Pension Funding

Richmond, CA

May 4, 2023

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Pension Agenda

CalPERS
Pension Basics

Comparison to
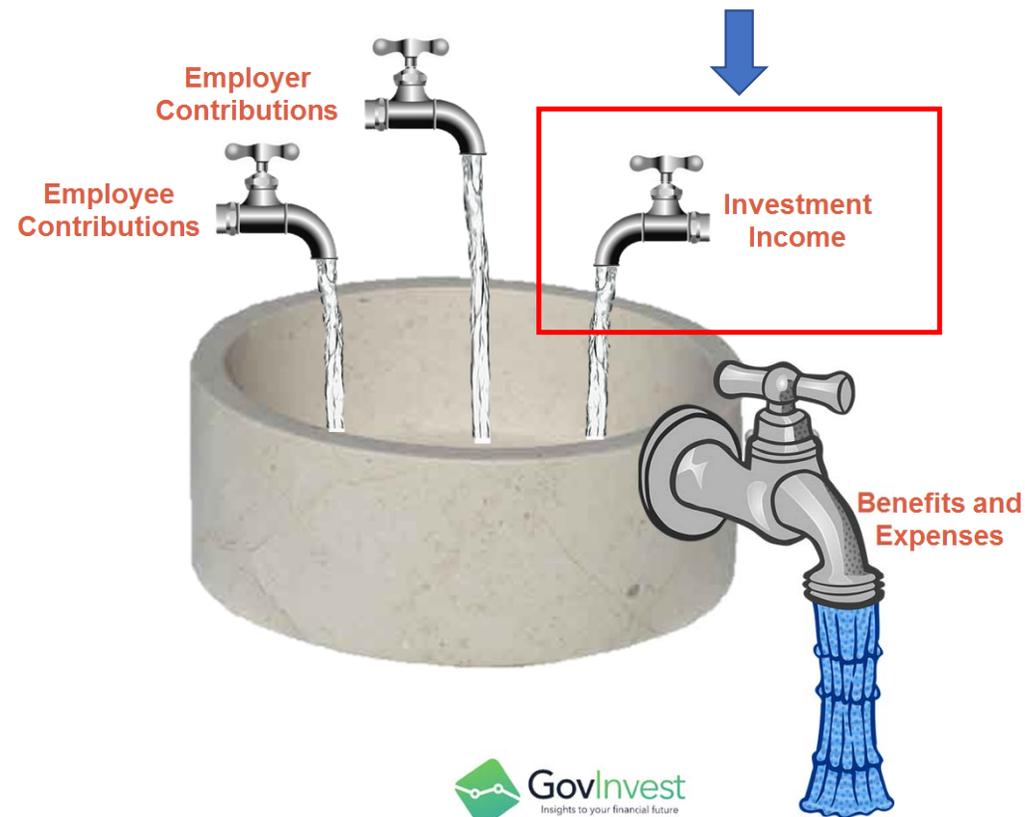Other Agencies

Changes
to CalPERS &
Impact of Changes

Next Steps

CalPERS Pension Basics

Money going into CalPERS is equal to the Money coming out of CalPERS

Major Driver of Plan Cost

Funding a Pension Plan

Employer Contributions

Employee Contributions

Investment Income

Benefits and Expenses

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CalPERS Projects Future Benefit Payments using a Series of Assumptions

Economic

- Inflation
- Investment Return
- Salary Growth

Demographic

- Retirement
- Disability
- Death
- Termination

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Richmond has 2 Miscellaneous Benefit Structures within CalPERS

|	Miscellaneous Classic	Miscellaneous PEPRA
Hire Date	On or Before 12/31/12	On or After 1/1/13
Formula	2.7% @ 55	2% @ 62
Final Pay Period	12 months	36 months
COLA	2% per year	2% per year
Employee Contributions	8% of pay	8.25% of Pay (50% of Normal Cost) (Effective July 1, 2023)

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MQ0   Informational purposes only
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MQ0 0   Should not impact current bnefits
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Richmond has 4 Safety Benefit Structures within CalPERS

	Classic Safety Police	Classic Safety Fire	PEPRA Safety Fire	PEPRA Safety Police
Hire Date	On or Before 12/31/12	On or Before 12/31/12	On or After 1/1/13	On or After 1/1/13
Formula	3% @ 50	3% @ 55	2.7% @ 57	2.7% @ 57
Final Pay Period	12 months	12 months	36 months	36 months
COLA	2% per year	2% per year	2% per year	2% per year
Employee Contributions	9% of pay	9% of pay	13% of Pay (50% of Normal Cost) (Effective July 1, 2023)	13% of Pay (50% of Normal Cost) (Effective July 1, 2023)

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Over the Next Few Years, More Employees will be in the PEPRA Tier
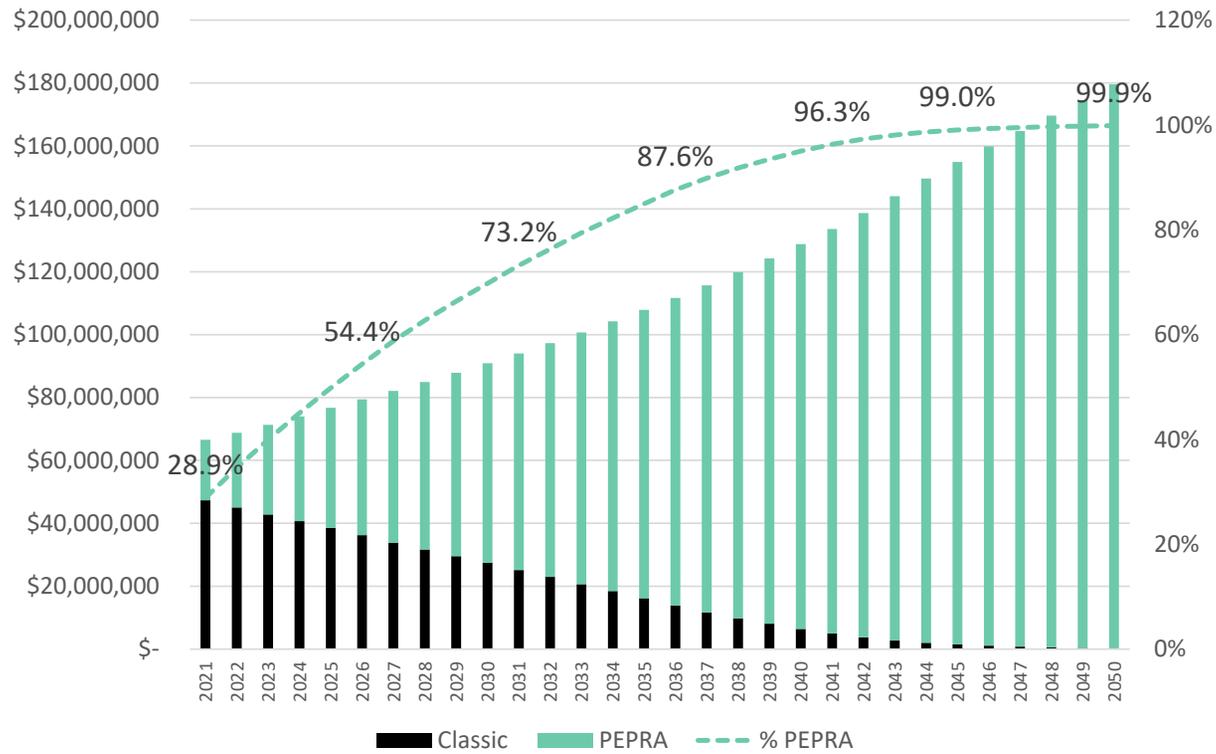
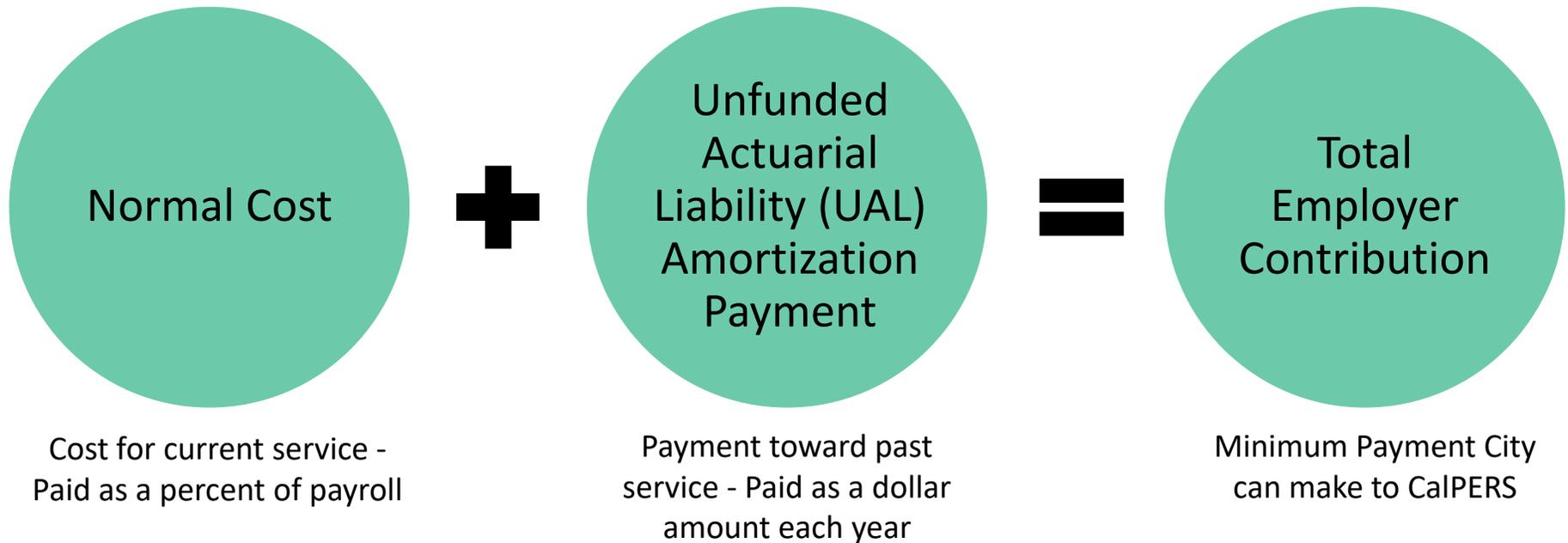# Normal Cost will decrease as a Percent of Pay as the Workforce shifts Toward PEPRA
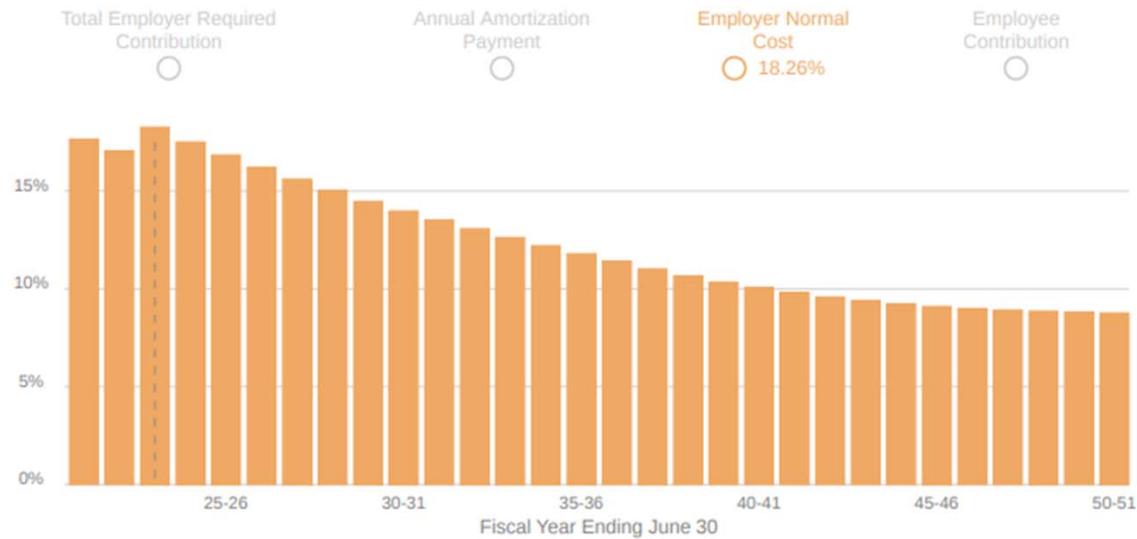
Comparison to Other CalPERS Agencies

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Comparison Metrics

- Funded Percentage
  - Plan assets divided by Plan liabilities
  - Calculated as of June 30, 2021

- Total Contribution Percentage
  - Required Contribution divided by Projected Pensionable Compensation
 - Payable in Fiscal Year 2023/24

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Actuarially Determined Contribution

Normal Cost

+

Unfunded Actuarial Liability (UAL) Amortization Payment

=

Total Employer Contribution

Cost for current service - Paid as a percent of payroll

Payment toward past service - Paid as a dollar amount each year

Minimum Payment City can make to CalPERS

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Comparison Group

- City Miscellaneous results are compared against all the results for CalPERS Miscellaneous Plans that are not in the Risk Pool

- City Safety results are compared against all the results for CalPERS Safety Plans that are not in the Risk Pool
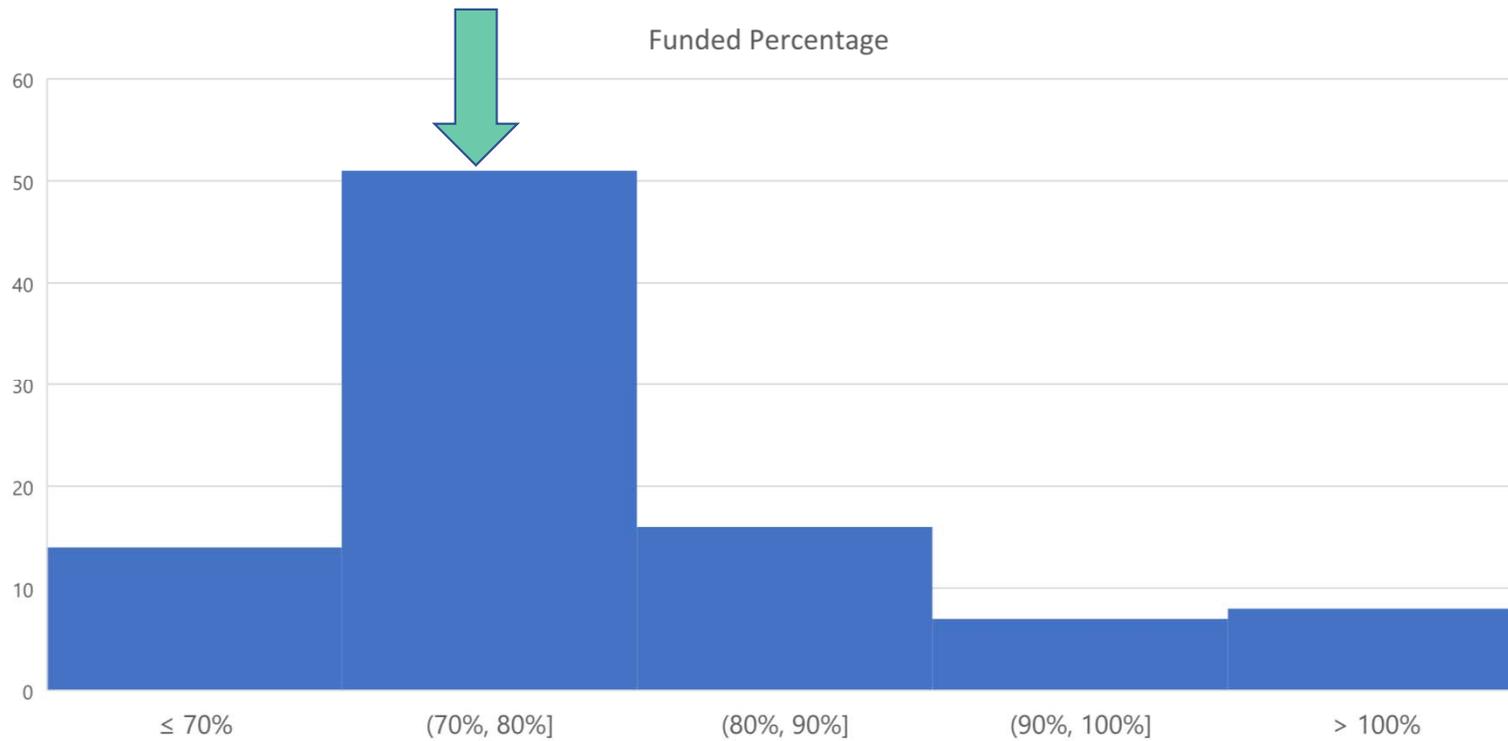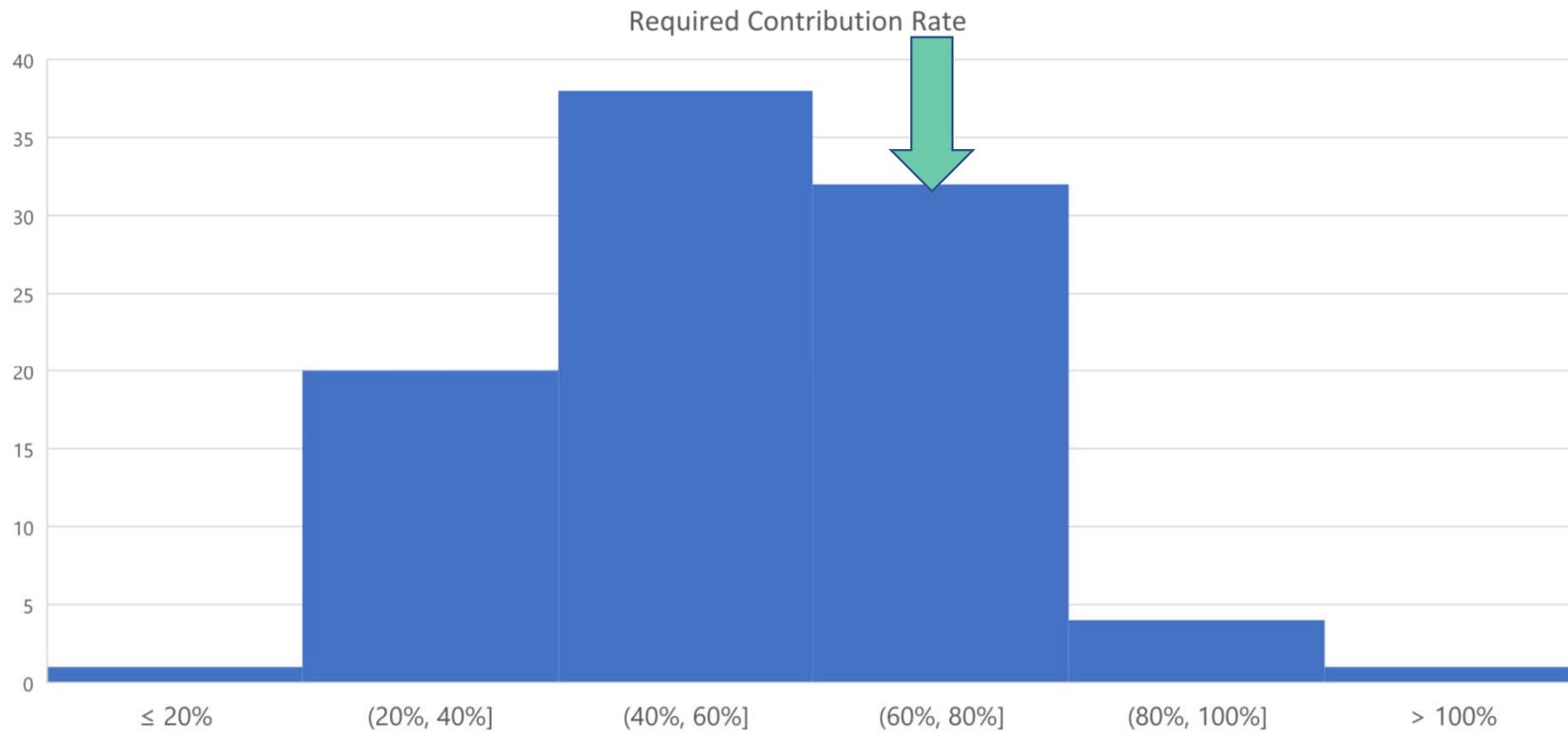
Miscellaneous Funded Percentage Comparison – 84.4%
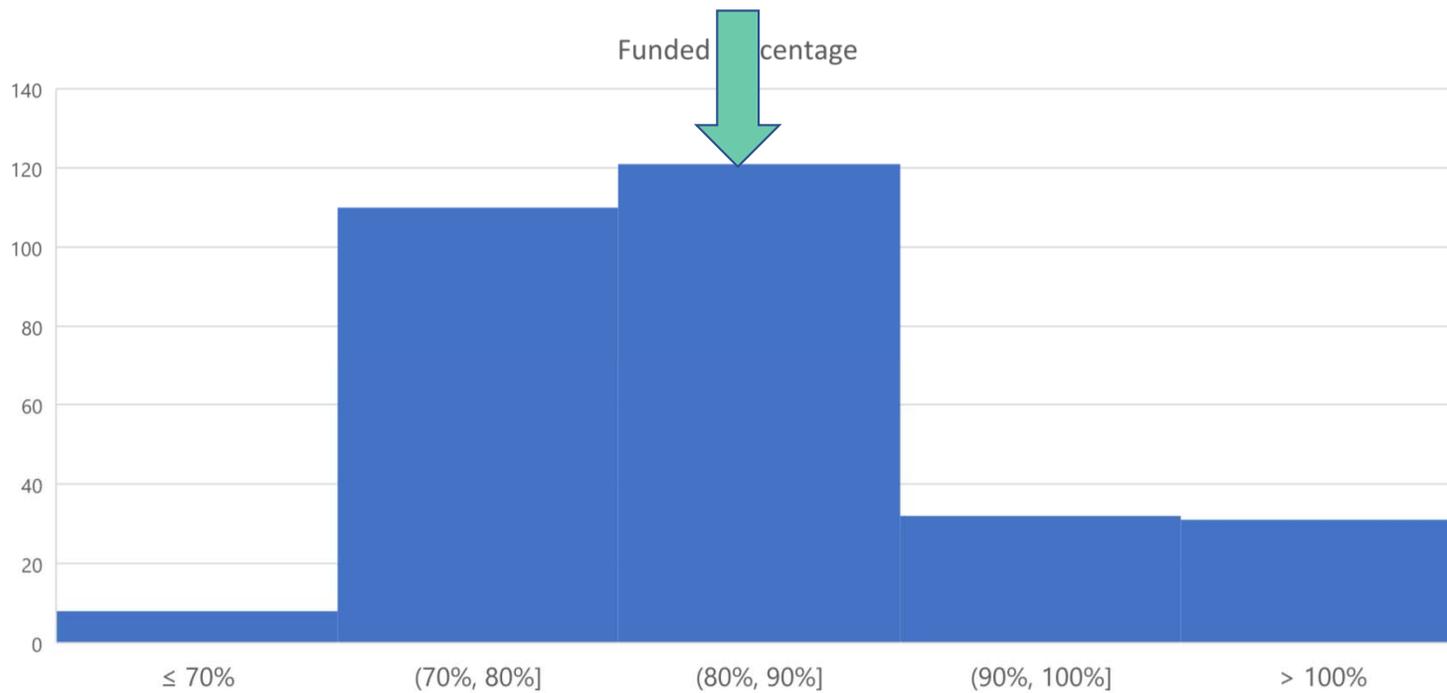
Miscellaneous Total Contribution Comparison – 44.1%

Required Contribution Rate
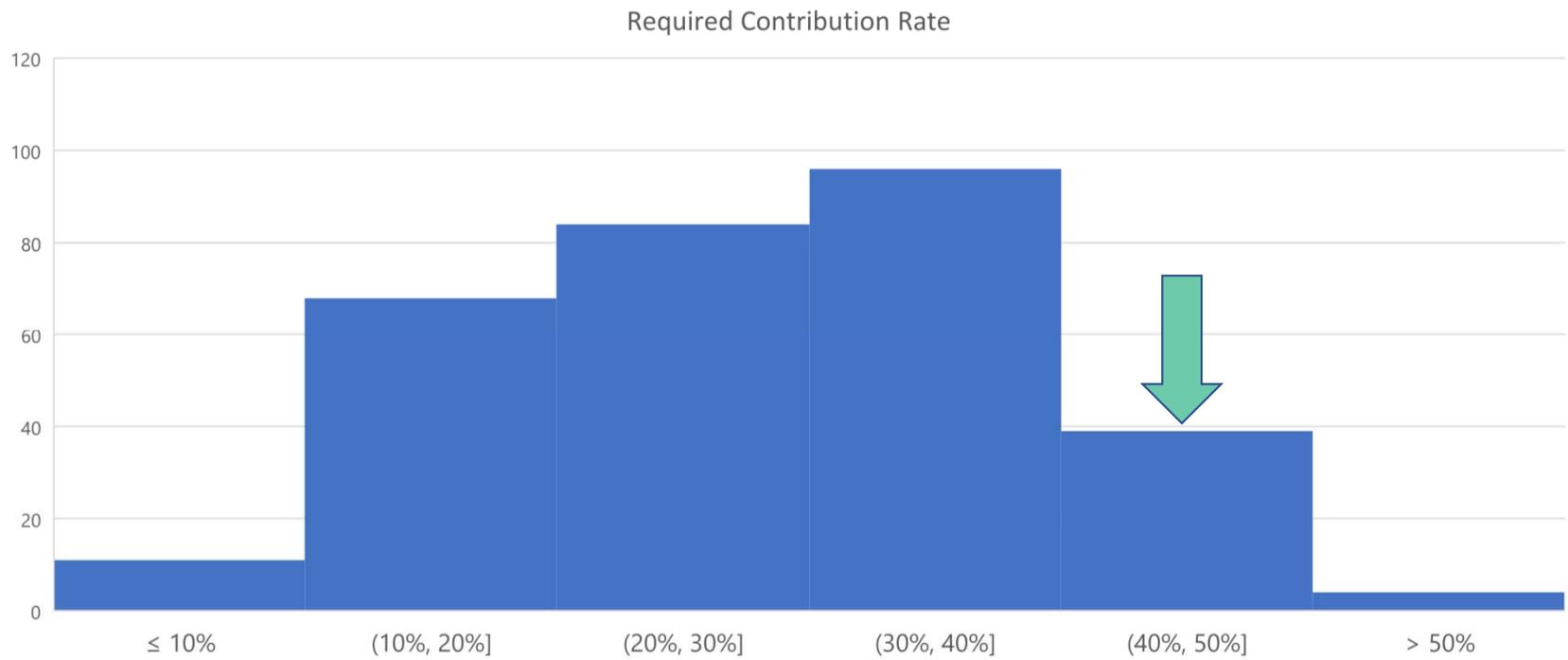
Safety Funded Percentage Comparison – 77.3%

Funded Percentage

Safety Total Contribution Comparison – 69.5%

Required Contribution Rate
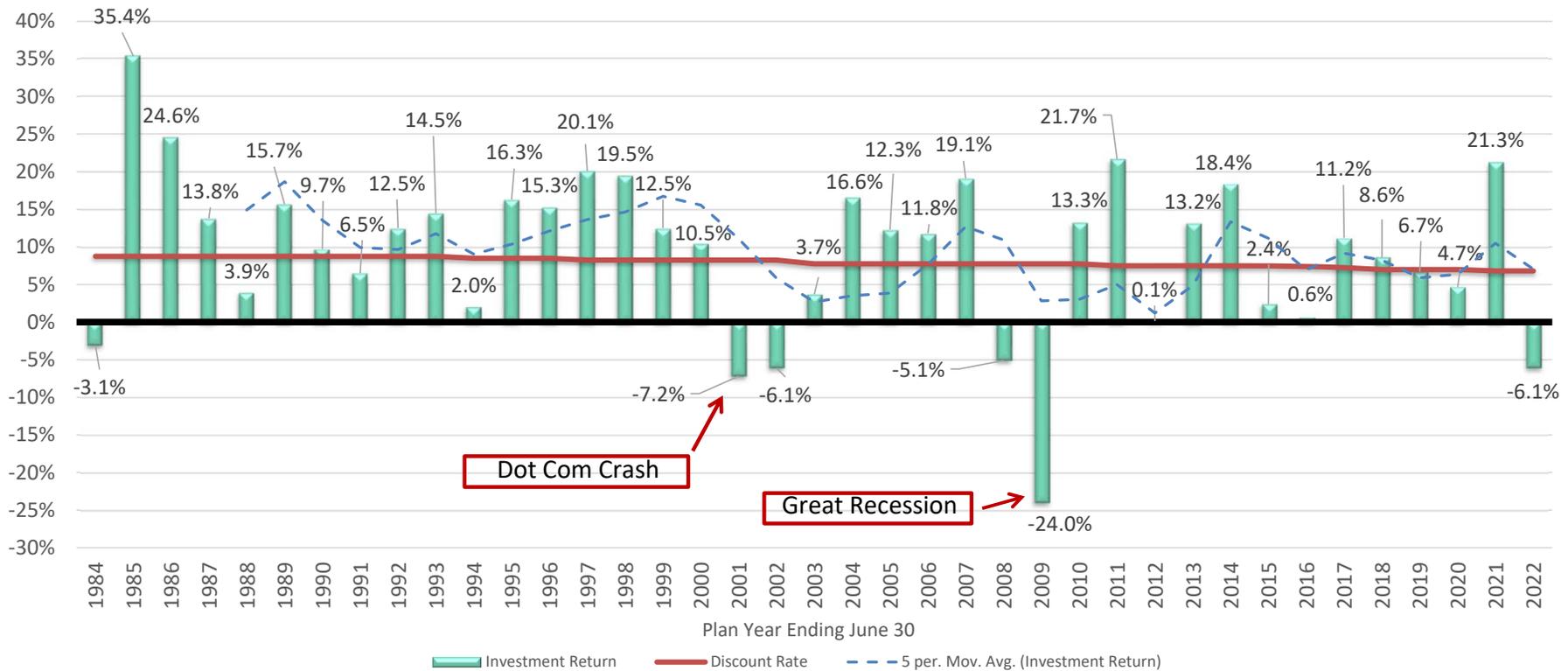
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Changes to CalPERS

CalPERS Investment Return:
21.3% in 2020/21
-6.1% in 2021/22

Strong return in 2020/21 followed by weak return in 21/22

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CalPERS Actual Investment Returns versus Assumed Investment Return

Discount Rate = Assumed Investment Return Rate

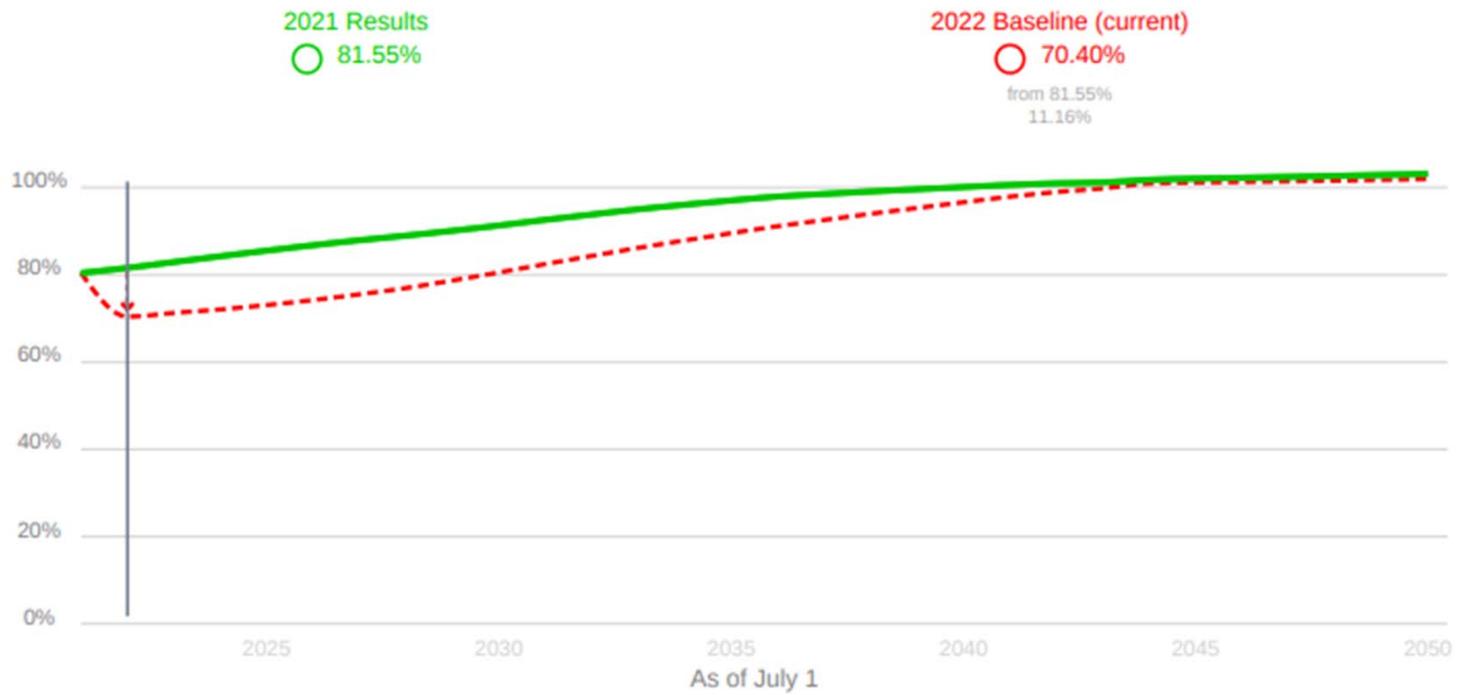# Less Money from Investment Return means More Money Required from Contributions
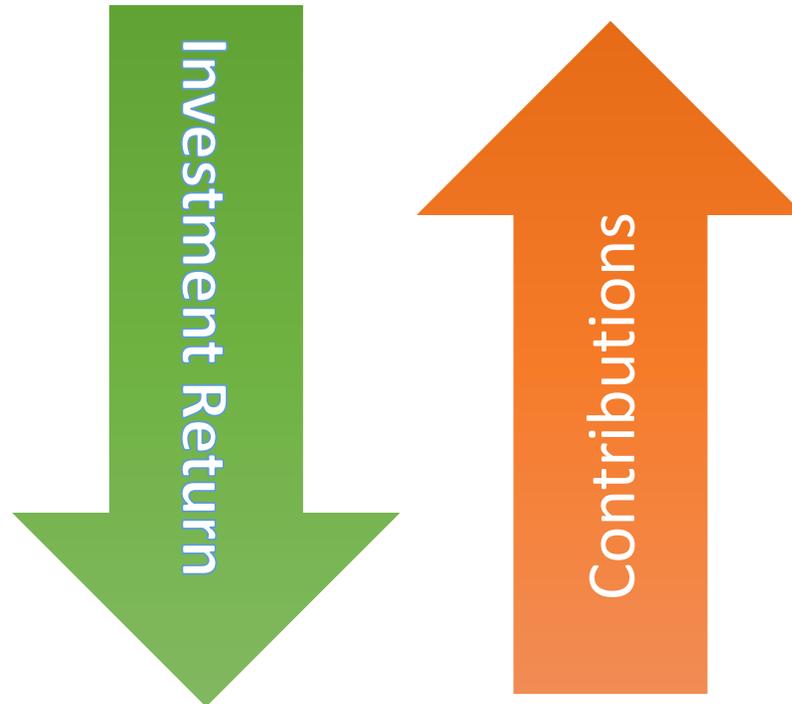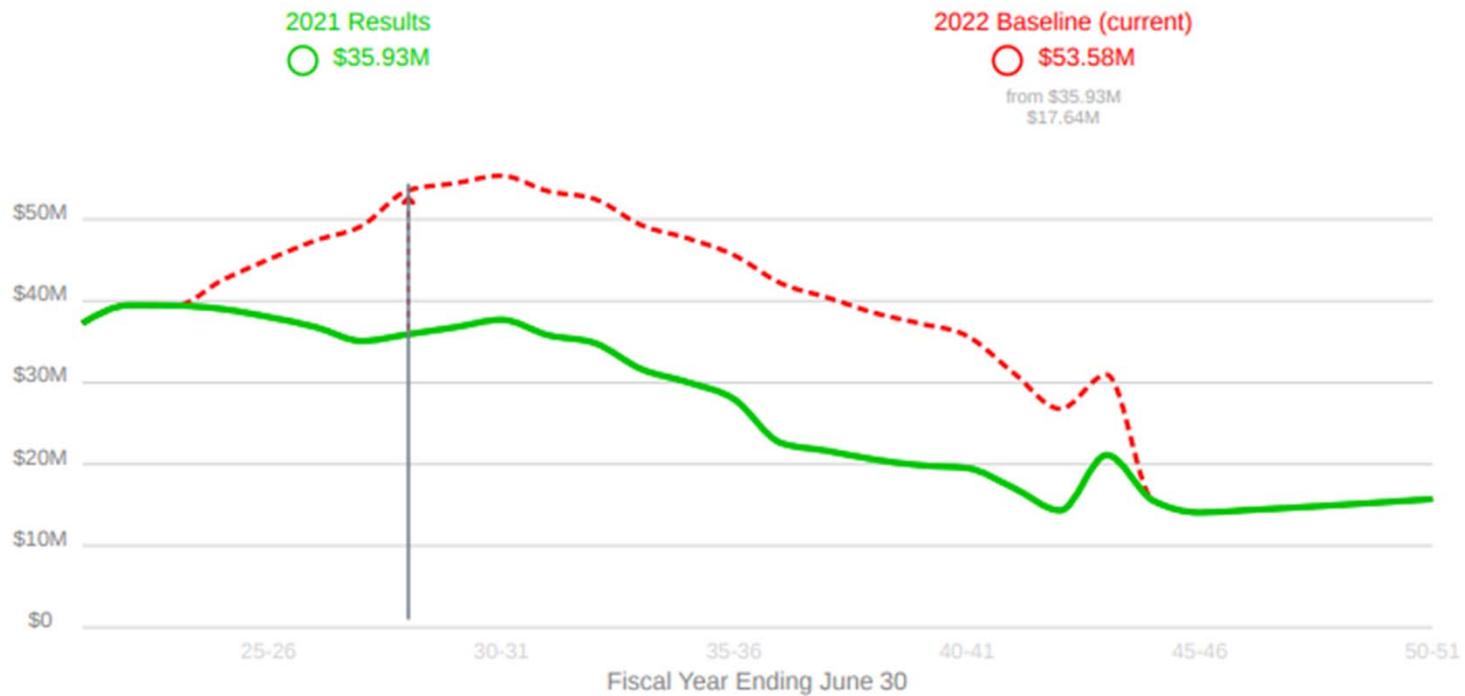
Impact of Changes

Unfunded Accrued Liability

2021 Results
○ $225.80M

2022 Baseline (current)
○ $379.50M
from $225.80M
$153.70M

$300M
$200M
$100M
$0

2025   2030   2035   2040   2045   2050

As of July 1

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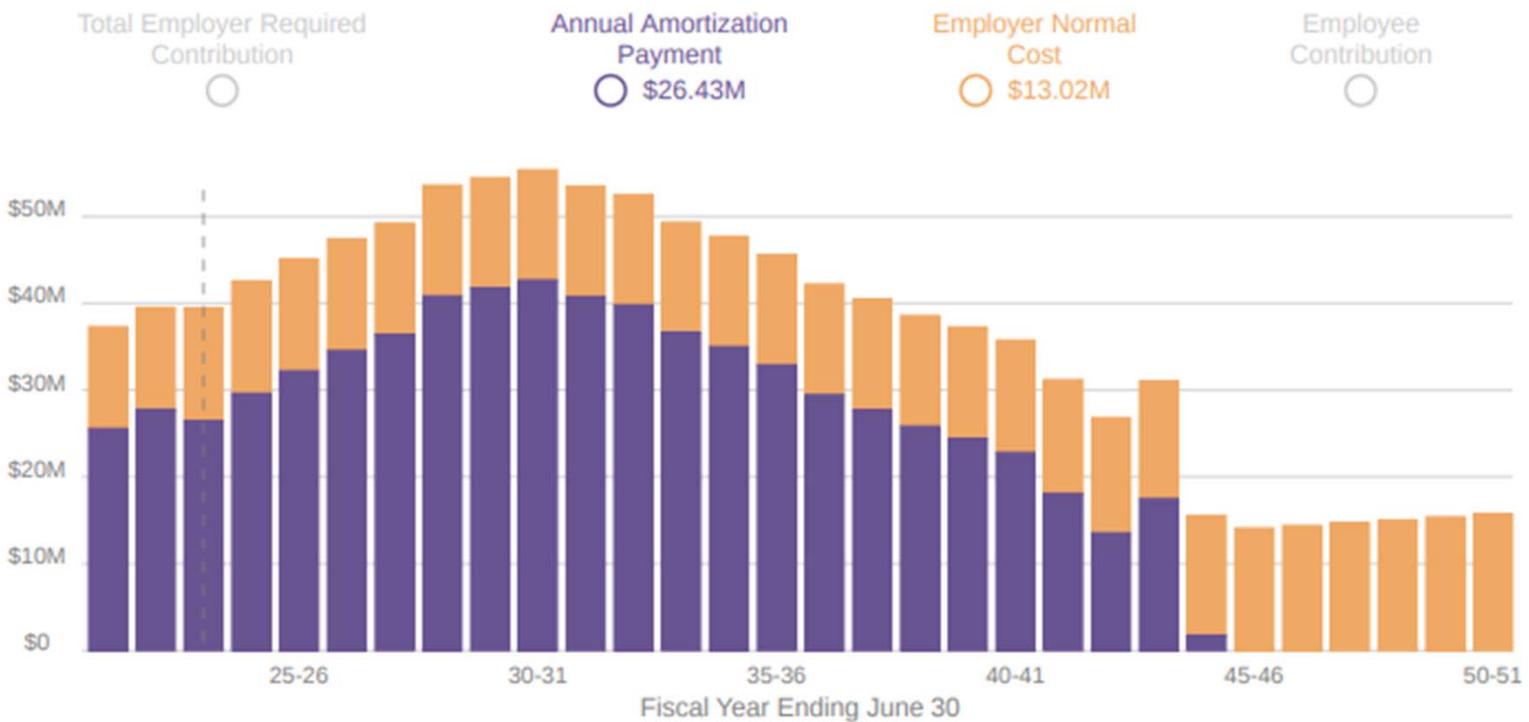
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Funded Percentage

Total Employer Required Contributions

Most of the Contribution is Payment toward the Unfunded Actuarial Liability

Next Steps

Next Steps

- June 6 – Discussion of Funding Options to Address Unfunded Liability
- June 20 – Draft Funding Policy

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Questions

Disclaimer

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