



# CalPERS Unfunded Liabilities and Funding Strategy



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# Unfunded Liabilities Update



	<b>6/30/2016</b>	<b>6/30/2017</b>	<b>Change</b>
Assets	\$ 171,871,161	\$ 187,910,092	\$ 16,038,931
Liabilities	\$ (245,205,988)	\$ (258,279,864)	\$ (13,073,876)
UAL	<u>\$ (73,334,827)</u>	<u>\$ (70,369,772)</u>	<u>\$ 2,965,055</u>

# Funded Status 6/30/17 Actuarial Reports



- 71.5% for Miscellaneous Plan
- 73.75% avg for two largest Safety Plans

# In Total, Decline in UAL



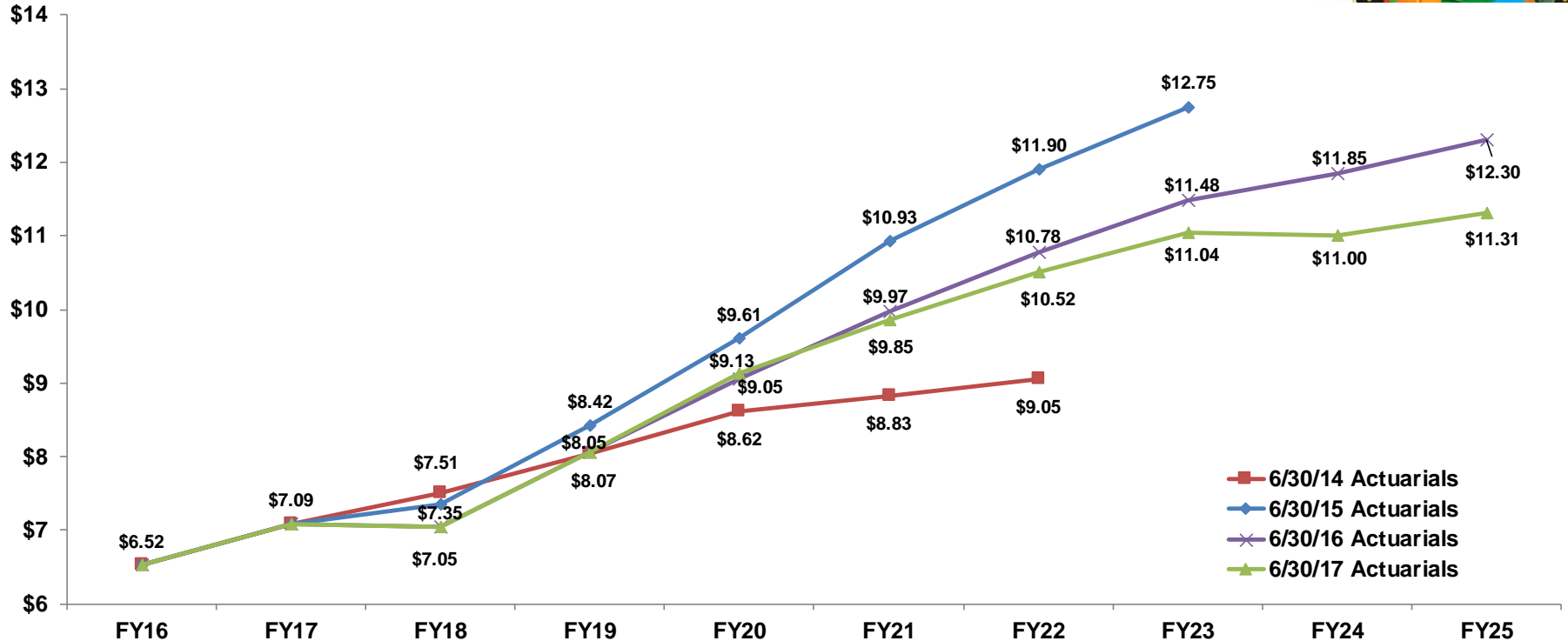
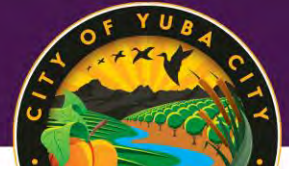
- The UAL increased in 4 out of 6 Safety Plans
- Total Safety Plan UAL increased \$628,200
- Miscellaneous Plan UAL declined \$3,592,200

# Reasons for Decline in Miscellaneous UAL



- Gain in net assets due to 11.2% return CalPERS made on investments for the yr
- Gain in liabilities because retiree COLA was less than expected
- Average salary increase less than expected for City staff

# Comparison of Projected Retirement Costs by Actuarial Year

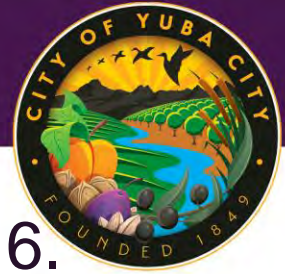


# FY 2019/20 Interest on UAL

- Interest charged on UAL \$5.1 million
- UAL payment \$5.3



# Actions to Date



- Established Stabilization Trust Fund in June, 2016. Balance just under \$2.5 Million
- Prepaid annual UAL costs for past 4 years saving an estimated \$300,000
- Employees now pay employee share of PERS saving \$2 million annually (not in exchange for a raise)
- PERS impacts always considered when negotiating employee contracts. One-time money given in conjunction with on-going raises to not further compound problem



# Short-Term Actions



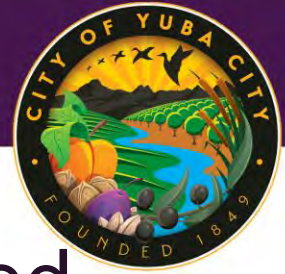
- Pay additional contributions annually in excess of required contributions
- Negotiate a lower tier benefit to Classic employees who are new to the City
- Pay lump-sum, one-time payment to CalPERS and evaluate continuing on an annual basis if sufficient funds are available

# Long-Term Actions



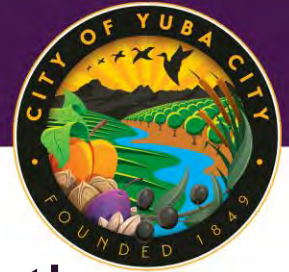
- Change type of retirement plan from Defined Benefit Plan to Defined Contribution Plan
  - \$490 Million Termination Payment to CalPERS
  - Change would have to be negotiated with all employee unions and bargaining units

# Summary



- Statewide solution must be implemented
- Pension reform is necessary as the current system is unsustainable for some member agencies
- The City has planned for large cost increases and has built them into the budget model

# Recommendation



Pay an additional \$750,000 to CalPERS in the current year from:

- \$600,000 pension stabilization trust fund
- \$150,000 Water, Wastewater and Fleet Maintenance

Doing so will save almost \$200,000 in interest expense over the next 6 years

# Questions?

