

MEMORANDUM
OFFICE OF THE
COUNTY EXECUTIVE
COUNTY OF PLACER

TO: Honorable Board of Supervisors
FROM: Thomas M. Miller, County Executive Officer
DATE: January 25, 2011
SUBJECT: **CalPERS Miscellaneous and Safety Plan Actuarial Reports**

ACTION REQUESTED

Receive a report regarding the CalPERS Miscellaneous and Safety Pension Plans actuarial analysis as of June 30, 2009 (reports dated October 2010).

PENSION BENEFITS

Placer County provides two pension plans for its employees: Safety and Miscellaneous. The majority of employees are covered by the Miscellaneous Plan and receive a benefit of 2.5% at age 55 with the balance covered by the Safety Plan for a benefit of 3% at age 50 (new employees hired on or after March 12, 2011 will be on a 2% at age 55 or 3% at age 55 platform). CalPERS have provided Placer County with annual actuarial reports that measure the performance of each plan's portfolio and include specific participant demographics and liability information. The most recent report, received late October, provides information through June 30, 2009 (data that is already 1 ½ years old). As of June 30, 2009 the Safety Plan had 842 participants and an actuarial unfunded liability of \$67.8 million; the Miscellaneous Plan had 5,286 participants and an actuarial unfunded liability of \$187.7 million.

Both Plans specify increased employer contribution rates for FY 2011-12 at 28.139% for Safety (plus the employee contribution of 9%) and 17.972% for Miscellaneous (plus the employee contribution of 8%). CalPERS provided an estimate for FY 2012-13 employer rates at 28.7% and 18.5% respectively. Given the dynamic decline in the CalPERS investment portfolio for FY 2008-09 of -24%, the agency has adopted a "smoothing" methodology whereby the asset decline will be spread over several years starting with this report. As a result, Placer County Plans can expect employer rate increases that range from .2 to 2.6% each of the next several years in order to recoup these losses.

Financial and statistical information contained within the CalPERS actuarial reports through June 30, 2009 will be presented to the Board during this department presentation.

FISCAL IMPACT

In FY 2009-10 the county paid \$37.8 million toward pension obligations to CalPERS, and \$41.8 million is budgeted in FY 2010-11. Safety Plan rates are increasing 3.15%, from 24.989 to 28.139%. Miscellaneous Plan rates are increasing 2.815%, from 15.157 to 17.972%. These new rates are expected to result in increased pension costs of \$2.5-4 million in FY 2011-12 determined, in large part, by the total number of employees and calculated on their PERSable compensation.

