

Revised Pension Rate Stabilization Program (PRSP) and Other Post-Employment Benefits (OPEB) Policy

City of Alameda – November 1, 2022

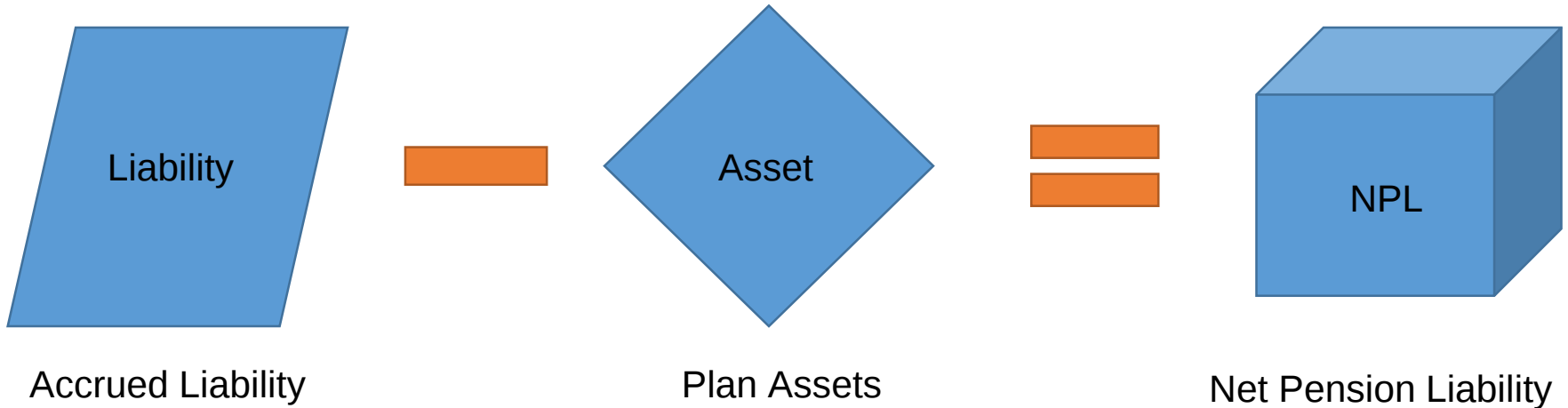


Tonight's Agenda

1. Update on Unfunded Pension Liability as of June 30, 2021
2. Update on OPEB as of June 30, 2022
3. Proposed revisions to the PRSP and OPEB Funding Policy

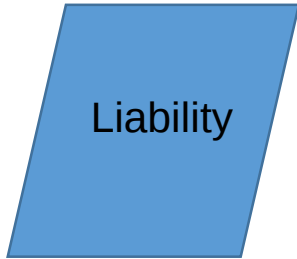
Update of CalPERS Pension Obligations as of June 30, 2021

Net Pension Liability Formula:



Update of CalPERS Pension Obligations as of June 30, 2021, Continued

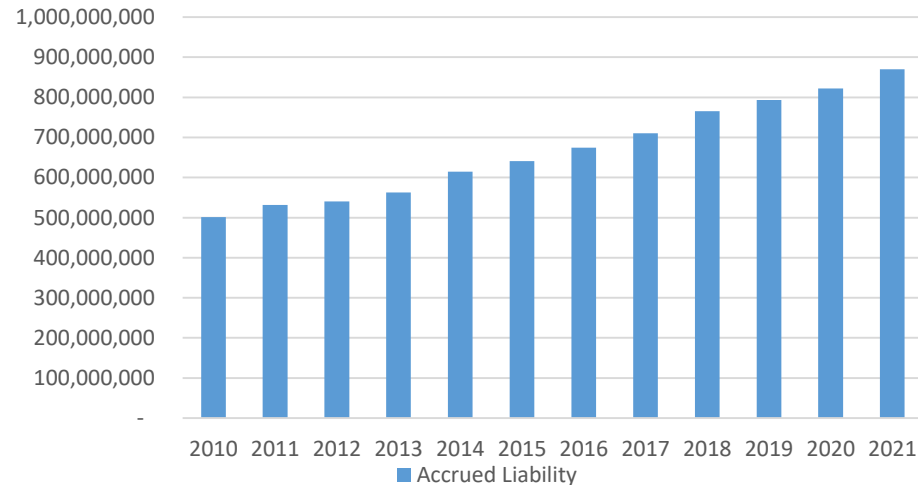
Accrued Liability



Accrued liability is the present value of projected benefits for:

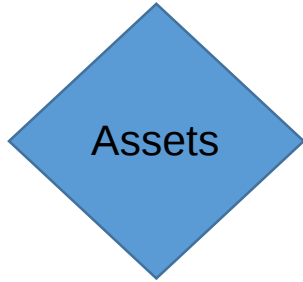
- 1) Active Members
- 2) Transferred Members
- 3) Terminated Members
- 4) Members and Beneficiaries Receiving Benefits

Combined CalPERS Accrued Liabilities



Update of CalPERS Pension Obligations as of June 30, 2021, Continued

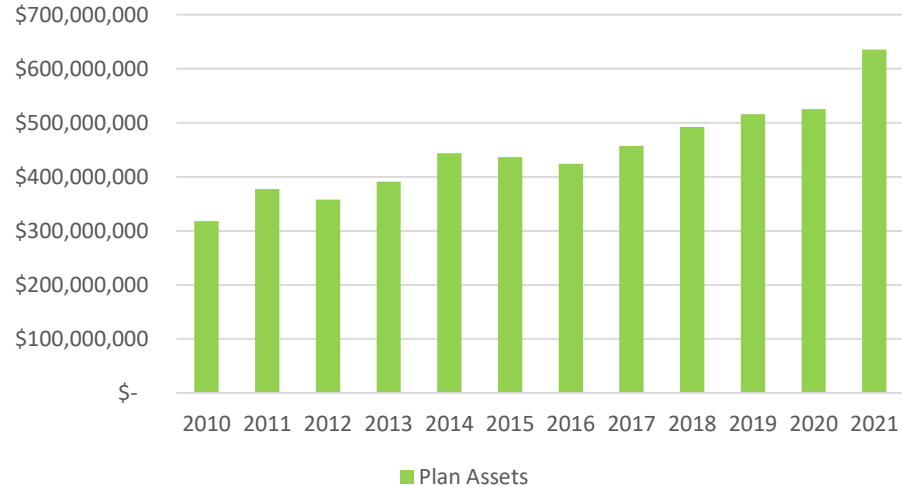
Plan Assets



Plan assets are the current market value of all assets. Items which affect this category include:

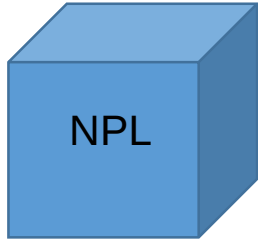
- 1) Investment Return
- 2) Employee Contributions
- 3) Employer Contributions
(both required and voluntary)

Combined CalPERS Plan Assets



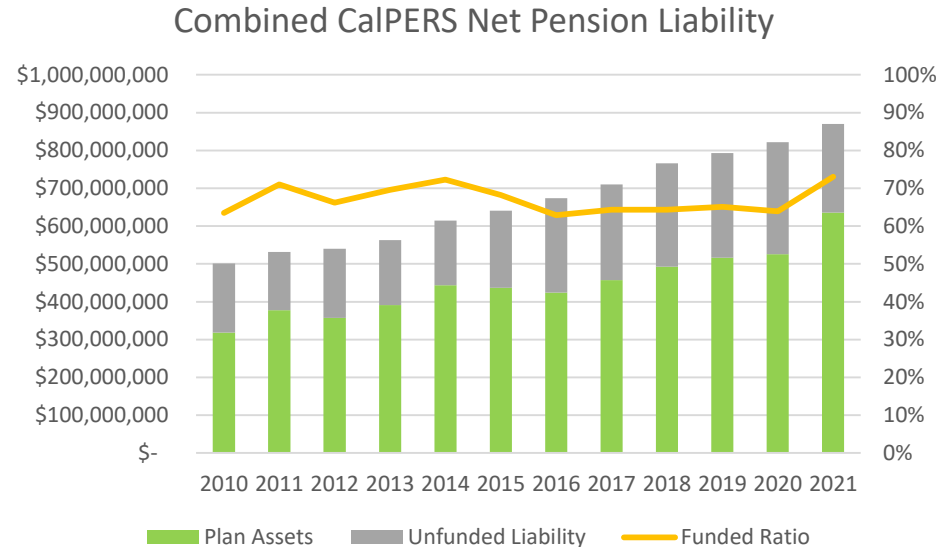
Update of CalPERS Pension Obligations as of June 30, 2021, Continued

Net Pension Liability



Net Pension Liability is the difference between accrued liability and the plan assets.

Funded Ratio expresses the pension fund's current financial position, the ratio between plan assets and liabilities.

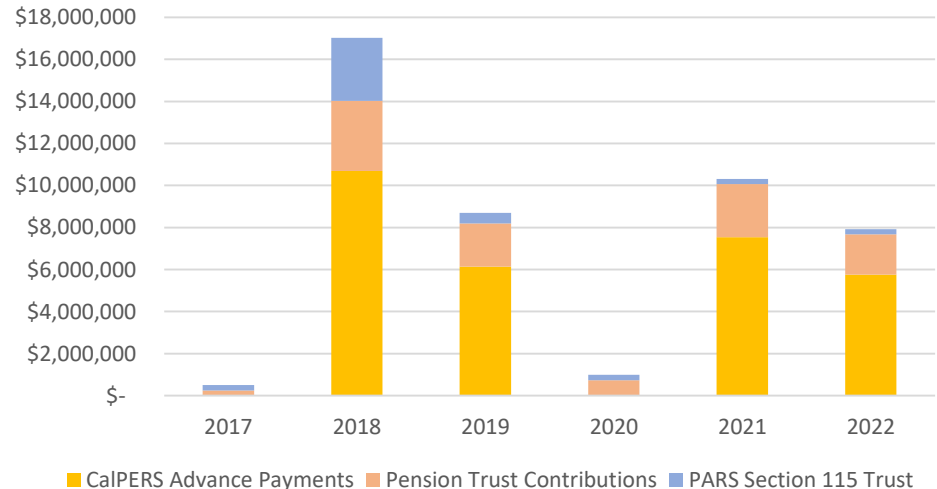


Update of CalPERS Pension Obligations as of June 30, 2021, Continued

Payments towards Pension and OPEB costs since the Pension Rate Stabilization Program (PRSP) and OPEB Funding Policy was adopted in 2017

Total	CalPERS Advance Payments	Pension Trust Contributions	PARS Section 115 Trust	Total
2017			250,000	250,000
2018	10,695,052	3,565,017	3,000,000	17,260,069
2019	6,142,000	2,047,172	500,000	8,689,172
2020			250,000	250,000
2021	5,000,000	4,000,000	250,000	9,250,000
2022	5,755,000	1,919,000	250,000	7,924,000
Total	27,592,052	11,531,189	4,500,000	43,623,241

PRSP and OPEB Funding Policy Contributions



Update of CalPERS Pension Obligations as of June 30, 2021, Continued

FY 21 Highlights:

- Accrued liability increased 5.9% since year prior
 - Average annual increase over past 11 years is 5.2% per year
- Plan assets increased roughly 21% since June 30, 2020
 - A mixture of required and voluntary contributions in addition to a solid investment performance
- Unfunded Accrued Liability is the lowest since 2015
- Funded Ratio is the highest over last 11 years
 - Increased from 63.9% in prior year to 73.1% in current year
- City has additional \$12 million in a PARS trust fund for future pension obligations

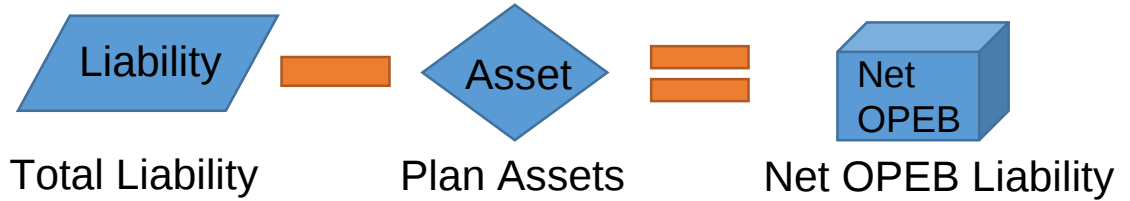
Update of CalPERS Pension Obligations as of June 30, 2021, Continued

What's ahead?

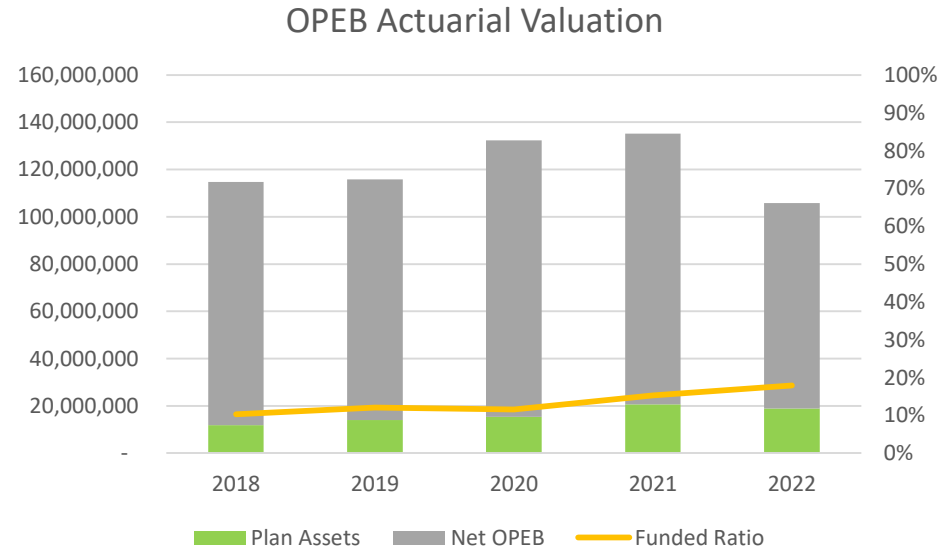
- The discount rate – the assumed rate of return CalPERS expects its investments to earn each fiscal year – changed from 7% to 6.8% in July 2021
- CalPERS reported a preliminary net investment loss of 6.1% in FY 22.
- Economic uncertainty

OPEB Update as of June 30, 2022

Net OPEB Liability Formula:



Total	Total Liability	Plan Assets	Net OPEB	Funded Ratio
2018	114,742,012	11,785,405	102,956,607	10.3%
2019	115,789,739	13,977,904	101,811,835	12.1%
2020	132,265,281	15,322,693	116,942,588	11.6%
2021	135,200,409	20,684,723	114,515,686	15.3%
2022	105,765,757	18,946,785	86,818,972	17.9%



Proposed revisions to the PRSP and OPEB Funding Policy

The following text under “Annual Contributions” has been **removed**:

- a. One-half of each fiscal year’s General Fund surplus over the 25% available fund balance shall be put into a Trust Fund or directly into paying off the CalPERS unfunded liability for either pensions or post-employment benefits.

Proposed revisions to the PRSP and OPEB Funding Policy

Two material changes have been **added**:

1) Definition:

a. General Fund Surplus - General Fund Surplus, as defined by this policy, is the difference between the current year and prior year General Fund “Residual fund balance in excess of policy or fund balance deficits,” found under the *Net Position and Fund Balances* footnote of the Annual Comprehensive Financial Report (ACFR). The amount is considered Surplus only if the current year is greater than the prior year. This amount comprises unassigned residual fund balance after meeting all annual auditing and financial reporting requirements.

Proposed revisions to the PRSP and OPEB Funding Policy

2) Clarifying Paragraph under “Annual Contribution”:

After fiscal year close and the annual audit has been completed, the Finance Department shall determine if a General Fund Surplus exists. If a General Fund Surplus exists, the Finance Department will calculate the amount of General Fund Surplus. City staff will then propose half (50%) of the General Fund Surplus be used in the following manner: 75% shall be used to reduce CalPERS unfunded liability and 25% shall be contributed into the City’s Public Agency Retirement Services (PARS) Section 115 Irrevocable Trust.