Post-Employment Liabilities and Policy Discussion

Finance Committee

September 11, 2018

Unfundeded Retirement Liabilities City Council Goal

- Place San Leandro on a firm foundation for long-term fiscal sustainability

Post-Employment Liabilities Reporting GASB 68/75

- Pension financial reporting requires governments providing defined benefit pensions to:
  1. Recognize long-term obligation as liabilities on balance sheet for the first time
  2. Measure annual pension benefit costs more comprehensively and comparably
  3. Enhance pension plans disclosures and required supplementary information
- GASB 68 implemented 2014-15
- GASB 75 for retiree healthcare disclosure implemented 2017-18

City & State Steps toward Post-Employment Liabilities

- Pension Obligation Bonds 2012
- Pension Tiers (PEPRA)
- Labor Contracts – all employees now pay into the pension system
- Full Annual Required Contribution (ARC), $15 million in current year to PERS
- $16 million placed in a 115 Trust to pay post-employment liabilities (PULL Program)
- Medical retiree program is modest

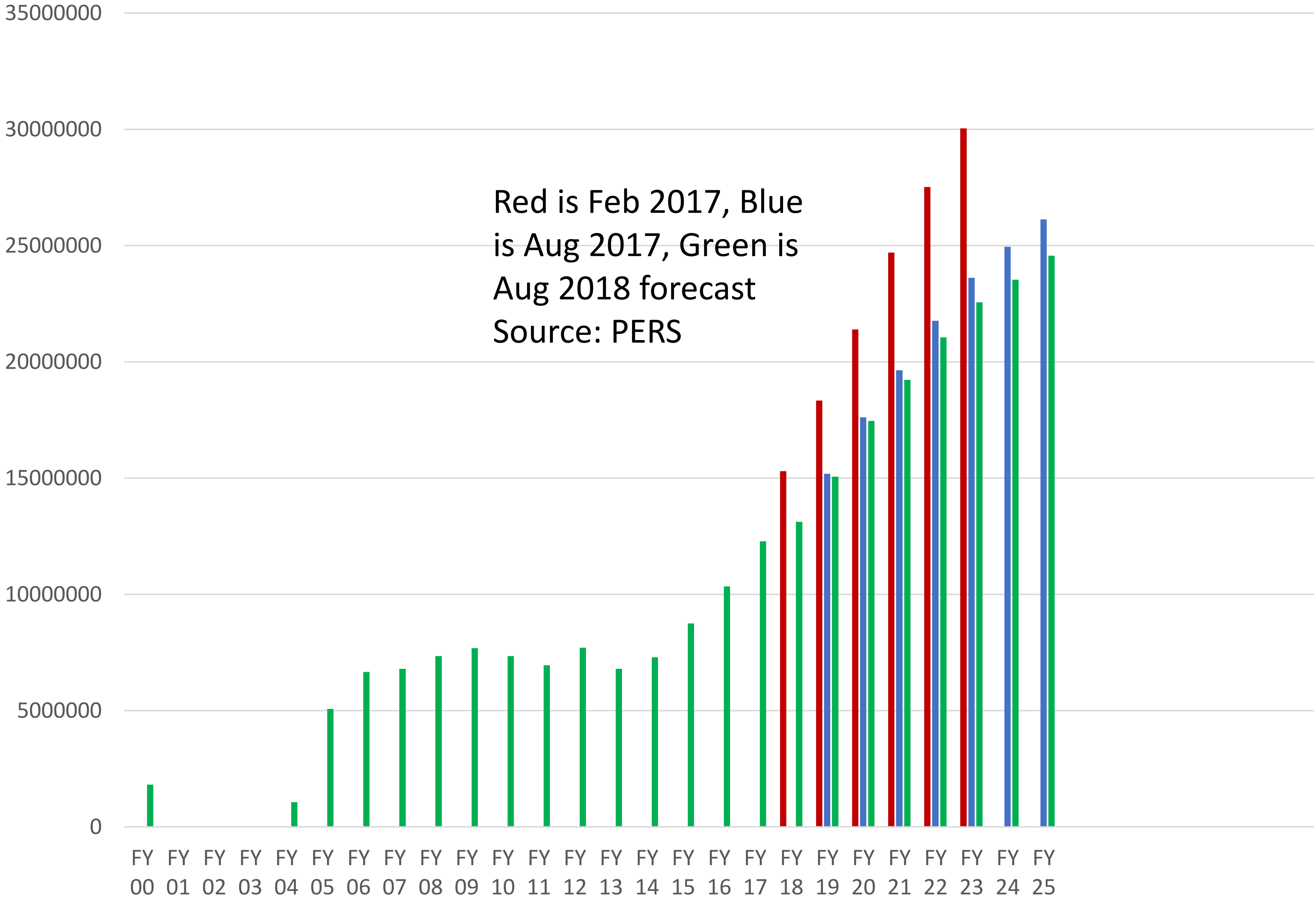
Post-Public Employees' Pension Reform Act Retirement Tiers

- **Miscellaneous (Non-sworn) SLCEA, SLMO, Confidential, and Unrepresented**:
- **CalPERS Formula**
- **Tier 1** – Hired prior to May 6, 2010
- 2.5% at 55 (2% early retirement at 50, 2.5% maximum benefit at 55)
- **Tier 2** – Hired May 6, 2010 through December 31, 2012
- 2% at 55 (1.426% early retirement at 50, 2.418% maximum benefit at 63)
- **Tier 3** – Hired January 1, 2013 and After
- 2% at 62 (1% early retirement at 52, 2.5% maximum benefit at 67)

Post-Public Employees' Pension Reform Act Retirement Tiers (cont.)

- **Safety (Sworn), SLPMA, and SLPOA**:
- **CalPERS Formula**
- **Tier 1** – Prior to January 1, 2013
- 3% at 50 (no early retirement age,
  3% maximum benefit at 50)
- **Tier 2** – January 1, 2013 and after
- 2.7% at 57 (2% early retirement at age 50,
  2.7% maximum benefit at 57)

Pension Cost
FY 2000-2025



Net Post Employment Liabilities

	Description	% of ARC	2018-19 Annual Required Contribution (ARC)	Overall
1	Miscellaneous unfunded CalPERS	100%	$ 8.0M	$ 87.7M
2	Safety unfunded CalPERS	100%	7.0M	83.0M
3	Miscellaneous/Safety unfunded OPEB	176%	0.96M	5.2M
4	Fire Department unfunded OPEB * City's portion, ACFD pays difference	35%	2.75M	27.1M
	Total		**$18.71M**	**$203M**

Funded ratio is approximately 70% Safety and 69% Miscellaneous (PERS Report August 2018)

Current Funding Strategies

- Pension Obligation Bonds financing saved $1.48 million on present value basis
- Budget forecast assumes increase in City CalPERS contributions
- Future new employees will have lower benefits due to Public Employees' Pension Reform Act of 2013 (PEPRA)
- City will continue payment of ARC for CalPERS and pay above the ARC for OPEB
- Strengthening our revenue streams
- Future bargaining unit agreements to continue employee contributions toward CalPERS

Prioritizing Unfunded Liability Liquidation (PULL)

- Goal – finding $5 million new funding over next 5 years to pay down liabilities (more than $5 million already funded; current account is $16 million)
- City Council directed minimum 100% ARC in budget
- Reserve 16.7% instead of 20% and use a portion to pay down unfunded liabilities
- Carryover usage – up to 50% to apply to unfunded liability in net positive year
- Major property/other sales apply up to 50% to unfunded liabilities

Questions