



BARTEL
ASSOCIATES, LLC

**CITY OF OXNARD
CALPERS SAFETY PLANS**

**Pension Override Tax Study
Preliminary Results**

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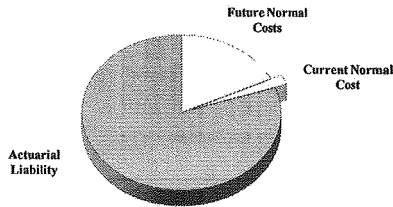
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DEFINITIONS

Present Value of Benefits
June 30, 2013



- **PVB - Present Value of all Projected Benefits:**
 - Discounted value (at valuation date - 6/30/13), 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



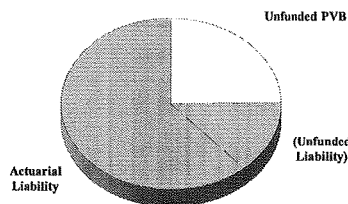
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DEFINITIONS

Present Value of Benefits
June 30, 2013



- **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



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INFORMATION RECEIVED

- The following information received from City
 - Police
 - MyCalPERS benefit provisions and effective dates
 - CalPERS actuarial valuation reports: 1998 (partial), 1999, 2000, 2004, 2005, 2006, 2011, 2012, 2013
 - Executed 3%@50 Contract amendment
 - Fire
 - MyCalPERS benefit provisions and effective dates
 - CalPERS actuarial valuation reports: 1998 (partial), 2000 (partial), 2003, 2004, 2005, 2006, 2011, 2012, 2013
 - Executed 3%@55 Contract amendment



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PENSION OVERRIDE TAX

- Pension Override Tax can pay pension benefits in effect on July 1, 1978.
- Benefit improvement since July 1, 1978 must be separated:
 - Police Safety Plan:
 - 2% @ 50 7/6/1980
 - Enhanced Industrial Disability Retirement 7/6/1980
 - Final one year average compensation 12/28/1986
 - 3% @ 50 1/1/2001
 - EMPC N/A
 - Fire Safety Plan:
 - 2% @ 50 1/4/1981
 - Final one year average compensation 4/3/1988
 - 3% @ 55 4/1/2001
 - 3% @ 50 1/1/2005
 - EMPC N/A



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PENSION OVERRIDE TAX

- “Cost” of Benefit Improvements:
 - No perfect way to evaluate “true cost”
 - Benefit changes typically cause behavior changes
 - Salary negotiations would differ
 - Normal cost good indicator
 - Increase in normal cost good long term cost indicator
 - Can be estimated with information available
 - Does not consider past service



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PENSION OVERRIDE TAX

- Sample for Benefit Improvements vs. Reduction in Salary Increases

	2% @ 50	3% @ 50% Same Final Comp.	3% @ 50% Lower Final Comp.
1. Retirement Age	55	55	55
2. Benefit Factor	2.70%	3.00%	3.00%
3. Final Compensation	\$ 50,000	\$ 50,000	\$ 47,500
4. Service	30 years	30 years	30 years
5. Annual Retirement Benefit	\$ 40,500	\$ 45,000	\$ 42,750
[(2) x (3) x (4)]			
6. 3% @ 50 Increase over 2% @ 50		11.1%	5.6%
[[{(5) for 3% @ 50} / {(5) for 2% @ 50} - 1]			



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METHODOLOGY OPTIONS

- Short Term Cash Flow
 - Sometimes no increase in contributions when actuarial asset value increased to offset liability increase
 - Generally not reasonable
- Use No (or Limited) Excess Assets
 - Ignores plan funded status
- Use Portion of Excess Assets
 - May not reflect full funded status, not use all assets available
- Normal Cost
 - From CACA, CalPERS states:
“Note that the change in normal cost in the table above may be much more indicative of the long term change in the employer contribution rate due to the plan amendment.”



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METHODOLOGY OPTIONS

- Illustration of Use No Excess Assets Method
 - 3%@50 Actuarial Liability Increase : \$12 million
 - No Change to Actuarial Asset Value (\$105.8 million)

	<u>Before 3% @ 50</u>	<u>After 3% @ 50</u>
Unfunded PVB	\$ 15,100,000	\$ 30,500,000
Excess Assets	18,100,000	6,900,000
Actuarial Liability	87,700,000	98,900,000
PVB	120,900,000	136,300,000

- Contribution Rate Impact

	<u>20 year Amortization</u>	<u>Perpetuity</u>
<input type="checkbox"/> Normal Cost	5.0%	5.0%
<input type="checkbox"/> Past Service Amortization	<u>6.6%</u>	<u>3.8%</u>
<input type="checkbox"/> Total	11.6%	8.8%



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RECOMMENDATIONS

Police Safety Plan

Benefit Improvements	Effective Date	Method	Estimated Cost	Sources
2%@50	7/6/1980	Normal Cost	0.646%	½ of Normal cost difference between Safety 2%@55 and 2%@50 pools
Enhanced IDR	7/6/1980	Normal Cost	4.240%	Benefit surcharge FAC1 from Safety 2%@50 risk pool
Final one year Compensation	12/28/1986	Normal Cost	0.850%	Benefit surcharge FAC1 from Safety 2%@50 pool
3%@50	1/1/2001	Normal Cost	4.984%	Normal cost difference between 2001/02 and 2002/03
Total			10.719%	



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RECOMMENDATIONS

Fire Safety Plan

Benefit Improvements	Effective Date	Method	Estimated Cost	Sources
2%@50	4/1/1981	Normal Cost	0.702%	½ of Normal cost difference between Safety 2%@55 and 2%@50 pools
Final one year Compensation	4/3/1988	Normal Cost	0.838%	Benefit surcharge FAC1 from Safety 2%@50 pool
3%@55	4/1/2001	Normal Cost	1.199%	Normal cost difference between Safety 2%@50 and 3%@55 pools
3%@50	1/1/2005	Normal Cost	2.418%	City Normal cost difference between 2005/06 and 2006/07
Total			5.158%	



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RECOMMENDATIONS

■ For Example (Fiscal Year 2014/15)

	Police Safety	Fire Safety
● Total Employer Rate	38.748%	38.283%
● Amount that cannot be paid from Pension Override Tax	<u>10.719%</u>	<u>5.518%</u>
● Net amount payable from Pension Override Tax	28.029%	32.765%
● Estimated PERSable Wages	25,705,304	10,367,834
● Total Estimated Dollar Amount Payable from Pension Override Tax	7,204,940	3,397,021

■ Amounts that cannot be paid from Pension Override Tax have not been adjusted to reflect lower PEPPRA benefits

- Over time these amounts should be reduced



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RECOMMENDATIONS

Historical Contribution Rates Cannot Be Paid From Pension Override Tax
Police Safety

FY	1978/79	1979/80	1980/81	1981/82	1982/83	1983/84	1984/85	1985/86
Rates	0.000%	0.000%	0.000%	4.886%	4.886%	4.886%	4.886%	4.886%
FY	1986/87	1987/88	1988/89	1989/90	1990/91	1991/92	1992/93	1993/94
Rates	4.886%	5.735%	5.735%	5.735%	5.735%	5.735%	5.735%	5.735%
FY	1994/95	1995/96	1996/97	1997/98	1998/99	1999/00	2000/01	2001/02
Rates	5.735%	5.735%	5.735%	5.735%	5.735%	5.735%	5.735%	10.719%
FY	2002/03	2003/04	2004/05	2005/06	2006/07	2007/08	2008/09	2009/10
Rates	10.719%	10.719%	10.719%	10.719%	10.719%	10.719%	10.719%	10.719%
FY	2010/11	2011/12	2012/13	2013/14	2014/15	2015/16		
Rates	10.719%	10.719%	10.719%	10.719%	10.719%	10.719%		



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RECOMMENDATIONS

Historical Contribution Rates Cannot Be Paid From Pension Override Tax
Fire Safety

FY	1978/79	1979/80	1980/81	1981/82	1982/83	1983/84	1984/85	1985/86
Rates	0.000%	0.000%	0.000%	0.702%	0.702%	0.702%	0.702%	0.702%
FY	1986/87	1987/88	1988/89	1989/90	1990/91	1991/92	1992/93	1993/94
Rates	0.702%	0.702%	1.541%	1.541%	1.541%	1.541%	1.541%	1.541%
FY	1994/95	1995/96	1996/97	1997/98	1998/99	1999/00	2000/01	2001/02
Rates	1.541%	1.541%	1.541%	1.541%	1.541%	1.541%	1.541%	2.740%
FY	2002/03	2003/04	2004/05	2005/06	2006/07	2007/08	2008/09	2009/10
Rates	2.740%	2.740%	2.740%	5.158%	5.158%	5.158%	5.158%	5.158%
FY	2010/11	2011/12	2012/13	2013/14	2014/15	2015/16		
Rates	5.158%	5.158%	5.158%	5.158%	5.158%	5.158%		



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PEPRA

Police Safety PEPRA Plan

Benefit Improvements	Effective Date	Method	Estimated Cost	Sources
2.7%@57	1/1/2013	Normal Cost	0.581%	45% of Normal cost difference between Safety 2%@55 and 2%@50 pools
Enhanced IDR	1/1/2013	Normal Cost	3.816%	90% of benefit surcharge from Safety 2%@50 risk pool
Total			4.397%	



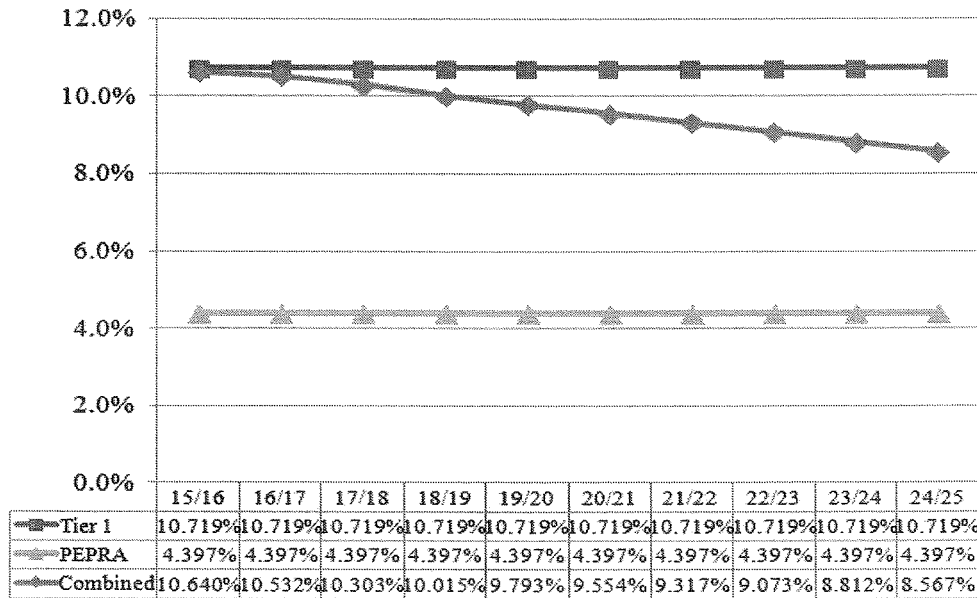
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PEPRA

**Projection – Contribution Rates Cannot Be Paid From Pension Override Tax
Police Safety**



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PEPRA

Fire Safety PEPRA Plan

Benefit Improvements	Effective Date	Method	Estimated Cost	Sources
2%@50	1/1/2013	Normal Cost	0.632%	45% of Normal cost difference between Safety 2%@55 and 2%@50 pools
Total			0.632%	



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