



CITY OF
**PALO
ALTO**

Finance MEETING

10/20/2020

Received Before Meeting

1

CalPERS Annual Valuation Reports

Finance Committee

OCTOBER 20, 2020

www.cityofpaloalto.org

OVERVIEW

Overall Status

- Historical return on investment:
 - FY 2017 11.6%, FY 2018 8.6%, FY 2019 5.8%, FY 2020 4.7% (prelim)
- Slight decrease in overall Funded status from 63.7% to 64.4%
 - Misc. from 65.8% to 66.1%; Safety slight decrease from 62.2% to 61.3%

Significant Changes in Assumptions

- New amortization policy for amortization bases beginning June 30, 2019
- Phase-in of lower discount rate to 7.00%, now ongoing, full impact in FY 2025

OVERVIEW

Significant Variables NOT Accounted for

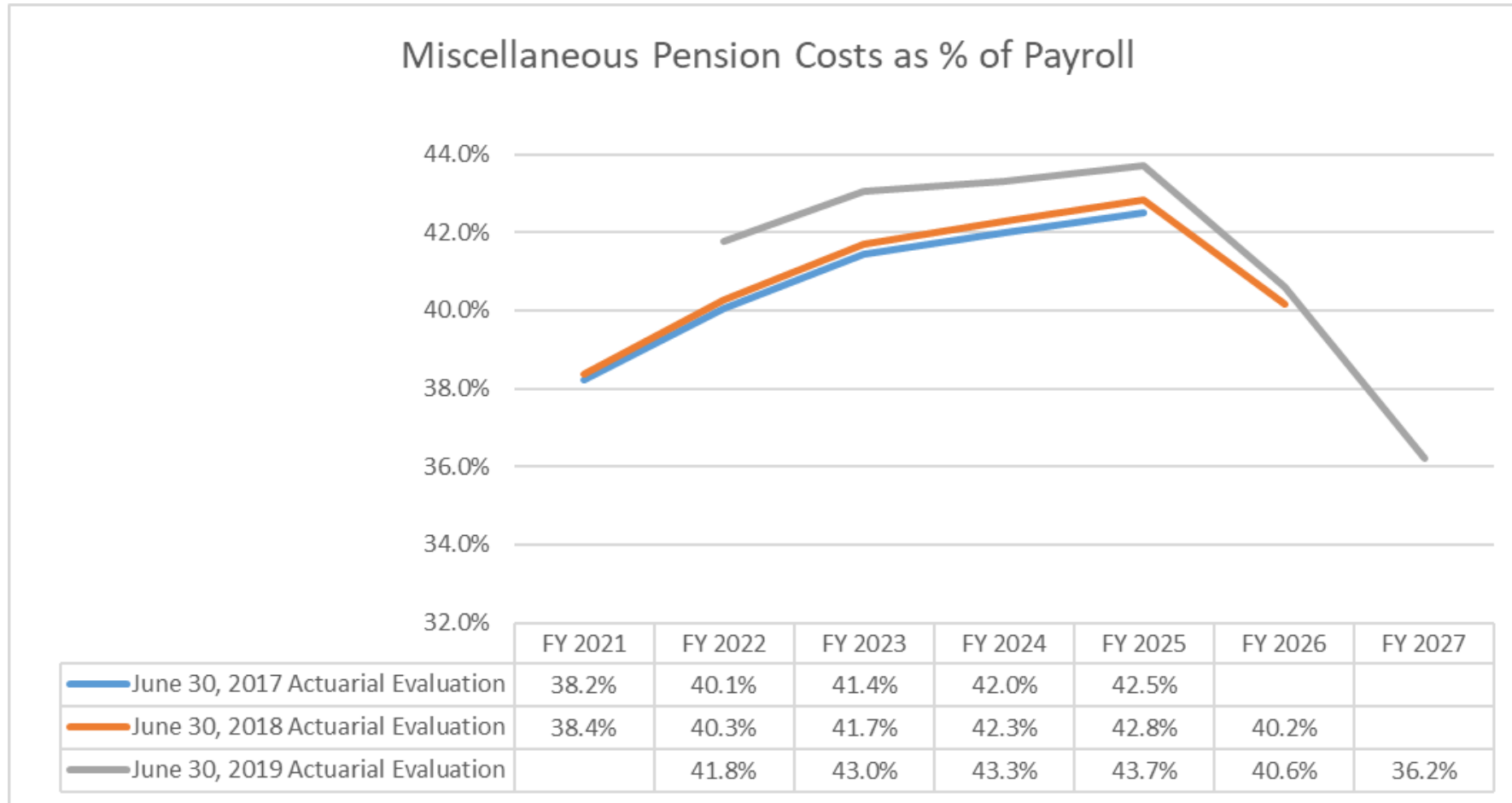
- Current labor contracts/negotiation parameters
- Does not factor in the preliminary 4.7% return on investment for period ending June 30, 2020
- Pension 115 Trust - \$32.3M (principal)

DEFINITIONS

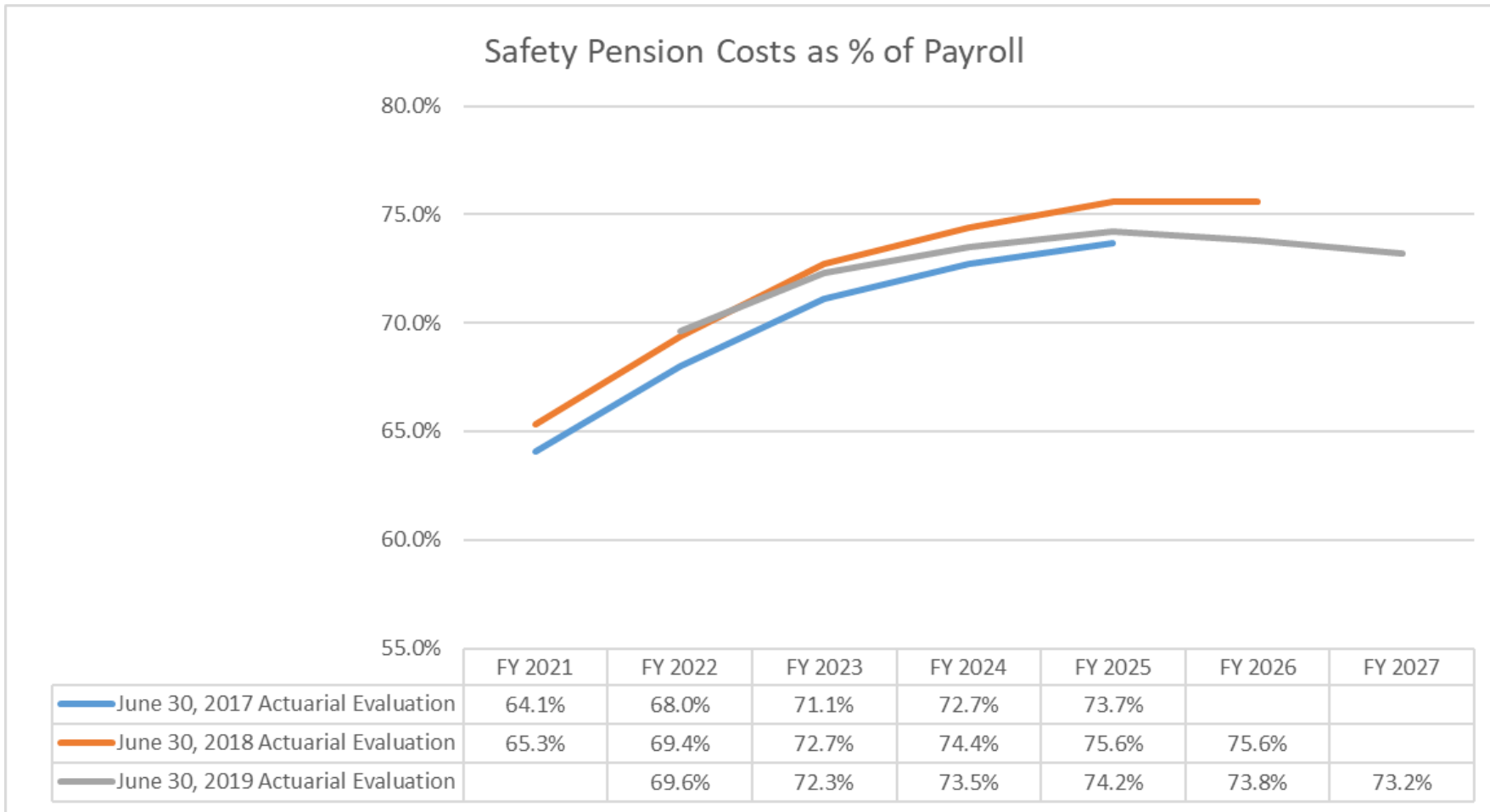
- **Normal Cost (NC):** pay-go costs of pension based on a percentage of payroll
- **Unfunded Accrued Liability (UAL):** catch-up costs over amortization timeline
- **Blended Rate:** NC and UAL expressed as a percentage of payroll
- **Actuarial Determined Contribution (ADC):** CalPERS calculation of the cost of the NC as a percentage of payroll and the UAL as a flat-rate dollar amount
- **Additional Discretionary Payments (ADPs):** payments in excess of the ADC



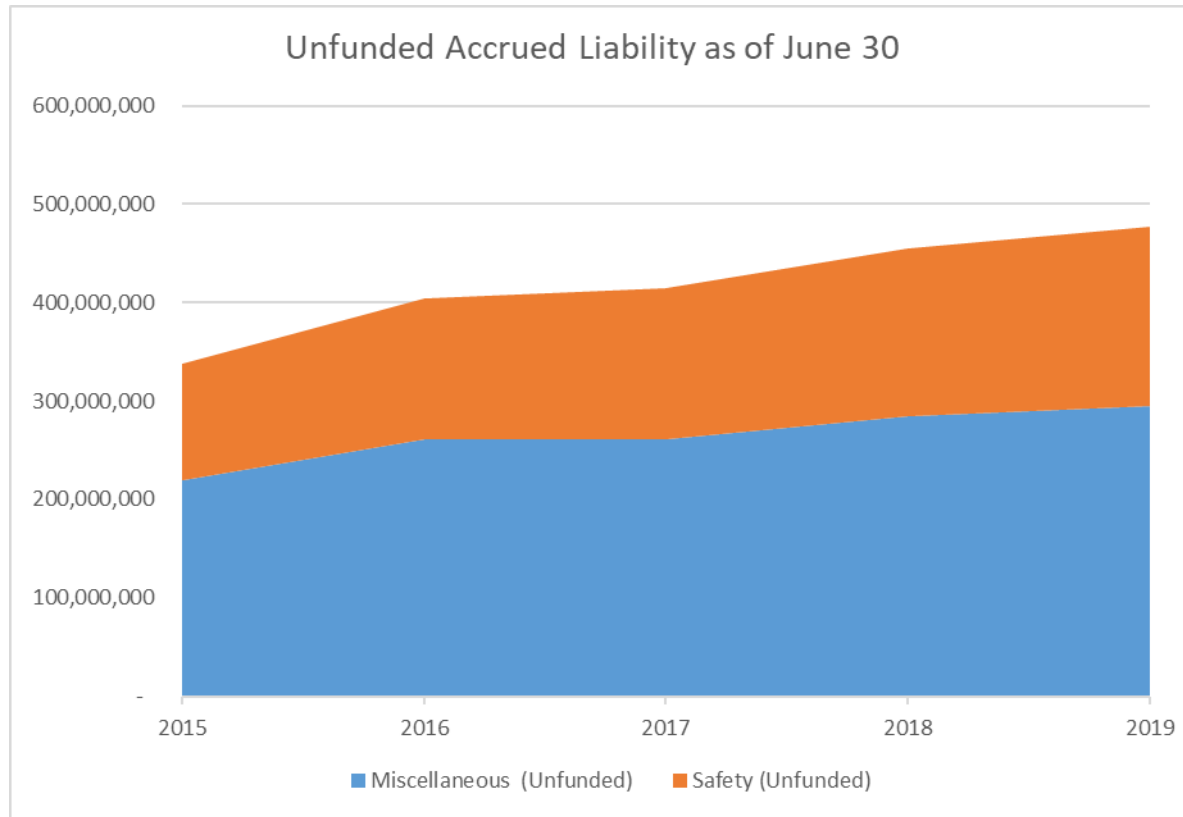
CalPERS Past & Projected Employer Rates (Misc.)



CalPERS Past & Projected Employer Rates (Safety)



CalPERS Projected Unfunded Accrued Liability



	2015	2016	2017	2018	2019
Miscellaneous (Unfunded)	\$219,668,121	\$261,680,231	\$260,720,776	\$284,856,248	\$294,703,569
Safety (Unfunded)	\$118,764,933	\$143,025,193	\$154,190,990	\$170,712,183	\$182,221,129
Total (Unfunded)	\$338,433,054	\$404,705,424	\$414,911,766	\$455,568,431	\$476,924,698
<i>Funded Status</i>	68.51%	63.97%	65.27%	63.71%	64.41%

Action & Next Steps

Action

- Accept the June 30, 2019 CalPERS Annual Actuarial Valuation Reports

Next Steps

- Council (by end of calendar year): approval of Pension Policy
- December Finance Committee: Long Range Financial Forecast