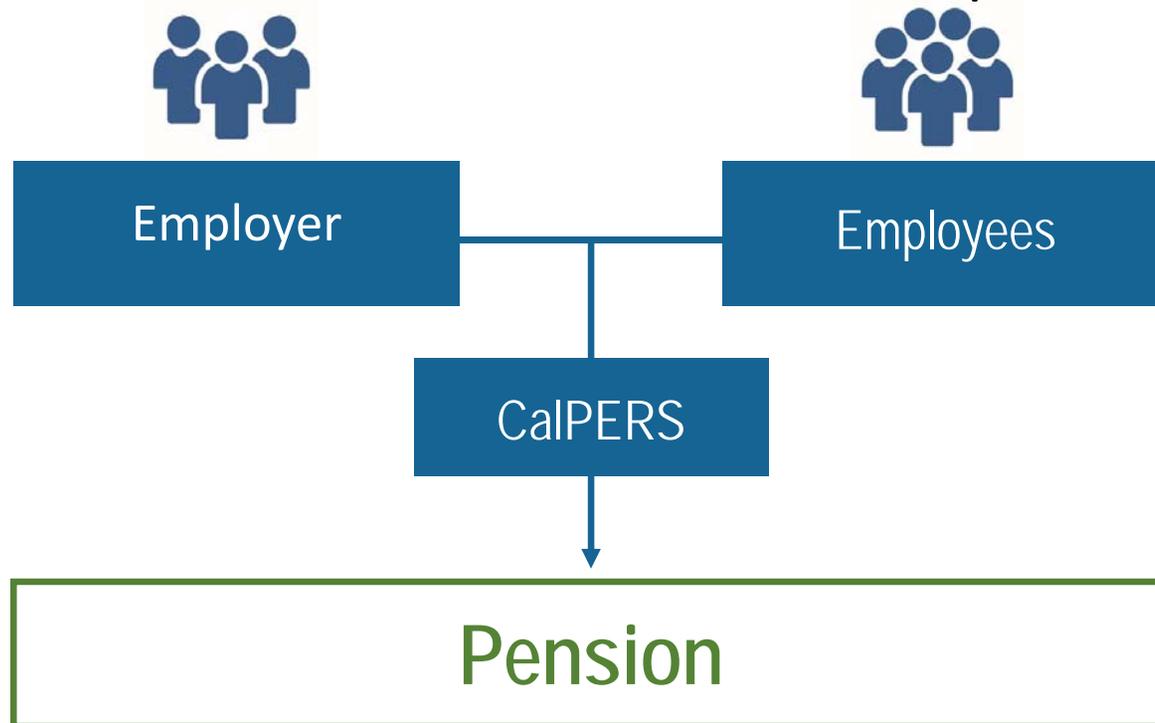


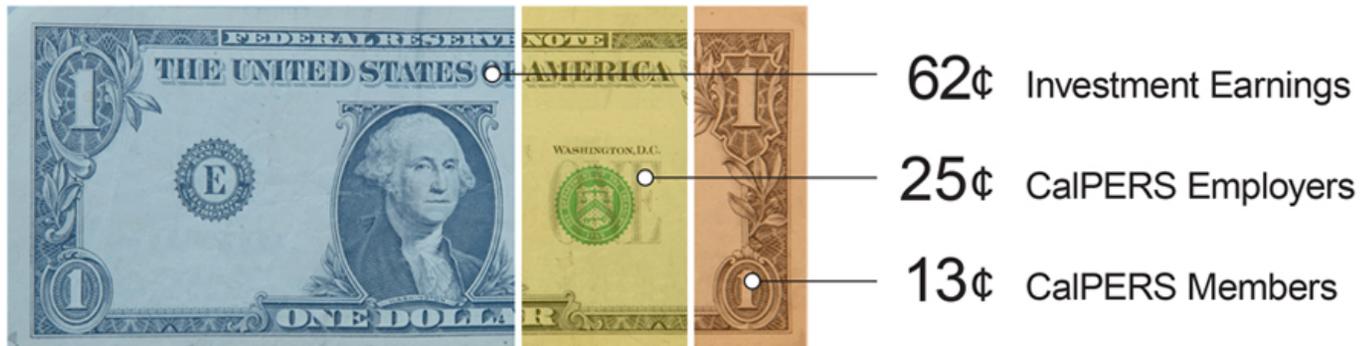
Public Employee Retirement  
System (PERS)  
Special Study Session  
October 17, 2017

# Pensions are a Shared Responsibility



# Shared Responsibility

Every dollar paid to CalPERS retirees comes from three sources:



## Brief Time Line of Events (Truncated)

2000-2001 — CalPERS takes significant hit due to the dot.com bubble  
Fund drops below “Super Funded Status”

**2008-2009** — The Great Recession Hits

The Fund loses 27% or \$67 billion in value—drops to 61.00% funded status. True Impact is 34.75% loss [27 loss+ 7.75(discount rate) = 34.75% Loss]

**2012** — PEPRAs signed into law which established a new tier of employees with less generous benefits (Classic vs. PEPRAs)—Does not modify “Classic” active formulas or retiree benefits.

**Important Note:** Agencies won't feel significant impacts of PEPRAs for 20+ years due to “classic” benefit payouts.

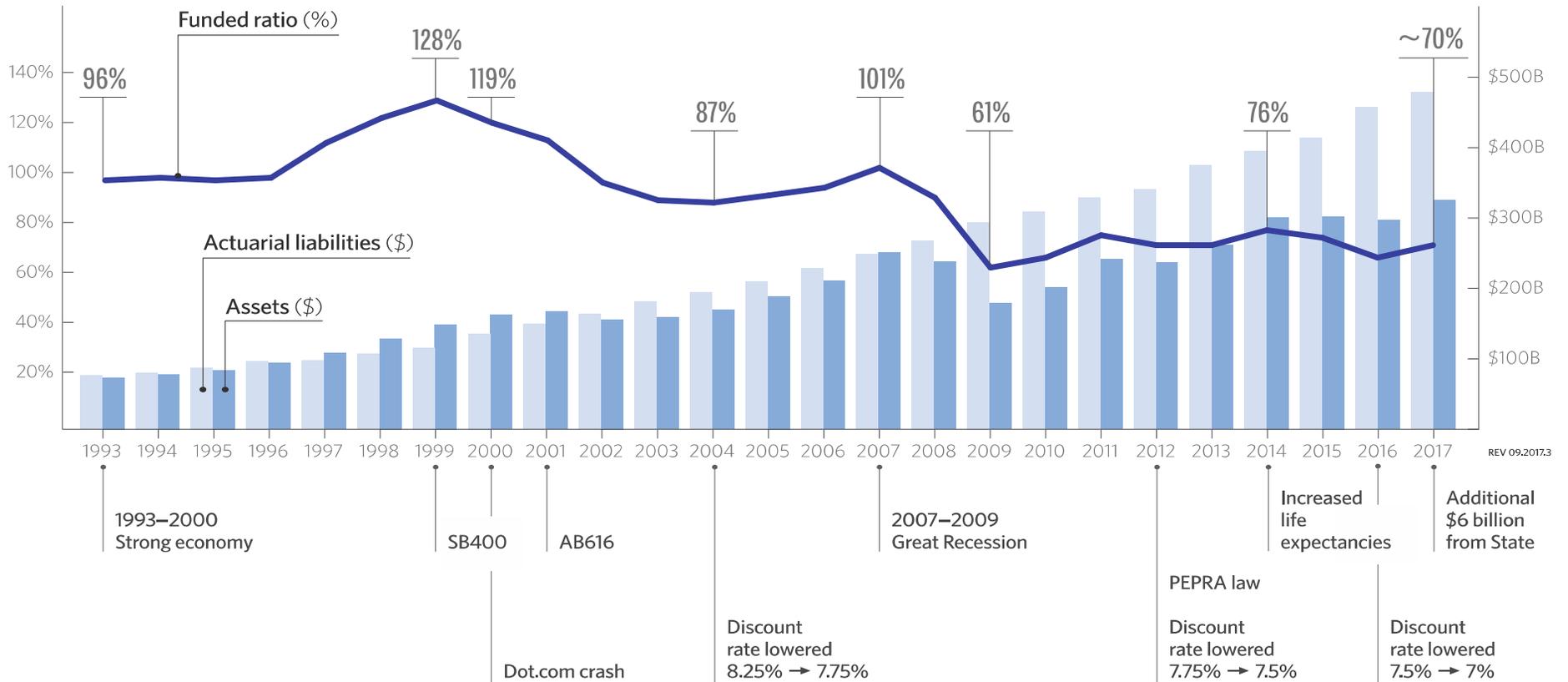
# PERS Historical Rates

	16-17	15-16	14-15	13-14	12-13	11-12	10-11	09-10	08-09	07-08	06-07	05-06	04-05	03-04	02-03	01-02	00-01	99-00	98-99	97-98	96-97	95-96	94-95	93-94
<b>City of Eureka</b>																								
Police (3% @ 50 Safety)**	20.123%	19.263%	42.014%	41.134%	38.328%	38.205%	33.873%	34.395%	33.935%	32.290%	30.049%	29.216%	23.644%	6.308%	2.107%	2.277%	4.271%	3.632%	9.837%	8.270%	15.748%	11.583%	11.693%	16.780%
Police PEPR (2.7 % @ 57 Safety)**	12.821%	11.923%	12.250%	12.250%	12.250%																			
ECEA & Unrepresented (Both Classic 2.7% @ 55 & PEPR 2% @ 62)	28.061%	26.362%	24.453%	24.584%	22.429%	21.648%	17.251%	17.064%	17.827%	16.928%	16.028%	16.026%	10.717%	0.000%	0.000%	0.000%	0.000%	0.000%	5.120%	7.100%	7.574%	5.319%		
<b>Humboldt Bay Fire</b>																								
3% @ 50 Safety	21.230%	20.230%	45.308%	42.643%	39.268%	38.699%	34.196%	34.819%	33.518%	30.817%	30.832%	28.925%	23.482%	17.059%	1.726%	1.940%	0.000%	0.000%	6.887%	0.000%	4.031%	7.136%	7.238%	12.062%
2.7 % @ 57 Safety	12.821%	11.923%	12.250%	12.250%	12.250%																			

# PEPRA Example

Annual Salary	Years of Service	Formula	% of Salary	Retirement
50,000	30	2.7%@ 55	81%	40,500
50,000	30	2%@ 62	60%	30,000

# Historical Factors Impact Funded Status (1993-2017)



## Funded Status

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June 30, 2015



Current\*

\*Estimated

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### City of Eureka Plans' Funded Status

	as of 6/30/2016
Police (3% @ 50 Safety)	66.7%
Police PEPRA (2.7 % @ 57 Safety)	90.1%
ECEA & Unrepresented (Both Classic 2.7% @ 55 & PEPRA 2% @ 62)	62.7%

# Approved Discount Rate Phase-In for Public Agencies

**7.5% → 7.0%**

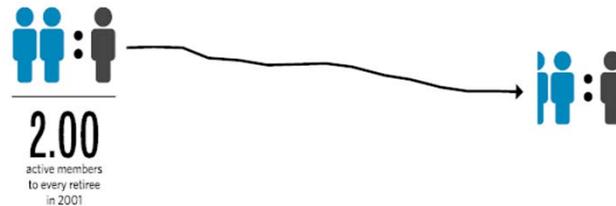
FY 2018-19 – 7.375%

FY 2019-20 – 7.25%

FY 2020-21 – 7.0%

# By The Numbers

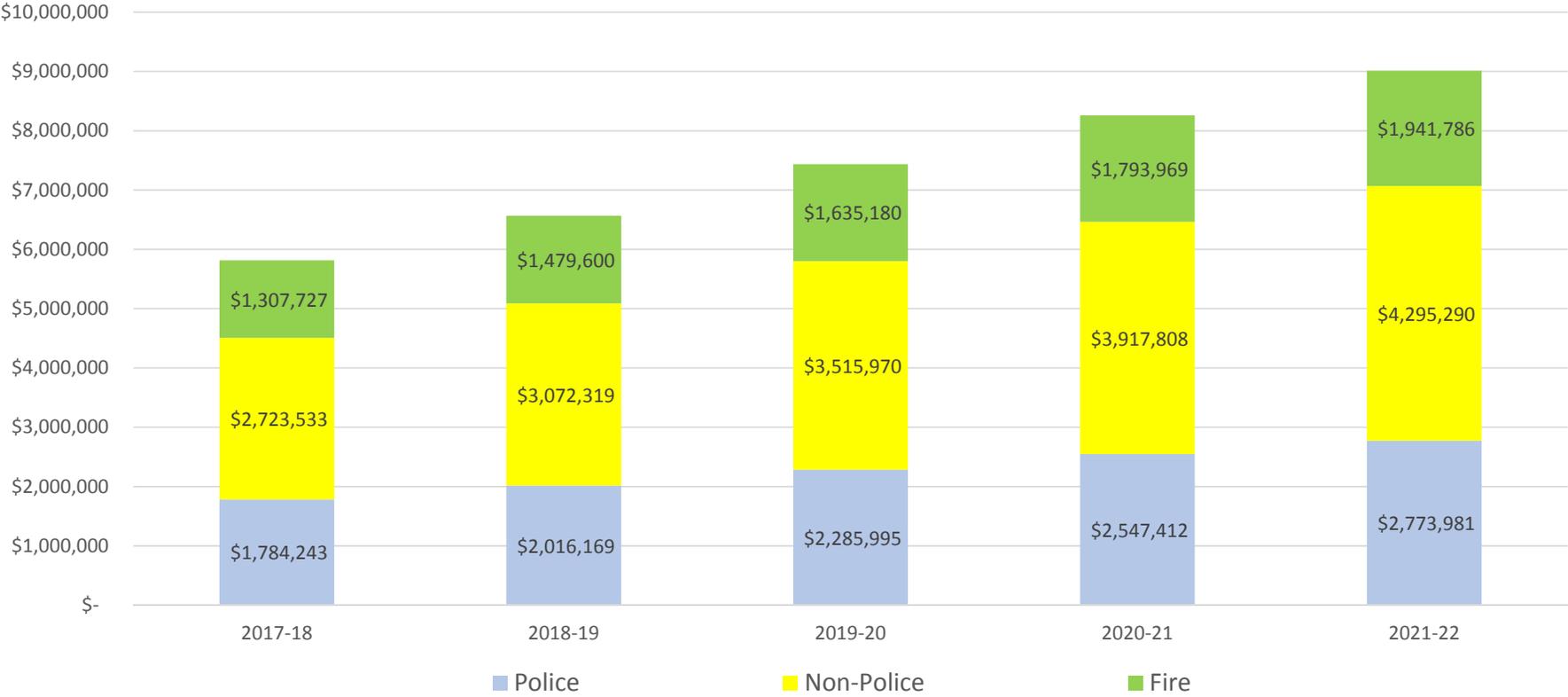
- According to CalPERS:
  - In 2001 there were two active workers for every retiree.
  - In 2016 there were 1.3 active employees for every retiree
  - It is projected that within the next 10-20 years there will be 0.6 workers for every retiree (CalPERS 2016 Annual Review of funding levels and Risk September 20, 2016).



# Projected PERS Rates

City of Eureka	17-18	18-19	19-20	20-21	21-22
Police (3% @ 50 Safety)**	20.310%	21.206%	22.100%	23.900%	23.900%
Unfunded Liability	1,160,917	1,346,122	1,558,000	1,722,000	1,923,000
Unfunded Liability per FTE	38,697	44,871	51,933	57,400	64,100
Police PEPR (2.7 % @ 57 Safety)**	12.729%	12.965%	13.200%	13.900%	13.900%
Unfunded Liability	276	1,305	2,800	5,400	8,000
Unfunded Liability per FTE	15	73	156	300	444
ECEA** & Unrepresented (Both Classic 2.7% @ 55 & PEPR 2% @ 62)	9.701%	9.636%	10.100%	11.100%	11.100%
Unfunded Liability	1,969,121	2,298,306	2,671,000	2,948,000	3,297,000
Unfunded Liability per FTE	12,870	15,022	17,458	19,268	21,549
Humboldt Bay Fire					
3% @ 50 Safety	21.418%	22.346%	23.300%	25.100%	25.100%
Unfunded Liability	966,479	1,126,542	1,292,000	1,421,000	1,581,000
Unfunded Liability per FTE	34,517	40,234	46,143	50,750	56,464
2% @ 50 Safety	16.498%	17.334%	18.100%	19.500%	19.500%
Unfunded Liability	297,671	364,735	408,000	462,000	529,000
Unfunded Liability per FTE	17,510	21,455	24,000	27,176	31,118
2.7 % @ 57 Safety	12.479%	13.215%	13.200%	13.900%	13.900%
Unfunded Liability	48	1,686	1,800	2,000	2,300
Unfunded Liability per FTE	5	169	180	200	230
2% @ 62 MISC	6.533%	6.842%	6.800%	7.100%	7.100%
Unfunded Liability	21	730	770	870	980
Unfunded Liability per FTE	11	365	385	435	490
* FTE = # Full-time employees					
** City MOU's have negotiated that employees pay 3% of the employer's portion of PERS					

# Projected PERS Costs



# Projected PERS Costs per FTE





# 5-Year Projection

## Yrs: 2017-18 - 2021-22

	Health Insur																
Police	809,745	873,085	941,492	1,015,371	1,095,160		63,340	68,407	73,879	79,789	285,415		8%	8%	8%	8%	
ECEA	1,192,858	1,285,983	1,386,558	1,495,178	1,612,488		93,125	100,575	108,620	117,310	419,630		8%	8%	8%	8%	
Unrepresented	469,176	504,119	541,856	582,613	626,630		34,943	37,737	40,757	44,017	157,454		7%	7%	8%	8%	
Elected Officials	55,344	59,772	64,554	69,718	75,295		4,428	4,782	5,164	5,577	19,951		8%	8%	8%	8%	
City	2,527,123	2,722,959	2,934,460	3,162,880	3,409,573		195,836	211,501	228,420	246,693	882,450		8%	8%	8%	8%	
Fire	444,387	479,938	518,333	559,800	604,584		35,551	38,395	41,467	44,784	160,197		8%	8%	8%	8%	
Fire - less 35% paid by Humboldt #1 Fire District)	(155,535)	(167,978)	(181,417)	(195,930)	(211,604)		(12,443)	(13,438)	(14,513)	(15,674)	(56,069)		8%	8%	8%	8%	
Total Fire	288,852	311,960	336,916	363,870	392,980		23,108	24,957	26,954	29,110	104,128		8%	8%	8%	8%	
	2,815,975	3,034,919	3,271,376	3,526,750	3,802,553		218,944	236,458	255,374	275,803	986,578		8%	8%	8%	8%	
Grand Totals																	
Police	5,776,048	6,014,039	6,306,003	6,637,449	6,881,257		237,991	291,964	331,446	243,808	1,105,209		4%	5%	5%	4%	
Unfunded Liability	1,161,193	1,347,427	1,560,800	1,727,400	1,931,000		186,234	213,373	166,600	203,600	769,807		16%	16%	11%	12%	
Total Police	6,937,241	7,361,466	7,866,803	8,364,849	8,812,257		424,225	505,337	498,046	447,408	1,875,016		6%	7%	6%	5%	
ECEA	6,667,968	6,984,399	7,405,318	7,861,735	8,248,397		316,431	420,919	456,417	386,662	1,580,429		5%	6%	6%	5%	
Unrepresented	4,204,736	4,298,474	4,428,910	4,581,603	4,683,019		93,738	130,436	152,693	101,416	478,283		2%	3%	3%	2%	
Elected Officials	93,608	98,050	102,846	108,052	113,629		4,442	4,796	5,206	5,577	20,021		5%	5%	5%	5%	
Unfunded Liability	1,969,121	2,298,306	2,671,000	2,948,000	3,297,000		329,185	372,694	277,000	349,000	1,327,879		17%	16%	10%	12%	
	12,935,433	13,679,229	14,608,074	15,499,390	16,342,045		743,796	928,845	891,316	842,655	3,406,612		6%	7%	6%	5%	
City	19,872,674	21,040,695	22,474,877	23,864,239	25,154,302		1,168,021	1,434,182	1,389,362	1,290,063	5,281,628		6%	7%	6%	5%	
Fire	4,000,337	4,102,886	4,171,758	4,274,217	4,319,001		102,549	68,872	102,459	44,784	318,664		3%	2%	2%	1%	
Unfunded Liability	1,264,219	1,493,693	1,702,570	1,885,870	2,113,280		229,474	208,877	183,300	227,410	849,061		18%	14%	11%	12%	
Fire - less 35% paid by Humboldt #1 Fire District)	(1,842,595)	(1,958,803)	(2,056,015)	(2,156,030)	(2,251,298)		(116,208)	(97,212)	(100,016)	(95,268)	(408,704)		6%	5%	5%	4%	
Total Fire	3,421,961	3,637,776	3,818,313	4,004,057	4,180,983		215,815	180,537	185,743	176,926	759,021		6%	5%	5%	4%	
Grand Totals	23,294,635	24,678,471	26,293,190	27,868,296	29,335,285		1,383,836	1,614,719	1,575,105	1,466,989	6,040,649		6%	7%	6%	5%	

# Historical PERS vs Total Salaries & Benefits Costs

	Actuals		% of Total
	PERS costs	Salaries & Benefits	
FY03/04	490,797.75	16,494,794.23	2.98%
FY04/05	1,751,168.53	17,709,875.15	9.89%
FY05/06	2,322,126.06	18,740,875.53	12.39%
FY06/07	2,583,266.78	20,255,025.83	12.75%
FY07/08	2,757,763.32	21,107,751.85	13.07%
FY08/09	3,335,693.51	22,358,042.24	14.92%
FY09/10	3,357,352.67	22,403,375.32	14.99%
FY10/11	3,360,185.12	23,211,066.66	14.48%
FY11/12	4,017,899.17	24,312,703.38	16.53%
FY12/13	4,305,581.12	25,805,145.99	16.68%
FY13/14	4,710,397.70	26,416,867.43	17.83%
FY14/15	4,145,104.34	24,024,447.43	17.25%
FY15/16	3,391,073.34	20,855,226.13	16.26%
FY16/17	3,685,910.73	21,505,233.94	17.14%

# Cost to Pullout of PERS (Hypothetical Termination Liability)

Discount Rate:		@ 1.75%	@ 3.00%
Police (3% @ 50 Safety)		76,221,087	59,421,270
Police PEPRA (2.7 % @ 57 Safety)		758,096	459,489
ECEA & Unrepresented (Both Classic 2.7% @ 55 & PEPRA 2% @ 62)		<u>115,471,143</u>	<u>92,686,721</u>
Total		192,450,326	152,567,480

A more conservative investment policy and asset allocation strategy was adopted by the CalPERS Board for the Terminated Agency Pool. The Terminated Agency Pool has limited funding sources since no future employer contributions will be made. Therefore, expected benefit payments are secured by risk-free assets and benefit security for members is increased while limiting the funding risk. However, this asset allocation has a lower expected rate of return than the PERF and consequently, a lower discount rate assumption. The lower discount rate for the Terminated Agency Pool results in higher liabilities for terminated plans.