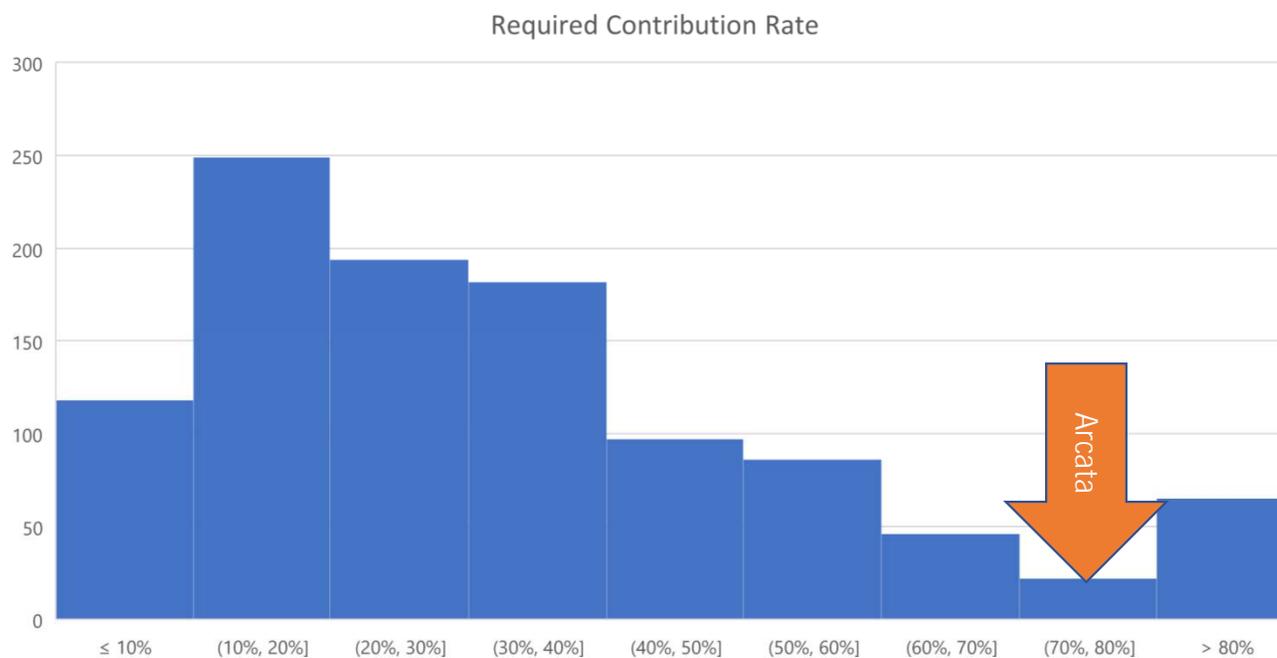
Miscellaneous Plan

– Funded Percentage as of June 30, 2021 (79.6%)

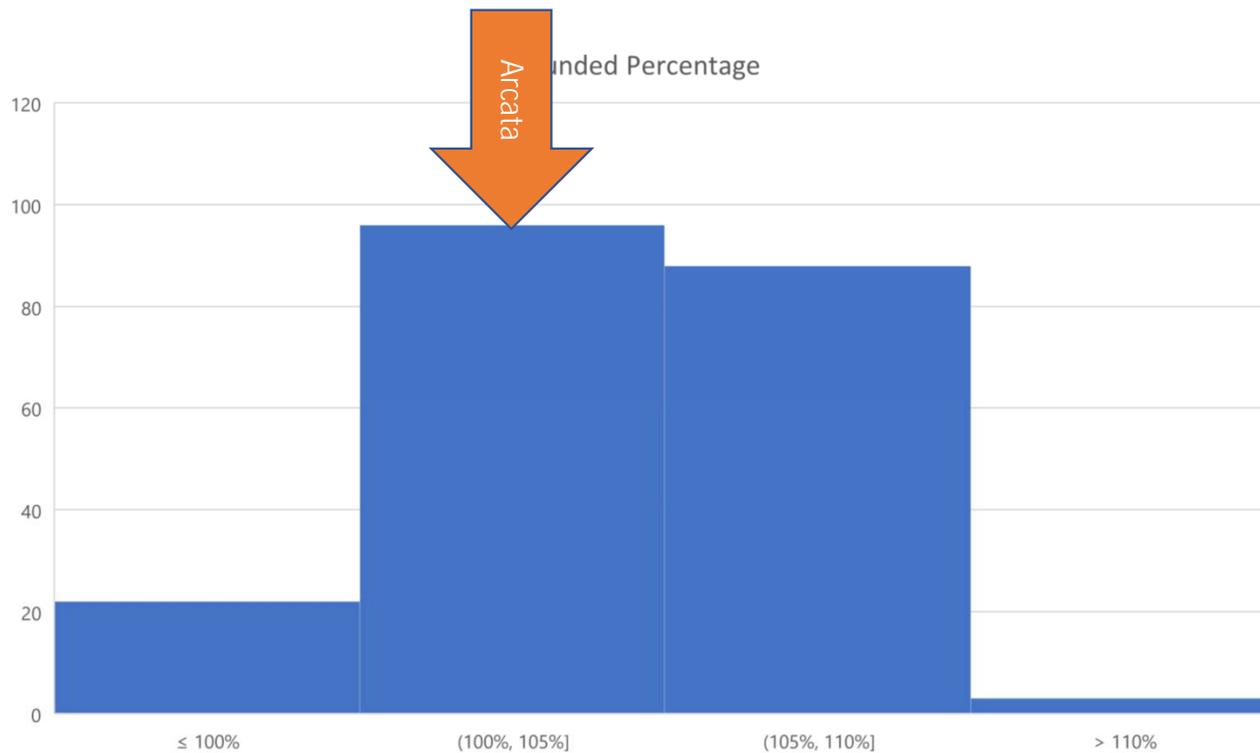


Miscellaneous Plan

– Total Contribution Percentage for Fiscal Year 23-24 (70.7%)

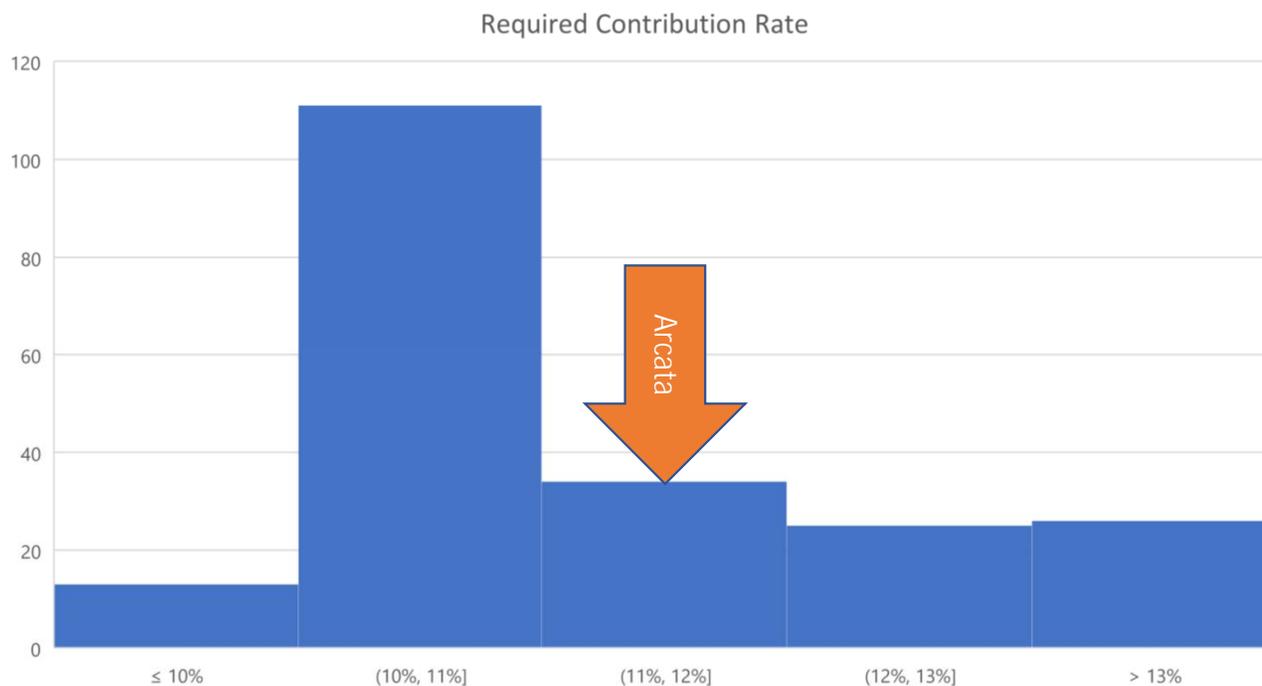


Miscellaneous Second Tier Plan – Funded Percentage as of June 30, 2021 (103.4%)



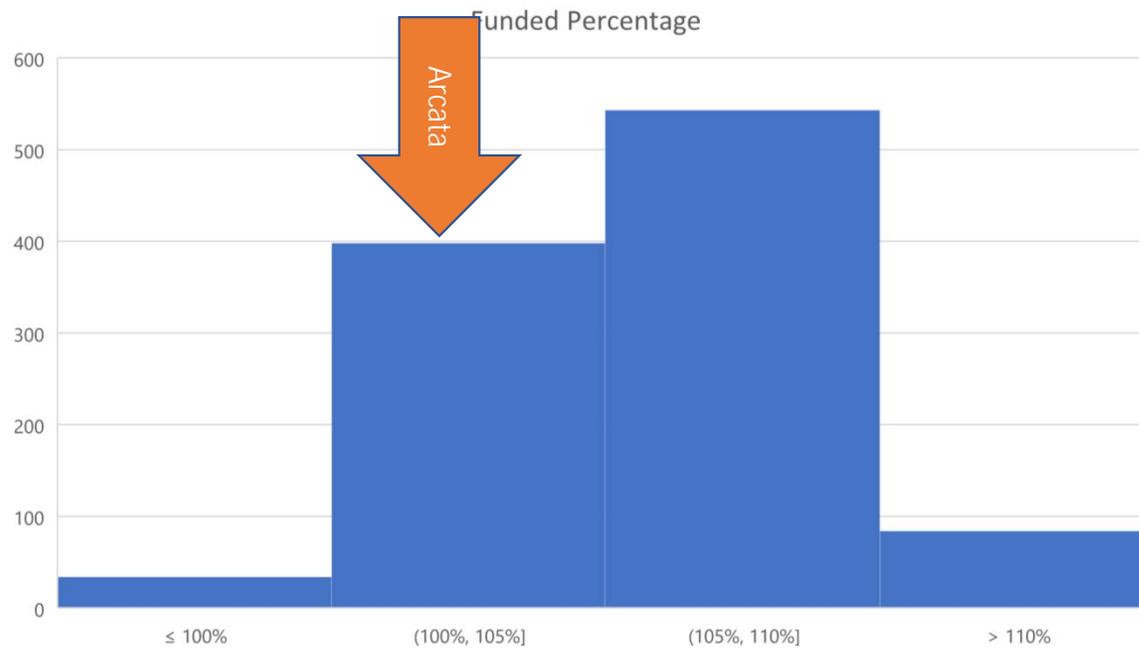
Miscellaneous Second Tier Plan

– Total Contribution Percentage for Fiscal Year 23-24 (11.8%)



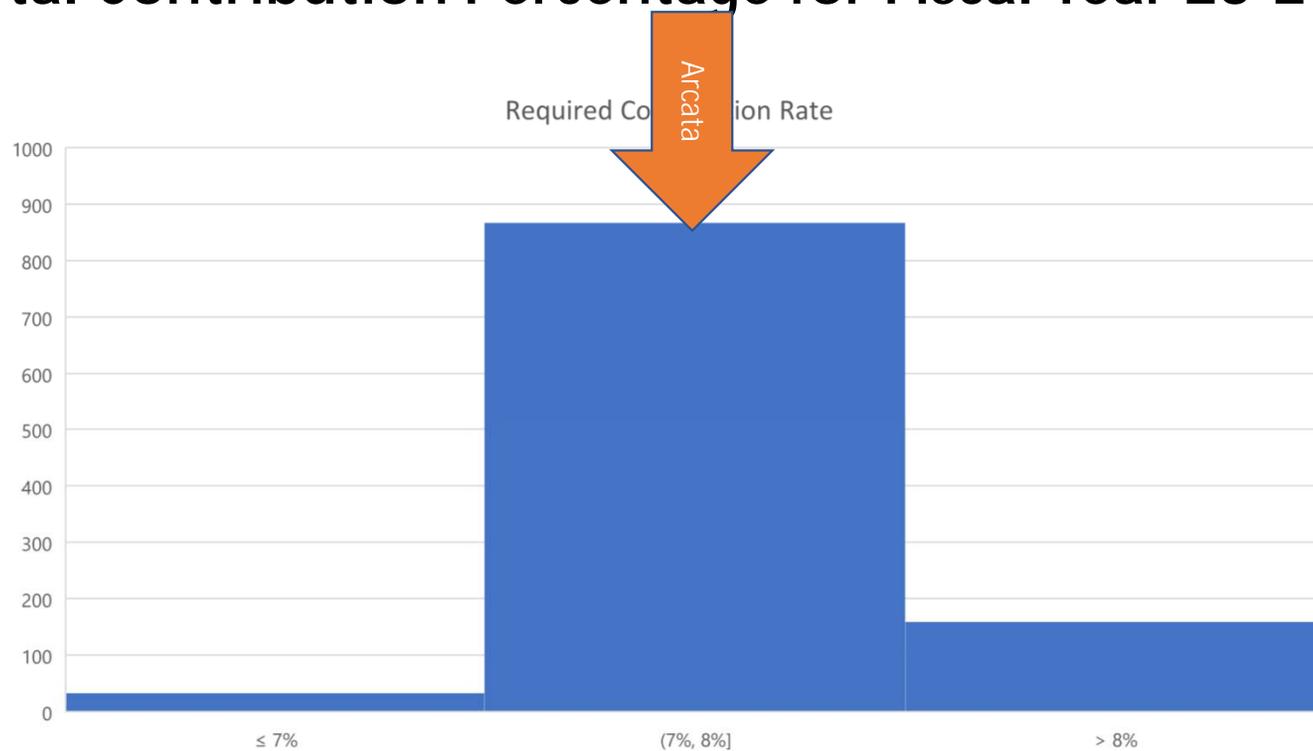
PEPRA Miscellaneous Plan

– Funded Percentage as of June 30, 2021 (104.6%)



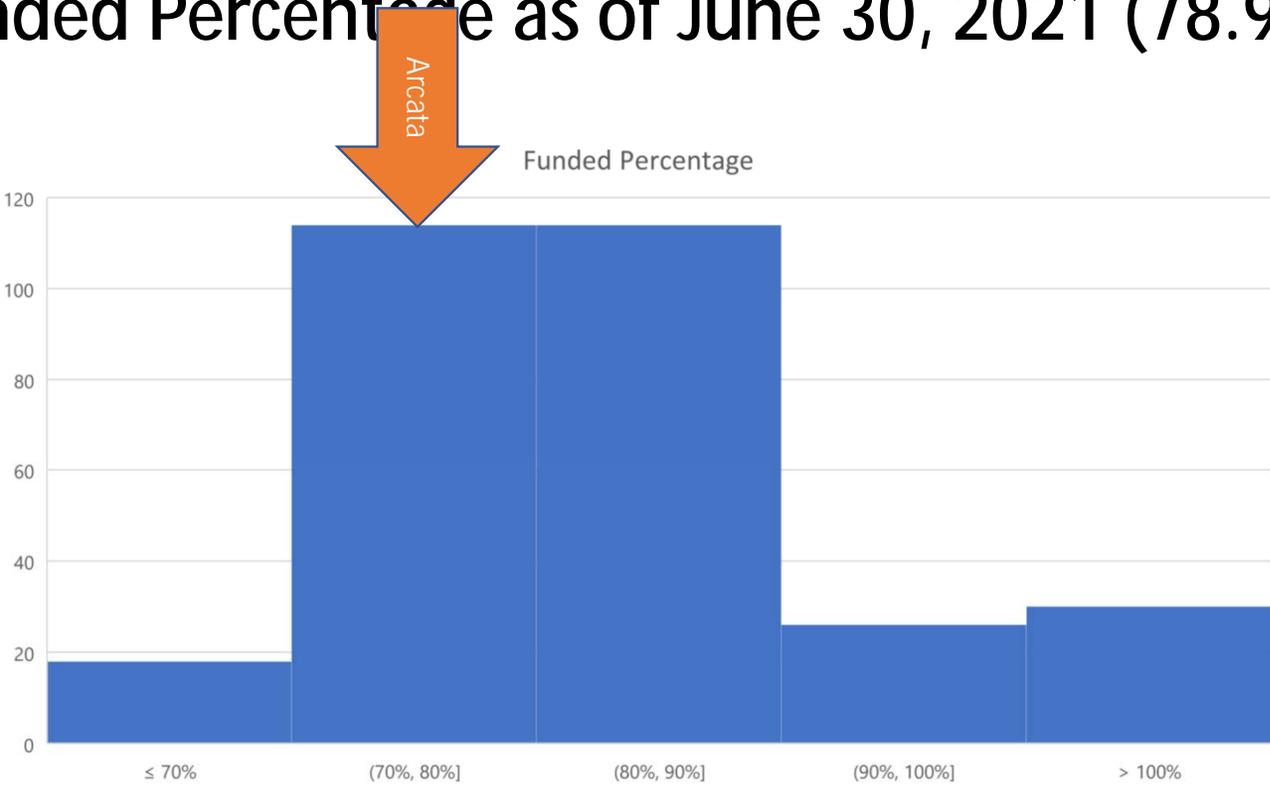
PEPRA Miscellaneous Plan

– Total Contribution Percentage for Fiscal Year 23-24 (7.7%)



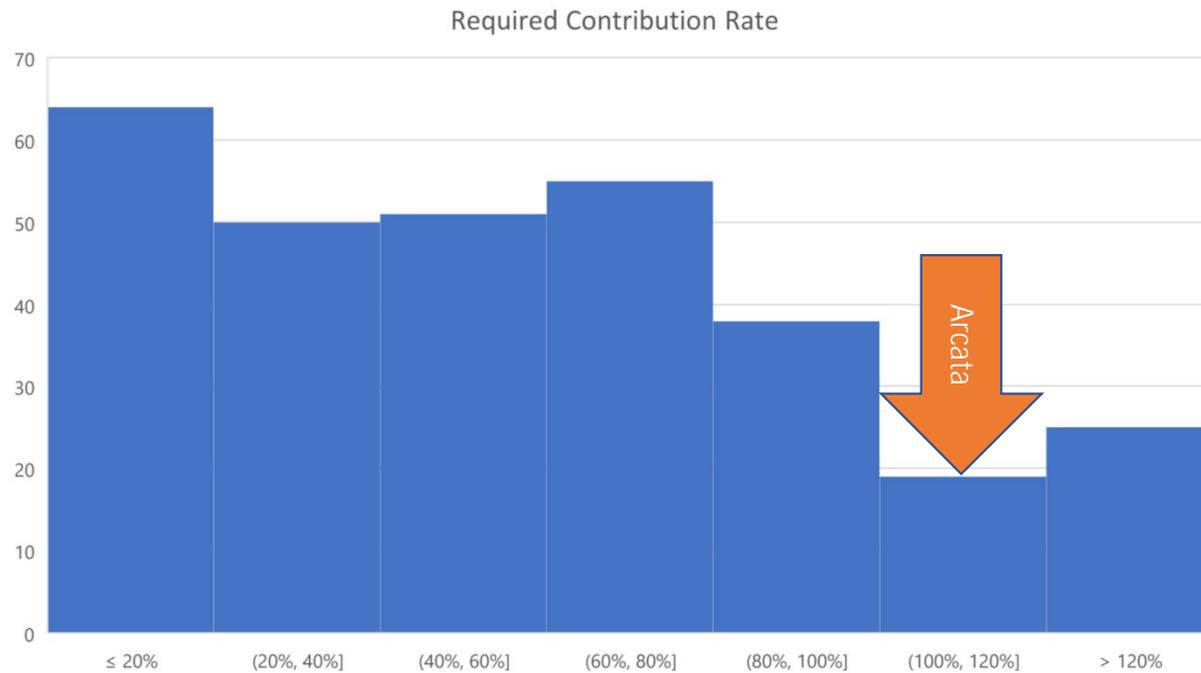
Safety Plan

– Funded Percentage as of June 30, 2021 (78.9%)



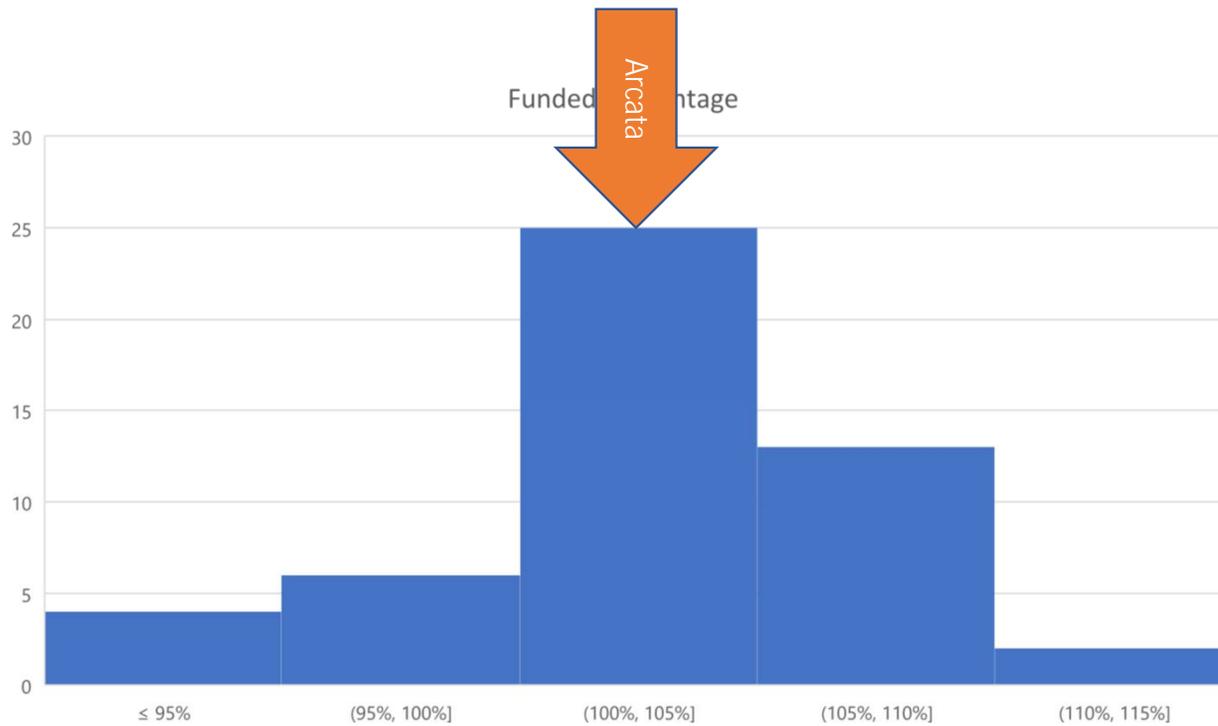
Safety Plan

– Total Contribution Percentage for Fiscal Year 23-24 (109.3%)



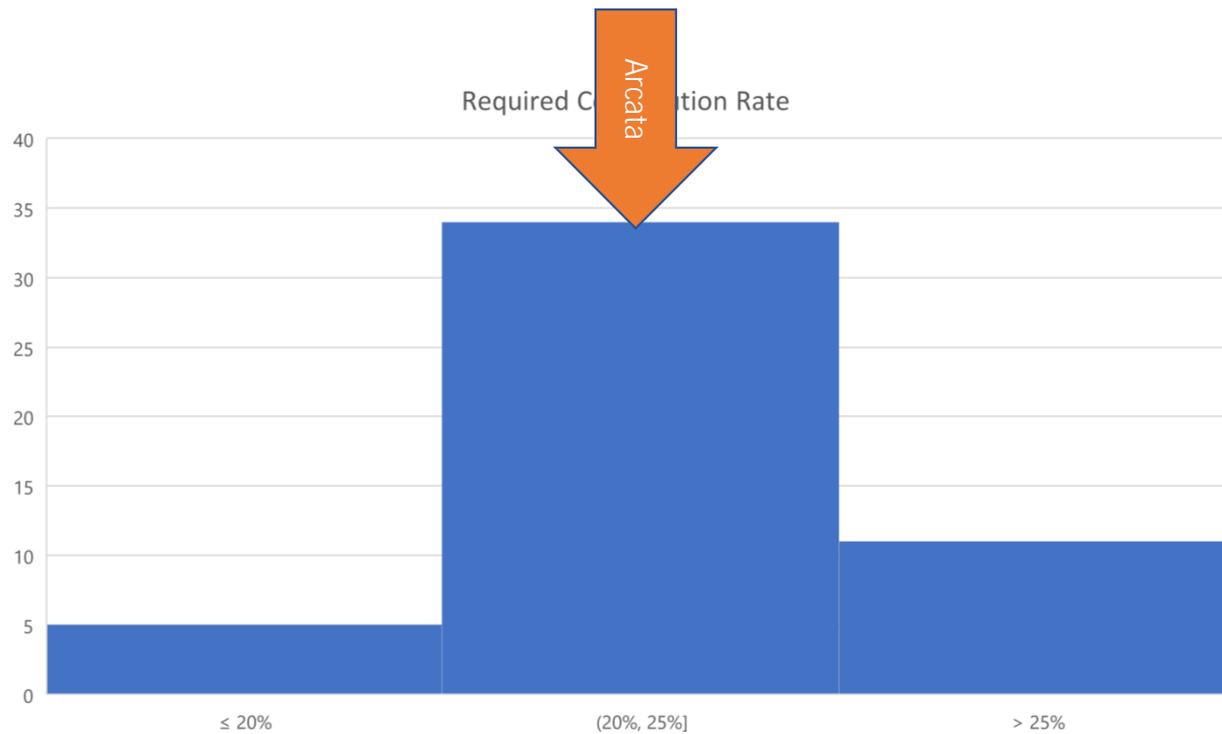
Safety Tier 2 Plan

– Funded Percentage as of June 30, 2021 (102.1%)



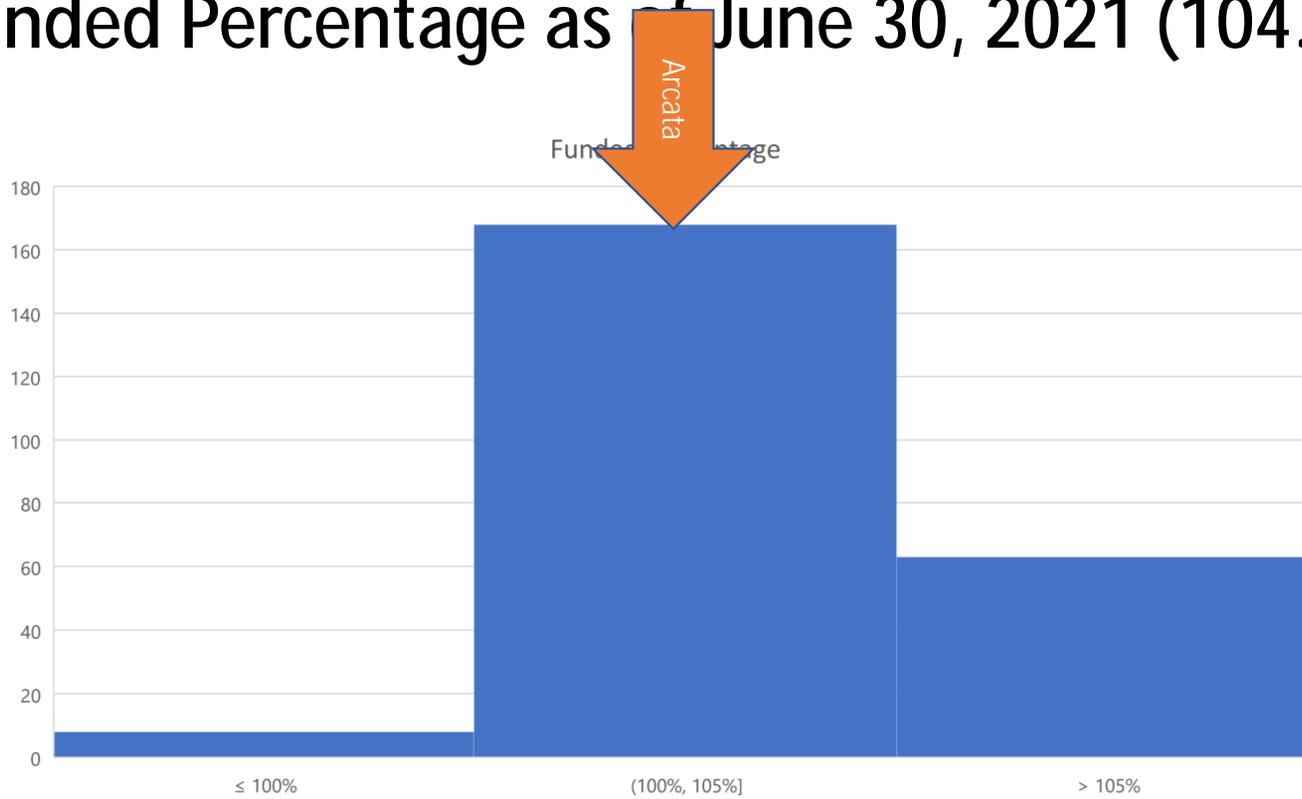
Safety Tier 2 Plan

– Total Contribution Percentage for Fiscal Year 23-24 (22.8%)



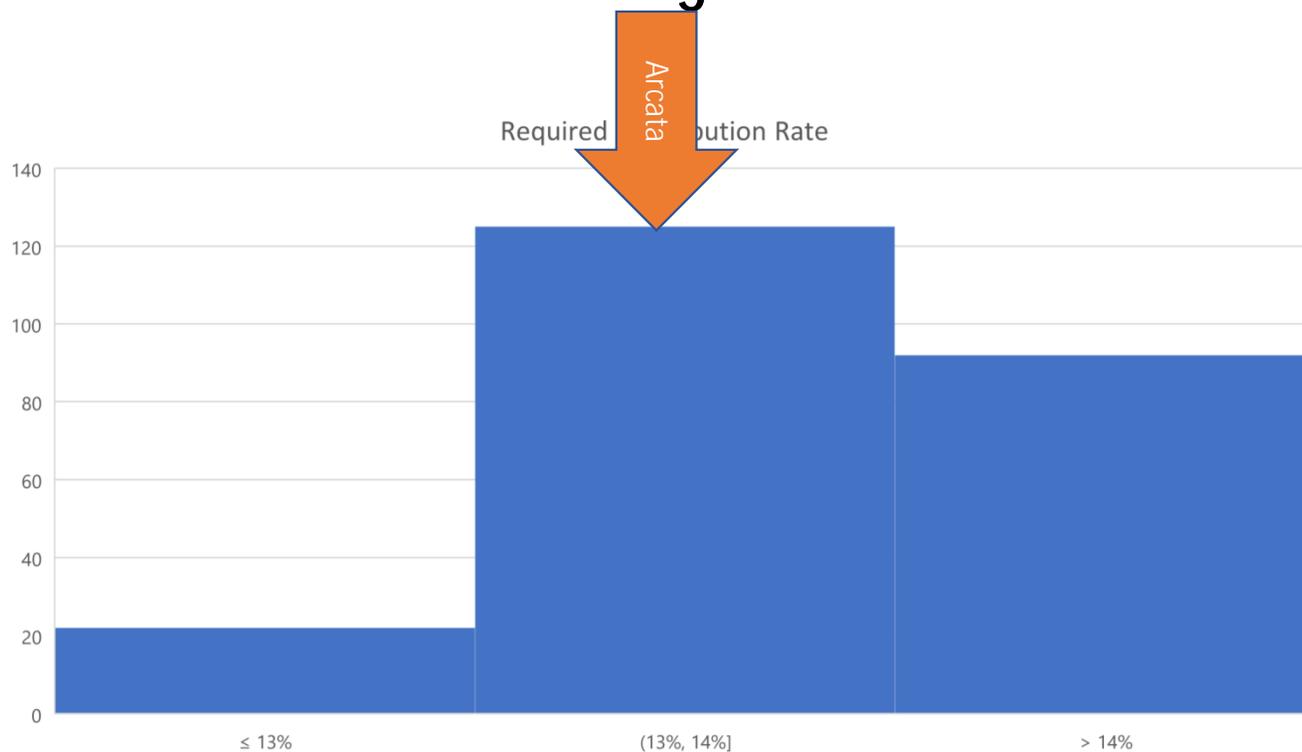
PEPRA Safety Police Plan

– Funded Percentage as of June 30, 2021 (104.1%)



PEPRA Safety Police Plan

– Total Contribution Percentage for Fiscal Year 23-24 (13.5%)



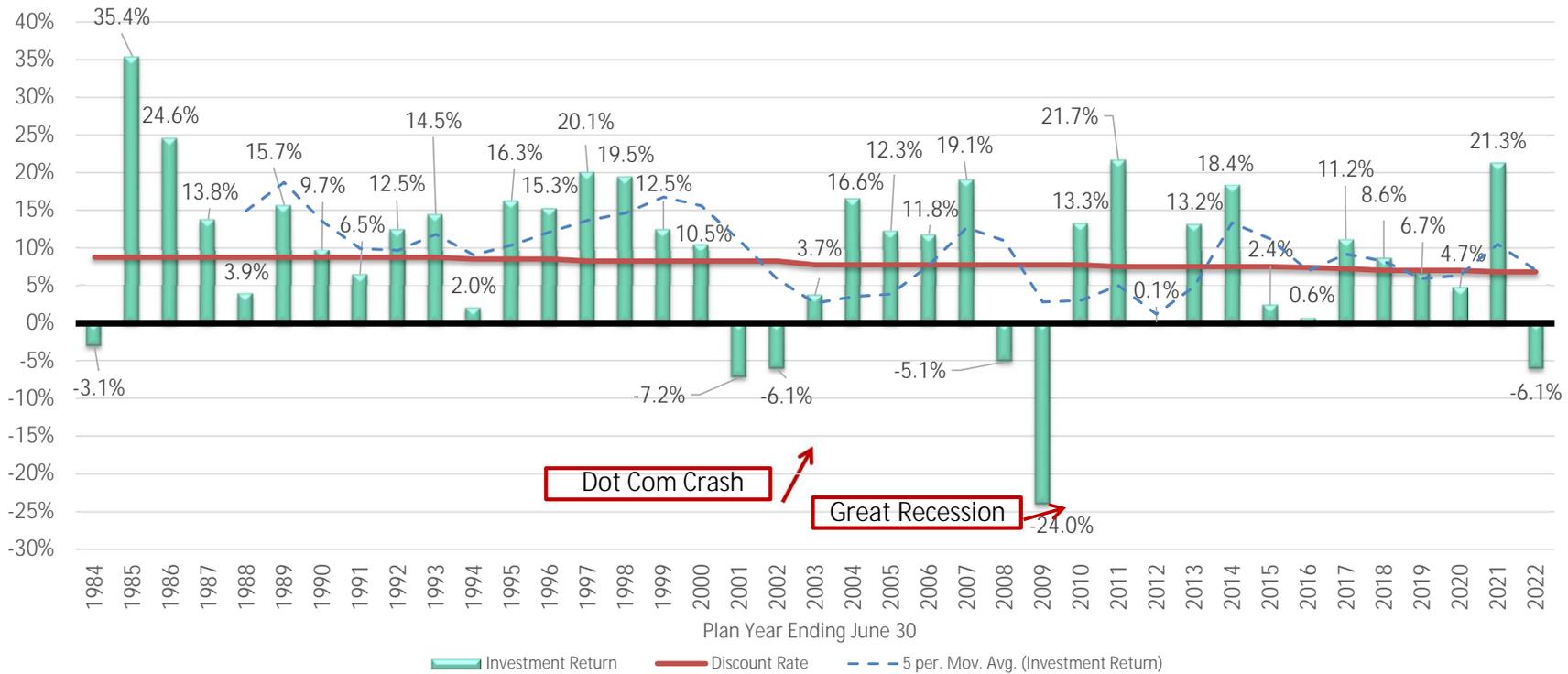
Changes to CalPERS

CalPERS Investment Return:

21.3% in 2020/21
-6.1% in 2021/22

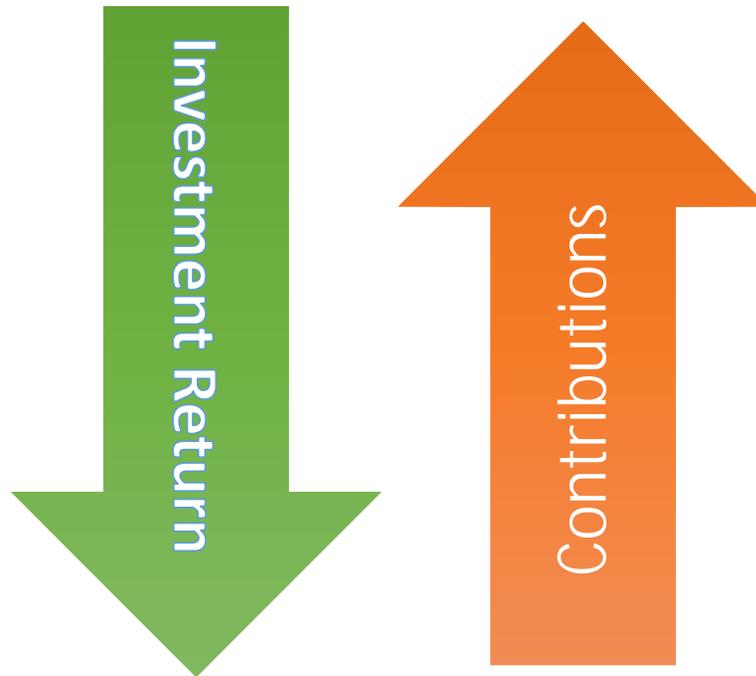
Strong return in 2020/21 followed by weak return in 21/22

CalPERS Actual Investment Returns versus Assumed Investment Return



Discount Rate = Assumed Investment Return Rate

Less Money from Investment Return means More Money Required from Contributions



Impact of Changes

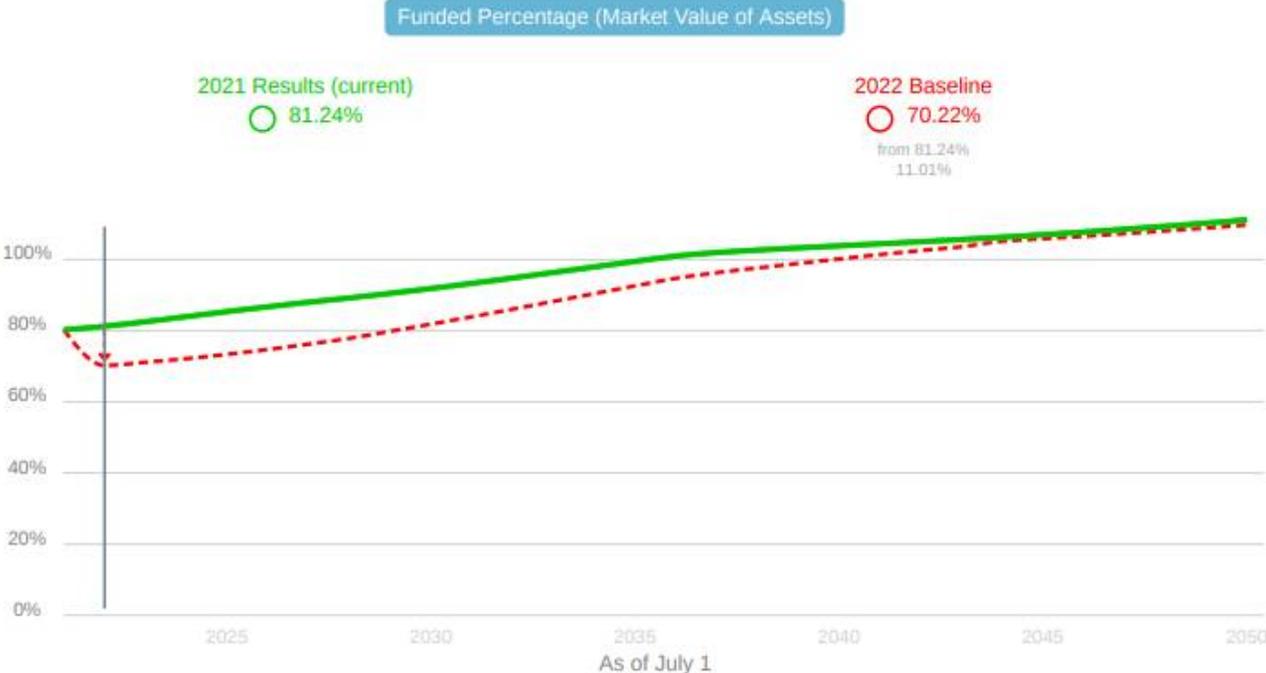
Total Employer Required Contributions



Unfunded Accrued Liability



Funded Percentage



Addressing Unfunded Liability

What has the City done?

- Additional contributions
 - City issued bonds in 2015
 - Used the proceeds to pay off a portion of the City's UAL
 - \$2.1 Million to Miscellaneous
 - \$1.0 Million to Safety
- Employee cost sharing agreement
 - Additional Employee Contributions
 - Differ by Bargaining Group
 - Range to 3% of pay

What Can Cities Do?

- Allocate Funding to:
 - Make additional payments to CalPERS
 - Set up internal reserve
 - Make contributions to a 115 Trust
- Consider Pension Obligation Bonds
- Multiple Contingency Plans
- Long Range Planning (pensions, capital infrastructure)

Questions



Disclaimer

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