



**City of Vallejo
CalPERS & OPEB Plans**

BARTEL
ASSOCIATES, LLC

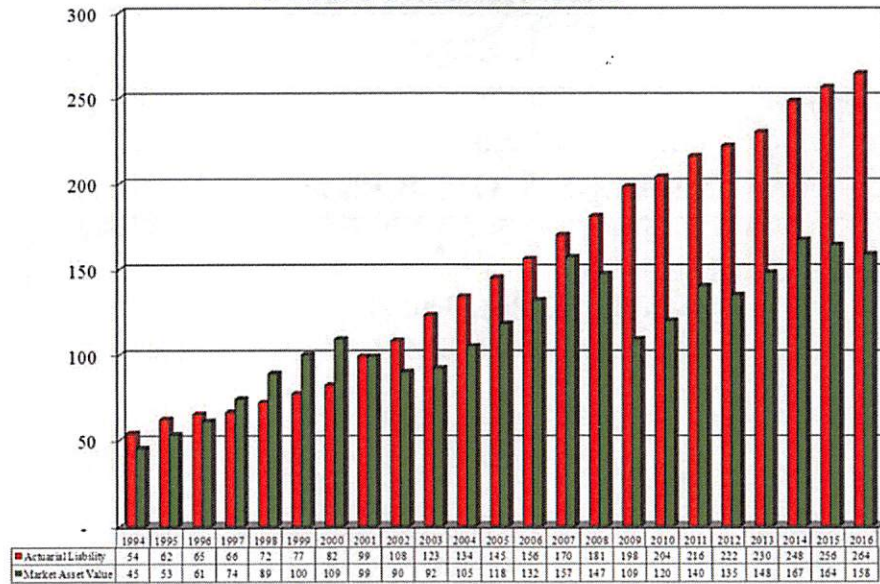
**John Bartel, President
Bartel Associates, LLC**

February 23, 2016

Agenda

- | | |
|--------------|----|
| ■ Background | 1 |
| ■ CalPERS | 8 |
| ■ OPEB | 20 |

Historical CalPERS Funded Status Miscellaneous



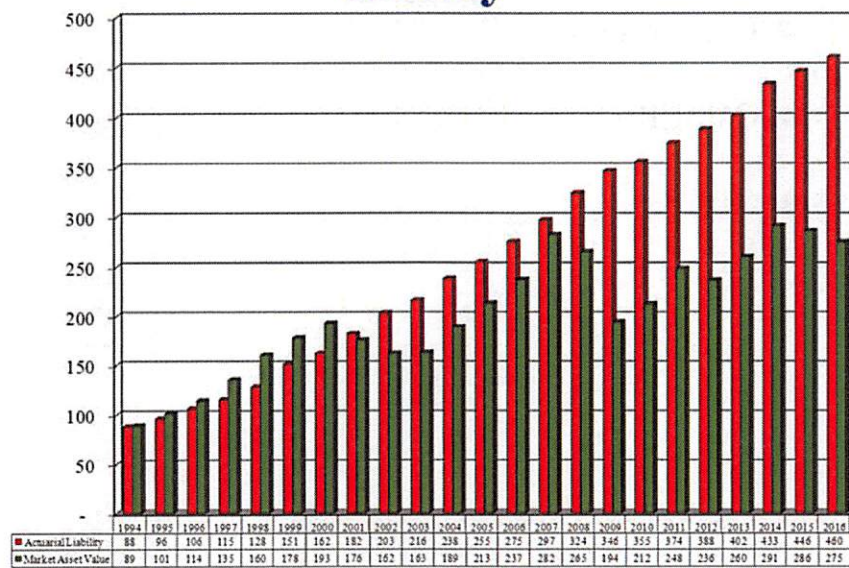
6/30/15 & 6/30/16 funded status estimated



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Historical CalPERS Funded Status Safety



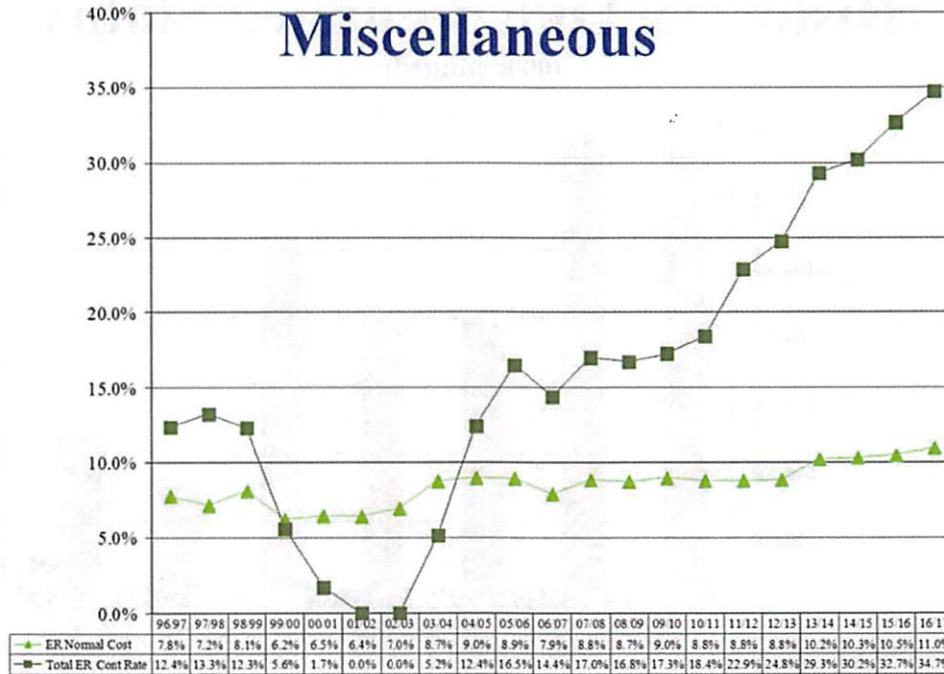
6/30/15 & 6/30/16 funded status estimated



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Historical CalPERS Contribution Rates



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Historical CalPERS Contribution Rates

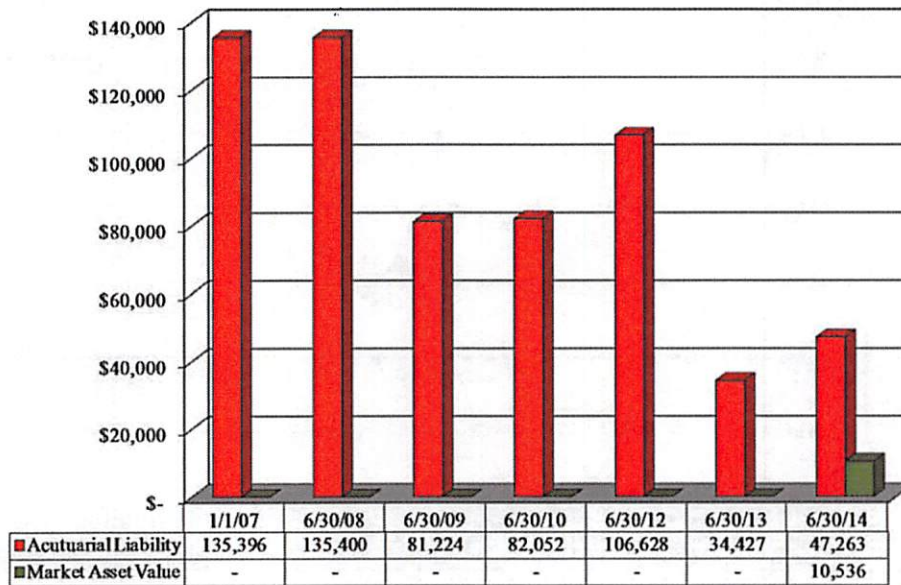


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Historical OPEB Funded Status

(000s omitted)

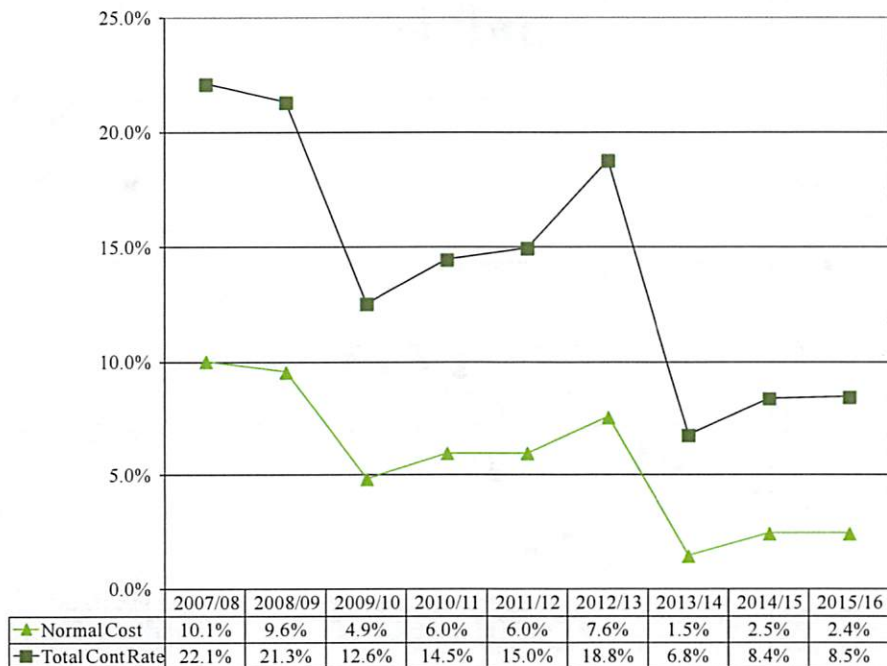


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Historical OPEB Contribution



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City Council Actions

- Effective 1/1/10: Tied caps for CAMP & VPOA Kaiser
 - CAMP: 80% of Kaiser Bay Area non-Medicare
 - VPOA: 100% of Kaiser Bay Area non-Medicare
- Effective 7/1/10: \$300/mo cap for Council, Executives, IBEW, and IAFF (retired \geq 7/1/00)
- Effective 1/1/14:
 - \$300/mo cap for CAMP and VPOA (imposed for retired \geq 7/1/00)
 - PEMHCA minimum + VEBA for new hires (CAMP hired \geq 7/1/13, and VPOA hired \geq 1/1/14)
- Started prefunding with CERBT in 2013/14 fiscal year.



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Recent CalPERS Changes

- Contribution policy changes:
 - No asset smoothing
 - 5-year ramp up
 - Included in 6/30/13 valuation (first impact 15/16 rates; full impact 19/20)
- Assumption changes:
 - Anticipate future mortality improvement
 - Other, less significant, changes
 - Included in 6/30/14 valuation (first impact 16/17 rates; full impact 20/21)
- Risk Mitigation Strategy
 - Move to more conservative investments over time
 - 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 6.5% over \approx 20 years

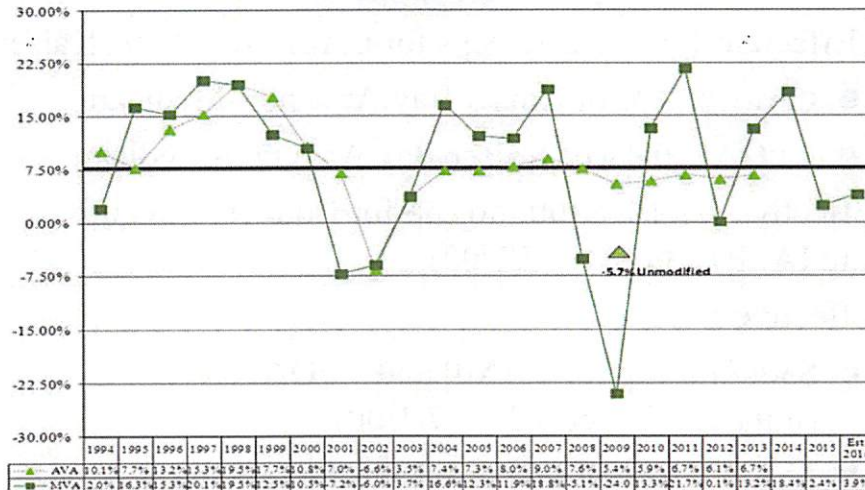


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CalPERS Historical Investment Returns



Above assumes contributions, payments, etc. received evenly throughout year.
 Estimated June 30, 2016 based on CalPERS actual return through 10/31/15
 and assumed 7.5% annual return for the remaining 8 months.



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CalPERS Funded Status

Miscellaneous Plan

<u>June 30, 2013</u>		<u>June 30, 2014</u>	
\$ 229,800,000	Actuarial Liability	\$ 248,200,000	
148,000,000	Market Asset Value	166,800,000	
(81,800,000)	(Unfunded Liability)	(81,400,000)	

Safety Plan

<u>June 30, 2013</u>		<u>June 30, 2014</u>	
\$ 402,300,000	Actuarial Liability	\$ 433,400,000	
259,700,000	Market Asset Value	291,000,000	
(142,600,000)	(Unfunded Liability)	(142,400,000)	



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CalPERS Contribution Projections

Miscellaneous

■ Market Value Investment Return:

- June 30, 2013 13.2%¹
- June 30, 2014 18.4%²
- June 30, 2015 2.4%²
- Future returns² based on stochastic analysis using 1,000 trials

Single Year Returns at 25th Percentile 50th Percentile 75th Percentile

- 7.5% Investment Mix 0.6% 7.5% 15.3%
- 6.5% Investment Mix 1.3% 6.5% 11.9%

■ No Other: Gains/Losses, Method/Assumption Changes, Benefit Improvements

■ Excludes Employer Paid Member Contributions (EPMC)

■ New hire assumptions:

- Assumes 50% of 2013 new hires will be Classic Members (2.7%^{@55}) and 50% will be New Members with PEPRA benefits.
- Assumes Classic Members will decrease from 50% to 0% of new hires over 20 years.

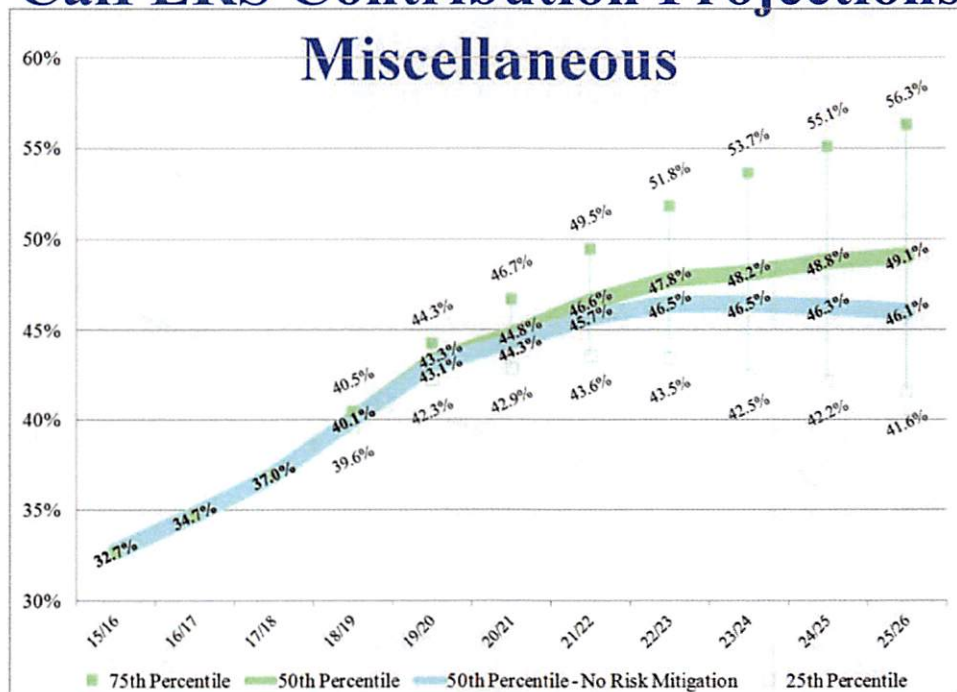
¹ Based on CalPERS CAFR.

² June 30, 2016 return based on CalPERS return of (3.0%) through 12/31/15 and assumed future returns for 6 months.



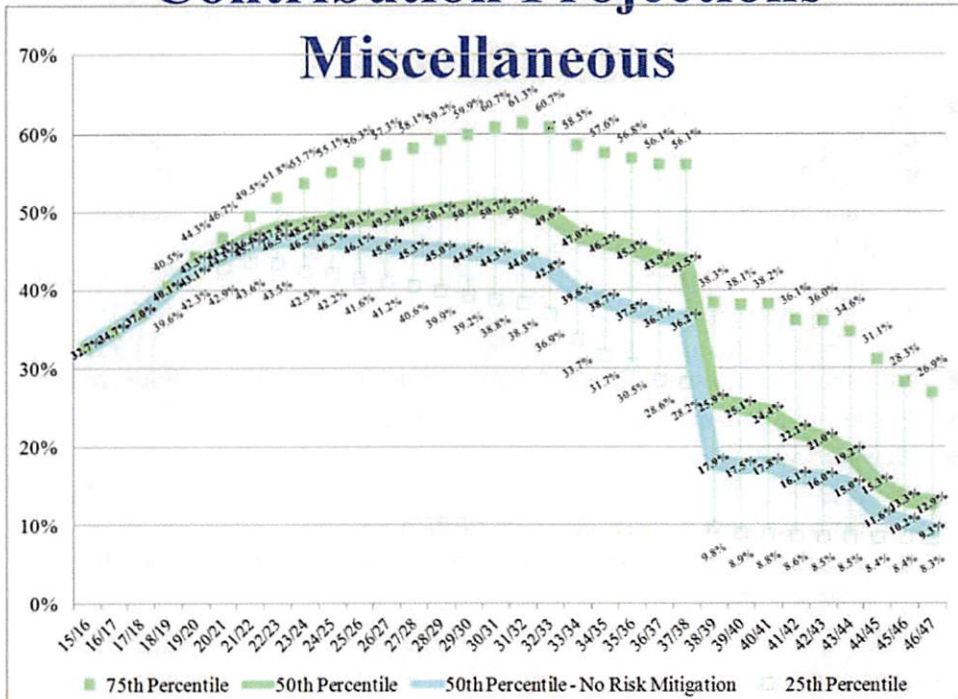
CalPERS Contribution Projections

Miscellaneous



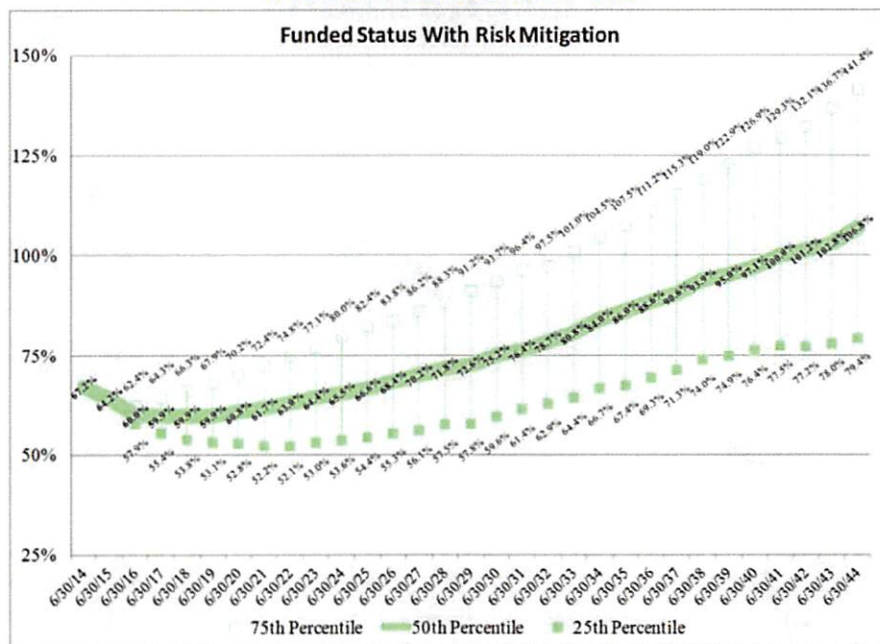
Contribution Projections

Miscellaneous



CalPERS Funded Status Projection

Miscellaneous



CalPERS Contribution Projections

Safety

- Market Value Investment Return:
 - June 30, 2013 13.2%³
 - June 30, 2014 18.4%⁵
 - June 30, 2015 2.4%⁵
 - Future returns⁴ based on stochastic analysis using 1,000 trials
- | | Single Year Returns at 25 th Percentile | 50 th Percentile | 75 th Percentile |
|-----------------------|--|-----------------------------|-----------------------------|
| ● 7.5% Investment Mix | 0.6% | 7.5% | 15.3% |
| ● 6.5% Investment Mix | 1.3% | 6.5% | 11.9% |
- No Other: Gains/Losses, Method/Assumption Changes, Benefit Improvements
 - Excludes Employer Paid Member Contributions (EPMC)
 - Fire Tier 2 2%@50 effective 12/28/12
 - New hire assumptions:
 - Assumes 50% of 2013 new hires will be Classic Members (Fire 2%@50, Police 3%@50) and 50% will be New Members with PEPRAs benefits.
 - Assumes Classic Members will decrease from 50% to 0% of new hires over 10 years

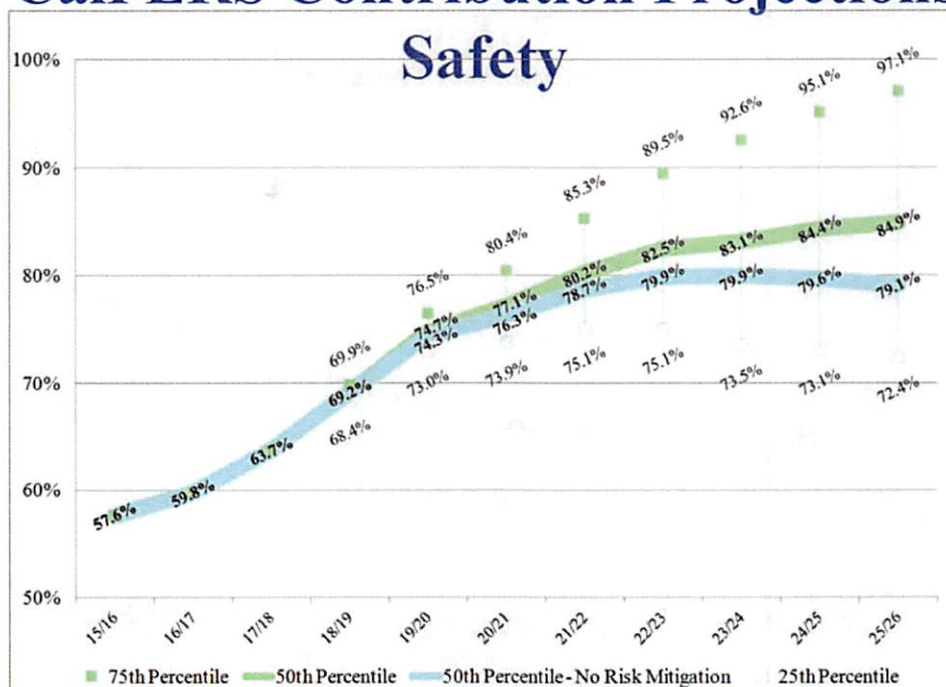
³ Based on CalPERS CAFR.

⁴ June 30, 2016 return based on CalPERS return of (3.0%) through 12/31/15 and assumed future returns for 6 months.

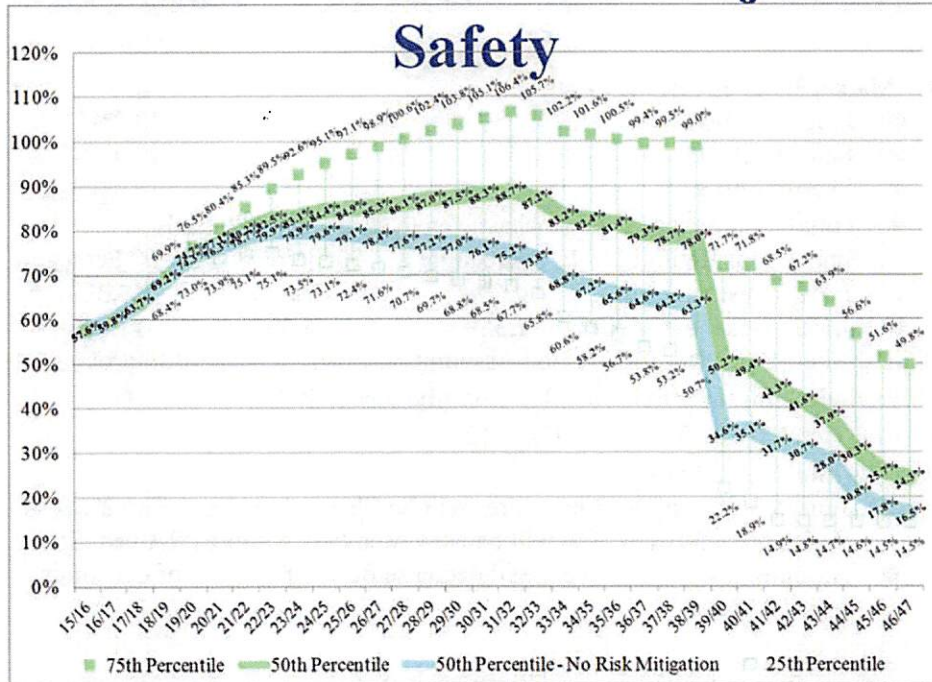


CalPERS Contribution Projections

Safety



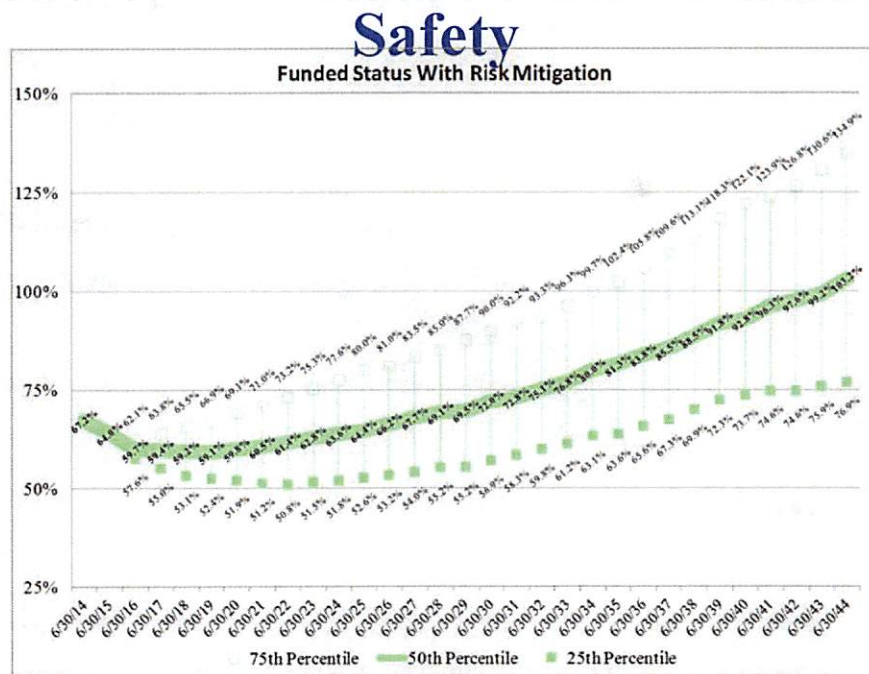
CalPERS Contribution Projections



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CalPERS Funded Status Projection



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CalPERS Alternative Amortization Periods

- CalPERS amortizes the unfunded liability separately for each component, e.g.:
 - 6/30/14 gains amortized over 30 years beginning 16/17
 - 6/30/14 losses amortized over 30 years beginning 15/16
- Average amortization period:
 - Miscellaneous ≈27 years
 - Safety ≈29 years
- CalPERS allows agencies to pay unfunded liability over shorter periods
 - Shorter amortization periods pay unfunded liability sooner but require a higher contribution, ultimately saving taxpayers money
 - Longer amortization periods pay unfunded liability later with a lower contribution, ultimately costing taxpayers money

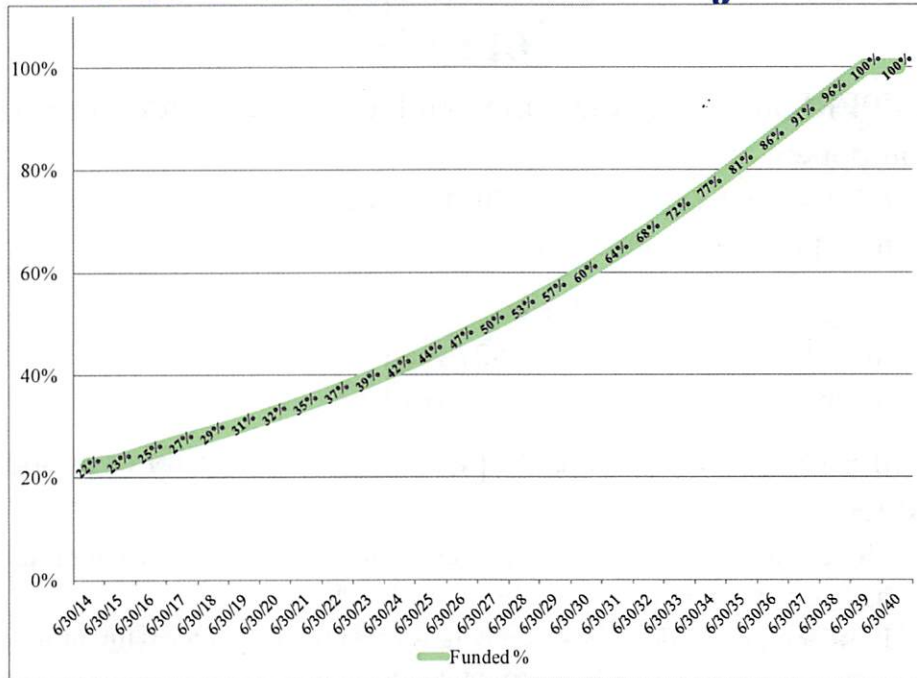


OPEB Funded Status

<u>June 30, 2012</u>		<u>June 30, 2014</u>
\$ 106,628,000	Actuarial Liability	\$ 47,263,000
0	Market Asset Value	10,536,000
(106,628,000)	(Unfunded Liability)	(36,727,000)



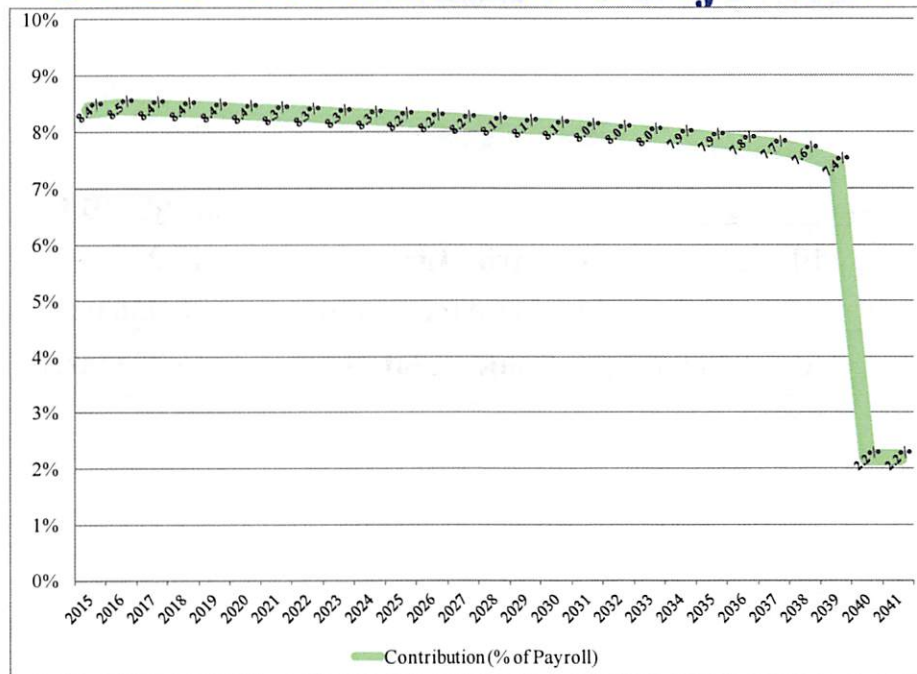
OPEB Funded Status Projections



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OPEB Contribution Projections



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