



CalPERS Update September 2023

City of Chico, California



Two factors of pension costs: Normal Cost

- **Normal Cost % of Salaries**
- **Designed to cover current employees cost of future retirement**
- **Pensionable wages multiplied by %**



Estimated Employer Contribution Rates*

| | 2024-25 | 2025-26 | 2026-27 | 2027-28 | 2028-29 |
|-------------------------|---------|---------|---------|---------|---------|
| <i>@ 6/30/20 Report</i> | | | | | |
| Miscellaneous | 11.8% | 11.5% | 11.2% | 10.9% | N/A |
| Safety | 20.7% | 20.2% | 19.8% | 19.3% | N/A |
| <i>@ 6/30/21 Report</i> | | | | | |
| Miscellaneous | 13.7% | 13.3% | 12.8% | 12.4% | 12.1% |
| Safety | 23.5% | 23.0% | 22.5% | 22.1% | 21.6% |
| <i>@ 6/30/22 Report</i> | | | | | |
| Miscellaneous | 13.57% | 13.1% | 12.7% | 12.3% | 11.9% |
| Safety | 23.33% | 22.8% | 22.3% | 21.8% | 21.3% |

**rates before employee cost sharing, assumes 6.8% investment return*

City of Chico Normal Cost Share FY 2023-24

| CalPERS Miscellaneous - Classic | | | | | | |
|---------------------------------|----------------|---------------------|---|-----------------------|---|-----------------------------|
| | Employer Share | Employee Base Share | | Employee Cost Sharing | | Total Employee Contribution |
| CME | 6.21% | 8% | + | 8% | = | 16.00% |
| CPSA | 8.21% | 8% | + | 6% | = | 14.00% |
| CNF | 11.21% | 8% | + | 3% | = | 11.00% |
| DIR | 11.21% | 8% | + | 3% | = | 11.00% |
| L39 | 11.21% | 8% | + | 3% | = | 11.00% |
| SEIU | 11.21% | 8% | + | 3% | = | 11.00% |
| UPEC | 7.53% | 8% | + | 6.68% | = | 14.68% |

| CalPERS Miscellaneous - PEPRA | | | | | | |
|-------------------------------|----------------|---------------------|---|-----------------------|---|-----------------------------|
| | Employer Share | Employee Base Share | | Employee Cost Sharing | | Total Employee Contribution |
| CME | 6.65% | 8.50% | + | 8% | = | 16.50% |
| CPSA | 6.65% | 8.50% | + | 6% | = | 14.50% |
| CNF | 9.65% | 8.50% | + | 3% | = | 11.50% |
| DIR | 9.65% | 8.50% | + | 3% | = | 11.50% |
| L39 | 9.65% | 8.50% | + | 3% | = | 11.50% |
| SEIU | 9.65% | 8.50% | + | 3% | = | 11.50% |
| UPEC | 5.97% | 8.50% | + | 6.68% | = | 15.18% |

| CalPERS SAFETY - Classic | | | | | | |
|--------------------------|----------------|---------------------|---|-----------------------|---|-----------------------------|
| | Employer Share | Employee Base Share | | Employee Cost Sharing | | Total Employee Contribution |
| CFSM | 18.95% | 9% | + | 5% | = | 14.00% |
| CPM | 20.95% | 9% | + | 3% | = | 12.00% |
| CPOA | 20.95% | 9% | + | 3% | = | 12.00% |
| IAFF | 18.95% | 9% | + | 5% | = | 14.00% |

| CalPERS SAFETY - PEPRA | | | | | | |
|------------------------|----------------|---------------------|---|-----------------------|---|-----------------------------|
| | Employer Share | Employee Base Share | | Employee Cost Sharing | | Total Employee Contribution |
| CFSM | 18.95% | 15% | + | 5% | = | 20% |
| CPM | 20.95% | 15% | + | 3% | = | 18% |
| CPOA | 20.95% | 15% | + | 3% | = | 18% |
| IAFF | 18.95% | 15% | + | 2% | = | 17% |

Two factors of pension costs: Unfunded Accrued Liability (UAL)

- **UAL Annual Payment**

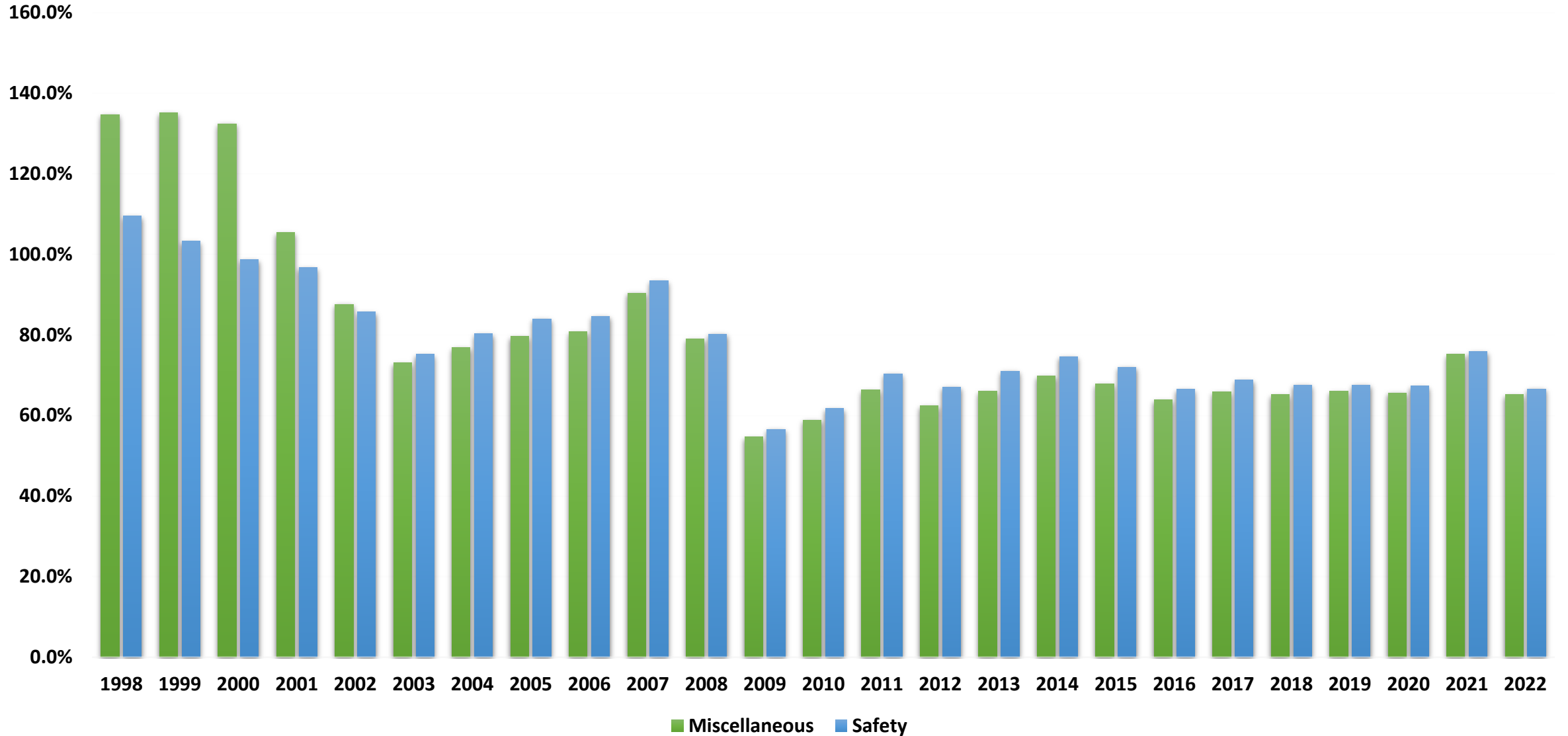
- Calculated annually by CalPERS
- Changes each year based on actuarial factors
 - Investment return
 - Mortality rates
 - Number of Retirees
- Similar to a mortgage balance that is a moving target
- Annual payment can be paid in July of each year or paid monthly
 - Prepayment saves one month of interest



Unfunded Accrued Liability

| | <u>As of 6/30/2020</u> | | <u>As of 6/30/2021</u> | | <u>As of 6/30/2022</u> | |
|---------------|------------------------|-----------------|------------------------|-----------------|------------------------|-----------------|
| <u>Plan</u> | <u>UAL</u> | <u>Funded %</u> | <u>UAL</u> | <u>Funded %</u> | <u>UAL</u> | <u>Funded %</u> |
| Miscellaneous | \$69,978,696 | 65.6% | \$52,770,823 | 75.2% | \$77,011,668 | 65.2% |
| Safety | <u>\$80,790,676</u> | 67.3% | <u>\$64,293,003</u> | 75.9% | <u>\$92,247,723</u> | 66.6% |
| Total | <u>\$150,769,372</u> | | <u>\$117,063,826</u> | | <u>\$169,259,391</u> | |

City of Chico CalPERS Funding Status History



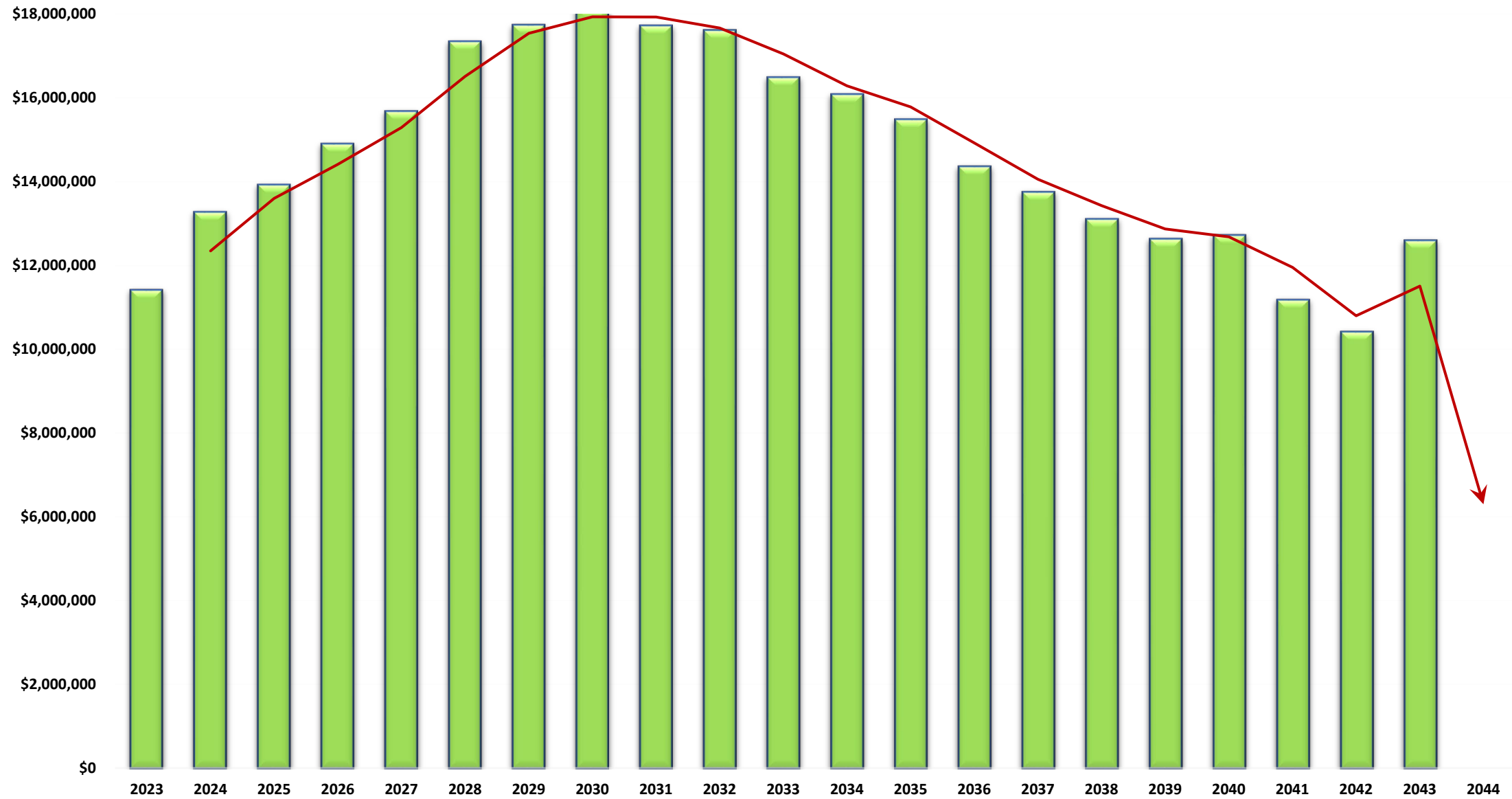
City of Chico Total Projected UAL Payments @ 6/30/2020



City of Chico Total Projected UAL Payments @ 6/30/2021



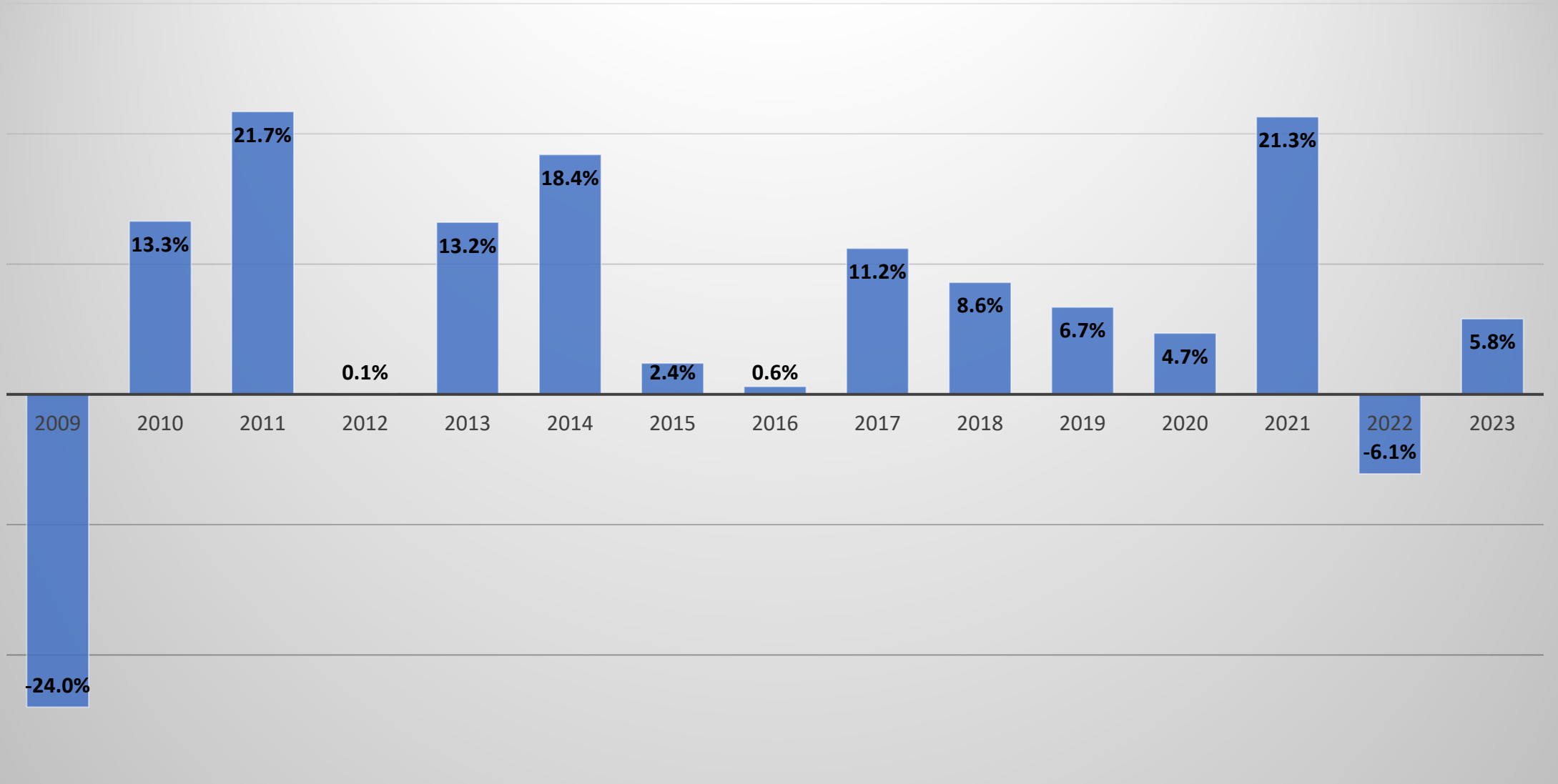
City of Chico Total Projected UAL Payments @ 6/30/2022



Amortization Bases

| Reason for Base | Date Est. | Ramp Level 2024-25 | Ramp Shape | Escalation Rate | Amort. Period | Balance 6/30/22 | Expected Payment 2022-23 | Balance 6/30/23 | Expected Payment 2023-24 | Balance 6/30/24 | Minimum Required Payment 2024-25 |
|----------------------------|-----------|--------------------|------------|-----------------|---------------|-----------------|--------------------------|-----------------|--------------------------|-----------------|----------------------------------|
| Assets Change | 6/30/03 | No Ramp | | 2.80% | 1 | (43,103) | (15,502) | (30,014) | (15,805) | (15,721) | (16,247) |
| Assumption Change | 6/30/03 | No Ramp | | 2.80% | 1 | 867,299 | 311,934 | 603,910 | 318,008 | 316,333 | 326,911 |
| Method Change | 6/30/04 | No Ramp | | 2.80% | 2 | (127,508) | (35,079) | (99,926) | (35,745) | (69,781) | (36,745) |
| Assumption Change | 6/30/09 | No Ramp | | 2.80% | 7 | 2,957,611 | 398,373 | 2,747,034 | 404,039 | 2,516,282 | 415,352 |
| Special (Gain)/Loss | 6/30/09 | No Ramp | | 2.80% | 17 | 2,748,188 | 210,667 | 2,717,353 | 211,636 | 2,683,420 | 217,562 |
| Special (Gain)/Loss | 6/30/10 | No Ramp | | 2.80% | 18 | 1,305,993 | 96,798 | 1,294,766 | 97,157 | 1,282,404 | 99,878 |
| Assumption Change | 6/30/11 | No Ramp | | 2.80% | 9 | 2,780,123 | 318,179 | 2,640,352 | 322,064 | 2,487,062 | 331,082 |
| Golden Handshake | 6/30/11 | No Ramp | | 2.80% | 9 | 946,093 | 108,278 | 898,528 | 109,600 | 846,363 | 112,669 |
| Special (Gain)/Loss | 6/30/11 | No Ramp | | 2.80% | 19 | (1,417,577) | (101,831) | (1,408,736) | (102,119) | (1,398,996) | (104,979) |
| (Gain)/Loss | 6/30/12 | No Ramp | | 2.80% | 20 | 27,122,445 | 1,892,328 | 27,011,162 | 1,896,054 | 26,888,461 | 1,949,144 |
| Golden Handshake | 6/30/12 | No Ramp | | 2.80% | 10 | 210,893 | 22,542 | 201,938 | 22,795 | 192,112 | 23,433 |
| Payment (Gain)/Loss | 6/30/12 | No Ramp | | 2.80% | 20 | 390,534 | 27,247 | 388,932 | 27,301 | 387,165 | 28,066 |
| (Gain)/Loss | 6/30/13 | 100% | Up/Down | 2.80% | 21 | 18,061,717 | 1,299,045 | 17,947,428 | 1,302,666 | 17,821,625 | 1,339,141 |
| (Gain)/Loss | 6/30/14 | 100% | Up/Down | 2.80% | 22 | (14,266,967) | (996,542) | (14,207,254) | (998,465) | (14,141,493) | (1,026,422) |
| Assumption Change | 6/30/14 | 100% | Up/Down | 2.80% | 12 | 9,229,719 | 989,156 | 8,835,106 | 1,000,117 | 8,402,331 | 1,028,120 |
| (Gain)/Loss | 6/30/15 | 100% | Up/Down | 2.80% | 23 | 2,975,845 | 202,263 | 2,969,176 | 202,483 | 2,961,826 | 208,153 |
| (Gain)/Loss | 6/30/16 | 100% | Up/Down | 2.80% | 24 | 5,606,779 | 371,472 | 5,604,146 | 371,572 | 5,601,230 | 381,977 |
| Assumption Change | 6/30/16 | 100% | Up/Down | 2.80% | 14 | 3,272,769 | 311,810 | 3,173,080 | 314,672 | 3,063,655 | 323,483 |
| (Gain)/Loss | 6/30/17 | 100% | Up/Down | 2.80% | 25 | (4,442,842) | (232,823) | (4,504,346) | (290,884) | (4,510,030) | (299,029) |
| Assumption Change | 6/30/17 | 100% | Up/Down | 2.80% | 15 | 2,798,988 | 206,353 | 2,776,066 | 260,084 | 2,696,057 | 267,366 |
| (Gain)/Loss | 6/30/18 | 100% | Up/Down | 2.80% | 26 | (2,223,781) | (87,557) | (2,284,513) | (116,563) | (2,319,399) | (149,784) |
| AL Significant Increase* | 6/30/18 | 100% | Up/Down | 2.80% | 26 | 2,265 | 89 | 2,327 | 119 | 2,362 | 153 |
| Assumption Change | 6/30/18 | 100% | Up/Down | 2.80% | 16 | 6,501,310 | 354,638 | 6,576,902 | 476,238 | 6,531,968 | 611,966 |
| Method Change | 6/30/18 | 100% | Up/Down | 2.80% | 16 | 1,459,779 | 79,629 | 1,476,752 | 106,933 | 1,466,662 | 137,408 |
| Investment (Gain)/Loss | 6/30/19 | 80% | Up Only | 0.00% | 17 | 706,216 | 29,540 | 723,711 | 43,514 | 727,954 | 58,019 |
| Non-Investment (Gain)/Loss | 6/30/19 | No Ramp | | 0.00% | 17 | (1,045,505) | (97,983) | (1,015,340) | (96,266) | (984,898) | (96,266) |
| Investment (Gain)/Loss | 6/30/20 | 60% | Up Only | 0.00% | 18 | 3,574,630 | 78,302 | 3,736,784 | 153,609 | 3,832,139 | 230,413 |
| Non-Investment (Gain)/Loss | 6/30/20 | No Ramp | | 0.00% | 18 | (855,641) | (78,226) | (832,983) | (76,820) | (810,237) | (76,820) |
| Assumption Change | 6/30/21 | No Ramp | | 0.00% | 19 | 451,869 | (142,927) | 630,303 | 56,679 | 614,589 | 56,679 |
| Net Investment (Gain) | 6/30/21 | 40% | Up Only | 0.00% | 19 | (17,381,977) | 0 | (18,563,951) | (399,026) | (19,413,930) | (798,053) |
| Non-Investment (Gain)/Loss | 6/30/21 | No Ramp | | 0.00% | 19 | (821,713) | 0 | (877,589) | (78,916) | (855,710) | (78,916) |
| Risk Mitigation | 6/30/21 | No Ramp | | 0.00% | 0 | 5,083,661 | (138,413) | 5,572,392 | 5,758,738 | 0 | 0 |
| Risk Mitigation Offset | 6/30/21 | No Ramp | | 0.00% | 0 | (5,217,595) | 0 | (5,572,392) | (5,758,738) | 0 | 0 |
| Benefit Change | 6/30/22 | No Ramp | | 0.00% | 20 | 239,727 | (1,525) | 257,604 | (1,568) | 276,742 | 24,886 |
| Investment (Gain)/Loss | 6/30/22 | 20% | Up Only | 0.00% | 20 | 23,120,615 | 0 | 24,692,817 | 0 | 26,371,929 | 566,857 |
| Non-Investment (Gain)/Loss | 6/30/22 | No Ramp | | 0.00% | 20 | 2,440,809 | 0 | 2,606,784 | 0 | 2,784,045 | 250,351 |
| Total | | | | | | 77,011,668 | 5,380,235 | 76,688,309 | 5,485,163 | 76,234,521 | 6,305,808 |

CalPERS Investment Rate of Return History



What has been done...

- **Employees pay their share of “normal cost.”** In prior years, City paid employer and at least some (in some cases all) of employee cost. This was a standard practice among public agencies.
- **Negotiations with employee groups for additional employee contributions have occurred and are ongoing.**
 - **Employees pay over \$500,000 annually towards employer’s share**



What has been done...

- **Prepay UAL in July each year**
 - Cash payment savings total \$381,800 in FY2023-24
- **Creation of Section 115 Pension Stabilization Trust**
 - \$5.8 million set aside as of June 2023 for future pension costs
- **Budget Policy D.1.c.**
 - 50% of financial surplus in the General Fund will be allocated to the Pension Stabilization Trust Fund

