

Pension By the Numbers



The City of Santa Monica contracts with California Public Employee Retirement System (CalPERS) to provide a “defined benefit” pension for City staff who work 1,000+ hours per year for at least five years.

Santa Monica only pays for an employee’s retirement benefits earned during their time working for the City. City employees do not participate in Social Security during their tenure.

HOW DOES SANTA MONICA COMPARE TO OTHER CITIES?

City	% of Pension Liability Funded
Beverly Hills	70%
Burbank	75%
Pasadena	73%
Santa Monica	75%

Source: CalPERS 6/30/17 Valuation

CalPERS	71%
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Source: CalPERS

MEDIAN PENSION BENEFITS FOR CITY RETIREES:

\$2,210/month

SANTA MONICA RETIREES RECEIVING A PENSION:

1,676

HOW MUCH OF PENSION COST DO EMPLOYEES PAY?

up to **29%**

TOTAL UNFUNDED LIABILITY:

\$467M

TOTAL PERCENT FUNDED:

75%



Under a defined benefit pension, a City employee(s) retirement benefit is based on a number of factors.

$$\text{Pension Benefit} = \text{Years of Service} \times \text{Compensation} \times \text{Benefit Multiplier}$$

Benefit multipliers and compensation vary based on the plan and when the employee was hired, as shown below:

Employee Plan	Tier 1	Tier 2	PEPRA
	Highest Year of Compensation	(hired between 7/1/12-12/31/12) Highest Average 3 Year Compensation	(hired after 1/1/13)
Miscellaneous	2.7% @ 55 (hired before 7/1/12)	2% @ 55	2% @ 62
Police Safety	3% @ 50 (hired before 1/1/13)	-	2.7% @ 57
Fire Safety	3% @ 55 (hired before 1/1/13)	-	2.7% @ 57

What Does the City Pay?

$$\text{Annual Required Contribution} = \text{Normal Cost} + \text{Unfunded Liability}$$

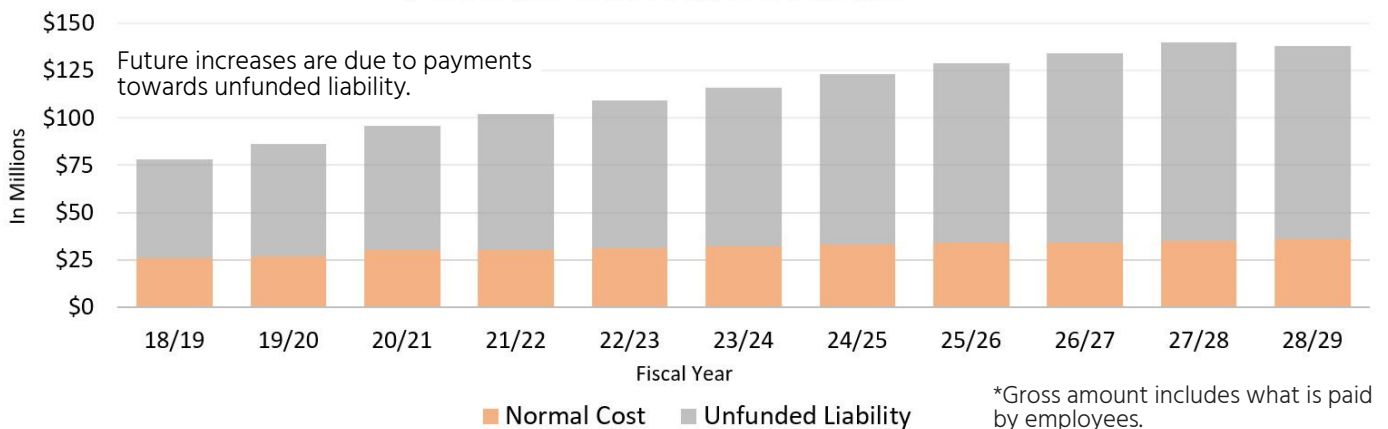
Normal Cost: The amount of money based on actuarial assumptions that must be set aside to pay for benefits earned in the current year, for future pension benefits.

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

WHY IS UNFUNDED LIABILITY INCREASING?

- 1** Prior contributions and decisions on enhanced benefits based on overly optimistic market assumptions by CalPERS.
- 2** Retirees living longer.
- 3** The Great Recession resulted in large investment losses in CalPERS portfolio.
- 4** Recent corrections made by CalPERS to create a more stable and sustainable fund
 - Updated life expectancy
 - More realistic payment methodology
 - More conservative investments
 - Lower rate of return

FUTURE CONTRIBUTIONS*



WHAT IS THE CITY OF SANTA DOING TO ADDRESS THE COSTS?

- 1.** Using our savings, we've voluntarily made additional payments to pay down \$77.5 million towards our unfunded liability through Fiscal Year 17/18.
- 2.** Over 30% of our workforce is in lower cost benefit plans with higher retirement age and lesser benefits.
- 3.** Increased employee contributions.
- 4.** We prepay a portion of the City's contribution at the start of the year, which gives the City an annual \$0.9 million rebate.
- 5.** We are conducting an independent actuarial study to provide options for further management of our unfunded liability.
- 6.** We are convening a Pension Advisory Committee to map out and provide a set of recommendations to our City Manager.
- 7.** Continued discussions with employees about appropriate employee cost sharing.