

# Kensington Police Protection and Community Services District

## Finance Committee Meeting

January 21, 2020

### Pension Funding Options

- KPPCSD – Safety Plan (excluding PEPRRA)
  - Unfunded Accrued Pension Liability = **\$4,270,379**
  - Projected Costs

Fiscal Year	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25	2025-26
UAL Payment	\$250,446	\$287,011	\$329,000	\$364,000	\$386,000	\$408,000	\$419,000
Normal Cost	21.927%	23.674%	23.7%	23.7%	23.7%	23.7%	23.7%

- 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%
        - FY 2018-19 = 6.7%
    - 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.**
  - 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**
  - 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.
- Steps to Move Forward
  - Select Provider
    - CalPERS - California Employers’ Pension Prefunding Trust
    - PARS
  - Determine Funding Strategy
    - Target Contribution Amounts
    - Risk Options
  - Board Resolution
  - Execute Documents