

CalPERS 101

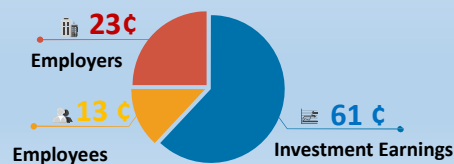


Dane Hutchings, Legislative Representative, League of California Cities



How the Fund Operates

- Pooled investments called the Public Employee Retirement Fund (PERF).
- All 3000+ employers money is pooled together and invested in a series of asset classes (e.g. Growth, equity, real estate, infrastructure etc.)
- BUT... each employer has their own independent pool with their own “funded level” (think Honeycomb).
- If one pool (Agency) is terminated, they move to the Terminated Agency Pool (TAP) fund and benefits may be reduced. (See LA Works)
- “Discount Rate” equals the Floor that CalPERS must earn. Anything below the employer must pick up the difference. **Note:** Discount rate is determined by a 60 year average



By The Numbers

- According to CalPERS:
 - In 2001 there were two active workers for every retiree.
 - In 2016 there were 1.3 active employees for every retiree
 - It is projected that within the next 10-20 years there will be 0.6 workers for every retiree (CalPERS 2016 Annual Review of funding levels and Risk September 20, 2016).



CalPERS Board Takes Further Action.

- CalPERS Board moves to lower its discount rate from 7.5% to 7.00% over a phased in process (eight years in total).

Discount Rate Phase in Timeline (Local Agencies)	
Fiscal Year	Fractions of Rates
18-19	1/5 of 7.375
19-20	2/5 of 7.375 and 1/5 of 7.25
20-21	3/5 of 7.375, 2/5 of 7.25, 1/5 of 7.00
21-22	4/5 of 7.375, 3/5 of 7.25, 2/5 of 7.00
22-23	Full impact of 7.375, 4/5 Impact of 7.25, 3/5 impact of 7.00
23-24	Full impact of 7.375, Full Impact of 7.25, 4/5 Impact of 7.00
24-25	Full impact of 7.375, full impact of 7.25, Full Impact 7.00

2014 → 7.5% 2016 → 7%

Pending CalPERS / Legislative Actions

- Board Stayed the Course @7.00 rate in December
- Amortization Modification Prospective modification from FY 18/19 from 30 years to 20 years (Action in February) (Think 30 year to 20 Year Mortgage)
- Pending legislation applying joint-several liability to all agencies who have entered into JPA's.



NEW CA Cities Pension Webpage

CalPERS 101

- PERS Primer
- League Board sustainability Principles
- CalPERS Presentations

Resources

- Statewide Fact Sheet
- Discount Rate Background
- Employer to Employee Fact Sheet (in development)
- Latest Studies and Research Papers

In the News

- Latest articles on CalPERS

League Voice

- Western City Magazine Article
- League staff and members testimony to CalPERS Board and Legislature

Legal

- Legal resources on pension related cases



Data Collection: League Pension Survey and CalPERS Data Study

- Collect Information on City Specific Budget Items related to Pension Obligations
- Assess Impact of Growing Pension Obligations on Safety and Miscellaneous Payrolls
- Improve Understanding of City Efforts to Mitigate Growing Costs
- Anticipate Budget or Service Cuts
- Tell Our Story to Legislature, Administration and Community



Data Collection: League Pension Survey: Methodology (Truncated)

- Data was collected directly from CalPERS and a survey was administered to League member cities.
- Respondent results varied after thorough review by actuarial staff. Depending on the survey question, respondent numbers ranged from 159 cities to 194 cities—all exceeded the target of 100 cities for a strong confidence interval.



Data Collection: League Pension Survey: Methodology (Truncated)

- **Data Sets: CalPERS contribution amounts as they pertain to:**

- Percentage of payroll Misc. FY: 06-07, 17-18, 24-25 (Projected)
- Percentage of payroll Public Safety. FY: 06-07, 17-18, 24-25 (Projected)
- Percentage of total General Fund budget Misc. FY: 06-07, 17-18, 24-25 (Projected)
- Percentage of total General Fund budget Public Safety. FY: 06-07, 17-18, 24-25 (Projected)
- Percentage of total General Fund budget Aggregated. FY: 06-07, 17-18, 24-25 (Projected)

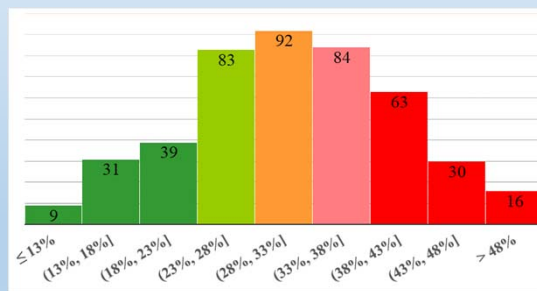
- **For purposes of projected future General Fund budgets:**

- Projected provided 2017/18 budgets forward assuming 3% annual growth
- Assumed 100% of Safety contributions were paid from the General Fund
- Assumed the portion of Miscellaneous General Fund contributions remained constant after 2017/18 fiscal year



League Pension Survey: Key Preliminary Findings

Miscellaneous Employees: In the fiscal year 2024-2025, a majority of city respondents will pay over 29% of their payroll towards miscellaneous employee pension costs, with some employers paying over 49% of payroll. This means for every \$100 in salary, the majority of cities would pay an additional \$29 to \$49 or more to CalPERS for pensions alone. **Note:** These figures do not include costs associated with retiree healthcare.



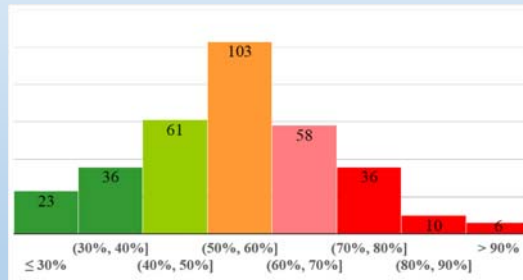
2024/25 CalPERS Projected Contribution as % of Projected Payroll



League Pension Survey: Key Preliminary Findings

Safety Employees. 2024-2025 a majority of city respondents will pay approximately 51% to over 91% of payroll towards pension costs. In other words, for every \$100 in salary, the majority of cities would pay an additional \$51 to \$91 to CalPERS for pensions alone.

Note: These figures do not include costs associated with retiree healthcare.



2024/25 CalPERS Projected Contribution as % of Projected Payroll



The Keys...

Education: Seek education opportunities through the League, continue to educate your area managers, council members etc. on the issues. (This includes attending monthly CalPERS Board meetings).

Collaboration: Continue to work with stakeholders to find common ground on legislative policies to stabilize the pension system.

Communication: Groundswell approach needed. What do these numbers mean for jobs, raises, services for your community? Encourage your locals to engage their State Reps.

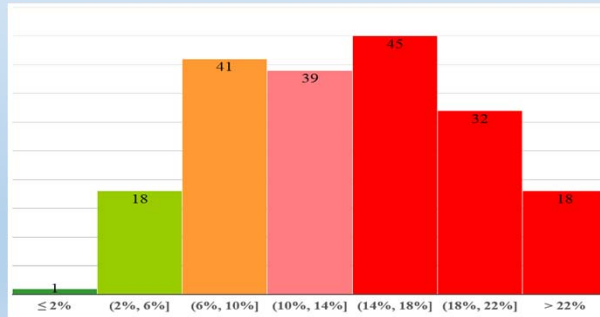
- Open a dialogue with the public, your councils, locals... Keep all stakeholders engaged and educated.



League Pension Survey: Key Preliminary Findings

Rising pension costs will require Cities to nearly double the percentage of their general fund dollars that they pay to CalPERS.

- The study evaluated the percentage of City general fund budgets devoted to paying pension costs to CalPERS. Percentages range from 15 percent to over 23 percent of total general fund revenue for a majority of city respondents. **Note:** These percentages are for CalPERS costs only -- over and above the cost of salaries -- and do not include the cost of retiree healthcare.



Projected 2024/25 CalPERS Contribution as % of 2024/25 Projected General Fund Budget



Questions??

