



**CITY OF OXNARD  
MISCELLANEOUS AND SAFETY PLANS**

**CalPERS Actuarial Issues – 6/30/13 Valuation  
Preliminary Results**

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**Bartel Associates, LLC**  
 April 30, 2015

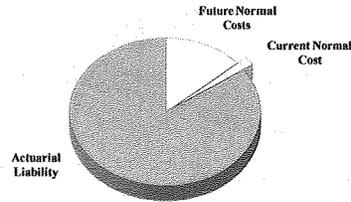
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## DEFINITIONS

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



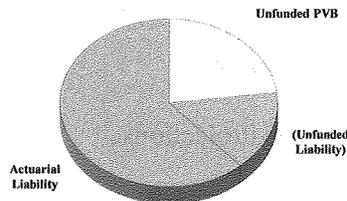
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## DEFINITIONS

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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## CALPERS CHANGES

- Contribution policy changes:
  - No asset smoothing
  - 5-year ramp up
  - Included in 6/30/13 valuation (first impact 15/16 rates; full impact 19/20)
- Assumption changes:
  - Anticipate future mortality improvement
  - Other, less significant, changes
  - Included in 6/30/14 valuation (first impact 16/17 rates; full impact 20/21)
- Risk Pool changes
  - All Risk Pools combined into one Miscellaneous & one Safety
  - Collect payment on UAL as dollar amount, not as % of pay
  - Payments allocated to agencies based on liability & assets rather than payroll
  - Included in 6/30/13 valuation (impacts 15/16 rates)



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## CALPERS CHANGES

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**SUMMARY OF DEMOGRAPHIC INFORMATION - MISCELLANEOUS**

	1998	2004	2012	2013
<b>Actives</b>				
■ Counts	790	1,137	1,022	1,000
■ Average				
• Age	42	41	44	45
• City Service	10	8	12	12
• PERSable Wages	\$33,400	\$37,800	\$48,400	\$49,400
■ Total PERSable Wages (millions)	29.5	47.3	54.1	54.0
<b>Receiving Payments</b>				
■ Counts				
• Service		358	561	585
• Disability		92	101	97
• Beneficiaries		<u>91</u>	<u>117</u>	<u>114</u>
• Total	400	541	779	796
■ Average Annual City Provided Benefit <sup>1</sup>				
• Service		\$14,700	\$22,000	\$22,100
• Disability		5,700	6,300	6,700
• Service Retirements in last 5 years		19,000	26,000	23,200

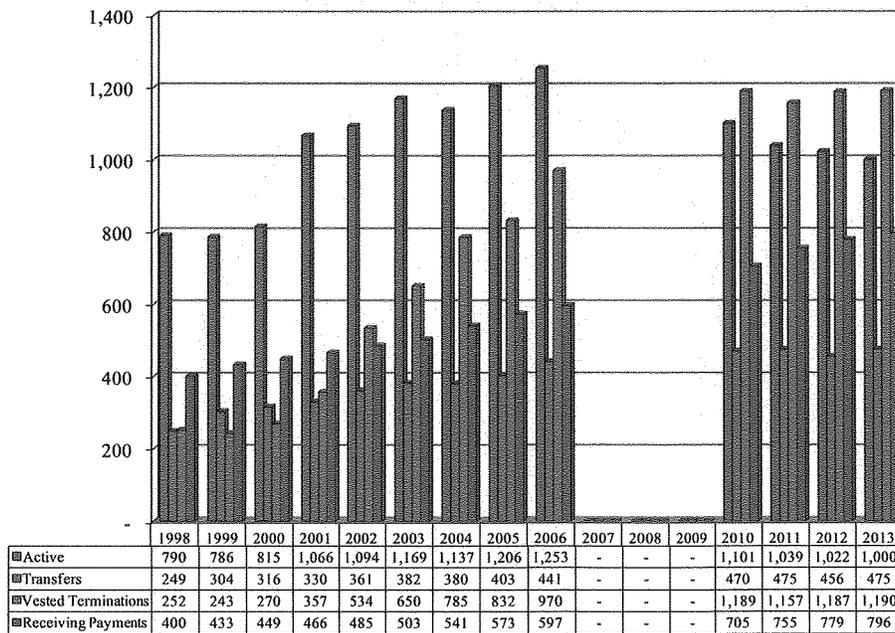
<sup>1</sup> Average City provided pensions are based on City service & City benefit formula, and are not representative of benefits for long service employees.



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**MEMBERS INCLUDED IN VALUATION - MISCELLANEOUS**



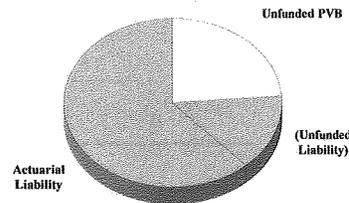
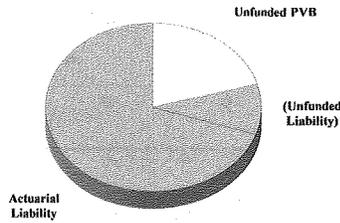
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## PLAN FUNDED STATUS - MISCELLANEOUS

Present Value of Benefits  
June 30, 2012

Present Value of Benefits  
June 30, 2013



<u>June 30, 2012</u>		<u>June 30, 2013</u>	
\$ 347,800,000	Actuarial Liability	\$ 361,600,000	
299,500,000	Actuarial Asset Value	314,000,000	
(48,300,000)	(Unfunded Liability)	(47,600,000)	
<u>June 30, 2012</u>		<u>June 30, 2013</u>	
\$ 347,800,000	Actuarial Liability	\$ 361,600,000	
249,800,000	Market Asset Value	276,200,000	
(98,000,000)	(Unfunded Liability)	(85,400,000)	



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## PLAN FUNDED STATUS - MISCELLANEOUS

- What happened between 6/30/12 and 6/30/13?
  - Market Value Asset Gain/(Loss) ≈ 15.0 million
  - Unfunded Liability (Increase)/Decrease ≈ (37.1) million
- Reasons for Unfunded Liability increase
  - Actuarial Asset gain/(loss):
    - Change from actuarial value to market value ≈ (37.8) million
    - Investment return ≈ (2.6) million
  - Actuarial gain/(loss): ≈ 3.5 million
    - Average Salary \$48,900 → \$49,400
    - Number of Actives 1,022 → 1,000
    - Number of Inactives 1,643 → 1,665
    - Number of Retirees 779 → 796
  - Other gain/(loss): ≈ (0.2) million
    - Contributions
    - Other (expected)

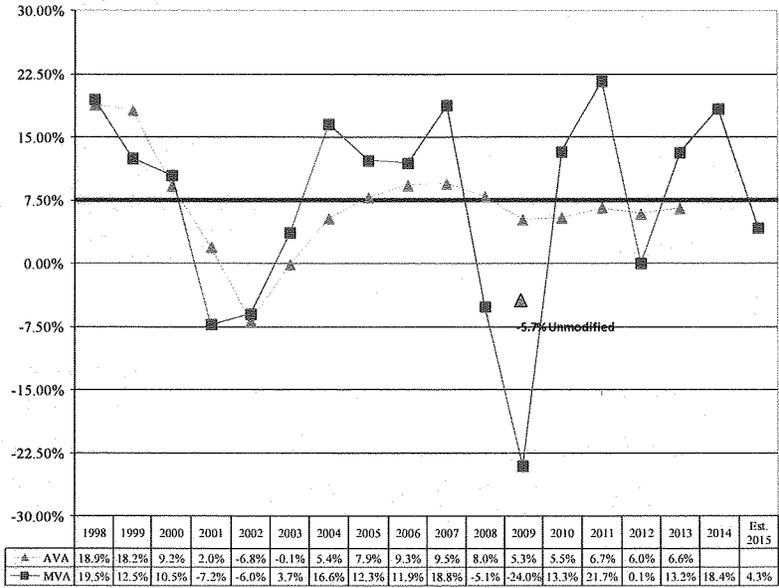


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### ASSET VALUES (MILLIONS) - MISCELLANEOUS



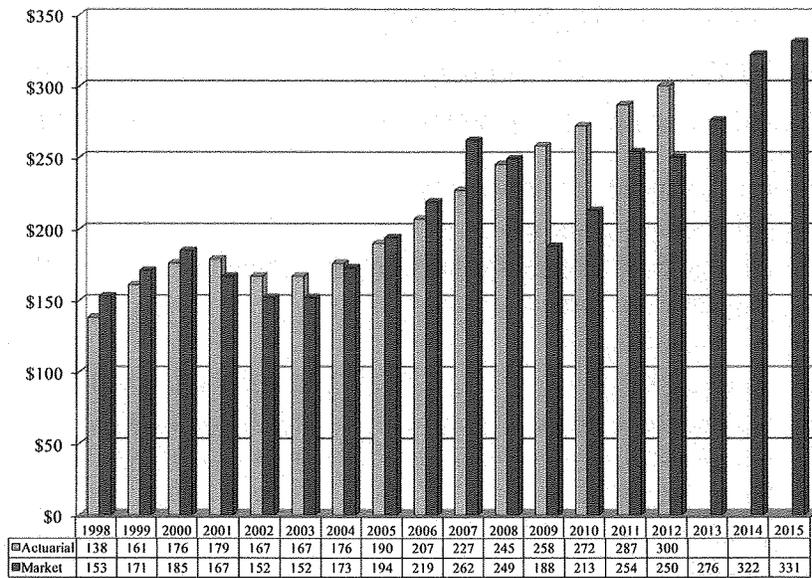
Above assumes contributions, payments, etc. received evenly throughout year. Estimated June 30, 2015 based on CalPERS actual return through 2/28/15 and assumed 7.5% annual return for the remaining 4 months.



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### ASSET VALUES (MILLIONS) - MISCELLANEOUS



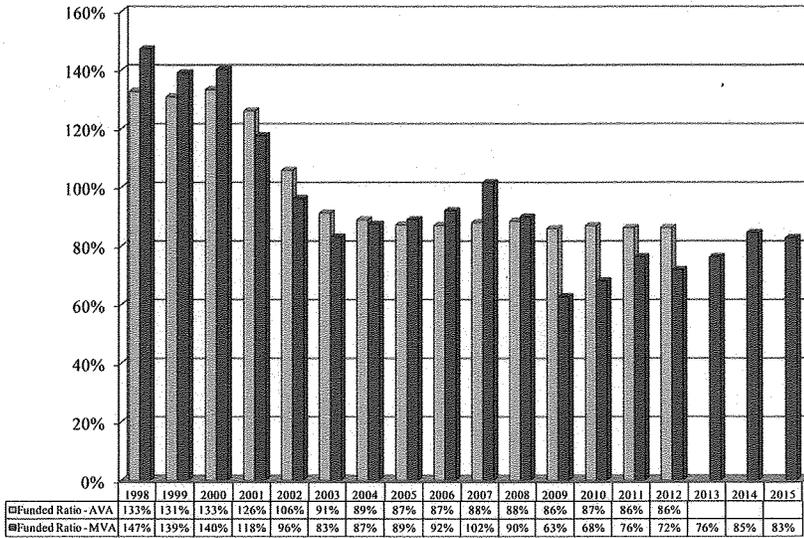
6/30/14 & 6/30/15 asset values estimated.  
 AVA is being set equal to MVA and a separate AVA is not available starting 6/30/13.



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## FUNDED RATIO - MISCELLANEOUS



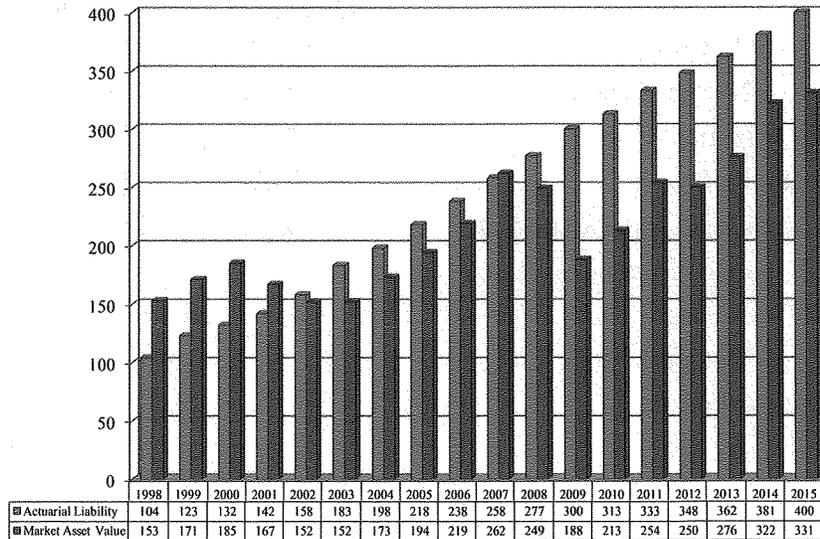
6/30/14 & 6/30/15 funded status estimated.  
 AVA is being set equal to MVA and a separate AVA is not available starting 6/30/13.



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## FUNDED STATUS (MILLIONS) - MISCELLANEOUS



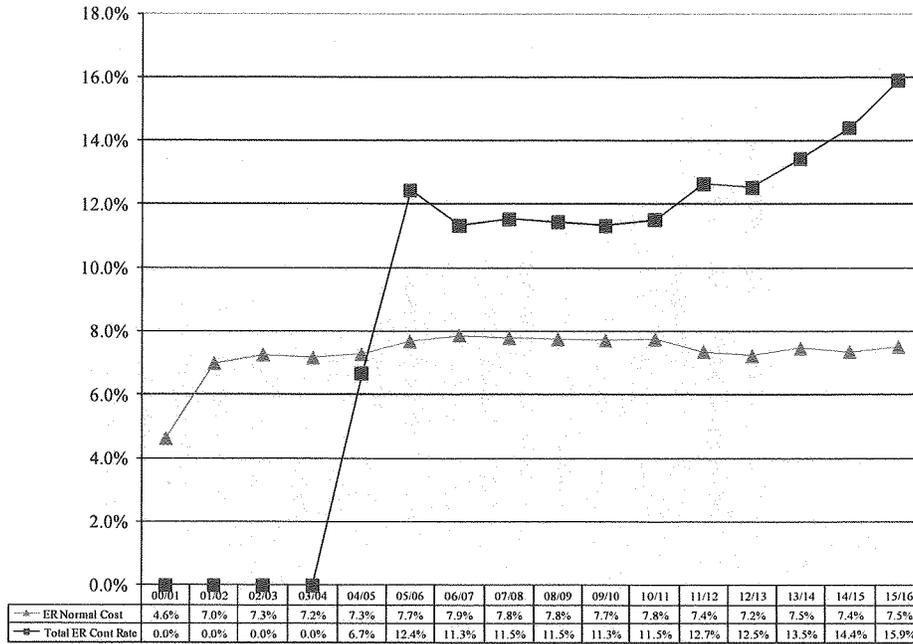
6/30/14 & 6/30/15 funded status estimated



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## CONTRIBUTION RATES - MISCELLANEOUS



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## CONTRIBUTION RATES - MISCELLANEOUS

	<u>6/30/12</u> <u>2014/2015</u>	<u>6/30/13</u> <u>2015/2016</u>
■ Total Normal Cost	14.4%	14.5%
■ Employee Normal Cost	7.0%	7.0%
■ Employer Normal Cost	7.4%	7.5%
■ Amortization Bases:	<u>7.0%</u>	<u>8.4%</u>
■ Total Employer Contribution Rate	14.4%	15.9%
■ What Happened from 6/30/12 to 6/30/13:		
● 2014/15 Rate		14.4%
● Asset Method Change		1.0%
● (Gains)/Losses		<u>0.5%</u>
● 2015/16 Rate		15.9%



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## CONTRIBUTION PROJECTIONS - MISCELLANEOUS

■ **Market Value Investment Return:**

●	June 30, 2012	0.1% <sup>2</sup>
●	June 30, 2013	13.2% <sup>2</sup>
●	June 30, 2014	18.4% <sup>2</sup>
	<u>Poor</u>	<u>Expected</u>
●	June 30, 2015 <sup>3</sup>	1.9%
		4.3%
		6.7%
●	June 30, 2016 - 2020	0.2% - 4.1%
		7.5%
		11.3% - 15.1%

- No Other: Gains/Losses, Method/Assumption Changes, Benefit Improvements
- Excludes Employer Paid Member Contributions (EPMC)
- Includes CalPERS Board adopted assumption changes, first impact 2016/17
- New hire assumptions:
  - Assumes 50% of 2013 new hires will be Classic Members (2.0%@55) and 50% will be New Members with PEPRAs benefits.
  - Assumes Classic Members will decrease from 50% to 0% of new hires over 20 years.

<sup>2</sup> Based on CalPERS CAFR.

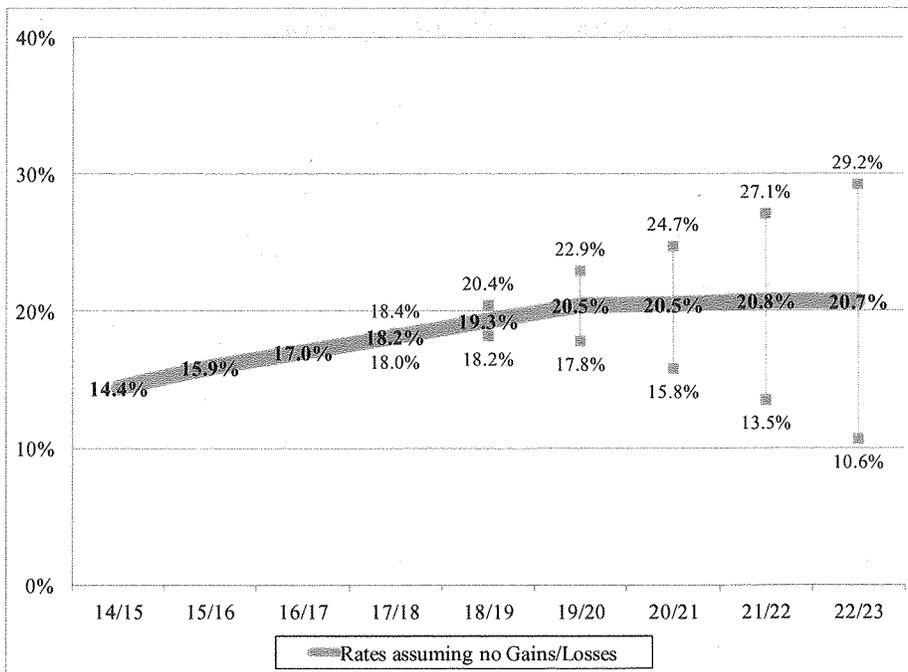
<sup>3</sup> Based on CalPERS return of 1.8% through 2/28/15 and assumed annual return for 4 months.



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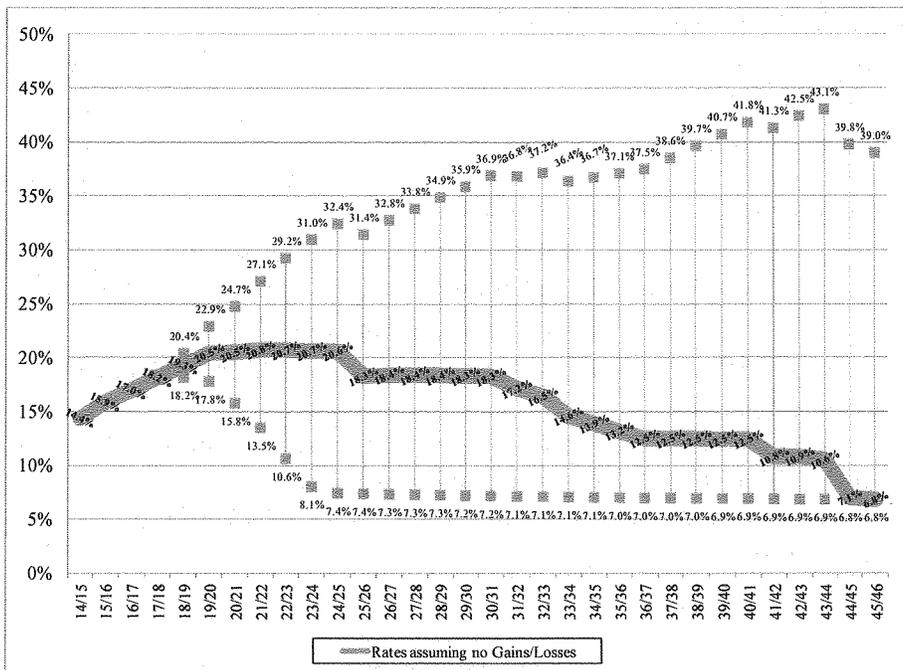
## CONTRIBUTION PROJECTIONS - MISCELLANEOUS



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### CONTRIBUTION PROJECTIONS - MISCELLANEOUS



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### CONTRIBUTION PROJECTIONS - MISCELLANEOUS

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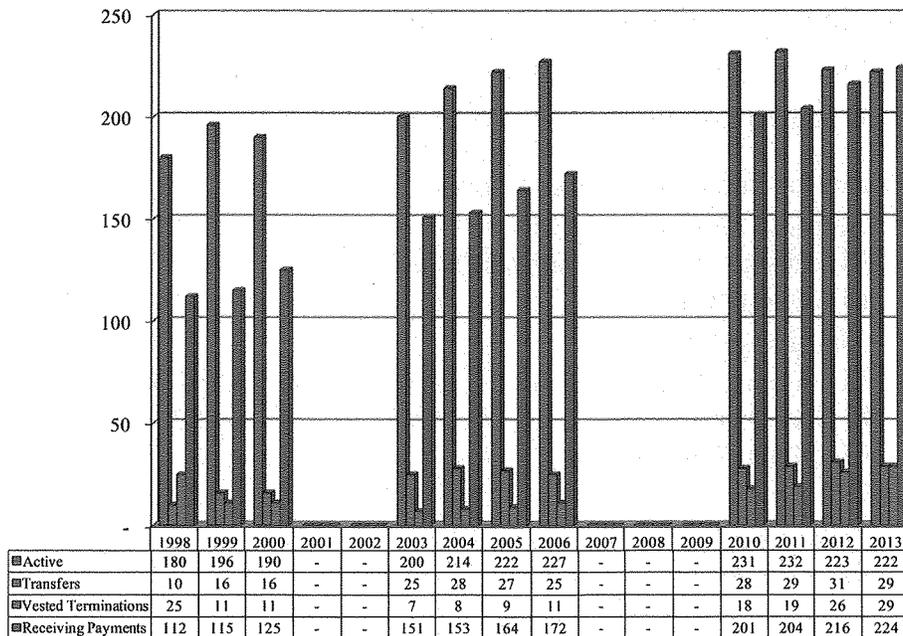
**SUMMARY OF DEMOGRAPHIC INFORMATION – POLICE SAFETY**

	1994	2004	2012	2013
<b>Actives</b>				
■ Counts	180	214	223	222
■ Average				
• Age	37	38	39	40
• City Service	10	10	11	12
• PERSable Wages	\$56,100	\$79,000	\$105,500	\$108,000
■ Total PERSable Wages (millions)	11.3	18.6	25.7	26.2
<b>Receiving Payments</b>				
■ Counts				
• Service		55	85	94
• Disability		75	91	90
• Beneficiaries		23	40	40
• Total	112	153	216	224
■ Average Annual City Provided Benefit <sup>4</sup>				
• Service		\$46,000	\$69,800	\$71,600
• Disability		29,400	44,000	45,500
• Service Retirements in last 5 years		64,100	91,000	87,900

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

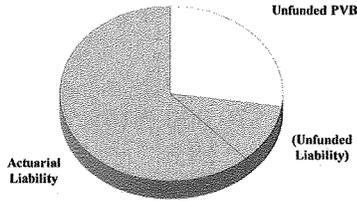


**MEMBERS INCLUDED IN VALUATION – POLICE SAFETY**

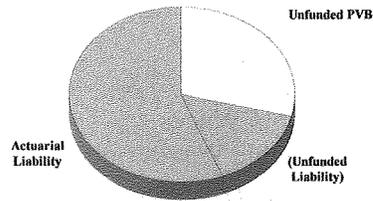


## PLAN FUNDED STATUS – POLICE SAFETY

Present Value of Benefits  
June 30, 2012



Present Value of Benefits  
June 30, 2013



<u>June 30, 2012</u>		<u>June 30, 2013</u>	
\$ 258,400,000	<b>Actuarial Liability</b>	\$ 273,800,000	
<u>212,200,000</u>	<b>Actuarial Asset Value</b>	<u>225,800,000</u>	
(46,200,000)	<b>(Unfunded Liability)</b>	(48,000,000)	
<u>June 30, 2012</u>		<u>June 30, 2013</u>	
\$ 258,400,000	<b>Actuarial Liability</b>	\$ 273,800,000	
<u>178,200,000</u>	<b>Market Asset Value</b>	<u>200,700,000</u>	
(80,200,000)	<b>(Unfunded Liability)</b>	(73,100,000)	



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## PLAN FUNDED STATUS – POLICE SAFETY

- What happened between 6/30/12 and 6/30/13?
  - Market Value Asset Gain/(Loss) ≈ 10.8 million
  - Unfunded Liability (Increase)/Decrease ≈ (26.9) million
- Reasons for Unfunded Liability increase
  - Actuarial Asset gain/(loss):
    - Change from actuarial value to market value ≈ (25.1) million
    - Investment return ≈ (2.1) million
  - Actuarial gain/(loss): ≈ 0.1 million
    - Average Salary \$105,500 → \$108,000
    - Number of Actives 223 → 222
    - Number of Inactives 57 → 58
    - Number of Retirees 216 → 224
  - Other gain/(loss): ≈ 0.2 million
    - Contributions
    - Other (expected)

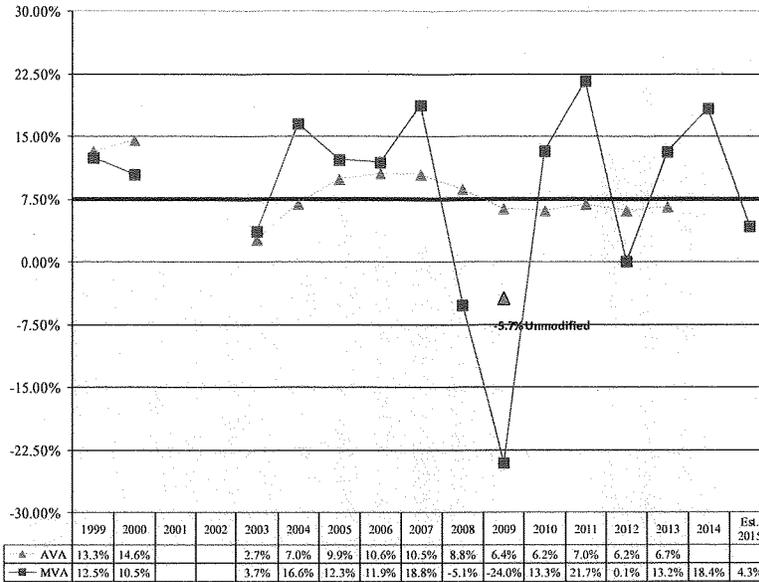


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### ASSET VALUES (MILLIONS) – POLICE SAFETY



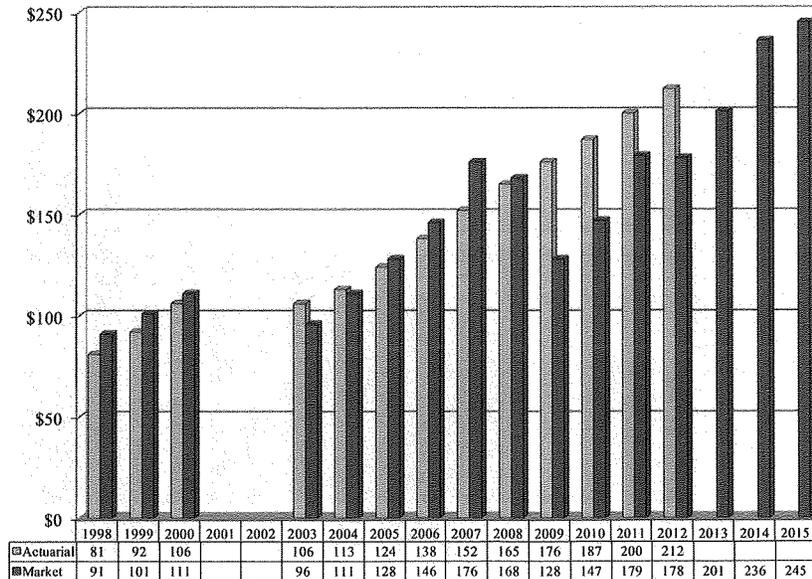
Above assumes contributions, payments, etc. received evenly throughout year. Estimated June 30, 2015 based on CalPERS actual return through 2/28/15 and assumed 7.5% annual return for the remaining 4 months.



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### ASSET VALUES (MILLIONS) – POLICE SAFETY



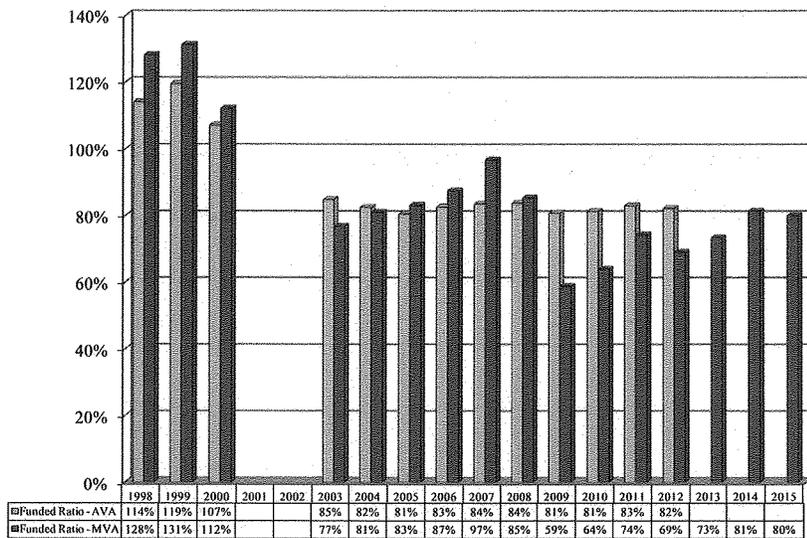
6/30/14 & 6/30/15 asset values estimated.  
AVA is being set equal to MVA and a separate AVA will not be used in future years.



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## FUNDED RATIO – POLICE SAFETY



6/30/14 & 6/30/15 funded status estimated.  
AVA is being set equal to MVA and a separate AVA will not be used in future years.

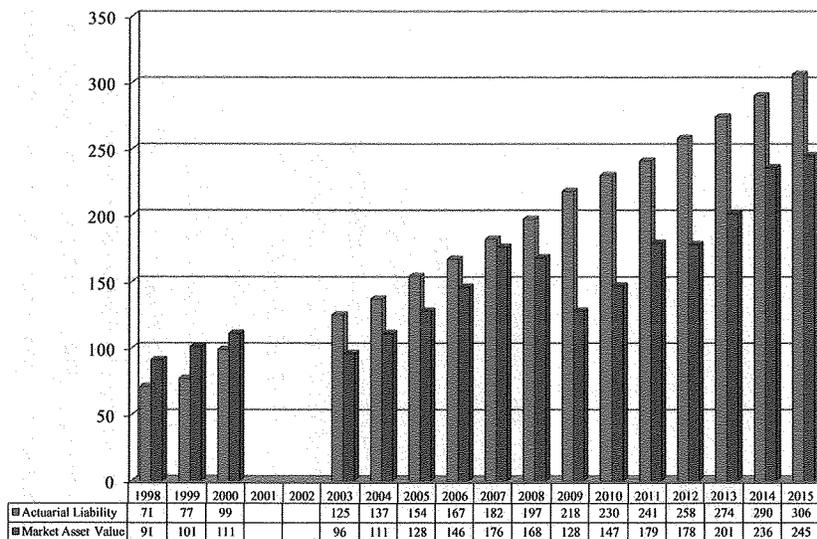


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## FUNDED STATUS (MILLIONS) – POLICE SAFETY



6/30/14 & 6/30/15 funded status estimated

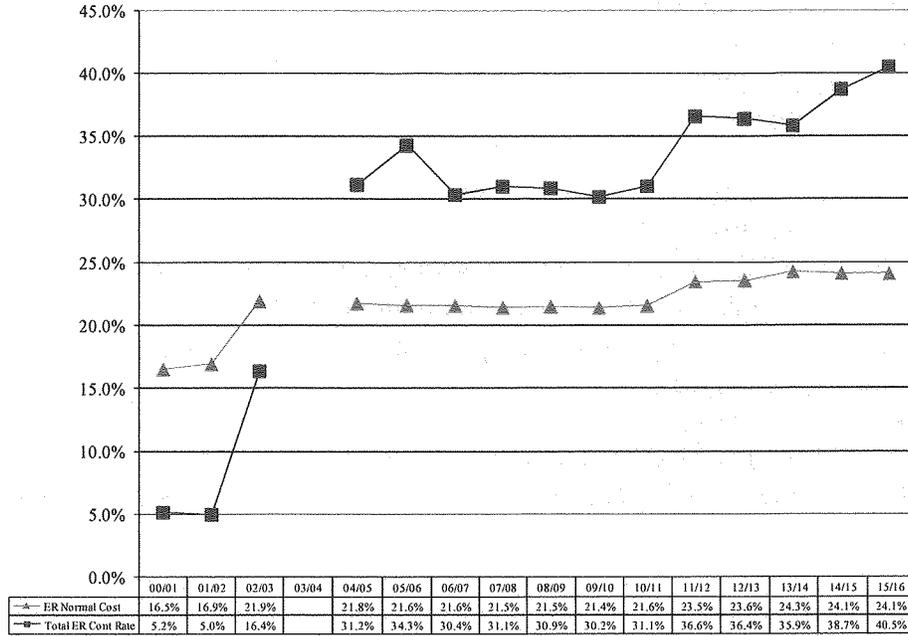


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### CONTRIBUTION RATES – POLICE SAFETY



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### CONTRIBUTION RATES – POLICE SAFETY

	<u>6/30/12</u> <u>2014/2015</u>	<u>6/30/13</u> <u>2015/2016</u>
■ Total Normal Cost	33.1%	33.1%
■ Employee Normal Cost	9.0%	9.0%
■ Employer Normal Cost	24.1%	24.1%
■ Amortization Bases	<u>14.6%</u>	<u>16.4%</u>
■ Total Employer Contribution Rate	38.7%	40.5%
■ What Happened from 6/30/12 to 6/30/13:		
● 2014/15 Rate	38.7%	
● Asset Method Change	1.4%	
● (Gain)/Losses	<u>0.4%</u>	
● 2015/16 Rate	40.5%	



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## CONTRIBUTION PROJECTIONS – POLICE SAFETY

- Market Value Investment Return:
  - June 30, 2012 0.1%<sup>5</sup>
  - June 30, 2013 13.2%<sup>5</sup>
  - June 30, 2014 18.4%<sup>5</sup>
  

	<u>Poor</u>	<u>Expected</u>	<u>Good</u>
● June 30, 2015 <sup>6</sup>	1.9%	4.3%	6.7%
● June 30, 2016 - 2020	0.2% - 4.1%	7.5%	11.3% - 15.1%

  
- No Other: Gains/Losses, Method/Assumption Changes, Benefit Improvements
- Excludes Employer Paid Member Contributions (EPMC)
- Includes CalPERS Board adopted assumption changes, first impact 2016/17
- New hire assumptions:
  - Assumes 50% of 2013 new hires will be Classic Members (3%@50) and 50% will be New Members with PEPRAs benefits.
  - Assumes Classic Members will decrease from 50% to 0% of new hires over 10 years

<sup>5</sup> Based on CalPERS CAFR.

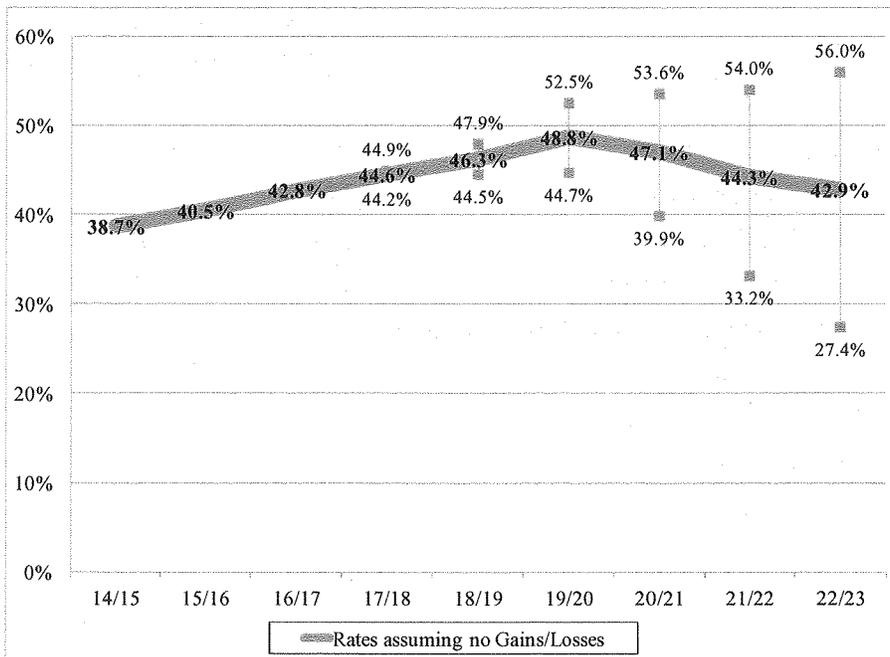
<sup>6</sup> Based on CalPERS return of 1.8% through 2/28/15 and assumed annual return for 4 months.



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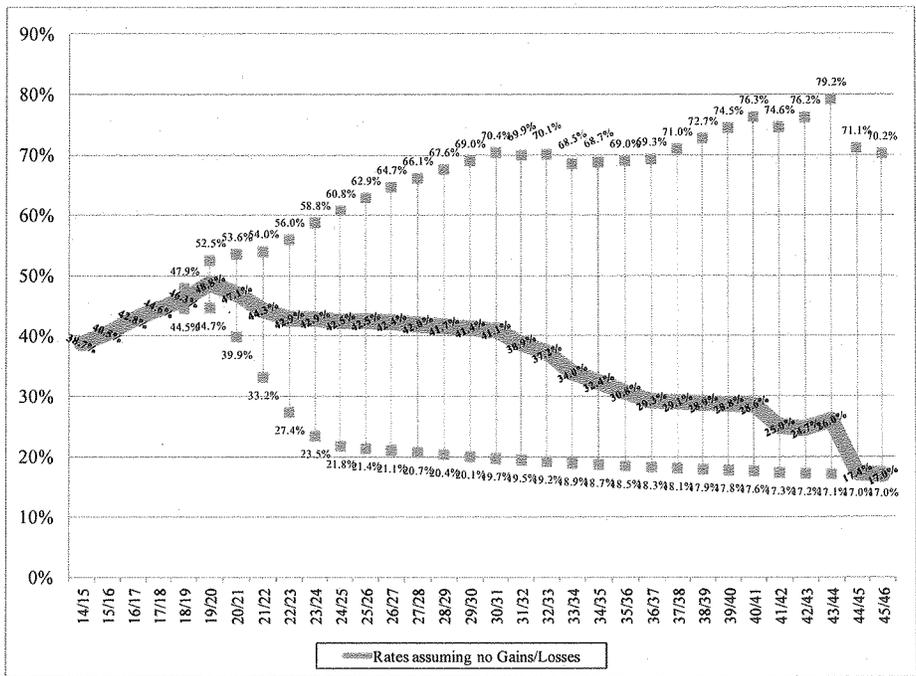
## CONTRIBUTION PROJECTIONS – POLICE SAFETY



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## CONTRIBUTION PROJECTIONS – POLICE SAFETY



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## CONTRIBUTION PROJECTIONS – POLICE SAFETY

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**SUMMARY OF DEMOGRAPHIC INFORMATION – FIRE SAFETY**

	2002	2011	2012	2013
<b>Actives</b>				
■ Counts	85	98	93	98
■ Average PERSable Wages	\$68,900	\$100,100	\$102,000	\$99,400
■ Total PERSable Wages (millions)	5.9	9.8	9.5	9.7
<b>Inactive Counts</b>				
■ Transferred	12	18	17	25
■ Separated	7	10	10	9
■ Receiving Payments	82	112	115	119

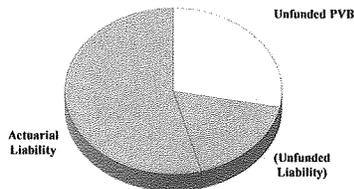


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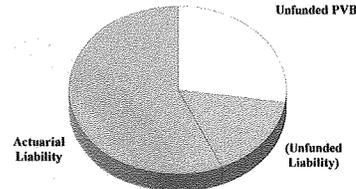


**PLAN FUNDED STATUS – FIRE SAFETY**

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



**Present Value of Benefits  
June 30, 2013**



**June 30, 2012**

\$ 117,600,000  
94,900,000  
(22,700,000)

**Actuarial Liability**  
**Actuarial Asset Value**  
**(Unfunded Liability)**

**June 30, 2013**

\$ 124,500,000  
N/A  
N/A

**June 30, 2012**

\$ 117,600,000  
79,500,000  
(38,100,000)

**Actuarial Liability**  
**Market Asset Value**  
**(Unfunded Liability)**

**June 30, 2013**

\$ 124,500,000  
89,100,000  
(35,400,000)



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**CONTRIBUTION RATES – FIRE SAFETY**

**6/30/12 Valuation  
2014/2015 Contribution Rates**

	<u>Total</u>	<u>Tier I</u> 3%@50	<u>PEPRA</u> 2.7%@57
■ Required Employer Contribution			
● Risk Pool's Net Employer Normal Cost	17.5%	17.5%	12.25%
● Class 1 Benefits			
<input type="checkbox"/> FAC1	1.0%	1.0%	0.00%
<input type="checkbox"/> PRSA	1.7%	1.7%	0.00%
● Risk Pool's Payment on Amortization Bases	9.4%	9.4%	0.00%
● Amortization of Side Fund	<u>8.7%</u>	<u>8.7%</u>	<u>0.00%</u>
● Total ER Contribution	<b>38.3%</b>	<b>38.3%</b>	<b>12.25%</b>
● Total ER Contribution \$	<b>\$3,969</b>		



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**CONTRIBUTION RATES – FIRE SAFETY**

**6/30/13 Valuation  
2015/2016 Contribution Rates**

	<u>Total</u>	<u>Tier I</u> 3%@50	<u>PEPRA</u> 2.7%@57
■ Required Employer Contribution			
● Risk Pool's Net Employer Normal Cost	17.6%	17.6%	12.25%
● Class 1 Benefits			
<input type="checkbox"/> FAC1	1.0%	1.0%	0.00%
<input type="checkbox"/> PRSA	1.7%	1.7%	0.00%
● Risk Pool's Payment on Amortization Bases	11.0%	11.0%	0.00%
● Amortization of Side Fund	<u>8.8%</u>	<u>8.8%</u>	<u>0.00%</u>
● Total ER Contribution	<b>40.0%</b>	<b>40.0%</b>	<b>12.25%</b>
● Total ER Contribution \$	<b>\$4,260</b>		



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## CONTRIBUTION PROJECTIONS – FIRE SAFETY

- Market Value Investment Return:
  - June 30, 2012 0.1%<sup>7</sup>
  - June 30, 2013 13.2%<sup>7</sup>
  - June 30, 2014 18.4%<sup>7</sup>
  

	<u>Poor</u>	<u>Expected</u>	<u>Good</u>
● June 30, 2015 <sup>8</sup>	1.9%	4.3%	6.7%
● June 30, 2016 - 2020	0.2% - 4.1%	7.5%	11.3% - 15.1%

  - No Other: Gains/Losses, Method/Assumption Changes, Benefit Improvements
  - Excludes Employer Paid Member Contributions (EPMC)
  - Includes CalPERS Board adopted assumption changes, first impact 2016/17
  - New hire assumptions:
    - Assumes 50% of 2013 new hires will be Classic Members (3%@50) and 50% will be New Members with PEPRAs benefits.
    - Assumes Classic Members will decrease from 50% to 0% of new hires over 10 years

<sup>7</sup> Based on CalPERS CAFR.

<sup>8</sup> Based on CalPERS return of 1.8% through 2/28/15 and assumed annual return for 4 months.



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## CONTRIBUTION PROJECTIONS – FIRE SAFETY

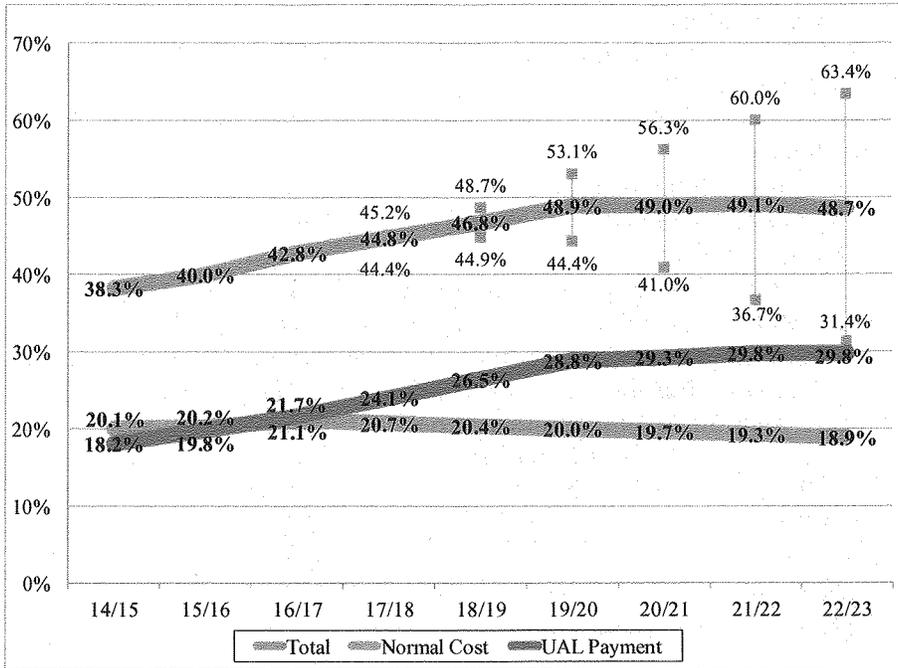
- Contribution projections include
  - New Contribution Policy Changes
  - Risk pool changes
    - Agency's payroll share: 0.771%
    - Agency's liability share: 0.774%
    - Modestly higher contribution because of modestly higher liability share compared to payroll share
  - Contribution policy & risk pool changes took place in June 30, 2013 valuation first affecting 2015/16 contribution rate



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### CONTRIBUTION PROJECTIONS – FIRE SAFETY

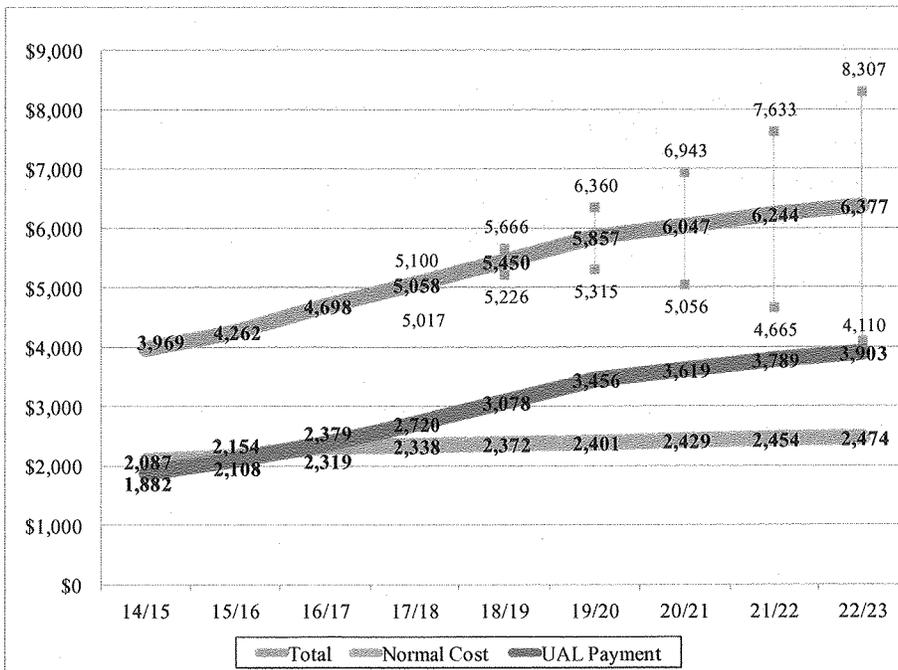


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### CONTRIBUTION PROJECTIONS – FIRE SAFETY



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## 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%).*

■ **Projected June 30, 2014 Unfunded Actuarial Liability (in Millions)**

Plan	Total Pension Liability (AAL)	Fiduciary Net Position (MVA)	Net Pension Liability (UAL)
Police Safety	\$290	\$236	\$54
Fire Safety	132	105	27
Miscellaneous	381	322	59
<b>Total Net Pension Liability</b>			<b>\$140</b>



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## GASB 68

■ **CalPERS:**

- Actuaries have approval from CalPERS Board to make necessary system changes & have begun work.
- Intend to provide June 30, 2015 GASB 68 information in spring 2015.
- Expect to provide only upon request.
- Will charge small fee, set in early 2015.



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## 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>	<u>New Members</u>
	Tier 1 <u>2.0%@55</u>	PEPRA <u>2%@62</u>
● Employer Normal Cost	7.5%	6.55%
● Member Normal Cost	<u>7.0%</u>	<u>6.75%</u>
● Total Normal Cost	14.5%	13.30%
● 50% Target	7.25%	6.65%



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## PEPRA COST SHARING

- Police Safety Plan

	<u>Current Members</u>	<u>New Members</u>
	Tier 1 <u>3.0%@50</u>	PEPRA <u>2.7%@57</u>
● Employer Normal Cost	24.1%	15.2%
● Member Normal Cost	<u>9.0%</u>	<u>15.0%</u>
● Total Normal Cost	33.1%	30.2%
● 50% Target	16.55%	15.1%

- Fire Safety Plan

	<u>Current Members</u>	<u>New Members</u>
	Tier 1 <u>3.0%@50</u>	PEPRA <u>2.7%@57</u>
● Employer Normal Cost	20.2%	12.25%
● Member Normal Cost	<u>9.0%</u>	<u>12.25%</u>
● Total Normal Cost	29.2%	24.50%
● 50% Target	14.6%	12.25%



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## PAYING DOWN THE UNFUNDED LIABILITY

- Pension Obligation Bond (POB)
  - Interest arbitrage between expected CalPERS earnings and rate paid on POB
  - Not guaranteed
- Borrow from General Fund
  - Pay GF back like a loan
  - Payments come from all funds
- Request shorter amortization period of CalPERS
  - Higher short term payments
  - Less interest and lower long term payments
- One time payments
  - Council resolution to use portion of one time money



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## PAYING DOWN THE UNFUNDED LIABILITY

- Internal Service Fund vs. Irrevocable Supplemental (§115) Pension Trust
  - Internal Service Fund
    - Restricted investments
      - Likely low (0.5% - 1.0%) investment returns
      - Short term/high quality
      - Designed for preservation of principal
    - Assets could be used by Council for other purposes
  - Irrevocable Supplemental (§115) Pension Trust
    - One Trust established so far
    - PARS & PFM
    - Investments significantly less restricted
      - Designed for long term returns
      - Likely much higher (5% - 7%) investment return
    - Assets could not be used by Council for other purposes
    - Can only be used to:
      - Reimburse City for CalPERS contributions
      - Make payments directly to CalPERS



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