



Pathfinder

"Life is 10 percent what happens to you and 90 percent how you react to it."

Charles R. Swindoll

Teamwork Matters

*A message from
the City Manager*



JASON STILWELL

From what I hear being out and about, people across Santa Maria appreciate the municipal services we provide. From public safety to the services that allow them to live and work comfortably, they appreciate all the services we provide, and see us as all contributing to a well-served community. We all work for different reasons, but one thing we all have in common here, is serving Santa Maria and improving the lives of the people who live and work here both now and into the future.

Each of us is an important piece of the whole package. This extends from our offices and the professional, responsive environment we create to the ways we present ourselves and our public programs. Internally, we depend on each other for informed answers and expert assistance. Together, we create a great organization to serve the community, and also to pass forward a great organization to future employees serving the community (it's beyond any one of us).

Whether it's an orderly public meeting, a clean City vehicle, or the appearance and behavior of our employees providing services, it is hard to overstate the importance of conveying a positive image to existing and potential customers. We're all in this together. Presentation and teamwork are important. Thank you for your continued team efforts to represent the City.

My goals are that we continue to communicate, and be cooperative and resilient. Working together, the impacts can be managed and we can work toward a gradual readjustment rather than dramatic budget and employment cuts. The City is always seeking to become even more efficient (please share your

ideas with your supervisor). I have worked for multiple organizations and truly appreciate receiving thoughtful ideas and solutions. Bottom-up communication is as important as top-down.

A very big point I want to emphasize is that we value and respect our employees. We know that reductions in an organization is not in the interest of the public or to the employees. The City Council is adamant that we have funding for the benefits promised. It's in our interest to do so. Further, we also want to have funding for future employee needs, such as raises, paying for equipment, and to get the work done.

Cities, counties, and special districts across the state have to deal with financial challenges hitched to retirement obligations that must be paid to CalPERS. Please read the following two pages titled "Retirement System Sustainability" prepared by the League of California Cities (LOCC). Also, employees are encouraged to RSVP to the Human Resources Division no later than February 14th if they wish to attend the LOCC informational presentation about CalPERS issues on Friday, February 16th.

Stepping back and reflecting on our achievements is important and we have some important recognitions this month. Santa Maria proudly recognizes the service milestones of its employees with at least 10 years of service (and in five-year increments thereafter). The 55th Annual Employee Service Awards will take place on Thursday, February 15th at the Veterans' Memorial Community Center. Please consider attending to show support for your co-workers across all departments. We will recognize 75 employees, retirees, and winners of the Going the Extra Mile (GEM) Award. This event is another way that Santa Maria shows that it values your contributions.

Jason

Retirement System Sustainability

A SECURE FUTURE FOR CALIFORNIA CITIES



Why is the pension gap so important to address?

Defined benefit pension plans play a vital role in attracting and retaining quality public employees. Many cities, however, face increasing challenges funding these benefits while maintaining levels of public services their residents expect. Employer contribution rates have increased dramatically in recent years and will continue to do so for years to come. In 2012, the Legislature adopted more reasonable and sustainable benefit tiers for new employees. However, it will take decades for those cost savings to be realized. It is critical that all stakeholders work together to address these challenges head-on in order for local agencies to continue to provide quality services while retaining our valued employees.

What is CalPERS?

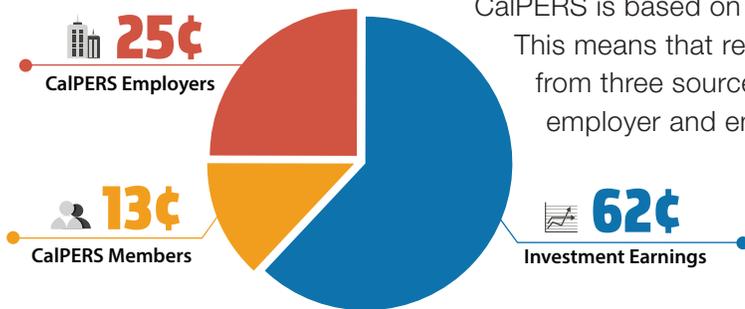


CalPERS, the California Public Employees' Retirement System, is the nation's largest pension fund. Established in 1932, it is a defined benefit system and members include employees of state agencies, schools and other local public agencies. At retirement, an employee who vests in the system, typically five years of service, is entitled to collect a monthly payment for life. Currently 1.7 million individuals receive CalPERS retirement benefits.

1.7 Million People
Receiving CalPERS Retirement Benefits



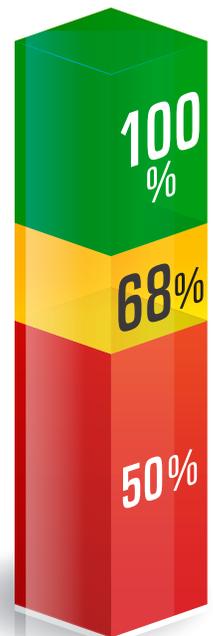
How is CalPERS funded?



CalPERS is based on "shared responsibility." This means that retiree payments come from three sources: investment earnings, employer and employee contributions.

Does CalPERS have enough cash on hand to pay promised benefits?

CalPERS is not fully funded. As of July 2017, CalPERS only had 68% of the funds required to pay estimated retirement benefits. That means there is only 68 cents for every dollar needed to fund retiree benefits. CalPERS' goal is to be 100% funded. Experts warn that the system may no longer be viable should the fund drop below 50-55% funded.



Retirement System Sustainability

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Why are contribution payments increasing?

Several factors are resulting in increased employer and in some case employee contributions. A primary reason for the increase was the economic downturn in 2008 when CalPERS suffered a 27% negative return with a gross impact of a 34.75% loss to the fund.

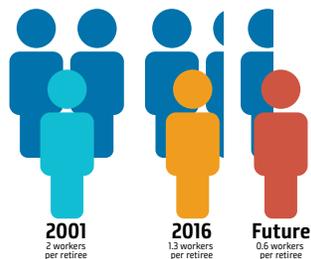
Other factors include:

» **Enhanced pension benefits** authorized by state law in 2000 for public safety employees and 2001 for all other public employees, which included a retroactivity credit for years of service. Subsequently, these enhanced benefits, negotiated locally, have increased member agency contribution rates and payments to retirees.

» **People are living and drawing pensions longer.** CalPERS has increased rates for member agencies to adjust for longer lifespans.

» **There are fewer active employees for each retiree.**

In 2001, there were two active workers for each retiree. By 2016, that dropped to 1.3 and CalPERS projects that in 10–20 years there will be just 0.6 active workers per retiree. Fewer people paying into the system means higher contribution rates from local agencies and their employees.



» **When CalPERS lowers its investment return target, also known as the “discount rate,” member agencies must increase contributions to make up the difference.** CalPERS dropped the discount rate from 7.75% to 7.5% in 2014 and then to 7% in 2016. This last adjustment will be phased in over eight years with the member rates rising exponentially each year.



What is at stake for cities and their employees?

Growing employer contributions are having a direct impact on city residents and employees. Difficult choices will have to be made at the local level as cities work to maintain critical services for their residents. Each city will need to assess its own liabilities to determine several factors including:

- » The overall service model and which public services may need to be reduced;
- » Identification of new or additional revenue sources; and
- » Revisions to employee benefits and staffing levels.

Collaboration is the key to system sustainability

There are various tools cities can use to address the fiscal challenge created by rising pension costs to provide greater financial and retirement security. Most importantly, cities must approach all impacted stakeholders in a collaborative manner to ensure long-term sustainability of the system. These stakeholders include:

- » Local and state employee, employer and retiree organizations, etc.;
- » CalPERS Board of Directors and executive leaders;
- » The Legislature and Governor’s Office; and
- » Neighboring municipalities.