



Actuarial Presentation
for
City of Rancho Palos Verdes

By
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Tuesday, November 30, 2010



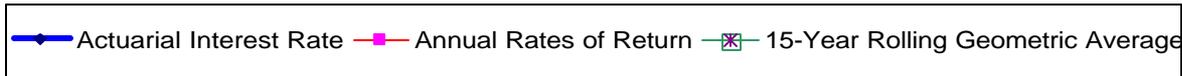
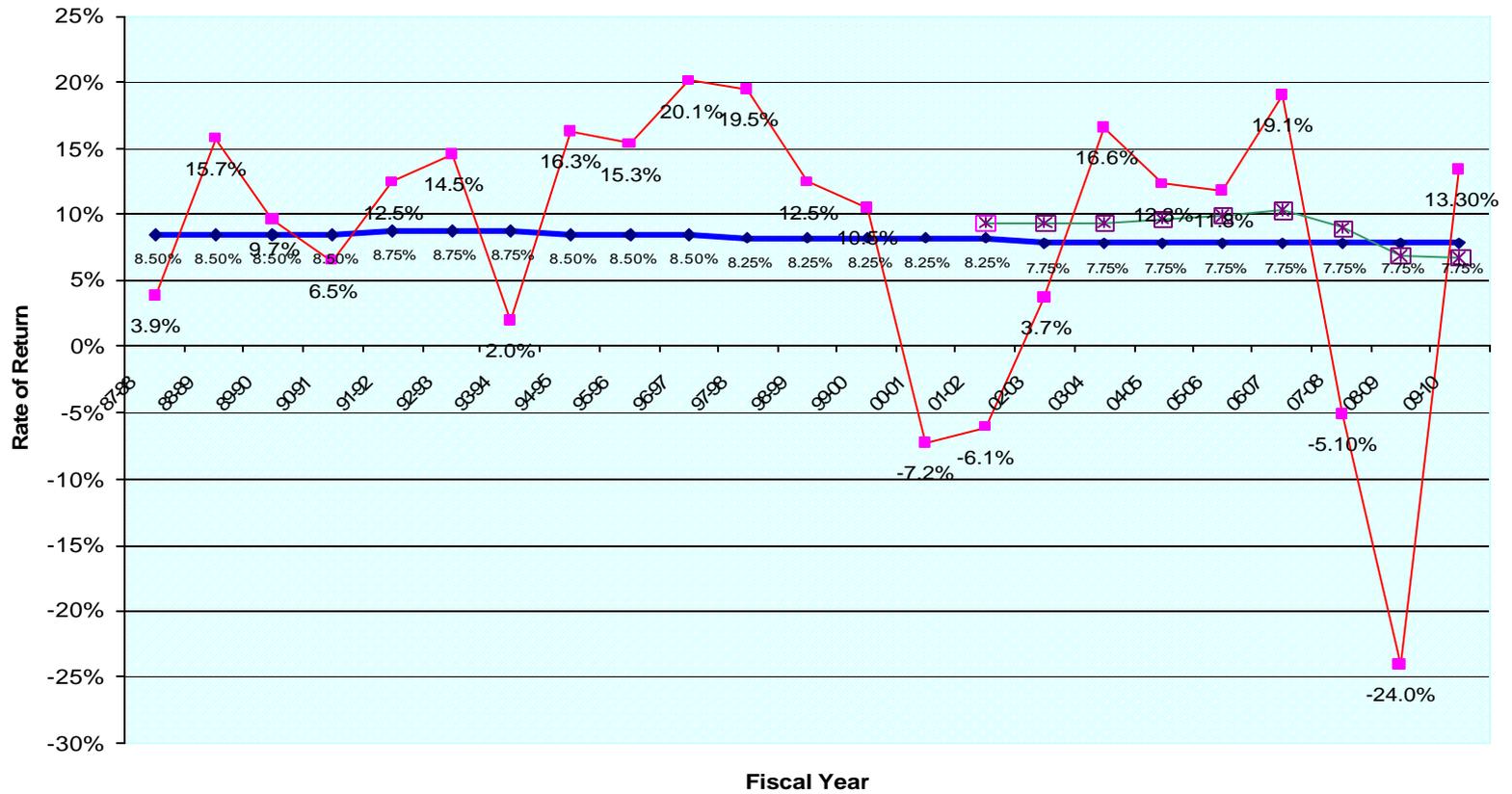
Topics to Be Covered

- Overview of CalPERS
- CalPERS Investment Returns
- History of City's Retirement Plan
- History of Employer Rates
- Options of Reducing Employer Cost
- June 30, 2009 Annual Valuation Report

Overview of CalPERS

- 1932 – Began operation as the State Employees' Retirement System
- 1941 – First contracting with public agencies and School districts
- 2009 – 1568 contracting agencies with 1.6+ million members as of June 30
- The largest public pension fund in the nation with assets of \$217 billion as of November 26, 2010
- Average Monthly Retirement Benefits as of 6/30/09
 - Public agency: \$2,188
 - 2.5% @ 55 Pool: \$1,150
 - City of Rancho Palos Verdes: \$1,071

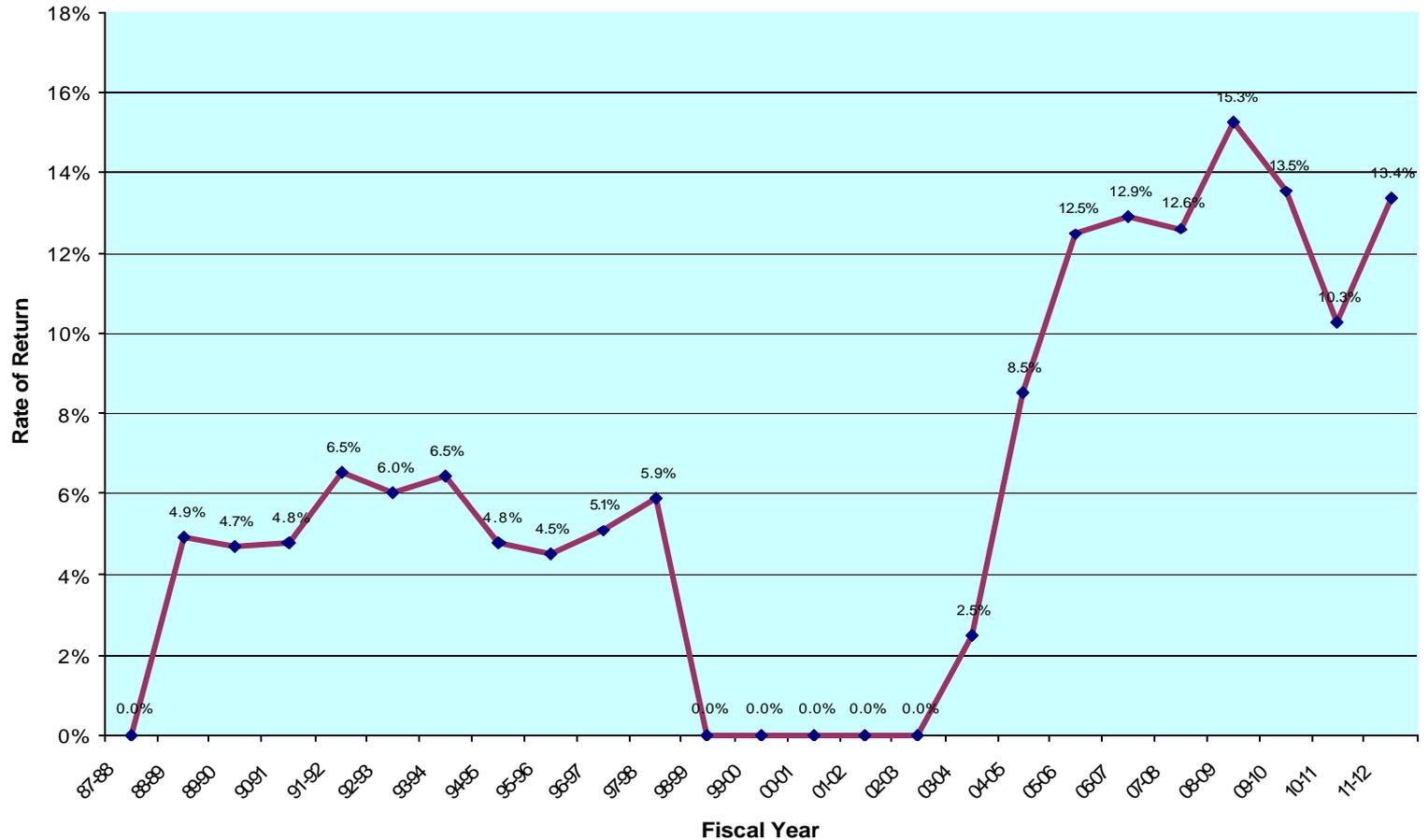
CalPERS Investment Returns



History of City's Retirement Plan

- 12-01-74 – City contracted with CalPERS
 - 2% @ 60, 3-year Final Compensation (FC)
- 04-01-78 – Added 1959 Survivor Benefit, Level 1
- 09-02-00 – Amended for 1959 Survivor Benefit, Level 4
- 04-21-01 – Amended for 2% @ 55 and 1-year FC
- 07-01-05 – Joined the 2% @ 55 risk pool
- 09-29-07 – Amended for 2.5% @ 55
- 05-17-10 – Paid off Side Fund

History of Employer Rates



Options of Reducing Employer Cost – 1

- **Different Level of Benefits (second Tier)**
 - for new hires only

Second Tier Option

	Current	Option 1	Option 2	Option 3	Option 4	Option 5
	2.5% @ 55 1-yr FC	2.5% @ 55 3-yr FC	2% @ 55 1-yr FC	2% @ 55 3-yr FC	2% @ 60 1-yr FC	2% @ 60 3-yr FC
2010/11	10.263%	9.680%	8.984%	8.475%	7.209%	6.755%
2011/12	13.353%	12.749%	10.059%	9.539%	8.197%	7.733%

Options of Reducing Employer Cost – 2

- Employee Cost Sharing
 - Employees may share the cost of optional benefits (e.g. 2.5% @ 55)
 - Two approaches:
 - Written Agreement (MOU)
 - Increase contributions credited to employer account and after tax
 - By contract amendment
 - Increase contributions credited to employee account and can be pre-tax

Options of Reducing Employer Cost – 3

○ Prepay Annual Contribution

Fiscal Year 2011/2012	Miscellaneous
Required Employer Contribution	\$ 683,521
Lump Sum Prepayment Option *	658,481

- * The required employer contribution has been reduced by a half year interest credit at the 7.75% actuarial assumed interest rate, resulting in an approximate 3.66% discount.

Payment must be received by CalPERS between July 1 and July 15, 2011

June 30, 2009 Annual Valuation Report - 1

o Funded Status and Funding Progress

Valuation	Pool	Pool's Funded Ratio (Actuarial Value of Assets)	Pool's Funded Ratio (Market Value of Assets)	Pool's Unfunded Liability	Plan's Side Fund
6/30/2003	2% @ 55 Pool	91.4%	95.7%	\$ 224,087,511	\$ (1,550,604)
6/30/2004	2% @ 55 Pool	89.6%	88.2%	285,151,012	(1,833,858)
6/30/2005	2% @ 55 Pool	89.5%	92.1%	302,747,651	(1,948,887)
6/30/2006	2.5% @ 55 Pool	86.3%	91.1%	125,229,676	(2,427,908)
6/30/2007	2.5% @ 55 Pool	87.4%	100.6%	166,207,063	(2,521,769)
6/30/2008	2.5% @ 55 Pool	87.0%	88.0%	200,202,098	(2,505,494)
6/30/2009	2.5% @ 55 Pool	81.4%	59.4%	340,993,809	(1,767,892)
6/30/2010	2.5% @ 55 Pool				0

June 30, 2009 Annual Valuation Report - 2

○ Funded Status and Funding Progress

<u>Valuation</u>	<u>Accrued Liability</u>	<u>Actuarial Value of Assets</u>	<u>Unfunded Liability</u>	<u>Funded Ratio</u>
6/30/95	\$3,134,140	\$3,210,698	\$ (76,558)	102.4%
6/30/96	3,426,301	3,764,306	(338,005)	109.9%
6/30/97	3,618,649	4,457,968	(839,319)	123.2%
6/30/98	3,983,347	5,497,926	(1,514,579)	138.0%
6/30/99	4,468,478	6,503,040	(2,034,562)	145.5%
6/30/00	5,690,826	7,227,658	(1,536,832)	127.0%
6/30/01	6,515,182	7,445,220	(930,038)	114.3%
6/30/02	7,477,012	7,178,677	298,335	96.0%
6/30/03	8,964,495	7,413,891	1,550,604	82.7%

June 30, 2009 Annual Valuation Report - 3

- The current assumption on the rate of investment returns is 7.75% compounded annually
- The CalPERS Board is currently working on a new asset allocation policy and might change the assumption on the rate of future investment returns

June 30, 2009 Annual Valuation Report - 4

- Future rates might increase gradually and slightly due to temporary asset smoothing method, **if** CalPERS actuarial assumptions are met in the future
- 5-year Rate Projection*

2012/13	2013/14	2014/15	2015/16	2016/17
13.8%	15.5%	15.8%	16.1%	16.4%

* Assuming investment return of 13% for 2009/10 and 7.75% thereafter
This projection further assumes no future benefit increases, no future changes in actuarial assumptions and full realization of actuarial assumptions.



Questions ?
