

**YOUR CITY
YOUR MONEY**



Simi Valley Budget

FAQ: PENSIONS

IN WHAT PENSION SYSTEM ARE CITY OF SIMI VALLEY EMPLOYEES?

City employees are part of the State CalPERS (Public Employee Retirement System), the nation's largest public pension fund. They receive a defined benefit pension based upon a percentage of their salary multiplied by their years of service. The City and the employees pay in a percentage of their salary each year; CalPERS invests this money so that contributions + investment earnings = payouts.

WHAT IS THE AVERAGE EMPLOYEE PENSION?

According to CalPERS, the average for all public agency (city/county/special district) employee pensions is \$2,794 per month or \$33,528 per year. (*Source: CalPERS Facts at a Glance for FY 2015-16, Pension and Retirement.*) This varies widely depending upon the pension plan and employee's salary level and years of service.

WHY ARE PENSION COSTS INCREASING SO QUICKLY?

In November 2016 the CalPERS Executive Board approved increases in what cities pay to more quickly fully fund the pension liability (amount owed to employees less amount in the bank). This change increased the City of Simi Valley's annual pension costs from \$9 million in 2017 to over \$22 million in 2022. This change had no impact on the pension benefit received by employees: same pension, higher payment required of cities. It is similar to the bank suddenly changing your 30 year mortgage to a 5 year mortgage; your house is the same, but your payments go way up!

CAN'T EMPLOYEES BE FORCED TO PAY MORE TOWARD THEIR PENSIONS?

No. However, the City can negotiate with its employees groups to pay more, and it has. See separate FAQ on City Salaries and Benefits for details.

CAN'T THE CITY JUST WITHDRAW FROM CALPERS PENSION SYSTEM?

Not really, because it is extremely cost-prohibitive. The City of Simi Valley belongs to two plans: 1) a Safety Plan for all sworn police officers, and 2) a Miscellaneous Plan for all other employees. CalPERS Valuation Reports from 6/30/2016 for each plan provide a "Hypothetical Termination Liability" which is \$307 million for Safety and \$486 million for Miscellaneous, a total of \$793 million. The City does not have the financial resources available to withdraw from CalPERS.