

COSTA MESA FIRE DEPARTMENT

PENSION FUND HISTORY & SUMMARY

Prepared for:
Pension Oversight Committee
May 15, 2013
By Ralph Taboada

A Costa Mesa transferred administration of the Safety (Police & Fire) Employee's Plan in September 1994 to CalPERS

- 1 Prior to September 1994, City administered the plan themselves**
- 2 At this time (1994) both Police and Fire retirement plans were 3% @ 55 and were in a Safety Pension Plan**
- 3 A Retirement Committee had been established by the City Council to administer the plan**

B In year 2000 Costa Mesa changed Police to 3% @ 50 retirement terms to remain competitive with other cities in the County

- 1 This required separating the Police Pension Plan from the Fire Pension Plan**
- 2 Fire remained 3% @ 55**

C Year 2000 BOOM.....Dot com bubble burst

D In the 2001/2002 Legislative Session a bill passed (SB1974) authorizing CalPERS to establish cross government agency Risk Pools for departments with less than 100 active members

1 Purpose was to have larger pools and eliminate potential wide swings in calculation rates do to employee changes within the smaller departments

2 In June 2003, the first valuations were issued and in July 2005, the first contribution rates were calculated for these Risk Pools

E Also, in June 2003, it was decided to transfer the CMFD Pension Fund into one of the new applicable cross agency Risk Pools. Pension Plans entering a Risk Pool had to be fully funded so at this time a Side Fund was established for the CMFD Pension Plan.

F The Fire Side Fund

1 CalPERS created a Side Fund for the CMFD Pension Plan by loaning it \$ xxxxxx so the Plan was fully funded upon entry to the Risk Pool

- 2 The Side Fund is tracked separately from CMFD's 'normal' fund**
- 3 A separate employer contribution rate is applied to pay down the Side Fund loan (17.741%)**
- 4 Costa Mesa's current Side Fund balance is \$24.5M (2011) with 21 years remaining for payoff! (ugh)**
- 5 2013/2014 fiscal year payment is \$1,826,662**
- 6 Note that the loan balance is increasing even with annual payments!**

G In October 2010, the City Council voted to change CMFD retirement terms to 3% @ 50

- 1 In return, City saves estimated \$x.xM in Fire Dept. annual operating costs**
- 2 Almost immediately CMFD reduces headcount by 12 due to retirements (the savings)**

F Public Employee Pension Reform Act of 2013 (PEPRA)

- 1 Effective for new hires on or after January 1, 2013**
- 2 Maximum benefit formula for Safety (sworn) category of employees changed to 2.7% @ 57**

3 Requires 50/50 cost sharing between employer and employee