

Pension Contracts Management Program Annual Report

Finance and Administration Committee Fiscal Year 2020-21

Executive Summary

Effective September 2020, the Pension Contracts Management Program (PCMP) began to provide a comprehensive and cumulative annual program report at fiscal year-end to the Finance and Administration Committee. This annual report is divided into two primary sections: program current status, and delinquency and collections activity. Within program current status are pension contract demographics, a summary of activity, and notable highlights such as performance metrics or process improvements. Delinquency and collections activity provide a summary of delinquency activity, trend analysis, and remedies provided to employers with financial challenges.

This annual report summarizes the Pension Contract Program's (PCP) work for fiscal year 2020-21 (FY 2020-21). Programmatically, there were 12 new pension contracts, 50 contract amendments, one merger, and one voluntary pension contract closeout. There were no involuntary pension contract terminations. For the third consecutive year, PCP met its strategic measure of maintaining 98 percent of employers' current on their pension obligations. For FY 2020-21, there were 405 delinquencies across 268 employers. As of fiscal year-end June 30, 2021 (FYE 2020-21), there were 28 active delinquency cases totaling \$604,253. Since 17 cases have been resolved, 10 of the remaining active delinquencies are the arrears cases, pending validation of the assessments.

PCP utilizes two primary repayment approaches for a case-by-case remedy to employers experiencing financial challenges. First, for employers experiencing acute and temporary financial challenges, PCP may provide a short-term payment arrangement not to exceed three to four months that exists within the collections process. In FY 2020-21, four agencies received a short-term payment arrangement, and all are current on their pension obligations. For employers with longer-term but still temporary and surmountable financial challenges, PCP, in conjunction with the Actuarial and Legal Offices, may offer a payment plan that sustains the employer and protects their members' accrued benefits. Currently, there are five employers with special circumstances on formal payment plans, four are for termination costs and one for unfunded accrued liability (UAL) costs. All five are current in their payment schedules.

Notable administrative highlights include changes to increase outreach and support services to employers. We formalized a cross-program process to improve discussions with participating employers regarding inactive contracts, termination of contracts, and temporary financial hardship requests.

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Program Overview

PCP works with public agencies to establish, amend, and/or terminate contracts for retirement benefits as well as determine charter schools' eligibility to participate in CalPERS pension program. The PCP team provides consultation on Public Employees' Retirement Law (PERL) and compliance for potential new contracting public agencies and existing public agency contracts for pension benefits. Our program area also works with contracting agencies in requesting valuations and contract amendments to increase, change, or decrease optional benefits as well as providing education to public agencies on the process of retirement contract terminations and addressing outstanding receivables related to contracted benefits and employer contributions.

Program Current Status

Pension Contracts Demographics

The most current participating employer (ER) annual valuation data available as of this printing is from June 30, 2019. When updated valuation data for 2020 becomes available in September 2021, it will be included in the next subsequent PCP report.

Public Agencies ¹				Schools ¹			
1,511 Agencies	813,383 Participants	\$8.1B² Expected ER Contributions	\$160.2B Assets Under Management	1,326 Schools	785,385 Participants	\$3.1B³ Expected ER Contributions	\$68.2B Assets Under Management

Agency Type	# of Agencies	% of Total Agencies	Total Participants ⁴	% of Total Participants	Current UAL & Funded % (\$ in Millions)	
City and Town	451	30%	416,060	51%	\$39,495	70%
County	39	3%	220,336	27%	\$15,674	70%
Special District	796	53%	130,889	16%	\$9,541	74%
JPA	162	10%	27,552	4%	\$916	78%
Non-Profit	63	4%	18,546	2%	\$409	81%

¹ Data Source: June 30, 2019 Annual Valuation Reports

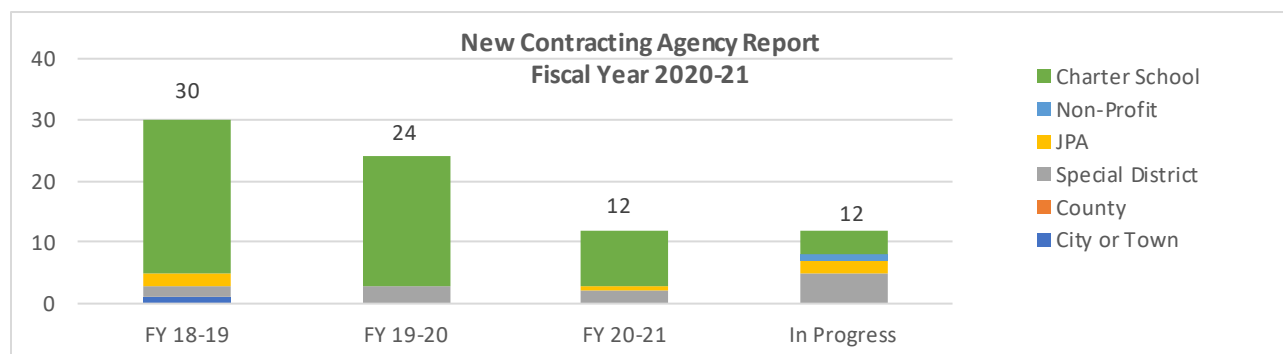
² For fiscal year 2021-22

³ For fiscal year 2020-21

⁴ Includes members who have service in more than one rate plan

Contract Activity Summary FY 20-21

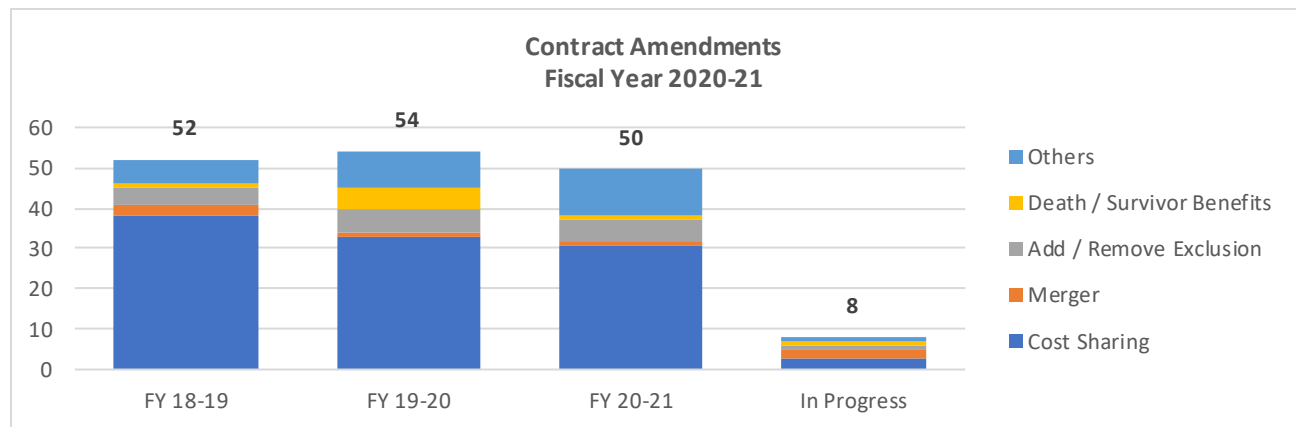
- Twelve new pension contracts were added: 9 charter schools and 3 public agencies.



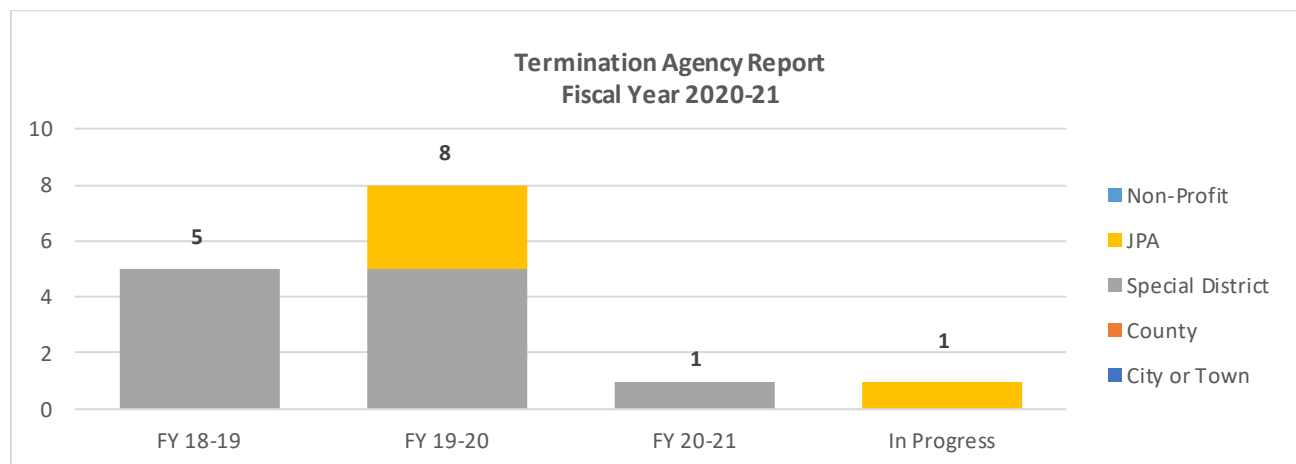
- Three new participating employers to CalPERS in FY 20-21.

Agency Name	Agency Type	Contract Effective Date	Total Participants	Plan Type	Benefit Formula
Graton Fire Protection District	School Police	3/1/2021	6	Safety	2.7% @ 57
Buckingham Park Water District	Special District	5/21/2021	5	Miscellaneous	2% @ 62
Utica Water and Power Authority	JPA	6/27/2021	10	Miscellaneous	2% @ 62

PCP adjudicated 50 pension contract amendments – 31 for cost-sharing, one adding death/survivor benefits, five adding an exclusion, twelve miscellaneous, and one contract merger. Russian River Fire Protection District merged into Sonoma County Fire District. See Table 4 in Appendix 2 for a complete list by agency.



- One voluntary contract closeout was adjudicated during FY 2020-21 and one employer cancelled its closeout request. See Appendix 3 for the list of agency terminations.



- No involuntary terminations in FY 2020-21.

Administrative Highlights

During the FY 2020-21, a cross-program team reviewed the termination process after three employers experienced a significant increase in their final termination costs compared to their preliminary estimate, mainly due to bond market volatility. Going forward, the following changes were made for new termination cases to increase support and service:

- Added a broader range of termination cost estimates in the preliminary termination valuation report.
- Increased cross-program consultation to contracting employers regarding termination cost and process.
- Accelerated turnaround timeframe to complete valuations and the data validation process.
- Discussed payment terms with employers prior to the final termination effective date.

Delinquency and Collection Activity

Using a receivables management approach, PCP actively monitors financial transaction data and proactively intervenes when delinquencies occur. This data driven process is effective in identifying and assessing the financial challenges of employers and informs potential remedies such as short-term repayment arrangements or payment plans. To mitigate the risk of late or nonpayment, PCP conducts weekly reviews of payment transactions and contacts agencies that are 30 or more days late on their contributions, unfunded liability, termination, or arrears payment. When PCP team members engage with delinquent employers, we provide education to better inform their decision-making and support in the form of case-by-case payment flexibility. Additionally, PCP monitors employers not reporting payroll for more than 60 days to proactively secure payment for their pension obligations. Please see Appendix 1 for demographic information for this inactive population.

Delinquency Activity Summary FY 2020-21

- In FY 2020-21, CalPERS collected \$30.4 million out of \$31 million in employer delinquent contributions.
- PCP resolved 405 delinquent cases across 268 employers to maintain a cumulative delinquency rate below 2% and meet our strategic measure.
- Of the 405 delinquent cases, 4 agencies received a short-term payment arrangement for 3-4 months to assist with acute and temporary financial challenges during FY 2020-21. These agencies are the District Agricultural Associations (DAAs) administered by the California Department of Food and Agriculture (CDFA).
- At FYE 2020-21, there were 28 active cases totaling \$604,253. Fifteen cases are for normal cost contributions totaling \$458,031. Twelve cases are for arrears contributions totaling \$145,511.
- As of August 13th, we resolved 17 cases, totaling \$343,844. The remaining cases are mainly arrears cases, waiting to resolve assessment dispute. PCP team members are actively working with agencies to collect the remaining balance owed.

Trend Analysis

- 70% of contracting employers continued to prepay their UAL payments by July 31, 2021 same as prior year.
- Significant overall improvement in employer timely payments toward their monthly contribution obligations.
- 261 normal cost contribution underpayment delinquent cases were reported in FY 2020-21, compared to 383 cases in the prior year.
- 44 unfunded liability delinquent payments were reported in FY 2020-21, compared to 70 cases in the prior year.
- 80 arrears delinquent cases were reported in FY 2020-21, compared to 43 cases in the prior year.
- No termination delinquent cases were reported FY 2020-21, compared to six cases in the prior year.

Active Payment Plans

For employers with longer-term but still temporary and surmountable financial challenges, PCP conducts a financial assessment, and in coordination with the Actuarial and Legal Offices, may offer a payment plan that mitigates against involuntary termination and protects their members' accrued benefits.

Currently, there are five employers with special circumstances on formal payment plans. Two plans are for termination costs, and one case is for UAL costs. All three employers are current on their payment schedules.

- Central Sierra Planning Council – 5-year payment plan for termination costs, with remaining balance of \$368,827. Central Sierra Planning Council is a dissolved agency. Tuolumne County, a former member of the agency committed to pay termination payments.
- City of Placentia – 5-year payment plan for termination costs, with remaining balance of \$1,333,801. The city terminated its inactive fire category safety plan.
- Shasta Local Agency Formation Commission – 5-year payment plan for termination costs, with remaining balance of \$287,184.
- San Luis Obispo Regional Transit Authority – 5-year payment plan for termination costs, with remaining balance of \$737,975.
- Samoa Peninsula Fire Protection District – 2-year payment plan for UAL costs of \$154,988, inactive agency with eight retirees, one survivor benefit. This inactive agency was approved to convert to Peninsula Community Services District and is expecting to generate additional revenue within the next fiscal year.

Appendix 1

Public Agencies Demographics - Agency Type, Participants, Unfunded Liability and Funded Status¹

Special districts represented 53% of the participating employers and cities and towns had the highest percentage of participants at 51%. Funding status ratio for public agencies increased from 70 to 71%. Non-profits had the highest funding ratio at 81% followed by joint power authorities (JPAs) at 78%.

Table 1: Public Agencies Funded Status¹

Agency Type	0% - 50%	>50%- 60%	>60%-70%	>70%-80%	>80%-90%	>90%-100%	>100%	Total
City or Town	0	1	142	258	28	20	2	451
County	0	1	18	19	1	0	0	39
Special District ²	3	7	80	491	149	49	17	796
Others:								
JPA	0	1	15	93	35	16	2	162
Non-Profit	0	0	10	28	19	3	3	63
Total	3	10	265	889	232	88	24	1,511

¹Data Source: June 30, 2019 Annual Valuation Reports

²Represents special districts in California who formed and are governed under a specific California government Code, such as fire protection districts, sanitation districts, transit district, and utility district and water district.

Appendix 2

Table 4: Contract Amendment Report

CalPERS Contract Amendment Listing Fiscal Year 2020-21			
Agency Name	Agency Type	Amendment Effective Date	Amendment Type
Branciforte Fire Protection District	Fire District	1/9/2021	GC 20516 (Employees Sharing Additional Cost)
City of Anderson	City or Town	6/12/2021	GC 20516 (Employees Sharing Additional Cost)
City of Brisbane	City or Town	10/12/2020	GC 20516 (Employees Sharing Additional Cost)
City of Burbank	City or Town	8/23/2020	GC 20516 (Employees Sharing Additional Cost)
City of Cathedral City	City or Town	10/1/2020	GC 20516 (Employees Sharing Additional Cost)
City of Chico	City or Town	6/6/2021	GC 20516 (Employees Sharing Additional Cost)
City of Concord	City or Town	8/10/2020	GC 20516 (Employees Sharing Additional Cost)
City of Daly City	City or Town	7/11/2020	GC 20516 (Employees Sharing Additional Cost)
City of El Segundo	City or Town	10/24/2020	GC 20516 (Employees Sharing Additional Cost)
City of Imperial Beach	City or Town	1/15/2021	GC 20516 (Employees Sharing Additional Cost)
City of Laguna Woods	City or Town	4/17/2021	GC 20502 (Add Exclusion(s))
City of Lodi	City or Town	7/13/2020	GC 20516 (Employees Sharing Additional Cost)
City of Lomita	City or Town	11/14/2020	GC 20516 (Employees Sharing Additional Cost)
City of Long Beach	City or Town	2/13/2021	GC 20516 (Employees Sharing Additional Cost)
City of Manhattan Beach	City or Town	10/17/2020	GC 20903 (Two Years Additional Service Credit)
City of Mountain View	City or Town	11/1/2020	GC 20516 (Employees Sharing Additional Cost)
City of Novato	City or Town	8/15/2020	GC 20516 (Employees Sharing Additional Cost)
City of Paso Robles	City or Town	8/9/2020	GC 20516 (Employees Sharing Additional Cost)
City of Petaluma	City or Town	7/13/2020	GC 20516 (Employees Sharing Additional Cost)
City of Redding	City or Town	7/26/2020	GC 20516 (Employees Sharing Additional Cost)
City of Riverside	City or Town	1/5/2021	GC 20516 (Employees Sharing Additional Cost)
City of San Clemente	City or Town	11/20/2020	GC 20502 (Add Exclusion(s))
City of San Fernando	City or Town	8/5/2020	GC 20903 (Two Years Additional Service Credit)
City of San Jose	City or Town	7/26/2020	GC 20502 (Add Exclusion(s))
City of San Luis Obispo	City or Town	7/9/2020	GC 20516 (Employees Sharing Additional Cost)
City of San Marcos	City or Town	7/1/2020	GC 20516 (Employees Sharing Additional Cost)
City of South San Francisco	City or Town	7/24/2020	GC 20516 (Employees Sharing Additional Cost)
City of Stockton	City or Town	3/1/2021	GC 20516 (Employees Sharing Additional Cost)
City of Vacaville	City or Town	8/16/2020	GC 20516 (Employees Sharing Additional Cost)
City of Vallejo	City or Town	1/16/2021	GC 20502 (Add Exclusion(s))
City of Vista	City or Town	8/1/2020	GC 21574 (1959 Survivor Benefit , 4th Level)
City of Yreka	City or Town	7/23/2020	GC 7522.25(d) (Add new category - Fire)
Cloverdale Fire Protection District	Fire District	1/16/2021	GC 7522.25(d) (Add new category - Miscellaneous)
County of Colusa	County	10/1/2020	GC 20516 (Employees Sharing Additional Cost)
County of Shasta	County	8/11/2020	GC 20516 (Employees Sharing Additional Cost)
El Dorado County Transit Authority	Transportation/Transit District	7/9/2020	GC 20903 (Two Years Additional Service Credit)

Appendix 2 Continued

Agency Name	Agency Type	Amendment Effective Date	Amendment Type
El Dorado Hills County Water District	Water/Flood Control District	7/14/2020	GC 20516 (Employees Sharing Additional Cost)
Fairfield-Suisun Sewer District	Sanitation (Garbage/Sewer) District	1/26/2021	Change formula to Supplemental to Federal Social Security
Kings Mosquito Abatement District	Mosquito Abatement District	12/16/2020	GC 20903 (Two Years Additional Service Credit)
Lake Shastina Community Services District	Municipal Improvement/CSD District	8/19/2020	GC 7522.25(d) (Add new category - Fire)
Monterey One Water	Pollution Control District	12/27/2020	GC 20516 (Employees Sharing Additional Cost)
Nevada-Sierra Connecting Point Public Authority	Miscellaneous	2/27/2021	Change formula to Modified/Supplemental to Federal Social Security
Public Transportation Services Corporation	Transportation/Transit District	10/22/2020	GC 20903 (Two Years Additional Service Credit)
Rescue Fire Protection District	Fire District	10/9/2020	Change formula to Supplemental to Federal Social Security
Resort Improvement District No. 1	Municipal Improvement/CSD District	11/2/2020	GC 7522.25(d) (Add new category - Fire)
Sonoma County Fire District	Fire District	3/1/2021	GC 20508 (Merger)
Stanislaus Consolidated Fire Protection District	Fire District	11/13/2020	GC 20516 (Employees Sharing Additional Cost)
Walnut Valley Water District	Water/Flood Control District	6/26/2021	GC 20516 (Employees Sharing Additional Cost)
Woodside Fire Protection District	Fire District	2/1/2021	GC 20516 (Employees Sharing Additional Cost)

Appendix 3

Table 5: Terminations Activity Report

CalPERS Terminated Employer Listing Fiscal Year 2020-21	
Public Agency	Termination Effective Date
Oroville Mosquito Abatement District	06/30/2021