

The logo for Montecito Water District is a circular emblem. The top half is a light green arc containing the word "MONTECITO" in a light green, serif font. Below this is a stylized landscape with green hills and a winding blue river. The bottom half is a light blue arc containing the words "WATER DISTRICT" in a light blue, sans-serif font. Two small blue dots are positioned on the left and right sides of the emblem.

Agenda Item 3-C

**CalPERS PAYMENT
OPTIONS
PRESENTATION**

Finance Committee - August 28, 2022



CalPERS

- CalPERS offers a defined benefit plan where retirement benefits are based on a formula, rather than contributions and earnings to a savings plan.
- Retirement benefits are calculated based on a member's **years of service credit, age at retirement, and final compensation** (average salary for a defined period of employment).



Districts Employee CalPERS Membership

- District employees fall into two separate CalPERS Retirement Plans:
 - PEPRA
 - CLASSIC



PEPRA MEMBERSHIP

As defined by PEPRA, a new member includes:

- A member who joined CalPERS prior to January 1, 2013, who, is hired on or after January 1, 2013, by a **different CalPERS employer following a break in service of more than six months.**
- A new hire who joined CalPERS for the first time on or after January 1, 2013, and **who has no prior membership** in another California public retirement system.
- A new hire who joins CalPERS for the first time on or after January 1, 2013, and who was a member of another California public retirement system prior to that date, but **who is not subject to reciprocity** upon joining CalPERS.



CLASSIC MEMBERSHIP

Classic members are:

- Hired before January 1, 2013
- **Hired** on or after January 1, 2013, by a different CalPERS employer following a break in service of less than six months.
- A new hire who joins CalPERS for the first time on or after January 1, 2013, and who was a member of another California public retirement system prior to that date, but that has **reciprocity** upon joining CalPERS.



CalPERS Retirement Funding

CalPERS is based on “shared responsibility.” This means that retiree payments come from three sources:

According to the Calpers website, “Based on data over the past 20 years ending June 30, 2020, for every dollar CalPERS pays in pensions:

- 55 cents comes from investment earnings
- 32 cents from employer contributions
- 13 cents from employee contributions”*

*Calpers website



DISTRICT EMPLOYEE CONTRIBUTIONS

THE FY 22/23 PEPRA EMPLOYEE CONTRIBUTION is 6.75%.

The compensation limit for PEPRA members for the 2022 calendar year is for:

Social Security Participants	\$134,974
Non-Social Security Participants	\$161,969

THE FY 22/23 CLASSIC EMPLOYEE CONTRIBUTION is 7.00%.

The compensation limit for CLASSIC members for the 2023 calendar year is:
\$305,000.

Employees with membership dates prior to July 1, 1996, are not impacted by these limits.



MWD EMPLOYER CONTRIBUTIONS

The Fiscal Year 2022-2023 Employer Contribution consists of two components:

- 1) Normal Cost (NC) Rate:
- 2) Unfunded Accrued Liability (UAL)



NORMAL COST (NC) RATE is:

- Annual cost of service accrual for active employees.
- A percentage of payroll and remitted to CalPERS each pay period.

The District's FY 22-23 NC Rates are

PEPRA: 7.47%

CLASSIC: 10.87%



(UAL) UNFUNDED ACCRUED LIABILITY is:

-Annual payment to fund past or accrued service credit earned for eligible members, as of the valuation date.

The District's FY 22-23 UAL as a lump sum:

PEPRA: \$3,689

CLASSIC: \$453,981



PEPRA UAL PAYMENT OPTIONS

Monthly Installment	\$	307.42	
12 Months			12
			<hr/>
Toatal Annual Cost	\$	3,689.04	
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Lump-sum Payment	\$	3,566.00	
			<hr/> <hr/>
Annual Savings with Lump-sum	\$	66.96	3.45%
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CLASSIC UAL PAYMENT OPTIONS

Monthly Installment	\$ 37,831.75	
12 Months		12
Toatal Annual Cost	<u>\$ 453,981</u>	
Lump-sum Payment	<u>\$ 438,880</u>	
Annual Savings with Lump-sum	<u>\$ 15,101</u>	3.4%



Recommendation

- Approve the payments of CalPERS Annual Unfunded Accrued Liability as of June 30, 2020 Actuarial Valuation for rate plan for Classic and PEPRA employees in the lump sum amounts of \$438,880 and \$3,689.04 respectively, of which are both included in the approved FY2023 budget.