



Cathedral City

Legislation Text

File #: 2017-439, Version: 1

City Council

MEETING DATE: 11/8/2017

TITLE:

California Public Employees Retirement System (CalPERS) Annual Lump Sum Payment

FROM:

Tami Scott, Administrative Services Director

RECOMMENDATION:

Staff recommends the City Council authorize an allocation of \$850,000 to make a lump sum payment to (CalPERS).

BACKGROUND:

In 2017, the CalPERS board approved a reduction in investment rates of return from 7.5% to 7.375% on deposits of funds paid into CalPERS. As a result, this rate reduction increases the City's estimated annual contribution to CalPERS. Over the next three fiscal years, CalPERS will lower their investment rate of return from 7.375% to 7.00%. As a result, there will be an impact on PERS contribution rates and Unfunded Actuarial Liability (UAL) for each of our retirement plans.

DISCUSSION:

The City of Cathedral City has eight (8) separate retirement plans with CalPERS. The three (3) primary plans are commonly referred to as the Tier 1 (Classic) plans for Fire, Miscellaneous and Police. As of June 30, 2016, these plans are funded at the levels of 77.5%, 76.6% and 76.8%, respectively. By authorizing an annual UAL payment, the City of Cathedral City can be proactive in increasing funding levels and reducing future interest costs. It is anticipated, this will result in a savings to the general fund of approximately \$200,000 over the next 20 years (through FY 38/39).

FISCAL IMPACT:

\$850,000 payment from the Insurance Fund (Fund 612)

ATTACHMENTS:

N/A