



BARTEL
ASSOCIATES, LLC

**CITY OF BEAUMONT
MISCELLANEOUS AND SAFETY PLANS**

**CalPERS Actuarial Issues – 6/30/18 Valuation
Preliminary Results**

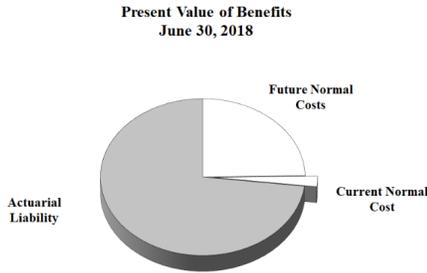
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January 16, 2020

<u>Topic</u>	<u>Contents</u>	<u>Page</u>
Background		1
Miscellaneous Plan:		
Historical Information		13
Projections		21
Safety Plan:		
Historical Information		31
Projections		39
Combined Miscellaneous and Safety		49
Leaving CalPERS		51
PEPRA Cost Sharing		53
Paying Down the Unfunded Liability		55
Example of Additional Payments		65



DEFINITIONS



- **PVB - Present Value of all Projected Benefits:**
 - The value now of amounts due to be paid in the future
 - Discounted value (at valuation date - 6/30/18), of all future expected benefit payments based on various (actuarial) assumptions

- **Current Normal Cost (NC):**
 - Portion of PVB allocated to (or “earned” during) current year
 - Value of employee and employer current service benefit
- **Actuarial Liability (AAL):**
 - Discounted value (at valuation date) of benefits earned through valuation date [value of past service benefit]
 - Portion of PVB “earned” at measurement

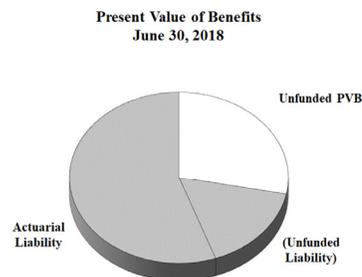
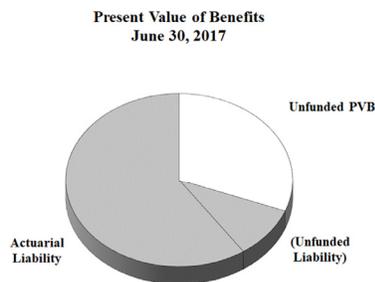


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1



DEFINITIONS



- **Target-** Have money in the bank to cover Actuarial Liability (past service)
- **Unfunded Liability (UAAL or UAL) - Money short of target at valuation date**
 - If all actuarial assumptions were always exactly met, then the plan assets would always equal AAL
 - Any difference is the unfunded (or overfunded) AAL
 - Every year, the actuary calculates the difference between the expected UAAL and Actual UAAL. This is a new layer or amortization base
 - Each new layer gets amortized (paid off) over a period of time as part of the contribution [rate].



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2



HOW WE GOT HERE

- Investment Losses
- CalPERS Contribution Policy
- Enhanced Benefits
- Demographics

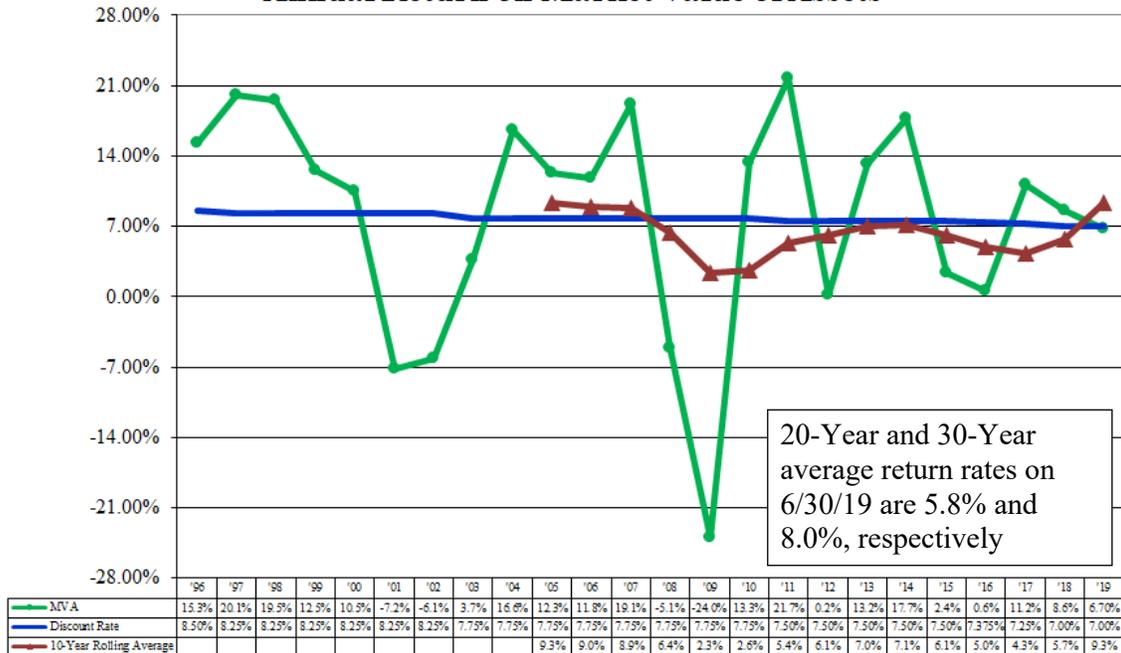


January 16, 2020



HOW WE GOT HERE – INVESTMENT RETURN

Annual Return on Market Value of Assets



Returns (after 2001) shown are gross returns, unreduced for administrative expenses. The discount rate is based on expected returns net of administrative expenses.



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HOW WE GOT HERE – OLD CONTRIBUTION POLICY

- Effective with 2003 valuations:
 - Slow (15 year) recognition of investment losses into funded status
 - Rolling 30 year amortization of all (primarily investment) losses

- Designed to:
 - First smooth rates and
 - Second pay off UAL

- Mitigated contribution volatility



HOW WE GOT HERE – ENHANCED BENEFITS

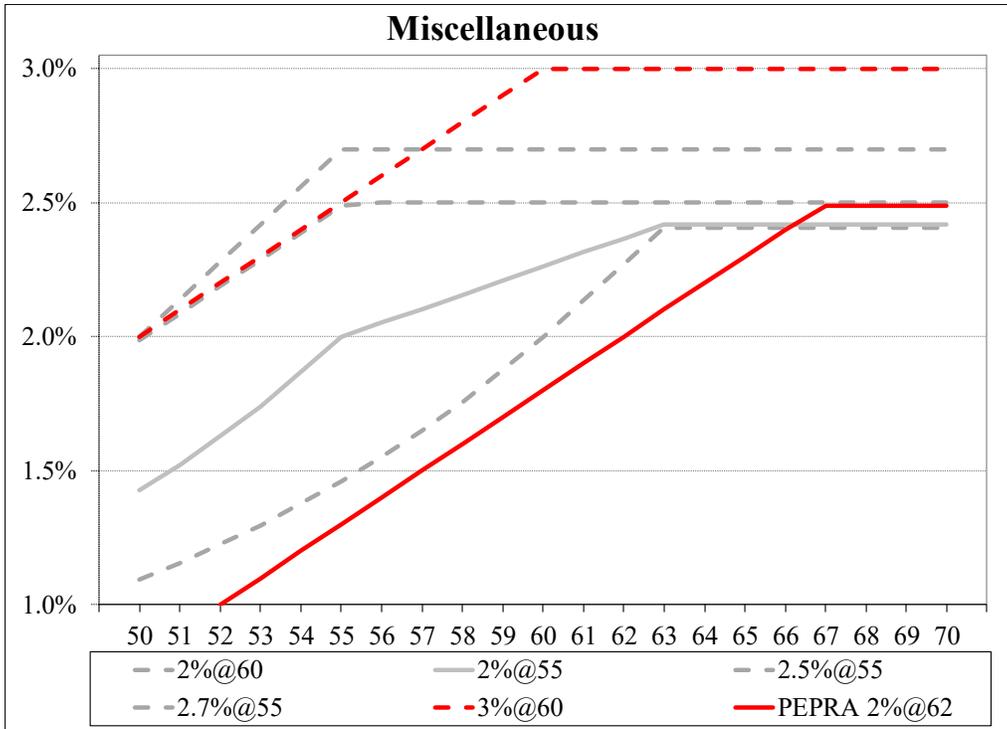
- At CalPERS, Enhanced Benefits implemented using all (future & prior) service
- Typically not negotiated with cost sharing
- City of Beaumont

	Tier 1	PEPRA
● Miscellaneous	3%@60 FAE1	2%@62 FAE3
● Safety Police	3%@50 FAE1	2.7%@57 FAE3

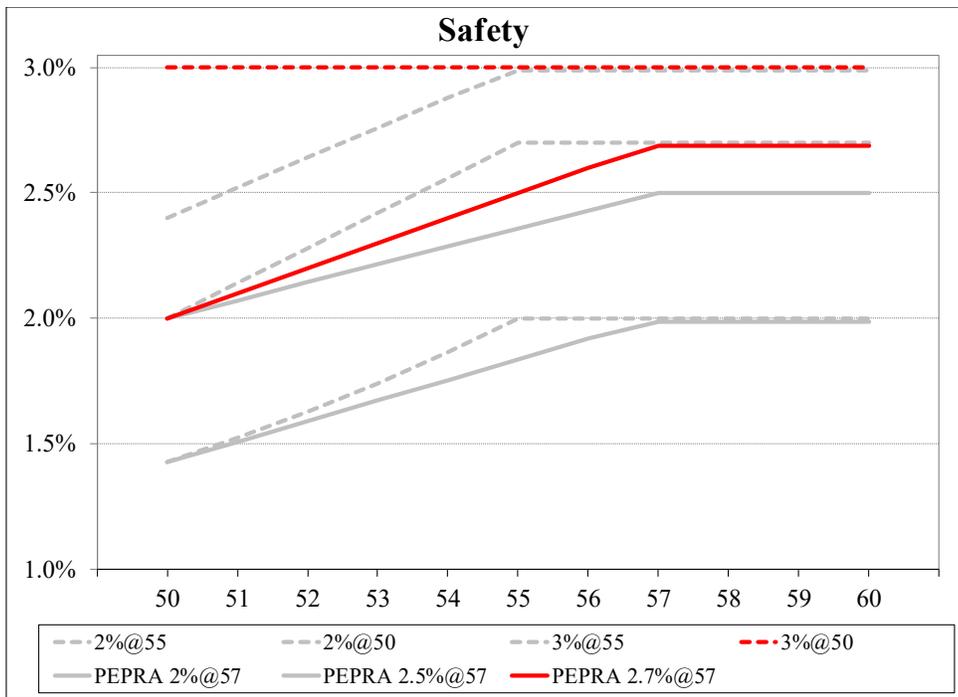
- Note:
 - FAE1 is highest one year (typically final) average earnings
 - FAE3 is highest three years (typically final three) average earnings
- PEPRA tier implemented for new employees hired after 1/1/13
 - Employee pays half of total normal cost
 - 2019 Compensation limit
 - Social Security participants: \$124,180
 - Non-Social Security participants: \$149,016



HOW WE GOT HERE – ENHANCED BENEFITS



HOW WE GOT HERE – ENHANCED BENEFITS



HOW WE GOT HERE – DEMOGRAPHIC

- Around the State
 - Large retiree liability compared to actives
 - State average: 56% for Miscellaneous, 65% for Safety
 - Declining active population and increasing number of retirees
 - Higher percentage of retiree liability increases contribution volatility

- City of Beaumont percentage of liability belonging to retirees:
 - Miscellaneous 39%
 - Safety 56%



January 16, 2020

9



CALPERS CHANGES

- Recent contribution policy changes:
 - No asset smoothing
 - No rolling amortization
 - 5-year ramp up
- February 2018: CalPERS adopted new amortization policy
 - Applies only to newly established amortization bases
 - Fixed dollar amortization rather than % pay
 - Amortize gains/losses over 20 rather than 30 years
 - 5-year ramp up (not down) for investment gains and losses
 - No ramp up/down for other amortization bases
 - Minimizes total interest paid over time and pays off UAL faster
 - Effective June 30, 2019 valuation for 2021/22 contributions

- CalPERS Board changed the discount rate:

	<u>Rate</u>	<u>Initial Impact</u>	<u>Full Impact</u>
● 6/30/16 valuation	7.375%	18/19	22/23
● 6/30/17 valuation	7.25%	19/20	23/24
● 6/30/18 valuation	7.00%	20/21	24/25



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10



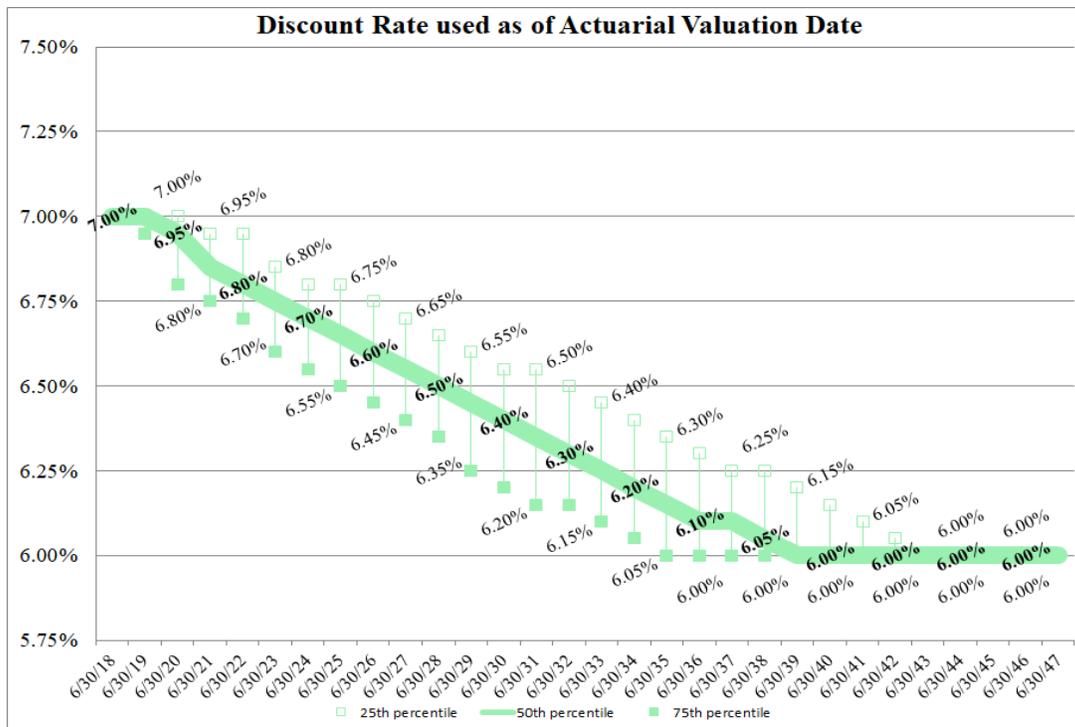
CALPERS CHANGES

■ Risk Mitigation Strategy

- Move to more conservative investments over time to reduce volatility
- Only when investment return is better than expected
- Lower discount rate in concert
- Essentially use $\approx 50\%$ of investment gains to pay for cost increases
- Likely get to 6.0% discount rate over 20+ years
- Risk mitigation suspended from 6/30/16 to 6/30/18 valuation
- Did not trigger for 6/30/19 valuation



CALPERS CHANGES



SUMMARY OF DEMOGRAPHIC INFORMATION - MISCELLANEOUS

	2012	2015	2017	2018
Actives				
■ Counts	101	92	83	100
■ Average PERSable Wages	\$ 56,200	\$ 64,500	\$ 60,900	\$ 64,800
■ Total PERSable Wages	5,700,000	5,900,000	5,100,000	6,500,000
Inactive Members				
■ Counts				
• Transferred	17	13	17	16
• Separated	27	31	40	45
• Receiving Payments	54	57	66	68

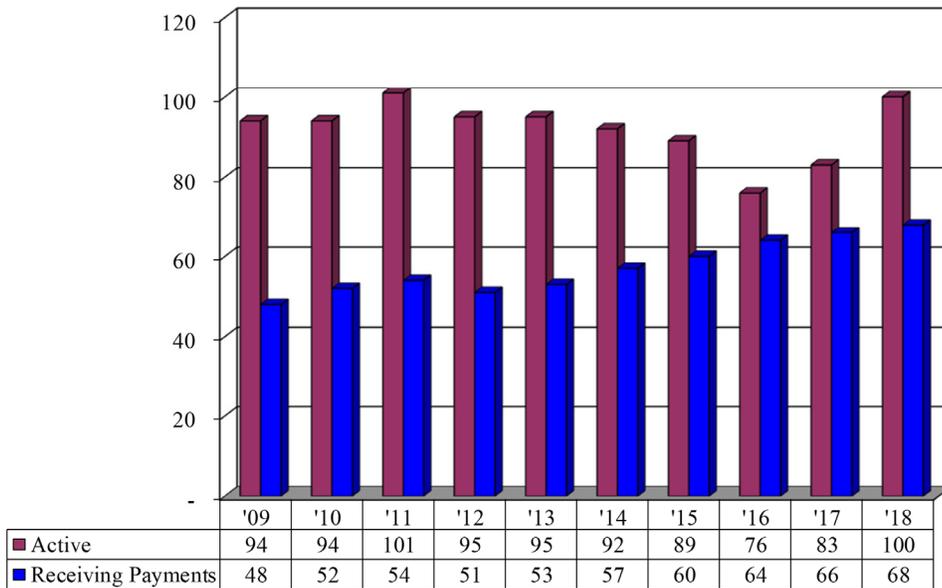


January 16, 2020

13



SUMMARY OF DEMOGRAPHIC INFORMATION - MISCELLANEOUS



January 16, 2020

14



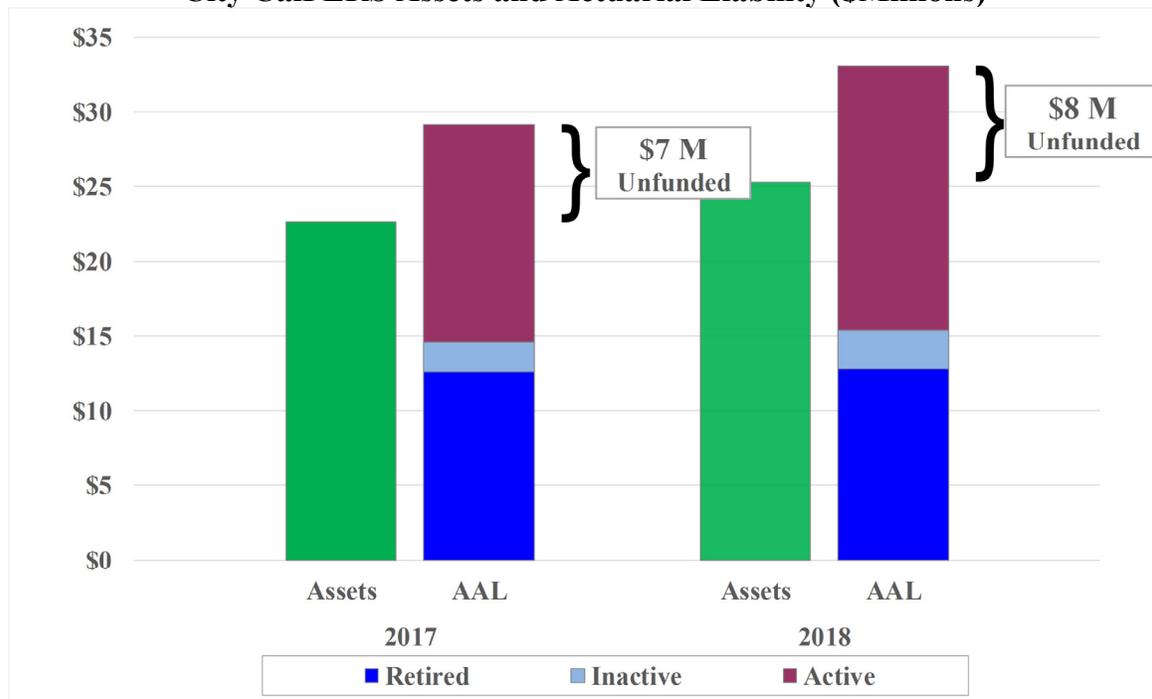
PLAN FUNDED STATUS - MISCELLANEOUS

	<u>June 30, 2017</u>	<u>June 30, 2018</u>
■ Actuarial Accrued Liability		
● Active	\$14,600,000	\$17,700,000
● Retiree	12,600,000	12,800,000
● Inactive	<u>2,000,000</u>	<u>2,600,000</u>
● Total	29,200,000	33,100,000
■ Assets	<u>22,600,000</u>	<u>25,300,000</u>
■ Unfunded Liability	6,600,000	7,800,000
■ Funded Ratio	77.5%	76.5%
■ Average funded ratio for CalPERS Public Agency Miscellaneous Plans	72.7%	71.8%



PLAN FUNDED STATUS - MISCELLANEOUS

City CalPERS Assets and Actuarial Liability (\$Millions)



PLAN FUNDED STATUS - MISCELLANEOUS

Discount Rate Sensitivity

June 30, 2018

	Discount Rate		
	<u>7.00%</u>	<u>6.50%¹</u>	<u>6.00%</u>
AAL	\$33,100,000	\$35,800,000	\$38,400,000
Assets	<u>25,300,000</u>	<u>25,300,000</u>	<u>25,300,000</u>
Unfunded Liability	7,800,000	10,500,000	13,100,000
Funded Ratio	76.5%	70.7%	65.9%

¹ Estimated by Bartel Associates.

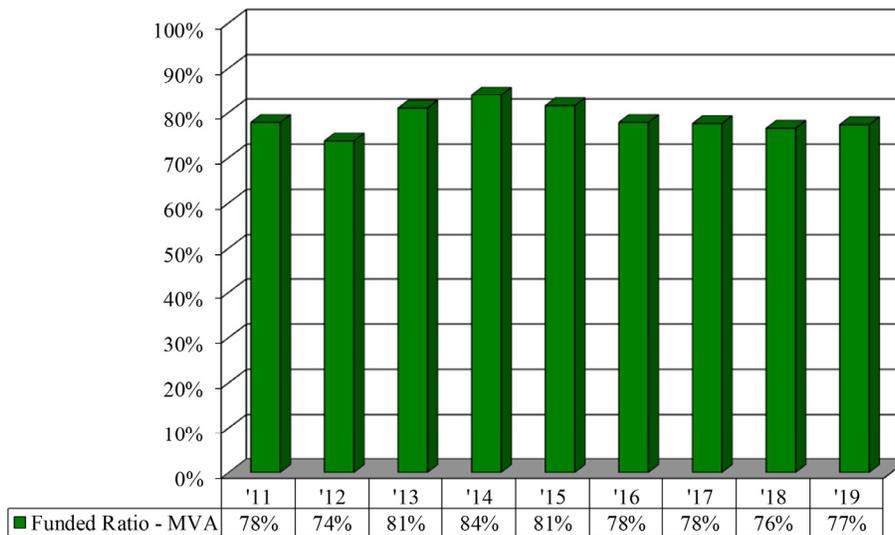


January 16, 2020

17



FUNDED RATIO - MISCELLANEOUS



6/30/19 funded status estimated

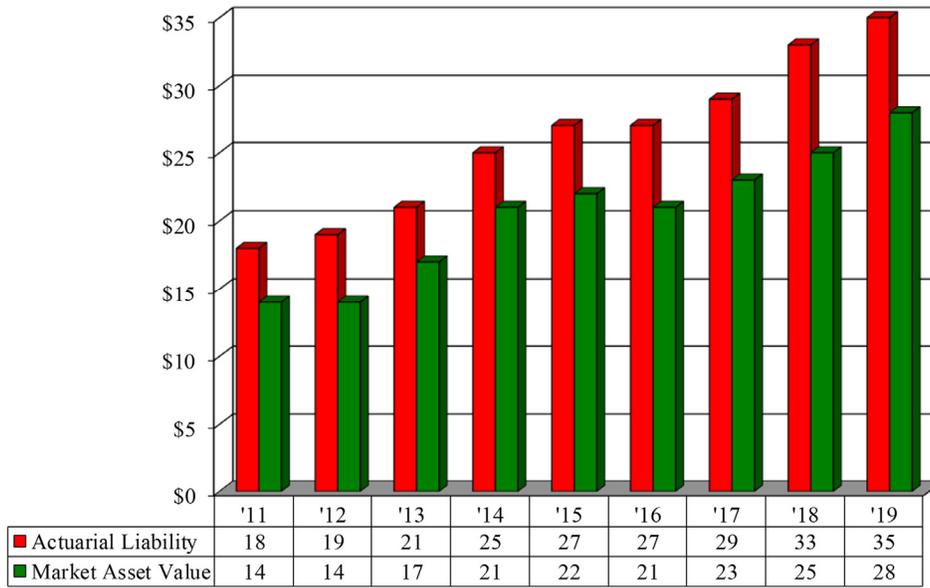


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18



FUNDED STATUS (MILLIONS) - MISCELLANEOUS



6/30/19 funded status estimated

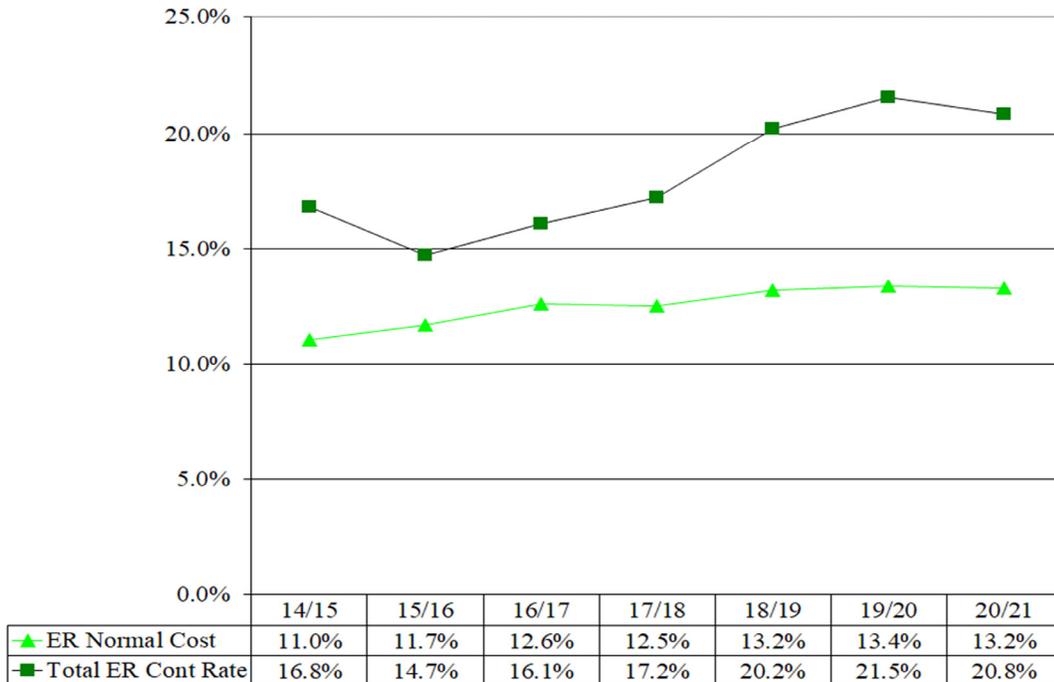


January 16, 2020

19



CONTRIBUTION RATES - MISCELLANEOUS



January 16, 2020

20



CONTRIBUTION RATES - MISCELLANEOUS

	6/30/18 Valuation		
	2020/2021 Contribution Rates		
	<u>Total²</u>	<u>Tier 1</u>	<u>PEPRA</u>
		3%<u>@60</u>	2%<u>@62</u>
■ Base Total Normal Cost	20.2%	22.5%	14.5%
■ 1 year final average pay	<u>0.5%</u>	<u>0.7%</u>	<u>-</u>
■ Total Normal Cost	20.7%	23.2%	14.5%
■ Risk Pool EE Contr. Rate	<u>7.5%</u>	<u>7.8%</u>	<u>6.8%</u>
■ ER Normal Cost	13.2%	15.4%	7.7%
■ Amortization Bases	7.6%	10.4%	0.6%
■ Amortization of Side Fund	<u>-</u>	<u>-</u>	<u>-</u>
■ Total ER Contribution	20.8%	25.8%	8.4%
■ Employee counts	100	69	31
■ Employee payroll (in 000's)	\$ 7,026	\$ 5,026	\$ 2,000
■ Total ER Contribution \$ (in 000's)	\$ 1,465	\$ 1,297	\$ 167

² Weighting of total contribution based on projected classic and PEPRA payrolls



January 16, 2020

21



CONTRIBUTION RATES - MISCELLANEOUS

	<u>6/30/17</u>	<u>6/30/18</u>
	<u>2019/2020</u>	<u>2020/2021</u>
■ Total Normal Cost	21.0%	20.7%
■ Employee Normal Cost	<u>7.6%</u>	<u>7.5%</u>
■ Employer Normal Cost	13.4%	13.2%
■ Amortization Payments	<u>8.2%</u>	<u>7.6%³</u>
■ Total Employer Contribution Rate	21.5%	20.8%
■ 2019/20 Employer Contribution Rate		21.5%
● Payroll > Expected		(2.0%)
● 6/30/14 Assumption Change (5 th Year)		0.5%
● 6/30/16 Discount Rate Change (3 rd Year)		0.2%
● 6/30/17 Discount Rate & Inflation (2 nd Year)		0.2%
● 6/30/18 Discount Rate change (1 st Year)		0.2%
● Other (Gains)/Losses		<u>0.2%</u>
■ 2020/21 Employer Contribution Rate		20.8%

³ Equivalent to 6.5% of UAL. One year, 7% interest on the UAL is 8.2% of payroll.



January 16, 2020

22



CONTRIBUTION PROJECTIONS - MISCELLANEOUS

- Market Value Investment Return:
 - June 30, 2019 6.7%⁴
 - Future returns based on stochastic analysis using 1,000 trials

<u>Single Year Returns at</u> ⁵	<u>25th Percentile</u>	<u>50th Percentile</u>	<u>75th Percentile</u>
Current Investment Mix	0.1%	7.0%	14.8%
Ultimate Investment Mix	0.8%	6.0%	11.4%
 - Assumes investment returns will, generally be 6.5% (as compared to 7.0%) over the next 9 years and higher beyond that.
- Discount Rate decreases due to Risk Mitigation policy
- No Other: Gains/Losses, Method/Assumption Changes, Benefit Improvements
- Different from CalPERS projection

⁴ Gross return based on July 2019 CalPERS press release

⁵ Nth percentile means N percentage of our trials result in returns lower than the indicated rates.



January 16, 2020

23



CONTRIBUTION PROJECTIONS - MISCELLANEOUS

- New hire assumptions:
 - 92.5% of 2019/20 new hires are PEPRAs and 7.5% are Classic members
 - Percentage of PEPRAs member future hires to increase from 92.5% to 100% over 3 years

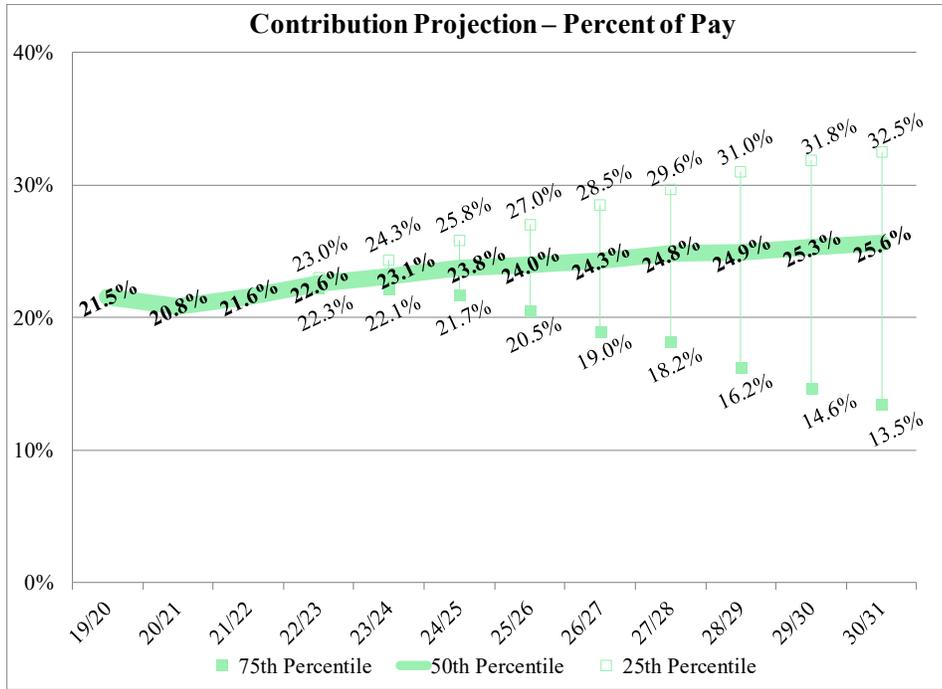


January 16, 2020

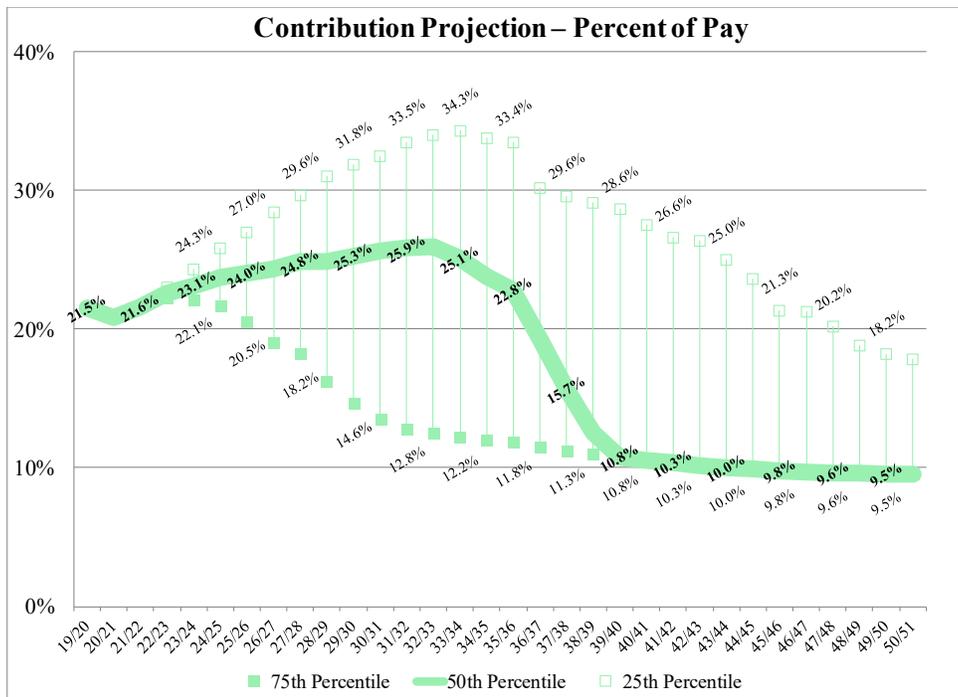
24



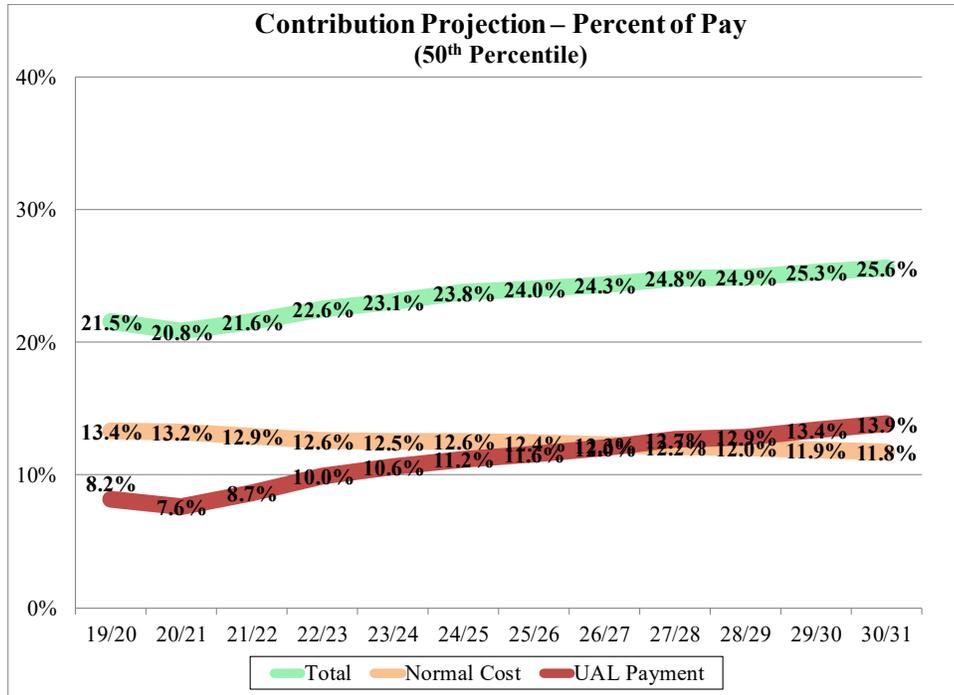
CONTRIBUTION PROJECTIONS - MISCELLANEOUS



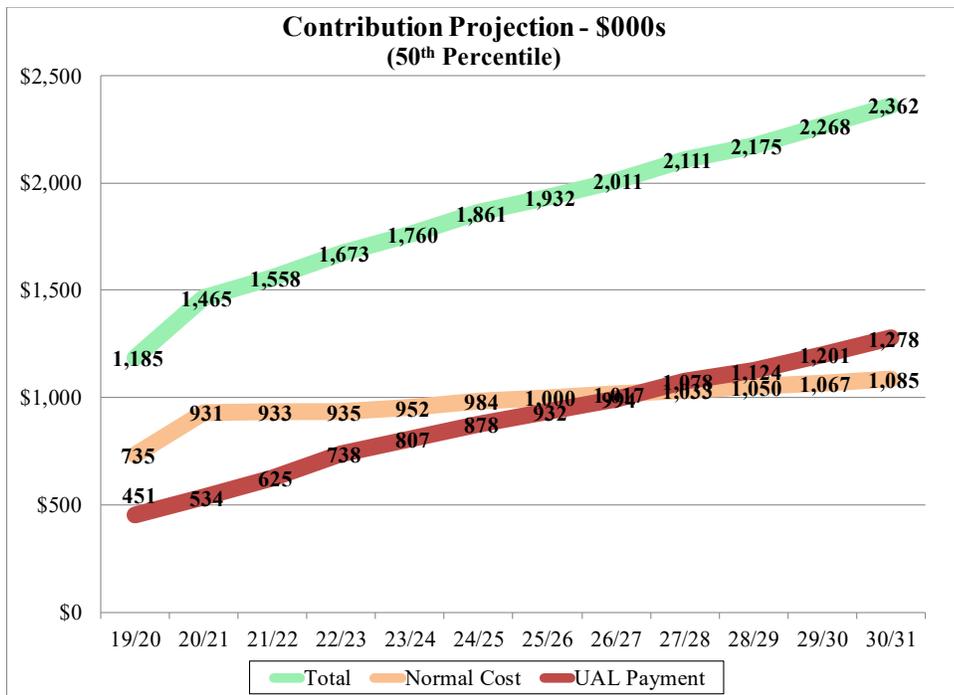
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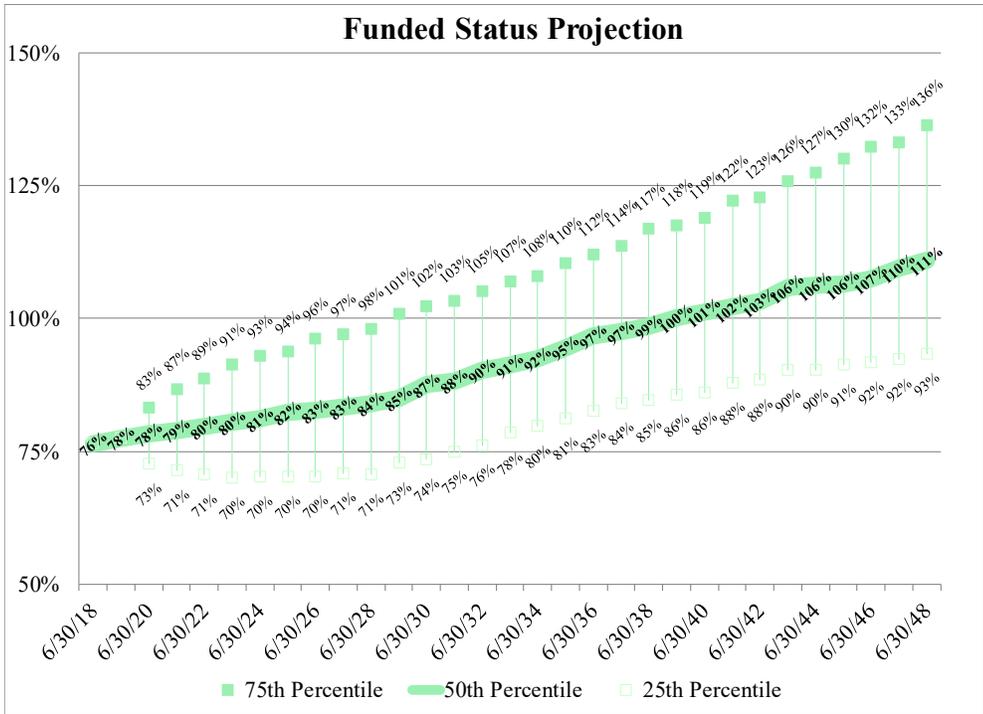
CONTRIBUTION PROJECTIONS - MISCELLANEOUS



CONTRIBUTION PROJECTIONS - MISCELLANEOUS



FUNDED STATUS - MISCELLANEOUS



FUNDED STATUS - MISCELLANEOUS

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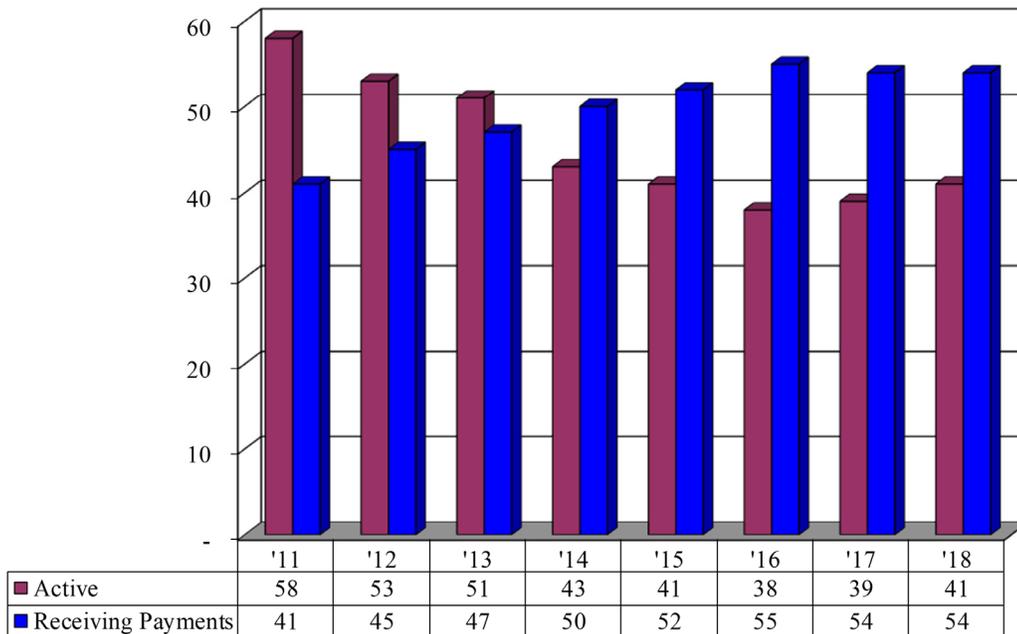


SUMMARY OF DEMOGRAPHIC INFORMATION - SAFETY

	2011	2014	2017	2018
Actives				
■ Counts	58	43	39	41
■ Average PERSable Wages	\$ 93,600	\$ 98,400	\$ 99,000	\$ 100,400
■ Total PERSable Wages	5,400,000	4,200,000	3,900,000	4,100,000
Inactive Members				
■ Counts				
• Transferred	19	21	22	22
• Separated	11	13	14	15
• Receiving Payments	41	50	54	54



SUMMARY OF DEMOGRAPHIC INFORMATION - SAFETY



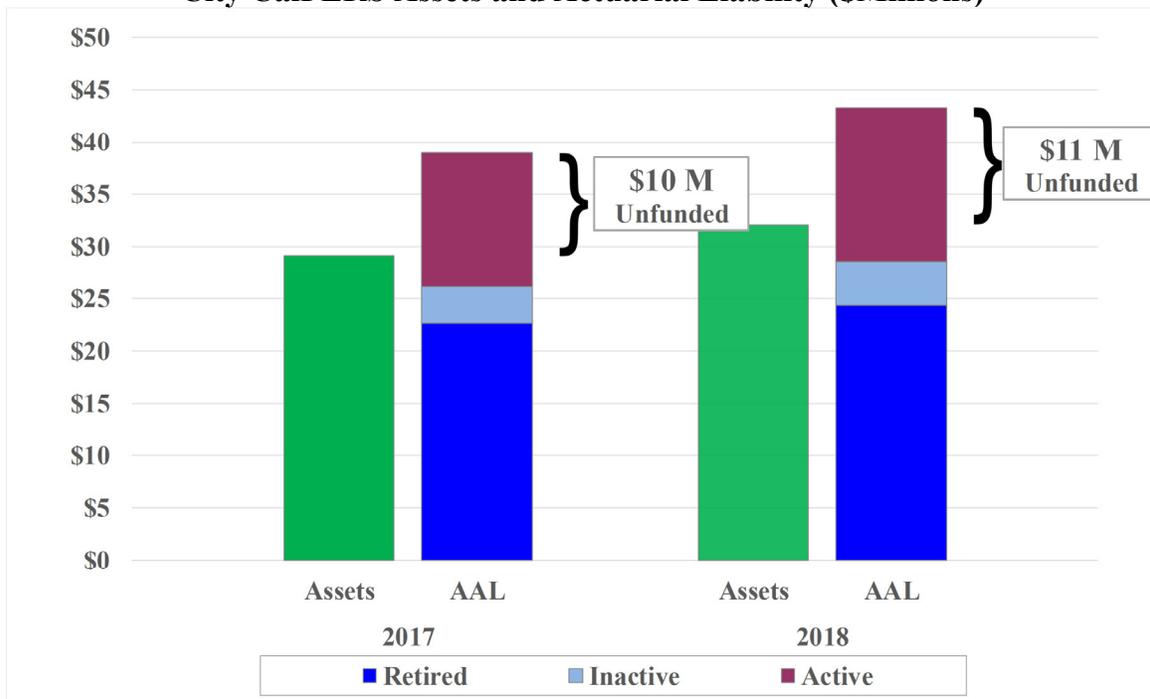
PLAN FUNDED STATUS - SAFETY

	<u>June 30, 2017</u>	<u>June 30, 2018</u>
■ Actuarial Accrued Liability		
● Active	\$12,700,000	\$14,700,000
● Retiree	22,600,000	24,300,000
● Inactive	<u>3,600,000</u>	<u>4,300,000</u>
● Total	38,900,000	43,300,000
■ Assets	<u>29,100,000</u>	<u>32,100,000</u>
■ Unfunded Liability	9,800,000	11,200,000
■ Funded Ratio	74.8%	74.1%
■ Average funded ratio for CalPERS Public Agency Safety Plans	69.4%	68.3%



PLAN FUNDED STATUS - SAFETY

City CalPERS Assets and Actuarial Liability (\$Millions)



PLAN FUNDED STATUS - SAFETY

Discount Rate Sensitivity

June 30, 2018

	<u>Discount Rate</u>		
	<u>7.00%</u>	<u>6.50%⁶</u>	<u>6.00%</u>
AAL	\$43,300,000	\$46,700,000	\$50,000,000
Assets	<u>32,100,000</u>	<u>32,100,000</u>	<u>32,100,000</u>
Unfunded Liability	11,200,000	14,600,000	17,900,000
Funded Ratio	74.1%	68.7%	64.2%

⁶ Estimated by Bartel Associates.

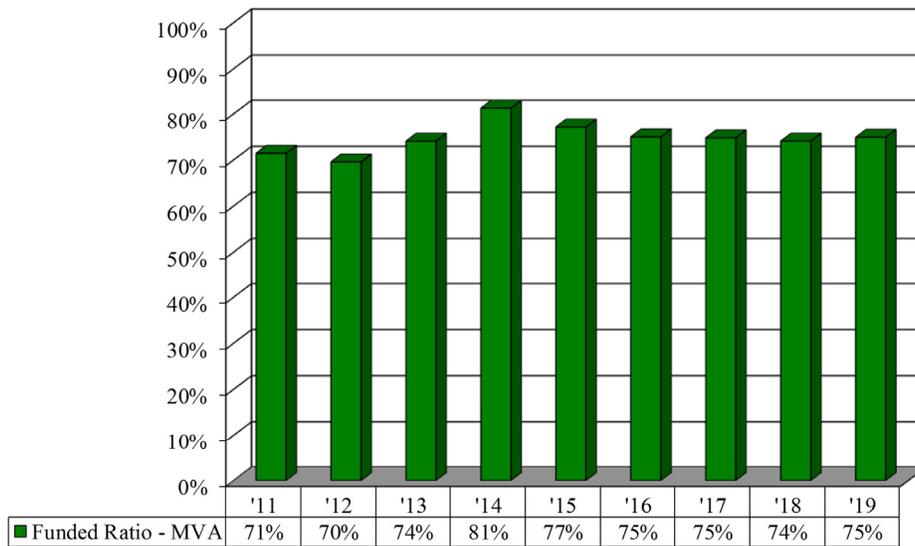


January 16, 2020

35



FUNDED RATIO - SAFETY



6/30/19 funded status estimated

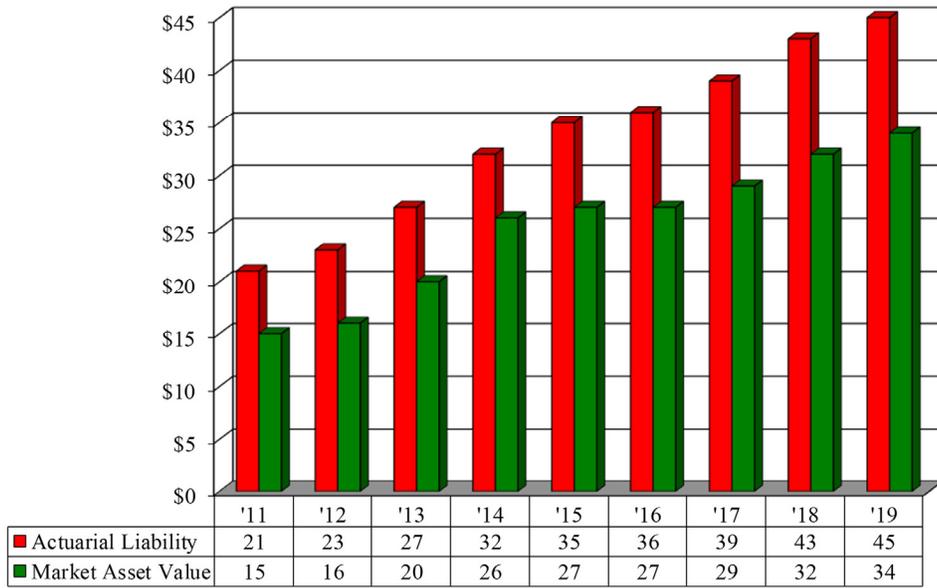


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36



FUNDED STATUS (MILLIONS) - SAFETY



6/30/19 funded status estimated

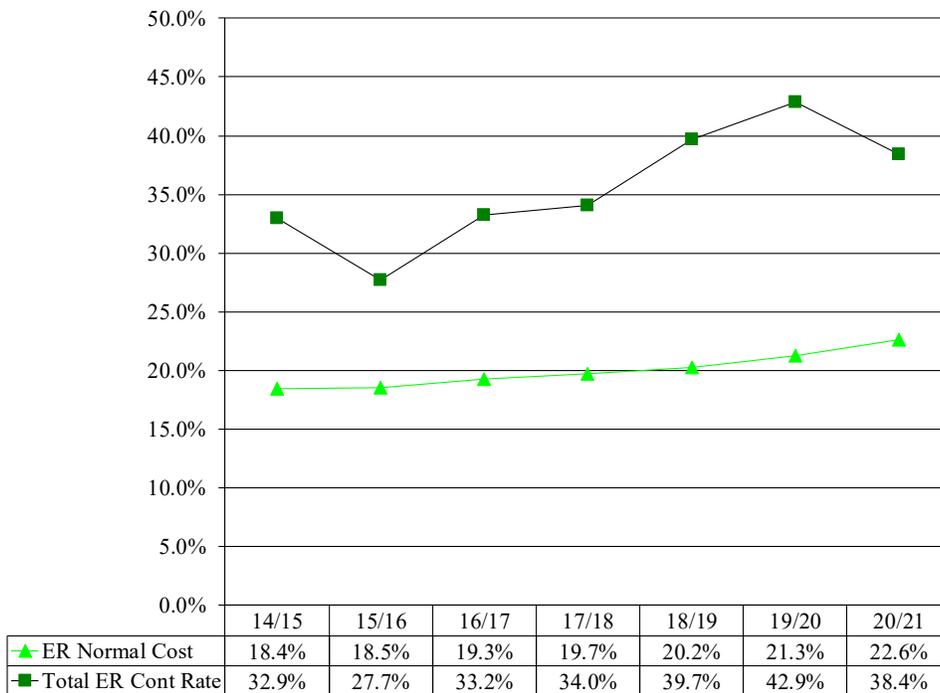


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37



CONTRIBUTION RATES - SAFETY



January 16, 2020

38



CONTRIBUTION RATES - SAFETY

	6/30/18 Valuation		
	2020/2021 Contribution Rates		
	<u>Total</u>⁷	<u>Tier 1</u>	<u>PEPRA</u>
		3%<u>@50</u>	2.7%<u>@57</u>
■ Base Total Normal Cost	30.9%	31.4%	26.0%
■ 1 year final average pay	<u>1.1%</u>	<u>1.2%</u>	<u>-</u>
■ Total Normal Cost	32.0%	32.7%	26.0%
■ Risk Pool EE Contr. Rate	9.4%	9.0%	13.0%
■ ER Normal Cost	22.6%	23.7%	13.0%
■ Amortization Bases	15.8%	17.4%	1.4%
■ Amortization of Side Fund	<u>-</u>	<u>-</u>	<u>-</u>
■ Total ER Contribution	38.4%	41.0%	14.4%
■ Employee counts	41	35	6
■ Employee payroll (in 000's)	\$ 4,466	\$ 4,030	\$ 436
■ Total ER Contribution \$ (in 000's)	\$ 1,715	\$ 1,652	\$ 63

⁷ Weighting of total contribution based on projected classic and PEPRA payrolls



January 16, 2020

39



CONTRIBUTION RATES - SAFETY

	<u>6/30/17</u>	<u>6/30/18</u>
	<u>2019/2020</u>	<u>2020/2021</u>
■ Total Normal Cost	30.5%	32.0%
■ Employee Normal Cost	<u>9.2%</u>	<u>9.4%</u>
■ Employer Normal Cost	21.3%	22.6%
■ Amortization Payments	<u>21.6%</u>	<u>15.8%⁸</u>
■ Total Employer Contribution Rate	42.9%	38.4%
■ 2019/20 Employer Contribution Rate		42.9%
● Payroll > Expected		(0.7%)
● 6/30/14 Assumption Change (5 th Year)		0.9%
● 6/30/16 Discount Rate Change (3 rd Year)		0.3%
● 6/30/17 Discount Rate & Inflation (2 nd Year)		0.4%
● 6/30/18 Discount Rate change (1 st Year)		2.0%
● Side fund base drop off		<u>(7.4%)</u>
■ 2020/21 Employer Contribution Rate		38.4%

⁸ Equivalent to 6.3% of UAL. One year 7% interest in the UAL is 17.6% of payroll



January 16, 2020

40



CONTRIBUTION PROJECTIONS - SAFETY

■ Market Value Investment Return:

- June 30, 2019 6.7%⁹
- Future returns based on stochastic analysis using 1,000 trials

<u>Single Year Returns at</u> ¹⁰	<u>25th Percentile</u>	<u>50th Percentile</u>	<u>75th Percentile</u>
Current Investment Mix	0.1%	7.0%	14.8%
Ultimate Investment Mix	0.8%	6.0%	11.4%

- Assumes investment returns will, generally be 6.5% (as compared to 7.0%) over the next 9 years and higher beyond that.
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- Different from CalPERS projection

⁹ Gross return based on July 2019 CalPERS press release.

¹⁰ Nth percentile means N percentage of our trials result in returns lower than the indicated rates.



January 16, 2020

41



CONTRIBUTION PROJECTIONS - SAFETY

■ New hire assumptions:

- 92.5% of 2019/20 new hires are PEPRAs and 7.5% are Classic members
- Percentage of PEPRAs member future hires to increase from 92.5% to 100% over 3 years

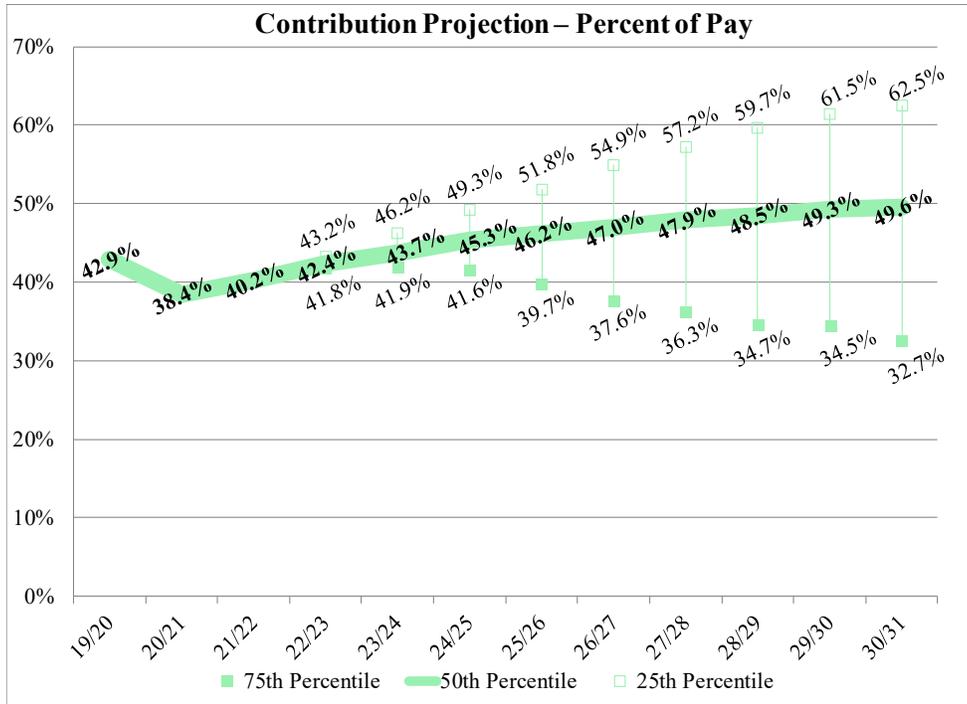


January 16, 2020

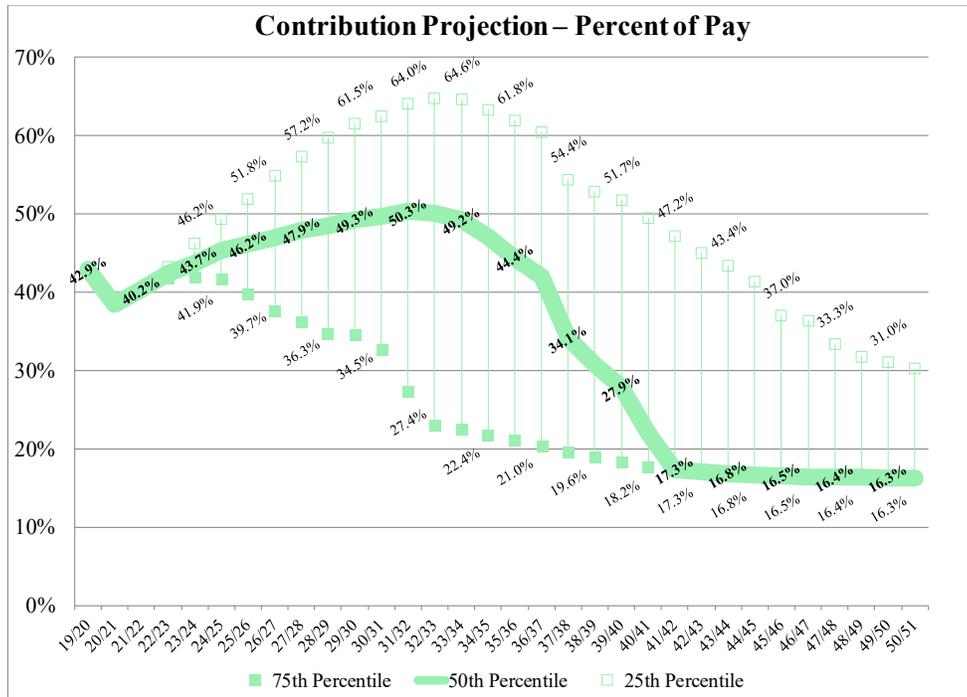
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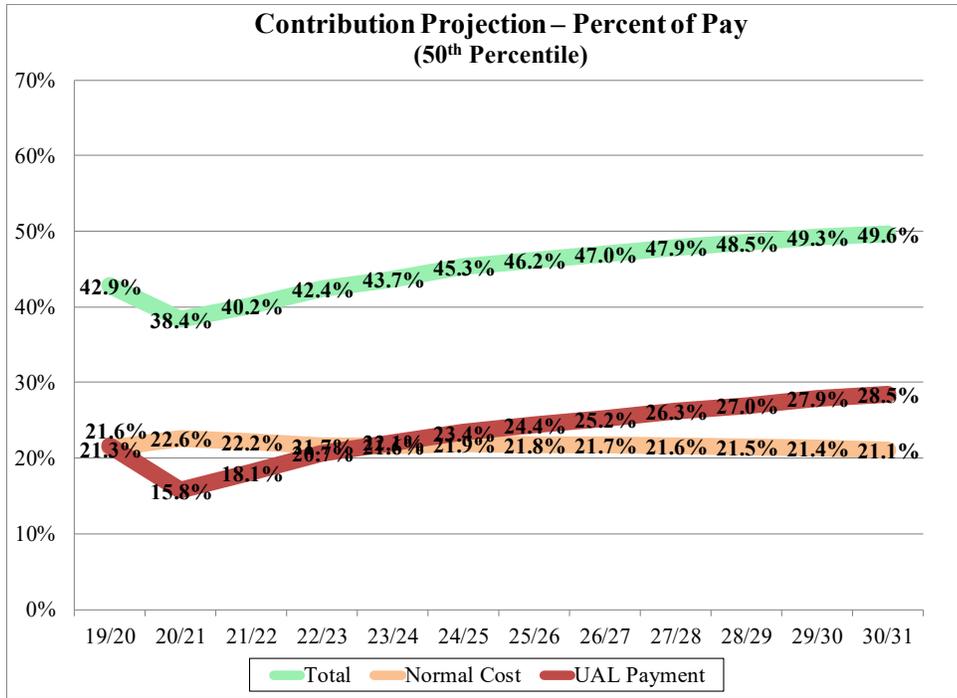
CONTRIBUTION PROJECTIONS - SAFETY



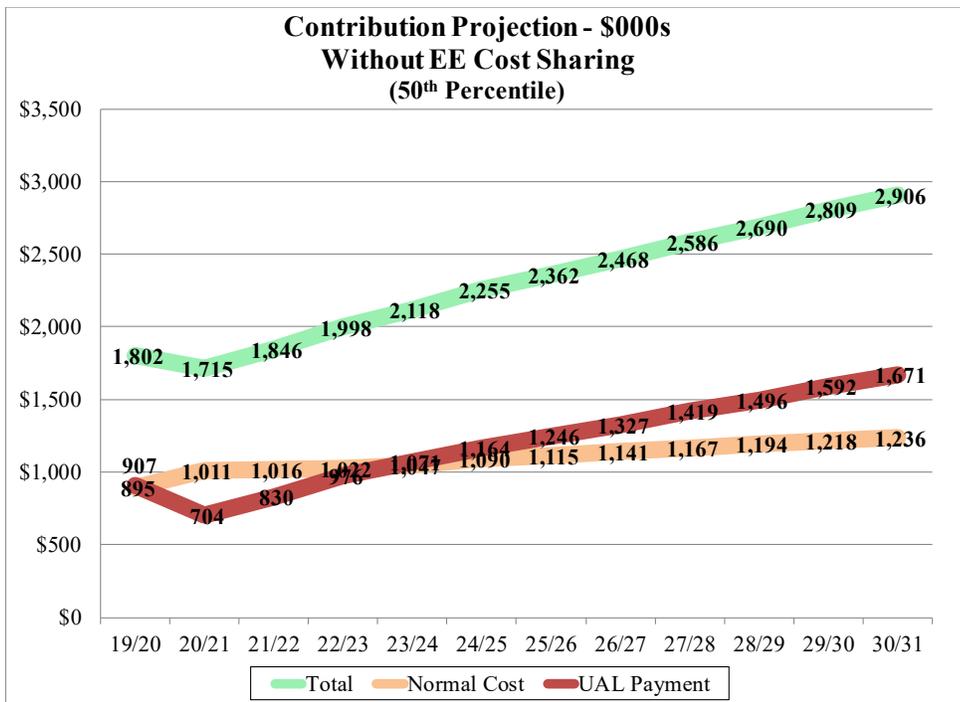
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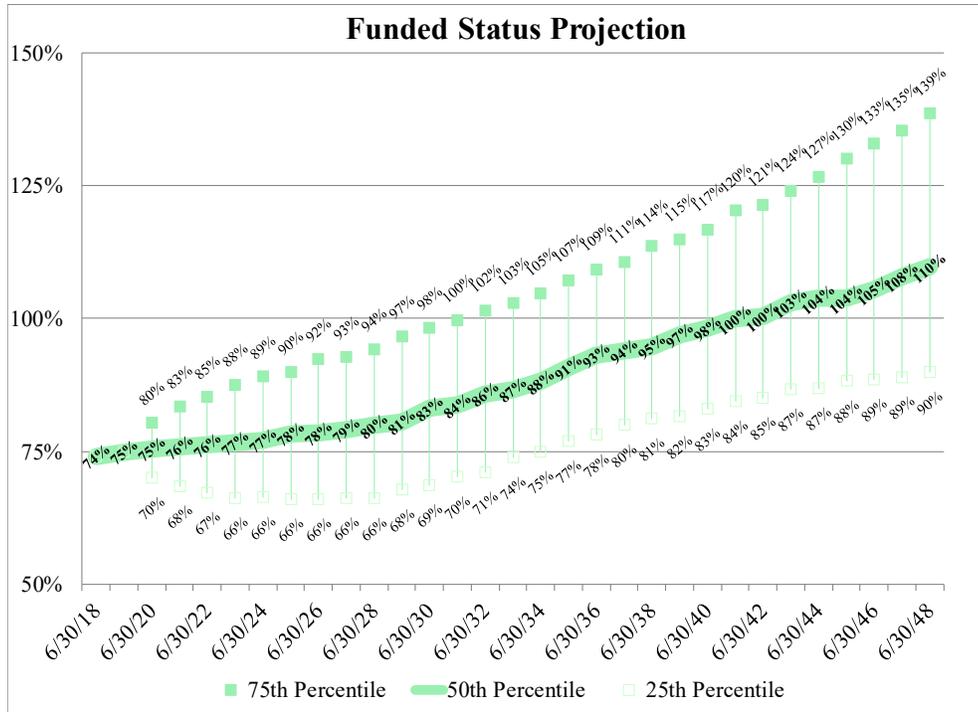
CONTRIBUTION PROJECTIONS - SAFETY



CONTRIBUTION PROJECTIONS - SAFETY



FUNDED STATUS - SAFETY

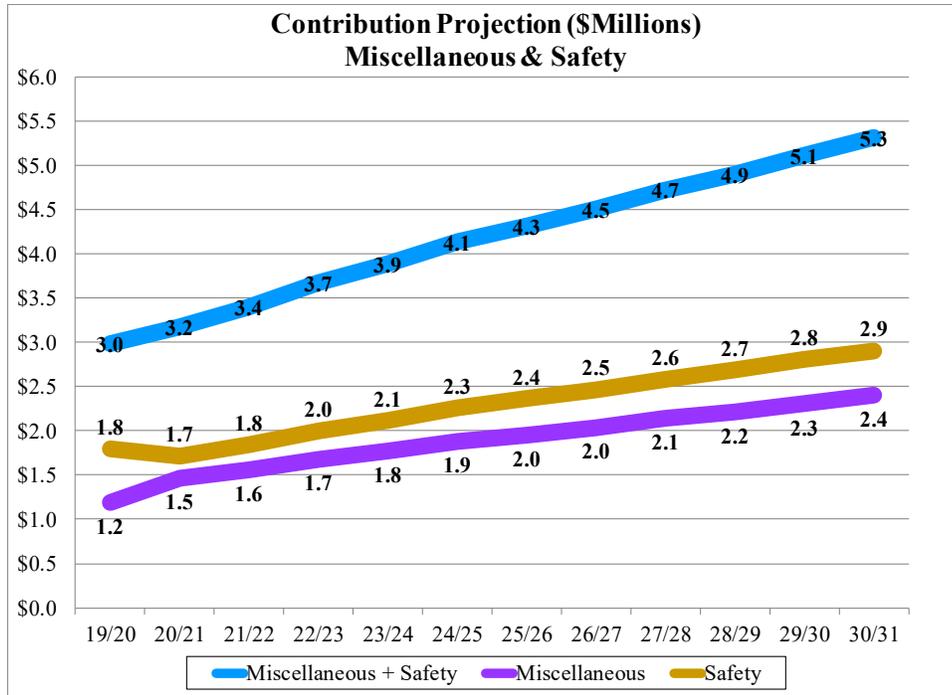


FUNDED STATUS - SAFETY

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COMBINED MISCELLANEOUS AND SAFETY



COMBINED MISCELLANEOUS AND SAFETY

Funded Status Summary on June 30, 2018 (Amounts in \$Millions)

	Miscellaneous	Safety	Total
■ AAL	\$ 33.1	\$ 43.3	\$ 76.4
■ Assets	<u>25.3</u>	<u>32.1</u>	<u>57.4</u>
■ Unfunded AAL	7.8	11.2	19.0
■ Funded Ratio	76.5%	74.1%	75.1%



LEAVING CALPERS

- Participation in CalPERS is governed by State law and CalPERS rules
- The following are considered “withdrawing” from CalPERS:
 - Exclude new hires from CalPERS & giving them a different pension
 - Stop accruing benefits for current employees
- “Withdrawal” from CalPERS:
 - Treated as plan termination
 - Liability increased for conservative investments
 - Liability increased for future demographic fluctuations
 - Liability must be funded immediately by withdrawing agency
 - Otherwise, retiree benefits are cut



LEAVING CALPERS

CalPERS Termination Estimates on June 30, 2018 (Amounts in Millions)

Discount Rate	Ongoing Plan	Termination Basis	
	7.00%	2.5%	3.25%
Miscellaneous			
Actuarial Accrued Liability	\$ 33	\$ 60	\$ 53
Assets	<u>25</u>	<u>25</u>	<u>25</u>
Unfunded AAL (UAAL)	8	35	28
Safety			
Actuarial Accrued Liability	\$ 43	\$ 81	\$ 72
Assets	<u>32</u>	<u>32</u>	<u>32</u>
Unfunded AAL (UAAL)	11	49	40
Total			
Unfunded AAL (UAAL)	19	84	68
Funded Ratio	75.1%	40.4%	45.6%



PEPRA COST SHARING

- Target of 50% of total normal cost paid by all employees
- *PEPRA members* must pay greater of 50% of total normal cost or bargained amount if higher
- Employer cannot pay any part of *PEPRA member* required employee contributions
- Employer may impose current employees pay 50% of total normal cost (limited to 8% of pay for Miscellaneous and 12% for Safety) if not agreed through collective bargaining by 1/1/18
- Miscellaneous Plan 2020/21:

	<u>Classic Members</u>	<u>New Members</u>
	<u>Tier 1</u>	<u>PEPRA</u>
	<u>3% @ 60 FAE1</u>	<u>2% @ 62 FAE3</u>
● Employer Normal Cost	15.4%	7.73%
● Member Normal Cost	8.0%	6.75%
● Total Normal Cost	23.4%	14.48%
● 50% Target	11.7%	7.24%



January 16, 2020

53



PEPRA COST SHARING

- Safety Plan 2020/21:

	<u>Classic Members</u>	<u>New Members</u>
	<u>Tier 1</u>	<u>PEPRA</u>
	<u>3% @ 50 FAE1</u>	<u>2.7% @ 57 FAE3</u>
● Employer Normal Cost	23.7%	13.04%
● Member Normal Cost	9.0%	13.00%
● Total Normal Cost	32.7%	26.04%
● 50% Target	16.4%	13.02%

- PEPRA Member Contributions:

Group	2019/20		2020/21			
	Total NC (Basis)	Member Rate	Total Normal Cost	Change	Member Rate	Method
Miscellaneous	13.74%	6.75%	14.48%	0.75%	6.75%	Risk Pool Basis
Safety	24.14%	12.00%	26.04%	1.90%	13.00%	Risk Pool Basis



January 16, 2020

54



PAYING DOWN THE UNFUNDED LIABILITY & RATE STABILIZATION

- Where do you get the money from?
- How do you use the money?



January 16, 2020

55



WHERE DO YOU GET THE MONEY FROM?

- POB:
 - Usually thought of as interest arbitrage between expected earnings and rate paid on POB
 - No guaranteed savings
 - PEPRA prevents contributions from dropping below normal cost
 - Savings offset when investment return is good
 - GFOA Advisory
- Borrow from General Fund similar to State
- One time payments
 - Governing body resolution to use a portion of one time money, e.g.
 - 1/3 to one time projects
 - 1/3 to replenish reserves and
 - 1/3 to pay down unfunded liability



January 16, 2020

56



HOW DO YOU USE THE MONEY?

- Internal Service Fund
 - Typically used for rate stabilization
 - Restricted investments:
 - Likely low (0.5%-1.0%) investment returns
 - Short term/high quality, designed for preservation of principal
 - Assets can be used by governing body for other purposes
 - Does not reduce Unfunded Liability



HOW DO YOU USE THE MONEY?

- Make payments directly to CalPERS:
 - Likely best long-term investment return
 - Must be considered an irrevocable decision
 - Extra payments cannot be used as future “credit”
 - PEPRA prevents contributions from dropping below normal cost
 - Option #1: Request shorter amortization period (Fresh Start):
 - Higher short term payments
 - Less interest and lower long term payments
 - Likely cannot revert to old amortization schedule
 - Savings offset when investment return is good (PEPRA)



HOW DO YOU USE THE MONEY?

- Make payments directly to CalPERS (continued):
 - Option #2: Target specific amortization bases:
 - Extra contribution's impact muted by reduced future contributions
 - CalPERS can't track the "would have been" contribution
 - Must continually make payments larger than required in order to pay down UAL faster
 - No guaranteed savings
 - Larger asset pool means larger loss (or gain) opportunity
 - Paying off shorter amortization bases: larger contribution savings over shorter period:
 - e.g. 10 year base reduces contribution 11.9¢ for \$1
 - Less interest savings vs paying off longer amortization bases
 - Paying off longer amortization bases: smaller contribution savings over longer period:
 - e.g. 25 year base reduces contribution 6.2¢ for \$1
 - More interest savings vs paying off shorter amortization bases



January 16, 2020

59



HOW DO YOU USE THE MONEY?

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January 16, 2020

60



IRREVOCABLE SUPPLEMENTAL (§115) PENSION TRUST

- Can only be used to:
 - Reimburse City for CalPERS contributions
 - Make payments directly to CalPERS
- Investments significantly less restricted than City investment funds
 - Fiduciary rules govern Trust investments
 - Usually, designed for long term returns
- Assets don't count for GASB accounting
 - Are considered Employer assets
- Over 100 trusts established, mostly since 2015
 - Trust providers: PARS, PFM, Keenan
 - California Employers' Pension Prefunding Trust (CEPPT) effective July 2019
 - Strategy 1: Expected Return 5% (48 stocks / 52% bonds)
 - Strategy 2: Expected Return 4% (22% stocks / 78% bonds)



January 16, 2020

61



IRREVOCABLE SUPPLEMENTAL (§115) PENSION TRUST

- More flexibility than paying CalPERS directly
 - City decides if and when and how much money to put into Trust
 - City decides if and when and how much to withdraw to pay CalPERS or reimburse Agency
- Funding strategies typically focus on
 - Reducing the unfunded liability
 - Fund enough to make total CalPERS UAL = 0
 - Make PEPRAs required payments from Trust when overfunded
 - Stabilizing contribution rates
 - Mitigate expected contribution rates to better manage budget
 - Combination
 - Use funds for rate stabilization/budget predictability
 - Target increasing fund balance to pay off UAL sooner



January 16, 2020

62



IRREVOCABLE SUPPLEMENTAL (§115) PENSION TRUST

- Consider:
 - How much can you put into Trust?
 - Initial seed money?
 - Additional amounts in future years?
 - When do you take money out?
 - Target budget rate?
 - Year target budget rate kicks in?
 - Before or after CalPERS rate exceeds budgeted rate?



January 16, 2020

63



COMPARISON OF OPTIONS

- | ■ Supplemental Trust | ■ CalPERS |
|--|--|
| ● Flexible | ● Locked In |
| ● Likely lower long-term return | ● Likely higher long-term return |
| ● Investment strategy choice | ● No investment choice |
| ● Does not reduce net pension liability for GASB reporting | ● Reduces net pension liability for GASB reporting |
| ● More visible | ● More restricted |



January 16, 2020

64



EXAMPLE OF ADDITIONAL PAYMENTS

Direct Payment to CalPERS

- Following example illustrates additional contribution of:
 - \$2 million to CalPERS in September 2020
 - \$500,000 for 5 years, beginning in FY 2020/21
 - Contributions allocated to 2 plans based on UAL, 41% and 59% allocated to Miscellaneous and Safety plan respectively
- Miscellaneous
 - Long Base: 2018 Non-Asset Gain/Loss (30 years remaining) and 2016 Gain/Loss (28 years remaining)
 - Short Base: Share of Pre-2013 Pool UAL (16 years remaining)
- Safety
 - Long Base: 2018 Non-Asset Gain/Loss (30 years remaining), 2017 Non-Asset Gain/Loss (29 years remaining) and 2016 Asset Gain/Loss (28 years remaining)
 - Short Base: Share of Pre-2013 Pool UAL (17 years remaining) and 2014 Assumption Change (16 years remaining)



January 16, 2020

65



EXAMPLE OF ADDITIONAL PAYMENTS

Direct Payment to CalPERS (continued)

- Estimated Savings

	Miscellaneous	Safety
Short Base	\$819,000 @ Sept 2020 + 205,000/5yrs	\$1,181,000 @ Sept 2020 + 295,000/5yrs
\$ Savings	\$1,086,000	\$1,414,000
PV Savings @ 3%	498,000	654,000
Long Base	\$819,000 @ Sept 2020 + 205,000/5yrs	\$1,181,000 @ Sept 2020 + 295,000/5yrs
\$ Savings	\$2,062,000	\$3,025,000
PV Savings @ 3%	858,000	1,253,000
No Contribution Reduction	\$819,000 @ Sept 2020 + 205,000/5yrs	\$1,181,000 @ Sept 2020 + 295,000/5yrs
\$ Savings	\$3,009,000	\$4,531,000
PV Savings @ 3%	1,245,000	1,853,000
Fresh Start – 15 Years	N/A	N/A
\$ Savings	\$1,607,000	\$2,614,000
PV Savings @ 3%	628,000	1,020,000



January 16, 2020

66



EXAMPLE OF ADDITIONAL PAYMENTS

Payment to 115 Trust

	Miscellaneous	Safety
Trust Contributions	\$819,000 @ Sept 2020 + 205,000/5yrs	\$1,181,000 @ Sept 2020 + 295,000/5yrs
Trust Earnings	5%	5%
Trust Target		
- Target Rate	22.0%	41.4%
- 1st Year	2025/26	2026/27
- Last Year	2035/36	2036/37
\$ Savings (000's)	\$985,000	\$1,528,000
PV Savings @ 3% (000's)	324,000	501,000



EXAMPLE OF ADDITIONAL PAYMENTS

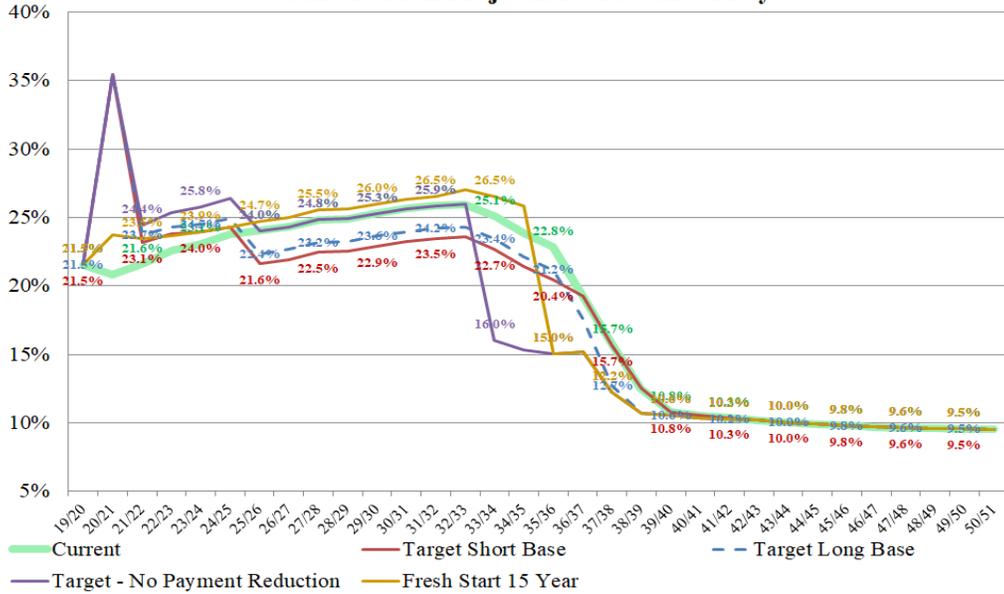
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EXAMPLE OF ADDITIONAL PAYMENTS

**Direct Payment to CalPERS
Miscellaneous**

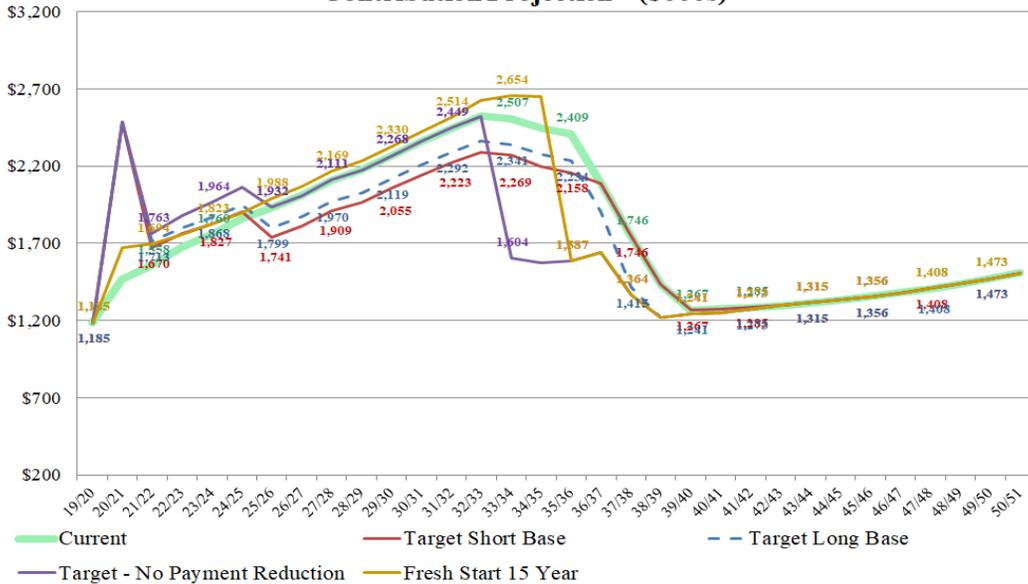
Contribution Projection – Percent of Pay



EXAMPLE OF ADDITIONAL PAYMENTS

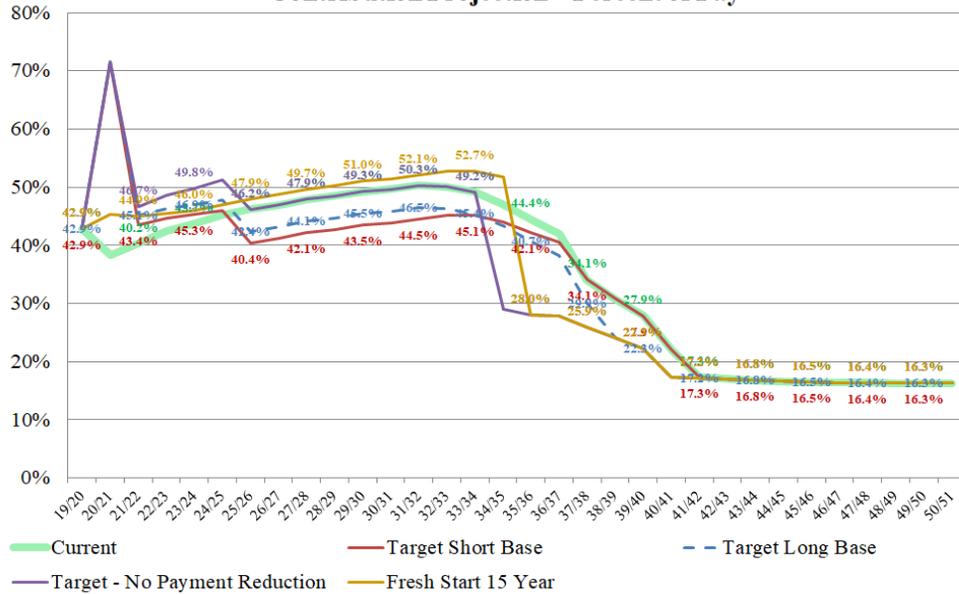
**Direct Payment to CalPERS
Miscellaneous**

Contribution Projection – (\$000s)



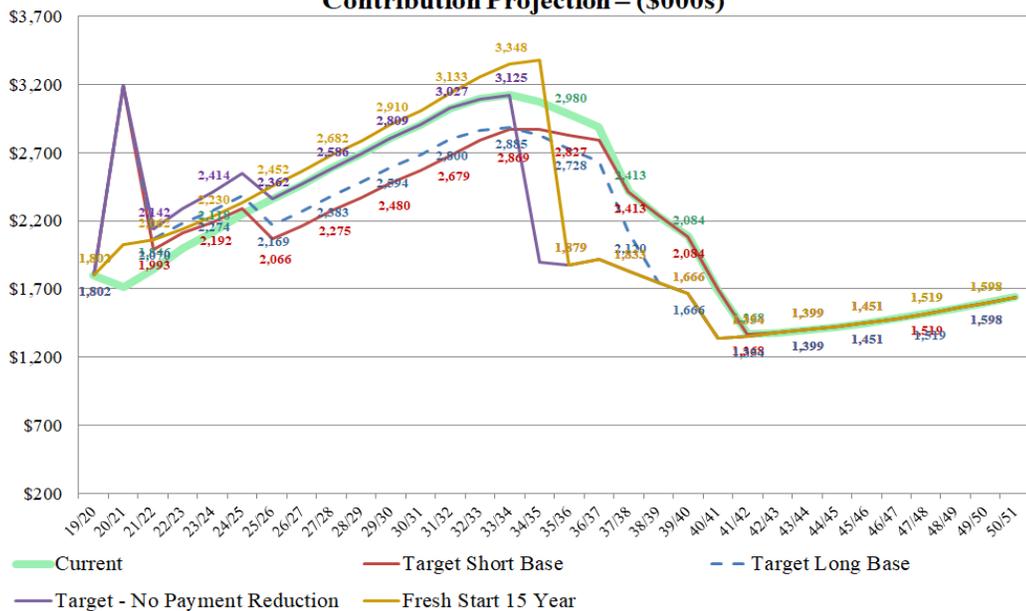
EXAMPLE OF ADDITIONAL PAYMENTS

Direct Payment to CalPERS Safety Contribution Projection – Percent of Pay



EXAMPLE OF ADDITIONAL PAYMENTS

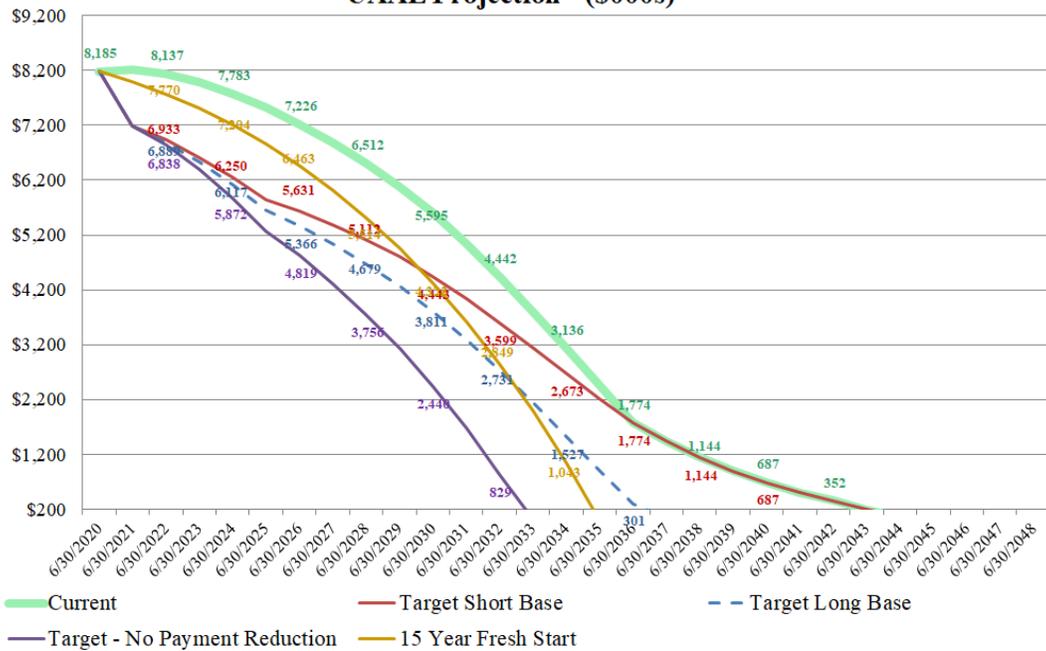
Direct Payment to CalPERS Safety Contribution Projection – (\$000s)



EXAMPLE OF ADDITIONAL PAYMENTS

Miscellaneous

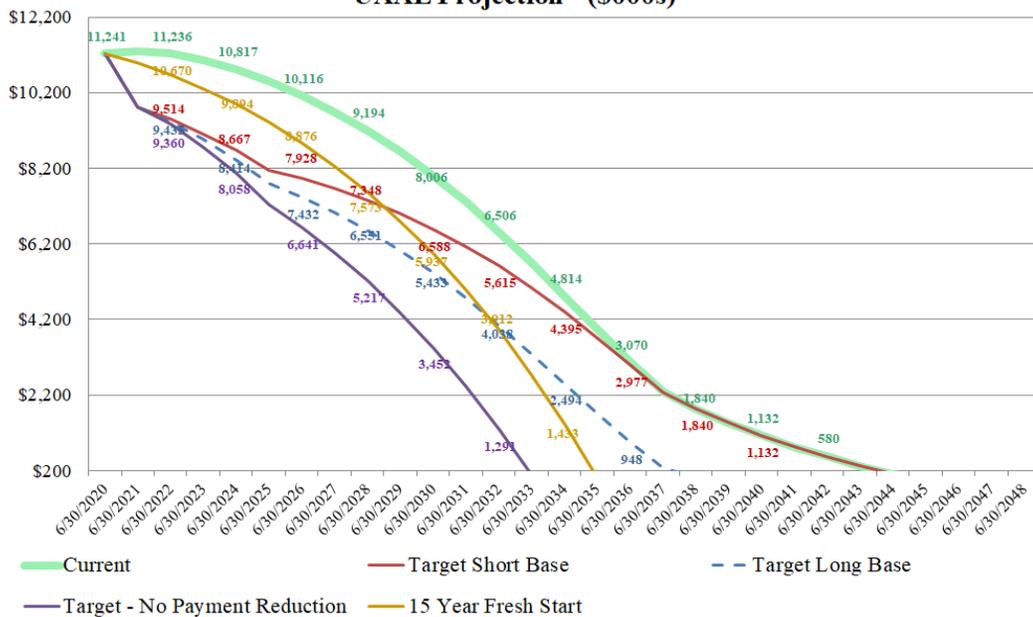
UAAL Projection – (\$000s)



EXAMPLE OF ADDITIONAL PAYMENTS

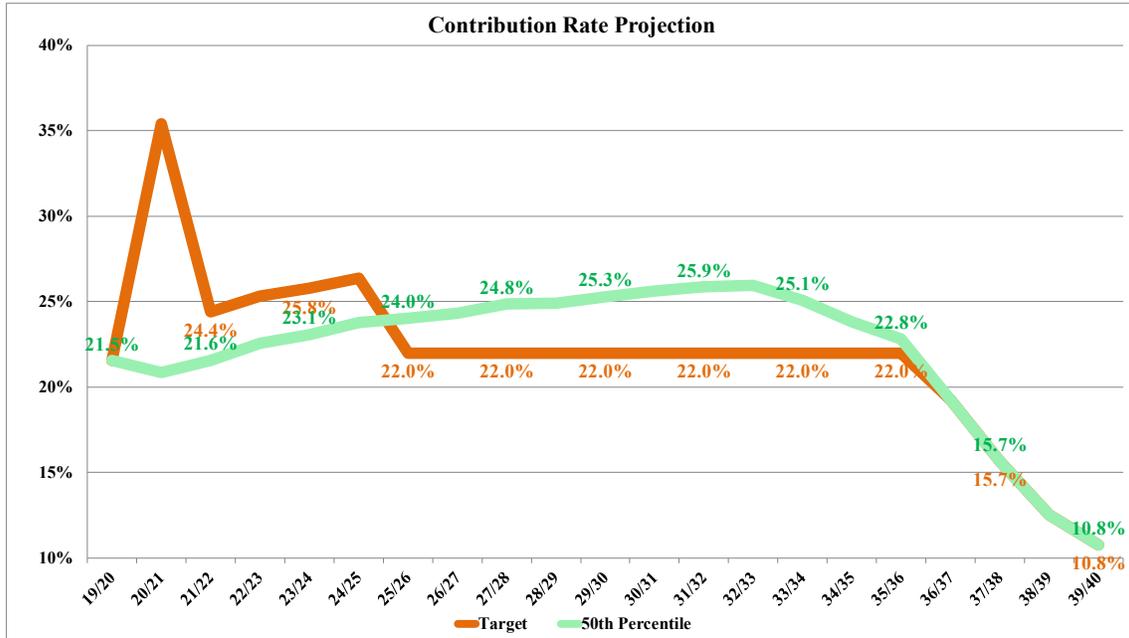
Safety

UAAL Projection – (\$000s)



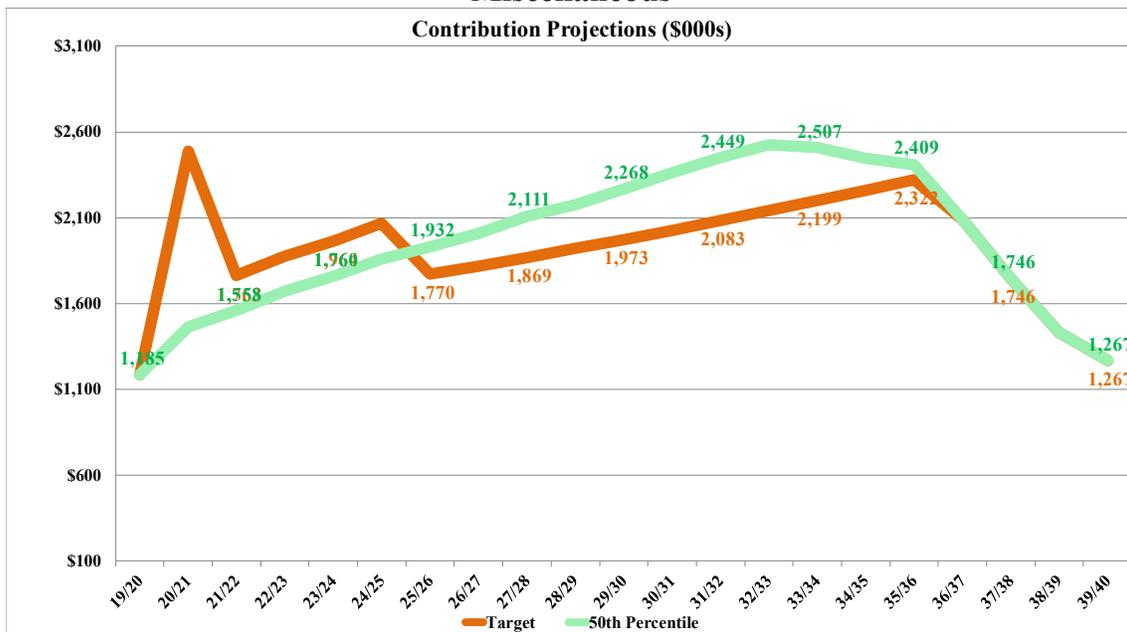
EXAMPLE OF ADDITIONAL PAYMENTS

**Payment to 115 Trust
Miscellaneous**



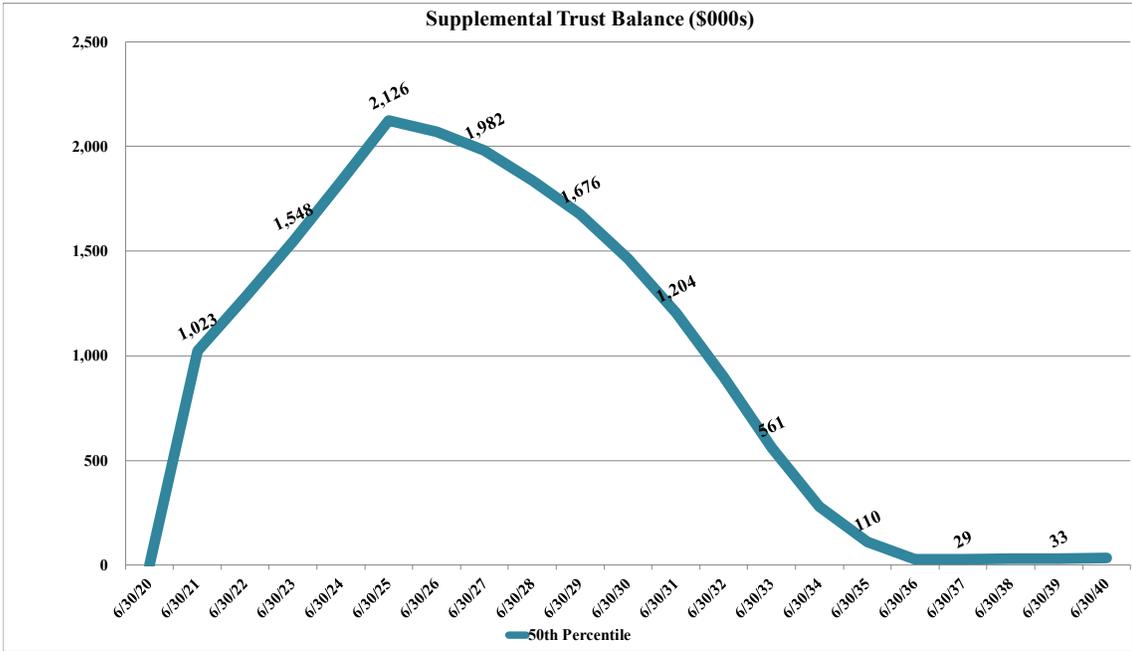
EXAMPLE OF ADDITIONAL PAYMENTS

**Payment to 115 Trust
Miscellaneous**



EXAMPLE OF ADDITIONAL PAYMENTS

**Payment to 115 Trust
Miscellaneous**



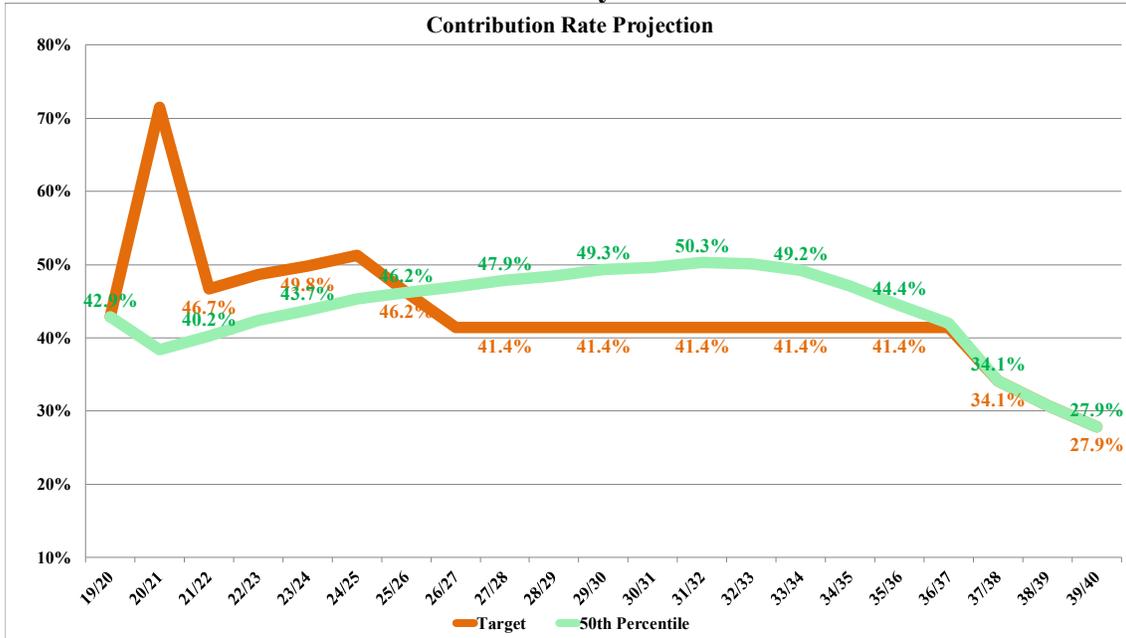
EXAMPLE OF ADDITIONAL PAYMENTS

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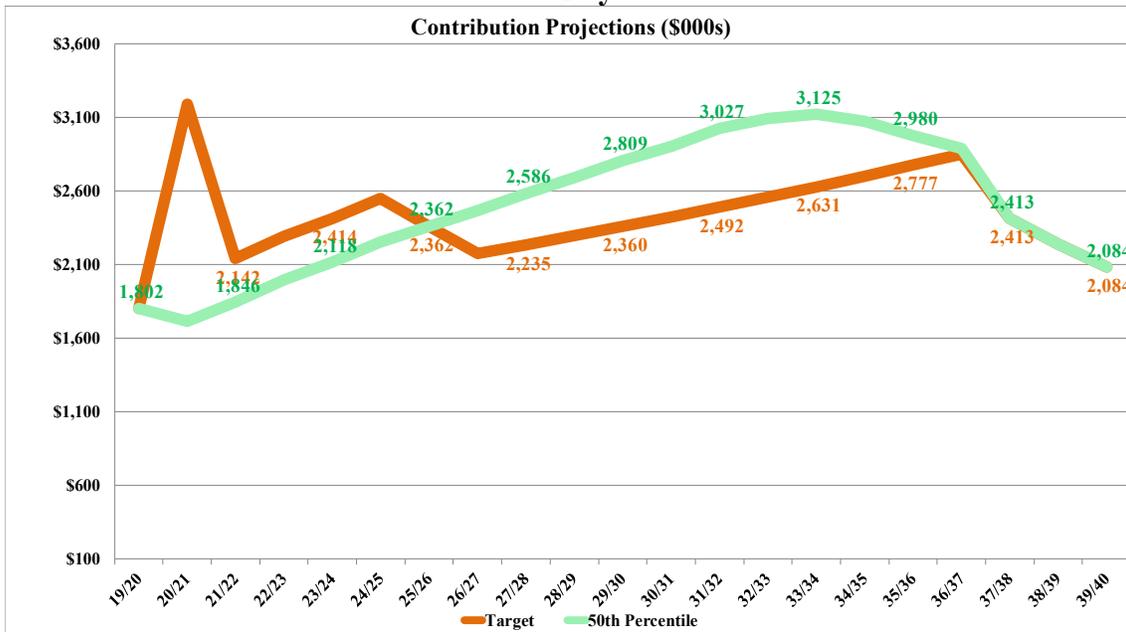
EXAMPLE OF ADDITIONAL PAYMENTS

**Payment to 115 Trust
Safety**



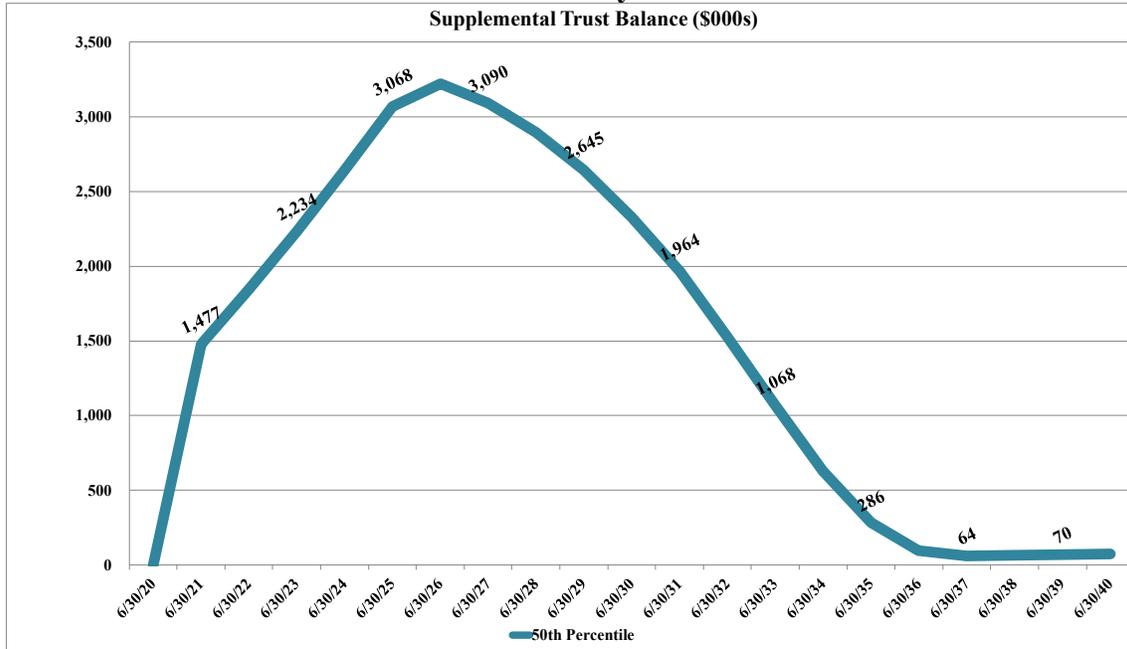
EXAMPLE OF ADDITIONAL PAYMENTS

**Payment to 115 Trust
Safety**



EXAMPLE OF ADDITIONAL PAYMENTS

Payment to 115 Trust Safety



January 16, 2020

81



ACTUARIAL CERTIFICATION

This report presents analysis of the City of Beaumont’s CalPERS pension plans. The purpose of this report is to provide the City:

- Historical perspective on the plan investment returns, assets, funded status and contributions.
- Projections of likely future contributions and the impact of investment volatility

The calculations and projections in this report are based on information contained in the City’s June 30, 2018 and earlier CalPERS actuarial valuation reports. We reviewed this information for reasonableness, but do not make any representation on the accuracy of the CalPERS reports.

Future investment returns and volatility are based on Bartel Associates Capital Market model which results in long term returns summarized on pages 23 and 41.

Future results may differ from our projections due to differences in actual experience as well as changes in plan provisions, CalPERS actuarial assumptions or methodology. Other than variations in investment return, this study does not analyze these.

To the best of our knowledge, this report is complete and accurate and has been conducted using generally accepted actuarial principles and practices. As members of the American Academy of Actuaries meeting the Academy Qualification Standards, we certify the actuarial results and opinions herein.

Respectfully submitted,

DRAFT

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January 16, 2020

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January 16, 2020

82

