Current Pension Benefit

- CalPERS defined benefit plan
- Formula based on years of service
  - Miscellaneous 2.7% @ 55
  - Safety 3% @ 50
  - Safety 3% @ 55
Pension Cost Components

1. Normal cost
   • Employee contribution
     • Fixed amount; can be paid by employer
   • Employer contribution
     • Adjusted annually

2. Unfunded liability
   • Paid by employer; adjusted annually
Impact of Legislation

1. Reduced benefit formulas
   - Miscellaneous 2% @ 62
     - Maximum benefit of 2.5% @ 67
   - Safety 2% @ 50
     - Maximum benefit of 2.7% @ 57
   - Effective 1/1/13 for new members
   - Does not impact current members
Impact of Legislation

2. Caps pensionable compensation
   • Cap of $132,120
   • Adjusted annually by CPI
   • Effective 1/1/13 for new members
   • Does not impact current members
Impact of Legislation

3. Equal sharing of normal cost
   • New employees pay 50% of normal cost
     • ~6% Miscellaneous
     • ~10.5% Safety
   • Greater flexibility for employees to pay more than 50%
   • Effective 1/1/13 for new members
   • Does not impact current members
Impact of Legislation

3. Equal sharing of normal cost
   • January 1, 2013 – December 31, 2017
     • Any negotiated cost sharing agreement okay
   • January 1, 2018
     • Employer authorized to require 50% contribution
       • Miscellaneous up to 8%
       • Safety up to 12%
   • Applicable to current employees
Other Elements of Legislation

- Require three-year final compensation
- Benefits based on regular pay
- No retroactive benefit enhancements
- No purchase of service credit
- Limits on post-retirement employment
Fiscal Impact

• Every new employee generates savings
• Significant long-term savings expected
• Short-term impact based on implementation
  • Employee contribution for current employees
• Long-term savings recognized in 20-year plan
Other Considerations

- **No impact on current unfunded liability**
  - City’s contribution rates will continue to rise
  - Currently paying more than CalPERS requires

- Assumption changes and GASB standards
  - Will also increase contribution rates