City of Elk Grove

CITY RETIREMENT (PERS)

COSTS AND LIABILITY

The City contracts with the Public Employees' Retirement System (PERS) to provide retirement benefits to its employees. The City's PERS costs are projected to increase compared to current costs, but the City has actively planned prepayment which will decrease these future costs. The savings to the City from interest costs are likely to be similar to the amount of the prepayments over time.

Liability–When investment earnings are less than PERS expected a liability is created. If there is no unfunded liability the funded status would be 100%.

TWO TYPES OF PAYMENTS TO PERS

- NORMAL COST - percent of payroll that funds the benefit earned in the current year
- FIXED ANNUAL PAYMENTS - payment applied to any unfunded liability

** Based on significantly higher than average investment earnings for 2021. Projected to decrease next year due to investment declines in 2022.*

Fixed Fiscal Year (FY) 2023 Required Unfunded Liability Payment **$1,795,105**

PERS currently projects the City's Annual Payment to decrease annually starting in FY 2024.

City has issued Accelerated Prepayments to the Unfunded Liability of nearly

$11 million since FY 2016

FUTURE UNFUNDED LIABILITY ACCELERATED PREPAYMENT FUNDING PLAN

- Five Year Forecast proposes Annual Accelerated Payments
- Reinvest Early Payment Discount (3.5%) each Fiscal Year towards the Unfunded Liability
- Recognize any Salary & Benefit savings at Mid-Year Budget Review as an additional opportunity to provide Accelerated Prepayments towards the Unfunded Liability

CITY DOES NOT PARTICIPATE IN SOCIAL SECURITY EQUALS SAVINGS OF 6.2%

PERCENTAGE OF CITY EMPLOYEES IN MOST COSTLY TIER 1 PLANS

(highest Normal Cost)

Since both the City and State implemented Pension Reform, the City has realized a decrease in the number of employees enrolled in the more expensive Tier 1 plan.