



CalPERS
Update
September
2022

City of Chico, California



CITY OF CHICO

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*

	2023-24	2024-25	2025-26	2026-27	2027-28
<i>@ 6/30/20 Report</i>					
Miscellaneous	12.2%	11.8%	11.5%	11.2%	10.9%
Safety	21.2%	20.7%	20.2%	19.8%	19.3%
<i>@ 6/30/21 Report</i>					
Miscellaneous	14.21%	13.7%	13.3%	12.8%	12.4%
Safety	23.95%	23.5%	23.0%	22.5%	22.1%

**rates before employee cost sharing*

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**



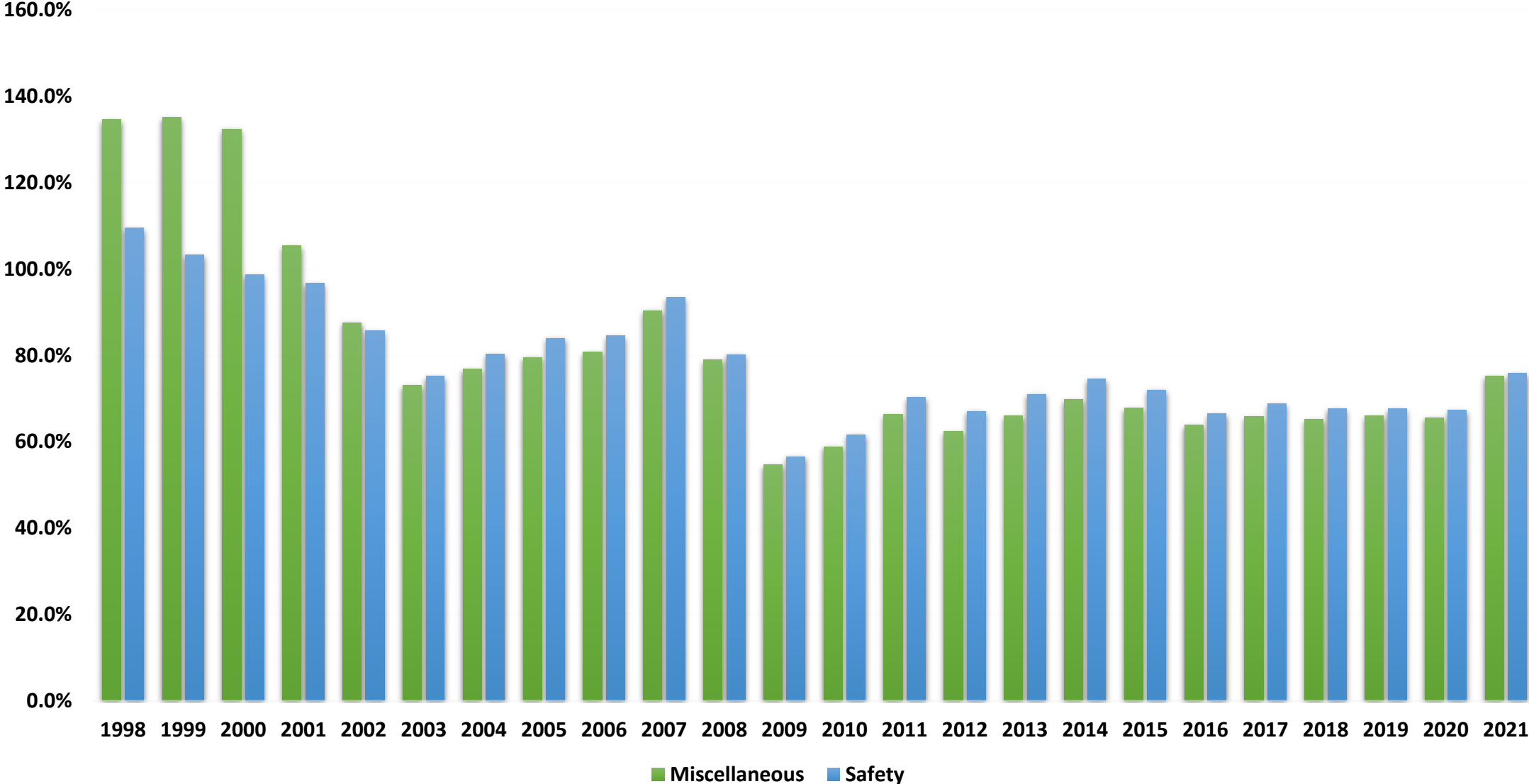
Unfunded Accrued Liability at 6/30/2020

<u>Plan</u>	<u>UAL</u>	<u>Funded %</u>
Miscellaneous	\$69,978,696	65.6%
Safety	<u>\$80,790,676</u>	67.3%
Total	<u>\$150,769,372</u>	

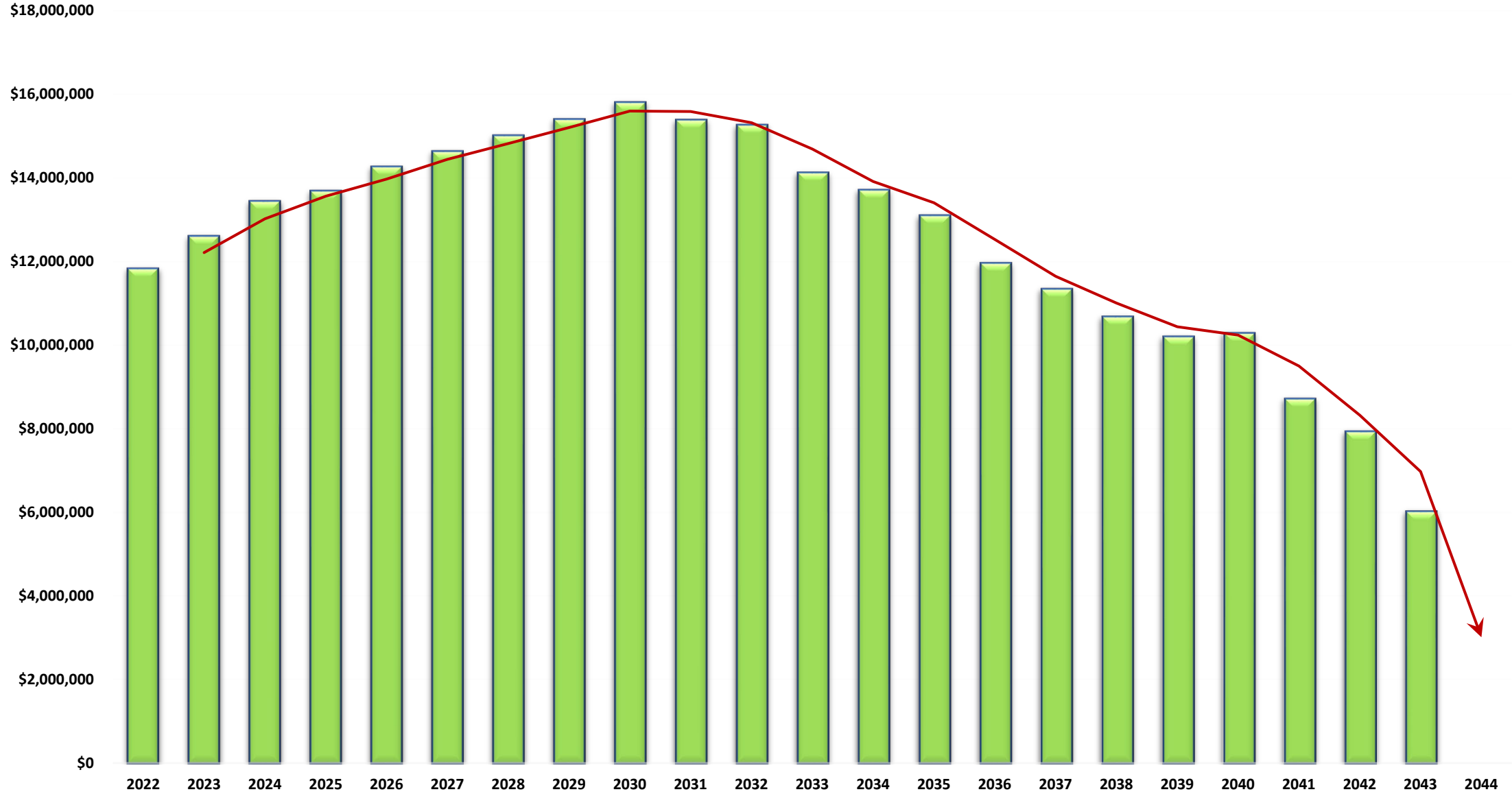
Unfunded Accrued Liability at 6/30/2021

<u>Plan</u>	<u>UAL</u>	<u>Funded %</u>
Miscellaneous	\$52,770,823	75.2%
Safety	<u>\$64,293,003</u>	75.9%
Total	<u>\$117,063,826</u>	

City of Chico CalPERS Funding Status History



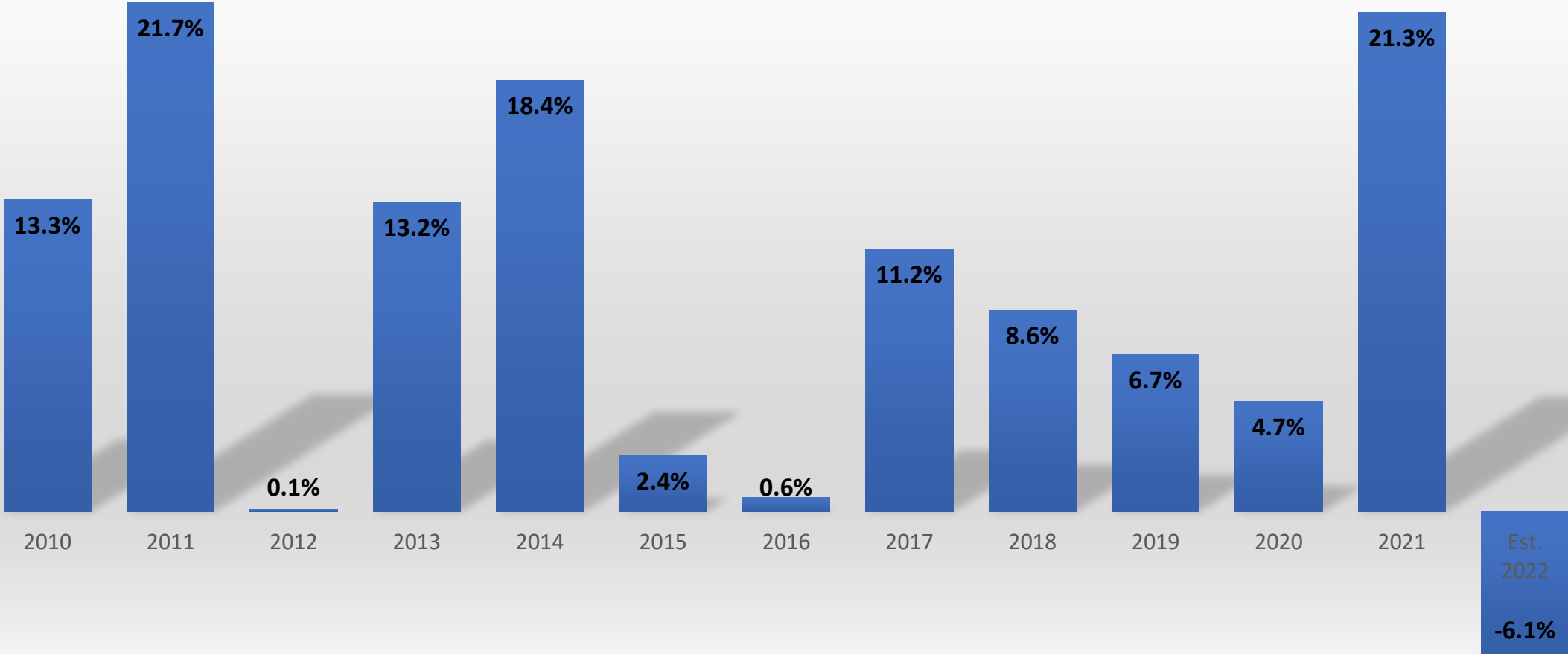
City of Chico Total Projected UAL Payments @ 6/30/2020



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



CalPERS Investment Rate of Return History

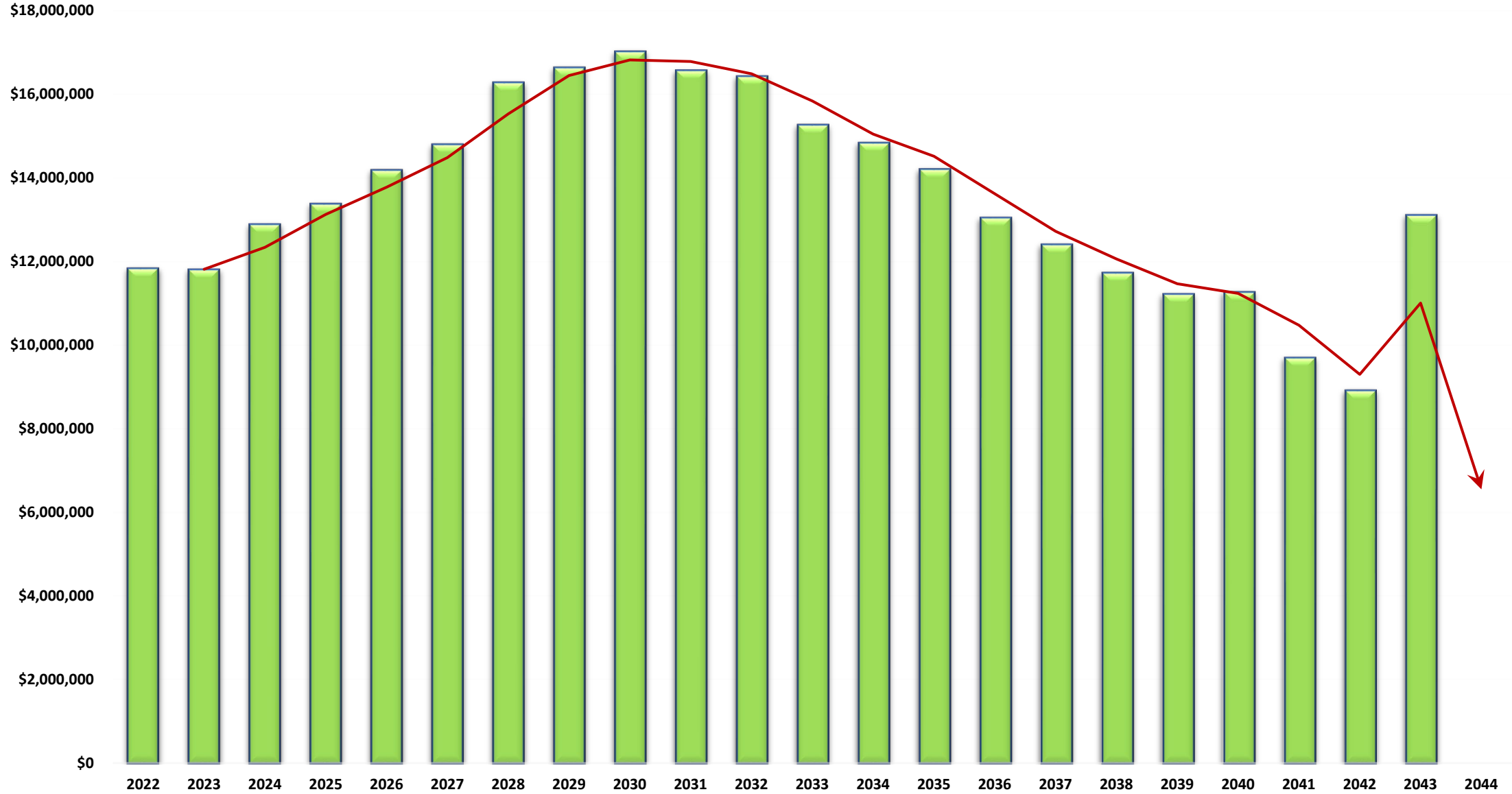


-6.1% Potential Impacts.....

- **Funded Ratio**
 - From ~76% down to ~67%
- **Normal Cost**
 - Minimal Change
- **UAL Payments**
 - Increase



City of Chico Total Projected UAL Payments with -6.1%



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**



City of Chico Normal Cost Share FY 2022-23

CalPERS Miscellaneous - Classic						
	Employer Share	Employee Base Share		Employee Cost Sharing		Total Employee Contribution
CME	6.65%	8%	+	6%	=	14.00%
CPSA	6.65%	8%	+	6%	=	14.00%
CNF	9.65%	8%	+	3%	=	11.00%
DIR	9.65%	8%	+	3%	=	11.00%
L39	9.65%	8%	+	3%	=	11.00%
SEIU	9.65%	8%	+	3%	=	11.00%
UPEC	5.97%	8%	+	6.68%	=	14.68%

CalPERS Miscellaneous - PEPR						
	Employer Share	Employee Base Share		Employee Cost Sharing		Total Employee Contribution
CME	6.65%	7.50%	+	6%	=	13.50%
CPSA	6.65%	7.50%	+	6%	=	13.50%
CNF	9.65%	7.50%	+	3%	=	10.50%
DIR	9.65%	7.50%	+	3%	=	10.50%
L39	9.65%	7.50%	+	3%	=	10.50%
SEIU	9.65%	7.50%	+	3%	=	10.50%
UPEC	5.97%	7.50%	+	6.68%	=	14.18%

CalPERS SAFETY - Classic						
	Employer Share	Employee Base Share		Employee Cost Sharing		Total Employee Contribution
CFSM	18.70%	9%	+	3%	=	12.00%
CPM*	15.70%	9%	+	6%	=	15.00%
CPOA*	15.70%	9%	+	6%	=	15.00%
IAFF	18.70%	9%	+	3%	=	12.00%

CalPERS SAFETY - PEPR						
	Employer Share	Employee Base Share		Employee Cost Sharing		Total Employee Contribution
CFSM	18.70%	13.75%	+	3%	=	16.75%
CPM*	15.70%	13.75%	+	6%	=	19.75%
CPOA*	15.70%	13.75%	+	6%	=	19.75%
IAFF	21.70%	13.75%	+	0%	=	13.75%

*As of July 2023 CPOA and CPM will cost share an add'l 3%. Ultimately they will be "picking up" 9% of Employer share.

What has been done...

- **Prepay UAL in July each year**
 - **Cash payment savings total \$393,400 in FY2022-23**
- **Creation of Section 115 Pension Stabilization Trust**
 - **\$2.9 million set aside as of June 2022 for future pension costs**
- **New Budget Policy D.1.c.**
 - **50% of financial surplus in the General Fund will be allocated to the Pension Stabilization Trust Fund**



What has been done...

- **City Management has engaged CalPERS leadership**
 - **Attendance at CalPERS Board Meetings**
 - **Participate in California League of Cities dialogue**

