

Pension & OPEB Cost Considerations

City of Calabasas

CalPERS IRC Section 115 Trust Funds

California Employers' Retiree Benefit Trust (CERBT - OPEB)

- Voluntarily prefund non-pension, other post-employment benefits (OPEB)
- Established 2007
- 593 employer participants
- \$17B invested assets
- 3 Investment Portfolio choices

California Employers' Pension Prefunding Trust (CEPPT - Pension)

- Voluntarily prefund required pension contributions
- Established 2019
- 66 employer participants
- \$70M invested assets
- 2 Investment Portfolio choices

Prefunding Program Employers

613 contracting employers (593 CERBT and 66 CEPPT)



State of California



155 Cities or Towns



10 Counties

80 School Employers



31 Courts



335 Special Districts & Public Agencies



Impact of Prefunding

Increase investment income

- Outperform County Treasury & LAIF
- Build a larger base of assets to increase earnings

Reduce unfunded liabilities and contributions

- Trust assets reduce liabilities
- Higher discount rates reduce liabilities and contributions

Prudent financial management

- Improves financial reporting outcomes
- Contributes to preserving positive credit ratings

10 Year Compounding Interest Scenario

Investment Duration (Years)	1	2	3	4	5	6	7	8	9	10
Expected Compounded Annualized Rate of Investment Return	5%	5%	5%	5%	5%	5%	5%	5%	5%	5%
Cumulative Expected Compounded Rate of Investment Return	5%	10%	16%	22%	28%	34%	41%	48%	55%	63%
Future Value of \$1	\$1.05	\$1.10	\$1.16	\$1.22	\$1.28	\$1.34	\$1.41	\$1.48	\$1.55	\$1.63
Required Investment Principal Contribution Needed to Generate \$1M	\$952K	\$907K	\$864K	\$823K	\$784K	\$746K	\$711K	\$677K	\$645K	\$614K

Prefunding Other Post Employment Benefits (OPEB)

City's OPEB Liabilities are Growing

Measurement Date	6/30/2020	6/30/2021
Total OPEB Liability	\$7,507,814	\$8,756,453
OPEB Assets	\$0	\$0
Net OPEB Liability	\$7,507,814	\$8,756,453
Funded Status	0%	0%
Discount Rate	2.21%	2.16%
Participants	NA	87

CERBT Customer Example: then and now

Fiscal Year Ending	6/30/2008 (Pay-Go)	6/30/2019 (Prefund)
Discount Rate	4.25%	7.28%
Total OPEB Liability	\$7,869,000	\$4,323,267
Cumulative CERBT Contributions	\$0	\$1,690,878
Net Investment Income Generated	\$?	\$1,039,384
CERBT Assets	\$0	\$2,715,805
Net OPEB Liability	\$7,869,000	\$1,607,462
Funded Status	0%	63%

City's Discount Rate Sensitivity

	-1% 1.16%	Current 2.16%	+1% 3.16%
Net OPEB Liability	\$10,532,762	\$8,756,453	\$7,372,311
\$ Increase (Decrease)	\$1,776,309	\$0	(\$1,384,142)

Prefunding Pension Contributions

Pension Cost Considerations & Outlook

Cost Considerations

- Normal Cost
 - Ongoing perpetual cost
 - Naturally rises due to payroll & headcount
- Unfunded Accrued Liability (UAL)
 - Exists for most agencies
 - Will reoccur if plan is negative
 - 6.8% interest

Outlook

- Likely to increase for the next 5 to 15 years
- Fluctuating volatile costs
- Employers will need to budget more

CalPERS Pension Plans Summary

Plan	Funded Status (6/30/2020)	Unfunded Liability (7% Interest)	UAL Payment 2022-23	UAL Payment 2027-28	UAL Payment Increase	Normal Cost 2022-23
Miscellaneous	78.0%	\$9,006,634	\$693,606	\$932,000	\$238,394	\$580,413
Miscellaneous PEPRA	90.8%	\$68,379	\$5,310	\$7,700	\$2,390	\$111,549
Totals	78.3%	\$9,075,013	\$698,916	\$939,700	\$240,784	\$691,962

Why Prefund Pension Contributions?

Grow assets for future pension contributions (Normal cost, UAL, ADP)

Earn higher than LAIF or County Treasury

Stabilize future budgets

Create rainy day fund

Preserve liquidity

Pension Contribution Investment Tools

Portfolios	CalPERS Pension	CalPERS 115 CEPPT Trust Strategy 1	CalPERS 115 CEPPT Trust Strategy 2	LAIF
Expected Return	6.8%	5.0%	4.0%	~1%
Risk	11.4%	8.2%	5.2%	Lowest
Optimal Investment Time Horizon	Long-Term	2-10 Years		1-24 Months
Liquidity	No	Yes		Yes

Prefunding Pension (CEPPT) and OPEB (CERBT)

CEPPT/CERBT Portfolios

Portfolios	CERBT OPEB Strategy 1	CERBT OPEB Strategy 2	CERBT OPEB Strategy 3	CEPPT Pension Strategy 1	CEPPT Pension Strategy 2
Expected Return	7.59%	7.01%	6.22%	5.00%	4.00%
Risk	11.83%	9.24%	7.28%	8.2%	5.2%

CEPPT/CERBT Portfolio Details

Asset Classification	Benchmark	CERBT OPEB Strategy 1	CERBT OPEB Strategy 2	CERBT OPEB Strategy 3	CEPPT Pension Strategy 1	CEPPT Pension Strategy 2	Target Range
Global Equity	MSCI All Country World Index	59%	40%	22%	40%	14%	±5%
Fixed Income	Barclays Capital Long Liability Index (CERBT) Bloomberg Barclays U.S. Aggregate Bond Index (CEPPT)	25%	43%	49%	47%	73%	±5%
Global Real Estate (REITs)	FTSE EPRA/NAREIT Developed Liquid Index	8%	8%	8%	8%	8%	±5%
Treasury Inflation Protected Securities (TIPS)	Barclays Capital Global Real: US TIPS Index	5%	5%	16%	5%	5%	±3%
Commodities	S&P GSCI Total Return Index	3%	4%	5%	N/A	N/A	±3%
Cash	3-Month Treasury Bill	0%	0%	0%	0%	0%	+2%

Investment Returns Outperform Benchmarks

Periods Ended March 31, 2022

CERBT OPEB	Assets	1 Month	3 Months	FYTD	1 Year	3 Years	5 Years	10 Years	ITD
CERBT Strategy 1 (Inception June 1, 2007)	\$14,413,849,796	0.96%	-4.68%	-0.45%	6.11%	10.74%	9.25%	8.08%	5.93%
Benchmark		0.92%	-4.72%	-0.56%	5.94%	10.50%	8.96%	7.75%	5.52%
CERBT Strategy 2 (Inception October 1, 2011)	\$1,961,648,198	0.06%	-4.76%	-1.19%	4.80%	8.84%	7.82%	6.84%	7.69%
Benchmark		0.03%	-4.81%	-1.27%	4.66%	8.68%	7.57%	6.53%	7.41%
CERBT Strategy 3 (Inception January 1, 2012)	\$842,594,189	-0.61%	-4.28%	-1.00%	4.44%	7.32%	6.48%	5.66%	6.00%
Benchmark		-0.62%	-4.31%	-1.03%	4.37%	7.19%	6.29%	5.36%	5.71%
CERBT Total	\$17,218,092,183								

CEPPT PENSION	Assets	1 Month	3 Months	FYTD	1 Year	3 Years	5 Years	10 Years	ITD
CEPPT Strategy 1 (Inception October 1, 2019)	\$51,480,972	-0.30%	-5.43%	-2.60%	2.02%	-	-	-	7.20%
Benchmark		-0.28%	-5.44%	-2.65%	1.86%	-	-	-	7.19%
CEPPT Strategy 2 (Inception January 1, 2020)	\$21,510,935	-1.51%	-5.52%	-3.92%	-0.81%	-	-	-	2.88%
Benchmark		-1.52%	-5.56%	-3.97%	0.86%	-	-	-	2.74%
CEPPT Total	\$72,991,907								

Time weighted return reports the performance of the investment vehicle, not of the employer assets. Returns are gross. Historical performance is not necessarily indicative of actual future investment performance or of future total program cost. Current and future performance may be lower or higher than the historical performance data reported here. Investment return and principal value may fluctuate so that your investment, when redeemed, may be worth more or less than the original cost. The value of an employer's fund shares will go up and down based on the performance of the underlying funds in which the assets are invested. The value of the underlying funds' assets will, in turn, fluctuate based on the performance and other factors generally affecting the securities market.

Funding Policies

You Control Your Participation

Investment portfolio

- Investment options (3 CERBT, 2 CEPPT)
- Sub-account creation

Voluntary contributions

- Never required
- Full control of amount and schedule

Reimbursement/Liquidity

- CERBT - reimburse current year OPEB expense
- CEPPT - reimburse current year total pension expense (Normal cost + UAL + ADP)

Trust Participation Costs

Total Participation Cost Fee Rate

- All-inclusive cost of participation
 - CERBT OPEB: 10 basis points (bps) fee on asset balance
 - CEPPT Pension: 25 basis points (bps) fee on asset balance
 - Combines administrative, custodial, and investment fees
 - Self-funded, not-for-profit, fee rate may change in the future
- Zero cost to join and setup account/s

Fee Rate Illustration

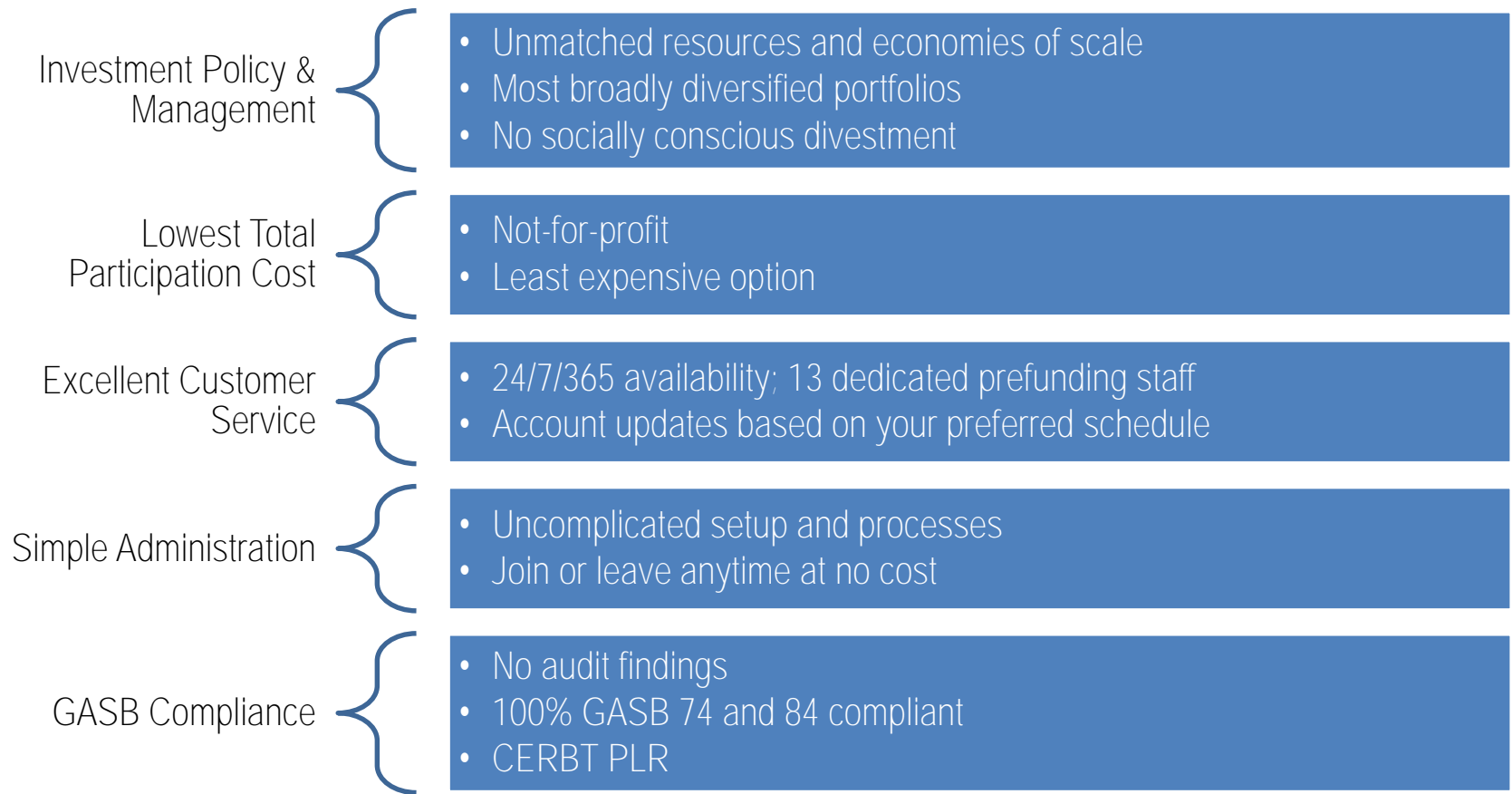
Asset Value on Deposit*	All-Inclusive Fee Rate	Annual Cost
\$250,000 (CERBT)	10 Basis Points (0.10%)	\$250
\$1,500,000 (CEPPT)	25 Basis Points (0.25%)	\$3,800

*Asset values shown assume the amount is deposited on the first day of a 12-month calendar year and remains constant the entire 12 months ending on the last day with the exact same amount. No investment gains/losses, or contribution additions/withdrawals are experienced at any time during the 12 months.

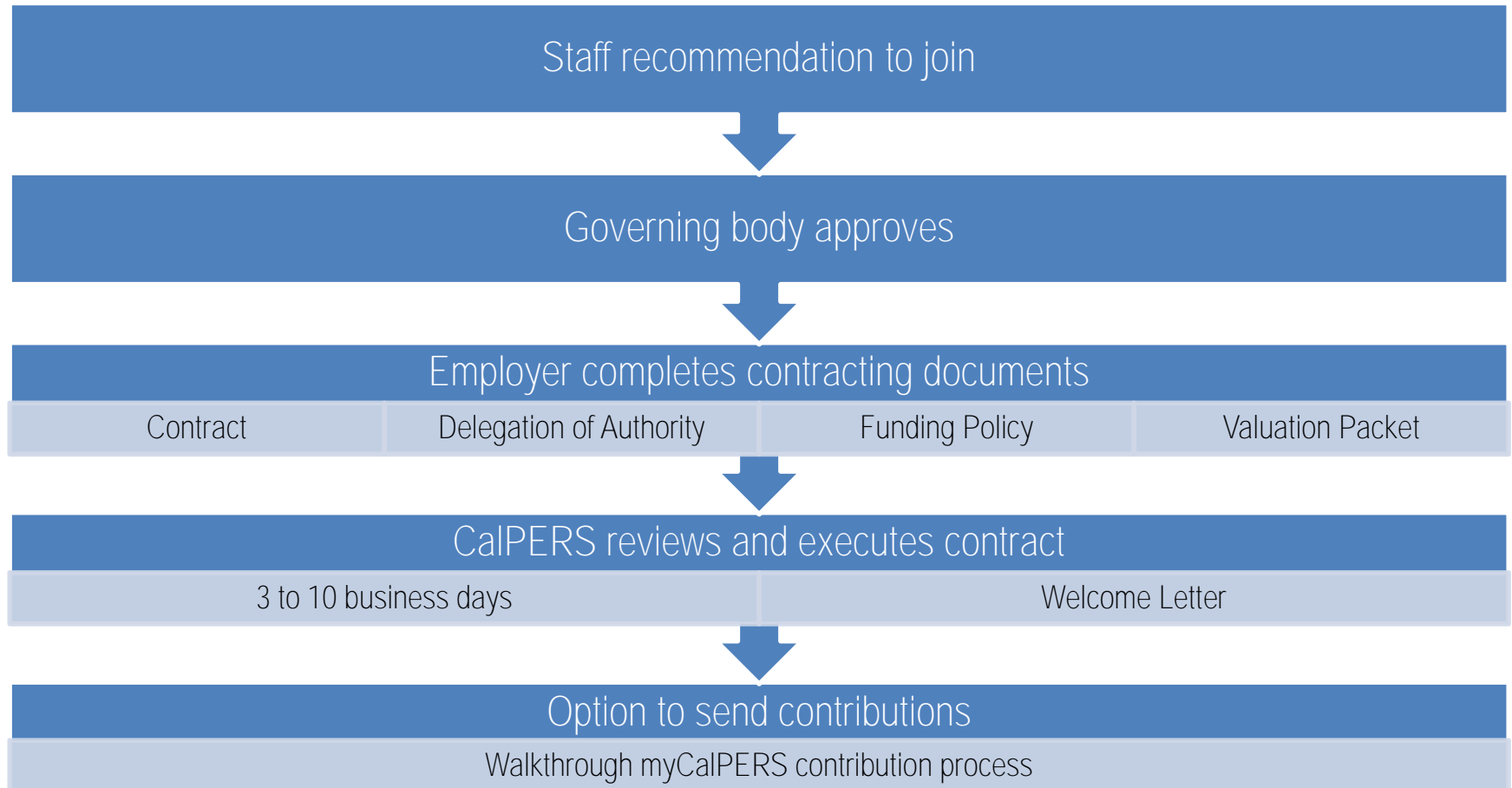
There are no additional fees of any kind. No set-up, joining, renewal, contribution, disbursement, termination fees. No minimum contribution amount.

Advantages of the CEPPT & CERBT

Advantages of the CEPPT



Uncomplicated Contracting Process



Next Steps

Continue Pay-As-You-Go Option

- Most expensive approach
- Rely 100% on current & future operating budget
- Increasing pension/OPEB costs may stress future budget

Setup CEPPT Option

- ✓ Higher investment income than LAIF/Treasury
- ✓ Stabilize future cash flow & reduce budget dependency
- ✓ Rainy day fund
- ✓ Voluntary contributions & retain liquidity

Questions? Where to Get Trust Fund Information?

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