



Sierra Madre and CalPERS

- Sierra Madre became a CalPERS Agency in 1962
- CalPERS provides the City's Pension Retirement Benefits
- Since 1995 CalPERS has provided the City's Medical Insurance and Other Post Employment Benefits (OPEB) also known as Retiree Medical



PEPRA

- Public Employees' Pension Reform Act
 - New, lower retirement formula for New Members
 - Number of statutory changes to Public Employees' Retirement Law
- "Classic Member" – an employee enrolled in CalPERS prior to January 1, 2013
- "New Member" – employee enrolled in CalPERS on or after January 1, 2013

Retirement Formulas

<i>Plan</i>	<i>Effective Date</i>	<i>Formula</i>	<i>EE Rate</i>	<i>City Rate</i>	<i>Police EPMC</i>	<i>Net Employee Rate</i>	<i>Net City Rate</i>
Classic Misc.	09/01/1962	2.5%@55	8%	10.612%	5%	3%	15.612%
Classic Safety	09/01/1962	3%@55	9%	18.191%	4%	4%	22.191%
PEPRA Misc.	01/01/2013	2%@62	6.5%	6.5%	0%	6.5%	6.5%
PEPRA Safety	01/01/2013	2.7%@57	12.25%	11.923%	0%	12.25%	11.923%

PEPRA

- Froze employers' Classic Member rates
- Froze EPMC as of 01/01/13, can negotiate away
 - Cannot impose a reduction of EPMC until after 01/01/18
 - Limited to 8% for miscellaneous and 12% for safety
- Can negotiate for employees to share the employer's contribution – cannot be imposed upon employees

*City's costs expected to decrease 40 – 50%
over the next 20 – 30 years*

PEPRA

Comparison of the City's annual cost for two Police Officers, both at Step Three; once is a Classic PERS Member and the other is a New Member

<i>Plan</i>	<i>City PERS Cost</i>	<i>EPMC</i>	<i>Total Cost</i>
Classic Safety	\$13,680	\$2,466	\$16,146
PEPRA Safety	\$7,350	0	\$7,350
<i>Difference</i>			<i>\$8,796</i>

How Much does a Retiree Earn?

of Years X Salary X Formula = Pension

- Classic Water Pump Operator at Top Salary
 - 10 years X \$41,615 X 2.5% = \$10,404 per year
 - \$867 per month
- Under PEPRA
 - 10 years X \$41,615 X 2% = \$8,323 per year
 - \$694 per month

Where Does the \$\$ Come From?

Every dollar paid to CalPERS retirees comes from three sources:



- 67¢ Investment earnings
- 21¢ CalPERS employers
- 12¢ CalPERS members

Sierra Madre's Employer Cost

Fiscal Year	Total CalPERS Costs	Difference
2011-2012	\$1,290,000	4%
2012-2013	\$1,200,000	-8%
2013-2014	\$1,135,000	-6%
2014-2015 (midyear budget)	\$1,120,000	-1%
2015-2016 (budgeted)	\$1,413,000	21%

New Amortization & Rate Smoothing

- New amortization and rate smoothing policies to pay for losses of the "Great Recession" over 30-year period
- Closed all old risk pools and created two new ones
- Collect employer contributions toward unfunded liabilities as a specific dollar amount instead of a contribution rate
- Unfunded liability allocated to each individual plan based on plan's total liability rather than plan's individual payroll

Funded Status

Plans' Funded Status				
	Miscellaneous Plan		Safety Plan	
	06/30/12	06/30/13	06/30/12	06/30/13
1. Present Value of Projected Benefits (PVB)	23,034,179	23,819,563	19,934,195	20,976,446
2. Entry Age Normal Accrued Liability	19,024,712	20,138,768	15,885,619	16,761,222
3. Plan's Market Value of Assets (MVA)	12,949,467	14,603,361	11,147,746	12,627,851
4. Unfunded Liability [(2)-(3)]	6,075,245	5,535,407	4,737,873	4,133,371
5. Funded Ratio [(3)/(2)]	68.1%	72.5%	70.2%	75.3%

Funding Risk Mitigation Policy

- Lower the 7.5% discount rate in years of good investment
- Help pay down pension fund's unfunded liability
- Provide great predictability & less volatility in contribution rates for employers
- Increase long-term sustainability
- Increase employer and member contributions

New Policy adopted
November 18, 2015

Can We Get Out of PERS?

Hypothetical Termination Liability		
Plan	As of 06/30/12	As of 06/30/13
Classic Miscs Plan	\$35,182,925	\$32,821,726
Classic Safety Plan	\$29,534,269	\$27,120,311
PEPRA Safety Fire Plan	--	\$1,070
PEPRA Safety Police Plan	--	\$1,630
Total	\$64,717,194	\$59,944,737

CalPERS Medical & OPEB

- Smart policy decisions over the past twenty years make the City's OPEB liability quite low
- The City fully funded its OPEB in July 2013
 - Not many cities can claim this feat!*
- New OPEB actuarial report as of July 1, 2015, Council can consider its funding model based on new reports

Can the City reduce CalPERS Costs?

- Continue to hire New Members
- Negotiate with the Police Association to remove the EPMC
- Negotiate with employee groups to pay a portion of the employer's contribution
- Continue to pay the annual lump sum prepayment option for the unfunded liability
- Make lump sum payments towards the unfunded liability
- Shorten the amortization schedule for the unfunded liability