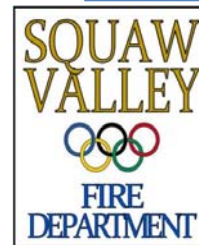




## SQUAW VALLEY PUBLIC SERVICE DISTRICT



### CalPERS Pension – Unfunded Accrued Liability Additional Payment

**DATE:** December 18<sup>th</sup>, 2018

**TO:** District Board Members

**FROM:** Mike Geary, General Manager and Danielle Grindle, Finance & Admin 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 as of FY 2014-15.

The total UAL posted in our FY 2017-18 audited financial statements was \$5.7M. This balance accrues interest annually at a rate equal to the CalPERS's *Discount Rate*, currently 7.0% for FY 2018-19. During the most recent budget cycle, the board approved an additional \$835,000 payment to the UAL which was made in July of 2018. Based on this payment, we anticipate our UAL to decrease to \$4.9M for our June 30, 2019 financial statements.

**DISCUSSION:** The District can save a considerable amount of money in interest payments by paying off the District's UAL early. The UAL for the Miscellaneous Group (e.g., Operations and Administration Departments) is currently estimated to be \$2.1M and is estimated to be 73% funded. The UAL for the Safety Group (e.g., Fire Department) is at \$2.8M and is estimated to be 75% 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 thirty-year period. The total interest payment under this payback period is estimated to be \$5.7M. 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 we calculated was estimated to be \$5.1M. Any additional funds we can put towards paying off

the UAL will result in a bigger savings of interest payments.

The UAL for the Miscellaneous Group is scheduled to be paid down over a five-year period. Funds for the Miscellaneous Group are derived primarily from rates and will result in the deferment of some capital replacement projects. Internal loans are not necessary to achieve this schedule.

The UAL for the Safety Group is scheduled to be paid down over a seven-year period. 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. Capital replacement projects will be deferred for the Fire Department as well.

The amounts to be paid in future years are unknown and 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 \$100,000 to pay-down the District's Safety and Miscellaneous Groups' CalPERS' Unfunded Accrued Pension Liability (UAL) with funds from Ad Valorem tax revenue for the 2018-2019 tax roll that is in excess of the amount projected in the District's FY 2018-19 Budget.
  2. Authorize staff to pay-down the plan's 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 is from Ad Valorem tax revenue for the 2018-2019 tax roll that is in excess of the amount projected in the District's FY 2018-19 Budget. Based on the estimate we are anticipating approximately \$100,000 more in Ad Valorem revenue for the 2018-2019 tax roll.

**RECOMMENDATION:** Approve payment of \$100,000 to pay-down the District's Safety and Miscellaneous Groups' CalPERS' Unfunded Accrued Pension Liability (UAL) with funds from Ad Valorem tax revenue for the 2018-2019 tax roll that is in excess of the amount projected in the District's FY 2018-19 Budget.

**ATTACHMENTS:** None.

**DATE PREPARED:** December 13<sup>th</sup>, 2018