



Discussion Item 19

Discuss and Recommend Creating Reserves for Pension Retirement and Other Post-Employment Benefits (OPEB) Unfunded Liability

May 21, 2018, Regular Board Meeting
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PERS Pension Liability

- District provides pension benefits to employees through CalPERS:

Classic members (prior to January 1, 2013)

- 2% @55 PERS formula

PEPRA members (after January 1, 2013)

- 2% @62 PERS formula

PERS Pension Liability

■ Classic Member Employer/Employee contribution sharing

	2017-18		2018-19	
	District	Employee	District	Employee
ER	5.921%	3.000%	4.409%	5.000%
EE	4.000%	3.000%	4.000%	3.000%
Normal Cost	\$247,695	\$149,800	\$199,852	\$190,131
UAL	\$231,892		\$295,923	
Total Cost	\$479,587	\$149,800	\$495,775	\$190,131

PERS Pension Liability

- Projected future employer contributions for classic members:

	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25
ER	4.9%	5.8%	5.8%	5.8%	5.8%	5.8%
EE	4.000%	4.000%	4.000%	4.000%	4.000%	4.000%
Normal Cost	\$211,521	\$232,911	\$232,911	\$232,911	\$232,911	\$232,911
UAL	\$360,000	\$410,000	\$474,000	\$530,000	\$568,000	\$600,000
Total Cost	\$571,521	\$642,911	\$706,911	\$762,911	\$800,911	\$832,911

PERS Pension Liability

■ PEPRA Member Employer/Employee contribution sharing

	2017-18		2018-19	
	District	Employee	District	Employee
ER	6.533%		6.842%	
EE		6.250%		6.250%
Normal Cost	\$4,683	\$4,480	\$12,647	\$11,553
UAL	\$75		\$787	
Total Cost	\$4,758	\$4,480	\$13,434	\$11,553

PERS Pension Liability

- Projected future employer contributions for PEPPRA members:

	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25
ER	6.8%	7.1%	7.1%	7.1%	7.1%	7.1%
EE						
Normal Cost	\$12,570	\$13,125	\$13,125	\$13,125	\$13,125	\$13,125
UAL	\$850	\$990	\$1,100	\$1,300	\$590	\$700
Total Cost	\$13,420	\$14,115	\$14,225	\$14,425	\$13,715	\$13,825

PERS Pension Liability

■ Plans funded status:

	Classic	PEPRA	Total
Normal Accrued Liability (AL)	\$17,592,607	\$21,766	\$17,614,373
Market Value of Assets (MVA)	\$12,605,828	\$20,086	\$12,625,914
Unfunded Accrued Liability (UAL)	\$4,986,779	\$1,680	\$4,988,459
Plan's Funded Ratio	71.7%	92.3%	

PERS Pension Liability

- Changes to the plan
 - Mortality adjustment
 - Discount rate change from 7.5% to 7% over 3 years
 - Amortization period change

PERS Pension Liability

■ Total net investment return:

Period	Rate
2017	11.2%
2016	0.6%
2015	2.4%
3 years	4.6%
5 years	8.8%
10 years	4.4%
20 years	6.6%

OPEB Liability

- District provides healthcare premium to retirees as follows:

Tier 1 employees (prior to July 1, 2013)

- <15 years = \$540/month
- >15 years = \$1,183 (2017)
 - Escalated by 3% each year

Tier 2 employees (after July 1, 2013)

- \$540/month

OPEB Liability

- Pay-Go payments each year
- District's annual obligation:

Description	Amount
Annual Required Contribution (ARC)	\$304,674
Interest on Net OPEB Obligation (NOO)	\$71,660
Adjustment to ARC	(\$75,275)
Annual OPEB Cost (Expense)	\$301,058
Contributions Made	(\$84,479)
Change in Net OPEB Obligation (NOO)	\$216,579

OPEB Liability

- Pay-Go payments each year
- District's OPEB funding status:

Description	Amount
Actuarial Accrued Liability (AAL)	\$3,227,615
Actuarial Value of Assets	\$0
Unfunded Actuarial Accrued Liability (UAAL)	\$3,227,615

Options



- Create Reserves

- Fund \$100K for Pension
- Fund \$100K for OPEB

- Setup Trust Fund

Recommendation

- Staff recommends creating Pension and OPEB Reserves and funding \$100,000 each in the proposed FY 2018-2019 Budget
- At a later date, return with formal reserve policy and discuss additional funding options

Terminology

■ Accrued Liability (AL)

- The present value of projected benefit payments to employees based on their past service

■ Annual Required Contribution (ARC)

- Amount employer is required to contribute for the current year to fund the liability over time

■ Normal Cost (NC)

- Current years cost for accruing benefits

Terminology

- **Market Value of Assets (MVA)**
 - Marked value of assets (the amount held in trust for paying retirement benefits)
- **Unfunded Accrued Liability (UAL)**
 - UAL is the difference between the accrued liability and the assets

For More Information

- Staff reports and presentation materials can be found on the District's website at:

www.mpwmd.net

- PowerPoint presentations will be posted on the website the day after the meeting.