

Kensington Police Protection and Community Services District

Finance Committee Meeting

May 2, 2019

Pension Funding Options

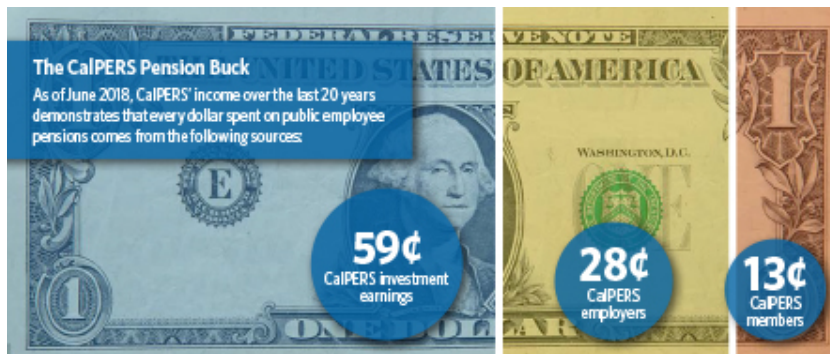
- KPPCSD
 - Unfunded Accrued Pension Liability = \$3.9 million
 - Projected Costs

Fiscal Year	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25
UAL Payment	\$250,446	\$286,000	\$326,000	\$360,000	\$380,000	\$400,000

- Basic Pension Rule:

$$\text{Contributions} + \text{Investment Earnings} = \text{Pension Benefits} + \text{Expenses}$$

- CalPERS



Pension Cost Funding

- 41% from employer and employee contributions
- 59% funded from investment earnings

- CalPERS Changes

- Mortality Assumptions
- Discount Rate Assumption
 - 7.5% to 7.0%
- Move to more conservative investments over time

- Amendment to Amortization Policy
 - Amortize gains/losses over 20 years rather than 30 years. The amortization policy change was approved in February 2018 and applies to gains and losses reported after June 30, 2019

Result of CalPERS Policy Changes



Options for Consideration

- -Continue to pay with the current 30 year amortization schedule and fund the anticipated cost increases in the budget each year.
- Request that CalPERS prepare a “fresh start” with a reduced 20 year amortization period.
 - o While this would reduce the District’s overall interest payments to CalPERS and provide for a quicker pay down of the unfunded liability, it should be understood that not only would the annual payments increase, but the District would not be able to return to a 30 year amortization schedule in the future if financial conditions changed.
- Make additional voluntary payments to CalPERS to reduce the liability in those years when excess funds are available.
- Establish a 115 Retirement Trust
 - o The District currently has a 115 Trust for other postemployment benefits (OPEB). A similar trust could be established to set aside funds to be used for smoothing future cost increases and/or to pay down the liability. One advantage of this alternative is that the funds would remain under the control of the District rather than CalPERS and would therefore not be subject to the investment earnings volatility of CalPERS.
 - For the 2018 calendar year, CalPERS posted a net return of - 3.5%.