

# CALPERS OVERVIEW

- In response to the growing cost of retirements, the City began shifting some of the costs to employees in 2009 (\$1.2 million in 16/17 fiscal year).
- City's cost for retirement over last five years has grown from \$2.6 million to \$3.9 million averaging an increase of \$260K/year.
- In 2015 CalPERS revised its pool strategies and assessed unfunded liabilities (UAL) separate from employer contributions.
- In January 2017 CalPERS Board lowered their projected future rate of return on investments from 7.5% to 7%.
- In CalPERS report released this past August, City's annual retirement costs are expected to increase to \$8.2 million by 2024 (average of \$625K/year).

# UNDERSTANDING CALPERS

- CalPERS is an entity established by the state to manage retirement funds for member agencies (total of 3,021 employers & 1.85 million members).
- The City of La Verne became a member in 1968.
- CalPERS is responsible for forecasting agencies' retirement obligations and ensuring enough money is collected to meet them.

Obligation value is based on CalPERS assumptions of:

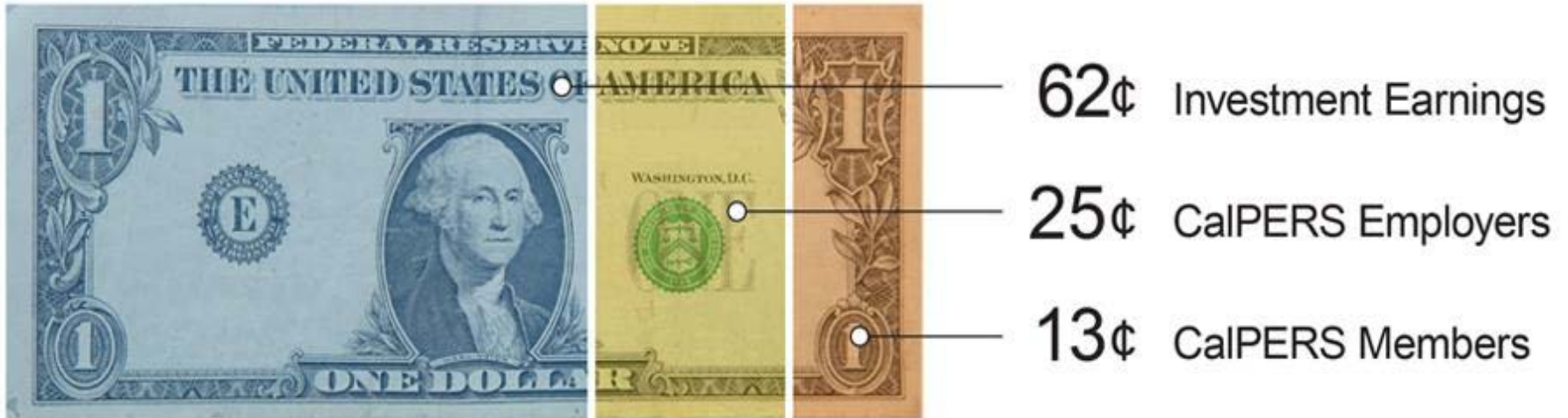
1. Years of service
2. Ending salary
3. Projected retirement age
4. Extended lifespan
5. Formula(s) of benefit

# UNDERSTANDING CALPERS

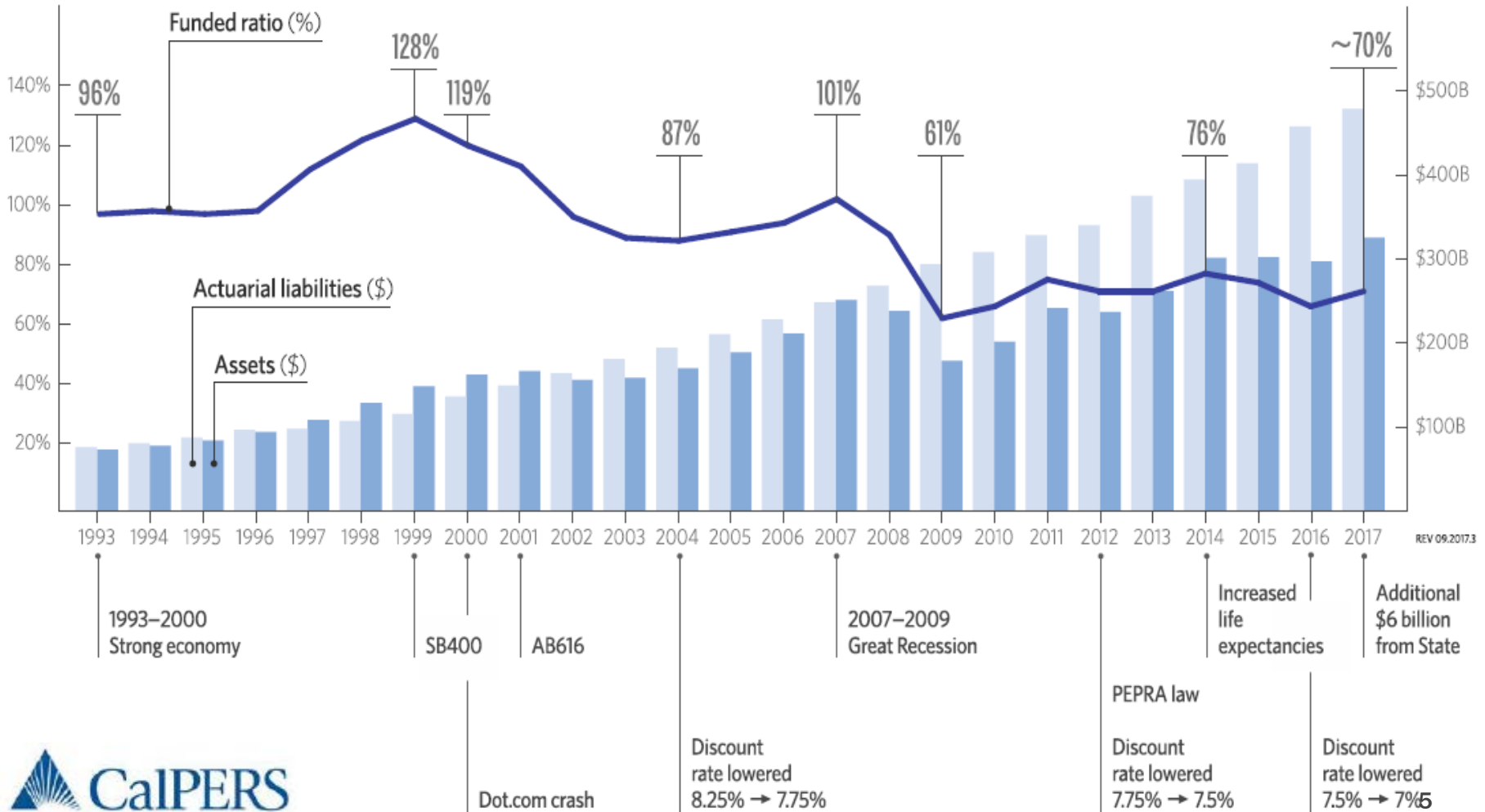
- CalPERS generates its funding for obligations from:
  - Employee contributions
  - Employer contributions
  - Investment earnings
- Each year they estimate the value of the retirement obligation versus projected revenue. The difference is called unfunded accrued liability (UAL)
- City's annual payment is comprised of 2 components
  - Normal cost (% of salary)
  - Payment of portion of UAL
- UAL must be funded by agencies and is spread out over 20-30 years

# SHARED RESPONSIBILITY

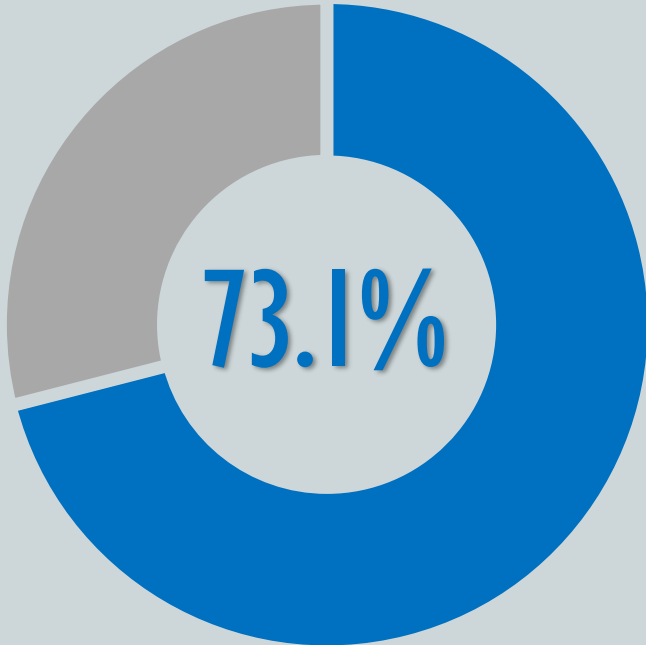
Every dollar paid to CalPERS retirees comes from three sources:



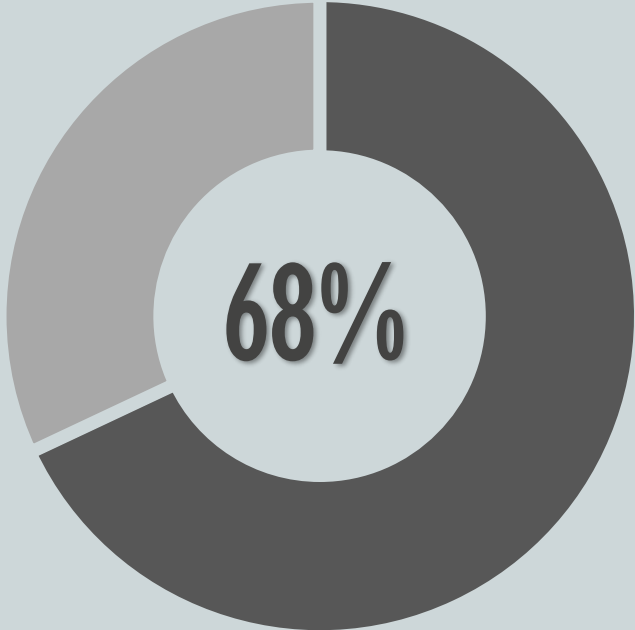
# HISTORICAL FACTORS IMPACT FUNDED STATUS (1993-2017)



# CALPERS SYSTEM FUNDED STATUS



June 20, 2015



Current\*

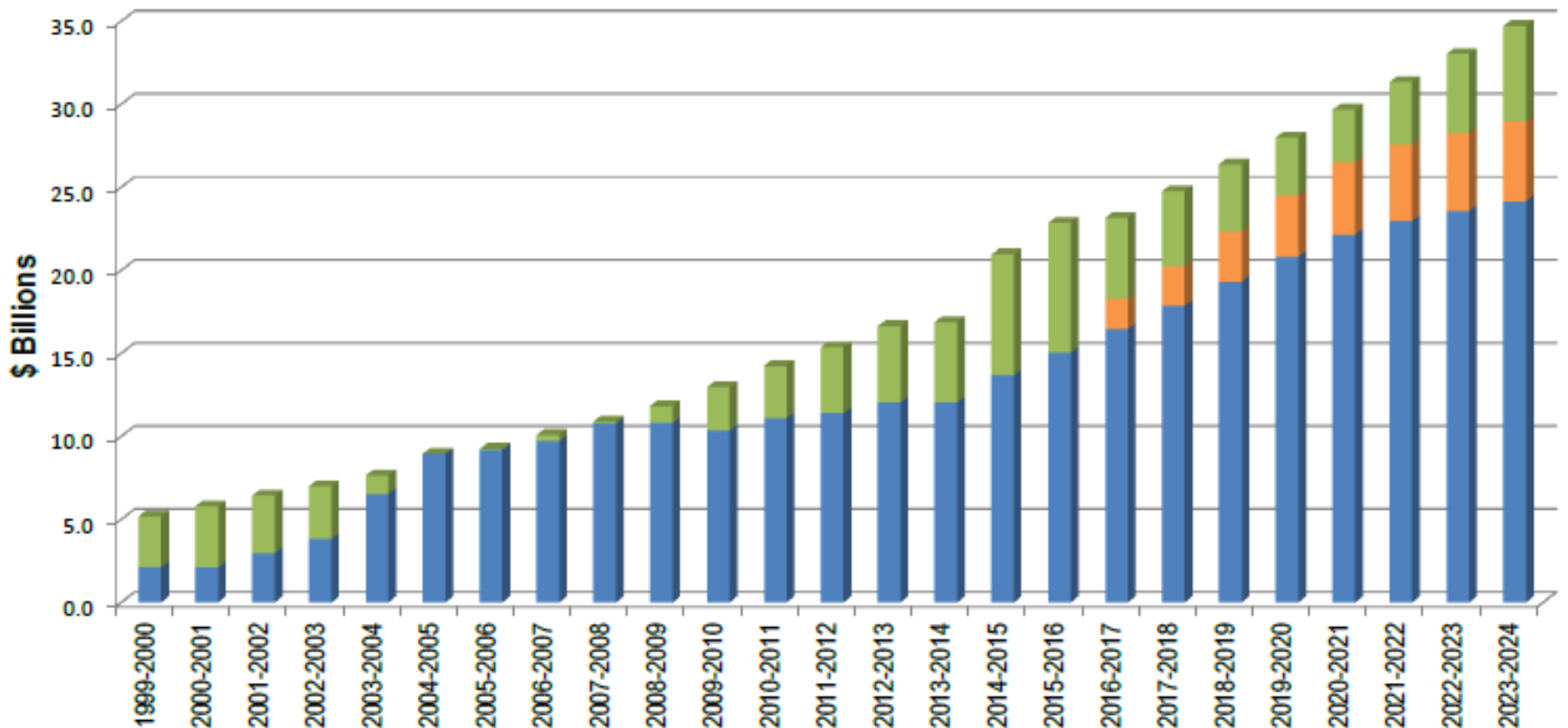
# WHY A DISCOUNT RATE CHANGE IN DECEMBER 2016?

- Market conditions have changed
- Seeing more uncertainty in the forecast
- Next 10 years are critical
- To close the cash flow funding gap
- Risks in system continue to grow



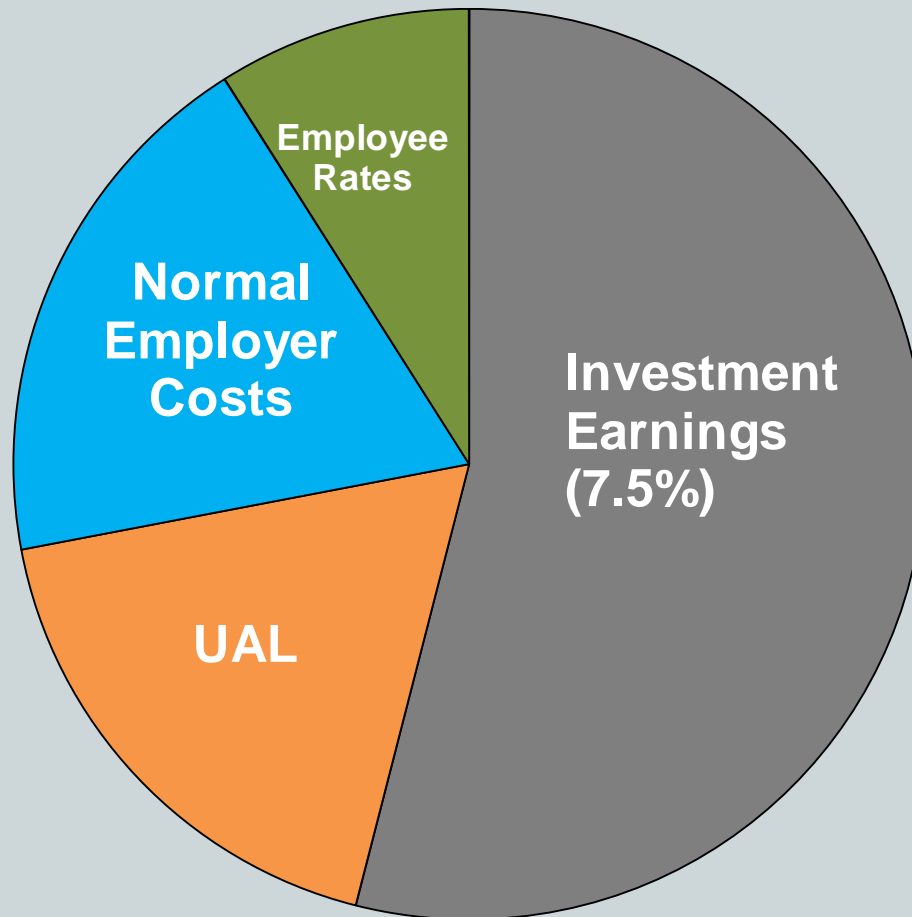
# CONTRIBUTION & BENEFIT PAYMENTS

Historical & Projected PERF Contributions & Investments for Benefit Payments

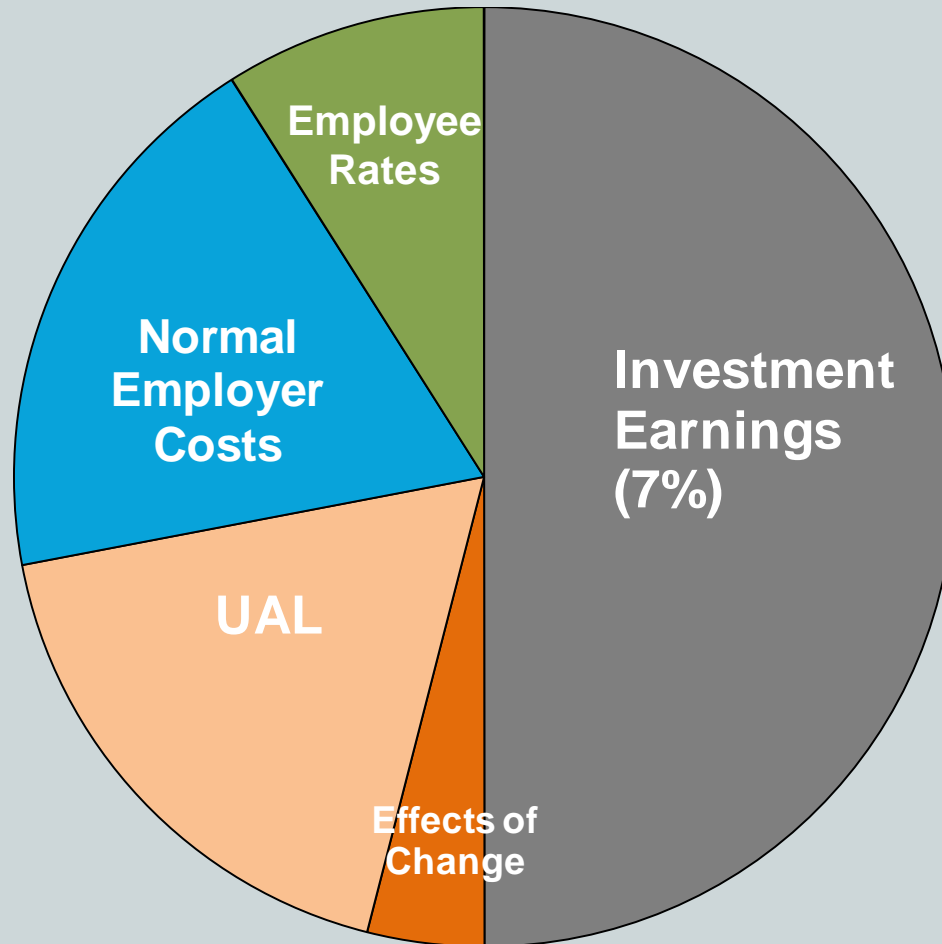




# UNDERSTANDING CALPERS

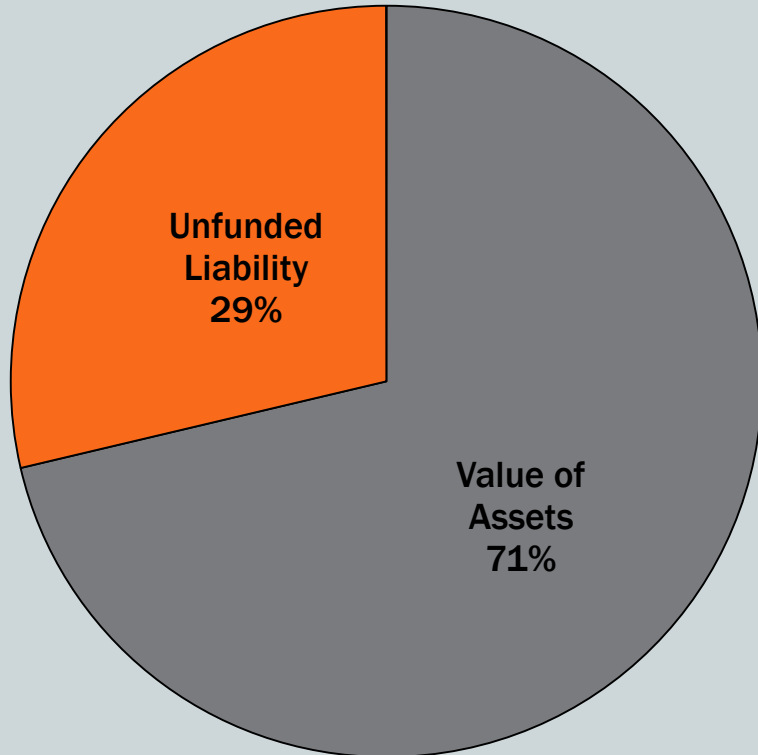


# UNDERSTANDING CALPERS

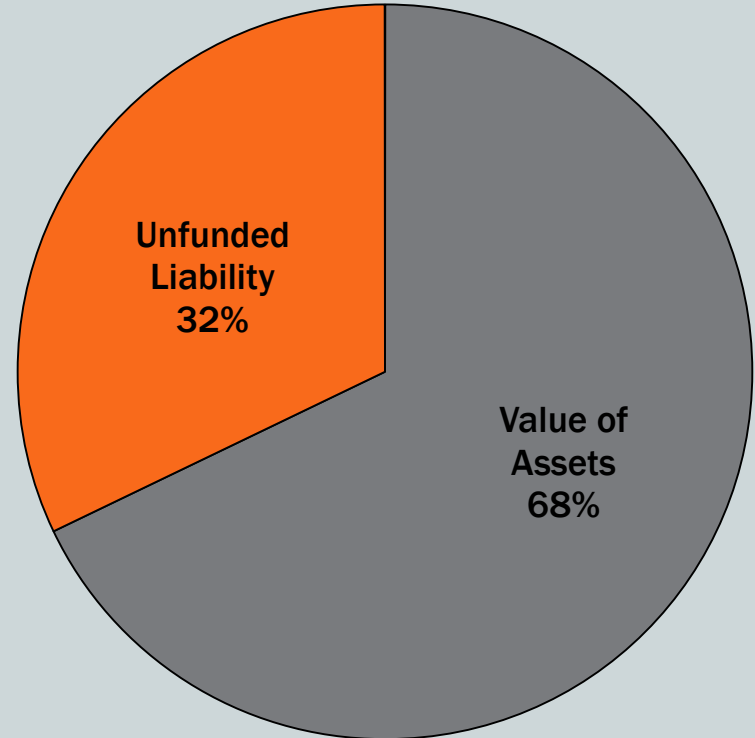


# UNDERSTANDING CALPERS

## Police and Fire Funding Status



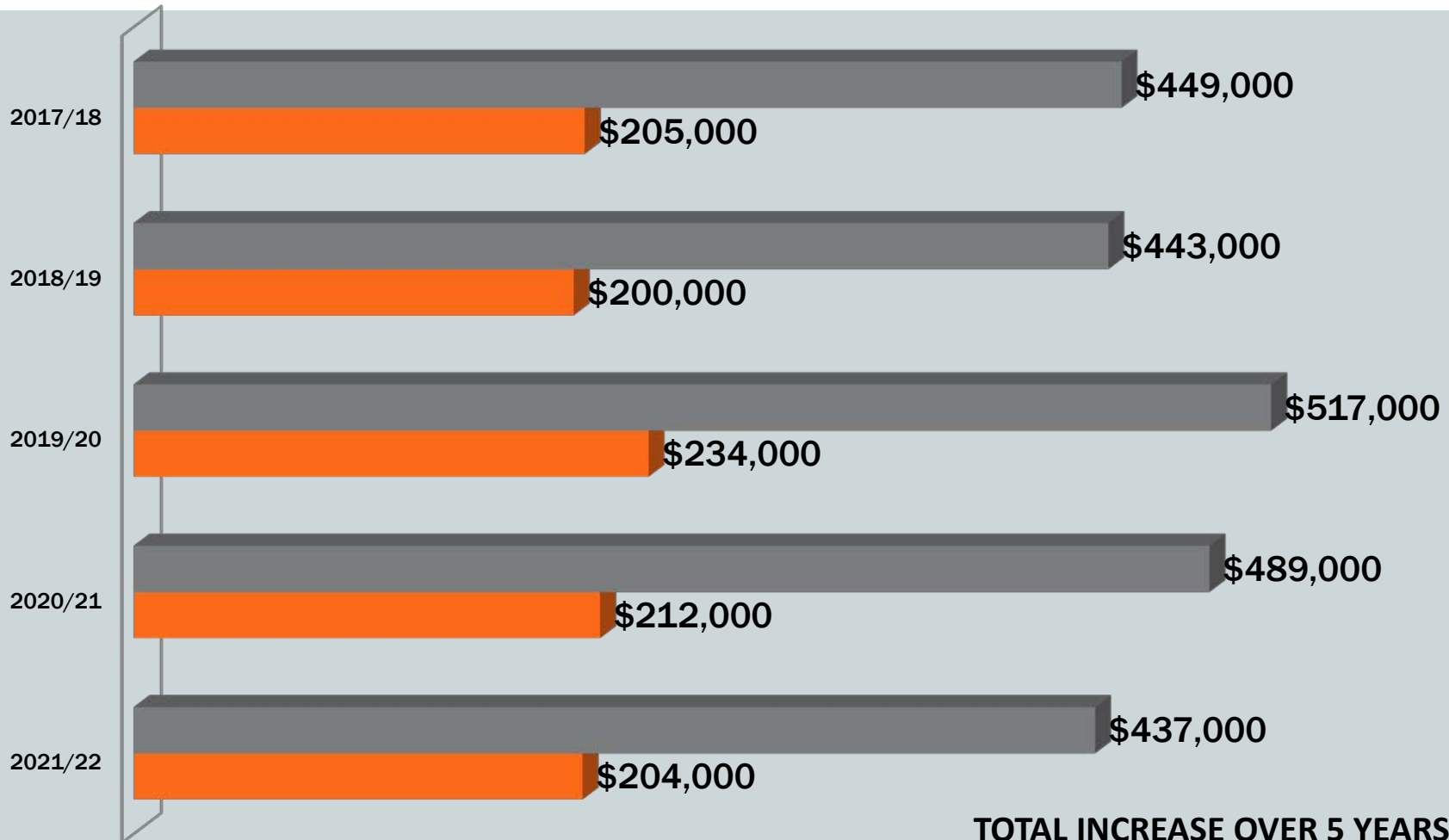
## Miscellaneous Funding Status



As of June 30, 2016

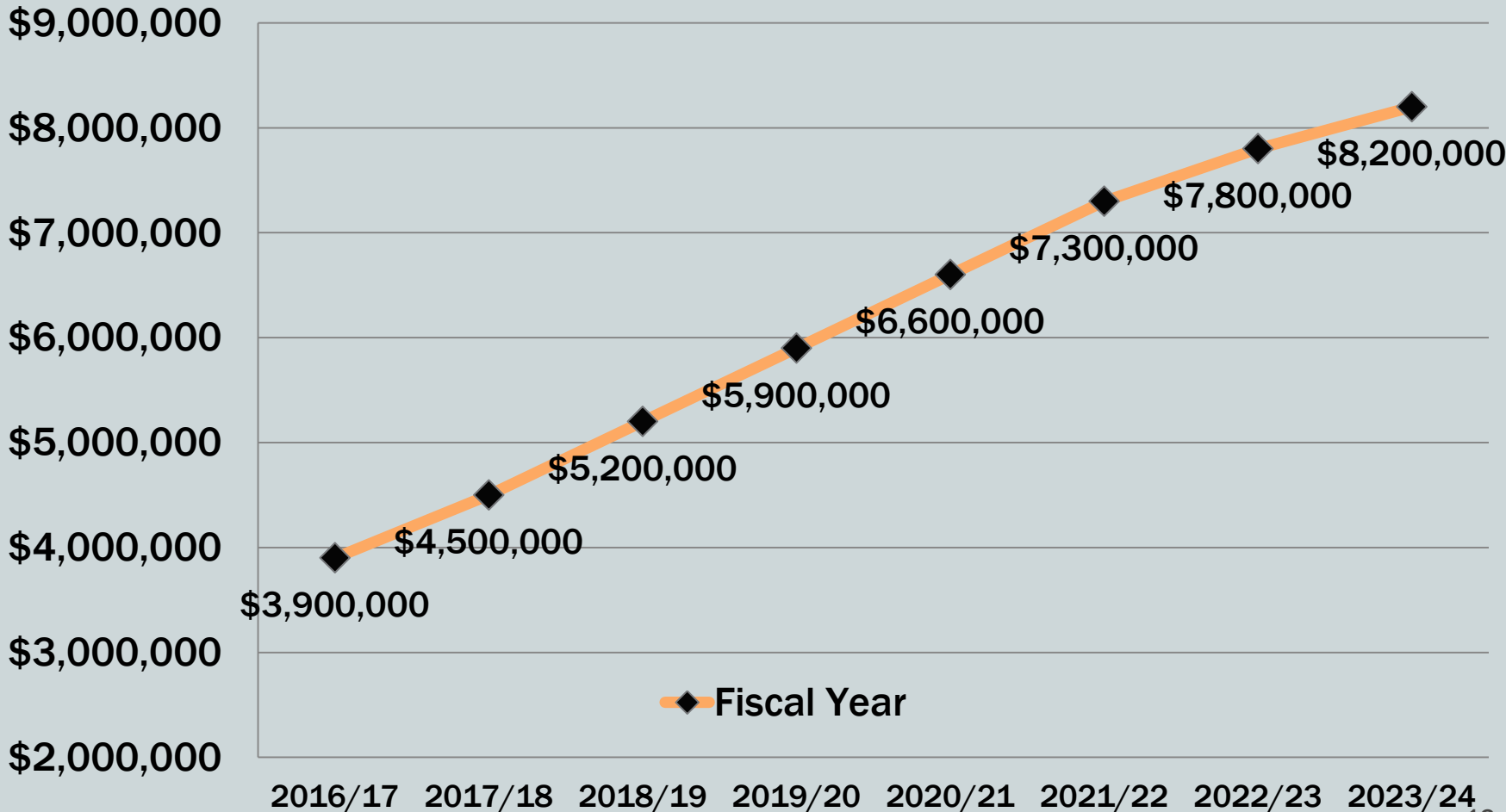
# PROJECTED PERS INCREASE EACH YEAR

■ Safety ■ Misc.



**TOTAL INCREASE OVER 5 YEARS:**  
Safety - \$2,335,000    Misc. - \$1,055,000

# ADDITIVE COST OF PERS 2016/17 TO 2023-24



# APPROACHES ON SYSTEM CHANGES

- Legal Proceedings (*Marin Association of Public Employees vs. Marin County Employees' Retirement Association, Alameda County Deputy Sheriffs' Association v. Alameda County Employees' Retirement Association*).
- League of Cities Manager's Recommendations
  1. Seek Changes in COLA's for retirees
  2. Seek legislative changes that reduce formula's for all current employees
  3. Pursue changes to CalPERS investment strategy
- Issues to be aware of