



Finance and Administration Committee Agenda Item 8a

December 19, 2017

Item Name: Reporting on Participating Employers

Program: Pension Contract Management Services

Item Type: Information

Executive Summary

This information item is presented as part of the quarterly update to the Committee regarding the status of participating employers. The presentation provides information on participating employers experience hardship, contract terminations in process, and program updates.

Strategic Plan

This agenda item supports Fund Sustainability and Risk Management Goals of the CalPERS 2017-2022 Strategic Plan, which aims to strengthen the long-term sustainability of the pension fund. Pension and health funding are considered a strategic risk to the organization, and proper management of employer contracts and collection of payments are critical to ensuring long-term sustainability.

Background

In September 2017, the FAC received information as part of the quarterly update to the Committee regarding the status of participating employers. The presentation provided funded status breakdown information on the participating employer population, as well as rate plan types and process improvements the team made in order to further strengthen and protect the Pension Fund. The FAC directed staff to update the title and "reporting" header on the inactive agencies report to improve clarity. This report also includes an update regarding the total benefit reductions for Niland Sanitary District and Trinity County Waterworks District #1 requested by the FAC in November 2017.

Analysis

The attached participating employers' quarterly report provides an update on participating employers experiencing hardship, contract terminations in process, and updates on the process improvements made to improve oversight of contracting employer partners improvements. Process improvements include:

- Drafted proposed 2018 legislation changes to accelerate notifications to all members.
- Adopted a risk oversight and monitoring process to improve early detection of agencies with inactive plans.
- Continue monitoring to identify and quantify risks using standardized review criteria.

Budget and Fiscal Impacts

Not applicable

Benefits and Risks

Clearly defined processes for risk oversight, collections and contract terminations will provide the following benefits:

- Timely resolution of routine collections issues;
- Timely attention to and escalation of serious collections issues to CalPERS management;
- Improved long-term sustainability of the Pension Fund.

Potential risks could include:

- Misunderstanding of the Program and its purpose.

Attachments

Attachment 1 – Reporting on Participating Employers

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Pension Contract and Prefunding Programs

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