

CDIAC Pension Disclosure Roundtable

Mark D. Blake
Deputy City Attorney
San Francisco City Attorney's Office
May 3, 2012

Pension Disclosure Roundtable

- Pension Plans and Pension Math is Complicated---Or, Actuarial Science is not for the Meek
- Pension Disclosure ---Why It Really Matters?
- Who's your Audience?

Investors and retirees have similar but different concerns

Pension Disclosure Roundtable

- What we do in San Francisco---process matters:
 - Semi Annual Meetings with Retirement Officials
 - Review Actuarial Reports
 - Compare financial statements to actuarial reports
- No question is too dumb

Pension Disclosure Roundtable-What Does It Look Like?



Panel Members

Moderator: Brian Whitworth, Senior Vice President, First Southwest Company

Mark Blake, Deputy City Attorney, City & County of San Francisco

Sandra Kim, Executive Director, Capital Markets Finance, University of California Office of the President

Tracy McCraner, Finance Director/Treasurer, City of Newport Beach

Pension Disclosure Roundtable-What Does It Look Like?



Panelist

*Sandra Kim, Executive Director, Capital Markets
Finance, University of California Office of the
President*

University of California Post Retirement Plans



RETIREMENT PLAN FUNDS

The Regents maintains the University of California Retirement Plan, a governmental defined benefit pension plan, which provides lifetime retirement income, disability protection, death benefits and pre-retirement survivor benefits to eligible employees of the University of California. The Plan includes four membership classifications: members with Social Security, members without Social Security, Safety members (police and firefighters) and Tier Two members.

RETIREE HEALTH PLAN FUNDS

The University administers single-employer health and welfare plans to provide health and welfare benefits, primarily medical, dental and vision, to eligible retirees and their families and survivors (retirees) of the University of California and its affiliates. Membership in the Plan is required to become eligible for retiree health benefits.

University of California Pension and Other Post-Retirement Benefits



- For many years, the University's Pension Plan was overfunded, and the disclosure in the text of the Official Statement included, among other things, a description of the Plan, the funding policy and the most recent actuarial valuations. Additionally, there was a cross-reference to the Financial Report attached to the Official Statement, which included extensive information
- In the last several years, as the Pension Plan became underfunded and in response to investor and regulatory agency input on pension disclosure in general, the University added information from the Management Discussion and Analysis in the Audited Financials to Appendix A of the Official Statement.
- With the implementation of GASB 45, the University began reporting a portion of the amount of the actuarial unfunded liability in relation to its retiree health obligation with its 07-08 financial statements. A summary that included a description of the plan, eligibility requirements and the most recent actuarial valuation appeared in the University's bond disclosure in early calendar year 2009.

Appendix A Today



Appendix A Enhancements

Pension Plan	Retiree Health
Enhanced employer and employee relations section	Enhanced employer and employee relations section
Table with retirement plan membership (already included in Annual Financial Report – Retirement Plan)	Table with retirement plan membership (already included in Annual Financial Report – Retirement Plan)
Enhanced description of funding policy, including an expanded description of calculations and assumptions	Enhanced explanation on funding policy, funding status and a table on actual valuation highlights
Asset management plan description (already included in Treasurer’s report on UCRP)	
Enhanced explanation of funding status, including contributions, contribution rates, actuarial liabilities, actuarial and market value of assets, and actuarial and market funding status, including setting forth this information in a tabular format (already included in Annual Financial Report – Retirement Plan)	

Pension Disclosure Roundtable-What Does It Look Like?



Panelist

*Mark Blake, Deputy City Attorney,
City and County of San Francisco*

Pension Disclosure Roundtable-What Does It Look Like?



- Pension Plans and Pension Math is Complicated---Or, Actuarial Science is not for the Meek
- Pension Disclosure ---Why It Really Matters?
- Who's your Audience?

Investors and retirees have similar but different concerns

Pension Disclosure Roundtable-What Does It Look Like?



- What we do in San Francisco---process matters:
 - Semi Annual Meetings with Retirement Officials
 - Review Actuarial Reports
 - Compare financial statements to actuarial reports
- No question is too dumb

Pension Disclosure Roundtable-What Does It Look Like?



Panelist

*Tracy Mc Craner, Finance Director/Treasurer,
City of Newport Beach*

Pension Disclosure Practices-What Does It Look Like?



- ***Pension Disclosure Documents:***
 - Comprehensive Annual Financial Reports (CAFRs)
 - Preliminary and Official Statements – bonds
 - Continuing Disclosure Reports
 - Rating Agency Presentations
 - Quarterly Financial Status Reports
- ***Government Accounting Standards (GASBs) – minimum***
- ***Labor Relations/Negotiations***
- ***Actuarial Changes:***
 - Assumption Changes/Amortization Changes/Fresh Start/Gain or Loss phasing/Smoothing/Valuation dates (how stale?)
- ***5-10 years of historical data on funding status and pension costs***
- ***Significant Subsequent Events potentially impacting Pensions***
 - Material losses/gains; Ability to pay issues (bankruptcy/ARC “holidays”)
- ***Market Value Funding Status***

Pension Disclosure Practices-What Does It Look Like?



- ***Rating Agencies***
 - Want “recent” valuation data – not stale 2-year old data
 - Want Plan Funded Status on a Market Value Basis vs. Actuarial Basis
 - Labor Contract changes: pension cost-sharing; 2nd tier; benefit changes
- ***Council & Community Updates on Pension Issues***
 - Finance Committee quarterly meetings
 - Quarterly Financial Reports
 - Special Meetings when valuations are completed
 - Monthly City Manager Newsletter
- ***GASB Exposure Draft on Pensions (amend Statement No. 25)***
 - Effective Fiscal Year ending June 30, 2014 for Newport Beach
 - Early Implementation?
- ***When in doubt Disclose!***

University of California Post Retirement Plans

RETIREMENT PLAN FUNDS

The Regents maintains the University of California Retirement Plan, a governmental defined benefit pension plan, which provides lifetime retirement income, disability protection, death benefits and pre-retirement survivor benefits to eligible employees of the University of California. The Plan includes four membership classifications: members with Social Security, members without Social Security, Safety members (police and firefighters) and Tier Two members.

RETIREE HEALTH PLAN FUNDS

The University administers single-employer health and welfare plans to provide health and welfare benefits, primarily medical, dental and vision, to eligible retirees and their families and survivors (retirees) of the University of California and its affiliates. Membership in the Plan is required to become eligible for retiree health benefits.



University of California Pension and Other Post-Retirement Benefits

- For many years, the University's Pension Plan was overfunded, and the disclosure in the text of the Official Statement included, among other things, a description of the Plan, the funding policy and the most recent actuarial valuations. Additionally, there was a cross-reference to the Financial Report attached to the Official Statement, which included extensive information
- In the last several years, as the Pension Plan became underfunded and in response to investor and regulatory agency input on pension disclosure in general, the University added information from the Management Discussion and Analysis in the Audited Financials to Appendix A of the Official Statement.
- With the implementation of GASB 45, the University began reporting a portion of the amount of the actuarial unfunded liability in relation to its retiree health obligation with its 07-08 financial statements. A summary that included a description of the plan, eligibility requirements and the most recent actuarial valuation appeared in the University's bond disclosure in early calendar year 2009.



Appendix A Today

Appendix A Enhancements	
Pension Plan	Retiree Health
Enhanced employer and employee relations section	Enhanced employer and employee relations section
Table with retirement plan membership (already included in Annual Financial Report - Retirement Plan)	Table with retirement plan membership (already included in Annual Financial Report - Retirement Plan)
Enhanced description of funding policy, including an expanded description of calculations and assumptions	Enhanced explanation on funding policy, funding status and a table on actual valuation highlights
Asset management plan description (already included in Treasurer's report on UCRP)	
Enhanced explanation of funding status, including contributions, contribution rates, actuarial liabilities, actuarial and market value of assets, and actuarial and market funding status, including setting forth this information in a tabular format (already included in Annual Financial Report - Retirement Plan)	

