

**CITY OF SAUSALITO
MISCELLANEOUS AND SAFETY PLANS**

**BARTTEL
ASSOCIATES, LLC**

**CalPERS Actuarial Issues – 6/30/15 Valuation
Preliminary Results**

*Presented by
Prepared by*

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March 14, 2017

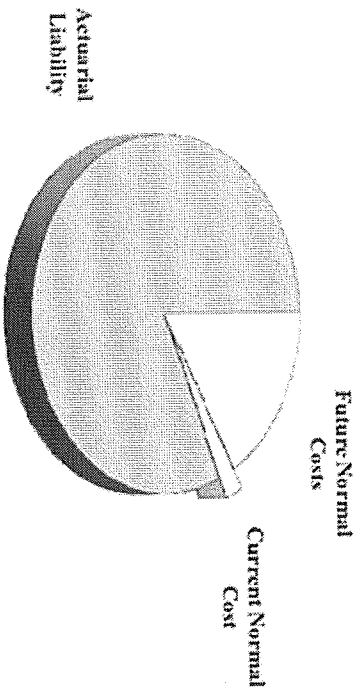
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DEFINITIONS

Present Value of Benefits
June 30, 2015



- **PVB - Present Value of all Projected Benefits:**
 - Discounted value (at valuation date - 6/30/15), of all future expected benefit payments based on various (actuarial) assumptions
- **Actuarial Liability:**
 - Discounted value (at valuation date) of benefits earned through valuation date [value of past service benefit]
 - Portion of PVB “earned” at measurement
- **Current Normal Cost:**
 - Portion of PVB allocated to (or “earned” during) current year
 - Value of employee and employer current service benefit

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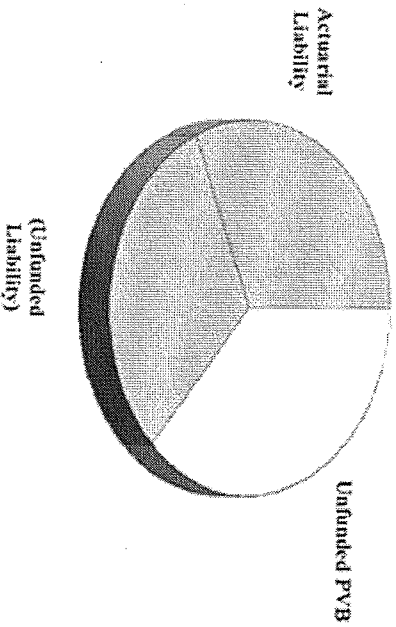
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DEFINITIONS

Present Value of Benefits
June 30, 2015



- **Target-** Have money in the bank to cover Actuarial Liability (past service)
- **Unfunded Liability** - Money short of target at valuation date
- **Excess Assets / Surplus:**
 - Money over and above target at that point in time
 - Doesn't mean you're done contributing
- **Super Funded:**
 - Assets cover whole pie (PVB)
 - If everything goes exactly like PERS calculated, you'll never have to put another (employer or employee) dime in

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CALPERS CHANGES

- Contribution policy changes:
 - No asset smoothing
 - No rolling amortization
 - 5-year ramp up
 - Included in 6/30/13 valuation (first impact 15/16 rates; full impact 19/20)
- Assumption changes:
 - Anticipate future mortality improvement
 - Other, less significant, changes
 - Included in 6/30/14 valuation (first impact 16/17 rates; full impact 20/21)
- Risk Pool changes
 - All Risk Pools combined into one Miscellaneous & one Safety
 - Collect payment on UAL as dollar amount, not as % of pay
 - Payments allocated to agencies based on liability & assets rather than payroll
 - Included in 6/30/13 valuation (impacts 15/16 rates)



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CALPERS CHANGES

- CalPERS Board will change their discount rate:

	<u>Rate</u>	<u>Initial</u>	<u>Full</u>
● 6/30/16 valuation	7.375%	18/19	22/23
● 6/30/17 valuation	7.25%	19/20	23/24
● 6/30/18 valuation	7.00%	20/21	24/25
- Risk mitigation suspended until 6/30/18 valuation
- CalPERS Board reviewing their Capital Market Assumptions next summer/fall, Likely no further changes to discount rate
- Risk Mitigation Strategy
 - Move to more conservative investments over time
 - Only when investment return is better than expected
 - Lower discount rate in concert
 - Essentially use $\approx 50\%$ of investment gains to pay for cost increases
 - Likely get to 6.0% over 20+ years

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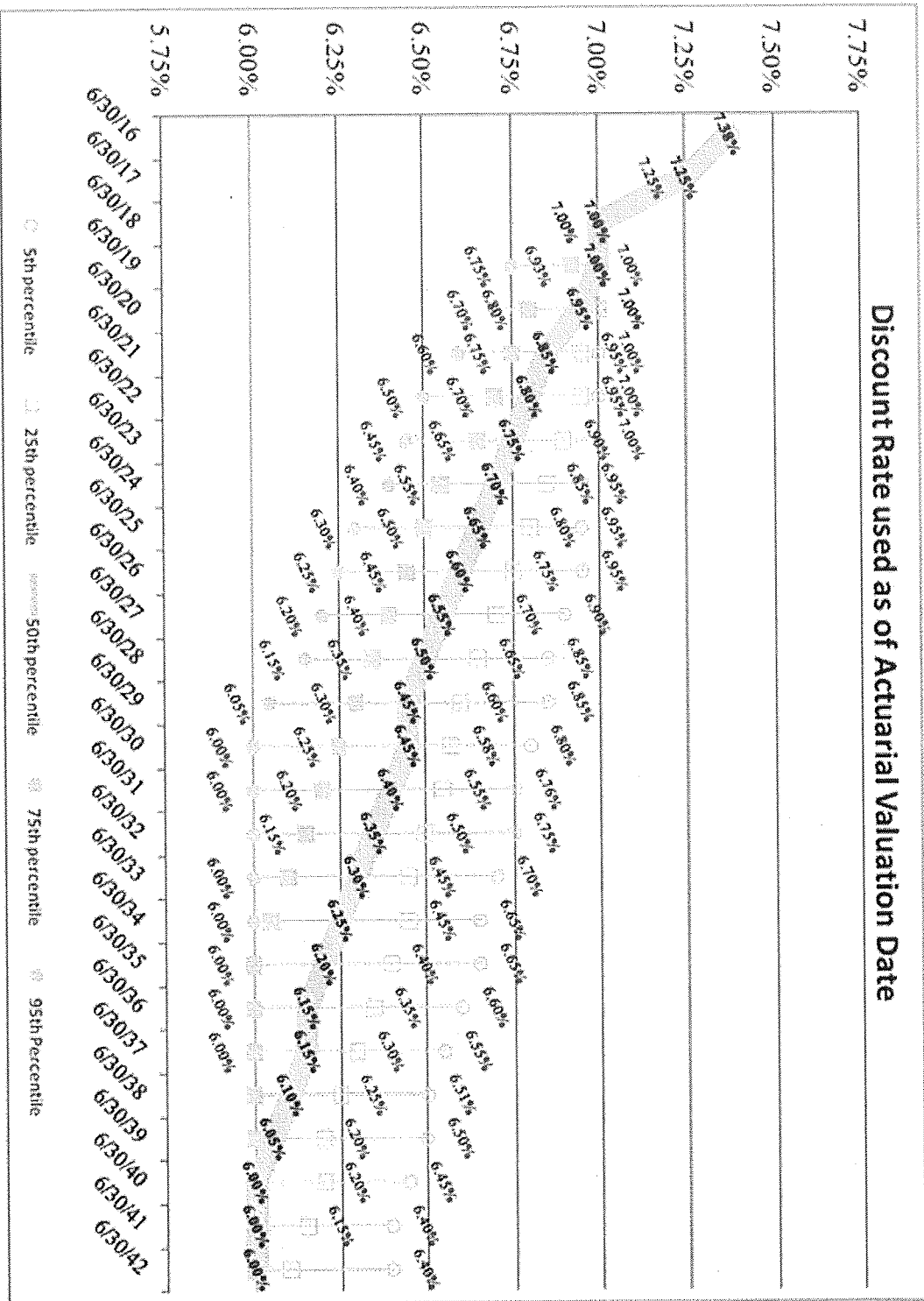
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CALPERS CHANGES

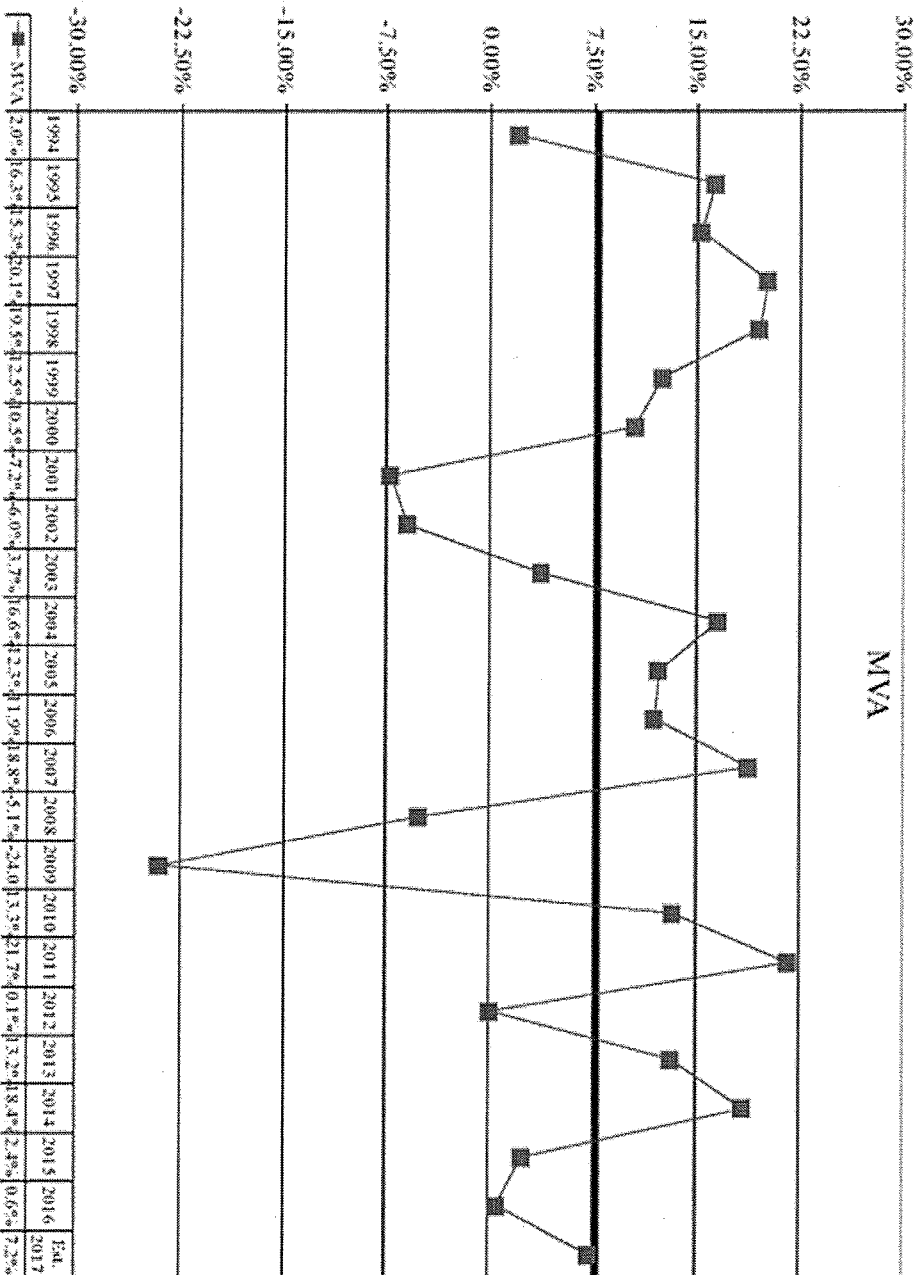
Discount Rate used as of Actuarial Valuation Date



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INVESTMENT RETURN



Above assumes contributions, payments, etc. received evenly throughout year.
 Estimated June 30, 2017 based on CalPERS actual return through 12/31/16 and assumed returns for 6 months.



SUMMARY OF DEMOGRAPHIC INFORMATION – MISCELLANEOUS

	2002	2007	2014	2015
Actives				
■ Counts	63	44	48	46
■ Average PER Sable Wages	\$46,200	\$68,900	\$86,600	\$88,600
■ Total PER Sable Wages (millions)	2.9	3.0	4.2	4.1
Inactive Counts				
■ Transferred	47	40	43	43
■ Separated	35	59	43	45
■ Retired	57	72	84	87

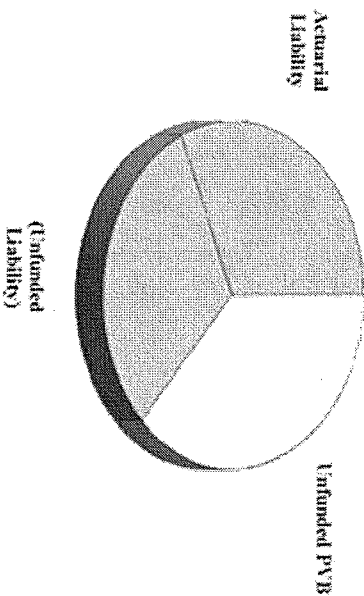


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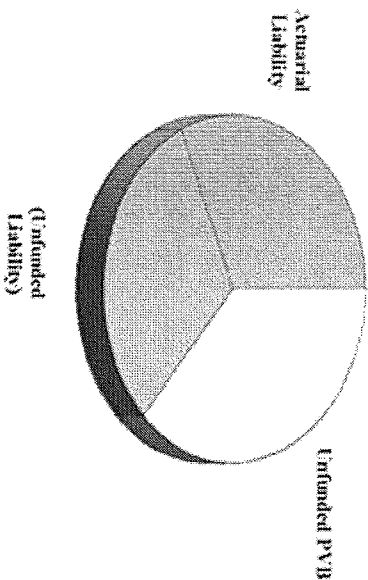


FUNDED STATUS – MISCELLANEOUS

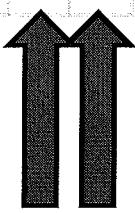
Present Value of Benefits
June 30, 2014



Present Value of Benefits
June 30, 2015



<u>June 30, 2014</u>		<u>June 30, 2015</u>	
\$	9,300,000	\$	9,600,000
	17,000,000		17,800,000
	4,300,000		4,500,000
	30,600,000		31,900,000
	24,500,000		24,400,000
	(6,100,000)		(7,500,000)
	Active AAL		Active AAL
	Retiree AAL		Retiree AAL
	Inactive AAL		Inactive AAL
	Total AAL		Total AAL
	Market Asset Value		Market Asset Value
	(Unfunded Liability)		(Unfunded Liability)



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CONTRIBUTION RATES – MISCELLANEOUS

6/30/14 Valuation

2016/2017 Contribution Rates

<u>Total¹</u>	<u>Tier 1</u>	<u>Tier 2</u>	<u>PEPRA</u>
2.5%	@55	2% @55	2% @62

<ul style="list-style-type: none"> ■ Required Employer Contribution ● Risk Pool's Base ER Normal Cost ● Class I Benefits <ul style="list-style-type: none"> <input type="checkbox"/> FACI <input type="checkbox"/> PRSA ● Pool's Expected Employee Contribution for Formula ● Plan's Employee Contribution Rate ● Risk Pool's Payment on Amortization Bases ● Amortization of Side Fund ● Total ER Contribution ● Total ER Contribution \$ (in 000's) 	<p>9.2%</p> <p>9.5%</p> <p>8.4%</p> <p>6.5%</p> <p>7.8%</p> <p>7.9%</p> <p>6.9%</p> <p>6.3%</p> <p>(7.8%)</p> <p>(7.9%)</p> <p>(6.9%)</p> <p>(6.5%)</p> <p>9.3%</p> <p>10.5%</p> <p>0.0%</p> <p>0.0%</p> <p>19.6%</p> <p>21.3%</p> <p>9.1%</p> <p>6.9%</p>	<p>0.5%</p> <p>0.6%</p> <p>0.0%</p> <p>0.0%</p> <p>0.7%</p> <p>0.7%</p> <p>0.7%</p> <p>0.6%</p> <p>0.0%</p> <p>0.0%</p> <p>0.0%</p> <p>0.0%</p> <p>0.0%</p> <p>0.0%</p> <p>0.0%</p> <p>0.0%</p>
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¹ Weighting of total contribution projection based on estimated projected Tier 2 and PEPRA payrolls

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CONTRIBUTION RATES – MISCELLANEOUS

6/30/15 Valuation

2017/2018 Contribution Rates

	<u>Total²</u>	<u>Tier 1</u>	<u>Tier 2</u>	<u>PEPPRA</u>
■ Required Employer Contribution				
● Risk Pool's Base ER Normal Cost	9.1%	9.5%	8.4%	6.5%
● Class I Benefits				
<input type="checkbox"/> FACI	0.5%	0.6%	0.0%	0.0%
<input type="checkbox"/> PRSA	0.7%	0.7%	0.7%	0.6%
● Pool's Expected Employee Contribution for Formula	7.7%	7.9%	6.9%	6.3%
● Plan's Employee Contribution Rate	(7.7%)	(7.9%)	(6.9%)	(6.5%)
● Risk Pool's Payment on Amortization Bases	11.3%	14.0%	0.0%	0.0%
● Amortization of Side Fund	0.0%	0.0%	0.0%	0.0%
● Total ER Contribution	21.5%	24.9%	9.1%	6.9%
● Total ER Contribution \$ (in 000's)	\$ 876			

² Weighting of total contribution projection based on estimated projected Tier 2 and PEPPRA payrolls

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CONTRIBUTION PROJECTIONS – MISCELLANEOUS

	<u>6/30/14</u>	<u>6/30/15</u>
	<u>2016/2017</u>	<u>2017/2018</u>
■ Valuation		
■ Contribution Year		
■ Required Employer Contribution		
● Risk Pool's Net Employer Normal Cost	9.2%	9.1%
● Final Average Compensation (1-Year)	0.5%	0.5%
● Post-Retirement Survivor Allowance	<u>0.7%</u>	<u>0.7%</u>
● Total Normal Cost	10.4%	10.3%
● Risk Pool's Payment on Amortization Bases	9.3%	11.3%
● Amortization of Side Fund	<u>0.0%</u>	<u>0.0%</u>
● Total Employer Contribution	19.6%	21.5%
● Total Employer Contribution \$	\$ 817	\$ 876
■ What Happened from 6/30/14 to 6/30/15:		
● 2016/17 Rate		19.6%
● Asset Method Change (3 rd Year)		1.1%
● Assumption Change (2 nd Year)		0.7%
● 6/30/14 (Gains)/Losses (2 nd Year)		(0.8%)
● 6/30/15 (Gains)/Losses (1 st Year)		<u>0.9%</u>
● 2017/18 Rate		21.5%

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CONTRIBUTION PROJECTIONS – MISCELLANEOUS

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CONTRIBUTION PROJECTIONS – MISCELLANEOUS

■ Market Value Investment Return:

- June 30, 2016 0.6%³
- June 30, 2017 7.2%⁴

- Future returns based on stochastic analysis using 1,000 trials

Single Year Returns at⁵ 25th Percentile 50th Percentile 75th Percentile

- 7.0% Investment Mix 0.1% 7.0% 14.8%

- 6.0% Investment Mix 0.8% 6.0% 11.4%

- Assumes investment returns will, generally be 6.5% (as compared to 7.0%) over the next 10 years and higher beyond that.

- No Other: Gains/Losses, Method/Assumption Changes, Benefit Improvements

- Excludes Employer Paid Member Contributions (EPMC)

³ Based on CalPERS press release on 7/18/16, preliminary investment return of 0.61%.

⁴ June 30, 2017 return based on CalPERS return of 3.9% through 12/31/16 and assumed returns for 6 months.

⁵ Nth percentile means N percentage of our trials result in returns lower than the indicated rates.



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CONTRIBUTION PROJECTIONS – MISCELLANEOUS

- Includes Tier 2 (2% @ 55) effective July 1, 2012
- New hire assumptions:
 - Assumes 50% of 2013 new hires will be Classic Tier 2 Members (2% @ 55) and 50% will be New Members with PEPPRA benefits
 - Assumes Classic Tier 2 Members will decrease from 50% to 0% of new hires over 20 years

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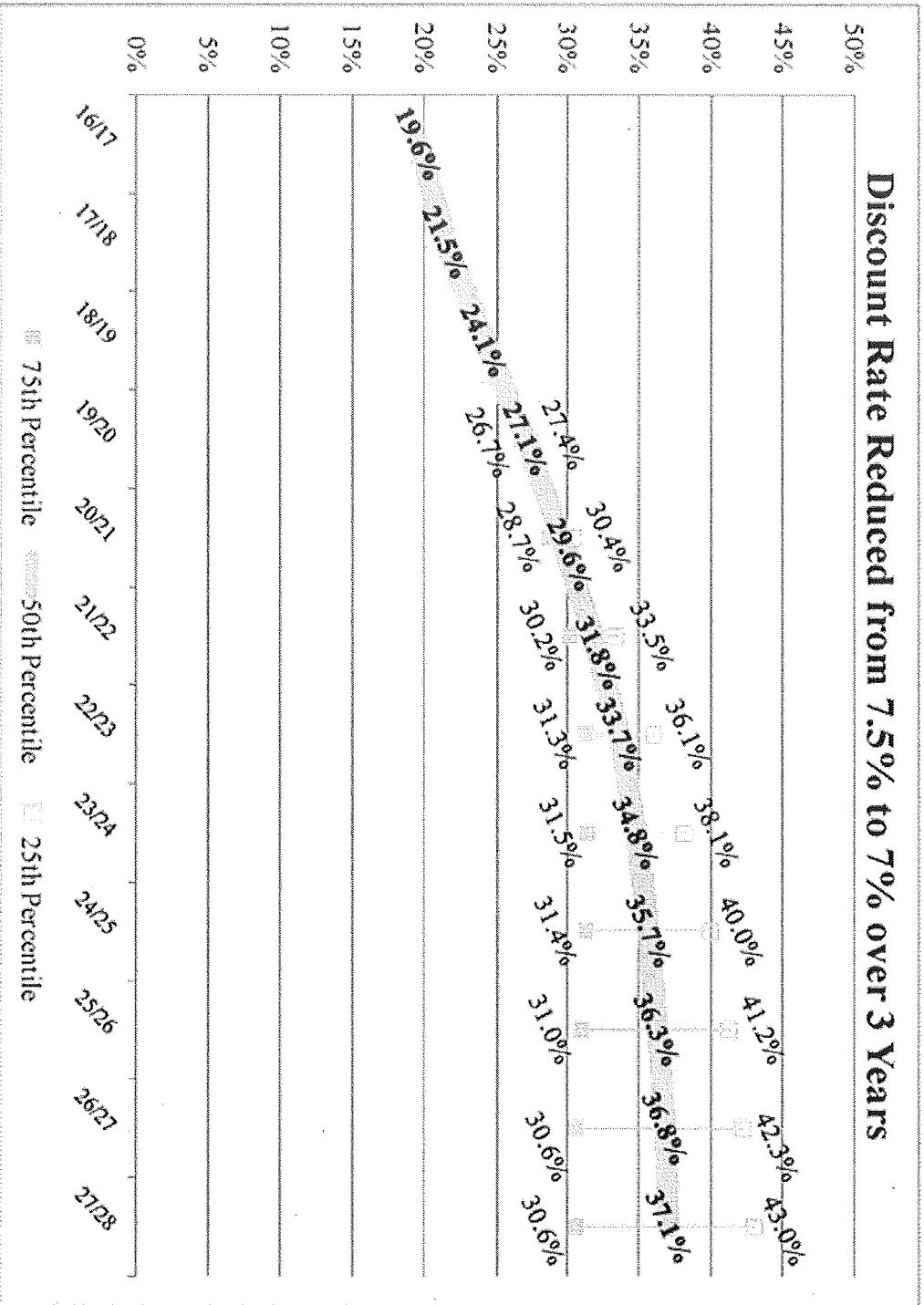
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CONTRIBUTION PROJECTIONS – MISCELLANEOUS

Discount Rate Reduced from 7.5% to 7% over 3 Years



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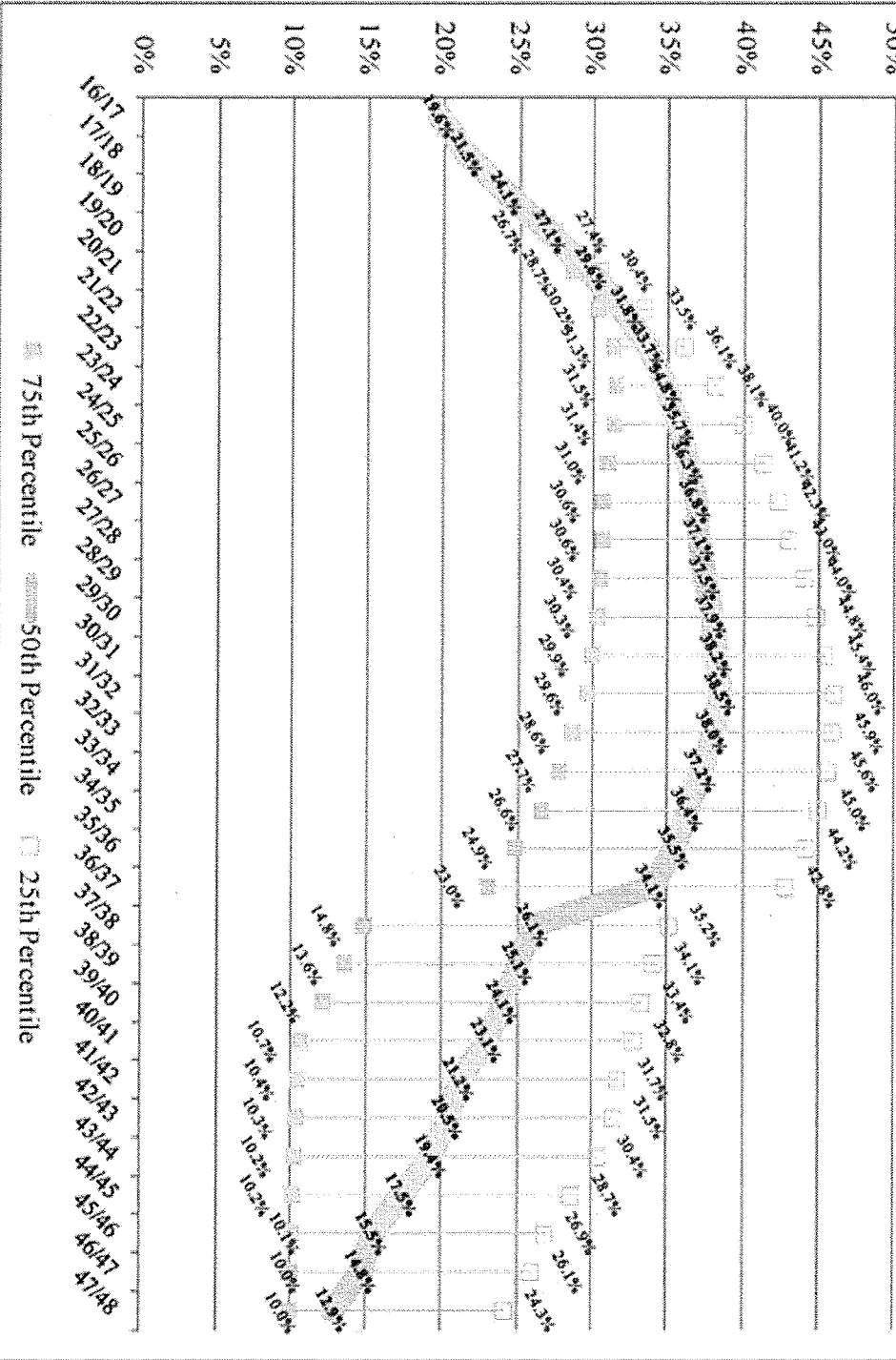
6.5% Return

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CONTRIBUTION PROJECTIONS – MISCELLANEOUS

Discount Rate Reduced from 7.5% to 7% over 3 Years



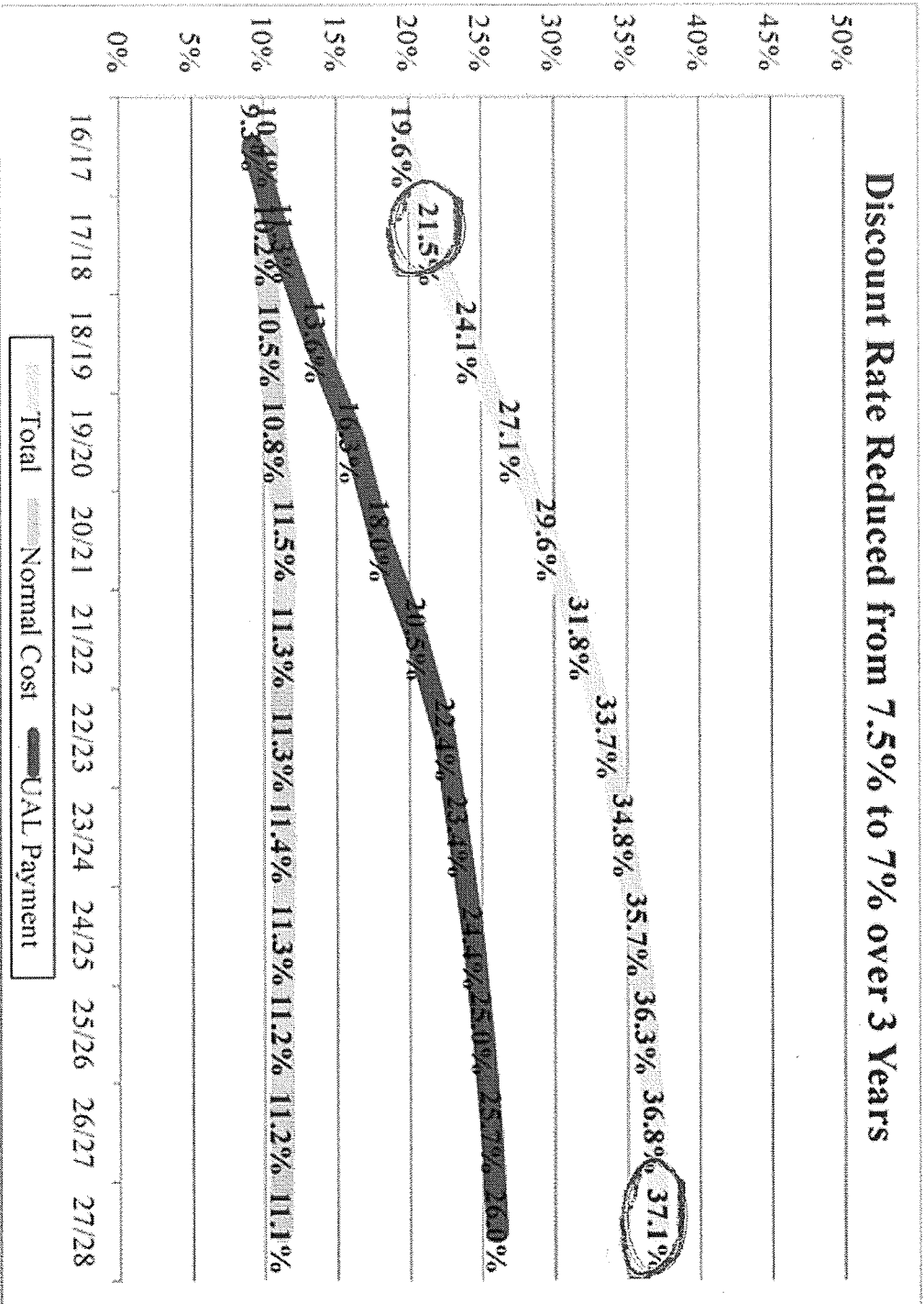
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CONTRIBUTION PROJECTIONS – MISCELLANEOUS

Discount Rate Reduced from 7.5% to 7% over 3 Years



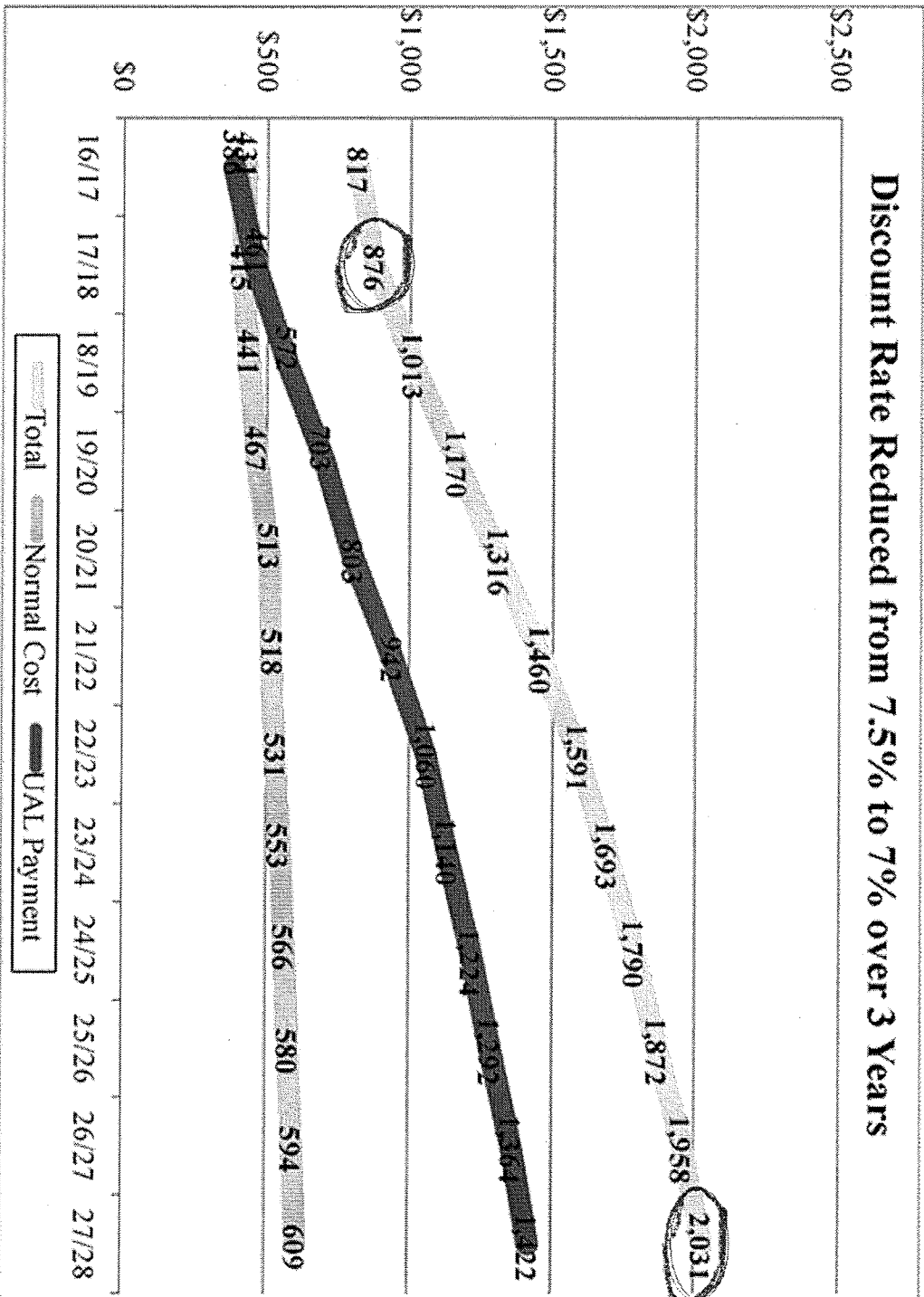
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CONTRIBUTION PROJECTIONS – MISCELLANEOUS

Discount Rate Reduced from 7.5% to 7% over 3 Years



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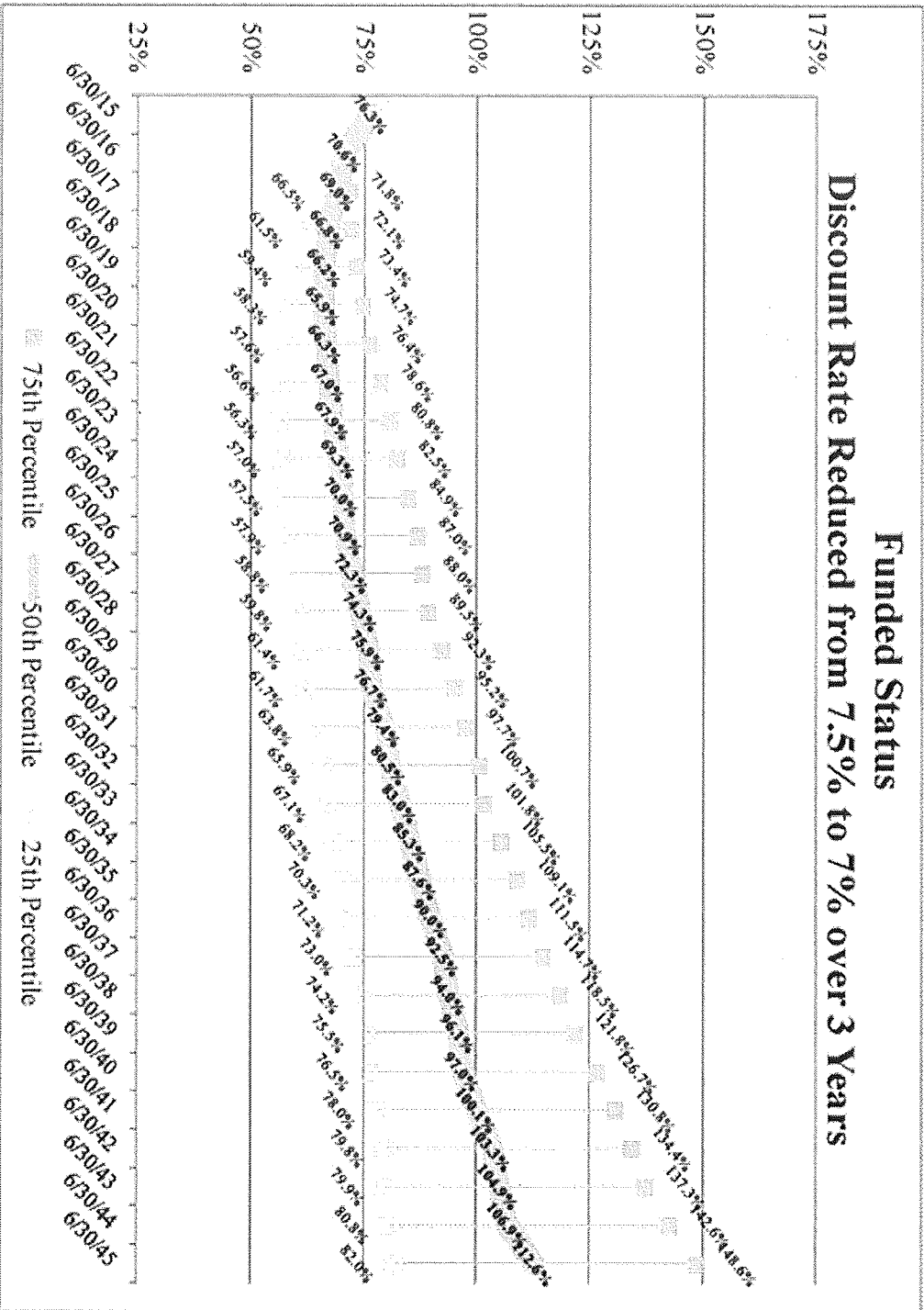
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FUNDED STATUS - MISCELLANEOUS

Funded Status

Discount Rate Reduced from 7.5% to 7% over 3 Years



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FUNDED STATUS - MISCELLANEOUS

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SUMMARY OF DEMOGRAPHIC INFORMATION – POLICE SAFETY

	2002	2007	2014	2015
Actives				
■ Counts	21	18	18	19
■ Average PER Sable Wages	\$71,000	\$95,300	\$116,800	\$117,000
■ Total PER Sable Wages (millions)	1.5	1.7	2.1	2.2
Inactive Counts				
■ Transferred	25	29	22	20
■ Separated	5	9	7	8
■ Retired	35	42	57	59

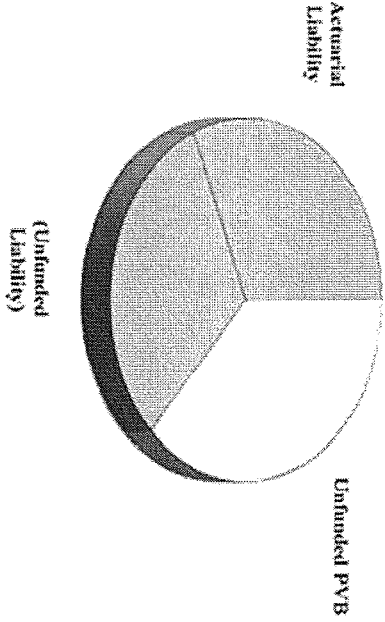


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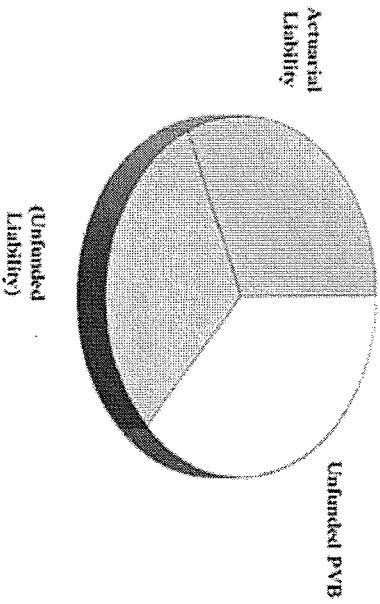


FUNDED STATUS – POLICE SAFETY

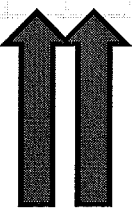
Present Value of Benefits
June 30, 2014



Present Value of Benefits
June 30, 2015



<u>June 30, 2014</u>		<u>June 30, 2015</u>	
\$	5,800,000	\$	6,400,000
	21,700,000		23,900,000
	3,700,000		2,000,000
	31,200,000		32,300,000
	23,900,000		23,600,000
	(7,300,000)		(8,700,000)
	Active AAL		Retiree AAL
	Retiree AAL		Inactive AAL
	Inactive AAL		Total AAL
	Total AAL		Market Asset Value
	Market Asset Value		(Unfunded Liability)
	(Unfunded Liability)		



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CONTRIBUTION RATES – POLICE SAFETY

6/30/14 Valuation

2016/2017 Contribution Rates

<u>Total</u> ⁶	<u>Tier 1</u>	<u>Tier 2</u>	<u>PEPRA</u>
3% @ 55	2% @ 50	2.7% @ 57	

<ul style="list-style-type: none"> ■ Required Employer Contribution ● Risk Pool's Base ER Normal Cost ● Class 1 Benefits <ul style="list-style-type: none"> <input type="checkbox"/> FACI <input type="checkbox"/> PRSA ● Pool's Expected Employee Contribution for Formula ● Plan's Employee Contribution Rate ● Risk Pool's Payment on Amortization Bases ● Amortization of Side Fund ● Total ER Contribution ● Total ER Contribution \$ (in 000's) 	16.5%	16.7%	14.8%	11.8%
	1.0%	1.0%	0.0%	0.0%
	1.6%	1.6%	1.5%	1.5%
	9.1%	9.0%	8.9%	11.8%
	(9.1%)	(9.0%)	(8.9%)	(12.3%)
	13.5%	13.5%	0.0%	0.0%
	<u>17.3%</u>	<u>17.4%</u>	<u>0.0%</u>	<u>0.0%</u>
	48.9%	50.2%	16.3%	12.9%
	\$ 1,029			

⁶ Weighting of total contribution projection based on projected classic and PEPRA payrolls



CONTRIBUTION RATES – POLICE SAFETY

6/30/15 Valuation

2017/2018 Contribution Rates

	<u>Total⁷</u>	<u>Tier 1</u>	<u>Tier 2</u>	<u>PEPPRA</u>
	3% @ 55	2% @ 50	2.7% @ 57	
■ Required Employer Contribution				
● Risk Pool's Base ER Normal Cost	16.5%	16.9%	15.0%	12.0%
● Class 1 Benefits				
<input type="checkbox"/> FACI	1.0%	1.0%	0.0%	0.0%
<input type="checkbox"/> PRSA	1.6%	1.6%	1.5%	1.5%
● Pool's Expected Employee Contribution for Formula	9.2%	9.0%	8.9%	11.5%
● Plan's Employee Contribution Rate	(9.2%)	(9.0%)	(8.9%)	(12.3%)
● Risk Pool's Payment on Amortization Bases	15.6%	16.8%	0.0%	0.1%
● Amortization of Side Fund	16.4%	17.6%	0.0%	0.0%
● Total ER Contribution	51.0%	53.9%	6.5%	12.8%
● Total ER Contribution \$ (in 000's)	\$1,134			

⁷ Weighting of total contribution projection based on projected classic and PEPPRA payrolls



CONTRIBUTION PROJECTIONS – POLICE SAFETY

	6/30/14	6/30/15
	<u>2016/2017</u>	<u>2017/2018</u>
■ Valuation		
■ Contribution Year		
■ Required Employer Contribution		
● Risk Pool's Net Employer Normal Cost	16.5%	16.5%
● Final Average Compensation (1-Year)	1.0%	1.0%
● Post-Retirement Survivor Allowance	<u>1.6%</u>	<u>1.6%</u>
● Total Normal Cost	19.1%	19.1%
● Risk Pool's Payment on Amortization Bases	13.5%	15.6%
● Amortization of Side Fund	<u>17.3%</u>	<u>16.4%</u>
● Total Employer Contribution	48.9%	51.0%
● Total Employer Contribution \$	\$ 1,029	\$ 1,134

■ What Happened from 6/30/14 to 6/30/15:

- 2016/17 Rate 48.9%
- Asset Method Change (3rd Year) 2.3%
- Assumption Change (2nd Year) 1.6%
- 6/30/14 (Gains)/Losses (2nd Year) (1.6%)
- 6/30/15 (Gains)/Losses (1st Year) (0.2%)
- 2017/18 Rate 51.0%



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CONTRIBUTION PROJECTIONS – POLICE SAFETY

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CONTRIBUTION PROJECTIONS – POLICE SAFETY

■ Market Value Investment Return:

- June 30, 2016 0.6%⁸
- June 30, 2017 7.2%⁹

- Future returns based on stochastic analysis using 1,000 trials

Single Year Returns at¹⁰ 25th Percentile 50th Percentile 75th Percentile

- 7.0% Investment Mix 0.1% 7.0% 14.8%

- 6.0% Investment Mix 0.8% 6.0% 11.4%

- Assumes investment returns will, generally be 6.5% (as compared to 7.0%) over the next 10 years and higher beyond that.

- No Other: Gains/Losses, Method/Assumption Changes, Benefit Improvements

- Excludes Employer Paid Member Contributions (EPMC)

⁸ Based on CalPERS press release on 7/18/16, preliminary investment return of 0.61%.

⁹ June 30, 2017 return based on CalPERS return of 3.9% through 12/31/16 and assumed returns for 6 months.

¹⁰ Nth percentile means N percentage of our trials result in returns lower than the indicated rates.



CONTRIBUTION PROJECTIONS – POLICE SAFETY

- Includes Tier 2 (2%@50) effective July 1, 2012
- New hire assumptions:
 - Assumes 50% of 2013 new hires will be Classic Tier 2 Members (2%@50) and 50% will be New Members with PEPPRA benefits
 - Assumes Classic Members will decrease from 50% to 0% of new hires over 10 years

B4

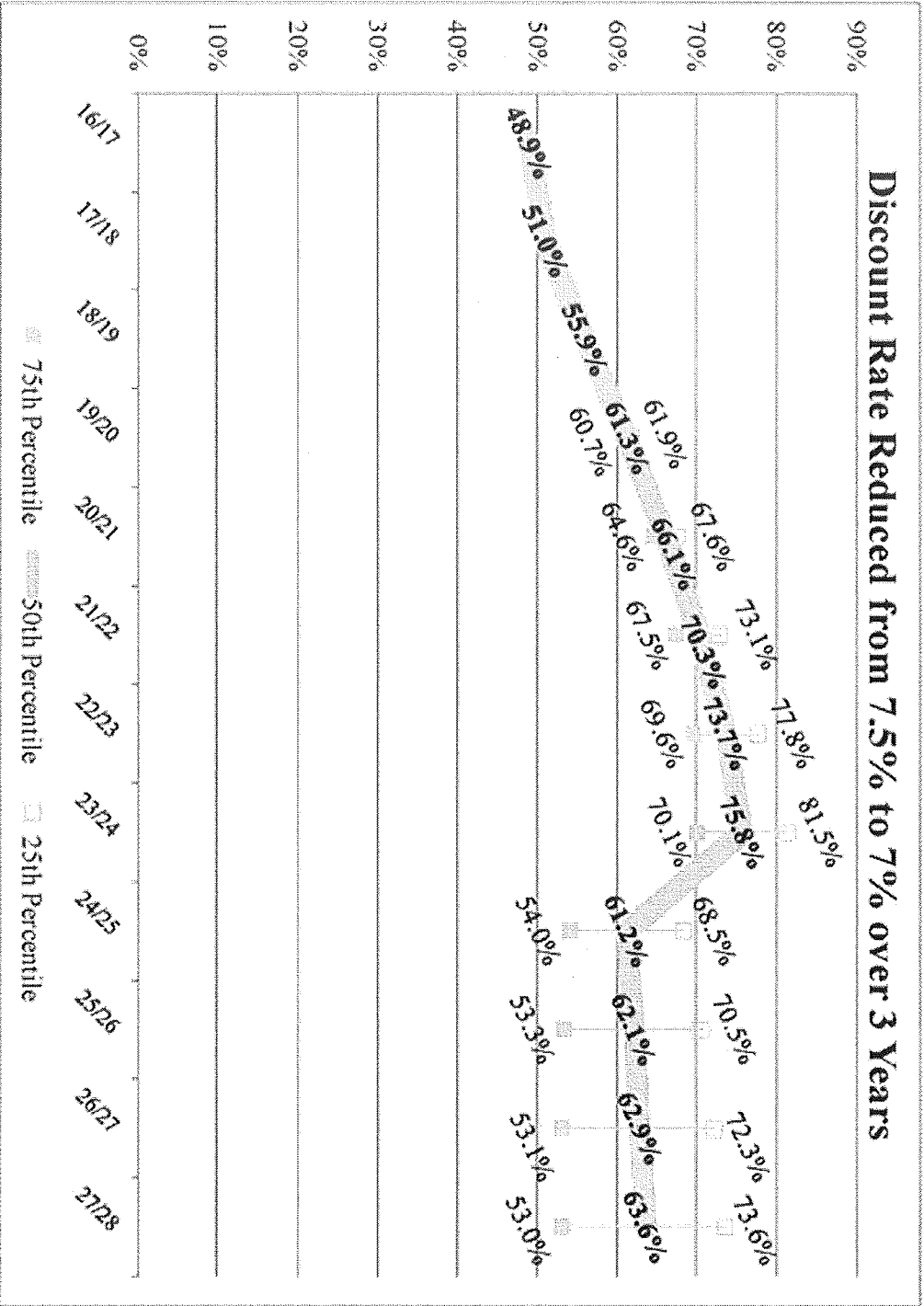
March 14, 2017

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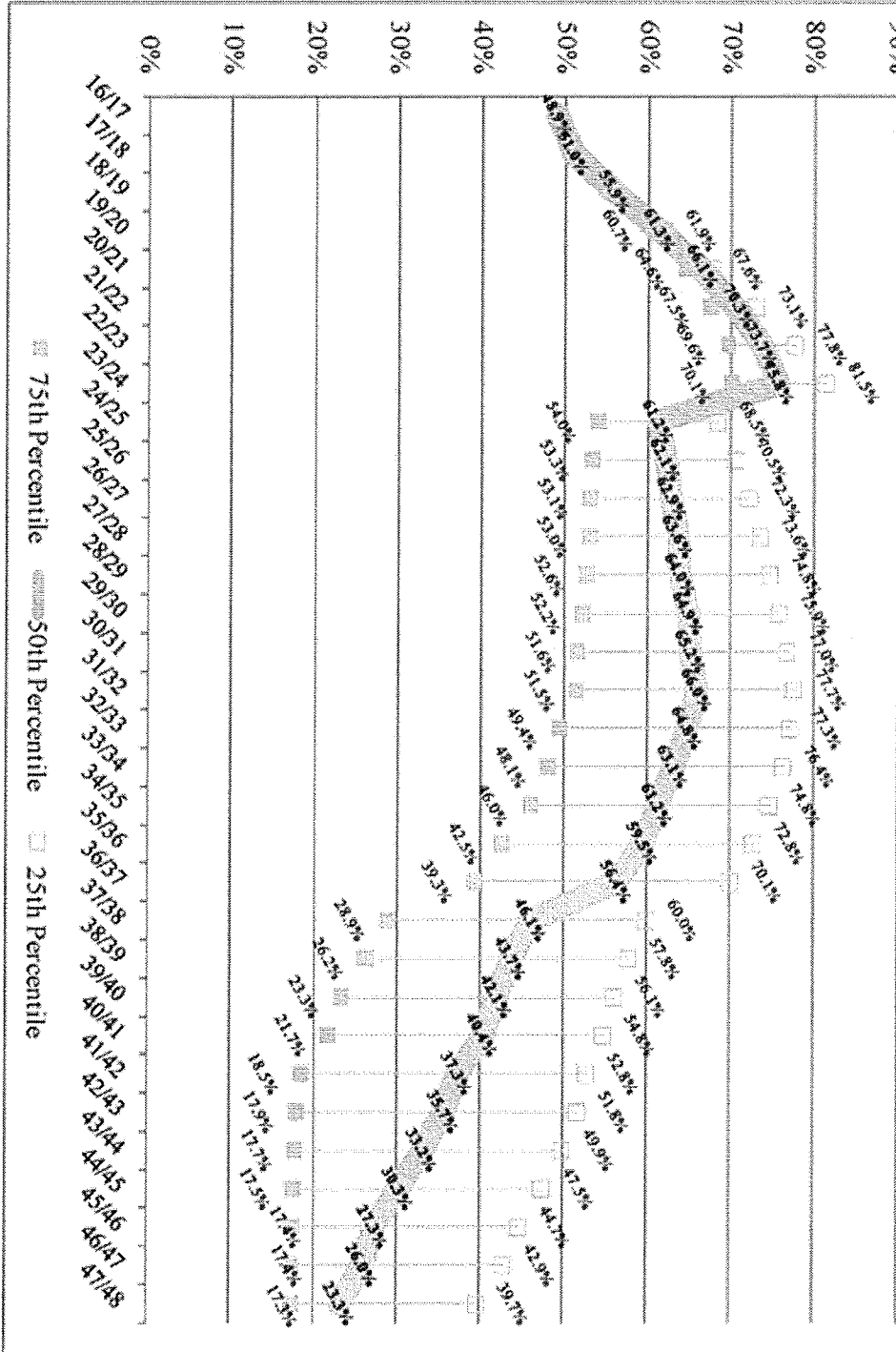
CONTRIBUTION PROJECTIONS – POLICE SAFETY

Discount Rate Reduced from 7.5% to 7% over 3 Years



CONTRIBUTION PROJECTIONS – POLICE SAFETY

Discount Rate Reduced from 7.5% to 7% over 3 Years



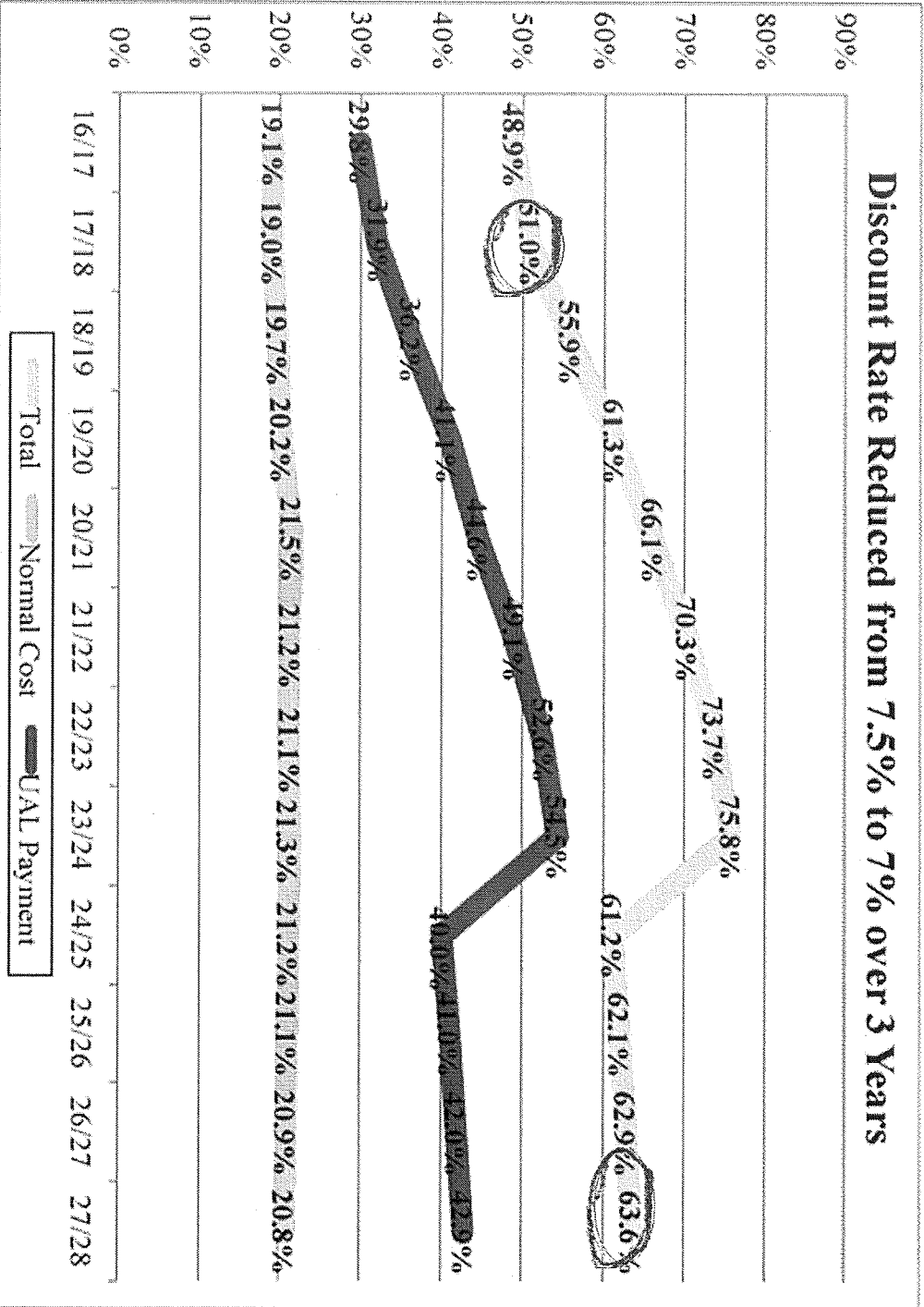
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CONTRIBUTION PROJECTIONS – POLICE SAFETY

Discount Rate Reduced from 7.5% to 7% over 3 Years



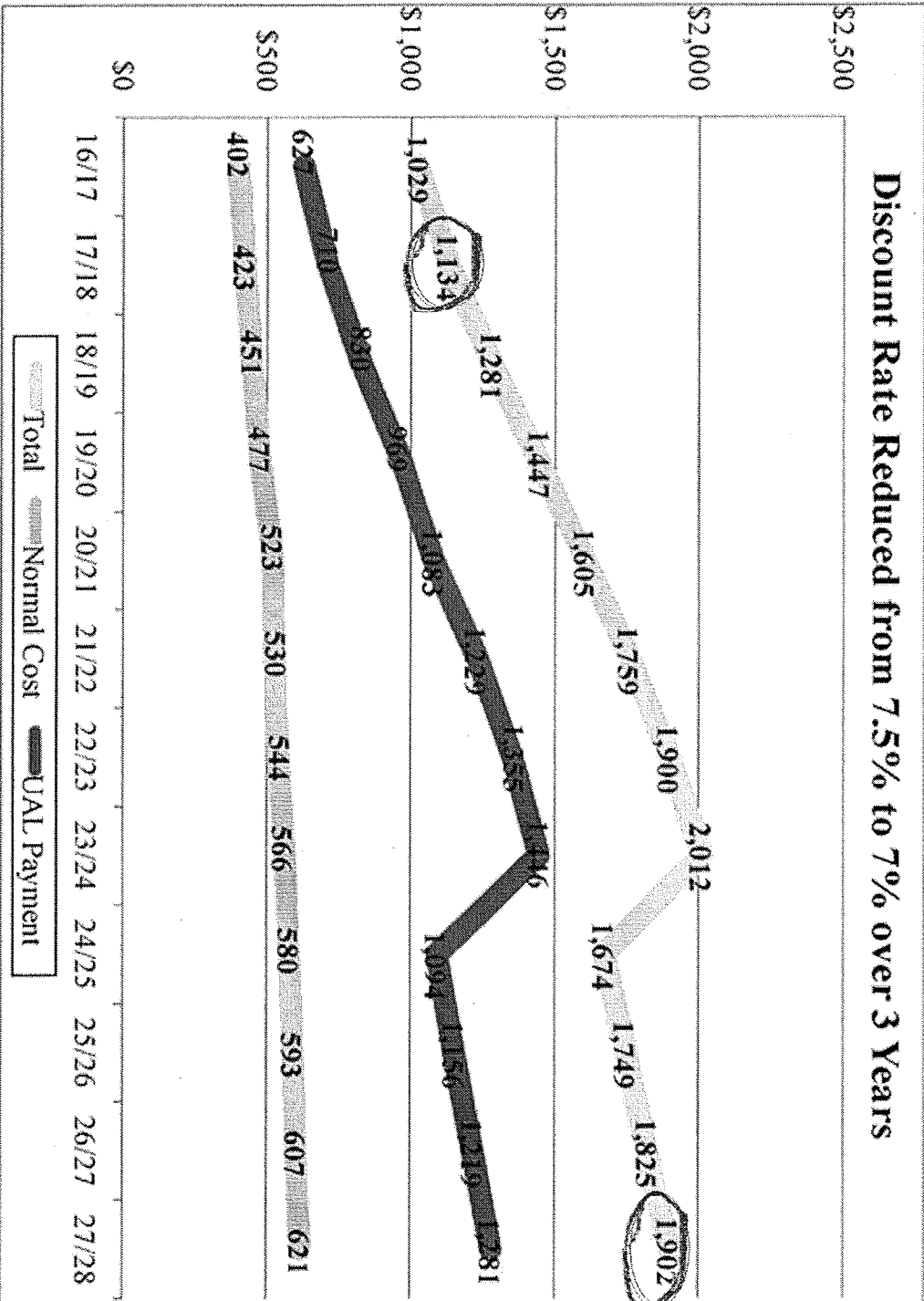
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CONTRIBUTION PROJECTIONS – POLICE SAFETY

Discount Rate Reduced from 7.5% to 7% over 3 Years



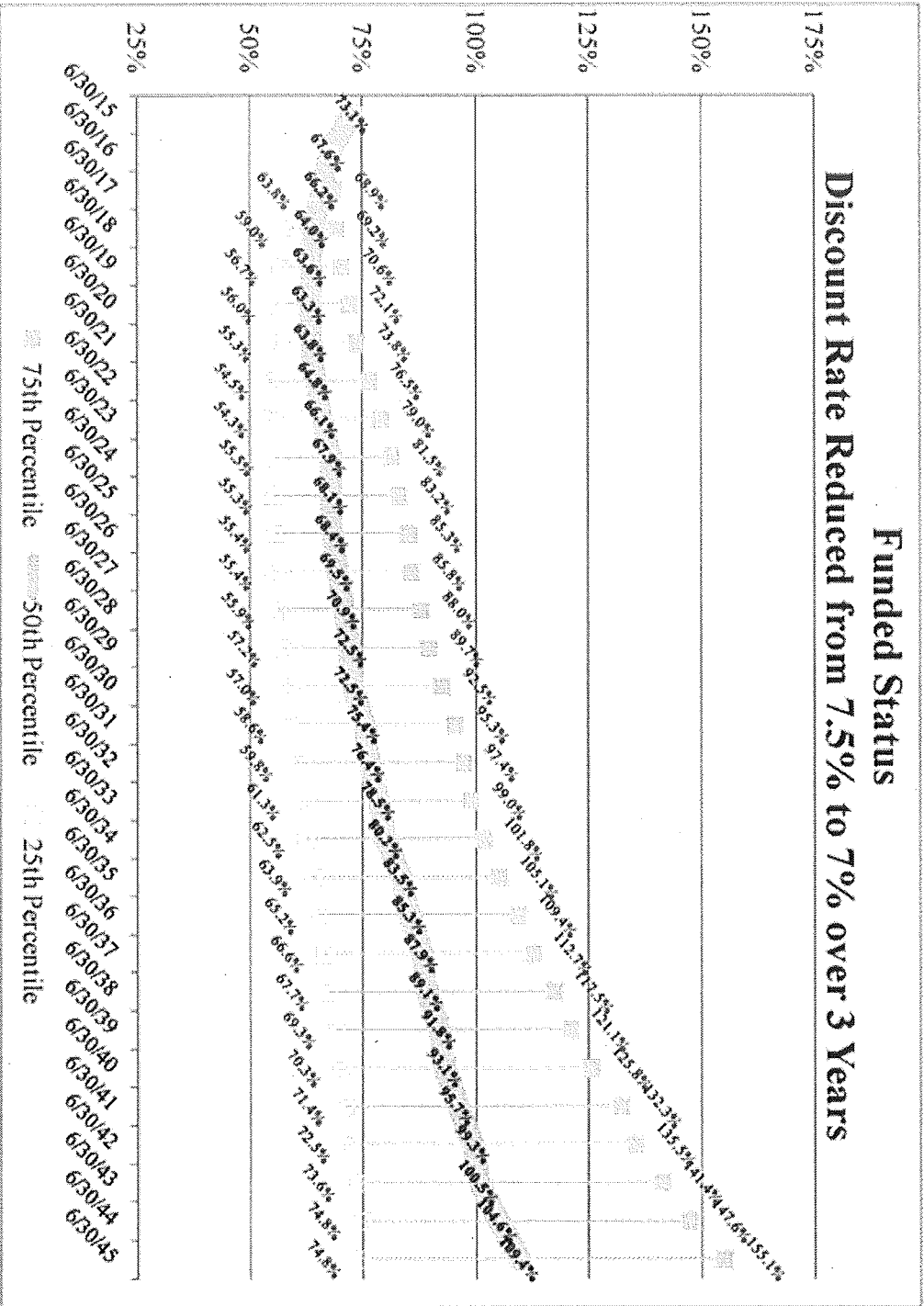
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FUNDED STATUS - POLICE SAFETY

Funded Status

Discount Rate Reduced from 7.5% to 7% over 3 Years



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FUNDED STATUS - POLICE SAFETY

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SUMMARY OF DEMOGRAPHIC INFORMATION – FIRE SAFETY

	2002	2007	2014	2015
Actives				
■ Counts	19	15	0	0
■ Average PER Sable Wages	\$74,900	\$83,800	\$ -	\$ -
■ Total PER Sable Wages (millions)	1.4	1.3	0	0
Inactive Counts				
■ Transferred	8	13	25	25
■ Separated	3	6	1	2
■ Retired	29	26	33	33

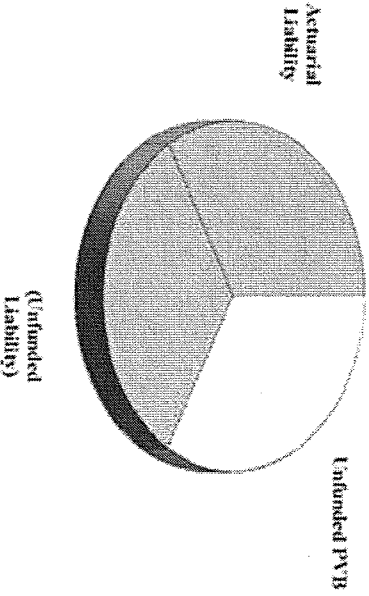


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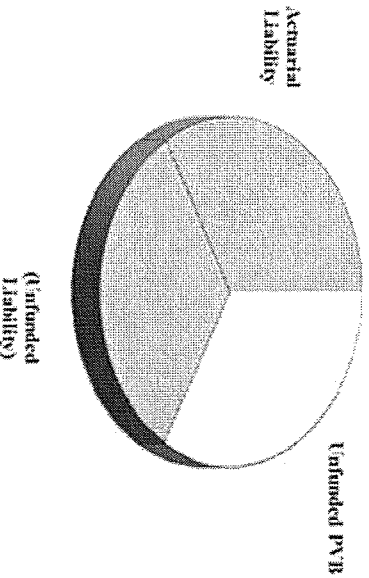


FUNDED STATUS – FIRE SAFETY

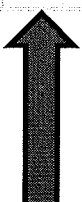
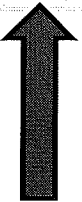
Present Value of Benefits
June 30, 2014



Present Value of Benefits
June 30, 2015



<u>June 30, 2014</u>		<u>June 30, 2015</u>	
\$	-	\$	-
	Active AAL		Active AAL
	Retiree AAL		Retiree AAL
	Inactive AAL		Inactive AAL
	Total AAL		Total AAL
	Market Asset Value		Market Asset Value
	(3,800,000)		(Unfunded Liability)
			(5,000,000)



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CONTRIBUTION RATES – FIRE SAFETY

6/30/14 Valuation

2016/2017 Contribution Rates

	<u>Total</u>	<u>Tier 1</u>	<u>Tier 2</u>	<u>PEPPRA</u>
	3% <u>@55</u>	Closed	Closed	Closed
■ Required Employer Contribution	N/A	N/A	N/A	N/A
● Risk Pool's Base ER Normal Cost	N/A	N/A	N/A	N/A
● Class 1 Benefits				
<input type="checkbox"/> FAC1	N/A	N/A	N/A	N/A
<input type="checkbox"/> PRSA	N/A	N/A	N/A	N/A
● Pool's Expected Employee Contribution for Formula	N/A	N/A	N/A	N/A
● Plan's Employee Contribution Rate	N/A	N/A	N/A	N/A
● Risk Pool's Payment on Amortization Bases ¹¹	\$ 297	\$ 297	N/A	N/A
● Amortization of Side Fund	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>
● Total ER Contribution \$ (in 000's)	297	297	N/A	N/A

¹¹ Level dollar amortization

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CONTRIBUTION RATES – FIRE SAFETY

6/30/15 Valuation

2017/2018 Contribution Rates

	<u>Total</u>	<u>Tier 1</u>	<u>Tier 2</u>	<u>PEPPRA</u>
■ Required Employer Contribution				
● Risk Pool's Base ER Normal Cost	N/A	N/A	N/A	N/A
● Class 1 Benefits				
<input type="checkbox"/> FACI	N/A	N/A	N/A	N/A
<input type="checkbox"/> PRSA	N/A	N/A	N/A	N/A
● Pool's Expected Employee Contribution for Formula	N/A	N/A	N/A	N/A
● Plan's Employee Contribution Rate	N/A	N/A	N/A	N/A
● Risk Pool's Payment on Amortization Bases ¹²	\$ 360	\$ 360	N/A	N/A
● Amortization of Side Fund	N/A	N/A	N/A	N/A
● Total ER Contribution	360	360	N/A	N/A

¹² Level dollar amortization

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CONTRIBUTION PROJECTIONS – FIRE SAFETY

■ Market Value Investment Return:

- June 30, 2016 0.6%¹³
- June 30, 2017 7.2%¹⁴

- Future returns based on stochastic analysis using 1,000 trials

<u>Single Year Returns at</u> ¹⁵	<u>25th Percentile</u>	<u>50th Percentile</u>	<u>75th Percentile</u>
● 7.0% Investment Mix	0.1%	7.0%	14.8%
● 6.0% Investment Mix	0.8%	6.0%	11.4%
● Assumes investment returns will, generally be 6.5% (as compared to 7.0%) over the next 10 years and higher beyond that.			
■ No Other: Gains/Losses, Method/Assumption Changes, Benefit Improvements			
■ Excludes Employer Paid Member Contributions (EPMC)			
■ Fire Safety is closed group, therefore no Tier 2 or PEPPRA			

¹³ Based on CalPERS press release on 7/18/16, preliminary investment return of 0.61%.

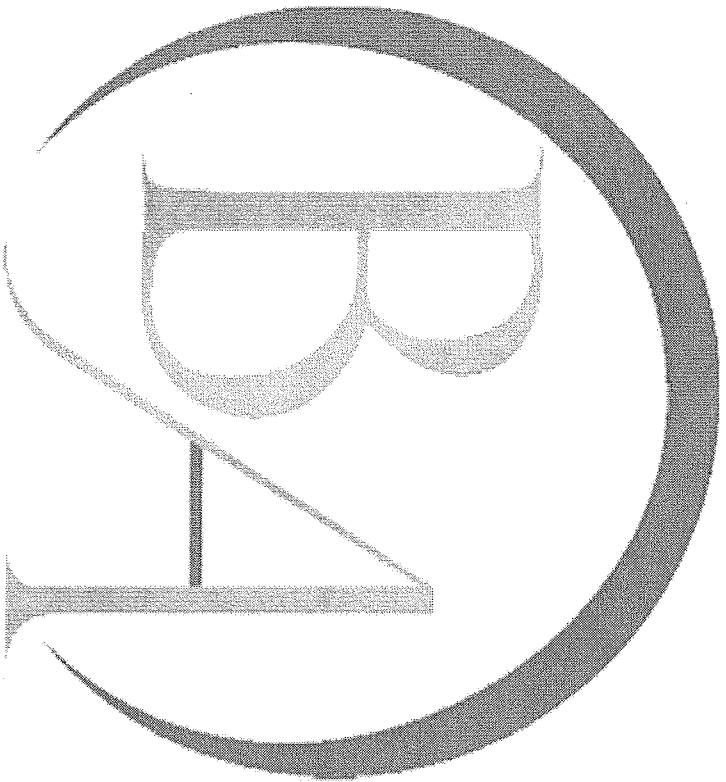
¹⁴ June 30, 2017 return based on CalPERS return of 3.9% through 12/31/16 and assumed returns for 6 months.

¹⁵ Nth percentile means N percentage of our trials result in returns lower than the indicated rates.



CONTRIBUTION PROJECTIONS – FIRE SAFETY

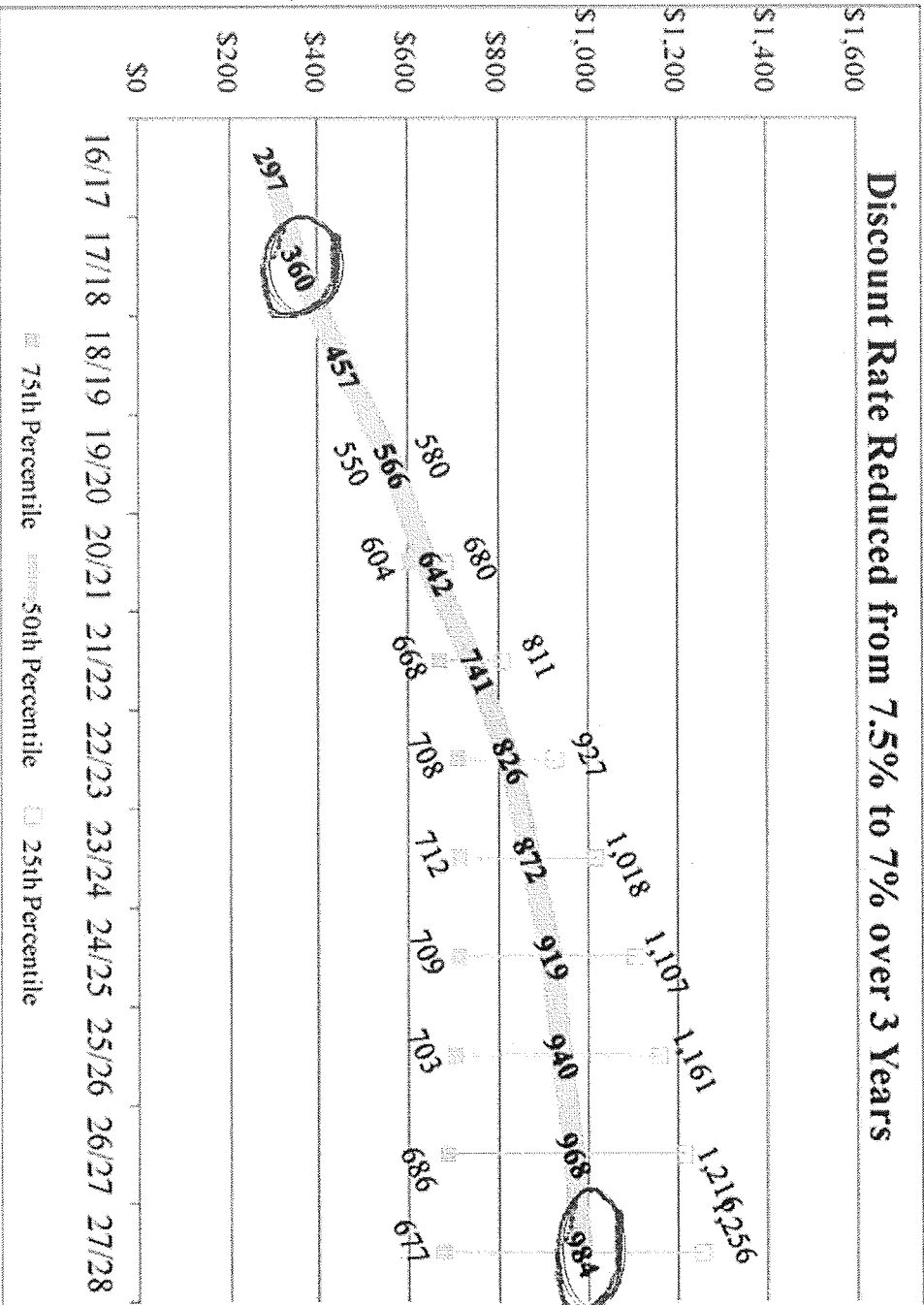
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CONTRIBUTION PROJECTIONS – FIRE SAFETY

Contributions - in 000's

Discount Rate Reduced from 7.5% to 7% over 3 Years



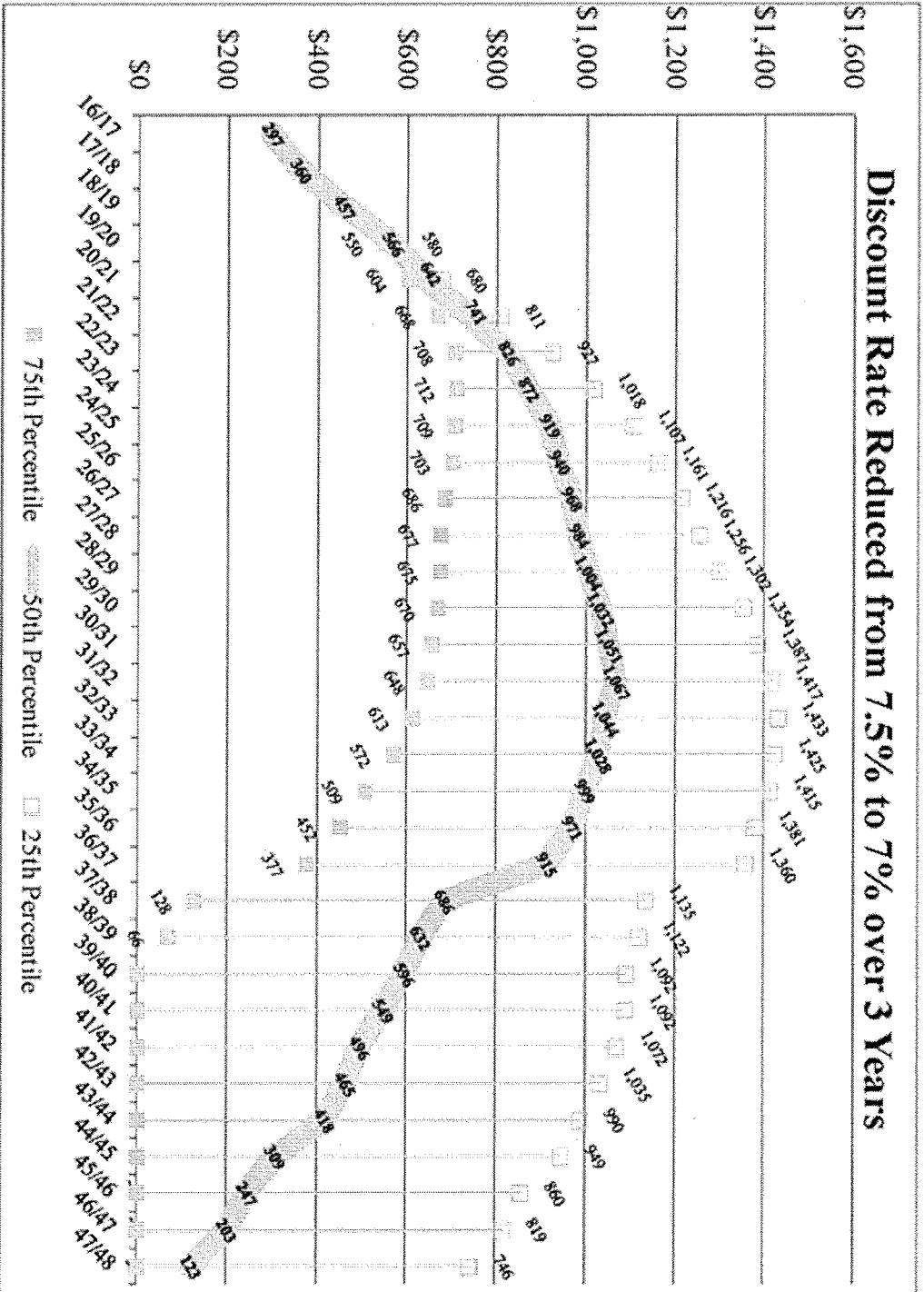
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CONTRIBUTION PROJECTIONS – FIRE SAFETY

Discount Rate Reduced from 7.5% to 7% over 3 Years



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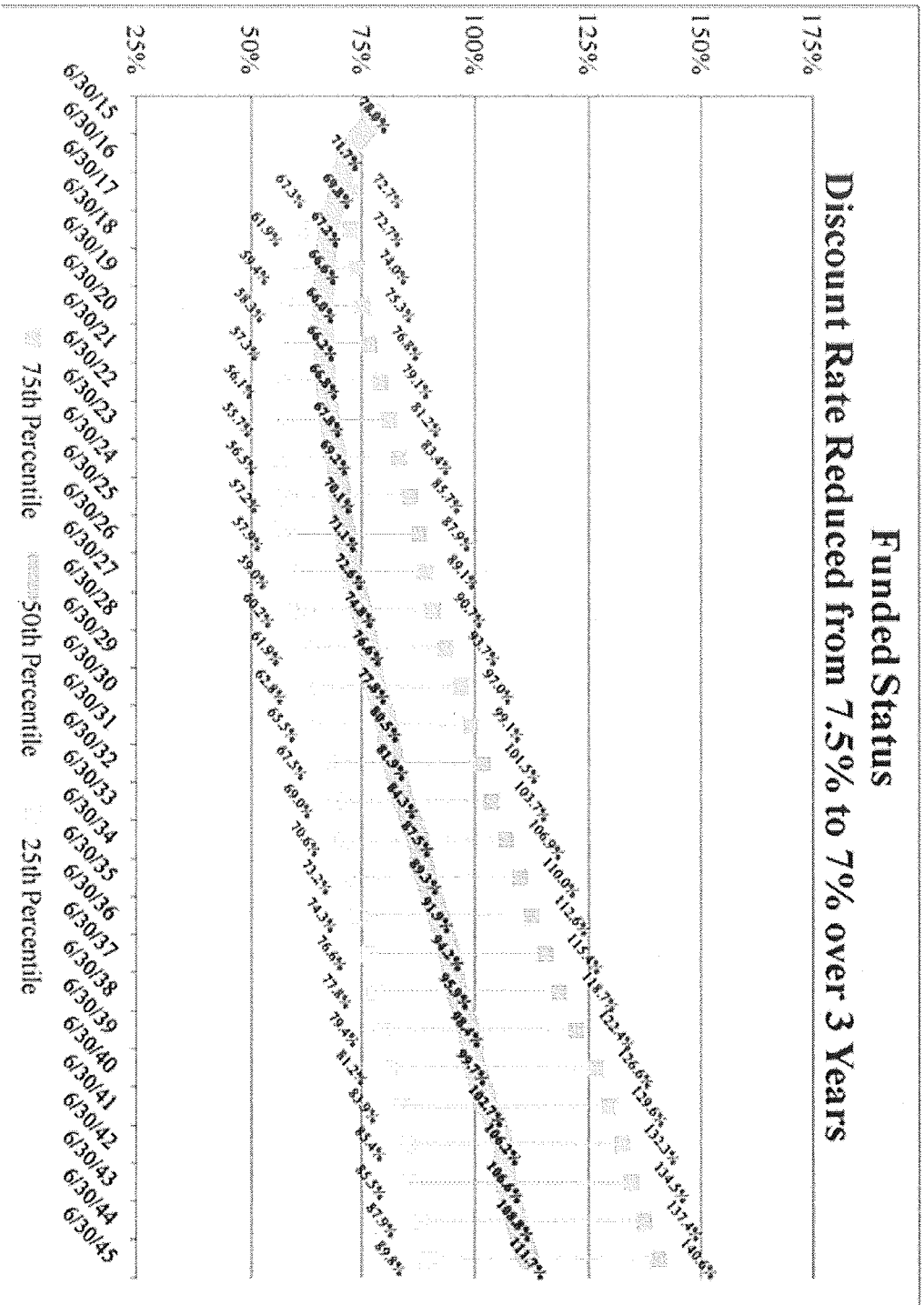
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FUNDED STATUS - FIRE SAFETY

Funded Status

Discount Rate Reduced from 7.5% to 7% over 3 Years



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FUNDED STATUS - FIRE SAFETY

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PEPRA COST SHARING

- Target of 50% of total normal cost for everyone
- *New members* must pay greater of 50% of total normal cost or bargained amount if higher
- Employer cannot pay any part of *new member* required employee contributions
- Employer may impose current employees pay 50% of total normal cost (limited 8% Miscellaneous, 12% Safety) if not agreed through collective bargaining by 1/1/18
- **Miscellaneous Plan:**

Classic Members

New Members

	<u>Tier 1</u>	<u>Tier 2</u>	<u>PEPRA</u>
2.5% @ 55 FAE1	2% @ 55 FAE3	2% @ 62 FAE3	
● Employer Normal Cost	10.7%	8.9%	6.8%
● Member Normal Cost ¹⁶	8.1%	7.1%	6.6%
● Total Normal Cost	18.8%	16.0%	13.4%
● 50% Target	9.4%	8.0%	6.7%

¹⁶ Includes 0.1% employee cost sharing



PEPRA COST SHARING

■ **Police Safety Plan:**

- Employer Normal Cost
- Member Normal Cost¹⁷
- Total Normal Cost
- 50% Target

	<u>Classic Members</u>	<u>New Members</u>
	Tier 1	Tier 2 PEPRA
	<u>3% @ 55 FAE1</u>	<u>2% @ 50 FAE3</u> <u>2.7% @ 57 FAE3</u>
Employer Normal Cost	18.9%	16.5%
Member Normal Cost ¹⁷	9.6%	9.6%
Total Normal Cost	28.5%	25.4%
50% Target	14.3%	12.7%
		12.1%
Employer Normal Cost		12.9%
Member Normal Cost ¹⁷		25.0%
Total Normal Cost		12.5%

¹⁷ Includes 0.6% employee cost sharing

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PAYING DOWN THE UNFUNDED LIABILITY

- Pension Obligation Bond (POB)
 - Interest arbitrage between expected CalPERS earnings and rate paid on POB
 - Not guaranteed
- Borrow from General Fund
 - Pay GF back like a loan
 - Payments come from all funds
- One time payments
 - City resolution to use portion of one time money
- Internal Service Fund
 - Restricted investments
 - Likely low (0.5% - 1.0%) investment returns
 - Short term/high quality
 - Designed for preservation of principal
 - Assets could be used by Council for other purposes

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PAYING DOWN THE UNFUNDED LIABILITY

Approximate Years to Attain Funded Percent

	<u>80%</u>	<u>90%</u>	<u>100%</u>
■ Miscellaneous	16	20	25
■ Police Safety	18	23	27
■ Fire Safety	15	20	25

- Ad-hoc payments applied to all amortization bases will not shorten amortization period but will reduce contribution
- Only ways to shorten period are:
 - Request shorter amortization period of CalPERS
 - Higher short term payments
 - Less interest and lower long term payments
 - Make ad-hoc payment that targets specific bases with longer amortization periods
 - Modestly lower (short & long term) payments
 - Less interest

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March 14, 2017



IRREVOCABLE SUPPLEMENTAL (\$115) PENSION TRUST

- > 40 trusts established
- PARS & PFM
- Investments significantly less restricted than City investment funds
 - Designed for long term returns
 - Likely much higher (5% - 7%) investment return
- Assets could not be used by the Council for other purposes
- Can only be used to
 - Reimburse City for CalPERS contributions
 - Make payments directly to CalPERS
- GASB will almost certainly weigh in on certain accounting issues
 - Can Supplemental Pension Trust assets be included in Fiduciary Net Position?
 - If assets can be included would inclusion impact discount rate?

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IRREVOCABLE SUPPLEMENTAL (§115) PENSION TRUST

■ Parameters:

- Initial seed money?
- Additional amount contributed in future years?
- Target budget rate?
- Year target budget rate kicks in?
- Before or after CalPERS rate exceeds budgeted rate?

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