



CITY OF CHULA VISTA
MISCELLANEOUS AND SAFETY PLANS

BARTEL
ASSOCIATES, LLC

CalPERS Actuarial Issues – 6/30/12 Valuation
Preliminary Results

Presented by **John E. Bartel**
Prepared by Bianca Lin
Tina Haugbro
Bartel Associates, LLC

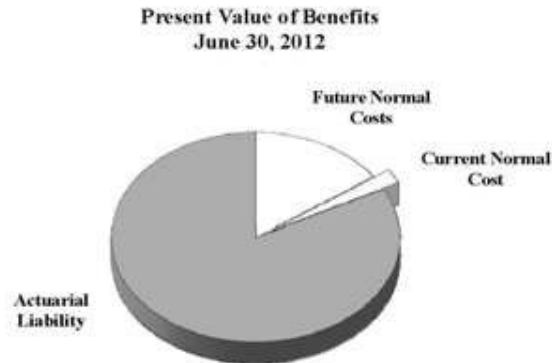
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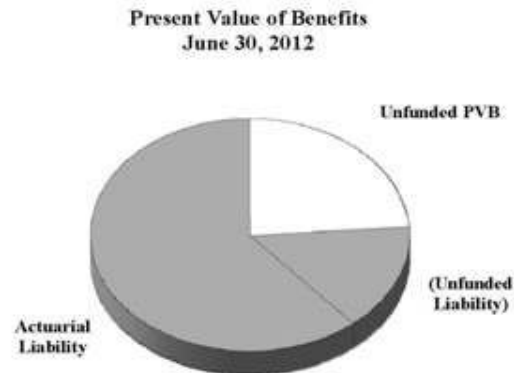
DEFINITIONS



- **PVB - Present Value of all Projected Benefits:**
 - Discounted value (at valuation date - 6/30/12), 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



DEFINITIONS



- **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.



CALPERS UPCOMING ISSUES

- CalPERS actuarial staff recommended & CalPERS Board adopted changes to contribution policy. Four reasons why:
 - Asset corridor generates volatility with extreme events
 - Slow funded status progress
 - Current method needs improved transparency
 - GASB 68 encourages faster funding by requiring a lower discount rate for slower funding
- Changes – Direct rate smoothing base on:
 - 5-year ramp up
 - No asset smoothing
 - Future Gains/losses 25 year amortization period
 - With 5 year ramp up means paid over 30 years
 - Method & Assumption changes 15 year amortization period
 - With 5 year ramp up means paid over 20 years
- No cap on rate increases each year



CALPERS UPCOMING ISSUES

- CalPERS actuarial staff recommended & CalPERS Board adopted assumption changes:
 - No changes on economic assumptions
 - Future mortality improvement with 20 years projection
 - Earlier retirements for Police Safety and
 - Higher future pay increases for Safety
- Impact on assumption changes using newly adopted contribution policy – 20 years amortization with 5 years ramp up and 5 years ramp down
- Timing:
 - Direct Rate Smoothing:
 - Included in 6/30/13 valuation (first impact 2015/16 rates)
 - Full impact in 2019/20 rates.
 - Assumption changes:
 - Included in 6/30/14 valuation (first impact 2016/17 rates)
 - Full impact in 2020/21 rates



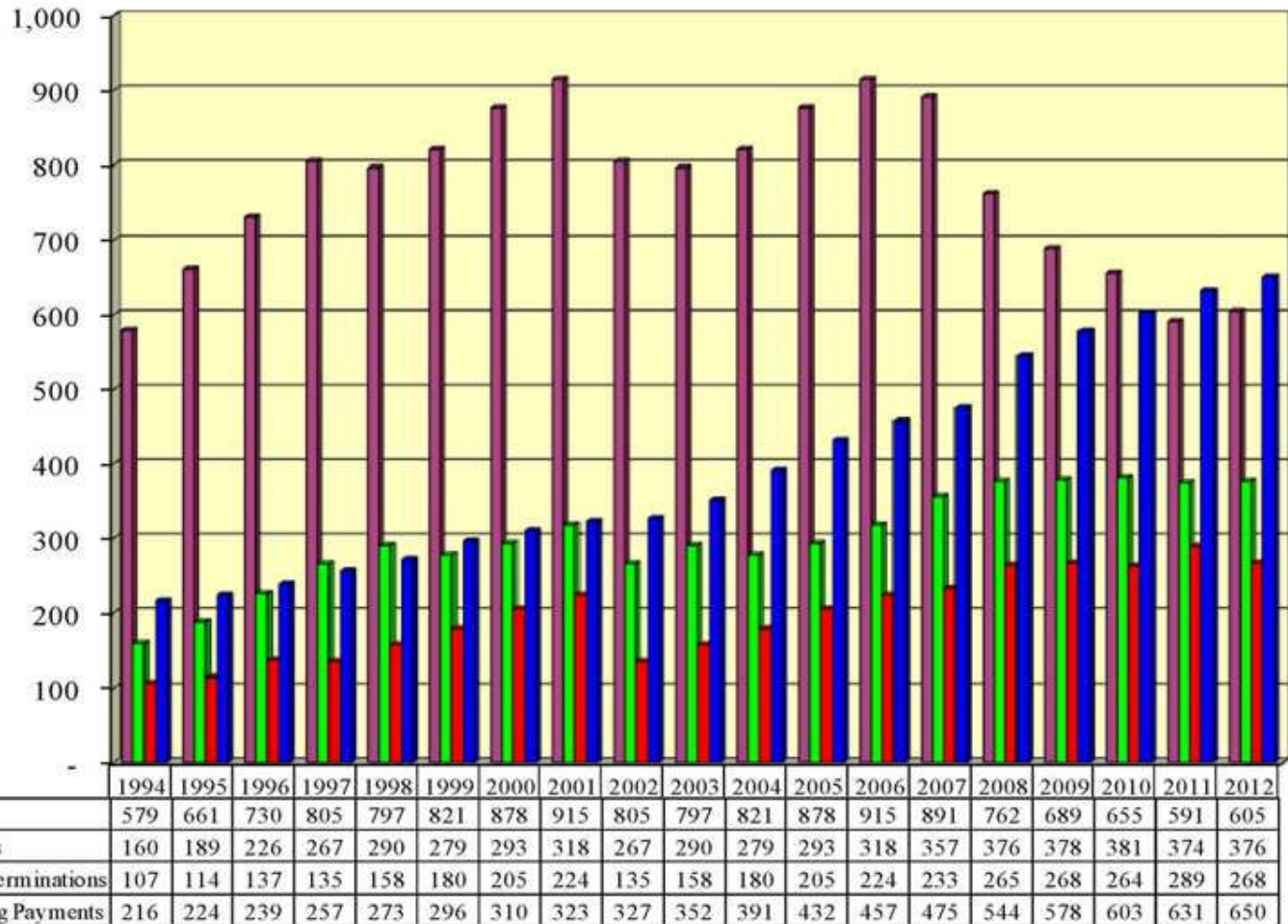
SUMMARY OF DEMOGRAPHIC INFORMATION - MISCELLANEOUS

	1994	2003	2011	2012
Actives				
■ Counts	579	797	591	605
■ Average				
• Age	43	44	46	47
• City Service	10	8	12	12
• PERSable Wages	\$42,600	\$56,000	\$69,600	\$68,400
■ Total PERSable Wages (millions)	24.0	49.1	44.9	45.2
Receiving Payments				
■ Counts				
• Service		269	519	525
• Disability		41	53	58
• Beneficiaries		42	59	67
• Total	216	352	631	650
■ Average Annual City Provided Benefit ¹				
• Service		\$13,400	\$28,500	\$29,100
• Disability		7,300	7,400	6,700
• Service Retirements in last 5 years		20,200	34,200	34,900

¹ Average City provided pensions are based on City service & City benefit formula, and are not representative of benefits for long service employees.



MEMBERS INCLUDED IN VALUATION - MISCELLANEOUS

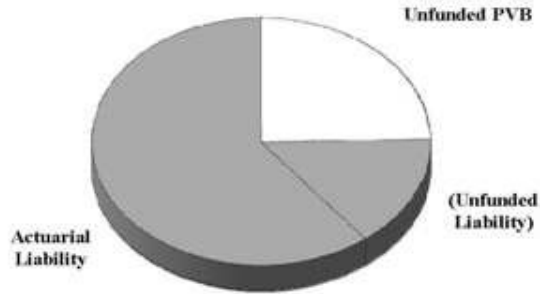


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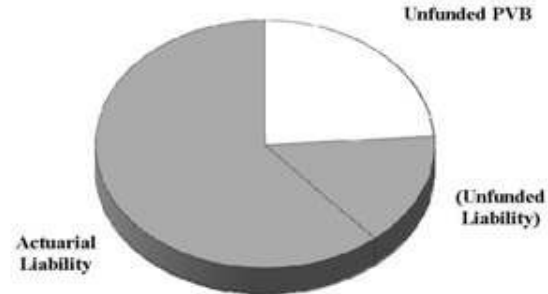


PLAN FUNDED STATUS - MISCELLANEOUS

**Present Value of Benefits
June 30, 2011**



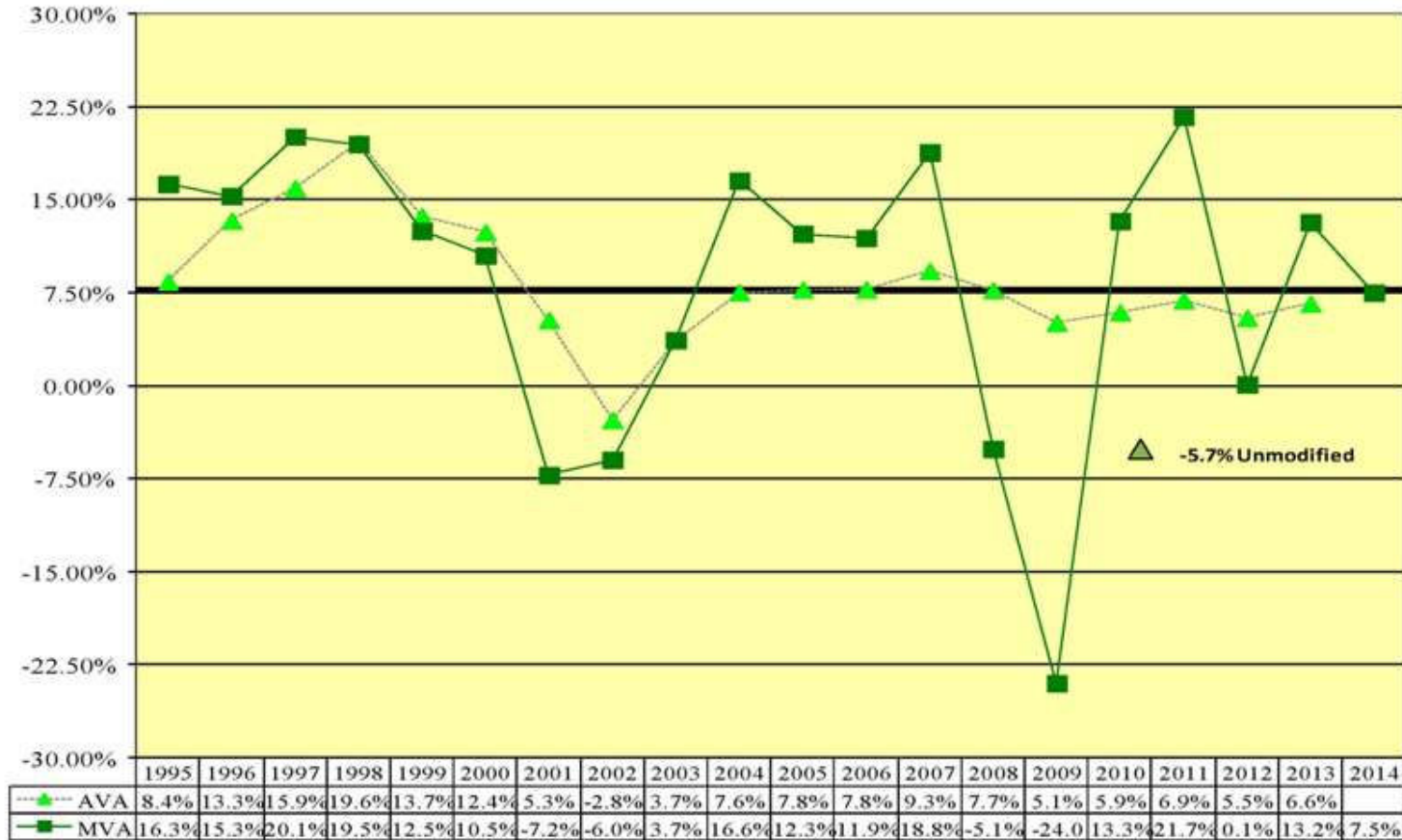
**Present Value of Benefits
June 30, 2012**



<u>June 30, 2011</u>		<u>June 30, 2012</u>
\$ 381,600,000	Actuarial Liability	\$ 396,000,000
<u>287,900,000</u>	Actuarial Asset Value	<u>299,700,000</u>
(93,700,000)	(Unfunded Liability)	(96,300,000)
<u>June 30, 2011</u>		<u>June 30, 2012</u>
\$ 381,600,000	Actuarial Liability	\$ 396,000,000
<u>255,300,000</u>	Market Asset Value	<u>250,000,000</u>
(126,300,000)	(Unfunded Liability)	(146,000,000)



ACTUARIAL INVESTMENT RETURN - MISCELLANEOUS



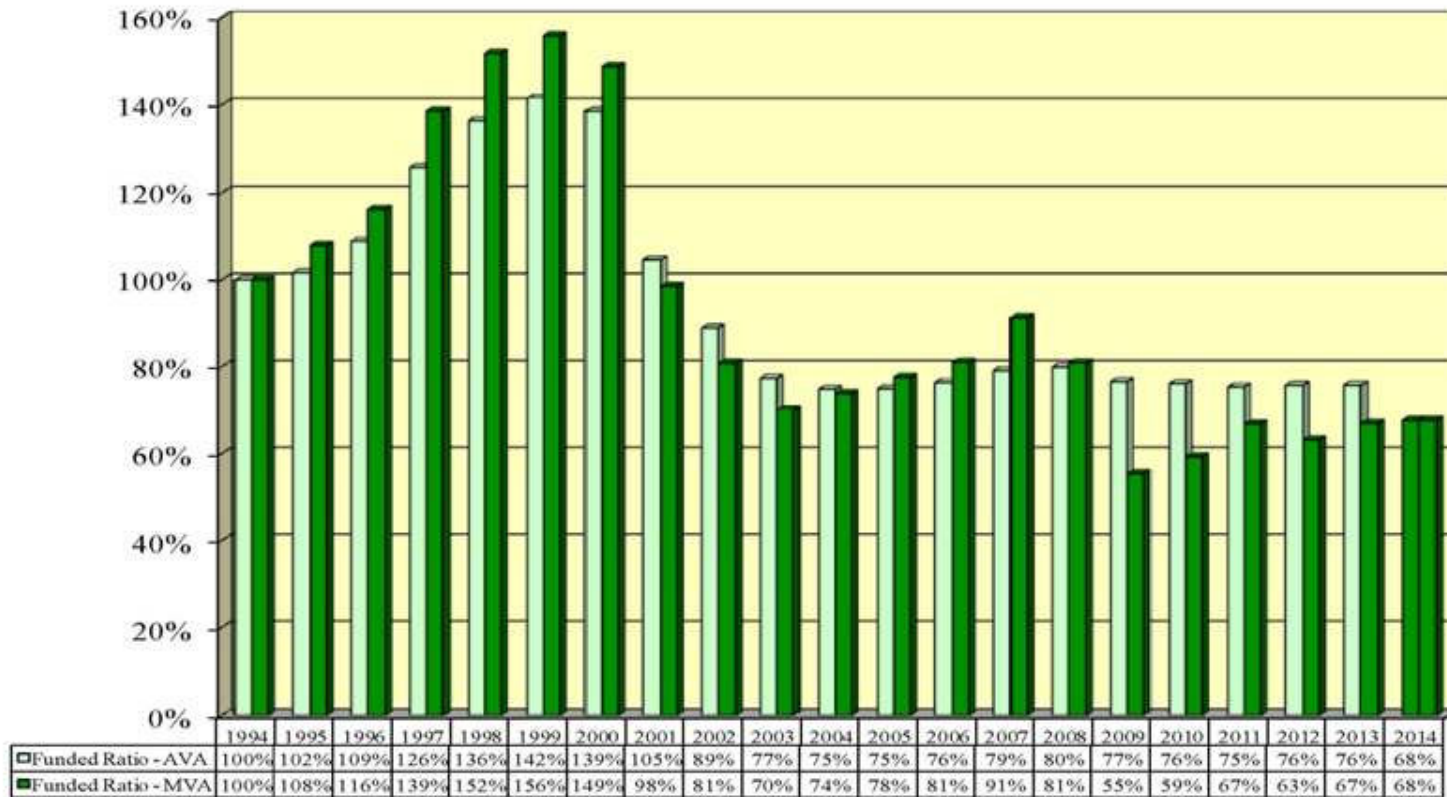
Above assumes contributions, payments, etc. received evenly throughout year.
 June 30, 2013 return of 13.2% from CalPERS 6/30/13 CAFR.



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FUNDED RATIO - MISCELLANEOUS



6/30/13 & 6/30/14 funded status estimated.

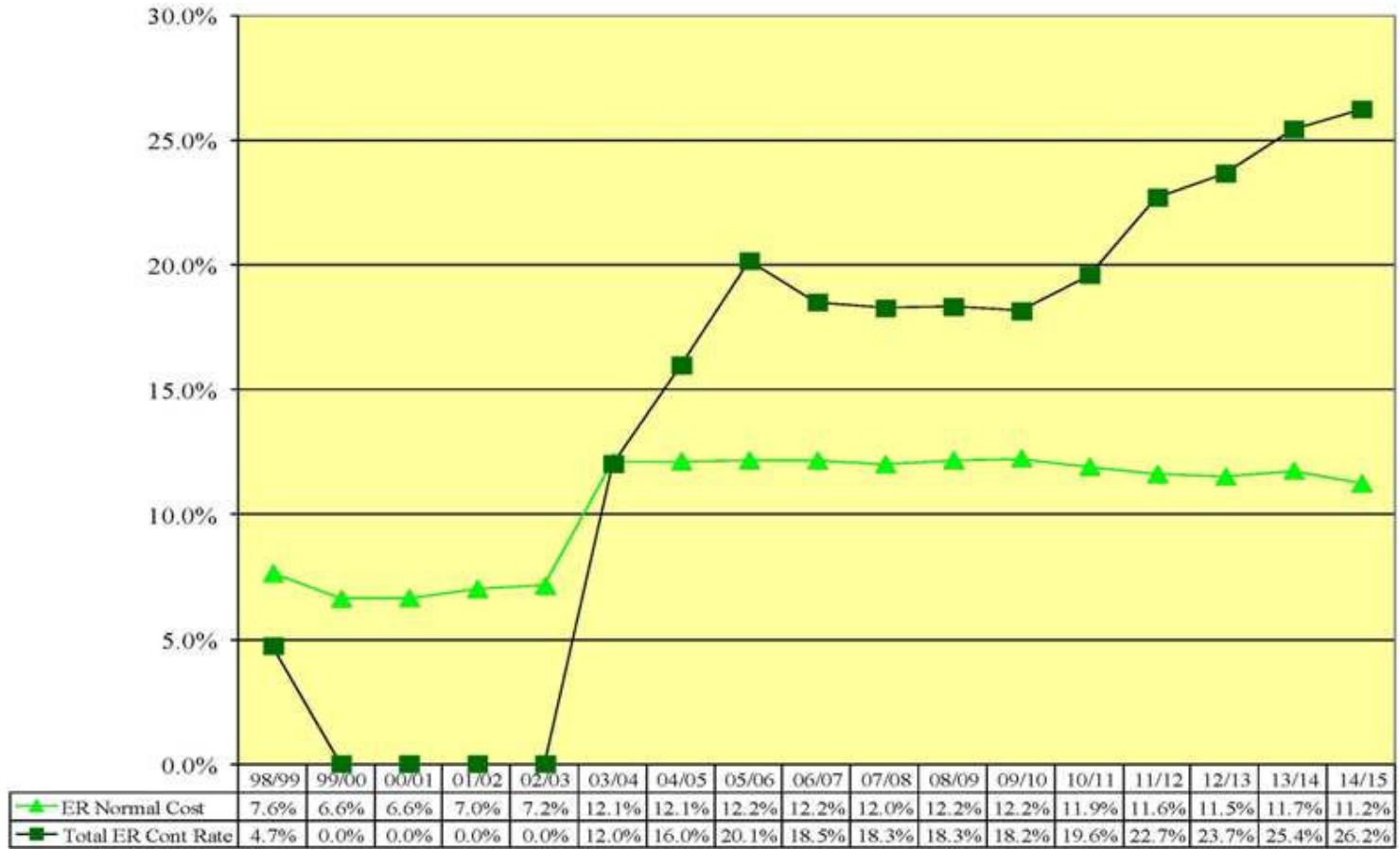
AVA is being set equal to MVA and a separate AVA will not be used in future years.



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CONTRIBUTION RATES - MISCELLANEOUS



CONTRIBUTION PROJECTIONS - MISCELLANEOUS

■ Market Value Investment Return:

- June 30, 2012 0.1%²
 - June 30, 2013 13.2%³
 - June 30, 2014 - 2017
- | | |
|--------------------------|-----------------|
| Poor Investment Return: | ≈ 0.2% - 4.3% |
| Expected Investment Ret: | ≈ 7.50% |
| Good Investment Return: | ≈ 10.6% - 15.1% |

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

■ Excludes Employer Paid Member Contributions (EPMC)

■ Contribution projections includes impact of 2 year phase in for 2011 assumption changes

■ Tier 2 2@60 FAE3 effective 4/11/2011

■ New hire assumptions:

- Assumes 50% of 2013 new hires will be Classic Tier 2 Members (2%@60) and 50% will be New Members with PEPRAs benefits.
- Assumes Classic Members will decrease from 50% to 0% of new hires over 20 years.

² Based on CalPERS CAFR.

³ Based on CalPERS CAFR.



CONTRIBUTION PROJECTIONS - MISCELLANEOUS

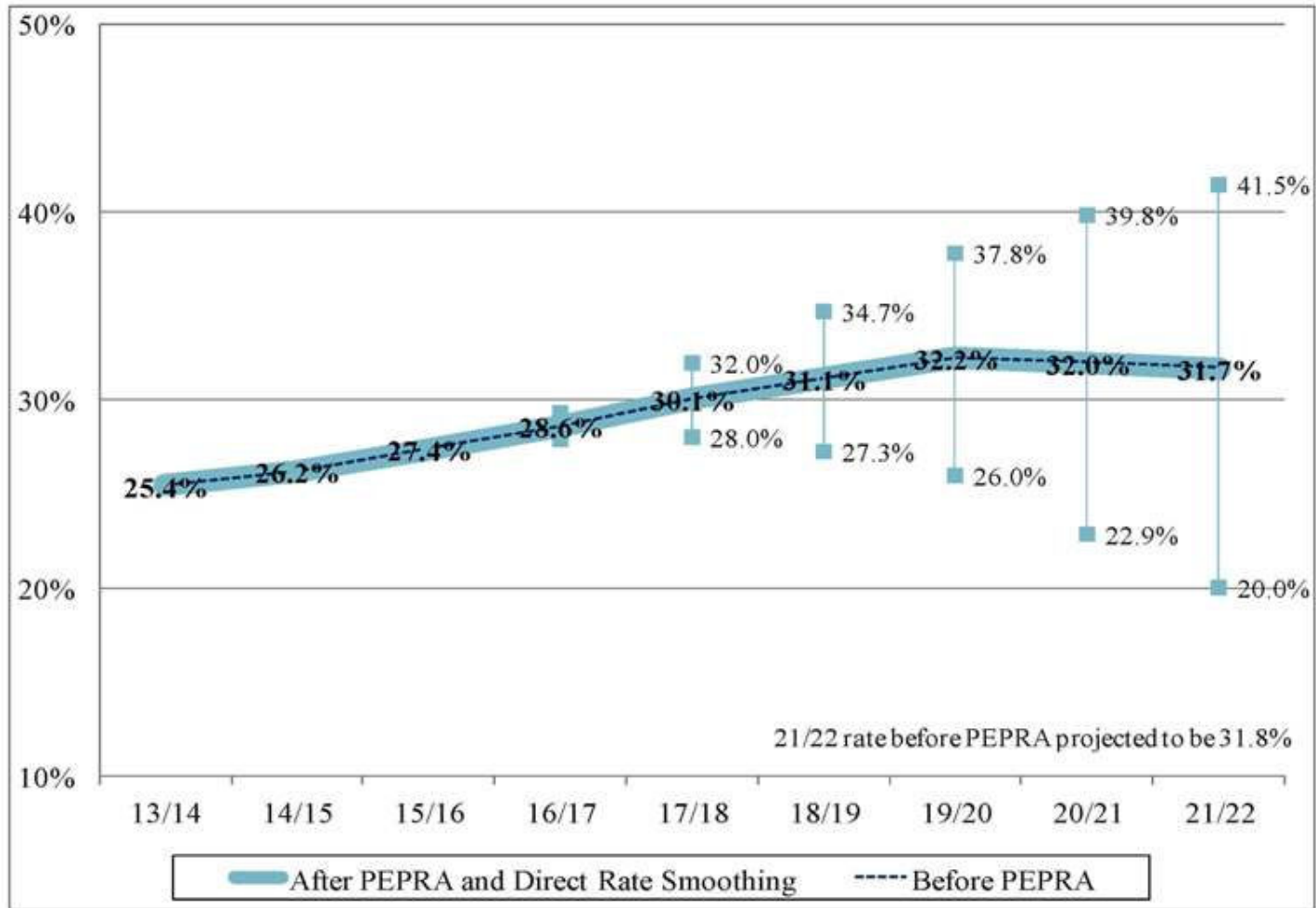
- In addition to above assumptions, contribution projections also include new Contribution Policy Changes
- Changes will take place June 30, 2013 affecting 2015/16 contribution rates



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CONTRIBUTION PROJECTIONS - MISCELLANEOUS



CONTRIBUTION PROJECTIONS - MISCELLANEOUS

Employer Contribution Rate if Market Value of Assets were used

	Actuarial <u>2014/15</u> AVA	Market <u>2014/15</u> MVA
■ Plan Assets		
■ ER Normal cost	11.2%	11.2%
■ Amortization bases:	<u>15.0%</u>	<u>23.8%</u>
■ Total Contribution Rate	26.2%	35.1%
■ Amortization period	≈ 23 years	23 years



CONTRIBUTION PROJECTIONS WITH APPROVED MORTALITY AND OTHER ASSUMPTION CHANGES - MISCELLANEOUS

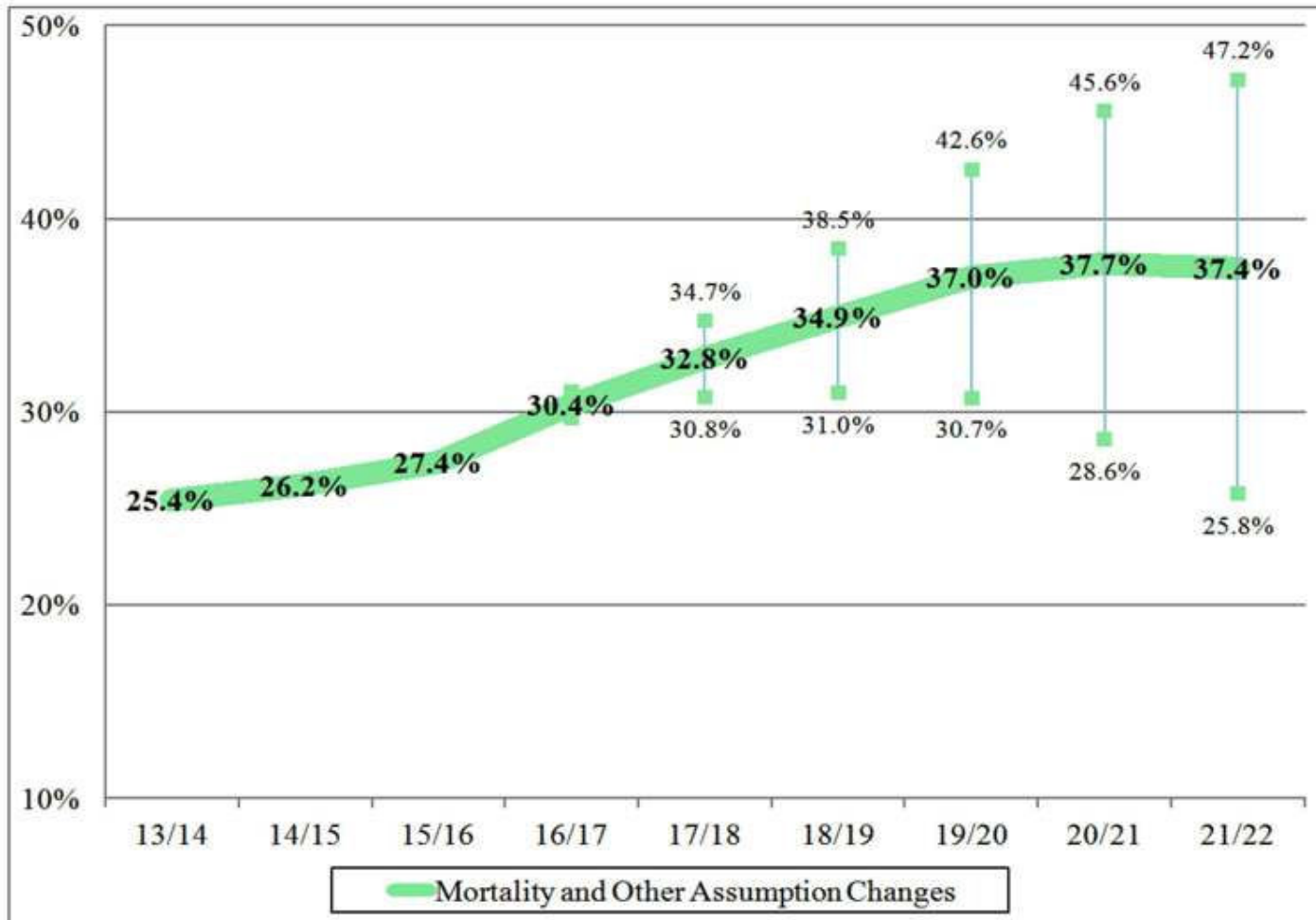
- In addition contribution projections also include new assumption changes
- Changes will take place in June 30, 2014 valuation first affecting 2016/17 contribution rates



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CONTRIBUTION PROJECTIONS WITH APPROVED MORTALITY AND OTHER ASSUMPTION CHANGES - MISCELLANEOUS



SUMMARY OF DEMOGRAPHIC INFORMATION - SAFETY

	1994	2003	2011	2012
Actives				
■ Counts	256	301	344	333
■ Average				
• Age	37	38	41	42
• City Service	11	10	12	13
• PERSable Wages	\$52,300	\$68,700	\$98,800	\$99,200
■ Total PERSable Wages (millions)	14.6	22.8	37.2	36.1
Receiving Payments				
■ Counts				
• Service		91	137	136
• Disability		97	116	119
• Beneficiaries		23	27	27
• Total	134	211	280	282
■ Average Annual City Provided Benefit ⁴				
• Service		\$33,800	\$53,200	\$57,200
• Disability		26,300	37,900	39,900
• Service Retirements in last 5 years		38,300	74,300	69,900

⁴ Average City provided pensions are based on City service & City benefit formula, and are not representative of benefits for long service employees.

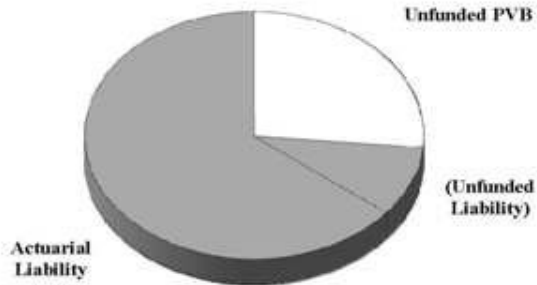


MEMBERS INCLUDED IN VALUATION - SAFETY

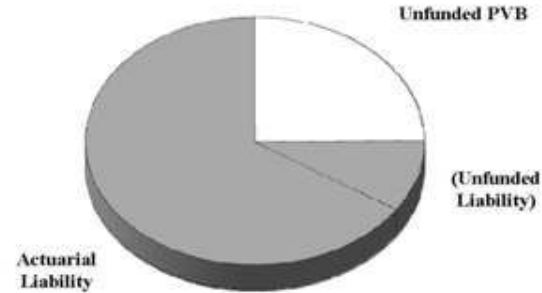


PLAN FUNDED STATUS - SAFETY

**Present Value of Benefits
June 30, 2011**



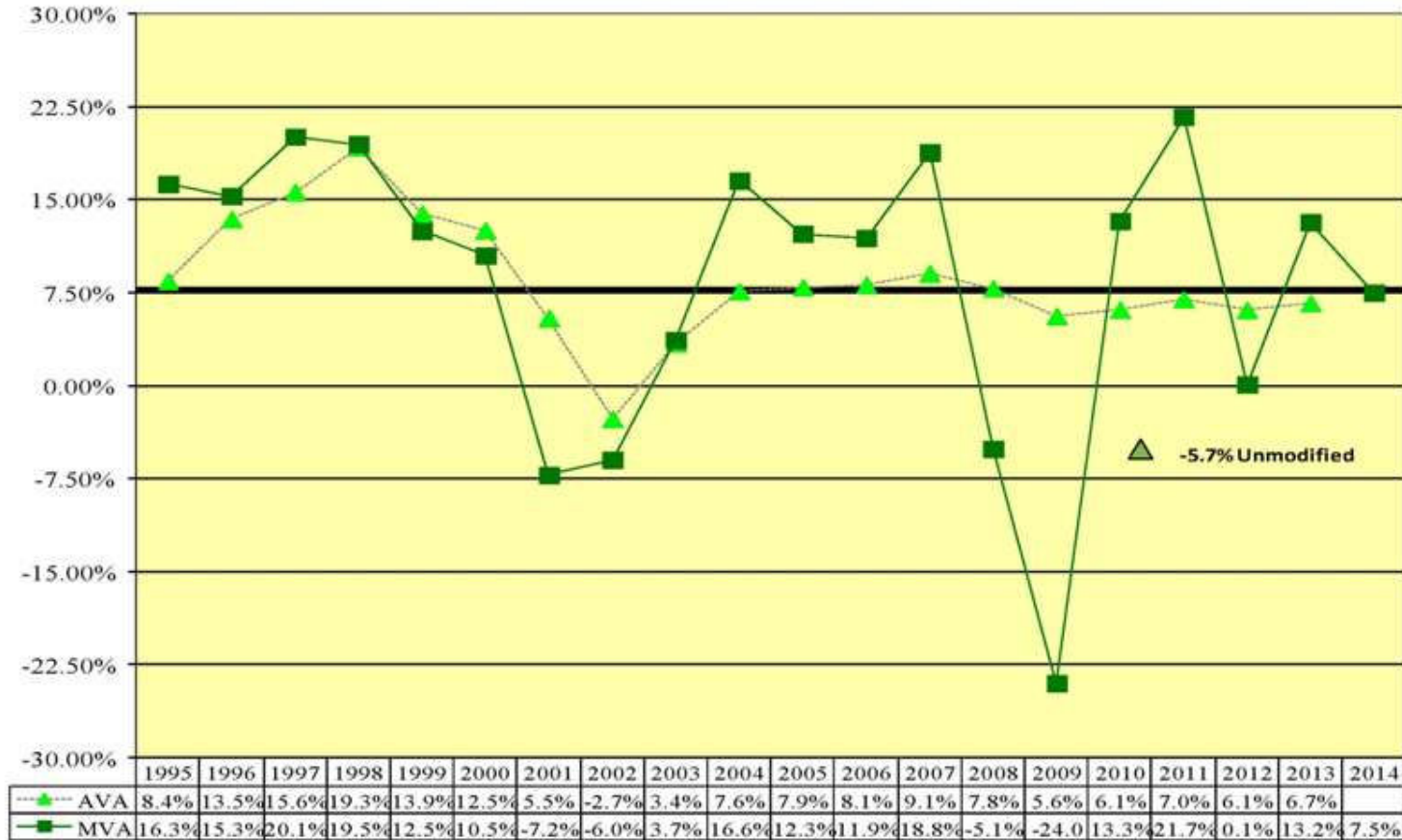
**Present Value of Benefits
June 30, 2012**



<u>June 30, 2011</u>		<u>June 30, 2012</u>
\$ 319,800,000	Actuarial Liability	\$ 337,400,000
<u>273,800,000</u>	Actuarial Asset Value	<u>289,300,000</u>
(46,000,000)	(Unfunded Liability)	(48,100,000)
<u>June 30, 2011</u>		<u>June 30, 2012</u>
\$ 319,800,000	Actuarial Liability	\$ 337,400,000
<u>244,600,000</u>	Market Asset Value	<u>242,500,000</u>
(75,200,000)	(Unfunded Liability)	(94,900,000)



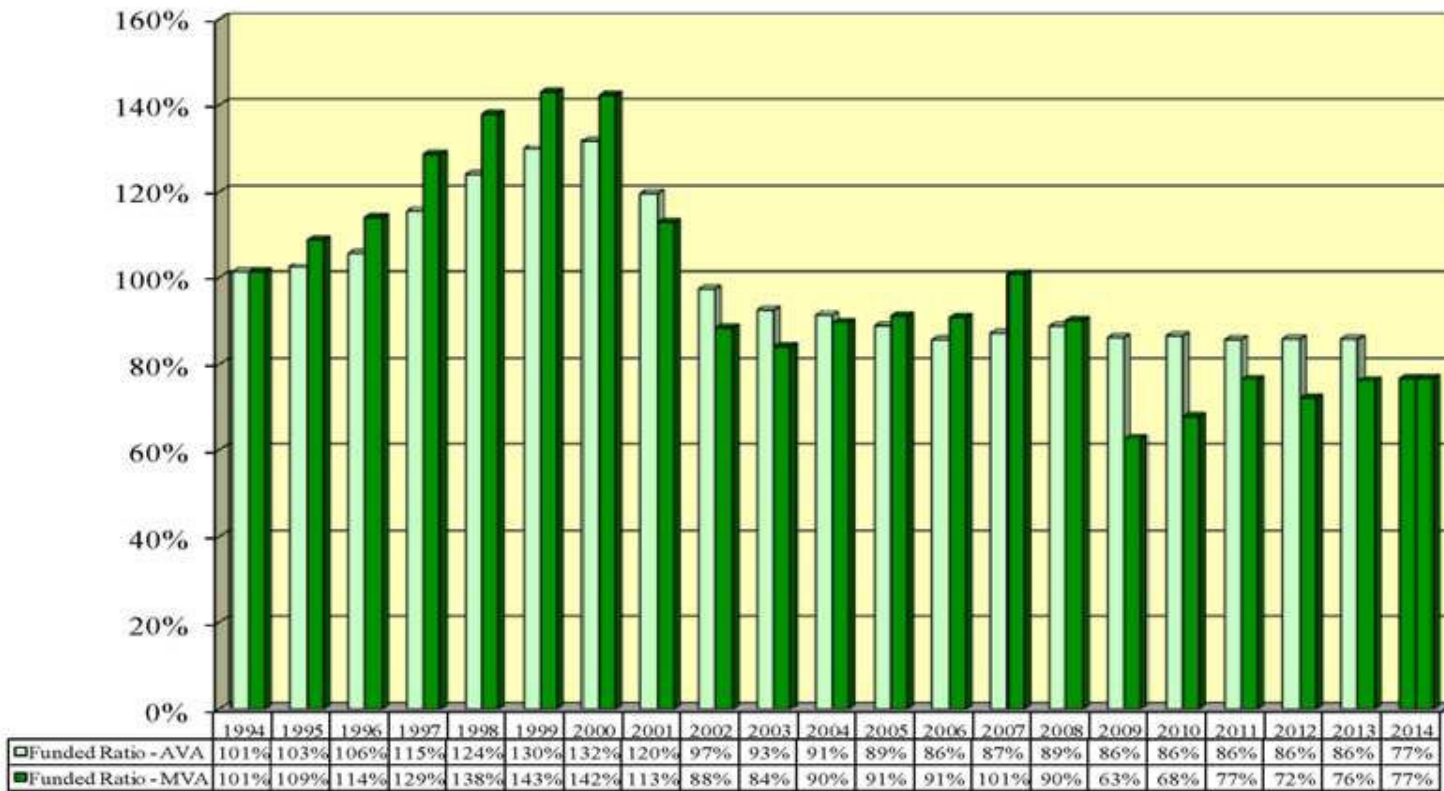
ACTUARIAL INVESTMENT RETURN - SAFETY



Above assumes contributions, payments, etc. received evenly throughout year.
 June 30, 2013 return of 13.2% from CalPERS 6/30/13 CAFR.



FUNDED RATIO - SAFETY



6/30/13 & 6/30/14 funded status estimated

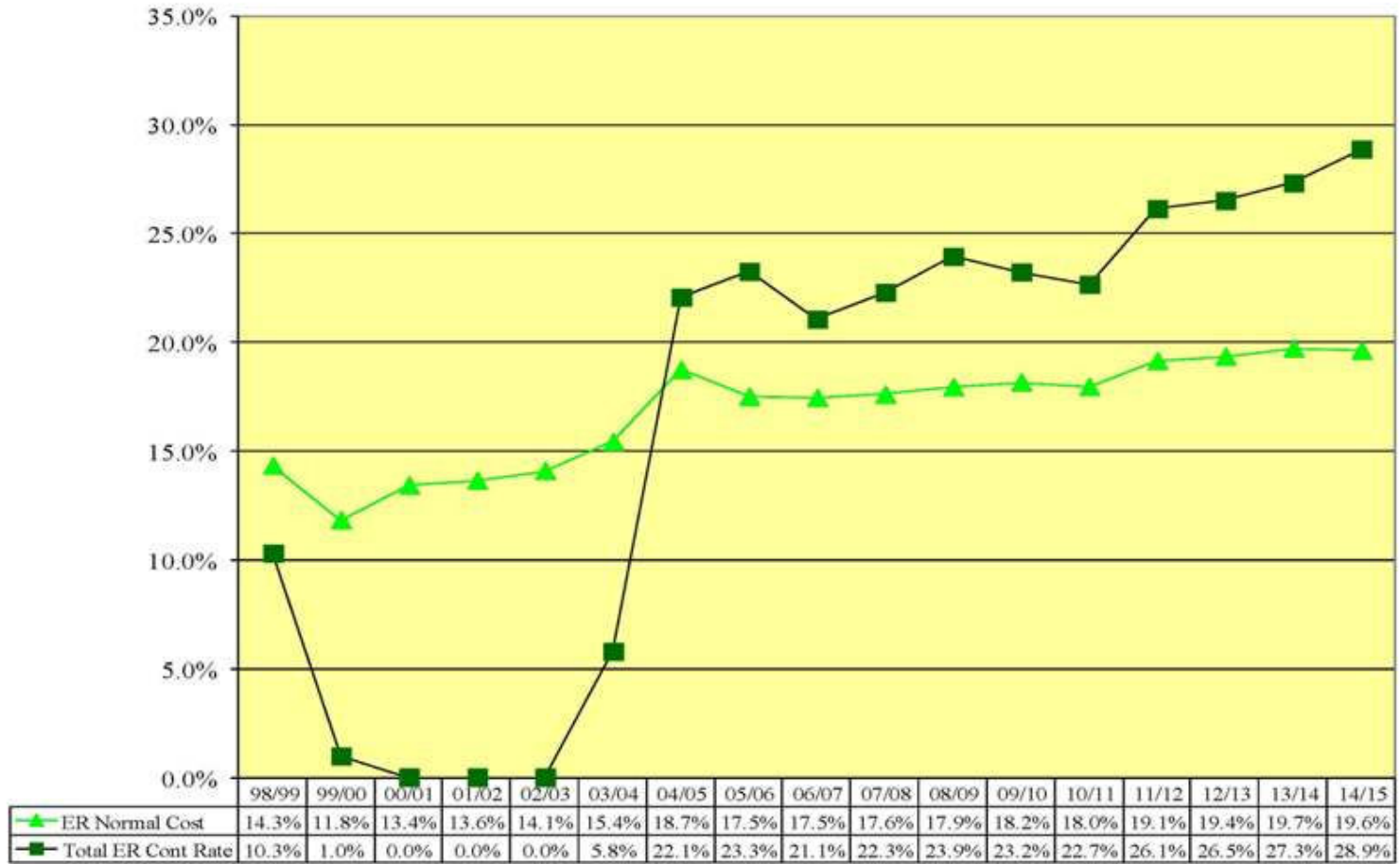
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CONTRIBUTION RATES - SAFETY



CONTRIBUTION PROJECTIONS - SAFETY

- Market Value Investment Return:
 - June 30, 2012 0.1%⁵
 - June 30, 2013 13.2%⁶
 - June 30, 2014 - 2017
 - Poor Investment Return: \approx 0.2% - 4.3%
 - Expected Investment Ret: \approx 7.50%
 - Good Investment Return: \approx 10.6% - 15.1%
- No Other: Gains/Losses, Method/Assumption Changes, Benefit Improvements
- Excludes Employer Paid Member Contributions (EPMC)
- Contribution projections include impact of 2 year phase in for 2011 assumption changes
- Tier 2 3@55 FAE3 effective 4/11/2011
- New hire assumptions:
 - Assumes 50% of 2013 new hires will be Classic Tier 2 Members (3%@55) and 50% will be New Members with PEPRAs benefits.
- Assumes Classic Members will decrease from 50% to 0% of new hires over 10 years.

⁵ Based on CalPERS CAFR.

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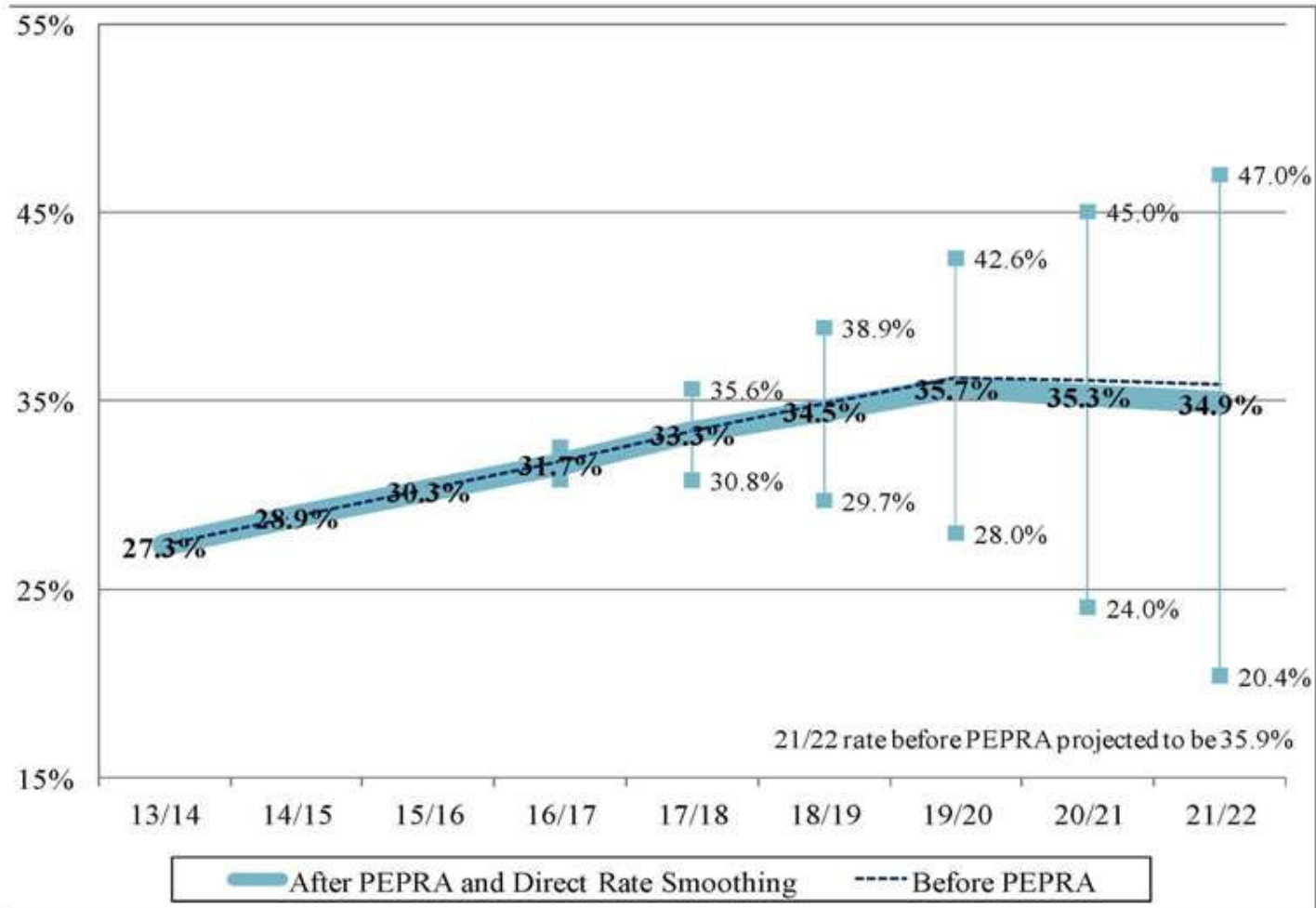


CONTRIBUTION PROJECTIONS - SAFETY

- In addition to above assumptions, contribution projections also include new Contribution Policy Changes
- Changes will take place June 30, 2013 affecting 2015/16 contribution rates



CONTRIBUTION PROJECTIONS - SAFETY



CONTRIBUTION PROJECTIONS - SAFETY

Employer Contribution Rate if Market Value of Assets were used

	Actuarial <u>2014/15</u> AVA	Market <u>2014/15</u> MVA
■ Plan Assets		
■ ER Normal cost	19.6%	19.6%
■ Amortization bases:	<u>9.2%</u>	<u>19.0%</u>
■ Total Contribution Rate	28.9%	38.6%
■ Amortization period	≈ 25 years	25 years



CONTRIBUTION PROJECTIONS WITH APPROVED MORTALITY AND OTHER ASSUMPTION CHANGES - SAFETY

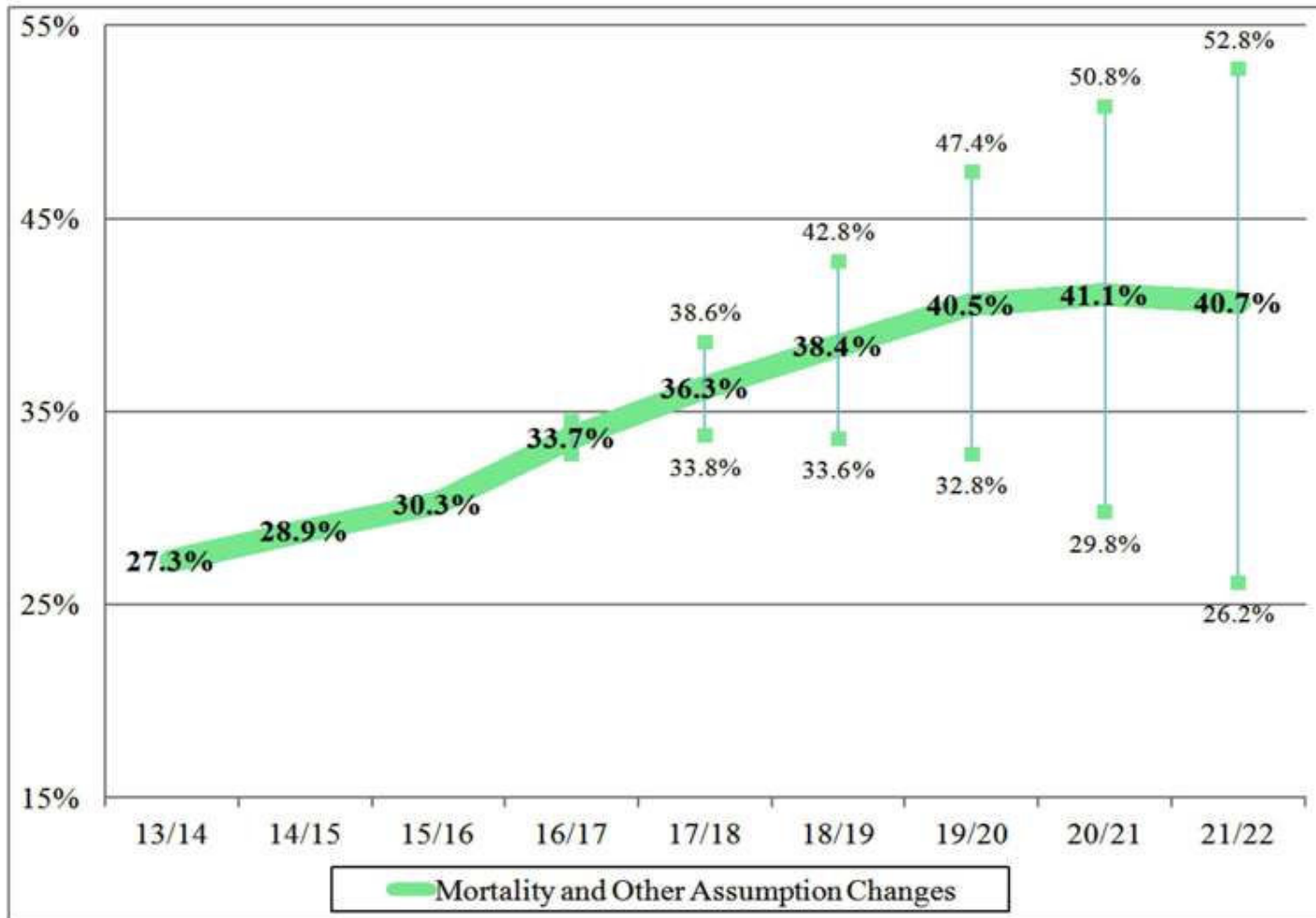
- In addition contribution projections also include new assumption changes
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CONTRIBUTION PROJECTIONS WITH APPROVED MORTALITY AND OTHER ASSUMPTION CHANGES - SAFETY



GASB 68

■ Pension Accounting:

- GASB 68, Accounting for Employers, approved June 25, 2012
- Replaces GASB 27
- Effective 2014/15

■ Major Issues:

- Unfunded liability on balance sheet
- Expense calculation disconnected from contribution calculation
- Discount rate is
 - Expected return on plan assets when assets sufficient to pay benefits
 - Municipal bond rate when assets not sufficient to pay benefits

Likely caused CalPERS to modify assets smoothing and/or amortization policy to avoid using discount rate lower than expected return (7.5%).

■ June 30, 2012 Unfunded Actuarial Liability (in Millions)

Plan	Total Pension Liability (AAL)	Fiduciary Net Position (MVA)	Net Pension Liability (UAL)
Safety	\$337.4	\$242.5	\$ 94.9
Miscellaneous	396.0	250.0	146.0
Total Net Pension Liability			\$240.9



GASB 68

■ CalPERS:

- Actuaries have approval from CalPERS Board to make necessary system changes & have begun work.
- Will likely not be ready to provide information for fiscal years < 2014/15.
- Expect to provide information but only upon request.
- Will charge small fee.



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 to certain amounts) if not agreed through collective bargaining by 1/1/18
- Miscellaneous Plan:

	<u>Current Members</u>		New Members
	Tier 1	Tier 2	Tier 3
	FAE1	FAE3	FAE3
	<u>3%@60</u>	<u>2%@60</u>	<u>2.5%@67</u>
● Employer Normal Cost	11.2%	7.2%	6.75%
● Member Normal Cost	<u>8.0%</u>	<u>7.0%</u>	<u>6.75%</u>
● Total Normal Cost	19.2%	14.2%	13.50%
● 50% Target	9.6%	7.1%	6.75%



PEPRA COST SHARING

■ Safety Plan

	<u>Current Members</u>		<u>New Members</u>
	Tier 1 FAE1 <u>3%@50</u>	Tier 2 FAE3 <u>3%@55</u>	Tier 3 FAE3 <u>2.7%@57</u>
● Employer Normal Cost	19.6%	16.8%	12.25%
● Member Normal Cost	<u>9.0%</u>	<u>9.0%</u>	<u>12.25%</u>
● Total Normal Cost	28.6%	25.8%	24.50%
● 50% Target	14.3%	12.9%	12.25%

