

Kensington Police Protection and Community Services District

Finance Committee Meeting

June 4, 2019

Pension Funding Options

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

Options Discussed at May 2, 2019 Finance Committee Meeting

1. -Continue to pay with the current 30 year amortization schedule and fund the anticipated cost increases in the budget each year.
2. 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.
3. Make additional voluntary payments to CalPERS to reduce the liability in those years when excess funds are available.
- 4.
5. **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. 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.

Advantages of 115 Trust

- Potential for Increased Interest Earnings
 - Example – PARS
 - 5 Year 2.7% - 5.3%
 - 10 Year 3.0% - 9.9%
- District Control of Funds
- Pension Cost Stabilization

Issues for Consideration

- District's ability to fund Trust
- Determination of Funding Goal
- Selection of Trust Provider