



Finance Committee

City of Arts & Innovation

TO: FINANCE COMMITTEE **DATE: OCTOBER 10, 2018**

FROM: FINANCE DEPARTMENT **WARDS: ALL**

SUBJECT: CALIFORNIA PUBLIC EMPLOYEES' RETIREMENT SYSTEM OVERVIEW AND DISCUSSION ON FUTURE OPTIONS TO REDUCE IMPACT ON CITY SERVICES

ISSUE:

Receive and provide feedback on a report about the need for a long-term fiscal management of the City's California Public Employees Retirement System unfunded pension obligations.

RECOMMENDATIONS:

That the Finance Committee:

1. Receive the update on the Long-Term Management of CalPERS costs;
2. Confirm, or provide recommended edits, to the CalPERS Challenge Statement;
3. Direct staff to return to the Finance Committee with additional information and to begin the identification of key factors for consideration as part the plan for Long-term Management of CalPERS Costs.

BACKGROUND:

During the April 12, 2017 City Council Finance Committee meeting, staff presented information about the financial impact of the CalPERS changes to its discount rate.

During the August 31, 2017 Budget Engagement Commission (BEC) meeting, staff presented information on future CalPERS cost increases. Staff presented to same information to the Board of Riverside Public Utilities on May 9, 2018.

On June 12, 2018, as part of the FY 2018-2020 Two-Year Budget adoption, the City Council directed staff to report to the Finance Committee on the City CalPERS cost projections and to begin discussions on the development of a plan to address the City's rising CalPERS costs.

DISCUSSION:

As discussed during the City's FY 2018-2020 Budget presentations, the City is facing rising CalPERS costs that are presenting significant financial challenges. Facilitated by the attachments to this report, City staff will restart the CalPERS conversation and discuss how the CalPERS

Challenge will be addressed. The CalPERS 101: How Does it Work attachment provides a comprehensive overview of the CalPERS Issue.

FISCAL IMPACT:

There is no direct fiscal impact associated with presentation of this report. The City's five-year projections on CalPERS costs have been included in the City's Adopted FY 2018-2020 Two-Year Budget and FY 2018-2023 Five-Year Plan assumptions.

Prepared by: Edward Enriquez, Acting Chief Financial Officer / City Treasurer
Certified as to
availability of funds: Marie Ricci, Assistant Chief Financial Officer
Approved by: Lea Deesing, Assistant City Manager
Approved as to form: Gary G. Geuss, City Attorney

Attachments:

1. CalPERS 101: How Does it Work
2. Historic Rates of Return
3. CalPERS Experience Study 2017
4. CalPERS Actuarial Circular Letter 042618
5. CalPERS Summary of Valuation 063017
6. Presentation