Pension Oversight Committee - Expert Questions List

Expert	Topic	Type	Who	Status	Orig #	Priority	Question
CalPERS	Board	Explain	Committee	Answered by Jeff	CP38		11. Why does CalPERS have one Board member elected by active school members? School members have there own pension system...CalSTRS. *[STRS for teachers, PERS for school support staff]*
CalPERS	Comparisons				CP17		***35. Has CalPERS done or is it aware of any studies about the cost to federal, state and local government of providing basic living needs of retirees if there were no public employee pensions?***
CalPERS	EE benefits	info		valuations p28	MC7		7. What is the average monthly benefit for a retiree in the three main categories, miscellaneous, police, and fire? ***[police and misc valuations page 28]***
CalPERS	Investments	Explain	Committee/ CAFR	CAFR/ Jeff	CP33		6. How many separate investment or portfolio pools does CalPERS manage? -Results of PERF are shown in the CAFRs but are there other portfolios and if yes, who for? -Are the investment strategies different between the portfolios? -Are the investment results similar for the various portfolios?
CalPERS	Legal	Explain	Committee		CP32		5. Are retroactive changes to benefit formulas allowed because of law/policy or because CalPERS software does not have the capability of separating the new formula? *[CalPERS publication "Reinstatement From Retirement" illustrates hybrid plan benefit calculations]*
CalPERS	Legal	Explain			CP31		4. If a member agency refuses to pay their annual contributions what procedural/legal process does have to make them pay? -Or can CalPERS make them pay if the agency absolutely does not have the funds?
CalPERS	Legal	Opinion			S2		2. What is your opinion on the likely outcome of the Stockton and/or San Bernardino cases? Will CalPERS get payments in advance of bond holders? What happens if cities can't pay? Would CalPERS seize assets? Explain how this would work and the consequences to the city residents and city workers.
CalPERS	Legal	Opinion			S3		3. What happens if the court decides against CalPERS?
CalPERS	Legal/BK	Costa Mesa plan assets	Actuary		S5		5. How can Costa Mesa get firm reassurances that they won't lose, by CalPERS bankruptcy, any money (including money above and beyond what CalPERS has asked for) given to CalPERS and what would be the process for Costa Mesa to recover the money? *[CalPERS ID 5937664258]*
CalPERS	Legal/BK	Costa Mesa plan assets	Actuary		S9		9. What happens if Costa Mesa meets its obligation but other cities do not? Could CalPERS fail or go bankrupt and if so, what happens to the money that Costa Mesa put in?
CalPERS	Legal/BK	Costa Mesa plan assets	Actuary		S11		11. If CalPERS fails, do they have some sort of default insurance that would cover the gap in the funding obligation?
CalPERS	Legal/BK	Costa Mesa plan assets	Actuary		S4		4. If CalPERS loses the case(s) will CalPERS go bankrupt? If so, what happens to the money of cities in CalPERS that do not go bankrupt? Will they get the money back so that it can go toward their own pension fund?
CalPERS	Legal/BK	Costa Mesa plan assets			S10		10. What happens if Costa Mesa fails to meet its obligation?
CalPERS	Legal/BK	Explain			CP30		***3. Can CalPERS go bankrupt?***

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CalPERS	Pension Spiking	Explain			CP29		***2. What specific law or policy allows employees to 'spike' their pay for pension calculation purposes? -What has to change to discontinue that process?***
CalPERS	Rates of Return	Explain	Actuary		CP34		7. For what purpose and what is significance of CalPERS splitting the Investment Return between 'price inflation' and 'real rate of return'? -Doesn't splitting infer that CalPERS will at least earn the 'price inflation' rate? -If one of the factors is not reached does CalPERS change the investment return?
CalPERS	Rates of Return	Explain	Actuary		CP5		***21. Joe Nation, Economic Professor - Stanford University, stated that most economists think CalPERS' calculation of unfunded pension liability should be based on a 6% discount rate or lower. What is the current thinking at CalPERS regarding the discount rate?***
CalPERS	Rates of Return	Explain	Actuary		CP22		***29. Why does PERS use an investment return of 7.5% when Moody's recommends 5.5%? And Boeing uses 3.8%? And Costa Mesa's OPEB retiree medical plan uses 4.5%?***
CalPERS	Rates of Return		Committee	CAFR, Facts at a glance	CP13		***26. How do the RORs above compare to the historical rates that have been achieved by PERS in terms of average, median and modal rates?*** [CAFR, Faacts at a Glance]
CalPERS	Risk Pools	Explain	Actuary		CP37		10. If a government agency negotiates benefit terms that CalPERS does not have an existing Risk Pool for will it open a new Pool? -If not, why not and does opening a new pool cost the requesting government agency additional fees?
CalPERS	Smoothing	Explain	Actuary		CP3		***30. Please show the detailed description, original date, and annual amount of each individual event of smoothing, amortization, or similar spreading caused by (1) any increase in unfunded liability (change in benefit formula, retroactive application, etc.) and (2) any other cause.*** [valuations page 13]
CalPERS	Terminate Plan	Explain	Actuary		S16		16. Why is the payment to get out of CalPERS so high? Is there an inflation component in the return equation? If so, why does CalPERS include an inflation factor? Is it because the pension obligation will increase with inflation? Or is it because CalPERS is thinking that their investments will go up with inflation? ***[valuations page 15]***
CalPERS	Terminate Plan	Explain	HR		CP1		***1. Please describe CalPERS' - owner, organization, mission, history, related laws, the pension contracts with Costa Mesa and its employee Associations, professional staff responsible for the Costa Mesa plans, the requirements that would allow Costa Mesa to exit CalPERS, and why the need for onerous cost to exit.***
CalPERS	Terminate Plan	Explain	HR		CL3		3. Can Costa Mesa offer new employees a 401K (defined contribution) type of pension plan?
CalPERS	Terminate Plan	Explain solution?	Actuary		CP18		***36. Has any state retirement system tried to move from pensions to private accounts and, if so, what has been the outcome?***
CalPERS	Terminate Plan	Rates of Return	Actuary		CP35		8. Why does CalPERS use an Investment Return for all their calculations except termination liability? A much lower discount rate is used that jacks up the cost to cities for exiting the program.

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CalPERS	Unfunded Liability	Explain	Actuary	13a answered by Jeff	CP14		***13a. Historically, how many years have the PERS pension obligations been fully funded and underfunded and what are the percentages of funding/underfunding over that time?*** ***13b. In other words, how unusual is it historically (long view backwards, 20-30 years at least) to be underfunded.***
CalPERS	Unfunded Liability	Explain	Actuary	CAFR	CP15		***14. What is the percentage range of underfunding and overfunding over the history of PERS and how does PERS funding rate currently stack up within that range?***
CalPERS	Unfunded Liability	Explain	Actuary	CAFR	CP16		***15a. Does the investment loss in 2008/2009 have any historical precedent in PERS or any other public pension program?*** ***15b. What was done in those circumstances to improve the funding position?***
CalPERS	Unfunded Liability	Explain	Actuary		CP36		9. CalPERS had an overall PERF portfolio return of .1% for 2011/2012, with a market value of $233.9B. The 2010/2011, market value was $239.3B. Why the decrease in market value with the (small) positive return?
CalPERS	Unfunded Liability	Explain	Actuary		CP4		*12.* ***Please describe what caused Costa Mesa's collective unfunded pension liability to rise to above $200 million.***
CalPERS	Unfunded Liability	Explain	Actuary		CP8		***32. Exactly how does CalPERS' bookkeeping for Costa Mesa's individual plans work? Contributions and actual fund earnings add to each account. Disbursements to retirees and actual fund losses subtract from each account. What other activity is actually added or subtracted to / from each account?***
CalPERS	Unfunded Liability	Explain	Actuary		CP9		***33. If the unfunded pension liability increases during a year and Costa Mesa fails to make a special payment to offset the increase, is the increase then actually recorded in the accounts … or is this just included in the separate actuarial calculations?***
CalPERS	Unfunded Liability	Explain	Actuary		S6		6. What is the right goal for reducing the underfunded pension obligation? Should we target $0 obligation or is there a more reasonable and fiscally acceptable number, for example 85% funded? If so, what is that number and why would it be a good target and what is a reasonable period of time to achieve this?
CalPERS	Unfunded Liability	Explain solution?	Actuary		S7		7. What cities have the least underfunded pension obligation and how have they achieved this?
CalPERS	Unfunded Liability	Explain solution?	Actuary		S8		8. What cities have had a serious problem with underfunded pension obligations and now don't and how have they achieved this?
CalPERS	Unfunded Liability	Explain solution?	Actuary		S12		12. What variables can CalPERS change to make the underfunded pension obligation a more manageable amount of money for the cities to service?
CalPERS	Unfunded Liability	Explain solution?	Actuary		S13		13. Based on the concept to make the current CalPERS payments work more/ go further and then to see what additional money is needed, can payments of the same amount be made faster, and if so, will it reduce the UPO? For example, if payments were made twice a month or daily, like paying on a mortgage the same amount but every two weeks, would this reduce the UPO?

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CalPERS	Unfunded Liability	Explain solution?	Actuary		S15		15. Why not use a tighter basis for cost of living increases or go every other year or reduce them to 1% or less?
CalPERS	Unfunded Liability	GASB 68 Impact	Actuary		CP10		***34. What impact will the GASB Statement No. 68 (accounting for pensions) have on CalPERS calculations of Costa Mesa's unfunded pension liability and the <u>timing</u> of the annual calculations? Most publicly held companies report annual earnings within 30 days after yearend and issue financial statements within 60 days. Many of the larger companies still have defined benefit plans and include current actuarial calculations within those reports. Why does it take CalPERS 16 months to complete such actuarial calculations?***
CalPERS	Unfunded Liability	Opinion	Actuary		S1		1. Do you think there is a problem with underfunded pension obligation (UPO)? If so, why? If not, why not? What are the consequences if it is a problem and doesn't get resolved?
CalPERS	Unfunded Liability	Projection/ Analysis	Actuary		CP23		***16. Please provide rough estimates updating unfunded liabilities: -as of 6/30/2012 recognizing FY 2012 investment return of 0.14% -as of 6/30/2013 assuming FY 2013 investment return of 15% incorporate updated headcounts above as much as practicable***
CalPERS	Unfunded Liability	Projection/ Analysis	Actuary		CP27		***17. If classic employees reverted to their PERS plan on date of hire, effective 7/1/2014 (e.g. 2%@50 for fire before ~2001) and vested current benefits in the interim (e.g. fire 3%@50), would that eliminate the unfunded liabilities?***
CalPERS	Unfunded Liability	Projection/ Analysis	Actuary		CP19		***18. Please answer the question "How does this affect me personally?" from the participants' viewpoint as much as practicable. Classic and PEPRA employees, start of career, mid-career, near retirement. Quantify Present Value (PV) of each future benefit per participant compared to contribution costs by employer and employee.***
CalPERS	Unfunded Liability	Projection/ Analysis	Actuary		CP25		***19. Please explain Class 1 benefits add-on rates and quantify Present Value (PV) of future benefits vs. costs per "typical" individual if possible http://www.calpers.ca.gov/eip-docs/employer/actuarial-gasb/risk-pooling/surcharge-misc2.5-55.pdf***
CalPERS	Unfunded Liability	Projection/ Analysis	Actuary		CP28		***20. What is the impact of reducing the benefits by the amount of the unfunded liabilities? -across only active employees -across active and retired employees (like New Hampshire http://www.nhpolicy.org/reports/policynote_july2011_pensionreform.pdf)***
CalPERS	Unfunded Liability	Projection/ Analysis	Actuary		CP6		***22. What future earnings rate (%) would CalPERS need to achieve to <u>eliminate</u> Costa Mesa's unfunded pension liability … based on 2012-2013 contribution rates and assumptions? How many years are included in this calculation?***

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CalPERS	Unfunded Liability	Projection/ Analysis	Actuary		CP7		***23. Costa Mesa and other Cities are responsible for losses if CalPERS' fails to achieve projected earnings used to calculate contribution rates. Does the 7.5% earnings and discount rate provide a cushion in the projection to offset that risk? Should the earnings rate lower to offset that risk?***
CalPERS	Unfunded Liability	Projection/ Analysis	Actuary		CP11		***24. Assume we do nothing (no changes to reduce or increase pension obligations). What annual rate of return would PERS have to yield before the amount Costa Mesa is charged on the unfunded portion of the pension will start to decline starting in 5 years, 10 years?***
CalPERS	Unfunded Liability	Projection/ Analysis	Actuary		CP12		***25. Assuming we d nothing. What ROR would PERS have to yield before there would be a fully-funded status in 10 years, 15 years, or 20 years?***
CalPERS	Unfunded Liability	Projection/ Analysis	Actuary		CP20		***27. Assuming PERS achieves 7.5% investment returns, when will the current (6/30/2011) unfunded liabilities be amortized? When will contribution rates return to single digits for employee and employer, i.e. less than 20% total?***
CalPERS	Unfunded Liability	Projection/ Analysis	Actuary		CP21		***28. When will the unfunded liabilities be amortized assuming a 6% investment return?***
CalPERS	Unfunded Liability	Projection/ Analysis	Actuary		CP2		***31. Please provide the worksheets that show the detailed calculation(s) of the Employee and Employer pension contributions for fiscal year 2012-13 and projected contributions for future fiscal years that are known (2013-14, 2014-15, etc.). Please show each Association pension plan separately.***
CalPERS	Unfunded Liability	Projection/ Analysis	Actuary		CP24		***37. What is the cost of the optional benefits for each plan? In terms of contribution rates? In absolute dollars per $50,000 of payroll? -12 month vs. 36 month Final Average Compensation Period -2% COLA -Purchasing Power Protectio -Sick Leave Credit -Employer Paid Member Contributions (EPMC)***
CalPERS	Unfunded Liability	Projection/ Analysis	Actuary		CP26		***38. What PERS plan would equate to Social Security contribution rates (6.2% for both employer and employee)?***
CalPERS	Unfunded Liability	Projection/ Analysis	Actuary		N3		3. What impact will the GASB Statement No. 68 (accounting for pensions) have on calculations of Costa Mesa's unfunded pension and medical benefits liability and Costa Mesa's financial statements?
CalPERS	Unfunded Liability	Projection/ Analysis	Actuary		CL4		4. On a forward basis only, is it possible to roll back a pension formula for existing employees? Or for retirees? If so, what would need to be done to accomplish this?
CalPERS	Unfunded Liability	Projection/Analysis	Actuary		CL5		5. How much do the new PEPRA rates help? Please explain per "typical" employee? -2.7%@55 versus 3%@50? -2%@62 versus 2.5%@55?

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CalPERS	Unfunded Liability	Projection/Analysis	Actuary		MC11		11. How much does the August 31, 2012, 2%@50 fire agreement help the unfunded liabilities?
City	Applicable law	reference			CL1		1. Can you provide a list of the various laws and applicable sections/provisions that affect Costa Mesa and the pension, medical and other retirement benefits it provides (and might in the future provide) its employees. Can you provide links to these laws and applicable sections/provisions?
City	Applicable law	reference			CL2		2. Is the City “required” to make increases in a pension formula retroactive?
City	EE Contract Expiry	info	HR		MC1		1. When do the fire, police, and miscellaneous workers have to sit down with the City of Costa Mesa to review their contract?
City	EE contributions	Explain	HR		S14		14. Why haven’t the employees been asked to pay more toward their pension?
City	EE counts	info	HR		MC2		2. How many active employees are in each PERS plan tier?
City	EE counts	info	HR		MC3		3. How many active employees were hired before PERS benefit increases? Circa 2000 for police and fire, circa 2008 for miscellaneous?
City	EE counts	info	HR		MC5		5. What are the average years of service for a Costa Mesa retiree in each of the main categories?
City	EE counts	info	HR		MC6		6. What is the average age that a Costa Mesa retiree in each of the main categories began drawing a pension?
City	EE counts	info	HR		MC8		8. What is the percentage of Costa Mesa employees who retire after working 30 years at Costa Mesa?
City	EE counts	info	HR		MC9		9. How many active employees were hired before PERS benefit increases? Circa 2000 for police and fire, circa 2008 for miscellaneous?
City	Fire contract	info	HR		MC4		4 & 10. Does fire really have 3 tiers? Does 2%@50 side letter or PEPRA 2.7%@57 apply after 2012?
City	Pension Increases	retro impacts	Council, staff		AR1		1. What was the thinking when the City Council approved the increases in the pension formulas in calendar year 2008 and 2010? [2000?]
City	Pension Increases	retro impacts	Council, staff		AR2		2. Were you aware that each increase would be retroactive and would cause (1) an instant increase in the City’s unfunded pension liability of several million dollars and (2) raise the City’s unfunded pension liability to a level it could not pay down?
City	Pension Increases	retro impacts	Council, staff		AR3		3. What advice did CalPERS provide before the City Council approved the increases in pension formulas in 2008 and 2010?
City	Pension Increases	retro impacts	Council, staff		AR4		4. Was the City aware of the significant negative impact the increase in each pension formula would have on the General Fund revenues that are available for non-labor expenses and investments in the community at large?
Nyhart (OPEB)	Obamacare	Explain	City HR		N4		4. Will employees be able to keep their plan? Is the plan grandfathered under Obamacare? If not grandfathered, what are the benefit and cost impacts to employees and cost impact to the city?

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Nyhart (OPEB)	Rates of Return	Explain	Actuary		N1		1. How was the 4.5% discount rate determined? Why isn't the inflation rate used … since this is a "pay as you go" plan with no investment assets?
Nyhart (OPEB)	Unfunded Liability	Projection/ Analysis	Actuary		N2		2. Why isn't the present value of future benefits (unfunded liability) going down as the number of individuals in the medical plan declines?