



TOWN OF LOS GATOS CALPERS MISCELLANEOUS & SAFETY PLANS



CalPERS Analysis – 6/30/21 Valuation

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March 21, 2023

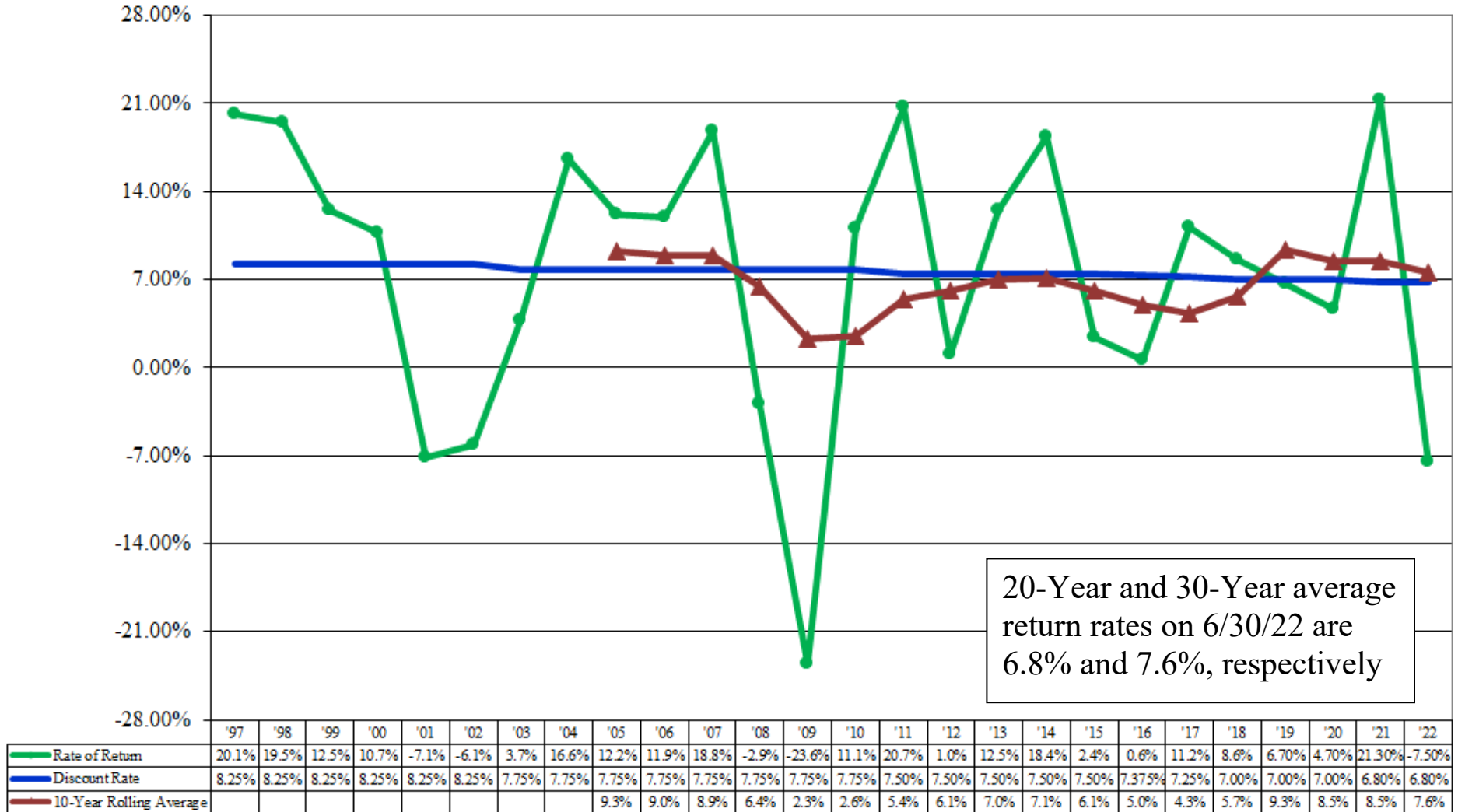


March 21, 2023



HOW WE GOT HERE – INVESTMENT RETURN

Annual Return on Market Value of Assets



20-Year and 30-Year average return rates on 6/30/22 are 6.8% and 7.6%, respectively

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

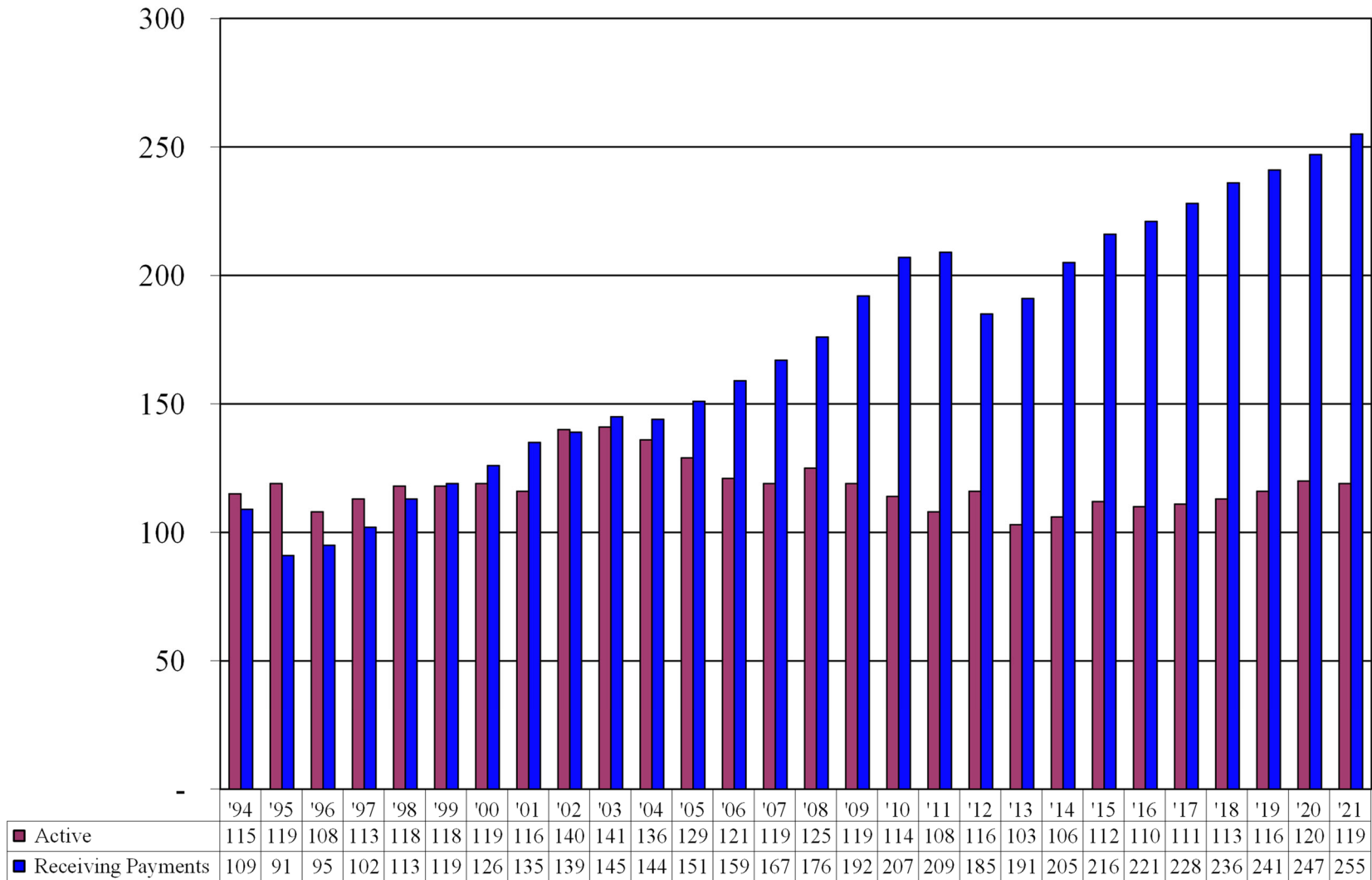


CALPERS CHANGES

- CalPERS has made many changes to improve the long-term funded status of the plans
 - Higher contribution to pay off unfunded liability
 - Increased year-to-year volatility in contribution levels
- PEPRAL
 - New pension law for employees hired after 1/1/13
 - Beginning to impact Town's annual contribution
 - Will reduce costs in the long run
 - As of June 30, 2021 for Town of Los Gatos
 - Miscellaneous: 52% of employees are PEPRAL, 43% of payroll
 - Safety: 35% of employees are PEPRAL, 29% of payroll



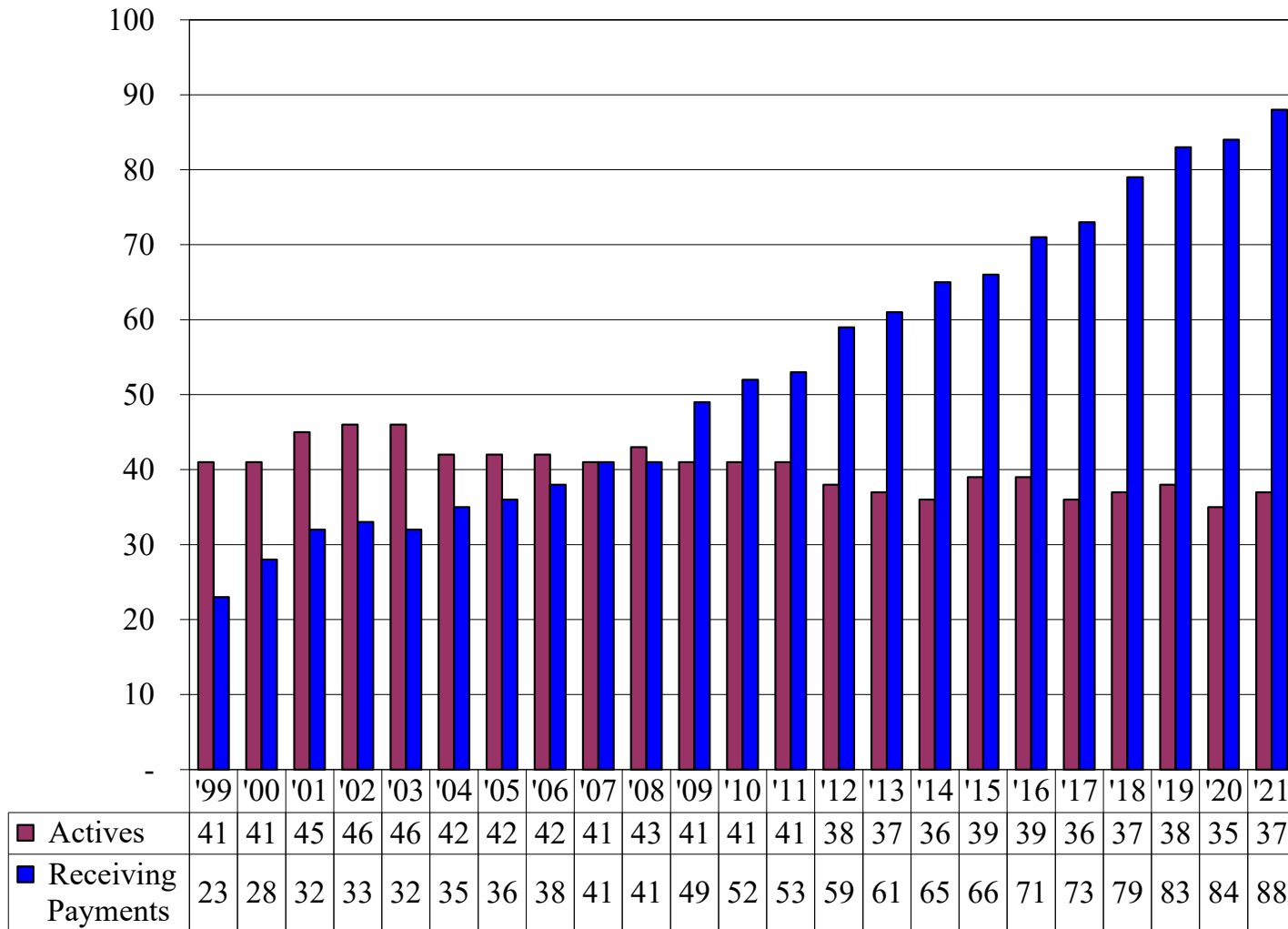
HISTORICAL HEADCOUNTS - MISCELLANEOUS



65% of the Town's Miscellaneous actuarial liability is for retirees,
compared to 59% for the average public agency



HISTORICAL HEADCOUNTS - SAFETY

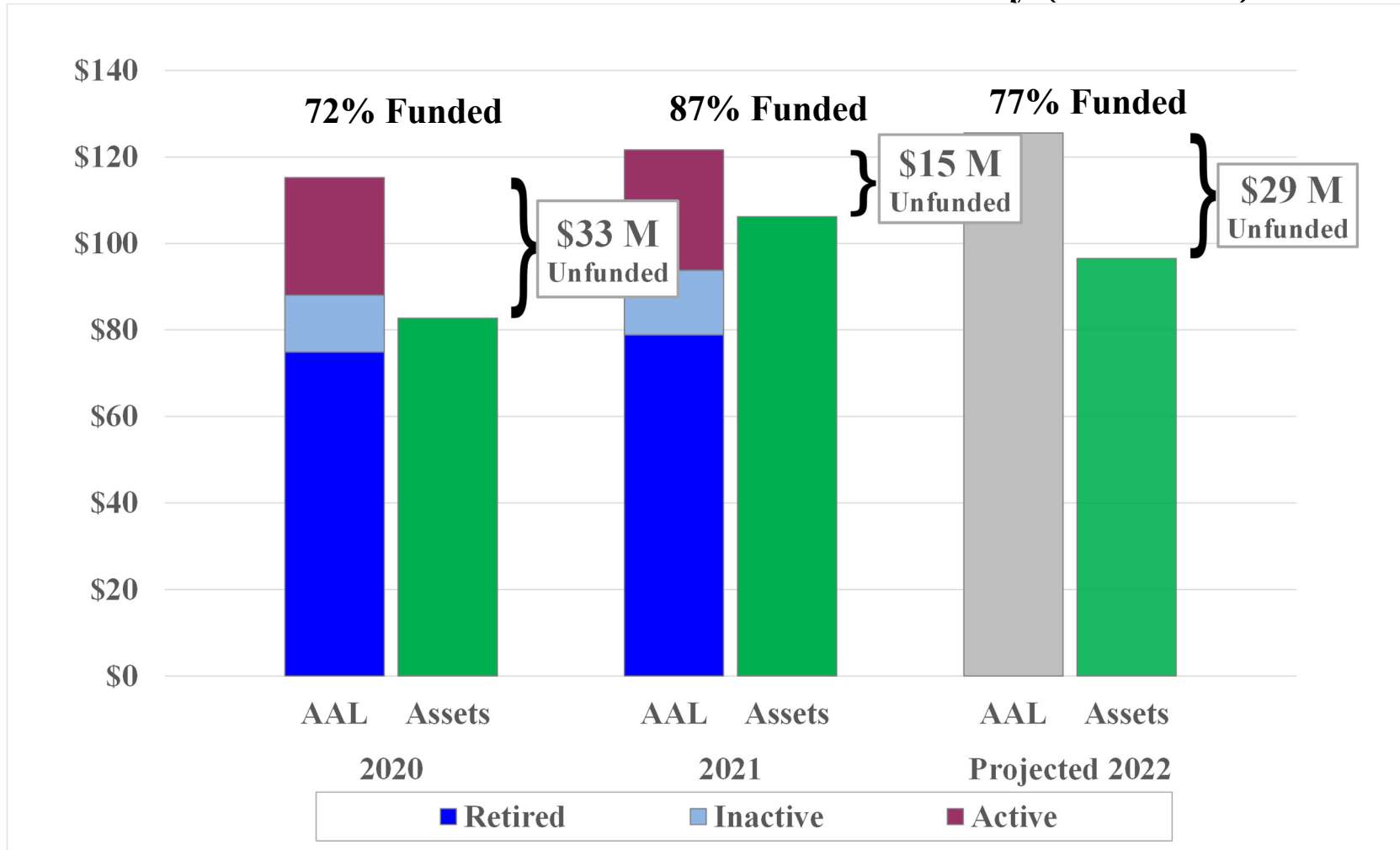


74% of the Town’s Safety actuarial liability is for retirees,
compared to 67% for the average public agency



PLAN FUNDED STATUS - MISCELLANEOUS

Town CalPERS Assets and Actuarial Liability (\$Millions)¹



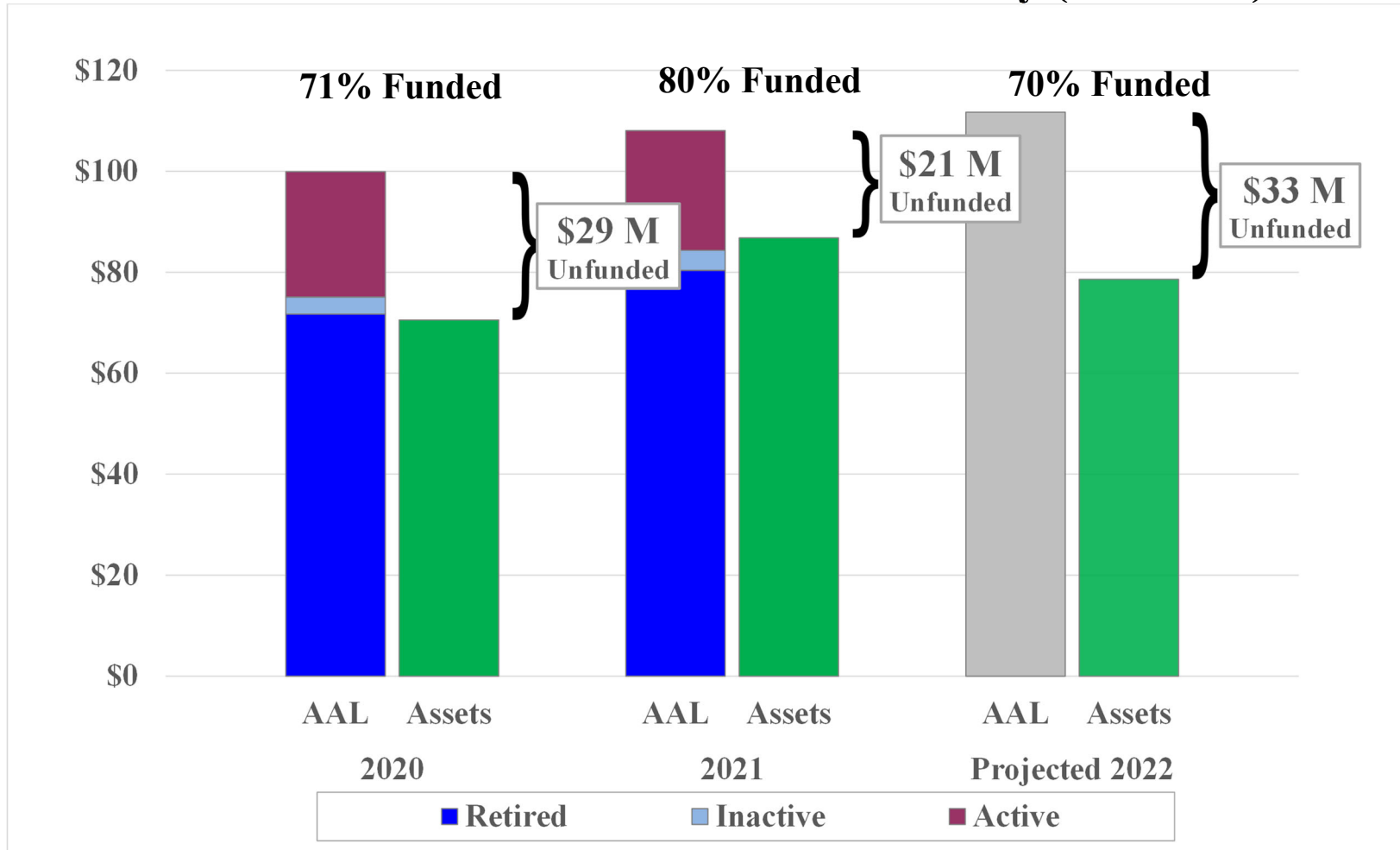
Average funded ratio for CalPERS Public Agency Miscellaneous Plans: 72% at 6/30/2020 and 84% at 6/30/2021

¹ Projected 2022 assets reflect -7.5% CalPERS investment return for 2021/22.



PLAN FUNDED STATUS - SAFETY

Town CalPERS Assets and Actuarial Liability (\$Millions)²



Average funded ratio for CalPERS Public Agency Miscellaneous Plans: 69% at 6/30/2020 and 81% at 6/30/2021

² Projected 2022 assets reflects -7.5% CalPERS investment return for 2021/22.



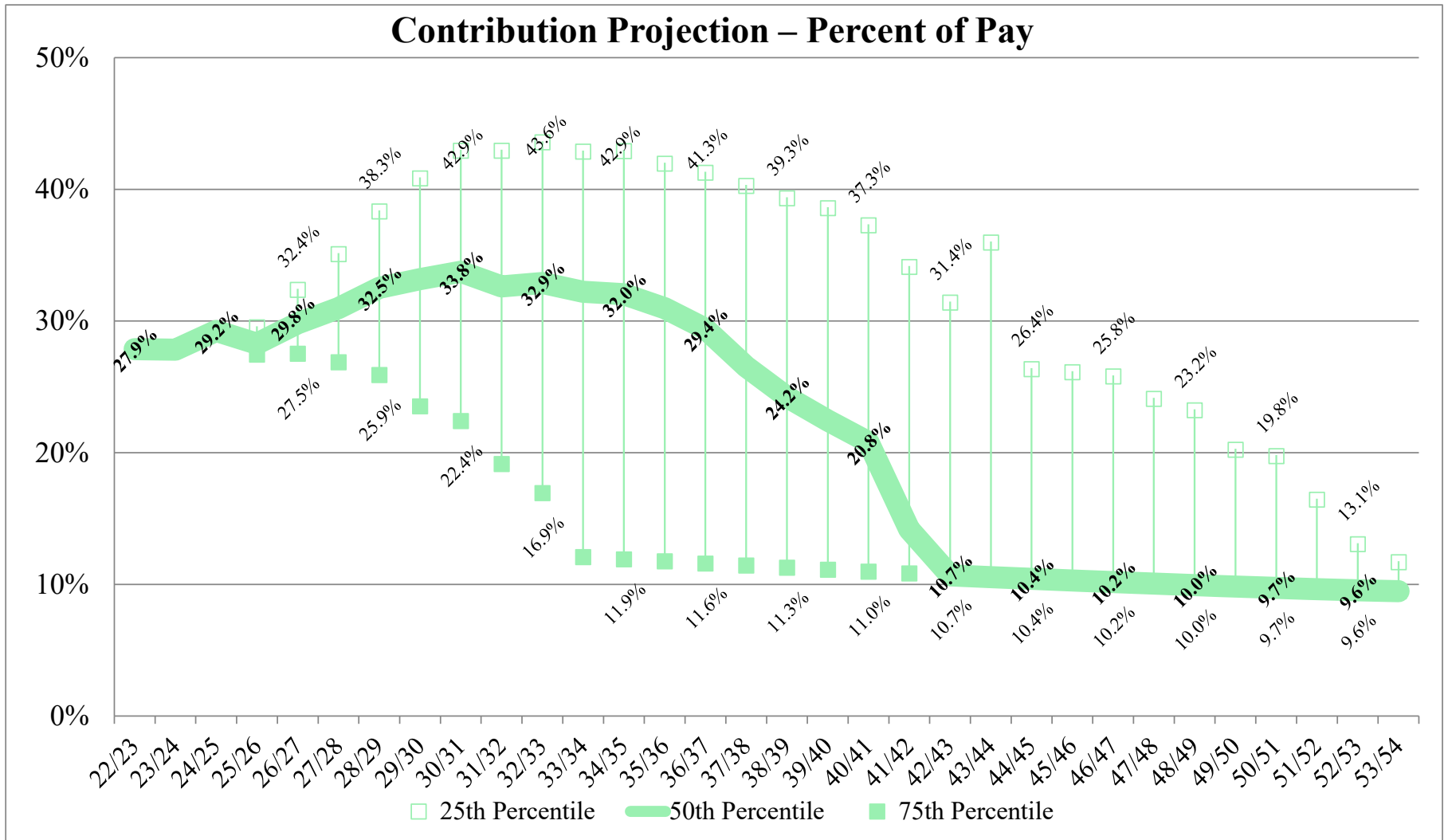
CONTRIBUTION PROJECTIONS

- Different than CalPERS modeling
 - Includes June 30, 2022 investment loss of (7.5%)
 - Assumes investment returns will generally be lower over the next 10 years and higher beyond that.
 - Reflects CalPERS policy to lower discount rate in years of very good return
 - Includes impact of future PEPRA hires

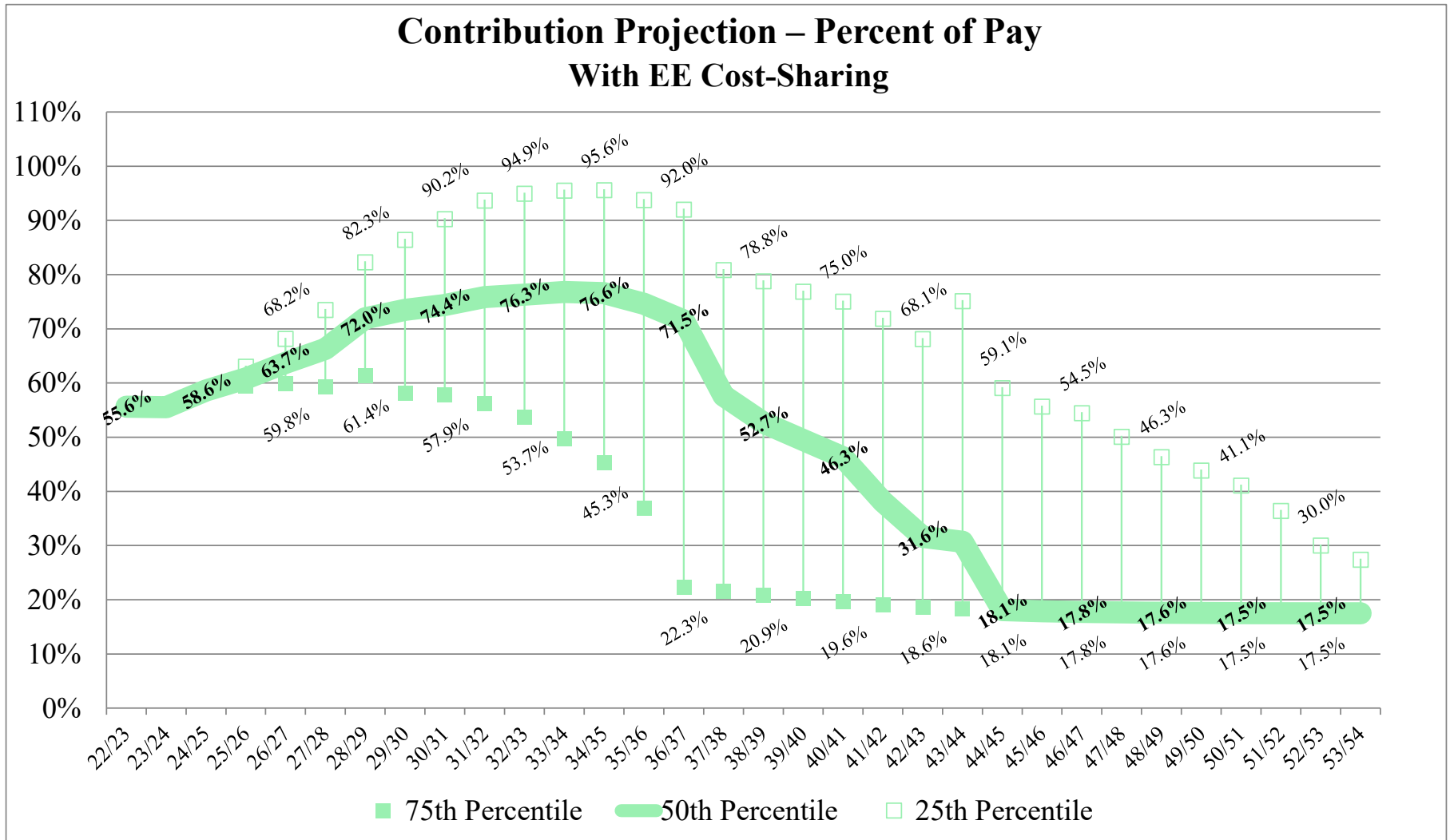
- Projected payroll FY 2023-2027 from City budget projections



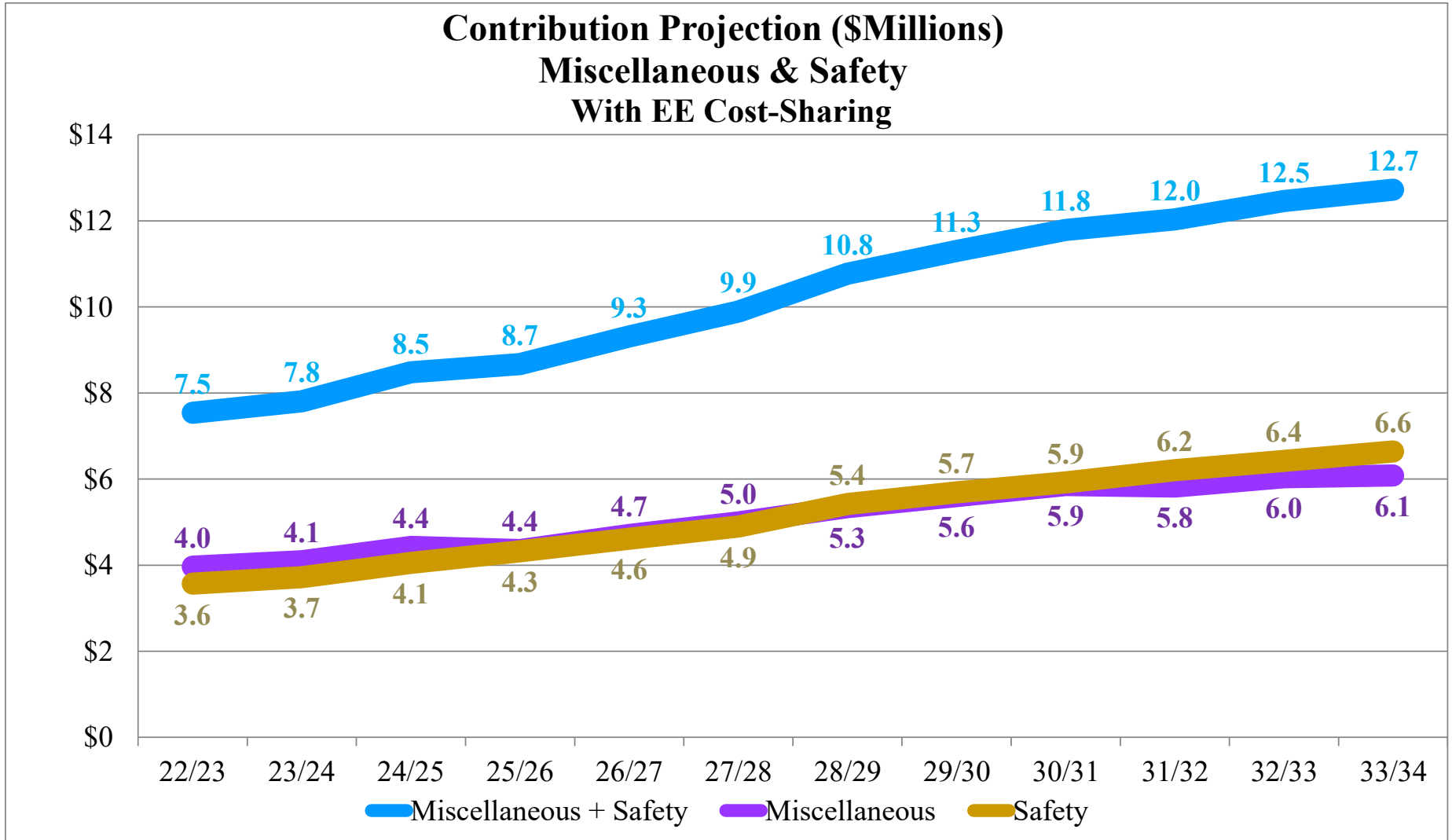
CONTRIBUTION PROJECTION - MISCELLANEOUS



CONTRIBUTION PROJECTION - SAFETY

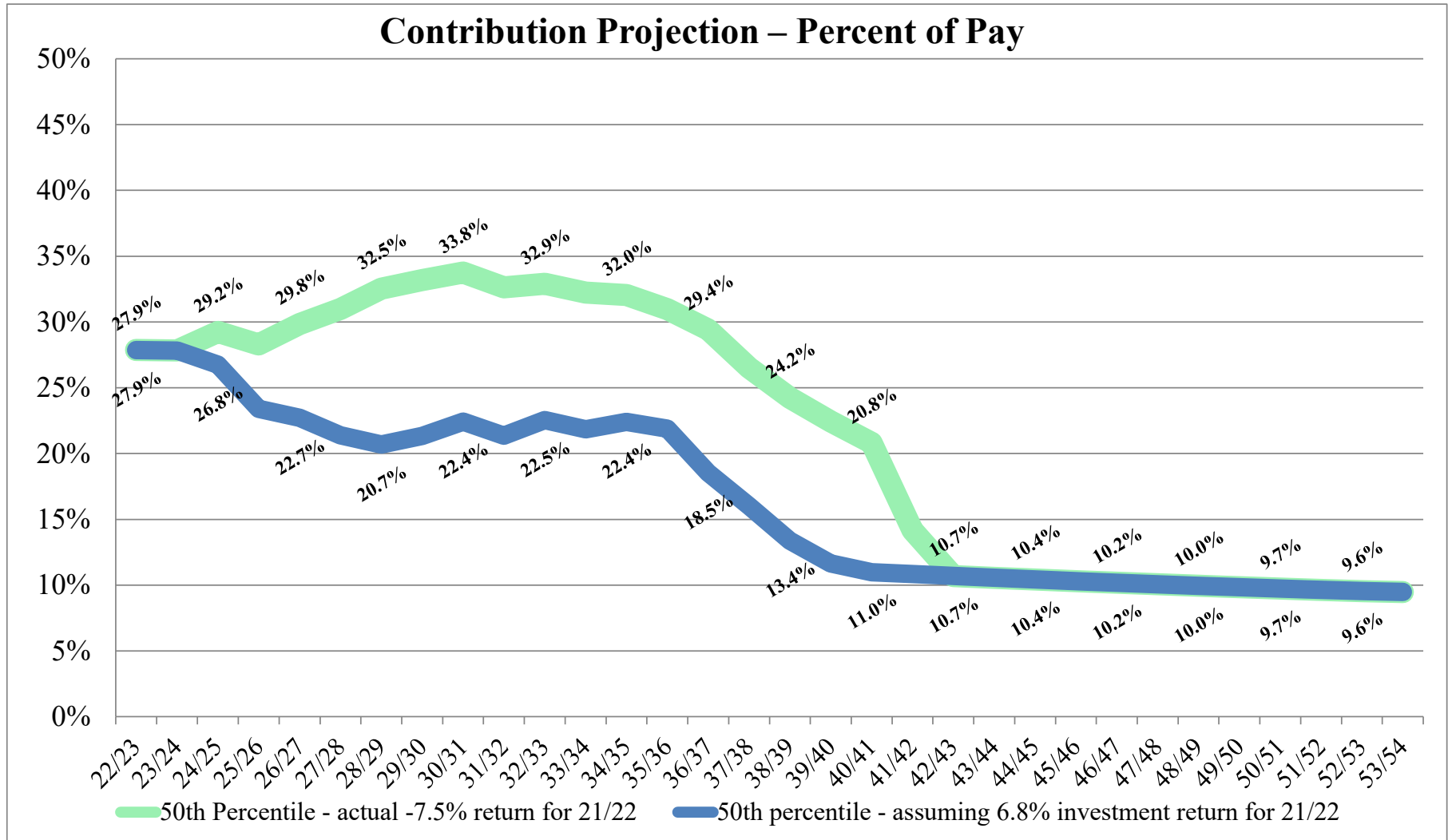


TOTAL CONTRIBUTION PROJECTION



IMPACT OF 1 YEAR POOR RETURNS

Impact of 21/22 Investment Return – Miscellaneous



PREFUNDING OPTIONS

- Savings from an additional \$1 million contribution to CalPERS on 6/30/2023:

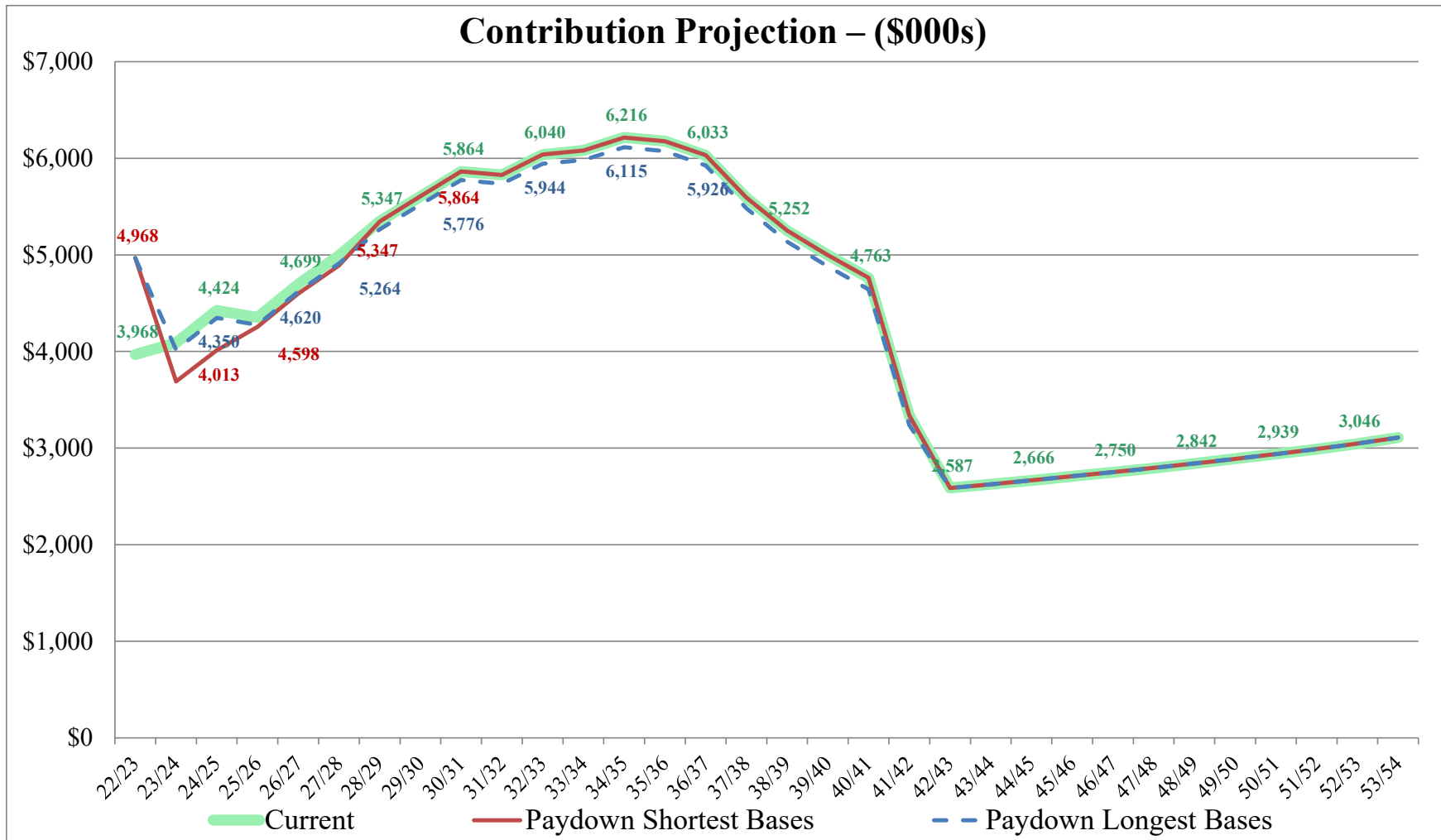
Miscellaneous Plan Target Bases	Estimated Interest Savings	2023/24 Contribution Impact
Shortest Bases	\$1 million	
\$ Savings (000's)	\$114	\$(400)
Present value of savings @ 3% (000's)	60	
Longest Base	\$1 million	
\$ Savings (000's)	\$954	\$(73)
Present value of savings @ 3% (000's)	430	

Safety Plan Target Bases	Estimated Interest Savings	2023/24 Contribution Impact
Shortest Bases	\$1 million	
\$ Savings (000's)	\$439	\$(113)
Present value of savings @ 3% (000's)	215	
Longest Base	\$1 million	
\$ Savings (000's)	\$1,035	\$(60)
Present value of savings @ 3% (000's)	452	



PREFUNDING OPTIONS

Direct Payment \$1M to CalPERS Miscellaneous



PREFUNDING OPTIONS

Direct Payment \$1M to CalPERS Safety

Contribution Projection – (\$000s)
With EE Cost-Sharing

