Pensions by the Numbers

MEDIAN RETIREMENT AGE FOR CITY EMPLOYEES

*Over the last 10 years

MISCELLANEOUS
58 years old

FIRE
57 years old

POLICE
56 years old

MEDIAN PENSION BENEFITS FOR CITY RETIREES

(SLO, 2016)

$3,700
/month

*City employees do not participate in Social Security.

SLO RETIREES RECEIVING A PENSION

553

HOW MUCH DOES AN EMPLOYEE PAY TOWARD ANNUAL PENSION COSTS?

21%*

*Overall 2016–17 percentage. Percentage varies by bargaining group & tier.

TOTAL UNFUNDED LIABILITY FOR SLO CITY

$148,386,606*

*Current unfunded liability through 2045–46.

RETIREMENT BENEFITS BASICS

- The California Public Employees Retirement System (“CalPERS”) is an agency in the state’s executive branch that manages pension and health benefits for more than 1.6 million employees, retirees and families.
- The City contracts with CalPERS to provide a “defined benefit” pension; meaning the retirement benefit is set based on years of service, final compensation, age, and a multiplier in the benefit formula.
- Formulas differ between public safety employees and non-public safety employees, as well as hire date.
- CalPERS uses actuarial analysis to determine the funding needed to pay contractually obligated benefits. Factors include employee contributions, the employer contributions and expected investment earnings on those funds.
- Benefits to retirees are determined based on formulas that indicate the percent of final compensation and the retirement age.
- For instance, a 2% @ 60 formula means the retirement benefit is 2% of final compensation, times the years of CalPERS service, assuming a retirement age of 60.

City	Tier 1	Tier 2	PEPRA
Miscellaneous	2.7% @ 55	2% @ 60	2% @ 62
Police Safety	3% @ 50	2% @ 50	2.7% @ 57
Fire Safety	3% @ 50	3% @ 55	2.7% @ 57

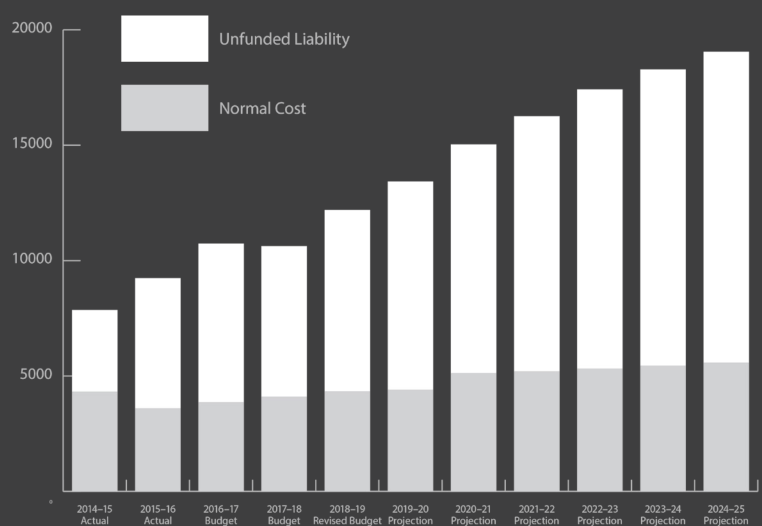
WHAT IS THE DIFFERENCE BETWEEN NORMAL COST & UNFUNDED LIABILITY?

Normal Cost: The amount of money based on actuarial assumptions that must be set aside, for future pensions benefits.

Unfunded Liability: The amount of money by which future payment obligations exceed the present value of funds available.

HOW PENSION COSTS GROW

- In FY 2014–15, $7.8m in actual pension expense
- Looking ahead, pension costs are forecasted to more than double by 2024–25



WHAT IS THE CITY DOING NOW TO ADDRESS COSTS?

Continued Implementation of the Adopted Fiscal Responsibility Philosophy

- Informed decision making, shared responsibility, increased transparency, aligned investments, diversified and aligned revenue sources, address long-term unfunded liabilities, continued efficiency and effectiveness

Activation of the Fiscal Health Contingency Plan

- Includes a hiring and travel “chill”

Adoption of the 2017-19 Major City Goal: Fiscal Sustainability & Responsibility

MANAGING CALPERS COSTS THROUGH THE YEARS

Why are Costs Increasing?

- Reduced rate of return on investments
- Investment losses from Great Recession
- Retirees living longer
- Past decisions around employee benefits

What Has the City Already Done to Address Costs?

Lower Benefit Retirement Tiers

- In 2012, the City negotiated with different bargaining groups to establish a 2nd tier of lower benefits for new employees while implementing the even lower state-mandated 3rd tier (PEPRA) in 2013.
- Currently, 40 percent of the workforce is in the 2nd and 3rd tiers, resulting in significant savings in pension costs. Unfortunately, due to the way CalPERS bills the City, it is almost impossible to estimate the exact annual savings. We projected savings in the range of $1 million in 2017.

Employees Pay a Greater Share of the Total Pension Costs

Retirement Age Increases & Employees Work Longer

Paying Down Unfunded Retirement Liabilities

- Lump sum $2.74 million payment toward unfunded retirement liabilities.