



**TOWN OF LOS GATOS
COUNCIL FINANCE COMMITTEE
REPORT**

MEETING DATE: 10/14/2019

ITEM NO: 2

DESK ITEM

DATE: October 14, 2019
TO: Council Finance Committee
FROM: Laurel Prevetti, Town Manager
SUBJECT: Receive CalPERS Actuarial Valuation Reports as of the June 30, 2018 Measurement Date

REMARKS:

A Committee Member had the following questions and staff's responses are below each question. In addition, Attachment 4 contains public comments received after publication of the Staff Report and before 11:00 a.m. Monday, October 14, 2019.

What decision did the Pension and OPEB Oversight Committee make on investing the additional \$5M discussed at the last Finance Committee meeting as well as for and the money in the 115 Plan?

The Pension and OPEB Oversight Committee meeting can be viewed at the Town website at the following link [Town Pension OPEB Oversight Committee Meeting 9-3-2019](#). In summary, the Committee voted to make a payment to CalPERS and close the PARS account.

CalPERS actuarial assumption is payroll increases 2.75% a year. How much did payroll increase in total over last 5 years for people who have been on the current payroll all 5 years? Page 20 of Attachment indicates total payroll increased 21.7% over 5 years

Approximately every four years CalPERS performs an experience study. The study is used to determine any variations in actual experience versus the actuarial assumptions utilized. Based on the experience review CalPERS actuaries may, or may not, make recommended changes for the next experience period. The following link provides a detailed explanation of how CalPERS calculates Wage Inflation and the recommended 2.75% wage inflation factor.

<https://www.calpers.ca.gov/docs/forms-publications/calpers-experience-study-2017.pdf>

PREPARED BY: Gitta Ungvari
Finance Manager

Reviewed by: Town Manager and Assistant Town Manager

For the eight-year period reflected on page 20, Annual Covered Payroll increased by 15.3% and for the five-year period 20.7%. CalPERS actuaries will take actual wage inflation into consideration during the next Experience Study.

Does the Town pay the Employer cost for UAL monthly or take advantage of less expensive “Annual Payment Option”?

The Town takes advantage of the interest savings and pays the Annual UAL Prepayment Option instead of the monthly payment. This savings is estimated to be approximately \$140,000 in FY 2020/21 based on the data in the Valuation (page 4).

What is the funded status of each Plan after the \$5M is invested? What is the impact on the funded status if the money in the 115 Plan is transferred to CalPERS?

Based on Council direction and consulting with Bartel Actuaries, the transfer from PARS will target the amortization base of 6/30/2016 in the amount of \$4,984,835. Per CalPERS, the revised Total Unfunded Liability for the Miscellaneous Plan will be \$29,279,486 post payoff. A new funded status will be computed during next year’s annual actuarial review performed by CalPERS.

What is the mix of Actives, Transfer, Separated & Receiving for each of the 5 categories on page 27 of the Appendix, and what are the 5 categories?

CalPERS provides information regarding Miscellaneous active employees and benefit tier on page D-1 of the actuarial valuation.

For Misc Plan, employee contribution is 7.36% of total 17.608% normal cost percentage. What is permissible range under CalPERS?

CalPERS Miscellaneous Plan Employee Contribution Rates are based on different contracts and are listed on page 27 of the Actuarial Valuation Report.

Attachments previously received with Staff Report:

1. CalPERS Annual Valuation Report as of June 30, 2018 – Miscellaneous Plan of the Town of Los Gatos
2. CalPERS Annual Valuation Report as of June 30, 2018 – Safety Plan of the Town of Los Gatos
3. CalPERS Annual Valuation Report as of June 30, 2018 – PEPR Safety Police Plan of the Town of Los Gatos

Attachment received with this Desk Item:

- 4 Public Comments received after publishing the Staff Report and before Monday, October 14, 2019