



# **CITY OF PINOLE CALPERS MISCELLANEOUS AND SAFETY PLANS**



**FOSTER & FOSTER**  
ACTUARIES AND CONSULTANTS

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## **Actuarial Analysis 6/30/21 Valuation**

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July 18, 2023

## HOW WE GOT HERE – DEMOGRAPHIC

- At CalPERS, Enhanced Benefits implemented using all (future & prior) service
- Typically not negotiated with cost sharing
- City of Pinole does have Enhanced Benefit Formulas (2.5%@55, 3%@55)

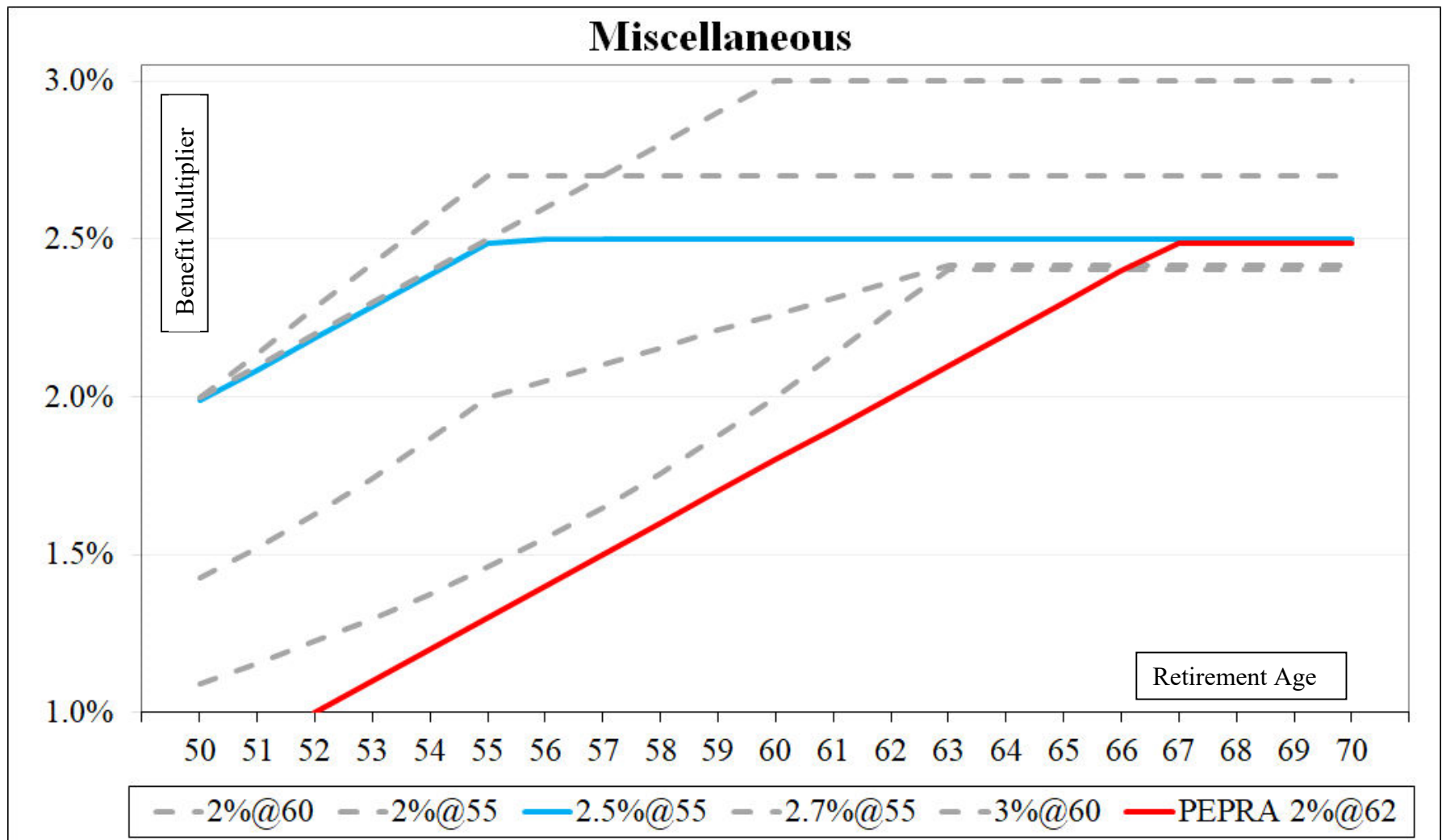
	<b>Tier 1</b>	<b>PEPRA</b>
Miscellaneous	2.5%@55 FAE1	2%@62 FAE3
Safety	3%@55 FAE1	2.7%@57 FAE3

- Note:
  - FAE1 is highest one year (typically final) average earnings
  - FAE3 is highest three years (typically final three) average earnings
- PEPRA tier implemented for new employees hired after 1/1/13
  - Employee pays half of total normal cost
  - 2023 Compensation limit
    - Social Security participants: \$146,042
    - Non-Social Security participants: \$175,250

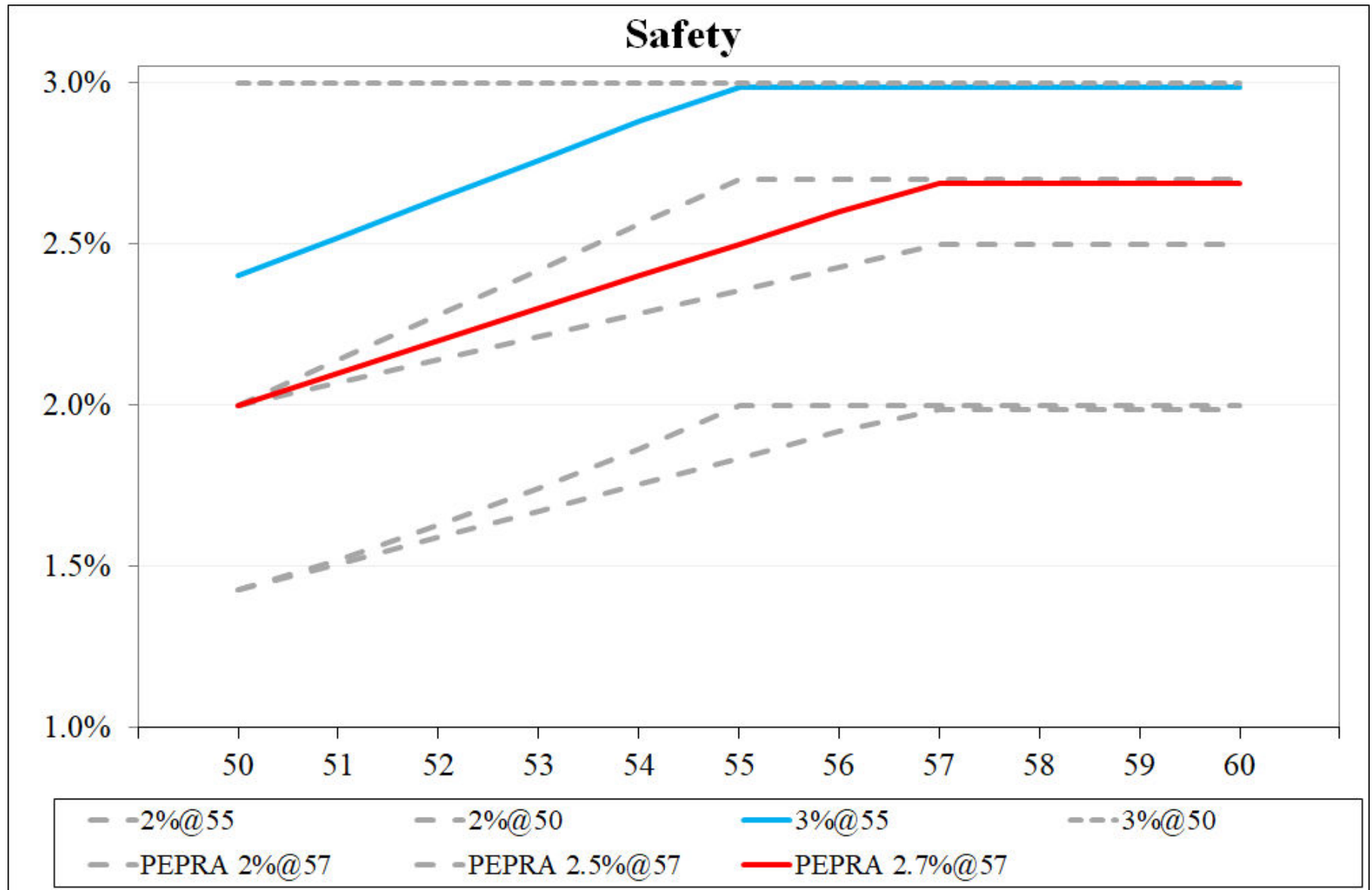


## HOW WE GOT HERE – DEMOGRAPHIC

- Available CalPERS Benefit formulas. City formulas shown in red and blue.
- For any retirement age, chart shows benefit multiplier (% FAE per year of service)



## HOW WE GOT HERE – DEMOGRAPHIC

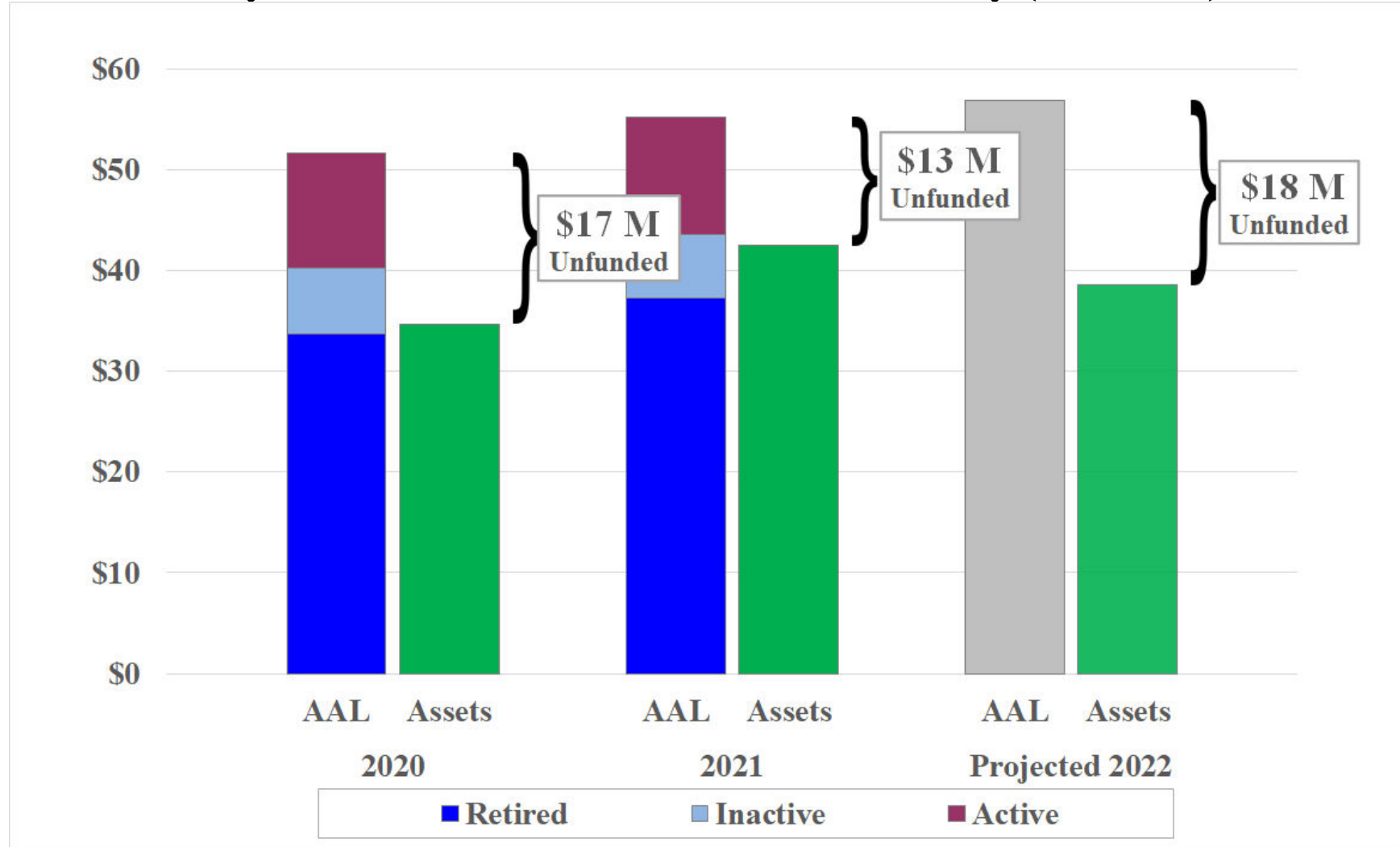


July 18, 2023



## PLAN FUNDED STATUS - MISCELLANEOUS

### City CalPERS Assets and Actuarial Liability (\$Millions)<sup>1</sup>

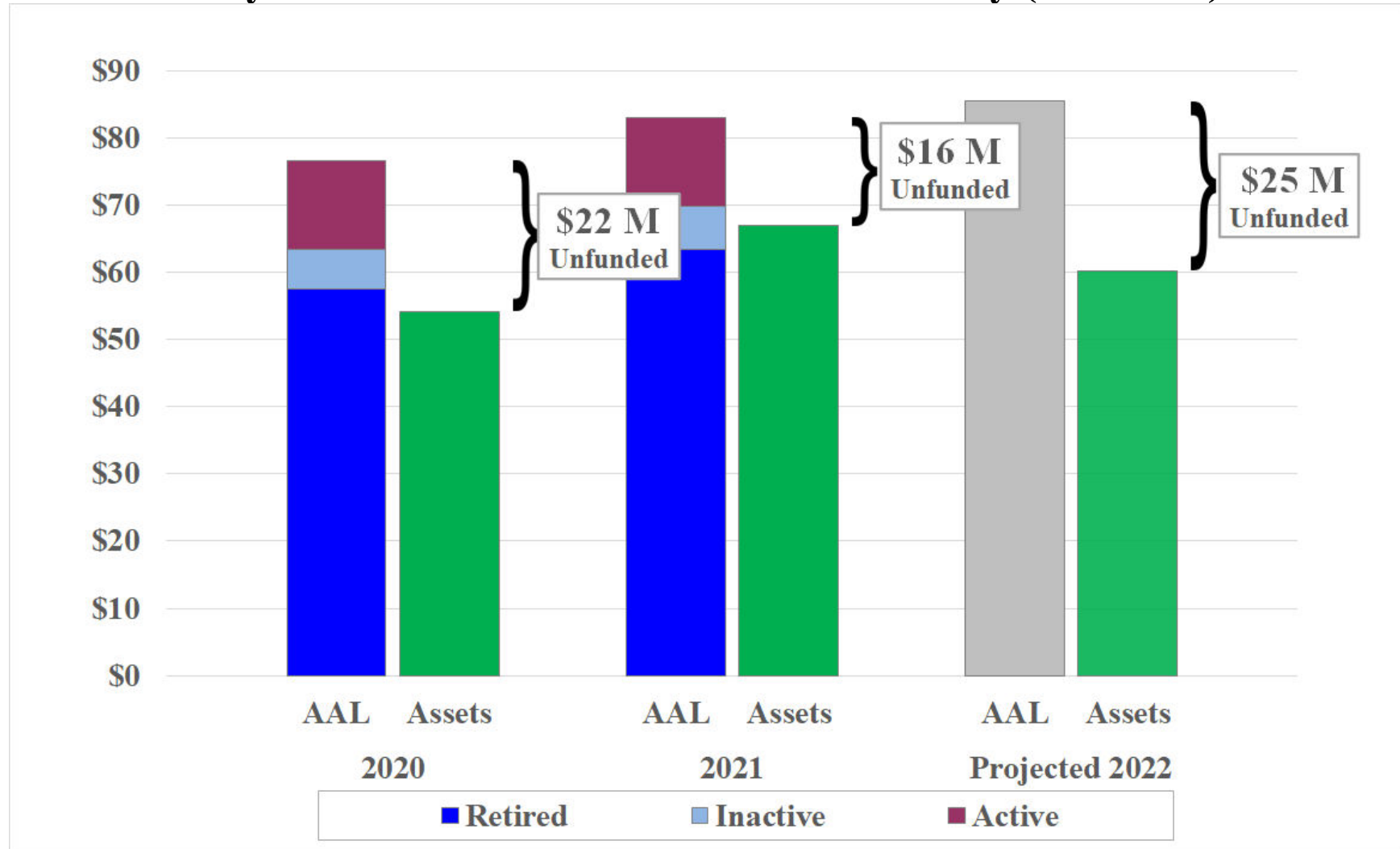


<sup>1</sup> Projected 2022 assets reflects -7.5% CalPERS investment return for 2021/22.



## PLAN FUNDED STATUS - SAFETY

### City CalPERS Assets and Actuarial Liability (\$Millions)<sup>7</sup>



<sup>7</sup> Projected 2022 assets reflects -7.5% CalPERS investment return for 2021/22.



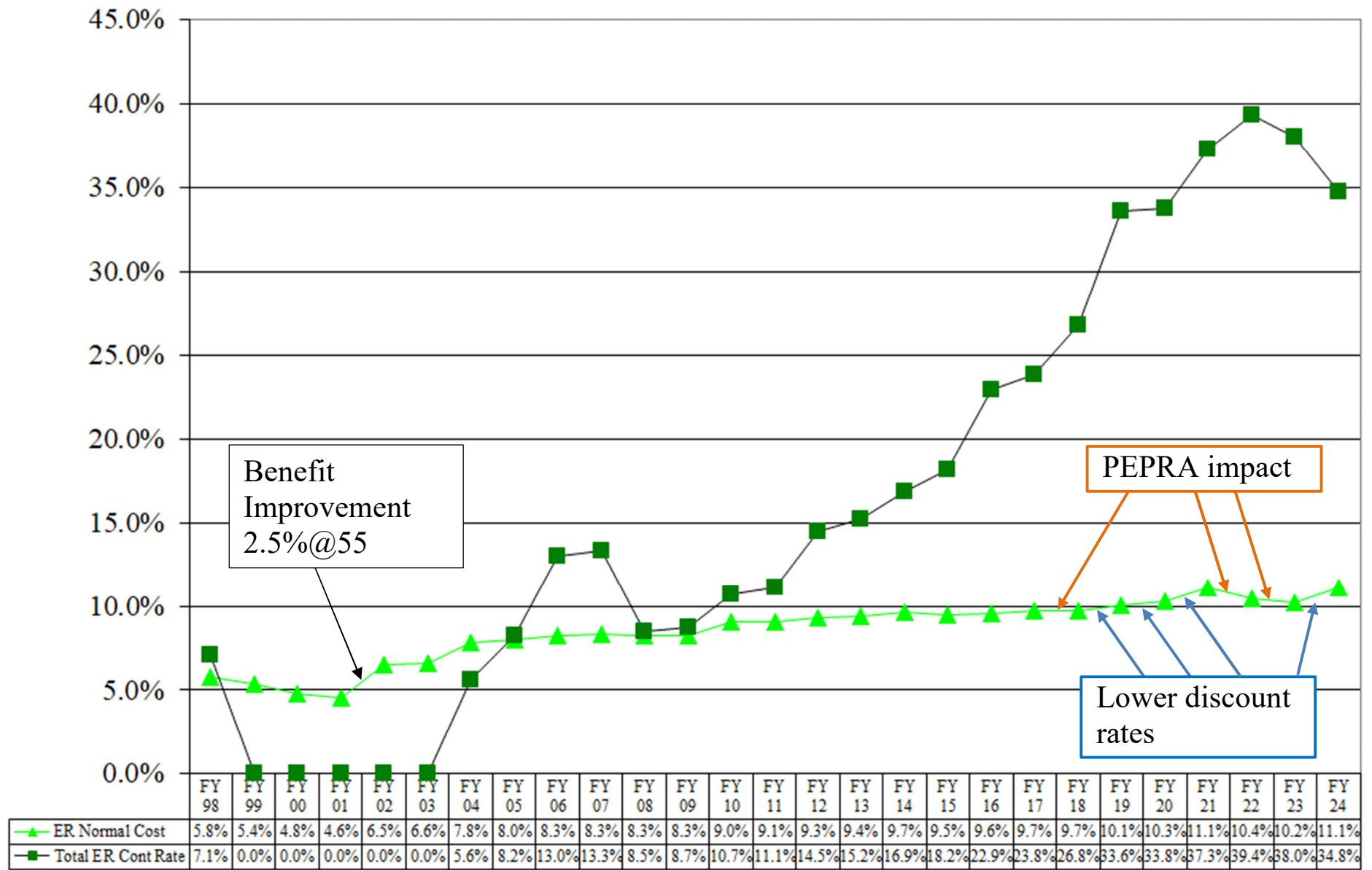
## POB

- POB issued in 2006 to pay off Side Funds
- Total amount of \$6.2 Million
- Debt service payments end in fiscal year 2035/36
- Allocated between Miscellaneous and Safety based on projected 6/30/06 side fund balances (39% Miscellaneous/61% Safety)

	<u>Total</u>	<u>Miscellaneous</u>	<u>Safety</u>
● 2017/18	\$0.505 million	\$0.195 million	\$0.310 million
● 2018/19	0.520	0.200	0.320
:			
● 2022/23	0.595	0.232	0.363
● 2023/24	0.610	0.238	0.372
:			
● 2035/36	0.860	0.335	0.525



## CONTRIBUTION RATES - MISCELLANEOUS

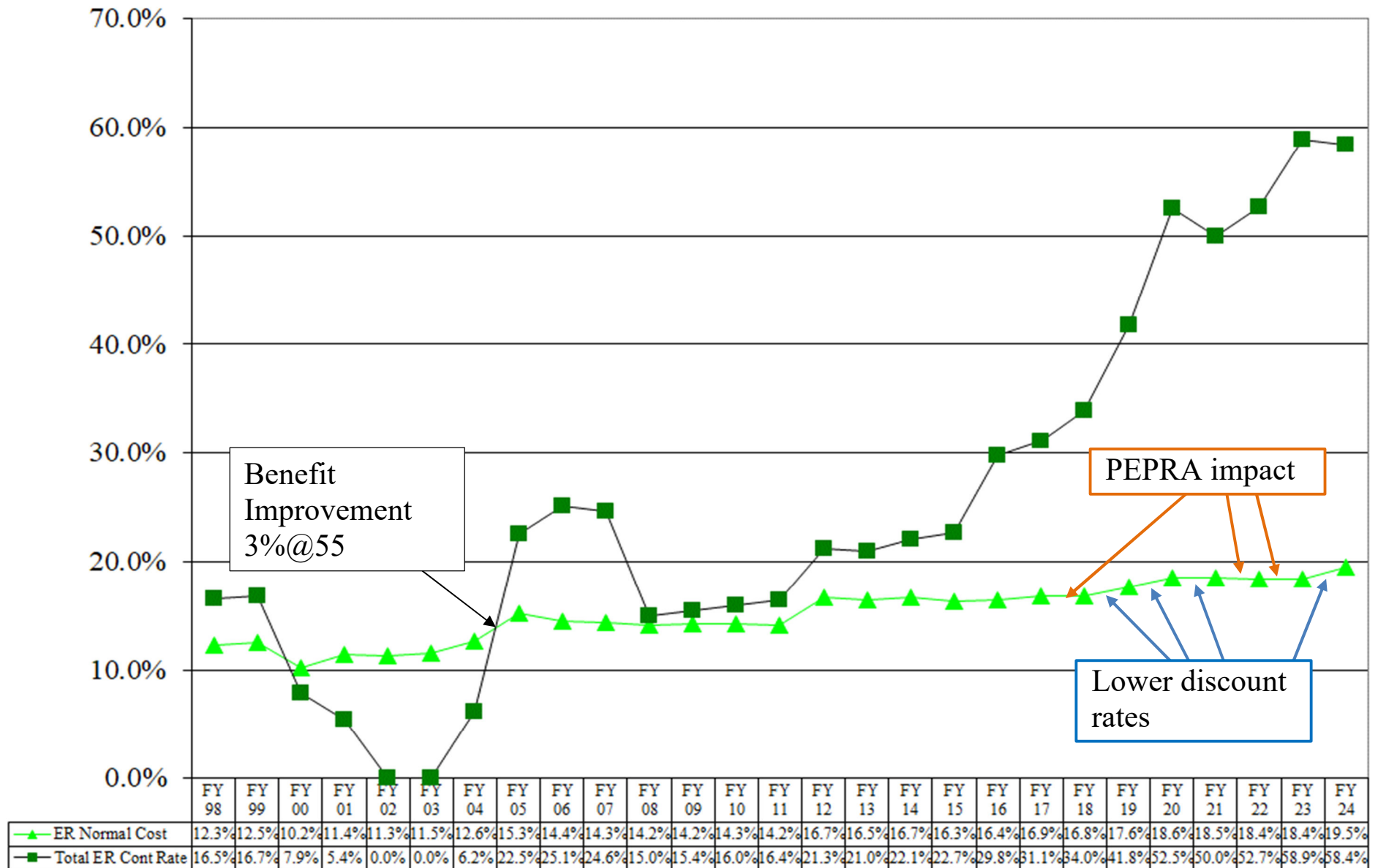


July 18, 2023





# CONTRIBUTION RATES - SAFETY

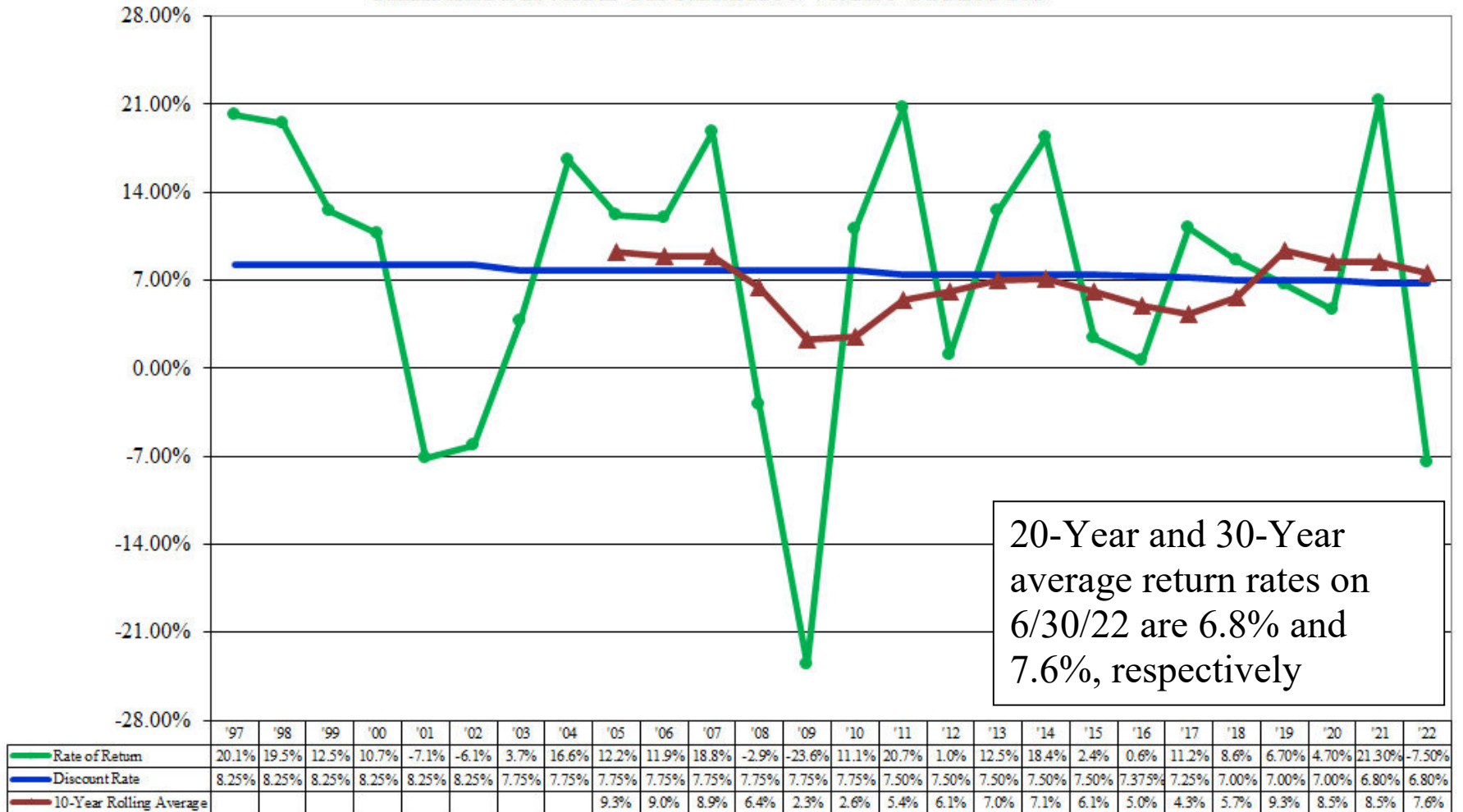


July 18, 2023



# HOW WE GOT HERE – INVESTMENT RETURN

## Annual Return on Market Value of Assets



Returns (after 2001) shown are gross returns, unreduced for administrative expenses, from CalPERS valuation reports, when available. The discount rate is based on expected returns net of administrative expenses.



July 18, 2023



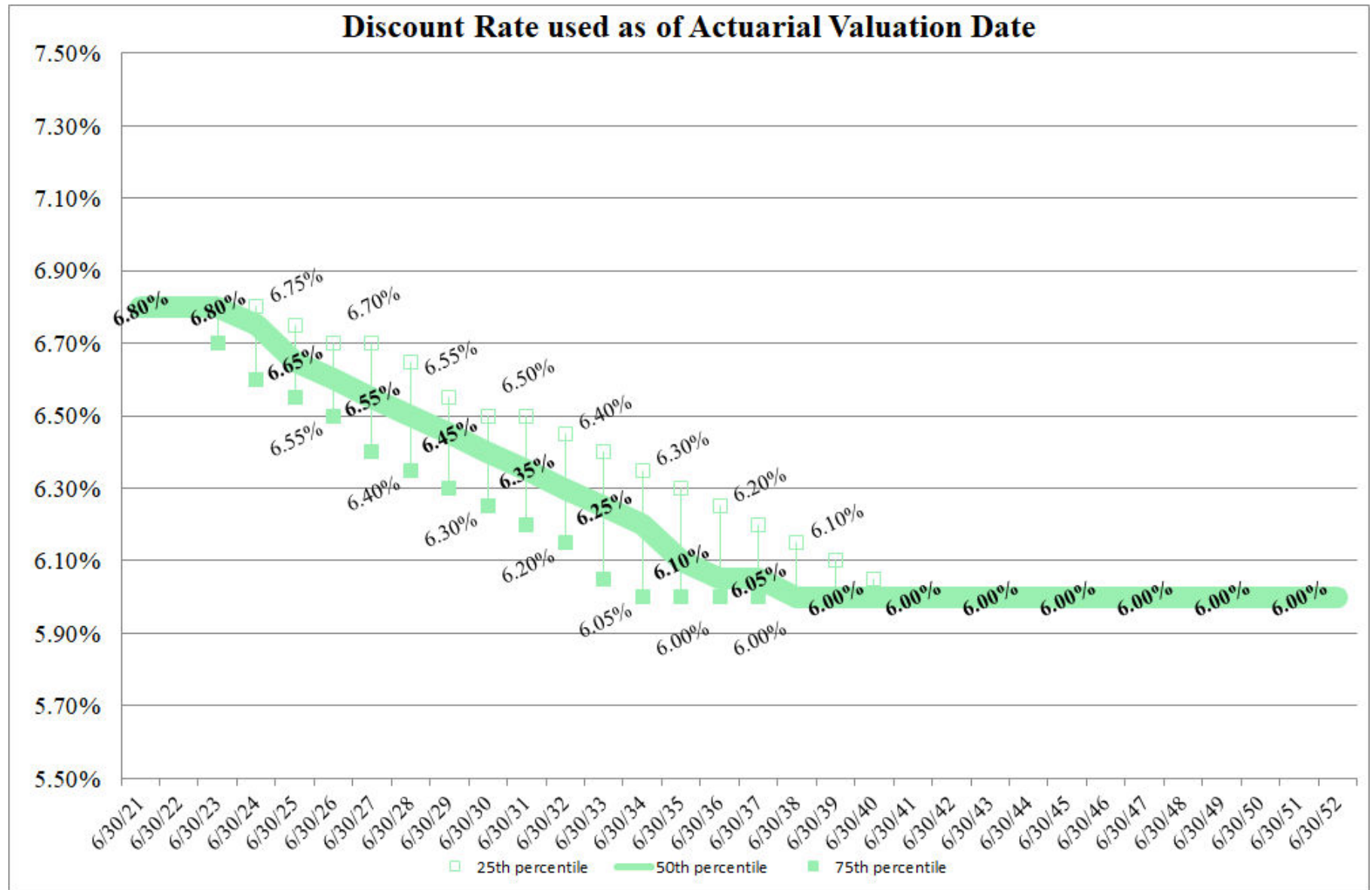
## CALPERS CHANGES

### ■ Risk Mitigation Strategy

- Move to more conservative investments over time to reduce volatility
  - Only when investment return is better than expected
  - Lower discount rate in concert
  - Essentially use  $\approx 50\%$  of investment gains to pay for cost increases
- Likely get to 6.0% discount rate over 20+ years
  - Risk mitigation suspended from 6/30/16 to 6/30/18 valuation
  - Did not trigger for 6/30/19 or 6/30/20 valuations
- First trigger for 6/30/21 valuation – 6.8% discount rate



# CALPERS CHANGES



July 18, 2023

