Pensions

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**Pensions**

Pension plans are a way to defer income for the purpose of retirement. Pensions may be paid entirely by employers or they may just contribute depending on the pension plan. Either way, employers sponsor pensions to benefit employees. Types of pension plans are discussed for Los Angeles Unified School District, David School District, City of Irvine and the City of Farmington. Pension funds and how they are actually funded along with who is responsible for funding the plan will be described, as well as whether the plans are fully funded or not. The various benefits provided by the pension plans and the current amount funded and current liability will be stated for each government entity. (Whickson, 1999-2015).

**Funds Provided to Employees**

 Davis School District’s defined benefits plan is a “cost-sharing multiple-employer defined benefit pension plan that is administered by the Utah Retirement Systems (URS) and plans (the System)” (Davis School District CAFR. (2014). p 56). The City of Irvine contribution plan is an agent multiple employer public employee defined benefit pension plan that is administered by California Public Employees Retirement System (CalPERS). The City of Farmington is a cost-sharing multiple-employer defined retirement. The plan is administered by The Public Employees Retirement Association (PERA). The District contributes to a cost-sharing multiple-employer plan for Miscellaneous, and an agent multiple-employer plan for Safety, to the Public Employees’ Retirement Fund (PERF), defined benefit pension plans administered by CalPERS ("Los Angeles Unified School District Comprehensive Annual Financial Report", 2013-2014).

**Responsible Party for Funding**

 Davis School District contribution requirements of the System are authorized by the state statue and specified by the Utah State Retirement Board. The District’s “required contribution rates (actuarially determined) to the System for the year ended June 30, 2014 range from 8.34% to 20.46% of covered salaries. Plan members in one of the plans are also required to contribute 1.00% of covered salaries” (Davis School District CAFR. (2014). p 57). So, both the district and the employees which are part of the plan pay for the pension fund.

 The City of Irvine participants are required to contribute 9% of their annual salary, effective August 1, 2013. Each member contributes full 9%. The city is required to contribute the employer's share at an actuarially determined rate. The actuarial methods and assumptions are those adopted by CalPERS.

 The City of Farmington’s plan members are required to contribute from 9.15% to 16.30%, depending on the plan (i.e., municipal general, municipal police, municipal fire, and municipal detention officer) of their gross salary. The City is required to contribute from 9.15% to 21.25% (depending upon the plan) of the gross covered salary. The contribution requirements of plan members and the City are established in State statute under Chapter 10, Article 11, and NMSA 1978. The requirements may be amended by acts of the legislature.

 Los Angeles Unified School District on January 1, 2013, the Public Employees’ Pension Reform Act (PEPRA) generally applies to employees hired on or after January 1, 2013 and new to CalPERS. These employees are termed PEPRA members, CalPERS are referred to as classic members. Classic members are required to contribute 7% (miscellaneous) or 9% (safety) of their monthly salary, and the District is required to contribute based on an actuarially determined rate. PEPRA members are required to contribute 6% (miscellaneous) or 12.75% (safety) of their monthly salary, and the District is required to contribute based on an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by the CalPERS

Board of Administration.

The District contributes to the CalSTRS, a cost-sharing multiple-employer public employee retirement system defined benefit pension plan and a tax-deferred supplemental program established and administered by the State Teachers’ Retirement Law (Section 22000 et seq.) of the California Education Code. The Teachers’ Retirement Fund (TRF) is a defined benefit pension plan under the CalSTRS ("Los Angeles Unified School District Comprehensive Annual Financial Report", 2013-2014).

On July 1, 1992, the District joined the PARS, a multiple-employer retirement trust established by a coalition of public employers. The plan covers the District’s part-time, seasonal, temporary, and other employees not covered under CalPERS or CalSTRS, but whose salaries would otherwise be subject to Social Security tax ("Los Angeles Unified School District Comprehensive Annual Financial Report", 2013-2014).

**Percentage of Funding**

 The contributions for Davis School District were equal to the required contributions for each year. Based on this information, it is believed that the pension is fully funded. The City of Irvine for the fiscal year ended June 30, 2014, the City's costs for CalPERS were equal to City's required contributions. The City of Farmington contributions to PERA for the fiscal years ending June 30, 2012, 2011, and 2010 were $8,960484, $8,778,923, and $8,953,674, respectively, which equal the amount of the required contributions for each fiscal year. Los Angeles Unified School District’s contribution for all members for the fiscal years ended June 30, 2014, 2013, and 2012 were in accordance with the required contribution rates calculated by the CalPERS actuary for each year. Therefore, annual pension costs for these years were equal to the annual required contributions. There was no net pension obligation for the years ended June 30, 2014, 2013, and 2012 ("Los Angeles Unified School District Comprehensive Annual Financial Report", 2013-2014).

**Pay and Benefits**

Davis School District the system provides refunds, retirement benefits, annual cost of living adjustments and death benefits to plan members and beneficiaries in accordance with retirement states. The City of Irvine provides retirement and disability benefits, annual cost-of living adjustments, and death benefits. The City of Farmington provides for retirement benefits, disability benefits, survivor benefits and cost of living adjustments to plan members and beneficiaries. Los Angeles Unified School District benefits plan provide retirement, disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries ("Los Angeles Unified School District Comprehensive Annual Financial Report", 2013-2014).

**Amount in Fund**

 Davis School District, according to the notes on the basic financial statements for the year ending June 30, 2014, the district contributed $41,314,390. The employees contributed $19,019, for total contributions in 2014 of $41,333,409. The City of Irvine, as of June 30, 2013, the market value of plan assets is $131,726,000. In the fiscal year that ended June 30, 2014, the City only contributed $7,025,000 by its left for that particular year. The City of Farmington does not mention the amounts in the funds that were contributed by either the City or the employees it services. PERA (Public Employees Retirement Association) puts out its own separate, publicly available financial statements and required supplemental information for the plan. According to the PERA financial statement, as of June 30, 2012, member contributions totaled $248,069,863 and employer contributions were $274,905,978, a difference of $2,683,611 that the employer paid over and above what the members paid.

Los Angeles Unified School District required employer contribution rates for fiscal year 2013-14 were 11.442% for miscellaneous and 31.821% for safety members. The District paid the employee’s contribution of 9% for most of the safety members, and certain percentages for employees covered under other collective bargaining units. The contribution requirements of the plan members are established by state statute ("Los Angeles Unified School District Comprehensive Annual Financial Report", 2013-2014).

**Liability for the State**

Davis School District does not include this information as part of their statements since it is part of the state wide fund that is administered by a third party. The Utah Retirement Systems (URS) is responsible for administering and reporting all information. A copy of the report may be obtained by writing to the URS. The current pension liability displayed for the City of Irvine is $40,889,000. The City of Farmington has $17,788,043,847 in actuarial accrued liability. As of July 1, 2013, Los Angeles Unified School District most recent actuarial valuation date, the actuarial accrued liability for benefits was $10.9 billion, and the actuarial value of assets was $0, resulting in an unfunded actuarial accrued liability of $10.9 billion ("Los Angeles Unified School District Comprehensive Annual Financial Report", 2013-2014).

**Conclusion**

The four different government entities provide pensions plans that are very similar in regards to how they are funded and the benefits that they provide. There are differences in the amount that the employees are required to contribute, with Davis School District being the lowest percent of 1% to the City of Farmington requiring employee contributions ranging from between 9.15% to 16.3%. All of the government entities appear to be fully funded; however, the liability between the funds seems to very significantly. The Los Angeles Unified School District has the lowest liability of $10.9 million with the City of Irvine having a liability of $40.9 million. Due to the fact that Davis School District does not include the pension within their CAFR, the current liability for the district is unknown.

**Reference**

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