



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