



Review of CalPERS Cost Sharing

Human Resources Department

Finance Committee
September 11, 2019

RiversideCA.gov

BACKGROUND

PEPRA mandates uniform, generally lower benefit formulas for new members of CalPERS.

Most City employees are not new members, therefore it may take many years for an agency to realize full cost savings from new members in the budget. Currently 1572 employees (72%) are Tier 1 and Tier 2 and 613 employees (28%) are PEPRA.

The City would expect to start seeing a PEPRA impact beginning in 2032 through 2042. Around 2042 the City will be predominately PEPRA employees resulting in significantly lower pension expense.

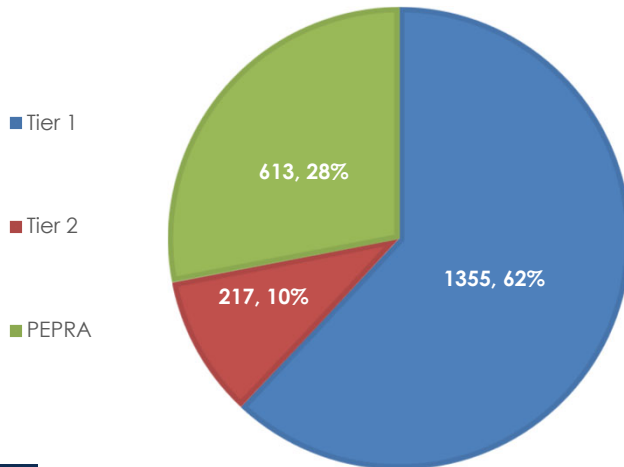


2

RiversideCA.gov

CITY OF RIVERSIDE BY THE NUMBERS

EMPLOYEES BY TIER



Tier 1 and Tier 2 Formulas

MISCELLANEOUS 2.7% at 55 years of age	SAFETY 3% at 50 years of age 3% at 55 years of age (Fire Tier 2)
---	--

Tier 3 (PEPRA) Formula

MISCELLANEOUS 2% at 60 years of age	SAFETY 2.7% at 57 years of age
---	--

In addition, the City has 2960 retirees drawing CalPERS Benefits

As of June 2018 valuation report

3



RiversideCA.gov

EMPLOYEE CONTRIBUTION AND COST SHARING

Tier 2 and PEPRA employees have always paid the full employee share of the pension costs.

The City has entered agreements to share the cost of the employee share and employer cost sharing with **Tier 1 employees.**

Pursuant to Memorandums of Understanding with each bargaining unit, Fringe Benefit and Salary Plan for unrepresented employees, it was agreed that Tier 1 employees would begin paying an increasing portion of pension costs culminating in 2021.

4



RiversideCA.gov

CUMULATIVE PCM /PERS GIVEBACK ACTUAL THROUGH POTENTIAL- TIER 1 ONLY

Bargaining Unit	Total Actual (FY 2017 – 2019)		Potential Raises and PERS Givebacks through FY 2020/21				Employee Paid Contribution	
	Raise	PERS Giveback	Raise		PERS Giveback		EE**	ER***
			Minimum	Maximum	Minimum	Maximum		
RPOA	12%	3%	12%	24%*	3%	6%		X
RPOA Supervisory	12%	3%	12%	24%*	3%	6%		X
RPAA	12%	3%	12%	24%*	3%	6%		X
RCFA	10.5%	2.5%	17%	21%*	7%	7%		X
RFMG	12.25%	2.5%	16.5%	20.5%*	7%	7%		X
IBEW	8%	4%	15.5%	15.5%	8%	8%	X	
IBEW Supervisory	8%	4%	15.5%	15.5%	8%	8%	X	
SEIU –General	10%	7%	13%	15%*	8%	8%	X	
SEIU – Refuse	10%	7%	13%	15%*	8%	8%	X	
Unrepresented	9%	4%	14%	18%*	8%	8%	X	

* Potential Maximum Raise
 **EE is the Employee's standard portion
 *** ER is the Employer Paid Member Contribution

5



IMPACT OF EMPLOYER PAID EPMC

When Employer Paid Member Contributions (EPMC) are reported as compensation, it increases the base upon which retirement benefits are calculated.

When an agency has cost sharing without a reduction in the EPMC, the employer achieves initial cost savings while the employees increase their retirement base and future retirement benefit levels.

6



IMPACT OF EPMC ON TOTAL COMPENSATION

	Total Annual Compensation	CalPERS Normal Cost 21.363%	Employer Normal Cost 21.363% less Employee Contribution of 9%	Employee Contribution (EE) 9%	Employer Contribution (ER) 9%	Employer Contribution on top of EE	Total Cost for the City	Total Cost for the Employee	Total Pensionable Compensation
Tier 1 Employee – City pays both EE and ER	\$50,000	\$10,682	\$0	\$0	\$4,500	\$405	\$65,587	\$0	\$54,905
Tier 1 Employee paying 9% Employee contribution (EE)	\$50,000	\$10,682	\$0	\$4,500	\$0	\$0	\$60,682	\$4,500	\$50,000
Tier 1 Employee paying 9% Employer Contribution (ER)	\$50,000	\$6,182	\$4,500	\$0	\$4,500	\$405	\$61,087	\$4,500	\$54,905



RECOMMENDATIONS

That the Finance Committee receive the presentation on the City of Riverside's CalPERS cost sharing measures.

