



THE BILL IS DUE

Now What? Infrastructure, Pensions and the Environment

TUESDAY, APRIL 24, 2018

BEST BEST & KRIEGER LLP

Pension Liability by the Numbers

Mary Beth Redding

Vice President & Actuary, Bartel Associates, LLC



THE BILL IS DUE

How Did We Get Here?





THE BILL IS DUE

How Did We Get Here?

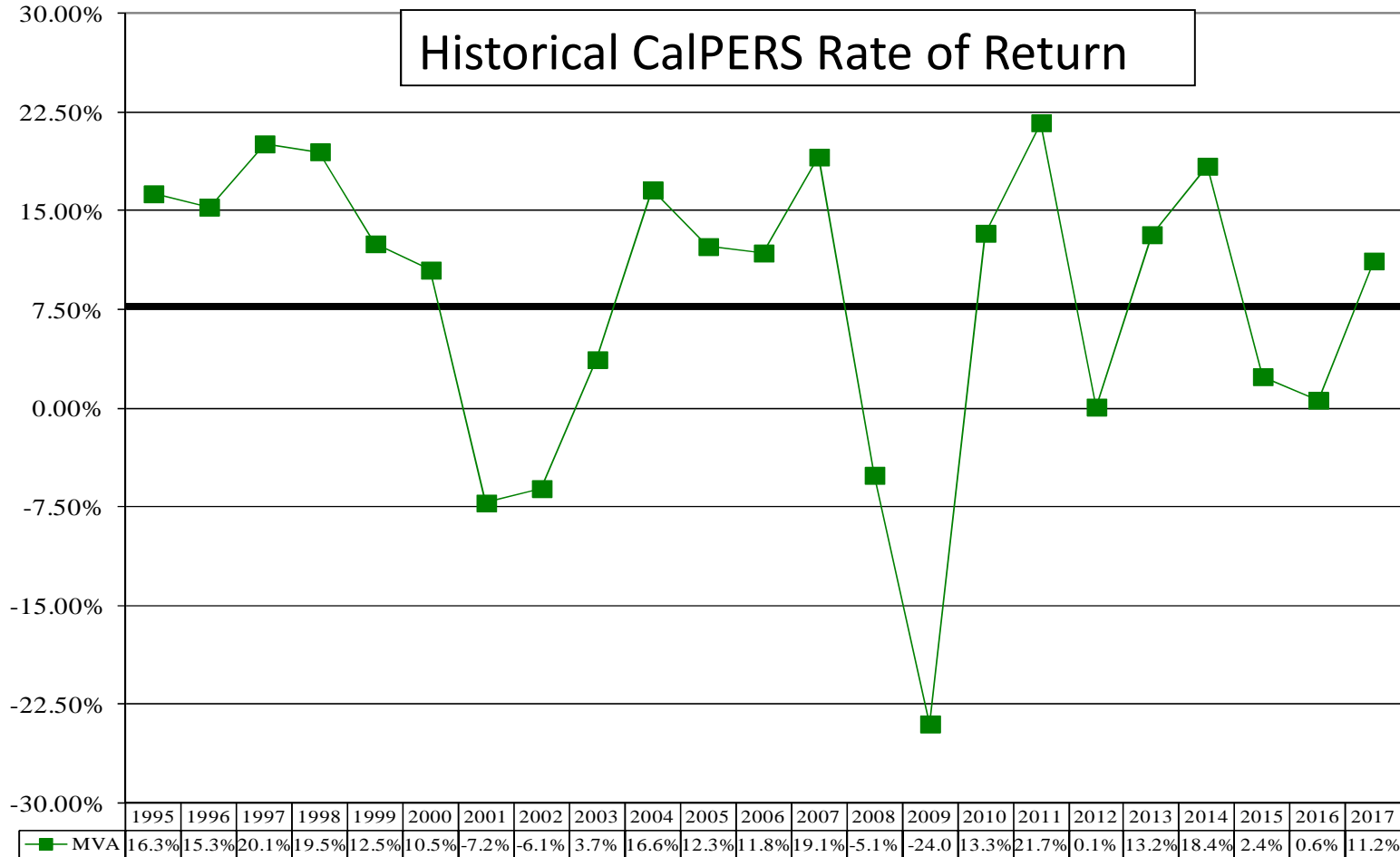
- Investment Losses
- CalPERS Contribution Policy
- Enhanced Benefits
- Demographics





THE BILL IS DUE

Historical Investment Returns





THE BILL IS DUE

CaIPERS Old Policy

- Effective with 2003 valuations:
 - Slow (15 year) recognition of investment losses into funded status
 - Rolling 30 year amortization of losses
- Designed to:
 - First smooth rates
 - Second pay off UAL and
- Mitigated contribution volatility





THE BILL IS DUE

Enhanced Benefits

- At CalPERS, enhanced benefits implemented using all (future & prior) service
 - Large immediate increases in pension benefits
- Typically not negotiated with cost sharing





THE BILL IS DUE

Demographics

- Around the State
 - Large retiree liability compared to actives
 - Declining active population
- Average: 55% (Miscellaneous) and 65% (Safety) of liability is retirees
- Increases contribution volatility





THE BILL IS DUE

CalPERS Recent Changes

- Phased-in through 2024/25:
 - Contribution policy & mortality assumptions
 - Discount rate lowered 7.5% => 7.0%
- Future changes to strengthen funding
- Result: Steeply increasing contributions – often doubling \$ - over next 7 to 10 years
 - Typically above current levels for 25 years
- In the very long run: more sustainable





THE BILL IS DUE

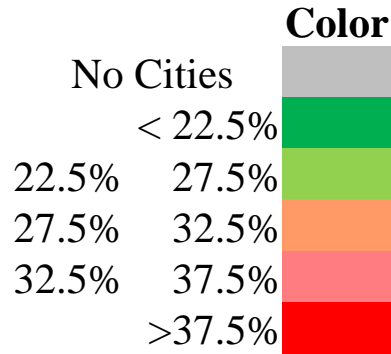
Projected Contribution Rates





CalPERS Projected City Miscellaneous Rates By County - 2024/25

THE BILL IS DUE



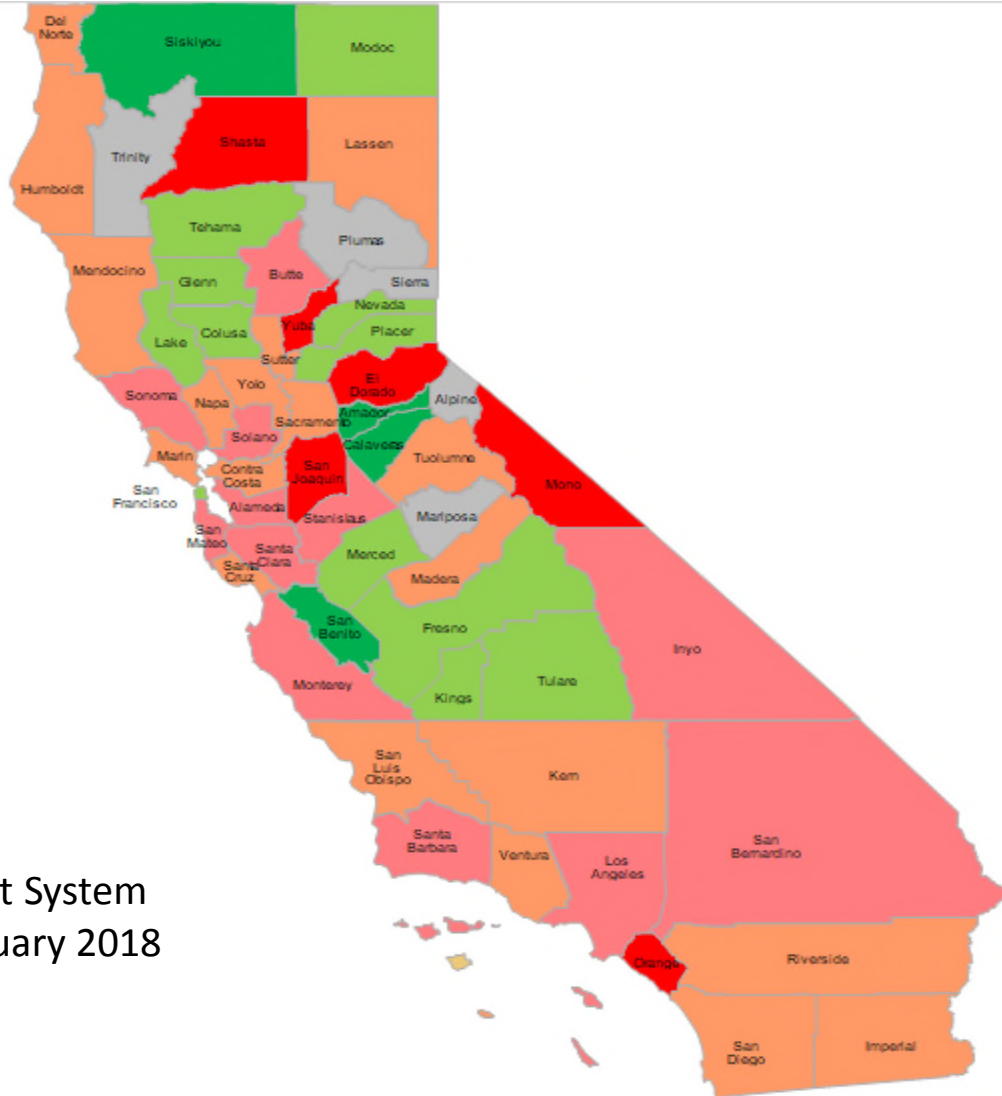
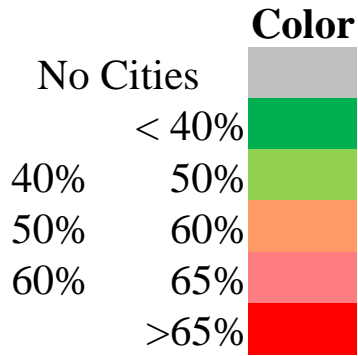
League of California Cities, "Retirement System Sustainability Study and Findings", January 2018





THE BILL IS DUE

CalPERS Projected City Safety Rates By County - 2024/25



League of California Cities, "Retirement System Sustainability Study and Findings", January 2018





THE BILL IS DUE

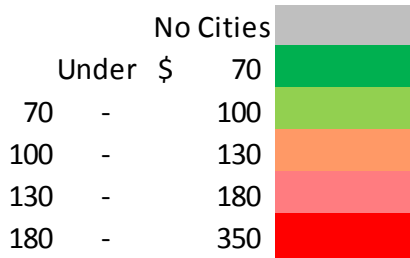
Projected General Fund CalPERS Contributions





City General Fund CalPERS Payments Average per Resident - 2017/18

THE BILL IS DUE



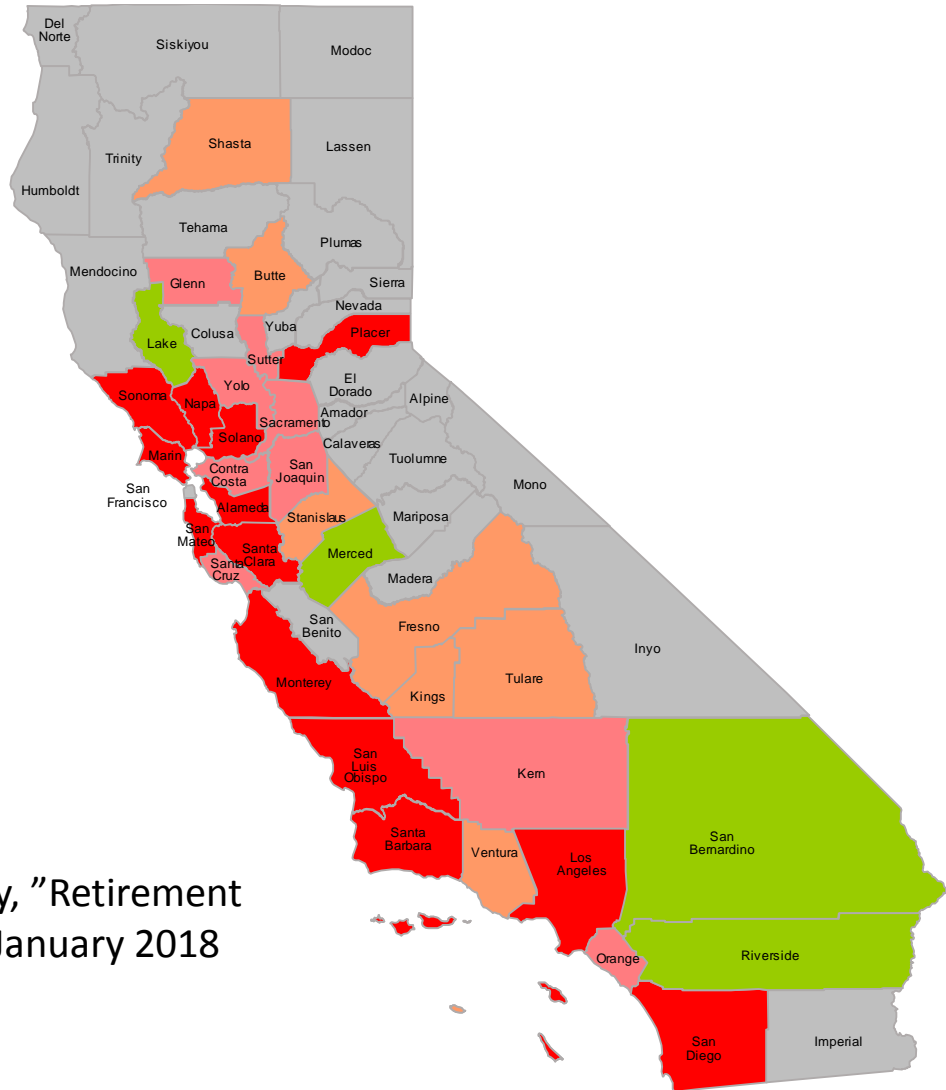
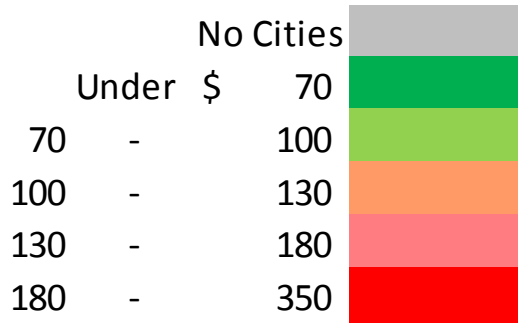
Data from League of California Cities survey, "Retirement System Sustainability Study and Findings", January 2018





THE BILL IS DUE

City General Fund CalPERS Payments Average per Resident – 2024/25



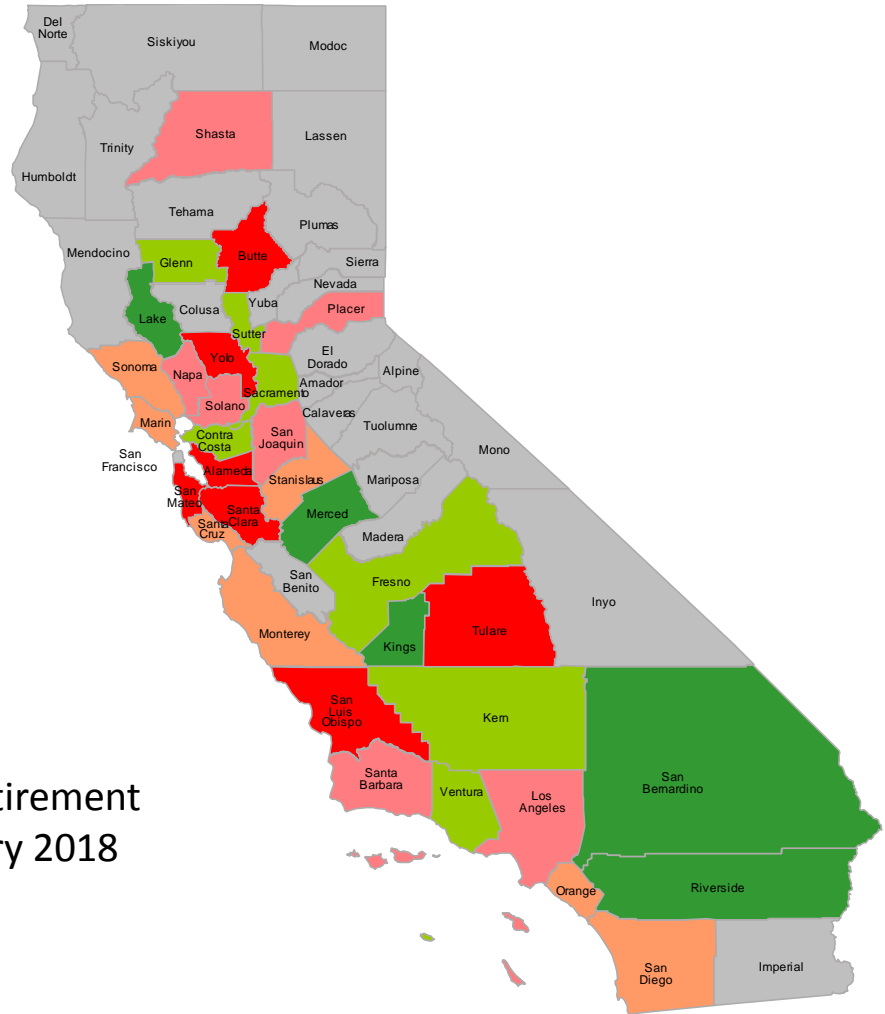
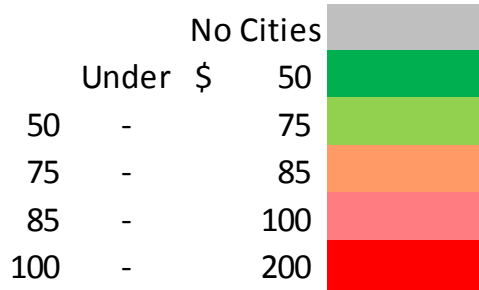
Data from League of California Cities survey, "Retirement System Sustainability Study and Findings", January 2018





THE BILL IS DUE

City GF CalPERS Payments Average per Resident – Increase 17/18 to 24/25



Data from League of California Cities survey, "Retirement System Sustainability Study and Findings", January 2018





THE BILL IS DUE

Questions?

