

Post-Employment Liabilities and Policy Discussion



Finance Committee
October 8, 2019



Unfunded Retirement Liabilities City Council Goal

- Place San Leandro on a firm foundation for long-term fiscal sustainability
 - Retirement Liabilities—pension and health care



Post-Employment Liabilities Reporting-- GASB 68/75

Pension financial reporting (GASB) requires governments providing defined benefit pensions to:

1. Recognize long-term obligation as liabilities on balance sheet
2. Measure annual pension benefit costs comprehensively and comparably
3. Enhance pension plans actuarial disclosures and required supplementary information



City and CA Take Steps Addressing Post-Employment Liabilities

- City Issued Pension Obligation Bonds 2012
- PEPPRA Sets Pension Benefit Tiers (effective 2013) Impacting City and CA Employees
- Employee MOUs--all employees now contribute toward retirement benefits
- Estimated Total Employer Contribution (same as ARC), \$17.5 Million to PERS in 2019-20 (17% increase from prior year)
- \$18.5 Million Funding 115 Trust for Post-Employment Health Care Liabilities (additions through PULL program)
- Retiree Medical Program—modest costs



Public Employees' Pension Reform Act

Retirement Tiers

- **Miscellaneous (Non-sworn) SLCEA, SLMO, Confidential, and Unrepresented:**
- **CalPERS Formulas**
- **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 on or after May 6, 2010 to January 1, 2013--2% at 55 (1.426% early retirement at 50, 2.418% maximum benefit at 63)
- **Tier 3** – Hired on or after January 1, 2013--2% at 62 (1% early retirement at 52, 2.5% maximum benefit at 67)



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

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



City Plan Membership Data as of 8-21-2019

- Safety Members

Classic	71
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PEPRA	18 (20% of Safety members)
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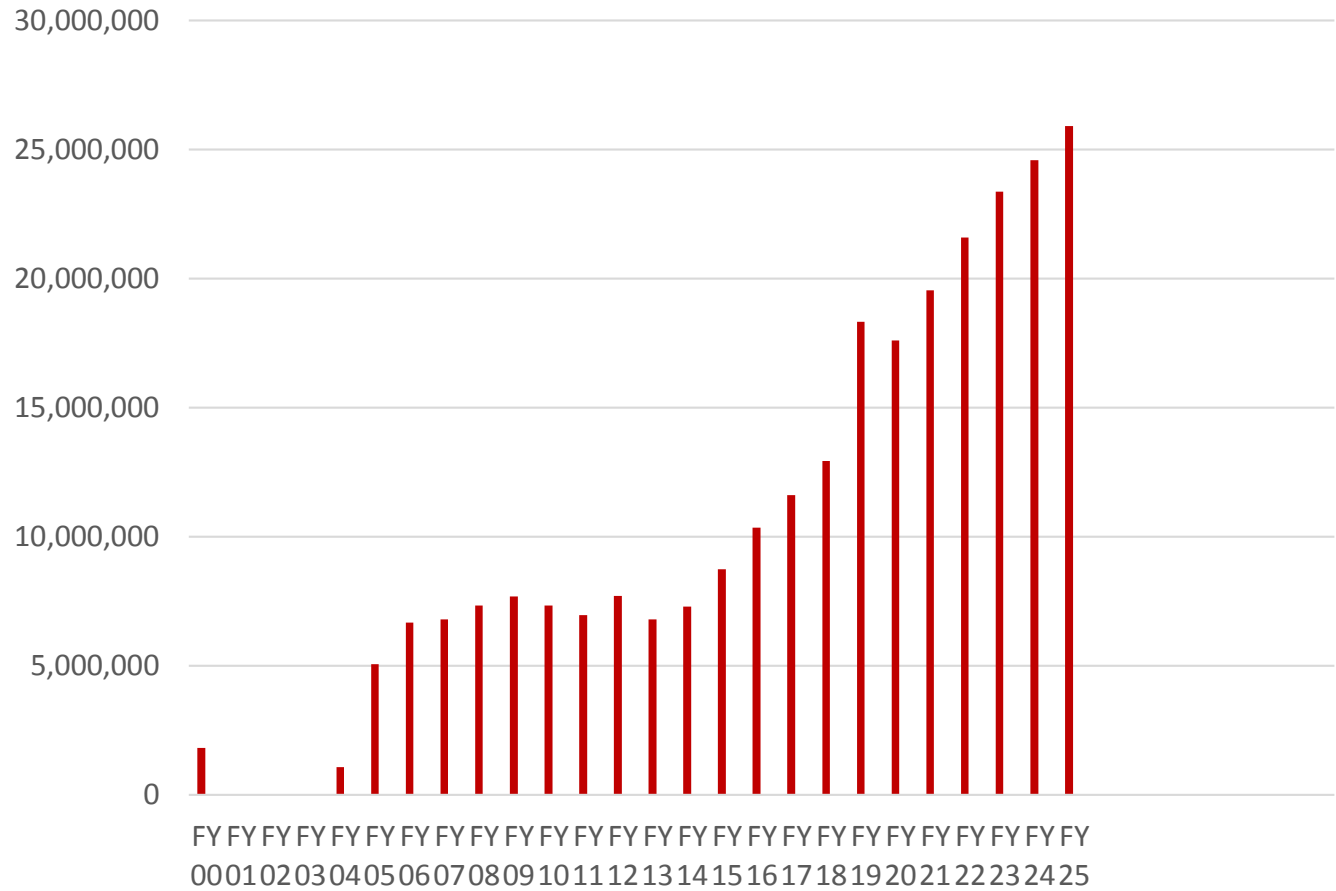
- Miscellaneous Members

Classic	154
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PEPRA	102 (40% of Miscellaneous members)
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940 retirees vs. 345 active employees equals 2.7 ratio

Pension Cost FY 2000-2025



Net Post-Employment Liabilities

	Description	Annual Required Contribution (ARC)	% of ARC	Unfunded Accrued Liability
1	Miscellaneous Unfunded CalPERS	\$ 9.1M	100%	\$ 99.5M
2	Safety Unfunded CalPERS	8.3M	100%	94.5M
3	Miscellaneous/Safety Unfunded OPEB	1.1M	156%	4.6M
4	Alco Fire Department Unfunded OPEB (City portion allocated by ACFD)	2.4M	45%	27.1M
	Total	\$20.9M		\$225.7M

Funded ratio is approximately 69% Safety and 68% Miscellaneous (PERS Report July 2019)



Current Funding Strategies

- Refinancing through Pension Obligation Bonds saves \$1.5 million on Present Value Basis
- Budget Forecast assumes increases in City Employer contributions to CalPERS
- Future Employees receive reduced benefits based on PEPRA
- City continues contributions at ARC for Retirement Costs and above ARC for OPEB
- Strengthening City revenue sources and levels
- Future Bargaining Unit MOUs to maintain Employee Contributions toward retirement benefits



Prioritizing Unfunded Liability Liquidation (PULL)

- Goal—\$5 Million Additional Funding Over 5-Years to Pay Down Unfunded Liabilities--more than \$5 million already funded. Current Trust balance is \$18.5 million)
- City Council directed minimum 100% ARC in 2019-20 Budget
- Reserve 16.7% instead of 20% and use a portion to pay down unfunded liabilities
- Use General Fund Carryover for Unfunded Liabilities—up to 50% applied in net-positive year
- Major Property/Other Sales apply up to 50% to Unfunded Liabilities

Questions?