

Coastside Fire Protection District STAFF REPORT

TO: Honorable Board of Directors **FROM**: Paul Cole, Assistant Chief

SUBJECT: CalPERS Actuarial Information DATE: January 27, 2016

Staff Recommendation

The Board of Directors accepts this informational report as presented

Background

In April 2013, CalPERS changed their amortization and rating smoothing polices to reflect paying all gains and losses over a fixed thirty-year period with increases or decreases in the rate spread directly over a five-year period. As a result of this change CalPERS approved structural changes to their risk pools by combining all pooled plans into two active pools, one for safety and the other for miscellaneous groups. This change addressed CalPERS expectation for the pools payroll to increase at the assumed 3% annual growth. However, two changes were made affecting employer contributions.

First, beginning in FY 2015-16, CalPERS will collect employer contributions toward unfunded liability and side fund as dollar amounts instead of a contribution rate. Employers will be invoiced at the beginning of the fiscal year for their unfunded liability and side fund payments, however, the normal cost contributions will continue to be collected as a percentage of payroll.

Second, the pools unfunded liability will be allocated to each individual plan based upon the plan's total liability rather that the plan's individual payroll. This provides employers with the ability to track their unfunded liability and pay it down faster if they choose.

As the District no longer has it's own employees, it will no longer see a required employer contribution (percentage of payroll) for the plan's net employer normal costs. However, it will pay the employer unfunded accrued liability (UAL) contributions.

Discussion

The following represents information contained in the District's June 30, 2014, pension plan actuarial valuation report:

Future Contribution Rates (Assuming CalPERS earns 2.4% for FY14/15 & 7.50% every FY thereafter)

Employer Normal Cost Rate	Employer Payment of UAL
0%	\$494,773 – Safety (S)
0%	\$11,416 – Miscellaneous (M)
0%	\$609,978 – Safety (S)
0%	\$14,044 – Miscellaneous (M)
0%	\$725,184 – Safety (S)
0%	\$16,672 – Miscellaneous (M)
0%	\$840,389 – Safety (S)
0%	\$19,301 – Miscellaneous (M)
0%	\$863,845 – Safety (S)
0%	\$19,794 – Miscellaneous (M)
0%	\$895,564 – Safety (S)
0%	\$20,054 – Miscellaneous (M)
	0% 0% 0% 0% 0% 0% 0% 0% 0% 0% 0% 0% 0% 0

Plans Funded Status (June 30, 2014)

Present Value of Projected Benefits	Plans Market Value of Assets	<u>Unfunded Liability</u>	Funded Ratio
\$34,971,005	\$27,685,833	\$7,285,172	79.2% (S)
\$815,978	\$648,806	\$167,172	79.5% (M)

Allocation of Plan's Share of Pool's Experience/Assumption Change - Safety

1. Plan's Accrued Liability	\$34,971,005
2. Projected UAL balance at 6/30/14	\$8,040,406
3. Pool's Accrued Liability	\$17,648,059,055
4. Sum of Pool's Individual Plan UAL Balances	\$4,078,457,144
5. Pool's 2013/14 Investment & Asset (Gain)/Loss	\$(1,230,598,112)
6. Pool's 2013/14 Other (Gain)/Loss	\$15,647,325
7. Plan's Share of Pool's Asset (Gain)/Loss	\$(2,442,278)
8. Plan's Share of Pool's Other (Gain)/Loss	\$31,060
9. Plan's New (Gain)/Loss as of 6/30/2014	\$(2,411,218)
10. Increase in Pool's Accrued Liability due to	
change in Assumptions	\$835,689,506
11. Plan's Share of Pool's Change in Assumptions	\$1,655,984

Development of the Plan's Share of Pool's Market Value of Assets (MVA) - Safety

1. Plan's Accrued Liability	\$34,971,055
2. Plan's Unfunded Accrued Liability (UAL)	\$7,285,172
3. Plan's Share of Pool's MVA (1) – (2)	\$27,685,833

Hypothetical Termination Liability

Valuation	Hypothetical	Market Value	<u>Unfunded</u>	Unfunded
<u>Date</u>	Termination	of Assets	Termination	Termination
	Liability @ 2%	(MVA)	Liability @ 2%	Liability@ 3.75%
06/30/2014 (S)	\$73,745,625	\$27,685,833	\$46,059,792	\$28,369,747
06/30/2014 (M)	\$1,568,388	\$648,806	\$919,582	\$610,207

Required Employer Contribution for Fiscal-Year 2016-17

Safety Plan

Employer Normal Cost Rate - 0%

Monthly Employer Dollar UAL Payment - \$41,231,09

*Annual Lump Sum Prepayment Option - \$477,202

Miscellaneous Plan

Employer Normal Cost Rate - 0%

Monthly Employer Dollar UAL Payment - \$951.32

*Annual Lump Sum Prepayment Option - \$11,010

^{*}The Plan's payment on an amortization basis contribution amount for FY 2016/17 will be billed as a level dollar amount monthly over the course of the year. The District can prepay the entire Annual Lump Sum Pre-Payment toward its UAL in full before July 31. By pre-paying the District would save approximately \$17,571.08 (Safety), and \$405.84 (Miscellaneous) for FY16/17.