Why Are We Here?
Palos Verdes Estates City Council established an ad hoc committee to take a look at the impact of public pension debt upon the city and to work with stakeholders to examine options to address this debt in a meaningful way in order to stabilize the budget forecasts and ensure retirement security for all employees past, present, and future.

The ad hoc committee consists of:

• Councilmember Victoria Lozzi
• Councilmember Michael Kemps
• Pete Constant, RSI

*Please note that due to California Brown Act restrictions, city councilmembers not on the ad hoc committee will not be able to attend these meetings.*
Pension Ad Hoc Committee

The ad hoc committee is reaching out to employees, retirees, labor, management, taxpayers, residents, and other interested parties.

- These meetings are designed to inform, answer questions, and seek input.
- Due to the complexity of the issues, we may not be able to answer all questions, but we will work to seek answers.
- There is no such thing as a bad idea; but we acknowledge that not all will pencil out.
- All viewpoints are welcome.

There will be ample opportunity for input throughout the process
Introduction to RSI
Who We Are

Retirement Security Initiative (RSI) is a bipartisan, nonprofit advocacy organization focused on protecting and ensuring the fairness and sustainability of public sector retirement plans. RSI marshals and organizes a broad range of resources to help policymakers learn about pension issues and explore policy options. We work at the federal, state, county, and municipal levels to:

- Inform and educate the public and policy leaders
- Support policy development
- Build strategies and organize support for fair and sustainable retirement plans
Who We Are

Retirement Security Initiative (RSI) is a bipartisan, non profit advocacy organization.

**Founding Board Members**

- **Chuck Reed (D)**
  Former Mayor of San Jose
- **Dan Liljenquist (R)**
  Former Utah State Senator
- **Jim Spiotto (R)**
  Leading Municipal Finance Expert
- **Richard Ravitch (D)**
  Former Lt. Governor of New York
- **Lois Scott (D)**
  Former CFO for City of Chicago
  Rahm Emanuel Administration

**Chief Executive Officer**

- **Pete Constant (R)**
  Former City Councilmember, City of San Jose
  Former Pension Board Trustee
  Former Police Union Board Member
  Retired San Jose Police Officer
Our Guiding Principles

• *Retirement benefits should be* fair, sustainable, and predictable
• Retirement plans should place employees on a path to a secure retirement regardless of tenure
• *Benefits should fully funded, as they are earned; and incentives to underfund should be eliminated*
• Unfunded liabilities should be paid down over a reasonable time period
• *Decision making and management of retirement plans should be open, transparent, and nonpolitical*

Solutions should be designed:
• Around the specific problems and financial resources of each jurisdiction
• *With input from employees, retirees, labor, management, taxpayers, and fiscal experts*

We don’t expect a single solution will work everywhere
State and Local Governments have a responsibility to provide essential services that protect the safety, health, welfare, and quality of life for all Americans, and

State and Local Governments have an obligation to ensure that their retirement plans are sustainable, fiscally sound, and responsibly managed so that all retirees and employees get paid what they have earned.
Our Recent Work

Arizona
- Public Safety Personnel Retirement System (PSPRS)
- Correctional Officers Retirement System (CORP)
- Elected Officials Retirement System (EORP)

Michigan
- Michigan Public School Employees’ Retirement System (MPSERS)
- Michigan State Police Retirement System (MSPRS)
- Elected Officials Retirement System (EORP)
- Statewide Uniform Reporting Legislation

Pennsylvania
- Pennsylvania School Employee Retirement System (PSERS)
- State Employees Retirement System (SERS)

Colorado
- Colorado Public Employee Retirement Association (PERA)
PUBLIC PENSIONS 101
How do they work?
Types of Pensions

**Defined Benefit Plans (DB)**
Retirement benefit defined by formula, based on length of service and salary

**Defined Contribution Plans (DC)**
Employers and employees both contribute a defined amount annually

**Cash Balance Plans**
A defined benefit plan with an employer guaranteed rate of return on investments

**Hybrid Plans**
A mix of defined benefit and defined contribution components

**Employee Choice**
Employees choose a plan that best suits their needs

All of these various retirement plans can offer retirement security for public employees.
A plan designed to provide the employee with a specified amount of monthly retirement income typically based on the employee’s salary, years of work, and age.

Designed to be **pre-funded** such that when an employee retires, the employer has reserved enough money to pay for all promised retirement benefits.
CalPERS Benefit

CalPERS defined benefit pension plans rely on simple formulas multiplying the employee’s years of service, his or her final average salary, and a benefit multiplier:

<table>
<thead>
<tr>
<th>Benefit Multiplier</th>
<th>Years of Service</th>
<th>Final Avg Salary</th>
<th>Annual Retirement</th>
</tr>
</thead>
<tbody>
<tr>
<td>2.5%</td>
<td>25 Years</td>
<td>$100,000</td>
<td>$62,500</td>
</tr>
</tbody>
</table>
CalPERS Benefit

<table>
<thead>
<tr>
<th>Palos Verdes Estates Benefits</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Public Safety</strong></td>
</tr>
<tr>
<td>3.0% at 50 yrs, 1 yr. Final Average Salary, 2% COLA</td>
</tr>
<tr>
<td><strong>PEPRA Public Safety</strong></td>
</tr>
<tr>
<td>2.7% at 57 yrs, 3 yr. Final Average Salary, 2% COLA</td>
</tr>
<tr>
<td><strong>Misc. Employees</strong></td>
</tr>
<tr>
<td>2% at 55 yrs, 1 yr. Final Average Salary, 2% COLA</td>
</tr>
<tr>
<td><strong>PEPRA Misc. Employees</strong></td>
</tr>
<tr>
<td>2% at 62 yrs, 3 yr. Final Average Salary, 2% COLA</td>
</tr>
</tbody>
</table>

Example: Public Works Director

**Benefit Multiplier** | **Years of Service** | **Final Avg Salary** | **Annual Retirement**
-----------------------|----------------------|----------------------|----------------------
2.0%                   | 30 Years             | $155,254             | $93,152              

Source: Transparent California, average of all PVE sergeant’s pay, excluding overtime
https://transparentcalifornia.com/salaries/search/?a=palos-verdes-estates&q=sergeant&y=2018
Funding the Benefit

**Normal Cost:** The *estimated* projected cost to pre-fund an employee’s retirement promises during the year they are working

*Shared by Employee & Employer*

**Unfunded Liability:** The portion of the accrued liability - *Pension Debt* - not covered by the plan assets

*Sole Responsibility of Employer/Taxpayers*
Funding the Benefit

Employee Contribution:
Employee’s Share of Normal Cost
(sometimes “Picked Up” by employer)

Employer Contribution:
ADEC or ARC, which is the total of
Employer’s Share of Normal Cost
+ Amortized Cost of Unfunded Liabilities
Funding the Benefit

In a properly funded plan:

Contributions + Investment Returns = Benefits + Expenses

CalPERS HASN’T BEEN ACHIEVING EXPECTED RETURNS

Note: City of Palos Verdes Estates’ Plans are currently in Negative Amortization
PENSION FUNDING LEVELS
A national perspective
Unfunded Pension Liabilities

Current estimates range from $1 Trillion to $6 Trillion depending on how you discount future liabilities

In a blink, U.S. state and local unfunded pension liabilities jump $2.3 trillion

Revised liabilities | Original

Source: Federal Reserve

Bloomberg
Pension Funded Levels

Source: Boston College Center for Retirement Research, 2016
Using Dow Jones Industrial Average as an indicator
Future Return Forecast

The past 30 years saw returns that exceeded the long-run average
- Historical real returns
- Last 100 years average return

US equities
- Last 30: 7.9
- Next 20: 4.0–6.5
- Last 30: 6.5%

European equities
- Last 30: 7.9
- Next 20: 4.5–6.0
- Last 30: 4.9

US bonds
- Last 30: 5.0
- Next 20: 0–2.0
- Last 30: 1.7

European bonds
- Last 30: 5.9
- Next 20: 0–2.0
- Last 30: 1.6

The next 20 years could be more challenging
- Growth-recovery scenario
- Slow-growth scenario

Taking on More Risk

Source: Wall Street Journal

<table>
<thead>
<tr>
<th>Year</th>
<th>Expected Return</th>
<th>Standard Deviation</th>
</tr>
</thead>
<tbody>
<tr>
<td>1995</td>
<td>7.5%</td>
<td>6.0%</td>
</tr>
<tr>
<td>2005</td>
<td>7.5%</td>
<td>8.9%</td>
</tr>
<tr>
<td>2015</td>
<td>7.5%</td>
<td>17.2%</td>
</tr>
</tbody>
</table>
Taking on More Risk

CalPERS Assumed Rate of Return vs. Risk Free Rate

Pension funds have not changed their assumptions to reflect market risk

Source: CalPERS CAFRs and Valuation Reports, U.S. Treasury
Over 15 Years of Under Performance

Figure 10: Historic Investment Returns & Assumed Rate of Return
Misc. Plan and Safety Plan

Source: Reason Foundation analysis of CalPERS Valuation Reports

Source: Reason Foundation Analysis of Miscellaneous Plan and Safety Plan Valuation Data
CalPERS Mountain of Debt

And not getting better.....

Source: Reason Foundation analysis of CalPERS Valuation Reports
National Perspective

Is There a Pattern?

- CalPERS
- Arizona
- Iowa
- Texas: Combined
- Arkansas: Teachers
- Louisiana
- S. Carolina: Combined
- Georgia
- CalSTRS

Source: Reason Foundation analysis of market value of assets and actuarial accrued liability in actuarial valuation reports and CAFRs
MYTH: 80% Funded is Healthy

This MYTH is so widely circulated that the American Academy of Actuaries published two issue briefs to debunk it.

"[A pension] plan’s funding goal should always be 100% of the plan liability calculated assuming median expected future investment returns."
— Society of Actuaries

"Underfunded pension plans … generally violate the principle of intergenerational equity."
— Pension Finance Institute

"A plan with a funded ratio above 80% (or any specific level) might not be sustainable if the obligation is excessive relative to the financial resources of the sponsor, if the plan investments involve excessive risk, or if the sponsor fails to make the planned contributions."
— American Academy of Actuaries

Source: https://www.actuary.org/sites/default/files/files/80_Percent_Funding_IB_071912.pdf
https://www.actuary.org/sites/default/files/files/Pension%20Funding.pdf
MYTH: 80% Funded is Healthy

Funded Levels Should Rise and Fall With Economic Cycles

WITH 100% ALWAYS BEING THE TARGET
Causes: Pension Funding Crisis

**Intentional underfunding:** Political decision not to pay enough into the fund to meet future obligations, creating a debt for future generations.

**Poor management:** Overly optimistic investment return goals, open amortization schedules, outdated or unclear actuarial assumptions, politicized pension boards.

**Market conditions & volatility:** Recessions; long-term decline in interest rates; pension systems vulnerable to unexpected market losses.

**Benefit design issues:** Unsustainable benefit formulas, double dipping, employee payment pickups, retroactive benefit increases, pension spiking, actuarial accounting practices that do not fully price benefits.
Financial Markets are Strong

US Financial Markets have reached all-time highs.

US Pension Funds have not recovered losses during this time – gaining only modest improvements to funding ratios - due to the fact:

- Plans are severely underfunded, therefore they do not have enough capital in the market to earn returns
- Plans changed asset allocations, now they have less than 30% of assets exposed to gains of US Equities
Using Dow Jones Industrial Average as an indicator

Using Dow Jones Industrial Average as an indicator
PENSION FUNDING LEVELS
City of Palos Verdes Estates
CalPERS produces an actuarial report for each local government pension plan that it manages – over 3900 statewide.

We downloaded these from the internet and extracted certain numbers from them.

Because the actuarial reports and budgets are in PDF format, it is difficult to gather this data.

CalPERS and local governments should make this information easier to gather, so you won’t have to manually create spreadsheets just to tell you how much your city owes!

Inside CalPERS Valuation Reports

City of Palos Verdes Estates

CALPERS ACTUARIAL VALUATION - June 30, 2017
Safety Plan of the City of Palos Verdes Estates
CalPERS ID: 2541799657

Required Employer Contributions

<table>
<thead>
<tr>
<th>Fiscal Year</th>
<th>2019-20</th>
</tr>
</thead>
<tbody>
<tr>
<td>Employer Normal Cost Rate</td>
<td>21.927%</td>
</tr>
</tbody>
</table>

Plan, Either

1) Monthly Employer Dollar UAL Payment | $61,620.34

2) Annual Lump Sum Prepayment Option | $714,014

The total minimum required employer contribution is the sum of the Plan's Employer Normal Cost Rate (expressed as a percentage of payroll) plus the Employer Unfunded Accrued Liability (UAL) Contribution Amount (billed monthly in dollars).

Only the UAL portion of the employer contribution can be prepaid (which must be received in full no later than July 31). Plan Normal Cost contributions will be made as part of the payroll reporting process. If there is contractual cost sharing or other change, this amount will change.

In accordance with Sections 25237 and 2572 of the Public Employees' Retirement Law, if a contracting agency fails to remit the required contributions when due, interest and penalties may apply.

Fiscal Year 2018-19 Fiscal Year 2019-20

Development of Normal Cost as a Percentage of Payroll

- Base Total Normal Cost for Formula: 28.469% 29.696%
- Surcharge for Class 1 Benefits: 1.160% 1.220%
- Phase out of Normal Cost Difference: 0.000% 0.000%
- Plan's Total Normal Cost: 29.545% 30.916%
- Formula's Expected Employee Contribution Rate: 8.989% 8.989%
- Employer Normal Cost Rate: 20.556% 21.927%

Projected Payroll for the Contribution Fiscal Year

- $2,721,951 $2,782,642

Estimated Employer Contributions Based on Projected Payroll

- Plan's Estimated Employer Normal Cost: $559,524 $619,150
- Plan's Payment on Amortization Basis: 559,344 739,444
- % of Projected Payroll (Illustrative only): 22.019% 26.573%
- Estimated Total Employer Contribution: $1,158,668 $1,349,594
- % of Projected Payroll (Illustrative only): 42.575% 48.560%

Plan's Funded Status

<table>
<thead>
<tr>
<th>June 30, 2016</th>
<th>June 30, 2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Present Value of Projected Benefits (PV)</td>
<td>$42,939,696</td>
</tr>
<tr>
<td>Entry Age Normal Accrued Liability (AL)</td>
<td>37,065,711</td>
</tr>
<tr>
<td>Plan's Market Value of Assets (NVA)</td>
<td>26,122,773</td>
</tr>
<tr>
<td>Unfunded Accrued Liability (UAL) [(2) - (3)]</td>
<td>10,682,938</td>
</tr>
<tr>
<td>Funded Ratio [(3) / (2)]</td>
<td>71.1%</td>
</tr>
</tbody>
</table>

This measure of funded status is an assessment of the need for future employer contributions based on the selected actuarial cost method used to fund the plan. The UAL is the present value of future employer contributions for service that has already been earned and is in addition to future normal cost contributions for active members. For a measure of funded status that is appropriate for assessing the sufficiency of plan assets to cover estimated termination liabilities, please see “Hypothetical Termination Liability” in the “Risk Analysis” section.

Projected Employer Contributions

The table below shows projected employer contributions (before cost sharing) for the next six fiscal years. Projected results reflect the adopted changes to the discount rate described in Appendix A, “Statement of Actuarial Data, Methods and Assumptions” of the Section 2 report. The projections also assume that all actuarial assumptions will be realized and that no further changes to assumptions, contributions, benefits, or funding will occur during the projection period.

<table>
<thead>
<tr>
<th>Fiscal Year</th>
<th>Required Contribution</th>
<th>Projected Future Employer Contributions (Assumes 7.25% Return for Fiscal Year 2017-18)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Normal Cost %</td>
<td>21.927%</td>
<td>23.3%</td>
</tr>
<tr>
<td>UAL Payment</td>
<td>$739,444</td>
<td>$841,000</td>
</tr>
</tbody>
</table>

Changes in the UAL due to actuarial gains or losses as well as changes in actuarial assumptions or methods are amortized using a 5-year ramp up. For more information, please see “Amortization of the Unfunded Accrued Liability” under “Actuarial Methods” in Appendix A of Section 2. This method phases in the impact of unanticipated changes in UAL over a 5-year period and attempts to minimize employer cost volatility from year to year. As a result of this methodology, dramatic changes in the required employer contributions in any one year are less likely. However, required contributions can change gradually and significantly over the next five years. In years where there is a large increase in UAL, the relatively small amortization payments during the ramp up period could result in a funded ratio that is projected to decrease initially while the contribution impact of the increase in the UAL is phased in.
Current Pension Funding Status

As of the June 30, 2018 valuation date, Palos Verdes Estates has $16,647,261 in total Pension Debt – assuming CalPERS achieves a 7.0% rate of return on their investments every year in the future and meets all other assumptions used in its Actuarial Valuation Report.

<table>
<thead>
<tr>
<th>Plan</th>
<th>Unfunded Accrued Liability (DEBT)</th>
<th>Funded Status</th>
</tr>
</thead>
<tbody>
<tr>
<td>Misc. Plan (Classic)</td>
<td>$4,119,963</td>
<td>76.3%</td>
</tr>
<tr>
<td>Safety Plan (Classic)</td>
<td>$12,500,156</td>
<td>70.2%</td>
</tr>
<tr>
<td>Misc. Plan (PEPRA)</td>
<td>$20,766</td>
<td>93.2%</td>
</tr>
<tr>
<td>Safety Plan (PEPRA)</td>
<td>$6,376</td>
<td>92.0%</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$16,647,261</strong></td>
<td></td>
</tr>
</tbody>
</table>

Source: CalPERS Actuarial Valuations for CPVE Plans, as of June 30, 2018
City of Palos Verdes Estates

Misc. Plan Pension Debt (UAL) & Funded Status

Source: CalPERS Actuarial Valuations for CPVE, Non-PEPRA Plans - June 30, 2018
Cost of Inaction

Rising employer contribution rates equals
Rising budget allocations, which equals
Decreasing Services + Increased Taxes equals
Decreased Retirement Security

- Crowd out of services
- Inability to hire new workers
- Inability to raise wages
- New tax & debt proposals
- Service-level insolvency
- Municipal bankruptcy

- Impairment of Pension Benefits
  - Cedar Falls, RI
  - Detroit, MI
  - Pritchard, AL
  - Loyalton, CA
  - LA Works
Just under 5 years ago, in October of 2014, CalPERS projected the City of Palos Verdes Estates combined debt payments to be 1/3 less than they are today! FY2020-21 is now projected to be $449,000 more than projected 5 years ago!

CalPERS’ projected employer contributions for the next five fiscal years, assuming CalPERS earns its assumed rate of return every fiscal year, and assuming that all other actuarial assumptions will be realized and that no further changes to assumptions, contributions, benefits, or funding will occur during the projection period. This schedule does not reflect the impact of adopted discount rate changes that will become effective beyond June 30, 2017. For Projected Employer Contributions, please see CalPERS Valuation Reports, page 5.
City of Palos Verdes Estates

CalPERS Combined Projected Debt Payment

Note: "CalPERS' projected employer contributions for the next five fiscal years, assuming CalPERS earns its assumed rate of return every fiscal year, and assuming that all other actuarial assumptions will be realized and that no further changes to assumptions, contributions, benefits, or funding will occur during the projection period. This schedule does not reflect the impact of adopted discount rate changes that will become effective beyond June 30, 2021. For Projected Employer Contributions, please see CalPERS Valuation Reports, page 5.
Note: *CalPERS* projected employer contributions for the next five fiscal years, assuming CalPERS earns its assumed rate of return every fiscal year, and assuming that all other actuarial assumptions will be realized and that no further changes to assumptions, contributions, benefits, or funding will occur during the projection period. This schedule does not reflect the impact of adopted discount rate changes that will become effective beyond June 30, 2018. For Projected Employer Contributions, please see CalPERS Valuation Reports, page 5.
In 5 years, Palos Verdes Estates’ debt payment alone will increase over this year’s payment by $686,564 for Fiscal Year 2026

In 10 years, Palos Verdes Estates’ debt payment alone will increase over this year’s payment by $939,262 for Fiscal Year 2031
Why Do These Projections Change?

Dozens of Assumptions Must Be Made

Actuarial Assumptions
- Inflation Rate
- Salary Growth
- Mortality / Longevity
- Interest Rate
- Disability Rate
- Retirement Rate
- Investment Rate of Return
- Discount Rate

Actuarially Calculated
- Defined Benefit Normal Cost
- Unfunded Liability Amortization Payment

Employee Normal Cost
Employer Normal Cost
100% Employer Paid
Employee Total Contribution
Actuarially Determined Employer Contribution

Only ONE Assumption is Guaranteed: Assumptions Will Be Wrong!
But by how much?
Why Do These Projections Change?

**CalPERS is Clearly Aware of the Need to Change Assumptions**

"The longer-term returns of - the three-, five-, 10-, 15- and 20-year total returns of the fund - are now below the assumed rate of 7.5 percent for the fund... That's a significant policy issue for us."

"Of course, we welcome this fiscal year’s strong returns, but we also remain about 68 percent funded and vulnerable to a downturn in stock markets."


At a November board meeting Mr. Eliopoulos said “our forecasts have been lowered quite materially over the course of this last year” and outside adviser Wilshire Associates told the board the fund’s 10-year return would drop to 6.21%.
Why Do These Projections Change?

**CalPERS is Clearly Aware of the Need to Change Assumptions**

Chief Investment Officer Theodore Eliopoulos said at last month's finance and administration committee meeting that given diminished investment return assumptions over the next decade, 6% was a more realistic annualized investment return for the coming 10 years. — Pensions and Investments, “CalPERS committee approves cutting rate of return to 7% over 3 years,” December 20, 2016. [Link](https://www.pionline.com/article/20161220/ONLINE/161229985/calpers-committee-approves-cutting-rate-of-return-to-7-over-3-years)

Andrew Junkin, president of Wilshire Consulting, which serves as CalPERS' general consultant, said at the November meeting that Wilshire was predicting an annual return of 6.21% for the next decade, down from its estimates of 7.1% a year earlier. — Pensions and Investments, “CalPERS committee approves cutting rate of return to 7% over 3 years,” December 20, 2016. [Link](https://www.pionline.com/article/20161220/ONLINE/161229985/calpers-committee-approves-cutting-rate-of-return-to-7-over-3-years)

But Mr. Junkin said at the November meeting that CalPERS might not survive past 10 years if the rate of return was not lowered, but never gave a specific recommendation as to how much the rate of return should be reduced. — Pensions and Investments, “CalPERS committee approves cutting rate of return to 7% over 3 years,” December 20, 2016. [Link](https://www.pionline.com/article/20161220/ONLINE/161229985/calpers-committee-approves-cutting-rate-of-return-to-7-over-3-years)

In 2018, there were 254 local tax increases on the Nov. 6th ballot: sales taxes, parcel taxes, utility taxes and hotel taxes. This follows 98 local tax increases on the June 5th ballot!

“With very rare exceptions, however, officials who place the tax increases on the ballot will not publicly say the extra revenue is needed to offset rising pension costs. They believe that telling the truth would make voters less likely to vote for the new taxes – and could also make employee unions less likely to provide campaign money.”
Revenue Growth vs. Pension Debt Growth

Source: Palos Verdes Estates OpenGov Portal and CalPERS Valuation Reports
Is it a Revenue Problem?

Or is it a Debt Management Problem?

As of June 30, 2018, Palos Verdes Estates has $16,647,261 in Pension Debt – assuming CalPERS achieves a 7.0% rate of return on their investments every year in the future and meets all other assumptions used in its Actuarial Valuation Report.

Over the next 25 years, Palos Verdes Estates will pay $15,700,390 in interest alone on this debt!
Is it a Revenue Problem?

Or is it a Debt Management Problem?

As of June 30, 2018, Palos Verdes Estates has $16,620,119 in Legacy Pension Debt (Classic Plans) – assuming CalPERS achieves a 7.0% rate of return on their investments every year in the future and meets all other assumptions used in its Actuarial Valuation Report.

<table>
<thead>
<tr>
<th>Discount Rate</th>
<th>Unfunded Accrued Liability (DEBT)</th>
<th>Funded Status</th>
</tr>
</thead>
<tbody>
<tr>
<td>3.25%</td>
<td>$52,755,211</td>
<td>44.8%</td>
</tr>
<tr>
<td>6.0%</td>
<td>$24,634,292</td>
<td>63.4%</td>
</tr>
<tr>
<td>7.0%</td>
<td>$16,620,119</td>
<td>72.0%</td>
</tr>
<tr>
<td>8.0%</td>
<td>$10,0223,972</td>
<td>81.0%</td>
</tr>
</tbody>
</table>

Source: CalPERS Actuarial Valuations for CPVE, Non-PEPRA Plans, as of June 30, 2018
All California Cities, Counties, and School Districts are facing this issue

According to the state controller’s office, the unfunded liability of California’s 130 state and local government pension plans exceed

$400 Billion!

Joe Nation, a professor at Stanford University’s Institute for Economic Policy Research, estimates that if pension administrators lowered their earning assumptions to about 4%, California’s unfunded liabilities would approach

$1 Trillion
All California Cities, Counties, and School Districts are facing this issue

Pension contributions are becoming such a burden that they have been crowding out jobs, street repairs, infrastructure, public safety, library and park services.

Budget deficits are projected for most government agencies while we are at the peak of a financial cycle.

Where will we be in recessionary times?
What Can We Do?

Types of Reform

- Plan Design
- Plan Governance
- Funding/Budget Policies
  - Revenue
  - Normal Cost Contributions
  - Debt Payments
How?

Collaborative Solutions Work Best

- Bring all parties to the table
- All ideas should be evaluated
- Open discussion of risks and costs
  - Both short-term and long-term
- Full review of Operating and Capital Budgets
  - Revenue – one time and ongoing sources
  - Expenses – pension and non-pension related
- Review Pension Funding Policy Best Practices
- Performance Audits
Bipartisan Advocacy for Fair and Sustainable Pensions

Questions | Comments | Input

Pete Constant
Chief Executive Officer
Retirement Security Initiative
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Pete@Retirement-Security.org