

# **Retirement Costs**

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# Agenda

- Retirement Costs
  - GASB 45
  - GASB 75
- Pension Costs
  - GASB 68

# Retirement Costs



- As of July 1, 2018, Cerritos College has approximately 368 retirees (non-active):
  - 173 – Faculty
  - 147 – Classified
  - 6 – Confidential
  - 42 – Management
- Cerritos College contributes for retirees (up to \$2,400 annually) towards the CalPERS medical plan premium, provided the retirees qualifies for coverage. Retiree premiums cost totaled:
  - \$858,725 for 2017-18 (actual)
  - \$883,200 for 2018-19 (estimated)

# Retirement Costs



- In 2004 the Governmental Accounting Standards Board (GASB) issued Statement No. 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions (OPEB) required Cerritos College recognized its net OPEB obligation as of June 30, 2009.
- Retiree Health Benefit Fund (GASB 45) was created. Contributions into this fund began in 2005 and as of June 30, 2018 the fund had a total \$14,095,595 designated for retiree health premiums. The last contribution into the fund was made in 2016.

# Retirement Costs



- Actuarial Study is required every two years in accordance with GASB 45/75.
  - \$16,194,524 - Actuarial Accrued Liability – report dated July 23, 2016 (GASB 45)
  - \$21,233,167 - Net OPEB Liability – report dated June 4, 2018 (GASB 75)
- Cerritos College does not have OPEB bonds.
- Options (Trust or no Trust):
  1. No Trust
    - Continue to set-aside funds. If no trust, set-aside funds do not meet GASB 75 to allow for the assets to be used to offset the OPEB Liability. The risk of set-aside funds is the intent of use could change.
  2. Trust
    - Funds deposited into an irrevocable trust can only be used for other postemployment benefits. Funds in an irrevocable trust does meet GASB 75 to allow for the trust funds to be used to offset the OPEB Liability.

# Retirement Costs



- In 2015 the Governmental Accounting Standards Board (GASB) issued Statement No. 75, Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions required Cerritos College recognized its net OPEB liability as of June 30, 2018.
- Purpose: Improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions.

# Retirement Costs

- Changes in net OPEB liability by source - **Example**

	Increase (Decrease)		
	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (a) – (b)
<b>Balances at 6/30/X8</b>	\$ 432,472	\$ 418,254	\$ 14,218
<b>Changes for the year:</b>			
Service cost	19,051		19,051
Interest	30,663		30,663
Differences between expected and actual experience	8,925		8,925
Contributions—employer		22,424	(22,424)
Net investment income		44,215	(44,215)
Benefit payments	(7,899)	(7,899)	-
Administrative expense		(148)	148
<b>Net changes</b>	<u>50,740</u>	<u>58,592</u>	<u>(7,852)</u>
<b>Balances at 6/30/X9</b>	<u>\$ 483,212</u>	<u>\$ 476,846</u>	<u>\$ 6,366</u>

# Pension Cost



- Cerritos College has two pension plans for full-time employees:
  1. CalSTRS
  2. CalPERS

- The following our employer pension rates apply to full-time employees:

	<u>CalSTRS</u>	<u>CalPERS</u>
• 2017-18	14.43%	15.53%
• 2018-19	16.28%	18.06%
• 2019-20	18.13%	19.90%
• 2020-21	19.10%	20.40%

- Note: Beginning July 1, 2021, CalSTRS can annually adjust the employer rates and caps any such annual increase at 1%.



# Pension Cost

- Cerritos College contributes the following amounts for full-time employees:
  1. CalSTRS
    - 2017-18
      - 14.43% (\$11,303,000) (actual)
    - 2018-19
      - 16.28% (\$12,441,000) (budgeted)
  2. CalPERS
    - 2017-18
      - 15.53% (\$3,908,000) (actual)
    - 2018-19
      - 18.06% (\$5,229,000) (budgeted)

# Pension Cost



- Cerritos College does not have pension obligation bonds

# Pension Cost



- In 2012 the Governmental Accounting Standards Board (GASB) issued Statement No. 68, Accounting and Financial Reporting of Pensions. The primary objective of this Statement was to improve accounting and financial reporting by State and local governments for pensions. This statement was implemented fiscal year ending June 30, 2015.
- Cerritos College proportionate share of net pension liability:

	<u>CalSTRS</u>	<u>CalPERS</u>	<u>TOTAL</u>
• 2014-15	\$48,502,710	\$30,106,846	\$78,609,556
• 2015-16	\$60,489,229	\$28,421,773	\$88,911,002
• 2016-17	\$65,513,610	\$38,334,870	\$103,848,480
• 2017-18*	\$85,307,200	\$45,954,831	\$128,262,301

\* Unaudited figure

**Questions?**