

Long-term Management of CalPERS Costs Fresh-Start Amortization Option

Finance Department

Finance Committee
January 9, 2019

RiversideCA.gov

THE CALPERS CHALLENGE

Given Unfunded Pension Obligations, Our
Collective Challenge (aka The CalPERS
Challenge) is:

How to Effectively Secure the Solvent Financial
Future of the City, Its Employees, & Its Retirees
While Ensuring the Delivery of Public Services &
Stewardship of Public Resources



2

RiversideCA.gov

COLLECTIVE BARGAINING AND REPRESENTATION OF EMPLOYEES

The City maintains a strict commitment to collective bargaining which includes the requirement to meet and confer on any changes affecting wages, hours, promotions, benefits, and other employment terms.

Any cost saving recommendations related to these items would be discussed during the collective bargaining process.



3

RiversideCA.gov

FRESH-START AMORTIZATION – WHAT IS IT?

- Same UAL and same discount/interest rate
- Re-amortized to have linear payments instead of increasing/uneven payments
 - Constraint – Term of fresh-start must produce lower overall payments than the current amortization

Pros

- Results in lower overall payments; reduced amortization period
- No re-investment/market timing risk like there is with UAL pay-down (cash, bonds)

Cons

- Only minimal savings during “tough years” in near term, much higher payments in middle years
- Still amortized at same 7% discount rate (no PV savings)
- **Locked-In**: Once “fresh-start” structure implemented, cannot go back to prior schedule



4

RiversideCA.gov

Fresh Start Amortization Schedule and Alternatives – Safety Plan

Date	Current Amortization Schedule*		Alternate Schedules			
	Balance	Payment	20 Year Amortization		15 Year Amortization	
	Balance	Payment	Balance	Payment	Balance	Payment
6/30/2019	289,862,686	19,134,466	289,862,686	21,664,062	289,862,686	26,357,478
6/30/2020	291,061,774	21,263,755	288,442,087	22,286,903	283,581,511	27,115,256
6/30/2021	290,142,672	23,662,129	286,273,470	22,927,652	276,060,184	27,894,819
6/30/2022	286,673,142	25,556,809	283,284,059	23,586,822	267,186,233	28,696,795
6/30/2023	280,989,909	26,269,436	279,395,269	24,264,943	256,838,381	29,521,828
6/30/2024	274,156,638	25,229,999	274,522,268	24,962,560	244,885,893	30,370,581
6/30/2025	267,904,408	27,431,835	268,573,512	25,680,234	231,187,868	31,243,735
6/30/2026	259,910,639	27,477,863	261,450,237	26,418,540	215,592,484	32,141,992
6/30/2027	249,233,734	28,267,851	253,045,922	27,178,074	197,936,185	33,066,075
6/30/2028	238,028,549	29,080,549	243,245,711	27,959,443	178,042,811	34,016,724
6/30/2029	225,169,345	29,916,616	231,925,785	28,763,277	155,722,659	34,994,705
6/30/2030	210,512,003	30,776,722	218,952,701	29,590,221	130,771,483	36,000,803
6/30/2031	193,901,266	29,541,019	204,182,672	30,440,940	102,969,417	37,035,826
6/30/2032	177,365,962	28,954,366	187,460,799	31,316,117	72,079,814	38,100,606
6/30/2033	160,239,398	26,193,617	168,620,242	32,216,456	37,848,013	39,195,999
6/30/2034	144,730,231	24,882,948	147,481,341	33,142,679		
6/30/2035	129,454,001	22,851,323	123,850,657	34,095,531		
6/30/2036	115,174,227	20,682,312	97,519,961	35,075,777		
6/30/2037	102,105,430	19,311,338	75,207,344	36,084,206		
6/30/2038	88,770,601	19,167,689	55,207,344	35,844,981		
6/30/2039	75,207,344	19,167,689	35,844,981			
6/30/2040	60,809,515	19,718,762				
6/30/2041	44,797,144	14,920,081				
6/30/2042	32,593,466	15,398,127				
6/30/2043	19,009,947	13,832,935				
6/30/2044	6,062,563	4,125,838				
6/30/2045	2,229,316	1,406,794				
6/30/2046	934,044	967,311				
6/30/2048						
Totals		596,046,780		574,776,064		485,753,222
Interest Paid		306,184,094		284,913,378		195,890,536
Estimated Savings				21,270,716		110,293,558

* This schedule does not reflect the impact of adopted discount rate changes that will become effective beyond June 30, 2017. For Projected Employer Contributions, please see Page 5.

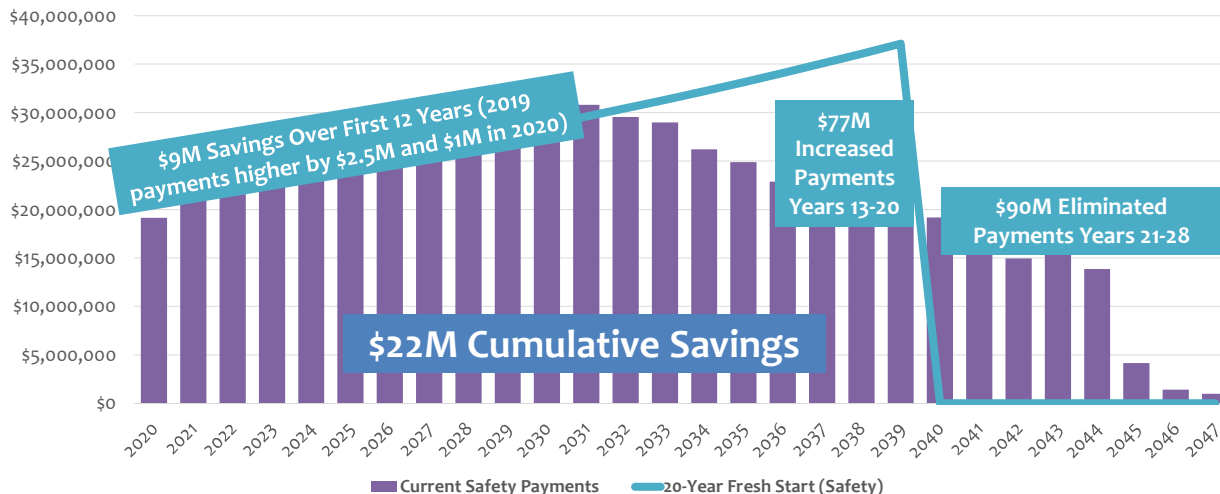


Schedule of Amortization Bases – Safety Plan

Reason for Base	Date Established	Ramp Up/Down 2019-20	Amortization Period	Balance 6/30/17	Expected Payment 2017-18	Balance 6/30/18	Expected Payment 2018-19	Balance 6/30/19	Scheduled Payment for 2019-20
BENEFIT CHANGE	06/30/03	No Ramp	5	\$8,822,668	\$1,482,111	\$7,927,414	\$1,517,247	\$6,930,867	\$1,557,536
ASSUMPTION CHANGE	06/30/03	No Ramp	6	\$(8,006,614)	\$(1,200,945)	\$(7,343,375)	\$(1,228,836)	\$(6,603,168)	\$(1,261,596)
ARNETT CASE	06/30/03	No Ramp	6	\$101,754	\$15,262	\$93,325	\$15,617	\$83,918	\$16,033
BENEFIT CHANGE	06/30/04	No Ramp	7	\$6,341,838	\$862,696	\$5,908,199	\$882,309	\$5,422,811	\$905,903
METHOD CHANGE	06/30/04	No Ramp	7	\$(2,078,591)	\$(282,756)	\$(1,936,463)	\$(289,184)	\$(1,777,373)	\$(296,918)
ASSUMPTION CHANGE	06/30/09	No Ramp	12	\$14,929,213	\$1,440,200	\$14,520,087	\$1,469,458	\$14,051,000	\$1,509,130
SPECIAL (GAIN)/LOSS	06/30/09	No Ramp	22	\$18,502,008	\$1,252,973	\$18,545,805	\$1,272,945	\$18,572,094	\$1,307,675
SPECIAL (GAIN)/LOSS	06/30/10	No Ramp	23	\$(6,476,129)	\$(428,551)	\$(6,501,834)	\$(435,211)	\$(6,522,505)	\$(447,095)
ASSUMPTION CHANGE	06/30/11	No Ramp	14	\$15,496,643	\$1,359,029	\$15,212,718	\$1,385,373	\$14,880,926	\$1,422,872
SPECIAL (GAIN)/LOSS	06/30/11	No Ramp	24	\$330,093	\$21,376	\$331,887	\$21,700	\$333,476	\$22,292
PAYMENT (GAIN)/LOSS	06/30/12	No Ramp	25	\$(24,181,202)	\$(1,534,403)	\$(24,345,287)	\$(1,557,063)	\$(24,497,802)	\$(1,599,645)
(GAIN)/LOSS	06/30/12	No Ramp	25	\$72,563,991	\$4,604,502	\$73,056,385	\$4,672,501	\$73,514,057	\$4,800,282
(GAIN)/LOSS	06/30/13	100% →	26	\$111,737,561	\$4,511,916	\$115,165,923	\$6,106,501	\$117,191,464	\$7,842,030
ASSUMPTION CHANGE	06/30/14	80% ↗	17	\$51,003,951	\$1,898,749	\$52,735,363	\$2,901,203	\$53,554,145	\$3,973,506
(GAIN)/LOSS	06/30/14	80% ↗	27	\$(80,453,585)	\$(2,200,825)	\$(84,007,261)	\$(3,348,824)	\$(86,629,693)	\$(4,587,555)
(GAIN)/LOSS	06/30/15	60% ↗	28	\$39,081,150	\$550,316	\$41,344,618	\$1,115,630	\$43,186,738	\$1,719,443
ASSUMPTION CHANGE	06/30/16	40% ↗	19	\$16,522,491	\$(600,766)	\$18,342,534	\$346,129	\$19,313,911	\$711,215
(GAIN)/LOSS	06/30/16	40% ↗	29	\$50,975,640	\$0	\$54,671,374	\$758,657	\$57,849,371	\$1,559,123
ASSUMPTION CHANGE	06/30/17	20% ↗	20	\$16,809,019	\$(782,024)	\$18,837,549	\$(804,507)	\$21,036,431	\$396,446
(GAIN)/LOSS	06/30/17	20% ↗	30	\$(26,105,471)	\$0	\$(27,998,118)	\$0	\$(30,027,982)	\$(416,211)
TOTAL				\$275,916,428	\$10,968,860	\$284,560,844	\$14,801,645	\$289,862,686	\$19,134,466



20-Year Fresh-Start Amortization: Safety Plan



Note: 20-year amortization is estimated longest maturity available for Safety Plan. Shorter options can be evaluated but not included here given cash flow pressures in near term.

7

RiversideCA.gov

Fresh Start Amortization Schedule and Alternatives – Miscellaneous Plan

Date	Current Amortization Schedule*		Alternate Schedules			
	Balance	Payment	15 Year Amortization		10 Year Amortization	
6/30/2019	296,700,934	22,752,102	296,700,934	26,979,286	296,700,934	36,796,647
6/30/2020	294,649,314	24,206,204	290,271,578	27,754,941	280,104,564	37,854,550
6/30/2021	290,943,064	26,059,482	282,572,813	28,552,895	261,209,376	38,942,869
6/30/2022	285,048,823	27,109,226	273,489,513	29,373,791	239,817,208	40,062,476
6/30/2023	277,546,913	27,125,313	262,897,542	30,218,288	215,714,624	41,214,272
6/30/2024	269,577,664	27,905,163	250,663,079	31,087,063	188,671,784	42,399,183
6/30/2025	260,223,016	28,707,438	236,641,899	31,980,817	158,441,226	43,618,159
6/30/2026	249,359,310	29,532,774	220,678,599	32,900,265	124,756,562	44,872,181
6/30/2027	236,853,253	30,381,842	202,605,765	33,846,148	87,331,075	46,162,257
6/30/2028	222,561,200	31,255,321	182,243,079	34,819,224	45,856,217	47,489,421
6/30/2029	206,328,385	32,153,914	159,396,364	35,820,277		
6/30/2030	187,988,093	33,078,337	133,856,557	36,850,110		
6/30/2031	167,360,785	27,881,786	105,398,603	37,909,551		
6/30/2032	150,619,624	26,568,843	73,780,274	38,999,450		
6/30/2033	134,024,432	24,928,873	38,740,898	40,120,685		
6/30/2034	117,924,468	22,695,295				
6/30/2035	102,970,387	20,168,239				
6/30/2036	89,549,194	17,477,118				
6/30/2037	77,941,931	17,051,081				
6/30/2038	65,934,353	16,586,098				
6/30/2039	53,537,771	16,901,162				
6/30/2040	39,916,148	17,807,885				
6/30/2041	24,367,942	11,263,799				
6/30/2042	14,469,652	12,735,275				
6/30/2043	2,329,852	2,412,831				
6/30/2044						
6/30/2045						
6/30/2046						
6/30/2047						
6/30/2048						
Totals		574,835,401		497,212,791		419,412,015
Interest Paid		278,134,467		200,511,857		122,711,081
Estimated Savings				77,622,610		155,423,386

* This schedule does not reflect the impact of adopted discount rate changes that will become effective beyond June 30, 2017. For Projected Employer Contributions, please see Page 5.

8



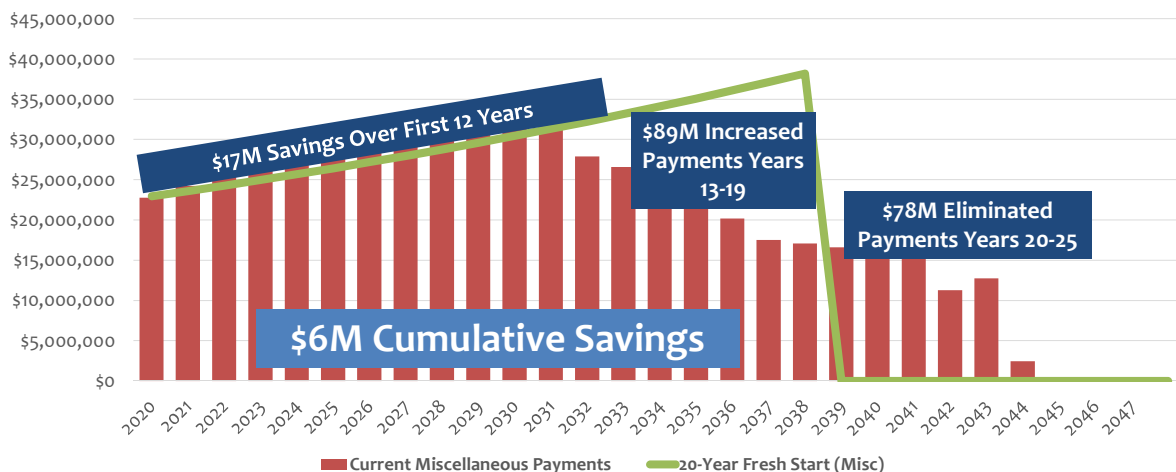
RiversideCA.gov

Schedule of Amortization Bases – Miscellaneous Plan

Reason for Base	Date Established	Ramp Up/Down 2019-20	Amortization Period	Balance 6/30/17	Expected Payment 2017-18	Balance 6/30/18	Expected Payment 2018-19	Balance 6/30/19	Scheduled Payment for 2019-20
FS 30-YEAR AMORTIZATION	06/30/08	No Ramp	21	\$(3,201,918)	\$(222,260)	\$(3,203,881)	\$(225,893)	\$(3,202,224)	\$(232,050)
ASSUMPTION CHANGE	06/30/09	No Ramp	12	\$43,280,736	\$4,175,232	\$42,094,654	\$4,260,053	\$40,734,738	\$4,375,062
SPECIAL (GAIN)/LOSS	06/30/09	No Ramp	22	\$24,889,735	\$1,685,556	\$24,948,652	\$1,712,423	\$24,984,017	\$1,759,143
SPECIAL (GAIN)/LOSS	06/30/10	No Ramp	23	\$(12,200,427)	\$(807,350)	\$(12,248,853)	\$(819,898)	\$(12,287,796)	\$(842,285)
ASSUMPTION CHANGE	06/30/11	No Ramp	14	\$1,673,421	\$146,756	\$1,642,762	\$149,601	\$1,606,933	\$153,650
SPECIAL (GAIN)/LOSS	06/30/11	No Ramp	24	\$(2,552,107)	\$(165,266)	\$(2,565,982)	\$(167,770)	\$(2,578,271)	\$(172,354)
PAYMENT (GAIN)/LOSS	06/30/12	No Ramp	25	\$436,387	\$27,691	\$439,347	\$28,100	\$442,099	\$28,868
(GAIN)/LOSS	06/30/12	No Ramp	25	\$77,765,180	\$4,934,540	\$78,292,868	\$5,007,414	\$78,783,344	\$5,144,354
(GAIN)/LOSS	06/30/13	100% →	26	\$144,128,885	\$5,819,865	\$148,551,085	\$7,876,699	\$151,163,805	\$10,115,337
ASSUMPTION CHANGE	06/30/14	80% ↗	17	\$75,106,587	\$2,796,030	\$77,656,202	\$4,272,208	\$78,861,911	\$5,851,243
(GAIN)/LOSS	06/30/14	80% ↗	27	\$(124,778,521)	\$(3,413,343)	\$(130,290,053)	\$(5,193,818)	\$(134,357,282)	\$(7,115,014)
(GAIN)/LOSS	06/30/15	60% ↗	28	\$50,108,131	\$705,592	\$53,010,248	\$1,430,412	\$55,372,134	\$2,204,594
ASSUMPTION CHANGE	06/30/16	40% ↗	19	\$21,738,087	\$(681,366)	\$24,019,732	\$453,261	\$25,291,758	\$931,343
(GAIN)/LOSS	06/30/16	40% ↗	29	\$42,973,209	\$0	\$46,088,767	\$639,559	\$48,767,865	\$1,314,363
ASSUMPTION CHANGE	06/30/17	20% ↗	20	\$1,980,227	\$(1,191,265)	\$3,357,486	\$(1,225,514)	\$4,870,065	\$91,780
(GAIN)/LOSS	06/30/17	20% ↗	30	\$(53,685,569)	\$0	\$(57,577,773)	\$0	\$(61,752,162)	\$(855,932)
TOTAL				\$287,662,043	\$13,810,412	\$294,215,260	\$18,196,837	\$296,700,934	\$22,752,102



19-Year Fresh-Start Amortization: Miscellaneous Plan



Note: 19-year amortization is estimated longest maturity available for Miscellaneous Plan. Shorter options can be evaluated but not included here given cash flow pressures in near term.



RECOMMENDATIONS

That the Finance Committee:

1. Receive a monthly update on the Long-Term Management of California Public Employees Retirement System costs; and
2. Provide direction to staff regarding the CalPERS Fresh Start Program Option.

