

CalPERS Pension Update

Santa Clara Valley Water District, CA

March 14, 2023



Agenda



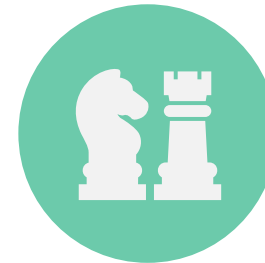
CalPERS
Pension Basics



Comparison to
Other Agencies



Changes
to CalPERS &
Their Impact



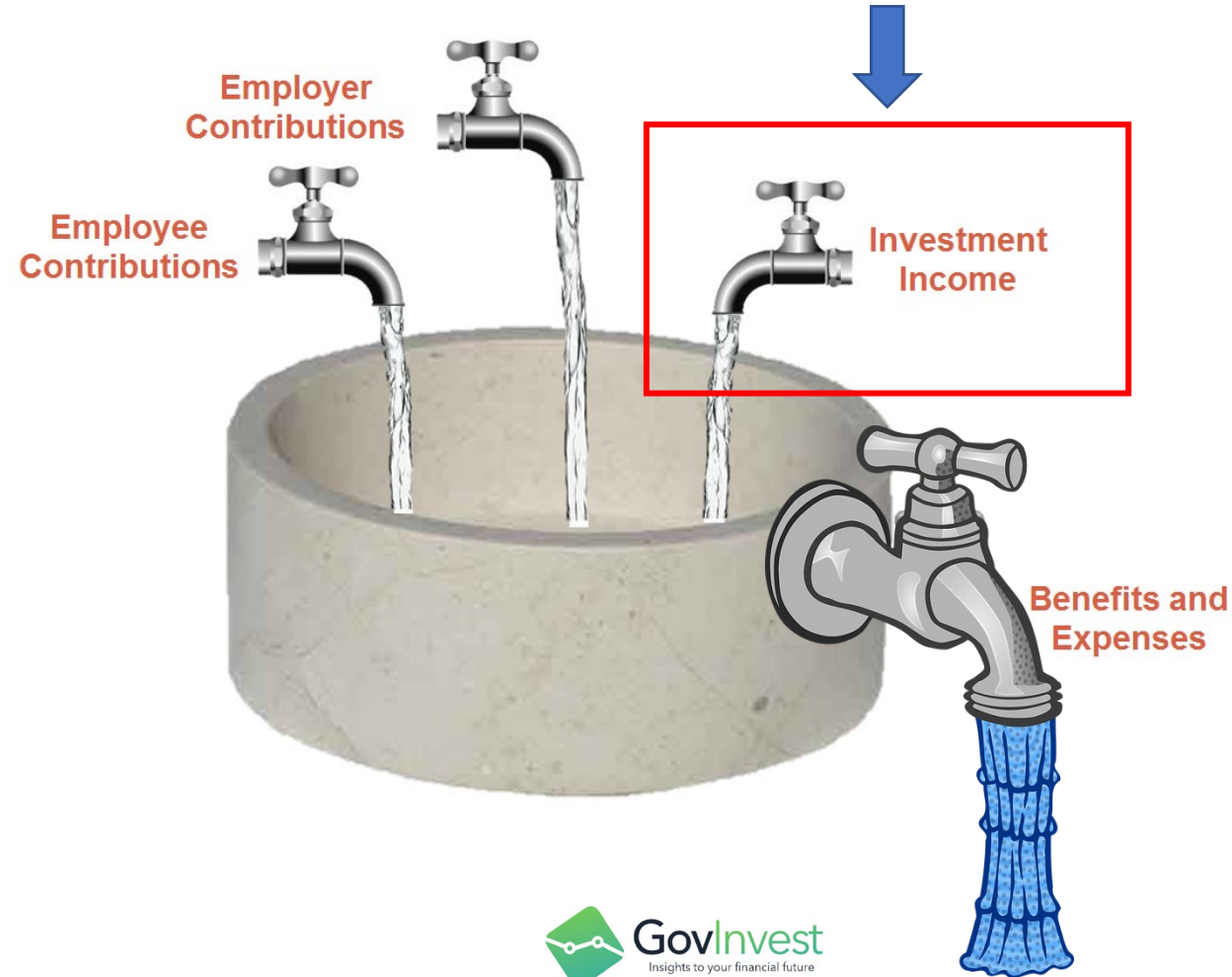
Potential
Strategies

CalPERS Pension Basics

Money going into CalPERS is equal to the Money coming out of CalPERS

Major Driver of
Plan Cost

Funding a Pension Plan

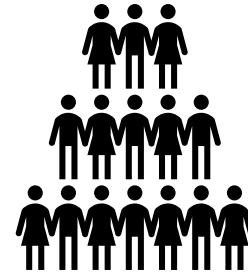


CalPERS Projects Future Benefit Payments using a Series of Assumptions



Economic

- Inflation
- Investment Return
- Salary Growth



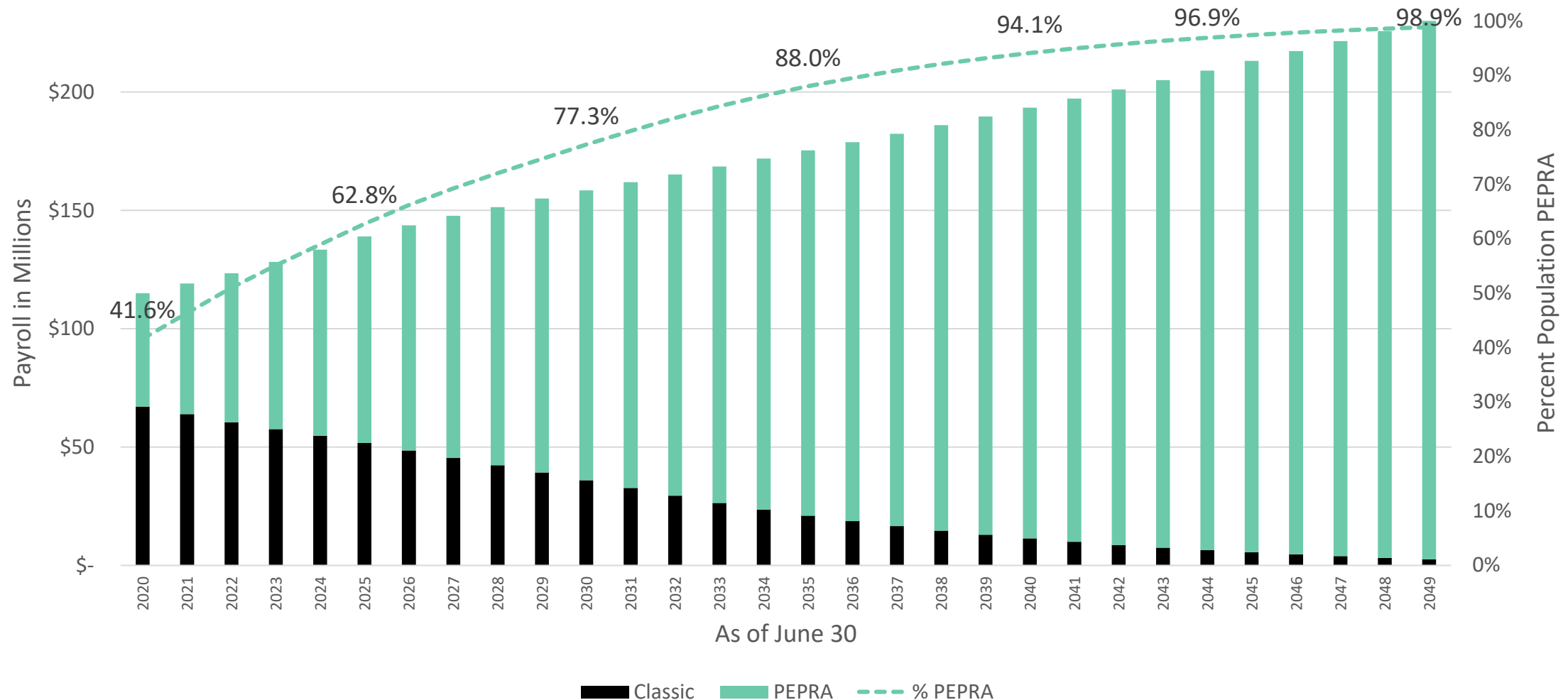
Demographic

- Retirement
- Disability
- Death
- Termination

Santa Clara Valley Water has 3 Benefit Structures within CalPERS for Miscellaneous Employees

	<i>Miscellaneous Tier 1</i>	<i>Miscellaneous Tier 2</i>	<i>PEPRA Miscellaneous</i>
<i>Hire Date</i>	On or Before 2/29/2012	Between 3/1/2012 and 12/31/2012	On or After 01/01/2013
<i>Formula</i>	2.5% @ 55	2% @ 60	2% @ 62
<i>Final Pay Period</i>	12 months	36 months	36 months
<i>COLA</i>	2% per year	2% per year	2% per year
<i>Employee Contributions</i>	8% of pay	7% of pay	7.25% of pay (50% of Normal Cost) (Effective July 1, 2023)

Over the Next Few Years, More Employees will be in the PEPRA Tier



Comparison to Other CalPERS Agencies

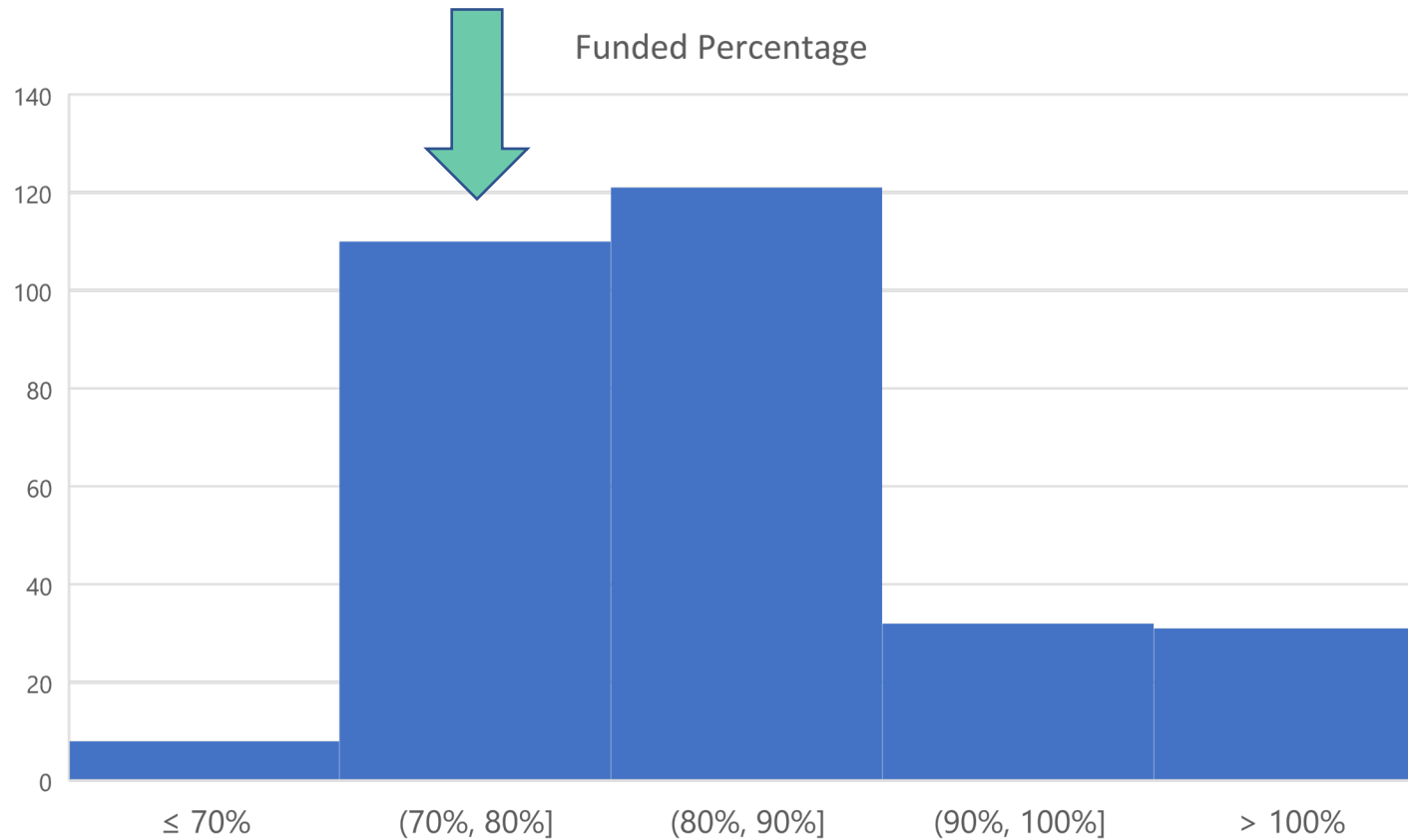
Comparison Metrics

- **Funded Percentage**
 - Plan assets divided by Plan liabilities
 - Calculated as of June 30, 2021
- **Total Contribution Percentage**
 - Required Contribution divided by Projected Pensionable Compensation
 - Payable in Fiscal Year 2023/24

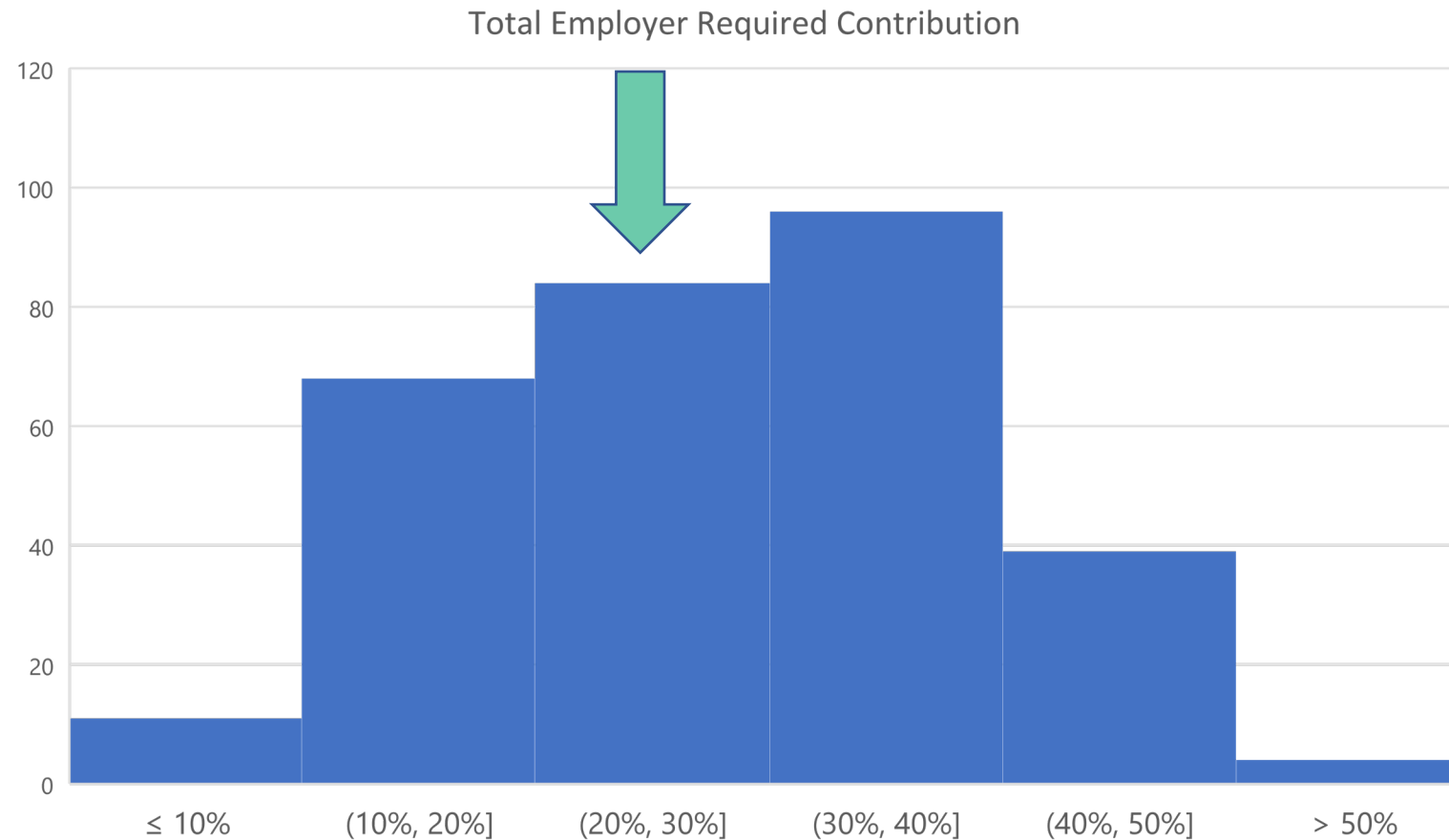
Comparison Group

- District Miscellaneous results are compared against all the results for CalPERS Miscellaneous Plans that are not in the Risk Pool

Miscellaneous Funded Percentage Comparison – 79.9%



Miscellaneous Total Contribution Comparison – 28.9%



Changes to CalPERS

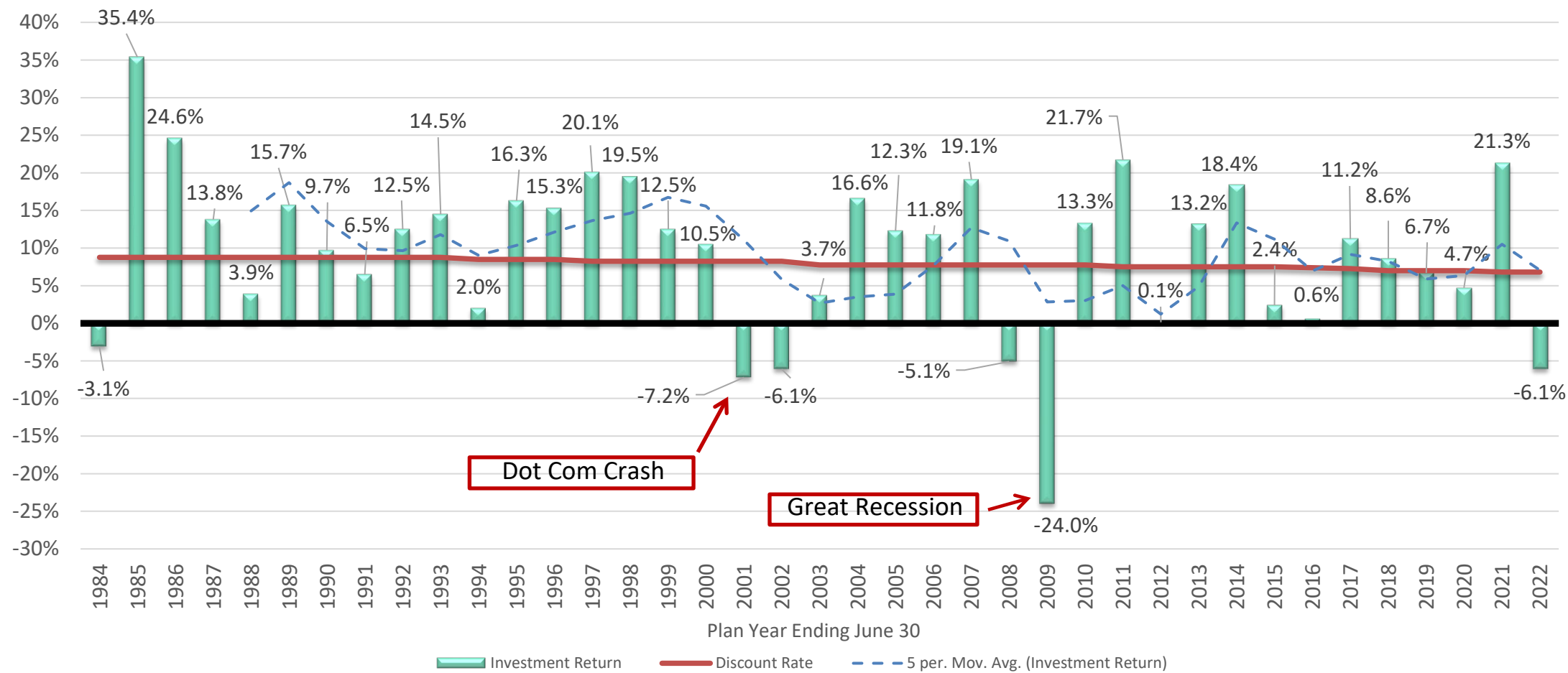
CalPERS Investment Return:

21.3% in 2020/21

-6.1% in 2021/22

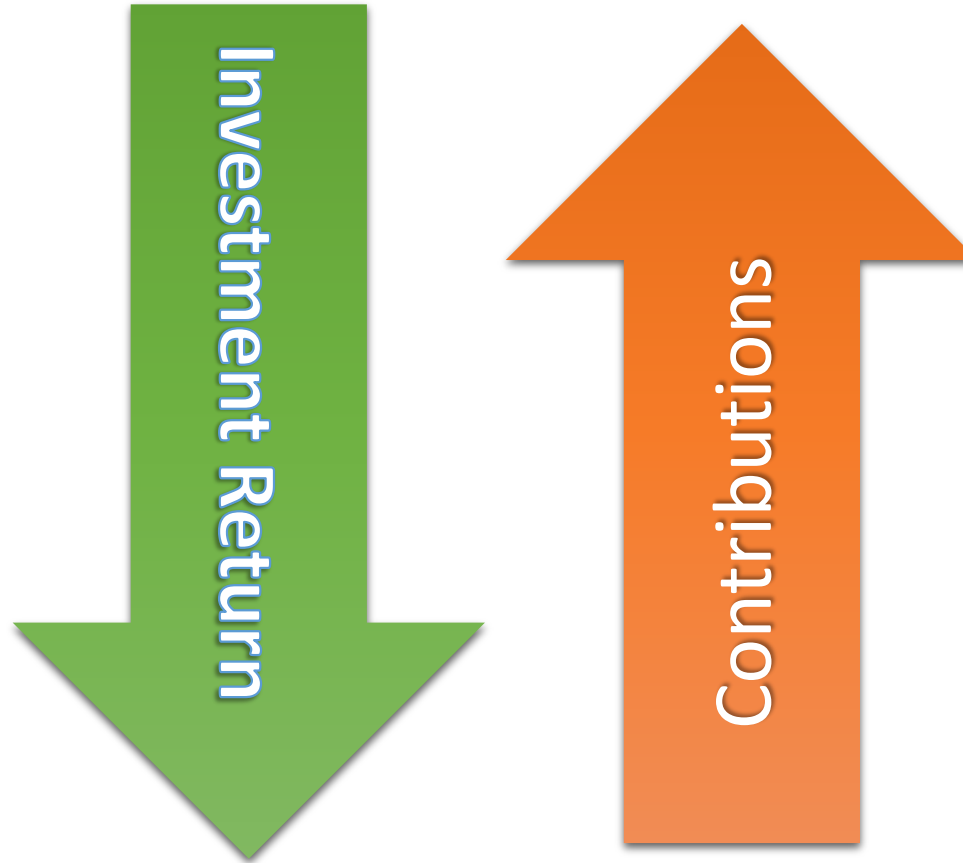
Strong return in 2020/21 followed by weak return in 21/22

CalPERS Actual Investment Returns versus Assumed Investment Return



Discount Rate = Assumed Investment Return Rate

Less Money from Investment Return means More Money Required from Contributions

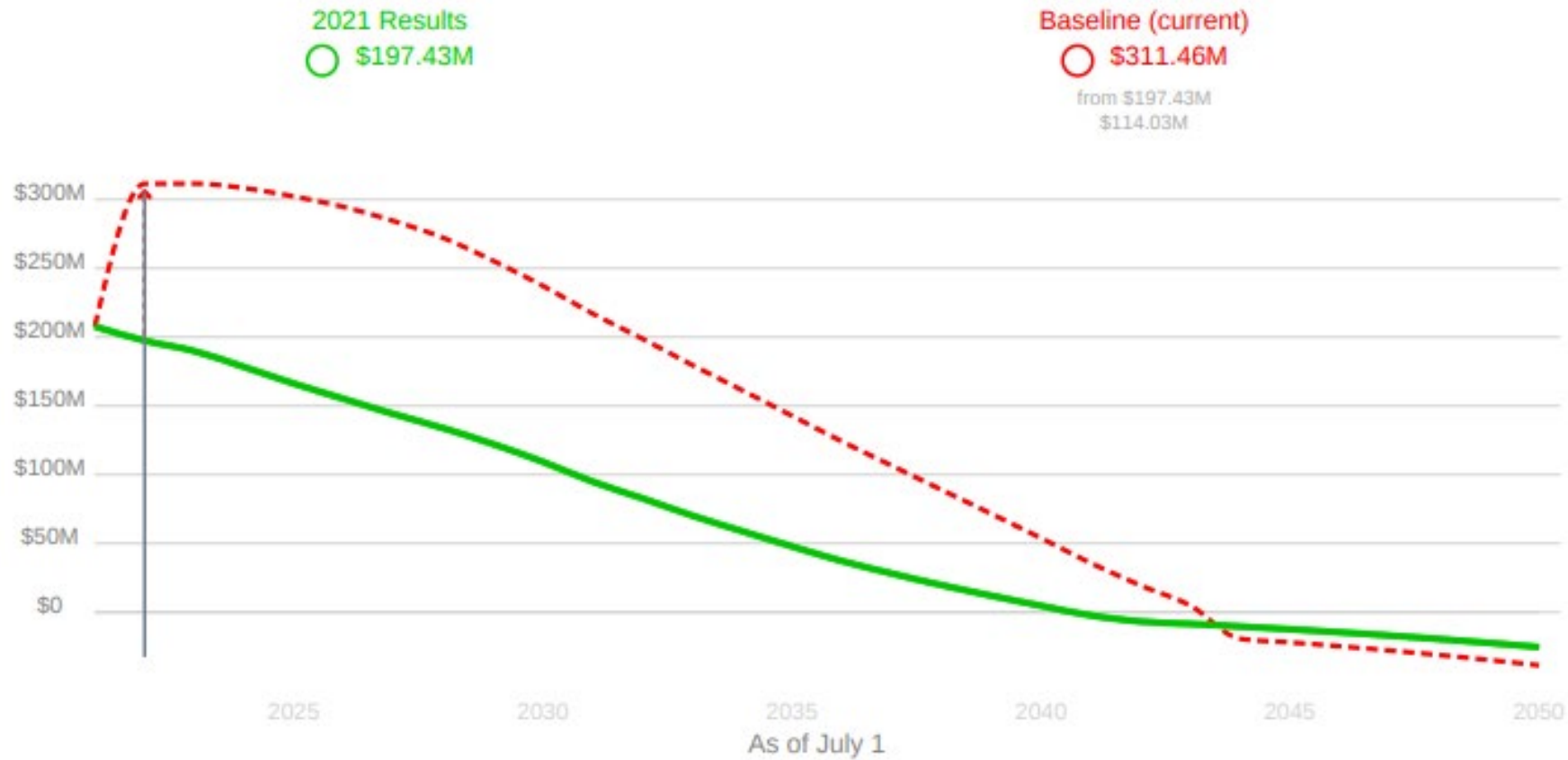


Impact of Changes

Total Employer Required Contributions



Unfunded Accrued Liability



Funded Percentage

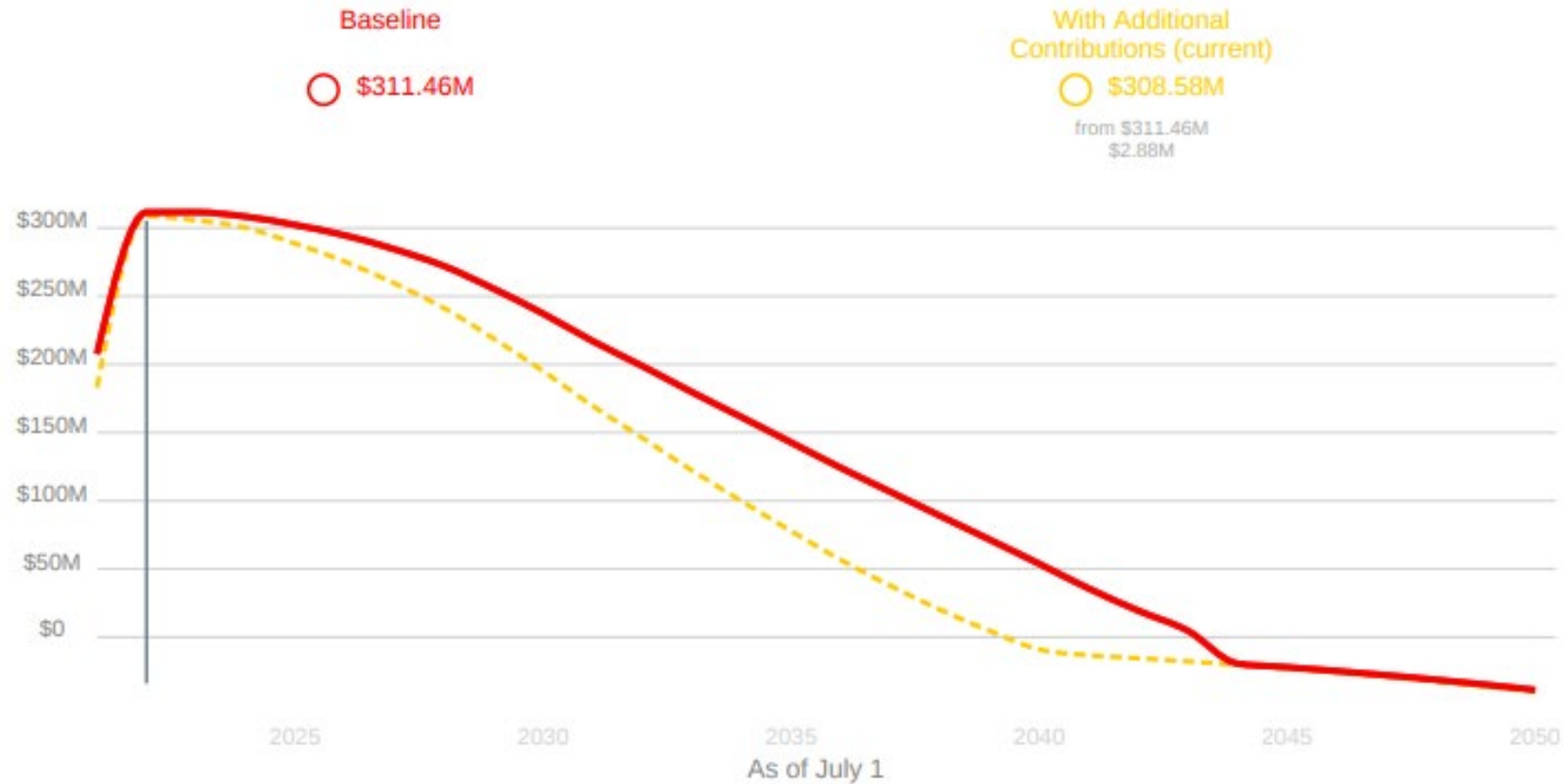


Impact of Additional Contributions

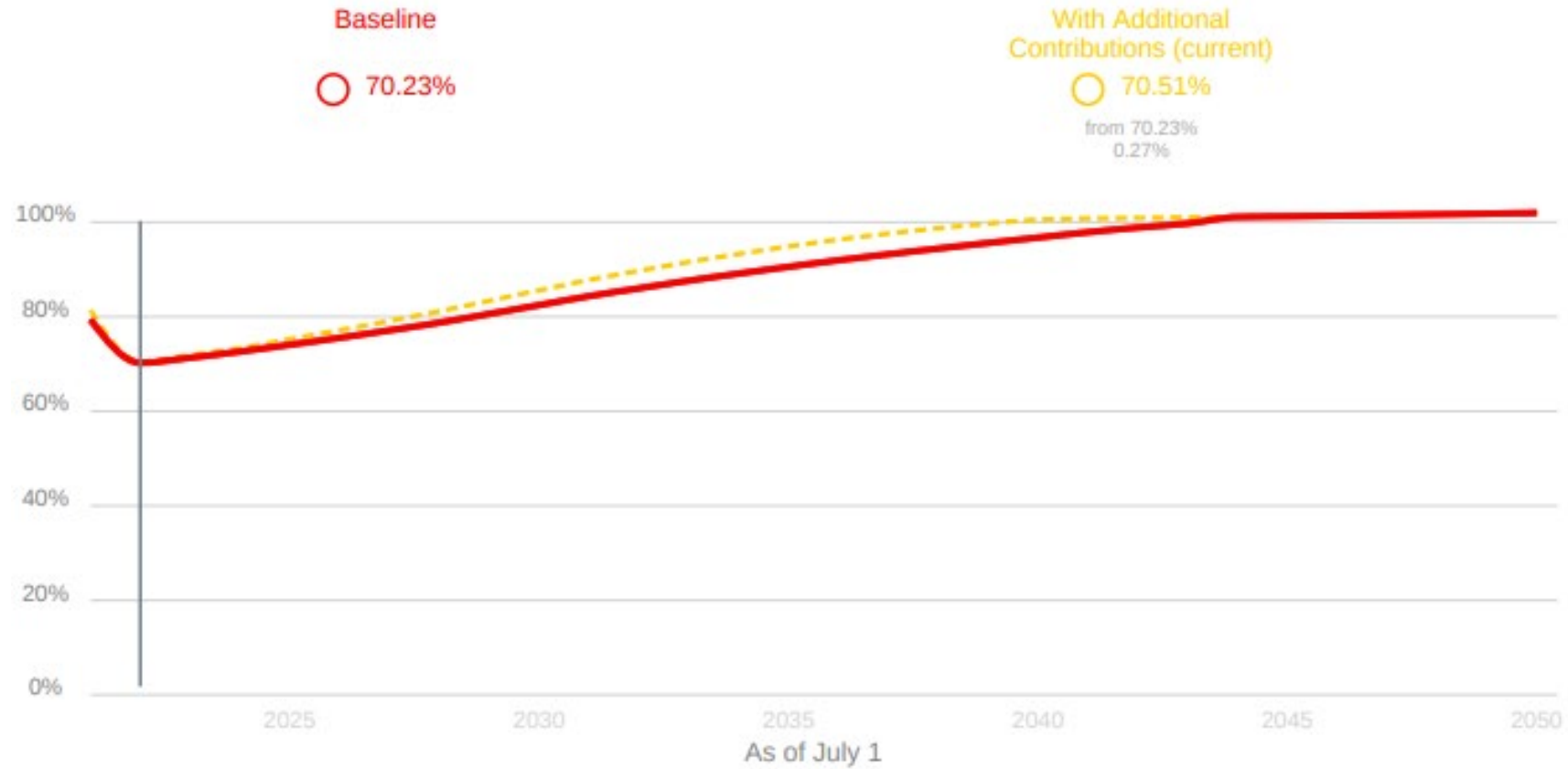
Impact of Additional Contributions

- The District is addressing its Unfunded Actuarial Liability by making additional contributions each year to CalPERS
- These contributions are equal to the sum of:
 - 2% of Pay, and
 - \$3 Million
- This section shows the impact of these additional contributions

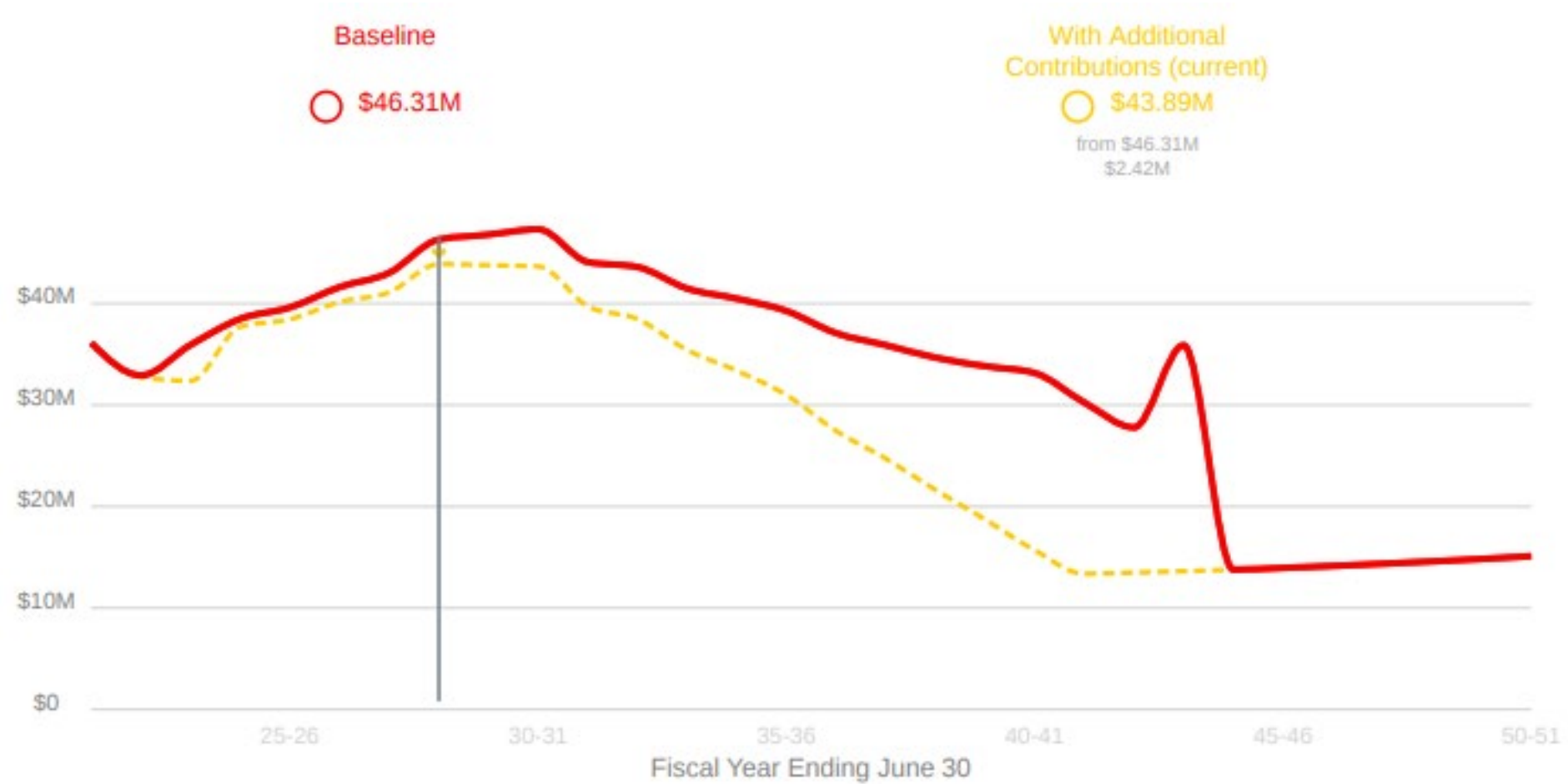
Unfunded Accrued Liability



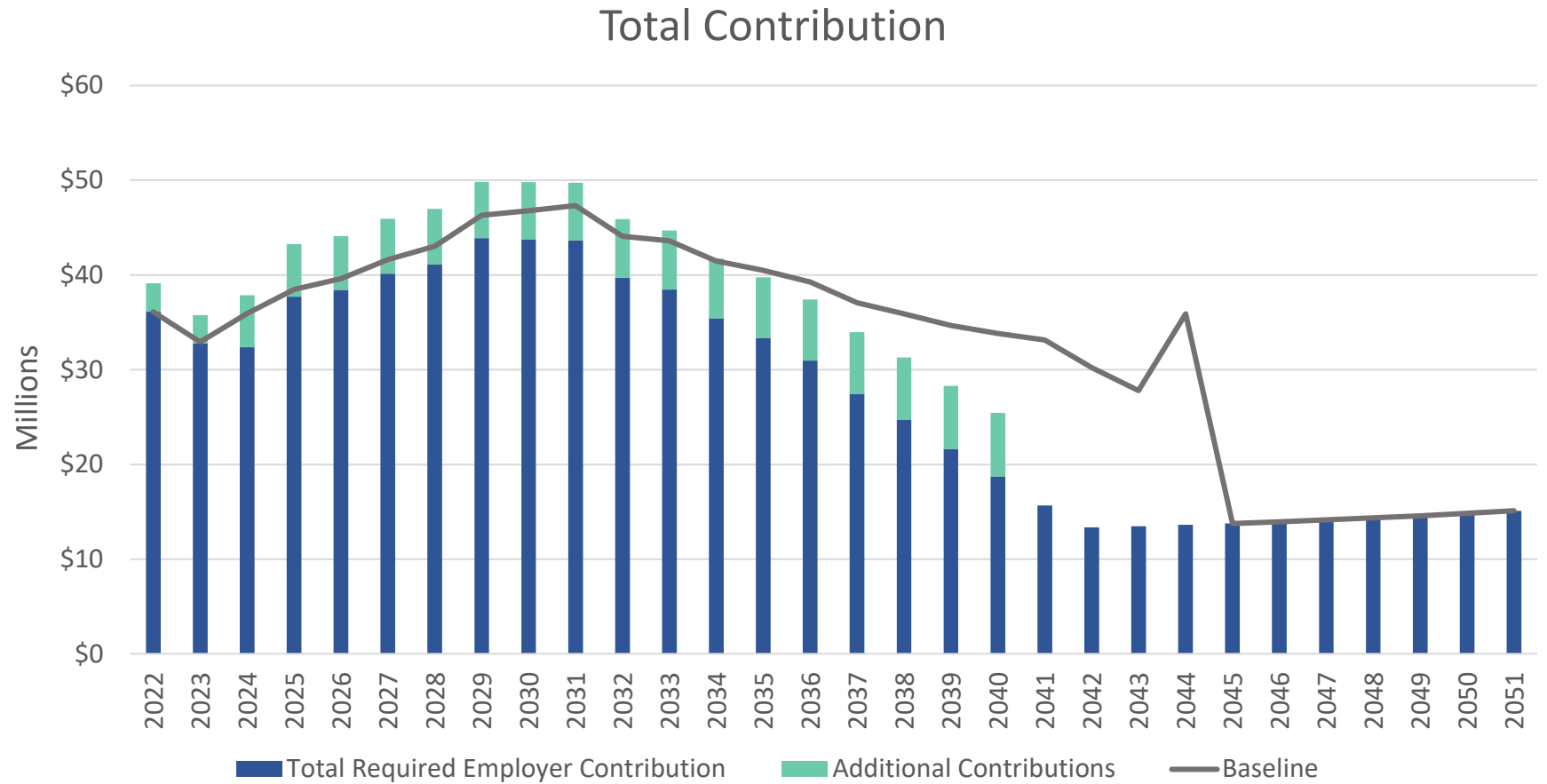
Funded Percentage



Employer Required Contributions



Total Employer Contribution



Projected Savings from Making Additional Contributions

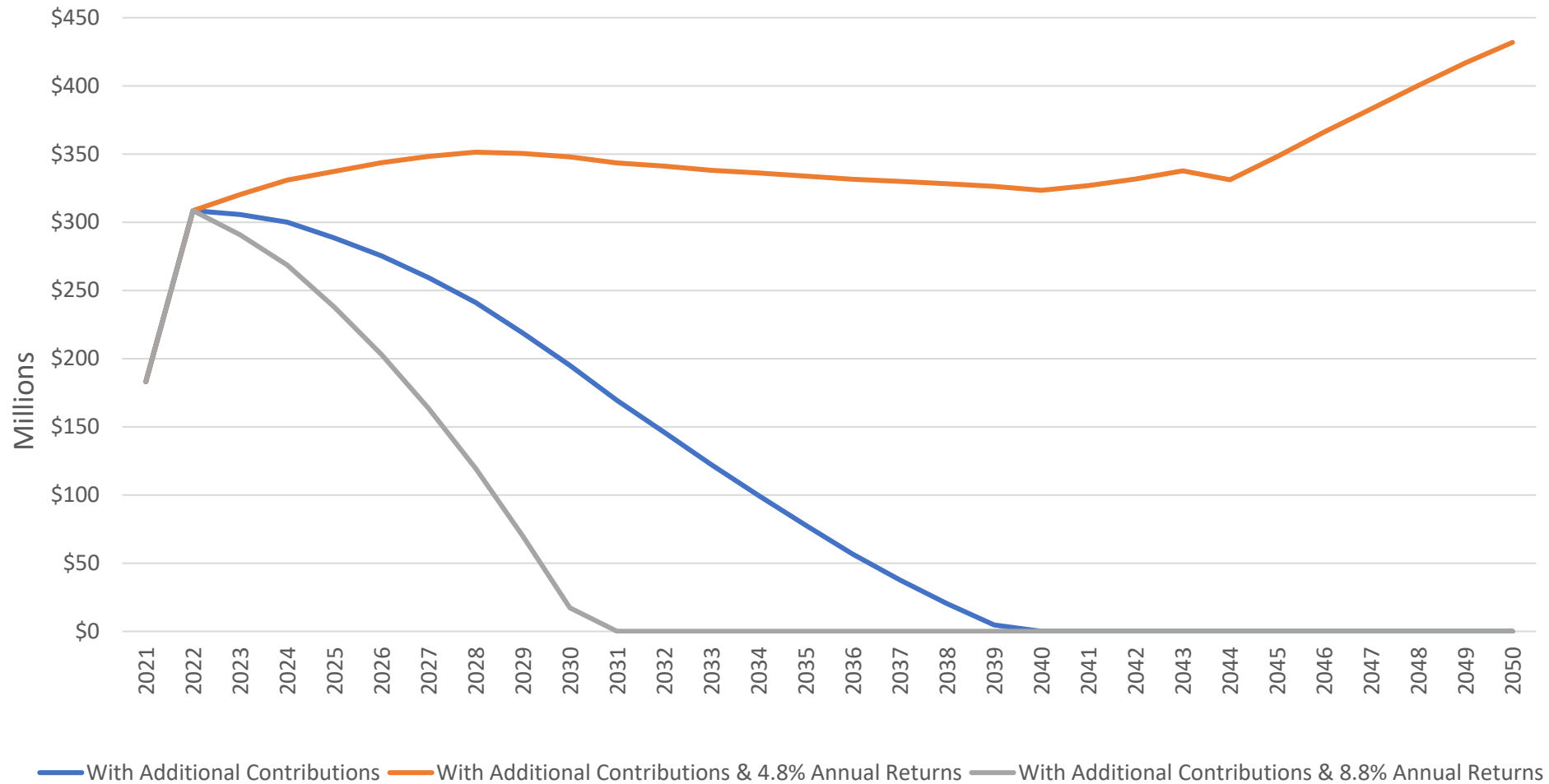
Baseline Required Contributions	\$885,629,312.88
Required Contributions after Additional Contributions	\$716,672,702.44
Total Additional Contributions	\$110,403,215.09
Savings	\$58,553,395.35

Impact of Future Investment Returns

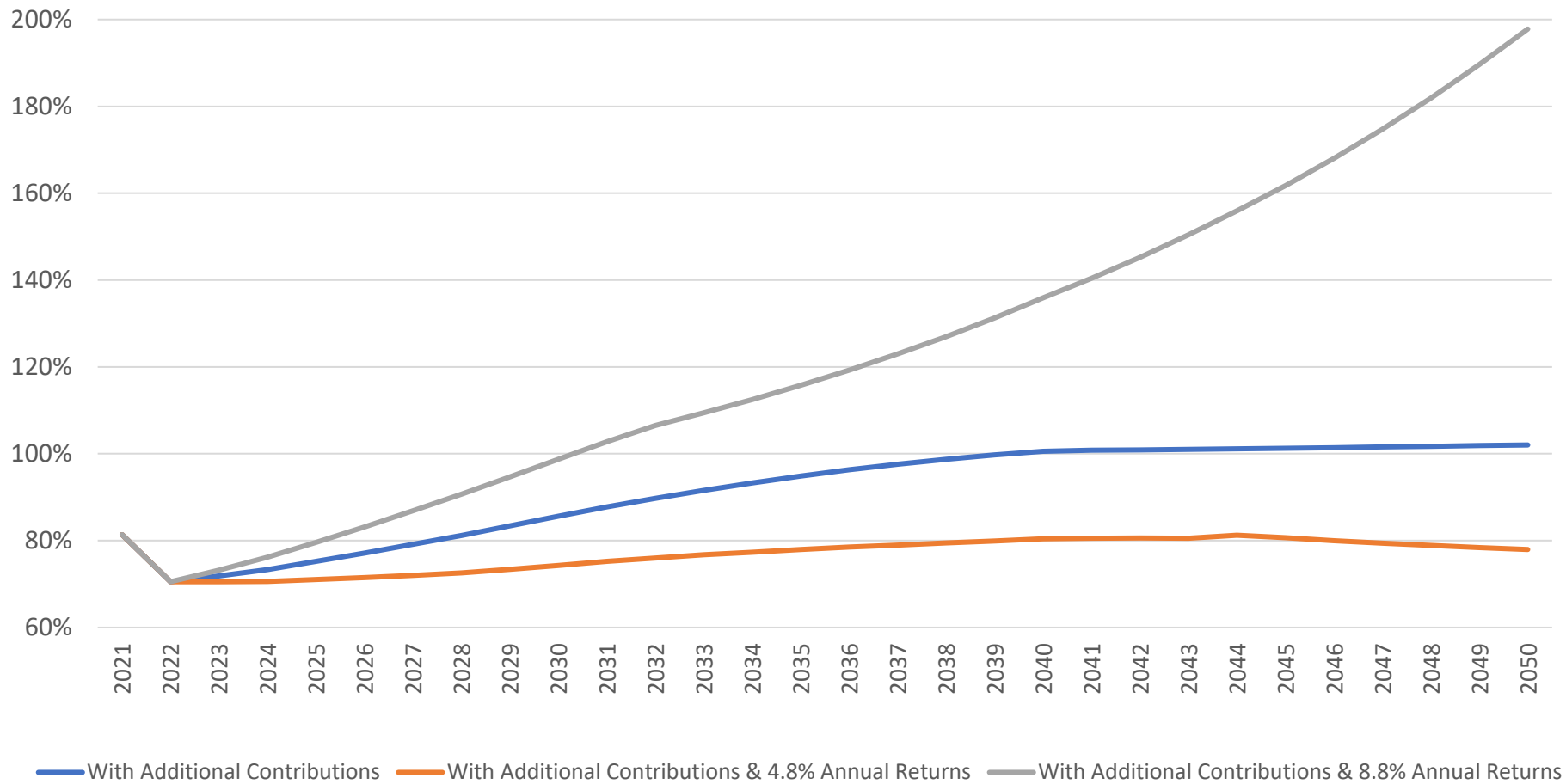
Impact of Future Investment Returns

- Actual Investment Returns have a significant impact on future required contribution rates
- In this section, we look at the Required Contribution to CalPERS under three future investment return scenarios:
 - Baseline – 6.8% per year
 - Weaker than Expected – 4.8% per year
 - Stronger than Expected – 8.8% per year

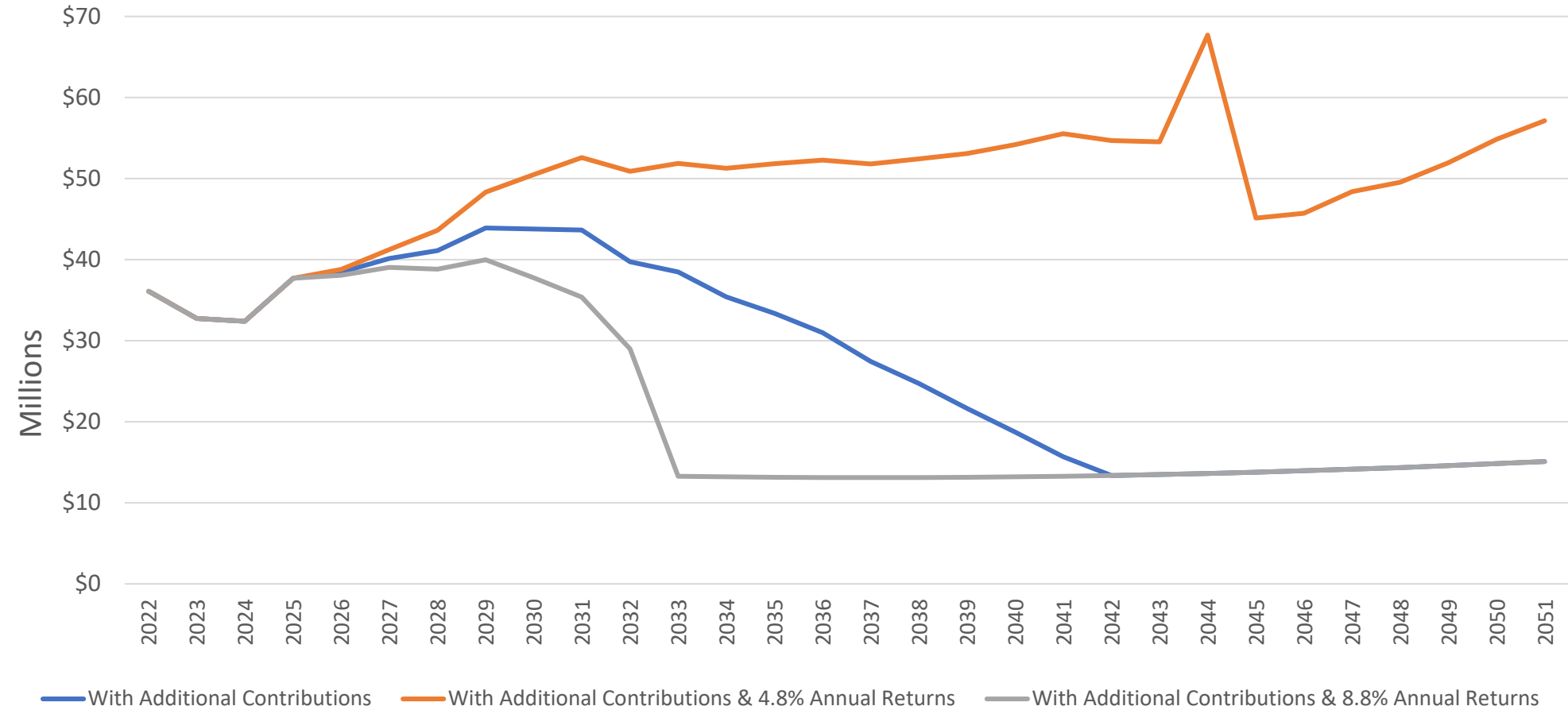
Unfunded Accrued Liability



Funded Percentage



Total Employer Required Contributions



Questions



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