Employer Partner
Financial Health

Quarterly Report
Finance & Administration Committee
February 14, 2017
Process and Monitoring Improvements

- Holistic view of employer financial health:
  - Centralized pension contract and collection functions
  - Developed cross-divisional team for enhanced monitoring and resolution
  - Strengthened employer and member communication and education
Improved Communication Efforts

Developed dedicated hotline for members

Now copies of final collection and demand letters are sent to members

Report collection & termination status quarterly to the Board

Conduct stakeholder outreach to members and employer associations for early notification
Enhanced Oversight Led to Improved Outcomes

3 Delinquent employer partners are now current on contributions and avoided termination in the last 4 months

4 Agencies successfully left the system and paid termination cost without benefit reduction
Recent Employer Activity
Since February 2015...

- Provided a notice of intent to terminate:
  - Alhambra Redevelopment Agency
  - California Redevelopment Association Foundation
  - Herald Fire Protection District
  - Exposition Metro Line Construction Authority
Recent Employer Activity (cont.)

Since February 2015…

- Adopted resolutions to terminate contracts:
  - Niland Sanitary District
  - Trinity County Waterworks District #1
## Agencies Experiencing Financial Hardship

<table>
<thead>
<tr>
<th>Public Agency</th>
<th>Contributions</th>
<th>Arrears</th>
<th>Unfunded Accrued Liability</th>
<th>Termination Liability</th>
<th>Total Delinquent Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>East San Gabriel Valley Human Services</td>
<td></td>
<td>-</td>
<td>$406,345</td>
<td></td>
<td>$406,345</td>
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<tr>
<td>Central Sierra Planning Council</td>
<td></td>
<td>-</td>
<td>$3,973</td>
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<td>$3,973</td>
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<tr>
<td>Independent Cities Association, Inc.</td>
<td></td>
<td>-</td>
<td>$40,434</td>
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<td>$40,434</td>
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<tr>
<td>Niland Sanitary District**</td>
<td></td>
<td>$21,562</td>
<td></td>
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<td>$21,562</td>
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<tr>
<td><strong>Total</strong></td>
<td></td>
<td>$21,562</td>
<td>$450,752</td>
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<td>$472,314</td>
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</table>

*In addition to the amounts owed above, termination cost would be calculated at the effective date of the termination.

**Pending voluntary termination
## Background on Agencies Experiencing Financial Hardship

<table>
<thead>
<tr>
<th>Public Agency</th>
<th>Rate Plan &amp; Formula</th>
<th>1 Plan Participants</th>
<th>Current Unfunded Accrued Liability (UAL) &amp; Funded % at 7.5%</th>
<th>Termination (UAL) &amp; Funded % at 2.0%</th>
<th>Annual UAL contribution FY 17/18</th>
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</thead>
<tbody>
<tr>
<td>East San Gabriel Valley Human Services</td>
<td>Misc. 2.0@55</td>
<td>Transferred= 36</td>
<td>($3,370,467)</td>
<td>77.1%</td>
<td>($19,352,259)</td>
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<td></td>
<td>Separated= 93</td>
<td></td>
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<tr>
<td></td>
<td></td>
<td>Retired= 62</td>
<td></td>
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<td></td>
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<td>Total= 191</td>
<td></td>
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<td>Central Sierra Planning Council</td>
<td>Misc. 2.0@60</td>
<td>Transferred= 0</td>
<td>($184,323)</td>
<td>76.3%</td>
<td>($776,427)</td>
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<td>Separated= 1</td>
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<td></td>
<td></td>
<td>Retired= 6</td>
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<td>Independent Cities Association, Inc.</td>
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<td>Transferred= 0</td>
<td>($32,775)</td>
<td>78.2%</td>
<td>($198,970)</td>
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<td></td>
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<td>Retired= 1</td>
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<td></td>
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<td>Total= 1</td>
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<tr>
<td>2 Niland Sanitary District</td>
<td>Misc. 2.0@60</td>
<td>Transferred= 1</td>
<td>($37,101)</td>
<td>40.4%</td>
<td>($132,539)</td>
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<td>Separated= 2</td>
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<td></td>
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<td>Retired= 1</td>
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<td></td>
<td></td>
<td>Total= 4</td>
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</table>

1 No active members
2 Pending voluntary termination
Next Steps

• Continue to improve oversight and monitoring functions to mitigate risk through an end-to-end contract management processes
  – Conduct a thorough review of and gather intelligence on the current population of approximately 1,500 employers and 3,800 rate plans to identify and quantify the greatest risks (currently in process)
  – Segment the population into risk categories plans (i.e., delinquent plans, inactive plans, severely unfunded plans, etc.)
  – Develop and implement risk mitigation strategies for each segment
  – Develop monitoring and reporting tools for each segment to assist with implementation
  – Develop legislative strategies to improve the contract management program
  – Report progress to the FAC in May 2017
Background: Collection Process Timeline

**Step 1**
Day 1
- Monthly billing of payroll

**Step 2**
Day 31
- Account considered delinquent (DQ) if payment not received

**Step 3**
Day 36
- Employer receives collection calls & myCalPERS system generates late notice to ER to pay additional 30 days

**Step 4**
Day 60
- Final collection letter sent giving 10 days notice for payment. Members receive notification.

**Step 5**
Day 91
- Final demand letter with 30 days to pay. Members notified of status and risk of benefit reduction.

**Step 6**
Day 92
- Agency elevated to Contract Management Team (CMT).