



OLYMPIC VALLEY PUBLIC SERVICE DISTRICT



EXHIBIT F-7
4 Pages

CalPERS Pension – Unfunded Accrued Liability Additional Payment

DATE: December 15, 2020

TO: District Board Members

FROM: Danielle Grindle, Finance & Administration Manager

SUBJECT: Make additional payment to California Public Employees Retirement System (CalPERS) Unfunded Accrued Pension Liability for Safety and Miscellaneous plans.

BACKGROUND: The District contracts with the California Public Employees Retirement System (CalPERS) to provide pension services for its employees as a part of their overall compensation and benefits.

Governmental Accounting Standards Board Statement #68 (GASB 68) requires a calculation of the District pension plans' "Unfunded Accrued Liability" (UAL) and for that estimate to be included in the District's annual audited financial statements.

The total UAL posted in our FY 2019-20 audited financial statements was \$5.3M. This included \$2.9M to the Safety plan and \$2.4M to the Miscellaneous plan. This balance accrues interest annually at a rate equal to the CalPERS's *Discount Rate*, currently 7.0%. During the most recent budget cycle, the board approved an additional \$830,000 payment to the UAL. This included \$230,000 to the Safety plan and \$600,000 to the Miscellaneous plan. Based on these payments and due to the delay of when these payments are recognized on the financial statements, we anticipate our UAL to decrease to \$4.6M for the June 30, 2021 financial statements and \$3.7M for the June 30, 2022 financial statements.

DISCUSSION: The District can save a considerable amount of money in interest by paying off the District's UAL early. The UAL for the Miscellaneous Group (e.g., Operations and Administration Departments) as of June 30, 2021 is estimated to be \$1.5M and be 86% funded. The UAL for the Safety Group (e.g., Fire Department) is at \$3.1M and is estimated to be 78% funded. It is the current goal of the District for all plans to reach an approximate funded level of 90%.

CalPERS is proposing the UAL be paid down over a twenty-year period. The total interest payment under this payback period is estimated to be \$3.5M. During the last budget cycle, staff prepared a schedule to accelerate the pay down and reduce the overall amount of interest paid. The savings in interest is projected to be \$2.2M.

After the \$600,000 UAL payment to the Miscellaneous Group Plan, it is estimated to be at a 90% funding level. There are no *additional* payments budgeted for the foreseeable future for the Miscellaneous Group.

After the \$230,000 payment to the UAL for the Safety Group, it is estimated to be at an 81% funding level. There are four more additional payments scheduled through fiscal year 2025 which should get us to a 90% funded level. The majority of funds to pay down the Safety Group's UAL will come from property tax revenue as well as reimbursements for Strike Teams. Due to additional strike team revenue earned in FY2021, there is no loan needed from the Utility Department in the current year.

The amounts to be paid in future years will be a function of the variable UAL balance as well as available rate revenue and property tax. Variability in the UAL balance can be significant and is generally caused by CalPERS' annual investment performance. The UAL will change every year so it's not feasible to prepare a fixed amortization schedule. Consequently, staff will update the pay down schedule annually during the Budget process using then-current data from CalPERS until the District reaches the recommended funding level of 90%.

- ALTERNATIVES:**
1. Approve payment of \$830,000 to pay-down the District's Safety and Miscellaneous Groups' CalPERS Unfunded Accrued Pension Liability (UAL).
 2. Authorize staff to pay-down the plans' UAL in another manner or amount.
 3. Do not authorize staff to pay-down the District's CalPERS pension UAL.

FISCAL/RESOURCE IMPACTS: The source of funds for the Miscellaneous group will come from the Water and Sewer FARF. The source of funds for the Safety group will come from strike team revenue for the 2020-2021 fiscal year which year to date is approximately \$260,000 in *net* revenue.

RECOMMENDATION: Approve payment of \$830,000 to pay-down the District's Safety and Miscellaneous Groups' CalPERS' Unfunded Accrued Pension Liability (UAL).

ATTACHMENTS: PERS Lump Sum Payment Request (2 pages).

DATE PREPARED: December 10th, 2020



California Public Employees' Retirement System

Actuarial Office

400 Q Street, Sacramento, CA 95811 | Phone: (916) 795-3000 | Fax: (916) 795-2744

888 CalPERS (or 888-225-7377) | TTY: (877) 249-7442 | www.calpers.ca.gov

December 8, 2020

CalPERS ID: 5533681281
 Employer Name: SQUAW VALLEY PUBLIC SERVICE DISTRICT
 Rate Plan: SAFETY PLAN [7803]

Re: Lump Sum Payment to reduce the Unfunded Accrued Liability

Dear Requestor:

As requested, information on the fiscal year 2021-22 employer contribution requirement following your lump sum payment is shown below.

If you are aware of others interested in this information (i.e. payroll staff, county court employees, port districts, etc.), please inform them.

The information is based on the most recent annual valuation and assumes payment by *December 18, 2020* and no further contractual or financing changes taking effect before June 30, 2021. The Unfunded Accrued Liability (UAL) will be reduced or eliminated by a lump sum payment in the amount of **\$230,000**. The payment will be applied to the Assumption Change 06/30/2018 base(s).

There will be no change to your FY 2020-21 contributions.

Valuation as of June 30, 2019	Pre-Payment	Post-Payment
Projected 6/30/2021 Total Unfunded Liability	\$ 3,119,958	
Payment on December 18, 2020	\$ 230,000	
Revised 6/30/2021 Total Unfunded Liability		\$ 2,881,542
FY 2021-22 Employer Contributions		
Base Total Normal Cost for Formula	31.47%	31.47%
Surcharges for Class 1 Benefit		
a) FAC 1	1.23%	1.23%
Phase out of Normal Cost Difference	<u>0.00%</u>	<u>0.00%</u>
Plan's Total Normal Cost	32.70%	32.70%
Formula's Expected Employee Contribution Rate	<u>8.99%</u>	<u>8.99%</u>
Employer Normal Cost Rate	23.71%	23.71%
Payment on Assumption Change 06/30/2018	\$ 17,612	\$ 8,918
Payment on all other bases	<u>\$ 221,587</u>	<u>\$ 221,587</u>
Employer Unfunded Liability Payment	\$ 239,199	\$ 230,505

The attached schedule of the plan's amortization bases includes the additional discretionary payment(s) listed above.



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December 8, 2020

CalPERS ID: 5533681281
 Employer Name: SQUAW VALLEY PUBLIC SERVICE DISTRICT
 Rate Plan: MISCELLANEOUS FIRST TIER PLAN [10083]

Re: Lump Sum Payment to reduce the Unfunded Accrued Liability

Dear Requestor:

As requested, information on the fiscal year 2021-22 employer contribution requirement following your lump sum payment is shown below.

If you are aware of others interested in this information (i.e. payroll staff, county court employees, port districts, etc.), please inform them.

The information is based on the most recent annual valuation and assumes payment by *December 18, 2020* and no further contractual or financing changes taking effect before June 30, 2021. The Unfunded Accrued Liability (UAL) will be reduced or eliminated by a lump sum payment in the amount of **\$600,000**. The payment will be applied to the Share Of Pre-2013 Pool Ual 06/30/2013 base(s).

There will be no change to your FY 2020-21 contributions.

Valuation as of June 30, 2019	Pre-Payment	Post-Payment
Projected 6/30/2021 Total Unfunded Liability	\$ 1,454,861	
Payment on December 18, 2020	\$ 600,000	
Revised 6/30/2021 Total Unfunded Liability		\$ 832,907
FY 2021-22 Employer Contributions		
Base Total Normal Cost for Formula	21.31%	21.31%
Surcharges for Class 1 Benefit		
a) FAC 1	0.67%	0.67%
b) IDR BEN 50% FC	0.31%	0.31%
c) PRSA 25%	0.85%	0.85%
Phase out of Normal Cost Difference	<u>0.00%</u>	<u>0.00%</u>
Plan's Total Normal Cost	23.14%	23.14%
Formula's Expected Employee Contribution Rate	<u>7.96%</u>	<u>7.96%</u>
Employer Normal Cost Rate	15.18%	15.18%
Payment on Share Of Pre-2013 Pool Ual 06/30/2013	\$ 91,214	\$ 35,117
Payment on all other bases	<u>\$ 41,711</u>	<u>\$ 41,711</u>
Employer Unfunded Liability Payment	\$ 132,925	\$ 76,828

The attached schedule of the plan's amortization bases includes the additional discretionary payment(s) listed above.