

Wendy Wood

From: Phil Koen [REDACTED]
Sent: Thursday, March 9, 2023 7:31 AM
To: Wendy Wood; Laurel Prevetti; Rick Tinsley
Subject: Pages from FY-202122-ACFR - (15).pdf
Attachments: Pages from FY-202122-ACFR - (15).pdf

[EXTERNAL SENDER]

Hello Wendy and Laurel,

Would you please include the attached schedules from the Town's FY 2022 ACFR in the agenda packet as additional information for the CALPERs Analysis discussion agenda item.

Thank you.

Phil Koen

TOWN OF LOS GATOS, CALIFORNIA
ANNUAL COMPREHENSIVE FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2022

BENEFIT PLAN SCHEDULES

Schedule of Pension Plan Contributions

Schedule of Proportionate Share of Net Pension Liability – CalPERS Safety Cost Sharing Plan

Schedule of Proportionate Share of Net Pension Liability – CalPERS Misc. Agent-Multiple Employer Plan

Schedule of OPEB Contribution

Schedule of Changes in Net OPEB Liability

TOWN OF LOS GATOS, CALIFORNIA

ANNUAL COMPREHENSIVE FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2022

SCHEDULE OF PENSION PLAN CONTRIBUTIONS

Miscellaneous Agent Multiple-Employer Plan								
Plan Measurement Date	2014	2015	2016	2017	2018	2019	2020	2021
Fiscal Year Ended	2015	2016	2017	2018	2019	2020	2021	2022
Contractually Required Contributions	\$ 1,941,765	\$ 2,223,782	\$ 2,407,496	\$ 2,669,133	\$ 3,049,748	\$ 3,366,304	\$ 3,529,373	\$ 3,472,727
Contributions in Relation to Contractually Required Contributions	1,941,765	2,223,782	2,407,496	2,669,133	3,049,748	8,146,791	9,160,680	3,472,727
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (4,780,487)	\$ (5,631,307)	\$ -
Covered Payroll	\$ 8,487,940	\$ 9,198,318	\$ 9,024,370	\$ 9,576,157	\$ 10,211,967	\$ 11,188,927	\$ 12,082,520	\$ 11,970,102
Contributions as a % of Covered Payroll	22.88%	24.18%	26.68%	27.87%	29.86%	72.81%	75.82%	29.01%
Safety Cost Sharing Plan								
Plan Measurement Date	2014	2015	2016	2017	2018	2019	2020	2021
Fiscal Year Ended	2015	2016	2017	2018	2019	2020	2021	2022
Contractually Required Contributions	\$ 1,999,757	\$ 1,586,129	\$ 1,738,150	\$ 1,951,711	\$ 2,325,357	\$ 2,565,205	\$ 2,853,764	\$ 3,072,032
Contributions in Relation to Contractually Required Contributions	1,999,757	1,586,129	1,738,150	1,951,711	2,325,357	2,565,205	2,853,764	3,072,032
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered Payroll	\$ 4,897,104	\$ 5,022,498	\$ 4,941,138	\$ 5,079,440	\$ 4,445,061	\$ 4,928,821	\$ 5,178,418	\$ 5,831,703
Contributions as a % of Covered Payroll	40.84%	31.58%	35.18%	38.42%	52.31%	52.05%	55.11%	52.68%

Notes to Schedule:

Valuation Date: June 30, 2020
 Assumptions Used: Entry Age Method used for Actuarial Cost Method
 Level Percentage of Payroll and Direct Rate Smoothing
 3.8 Years Remaining Amortization Period
 Inflation Assumed at 2.50%
 Investment Rate of Returns set at 7.00%
 CalPERS mortality table based on CalPERS' experience and include 15 years of projected ongoing mortality improvement using 90 percent of Scale MP 2016 published by the Society of Actuaries.

Fiscal year 2015 was the first year of implementation, therefore only eight years are shown.
 The CalPERS discount rate was increased from 7.50% to 7.65% in fiscal year 2016, then to 7.15% in 2018.
 The CalPERS mortality assumptions was adjusted in fiscal year 2019.

FY15 - FY22
 CAGR
 Misc Plan
 - Contrib 8.7 %
 - Payroll 5.0 %
 Safety Plan
 - Contrib 6.3 %
 - Payroll 2.5 %

TOWN OF LOS GATOS, CALIFORNIA

**ANNUAL COMPREHENSIVE FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2022**

**SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY
CALPERS SAFETY COST SHARING PLAN**

Safety Cost Sharing Plan								
Plan Measurement Date	2014	2015	2016	2017	2018	2019	2020	2021
Fiscal Year Ended	2015	2016	2017	2018	2019	2020	2021	2022
Proportion of Net Pension Liability (Safety and Misc)	0.28588%	0.14860%	0.22394%	0.22603%	0.23583%	0.24100%	0.24953%	0.30994%
Proportionate Share of Net Pension Liability	\$ 17,788,690	\$ 10,199,904	\$ 19,377,843	\$ 22,415,954	\$ 22,725,267	\$ 24,695,687	\$ 27,149,916	\$ 16,762,598
Covered Payroll	\$ 4,916,535	\$ 4,897,104	\$ 5,022,498	\$ 4,941,138	\$ 5,079,440	\$ 4,445,061	\$ 4,928,821	\$ 5,178,418
Proportionate Share of NPL as a % of Covered Payroll	361.81%	208.28%	385.82%	453.66%	447.40%	555.58%	550.84%	323.70%
Plan's Fiduciary Net Position as a % of the TPL	75.66%	74.89%	74.89%	73.87%	74.52%	73.61%	72.46%	83.55%

Fiscal year 2015 was the first year of implementation, therefore only eight years are shown.
 The CalPERS discount rate was increased from 7.50% to 7.65% in fiscal year 2016, then to 7.15% in 2018.
 The CalPERS mortality assumptions was adjusted in fiscal year 2019.

TOWN OF LOS GATOS, CALIFORNIA

ANNUAL COMPREHENSIVE FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2022

SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY
CALPERS MISCELLANEOUS AGENT-MULTIPLE EMPLOYER PLAN

Measurement Date	2014	2015	2016	2017	2018	2019	2020	2021
Total Pension liability								
Service cost	\$ 1,579,547	\$ 1,491,925	\$ 1,560,679	\$ 1,651,550	\$ 1,700,438	\$ 1,771,368	\$ 1,930,090	\$ 2,062,486
Interest	6,268,015	6,483,032	6,697,247	6,820,536	7,073,843	7,381,846	7,729,269	7,943,404
Diff. between expected and actual exp.	-	(623,495)	(357,870)	(892,479)	994,994	1,082,289	1,465,653	(581,801)
Changes of assumptions	-	(1,513,132)	-	5,481,432	(655,541)	-	-	-
Benefit payments (including refunds)	(4,241,487)	(4,748,786)	(4,953,756)	(5,138,083)	(5,448,374)	(5,720,232)	(5,958,101)	(6,339,615)
Net change in Total Pension Liability	3,606,075	1,089,544	2,946,300	7,922,956	3,665,360	4,515,271	5,166,911	3,084,474
Total Pension Liability - beginning	84,904,502	88,510,577	89,600,121	92,546,421	100,469,377	104,134,737	108,650,008	113,816,919
Total Pension Liability - ending	\$ 88,510,577	\$ 89,600,121	\$ 92,546,421	\$ 100,469,377	\$ 104,134,737	\$ 108,650,008	\$ 113,816,919	\$ 116,901,393
Plan fiduciary net position								
Employer contributions	\$ 1,796,079	\$ 1,941,765	\$ 2,223,782	\$ 2,407,496	\$ 2,669,104	\$ 3,049,748	\$ 8,146,791	\$ 9,160,680
Employee contributions	668,167	679,796	691,770	682,891	761,705	846,125	834,145	889,649
Plan to plan resource movement	-	22,561	(28,866)	-	(170)	-	-	-
Projected investment earnings	4,328,173	-	-	-	-	-	-	-
Diff. between est. and actual earnings	5,831,718	-	-	-	-	-	-	-
Net investment income	-	1,470,873	369,185	7,171,443	5,883,868	4,759,034	3,913,294	19,606,360
Benefit payments (including refunds)	(4,241,487)	(4,748,786)	(4,953,756)	(5,138,083)	(5,448,374)	(5,720,232)	(5,958,101)	(6,339,615)
Administrative expense	-	(74,706)	(40,462)	(95,455)	(108,582)	(52,260)	(107,303)	(82,856)
Adjustments	-	-	-	-	(206,199)	170	-	-
Net change in plan fiduciary net position	8,382,650	(708,497)	(1,738,347)	5,028,292	3,551,352	2,882,585	6,828,826	23,234,218
Plan fiduciary net position - beginning	58,716,725	67,099,375	66,390,878	64,652,531	69,680,823	73,232,175	76,114,760	82,943,586
Plan fiduciary net position - ending	\$ 67,099,375	\$ 66,390,878	\$ 64,652,531	\$ 69,680,823	\$ 73,232,175	\$ 76,114,760	\$ 82,943,586	\$ 106,177,804
Net Pension liability (asset)	\$ 21,411,202	23,209,243	27,893,890	30,788,554	30,902,562	32,535,248	30,873,333	10,723,589
Plan fiduciary net position as a percentage of the total Pension liability	75.81%	74.10%	69.86%	69.36%	70.32%	70.05%	72.87%	90.83%
Covered Payroll	\$ 8,406,315	\$ 8,487,940	\$ 9,198,318	\$ 9,024,370	\$ 9,576,157	\$ 10,211,967	\$ 11,188,927	\$ 12,082,520
Net Pension liability % of covered payroll	254.70%	273.44%	303.25%	341.17%	322.70%	318.60%	275.93%	88.75% ¹

Other Notes

Fiscal year 2015 was the first year of implementation, therefore only eight years are shown.

Pension liability

CAGR
4.05%

TOWN OF LOS GATOS, CALIFORNIA

**ANNUAL COMPREHENSIVE FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2022**

SCHEDULE OF OPEB CONTRIBUTIONS

Fiscal Year Ended	2018	2019	2020	2021	2022
Actuarially determined contribution (ADC)	\$ 2,129,000	\$ 2,108,000	\$ 2,172,000	\$ 1,859,000	\$ 1,860,000
Less: actual contribution in relation to ADC	(2,935,000)	(2,406,636)	(2,508,306)	(2,096,847)	(1,754,922)
Contribution deficiency (excess)	\$ (806,000)	\$ (298,636)	\$ (336,306)	\$ (237,847)	\$ 105,078
Covered employee payroll	\$ 16,192,060	\$ 17,338,201	\$ 17,406,541	\$ 17,982,237	\$ 16,987,042
Contrib. as a % of covered employee payroll	18.13%	13.88%	14.41%	11.66%	10.33%

Notes to Schedule:

Assumptions and Methods

Valuation Date:	June 30, 2021
Measurement Date:	June 30, 2021
Actuarial Cost Method:	Entry-Age Normal Cost
Amortization Period:	20 years
Asset Valuation Method:	Level percentage of payroll, closed
Actuarial Assumptions:	
Discount Rate	6.25%
Inflation	2.50%
Salary Increases	3.00%
Investment Rate of Return	6.75%
Healthcare Trend Rate	Non-Medicare - 7.25% for 2021, decreasing to an ultimate rate of 4% in 2076
Mortality	CalPERS 2000-2019 Experience Study
Retirement	CalPERS 2000-2019 Experience Study

Other Notes

GASB 75 requires a schedule of contributions for the last ten fiscal years, or for as many years as are available if less than ten years are available. GASB 75 was adopted as of June 30, 2018.

Discount rate was updated based on newer capital market assumptions

Decreased medical trend rate for Kaiser Senior Advantage

Demographic assumptions updated to CalPERS 2000-2019 Experience Study

Inflation rate decreased 25 basis points, decreasing discount rate, medical trend, and salary increases

Retiree and family participation rates at retirement updated

Implicit subsidy added for Tier 1 Medicare eligible

Mortality improvement scale was updated to Scale MP-2021

TOWN OF LOS GATOS, CALIFORNIA

**ANNUAL COMPREHENSIVE FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2022**

SCHEDULE OF CHANGES IN NET OPEB LIABILITY

Measurement Date	2017	2018	2019	2020	2021
Total OPEB liability					
Service cost	\$ 1,134,000	\$ 1,168,227	\$ 1,203,274	\$ 1,159,152	\$ 1,115,309
Interest	1,607,000	1,706,270	1,814,072	1,887,105	1,956,034
Differences between expected & actual exp.	-	-	(149,297)	-	(2,521,500)
Changes of assumptions	-	-	(392,681)	(533,825)	1,054,638
Benefit payments	(1,269,000)	(1,326,313)	(1,298,623)	(1,399,933)	(1,494,906)
Net change in Total OPEB Liability	1,472,000	1,548,184	1,176,745	1,112,499	109,575
Total OPEB Liability - beginning	23,301,000	24,773,000	26,321,184	27,497,929	28,610,428
Total OPEB Liability - ending	<u>\$ 24,773,000</u>	<u>\$ 26,321,184</u>	<u>\$ 27,497,929</u>	<u>\$ 28,610,428</u>	<u>\$ 28,720,003</u>
Plan fiduciary net position					
Employer contributions	\$ 3,878,000	\$ 2,935,313	\$ 2,406,636	\$ 2,508,306	\$ 2,096,847
Net investment income	1,049,000	1,082,977	1,009,315	652,656	5,529,824
Benefit payments	(1,269,000)	(1,326,313)	(1,298,623)	(1,399,933)	(1,494,906)
Administrative expense	(14,000)	(34,261)	(11,502)	(17,357)	(18,556)
Net change in plan fiduciary net position	3,644,000	2,657,716	2,105,826	1,743,672	6,113,209
Plan fiduciary net position - beginning	9,964,000	13,608,000	16,265,716	18,371,542	20,115,214
Plan fiduciary net position - ending	<u>\$ 13,608,000</u>	<u>\$ 16,265,716</u>	<u>\$ 18,371,542</u>	<u>\$ 20,115,214</u>	<u>\$ 26,228,423</u>
Net OPEB liability (asset)	\$ 11,165,000	10,055,468	9,126,387	8,495,214	2,491,580
Plan fiduciary net position as a percentage of the total OPEB liability	54.93%	61.80%	66.81%	70.31%	91.32%
Covered Employee Payroll	\$ 14,985,716	\$ 16,192,060	\$ 17,338,201	\$ 17,406,541	\$ 17,982,237
NOL as a % of cov. emp. payroll	74.50%	62.10%	52.64%	48.80%	13.86%

Other Notes

GASB 75 requires a schedule of contributions for the last ten fiscal years, or for as many years as are available if less than ten years are available. GASB 75 was adopted as of June 30, 2018.

Wendy Wood

Subject: FW: Pages from CalPERS-Analysis-06-30-21-Valuation-Foster-and-Foster-Actuaries-and-Consultants.pdf

From: Phil Koen [REDACTED]

Sent: Thursday, March 09, 2023 9:12 AM

To: Gitta Ungvari <GUngvari@losgatosca.gov>

Cc: Laurel Prevetti <LPrevetti@losgatosca.gov>; Rick Tinsley [REDACTED]; Mary Badame <MBadame@losgatosca.gov>

Subject: Pages from CalPERS-Analysis-06-30-21-Valuation-Foster-and-Foster-Actuaries-and-Consultants.pdf

[EXTERNAL SENDER]

Hello Gitta,

Could you please ask the actuaries to compute the cumulative delta impact (the area between the blue and green curves) on the company's contribution as a result of FY 22 negative 7.5% return. I computed the impact on FY 29. It would be good if they could validate my calculation.

Thank you,

Phil Koen