

# 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...



- 4 - 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...

- 2 - Adopted resolutions to terminate contracts:
  - Niland Sanitary District
  - Trinity County Waterworks District #1



# Agencies Experiencing Financial Hardship

Amount Owed to CalPERS in \$*					
Report Date: 1/1/2017					
Public Agency	Contributions	Arrears	Unfunded Accrued Liability	Termination Liability	Total Delinquent Amount
East San Gabriel Valley Human Services	—	—	\$406,345	—	\$406,345
Central Sierra Planning Council	—	—	\$3,973	—	\$3,973
Independent Cities Association, Inc.	—	—	\$40,434	—	\$40,434
Niland Sanitary District**	—	\$21,562	—	—	\$21,562
<b>Total</b>	—	\$21,562	\$450,752	—	\$472,314



\*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

Public Agency	Rate Plan & Formula	<sup>1</sup> Plan Participants	Current Unfunded Accrued Liability (UAL) & Funded % at 7.5%		Termination (UAL) & Funded % at 2.0%		Annual UAL contribution FY 17/18
			UAL	Funded %	UAL	Funded %	
East San Gabriel Valley Human Services	Misc. 2.0@55	Transferred= 36	(\$3,370,467)	77.1%	(\$19,352,259)	37.0%	\$365,419
		Separated= 93					
		Retired= 62					
		<b>Total= 191</b>					
Central Sierra Planning Council	Misc. 2.0@60	Transferred= 0	(\$184,323)	76.3%	(\$776,427)	43.3%	\$6,776
		Separated= 1					
		Retired= 6					
		<b>Total= 7</b>					
Independent Cities Association, Inc.	Misc. 2.0@55	Transferred= 0	(\$32,775)	78.2%	(\$198,970)	37.2%	\$3,245
		Separated= 0					
		Retired= 1					
		<b>Total= 1</b>					
<sup>2</sup> Niland Sanitary District	Misc. 2.0@60	Transferred= 1	(\$37,101)	40.4%	(\$132,539)	27.0%	\$750
		Separated= 2					
		Retired= 1					
		<b>Total= 4</b>					

<sup>1</sup>No active members

<sup>2</sup>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

## Appendix 1

# 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 & my|CalPERS 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).