

Financial Status of CalPERS

March 3, 2009





CalPERS Overview

- The largest public pension fund in the nation with assets of \$174.2 billion as of January 2009.
- 2,500 public agency employers participate.
- The City of Long Beach is the 3rd largest contracting agency.
- The City of Long Beach is the largest City participating in CalPERS, in terms of both assets and member counts.
- The City of Long Beach's total assets as of June 30, 2007 in the plan total approximately \$3.5 billion.
- Number of employees in the plan as of June 30, 2007: 5,070.
- Number of retirees in the plan as of June 30, 2007: 4,980.



CalPERS Plans

- CLB has two separate plans under CalPERS
 - ✓ Miscellaneous Plan that includes all non-sworn positions.
 - ✓ Safety Plan that includes both police and fire department sworn personnel.
- CalPERS plan payments have two components:
 - ✓ Employer rate
 - ✓ Employee rate



Annual Rate Setting Process

- Factors Considered
 - ✓ Demographic Assumptions
 - Mortality, retirement, disability, withdrawal, etc.
 - ✓ Economic Assumptions
 - Investment Return – 7.75%, net of expenses
 - Salary Growth - Varies by entry age and duration of service
 - Payroll Growth – 3.25% compounded annually
 - Inflation – 3.00% compounded annually
 - ✓ Market Gains and Losses
 - ✓ Gains and losses will be spread over 15 years
 - ✓ Purpose –Smoothing technique to keep costs more consistent and predictable
 - ✓ Permitted range of AVA: $AVA \geq 80\%$ of MVA and $AVA \leq 120\%$ of MVA
- Two year lag in reporting of actual performance of the plans
- Three year lag in impact to rates and annual market performance



Employer & Employee Rates

		FY 09 Actual		
		Employer	Employee	Total
Miscellaneous		12.2%	7.8%	20.0%
Safety		15.9%	9.0%	24.9%
		FY 10 Actual		
		Employer	Employee	Total
Miscellaneous		11.8%	7.8%	19.6%
Safety		16.1%	9.0%	25.1%
		FY 11 (ESTIMATED)		
		Employer	Employee	Total
Miscellaneous		11.6%	7.8%	19.4%
Safety		15.7%	9.0%	24.7%

Note: FY 11 rates will change based on actual FY 2008 performance.

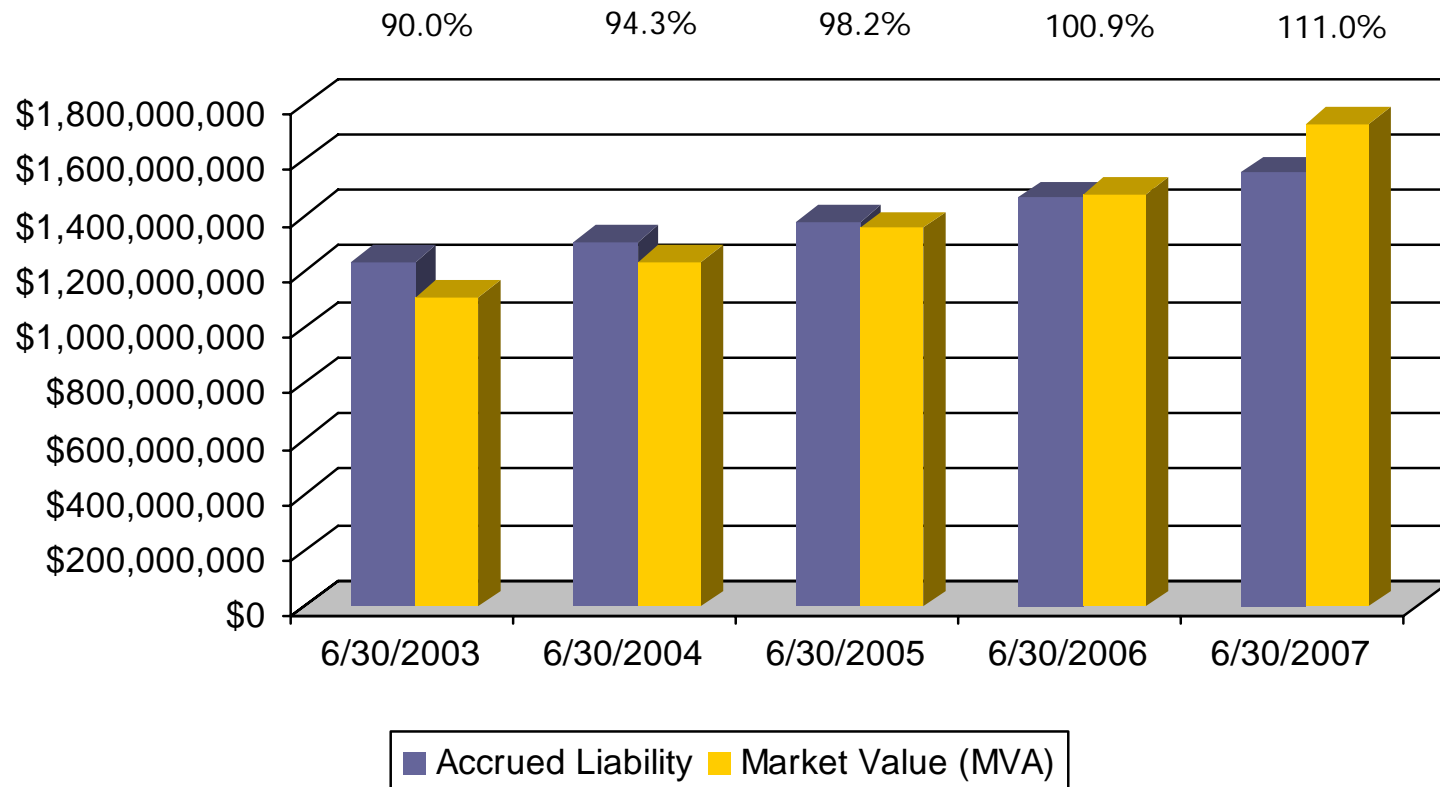


Employee Contributions

- Under Financial Strategic Plan, employees started contributing towards retirement pensions to mitigate city costs.
- Employee contributions are:
 - ✓ 2% of 7.8% for Miscellaneous
 - ✓ 2% of 9.0% for Safety
- In the Miscellaneous Plan, employees pick up 10% of total combined rate. (i.e. $2\% \div \text{Total Rate of } 20\%$)
- In the Safety Plan, employees pick up 8% of the total combined rate. (i.e. $2\% \div \text{Total Rate of } 24.9\%$)

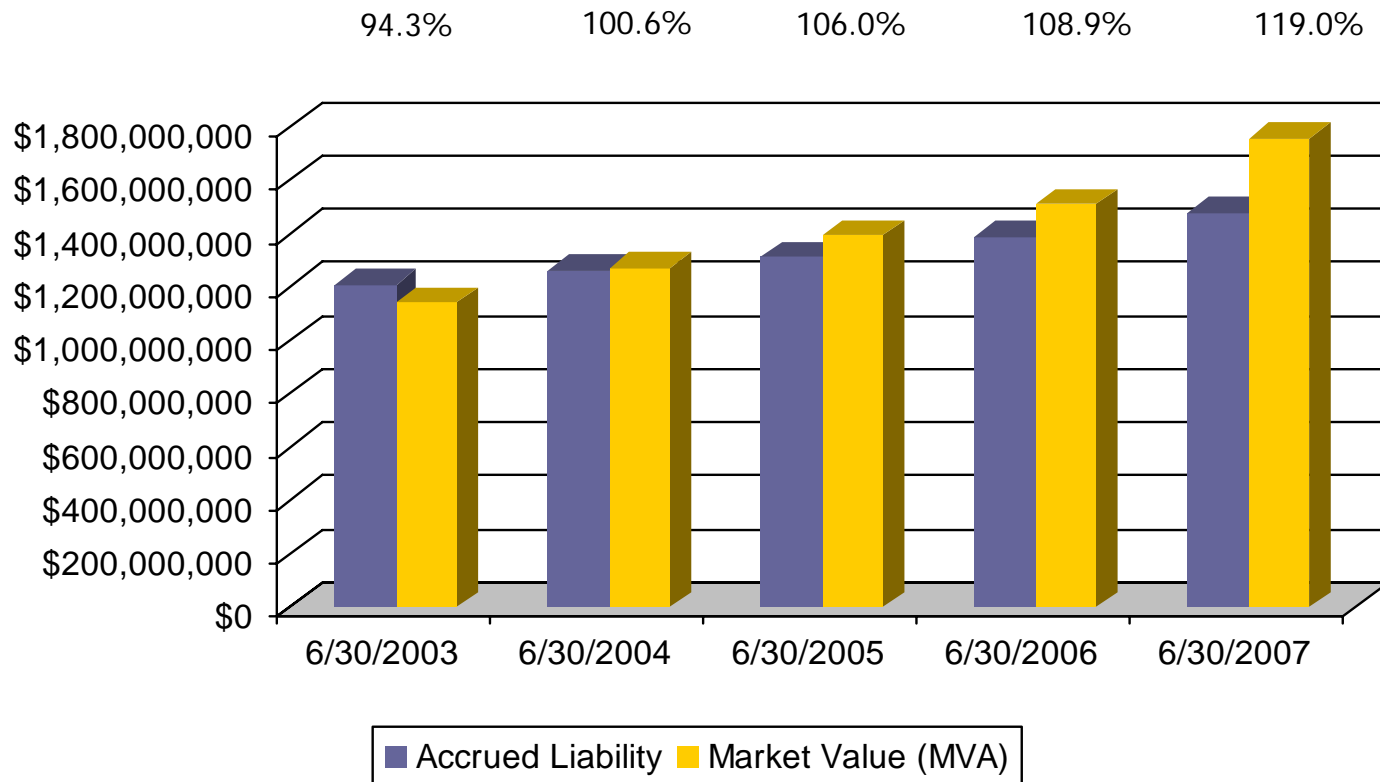


City of Long Beach Funded Status - Miscellaneous



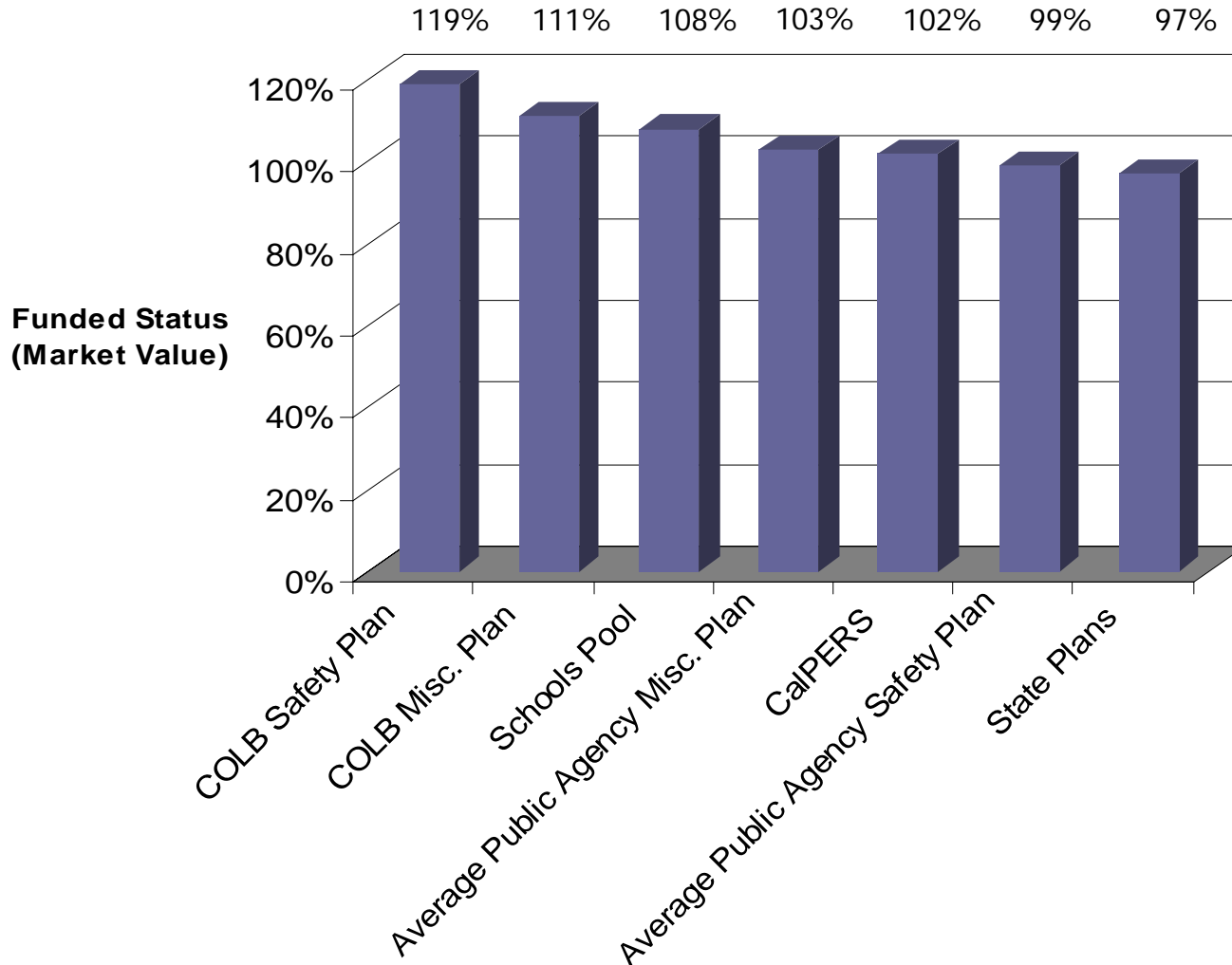


City of Long Beach Funded Status - Safety





CalPERS - Comparison of Funded Status (6/07)





CalPERS Performance Historically

- CalPERS assumed rate of return on all investments is 7.75% per Year.
- CalPERS actual annual return has varied for the last 15 years from -7.2% to 20.1%.
- The compounded return for this period has been approximately 9.0%.
- For the period ending June 30, 2008, CalPERS' actual rate of return was -5%.
- The FY 09 rate of return will not be known until June 30, 2009.
- It is important to note that past performance does not indicate future performance.



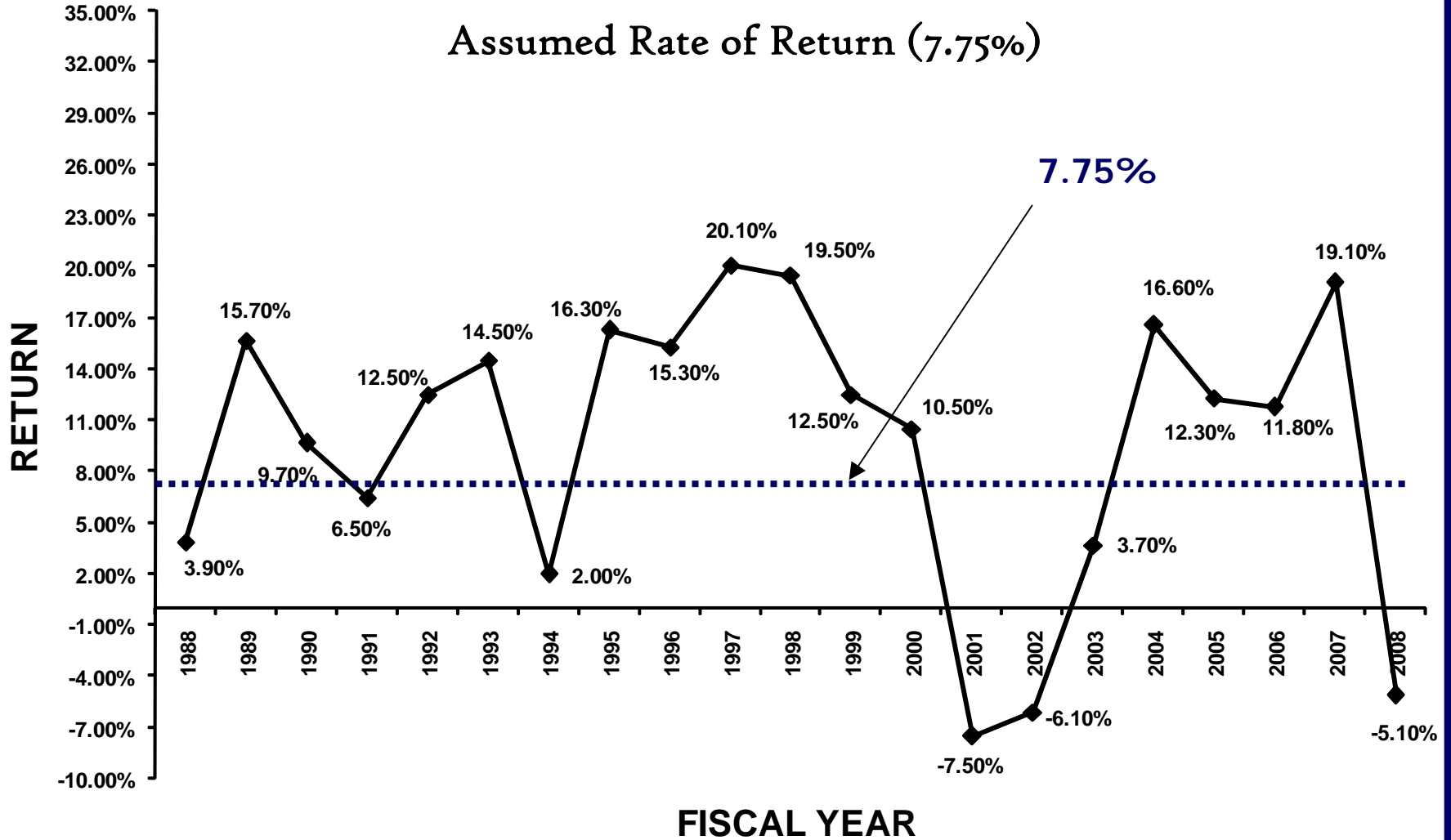
CalPERS Investment Portfolio

Market Segment	Percent	Market Value (in billions)
Global Equities	39.7%	\$69.1
Private Equity	13.8%	\$24.0
Fixed Income	32.6%	\$56.8
Real Estate	11.9%	\$20.7
Inflation Linked Assets	2.1%	\$3.60
Total as of 1/30/2009	100.0%	\$174.2

CalPERS Historical Rates of Return

vs.

Assumed Rate of Return (7.75%)





CalPERS Impact on Long Beach

- There will be:
 - ✓ No change in FY 2009 rates (i.e. no current year impact)
 - ✓ No change in FY 2010 rates
- In October 2009, we will receive actual FY 2011 rates based on actual market performance through June 30, 2008.
- FY 2012 rates will be based on FY 2009 market performance.



FY 09 Investment Return Impacts Employer Rates in FY 12

CalPERS*

Hypothetical Investment Return for 2008-2009

Return	-20%	-15%	-10%	0%	7.75%	10%	20%
Range of Estimated Changes in Rates	2%- 4%	0.3%- 0.6%	0.2%- 0.5%	0.1%	0.1%- 0.2%	0.1%- 0.3%	0.3% - 0.6%
	Increase				Decrease		

City of Long Beach

- For COLB, draft preliminary figures provided by CalPERS indicate a range of 0.5% to 4.3% for the Miscellaneous Plan based on Actual Performance as of June 30, 2009.
- For COLB, draft preliminary figures provided by CalPERS indicate a range of 0.8% to 7.5% for the Safety Plan based on Actual Performance as of June 30, 2009.

*Source: CalPERS October 2008



Next Steps

- Monitor rate changes based on Actual FY 08 and FY 09 CalPERS market performance.
- Continuously monitor FY 2009 portfolio performance through June 30, 2009.
- Work with CalPERS to finalize impacts on FY 12 rates.
- Work with State lobbyists to potentially revise “smoothing methodology” to reduce impact on cities and counties.

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