



Agenda Submittal

Agenda #: 27 **Status:** Regular Calendar
Type: ATR **Department:** County Administrator
File #: 19-158 **Contact:** Nancy Huston, 784-6100
Agenda date: 2/26/2019 **Final action:** 2/26/2019
Title: Approve ATR increasing appropriations of \$6 million in the respective funds for an additional payment to the CalPERS Public Safety Plan unfunded liability account funded by Pension Obligation Fund and the General Fund CalPERS Rate Reserve (4/5 vote required)
Governing body: Board of Supervisors
District: All
Attachments: 1. A - Link to June 23, 2018 BOS Agenda Item, 2. B - Pension Liability, 3. C - PERS Misc Valuation, 4. D - PERS Safety Valuation, 5. E - Safety Plan Amort Base, 6. F - CalPERS Rate & Cost History, 7. Presentation, 8. Minute Order

| Date | Ver. | Action By | Action | Result |
|-----------|------|----------------------|----------|--------|
| 2/26/2019 | 1 | Board of Supervisors | Approved | |

Published Notice Required? Yes ☐ No ☒
Public Hearing Required? Yes ☐ No ☒

DEPARTMENTAL RECOMMENDATION:

It is recommended that the Board of Supervisors approve an Appropriation Transfer Request increasing appropriations of \$6 million in the respective funds for an additional payment to the CalPERS Public Safety Plan unfunded liability account funded by Pension Obligation Fund and the General Fund CalPERS Rate Reserve (4/5 vote required).

SUMMARY:

At the November 20, 2018 Pension Advisory Committee Meeting, it was discussed that there would be a \$3 million General Loan payoff from the Pension Obligation Fund to the General Fund/CalPERS Rate Reserve (due to a previous borrowing) by June 30, 2019. Based on the current cash flow within the Pension Obligation Fund (306) another \$3 million (for a total of \$6 million) can be utilized for a pre-payment/advance to the CalPERS Retirement Fund. It is recommended that the Board of Supervisors approve an ATR for \$6 million to make an additional payment to the CalPERS Public Safety Plan unfunded liability account. By sending a prepayment prior to June 2019, the FY19/20 Public Safety CalPERS rates will be adjusted slightly downward and the County of Solano's unfunded liabilities for the CalPERS Safety Plan will be reduced. This action will also reduce the current FY19/20 unfunded liability payment due on July 2019.

FINANCIAL IMPACT:

The costs associated with preparing the agenda item are nominal and absorbed by the department's FY2018/19 Adopted Budget.

DISCUSSION:

On June 23, 2018, the Board of Supervisors (Board) accepted the recommendations of the County Administrator and the Pension Advisory Committee (consisting of the former and current Auditor-Controller, the

Treasurer-Tax Collector-County Clerk, Director of Human Resources, and Assistant County Administrator) to prepay \$6.6 Million to the CalPERS Public Safety Plan unfunded liability account funded by the General Fund CalPERS Rate Reserve. The link to the June 23, 2018 Board agenda item is attached.

The Pension Advisory Committee continues to review financial opportunities that will reduce the long-term pension costs to the County, with the long-term goal of achieving or maintaining a funding ratio at or above 90% in the Safety and Miscellaneous CalPERS plans. At the November 20, 2018 Pension Advisory Committee Meeting, consistent with the approved County's Pension Policy adopted by the Board (February 2017), the Committee voted to recommend to the County Administrator and to the Board to use onetime General Fund Revenues in FY18/19 to prepay pension obligations for the public safety plan with CalPERS. The Committee continues to recommend that the priority of prepayments to CalPERS should go to the public safety plan over the miscellaneous plan due to: 1) it only includes county employees; 2) there are higher employee costs for public safety employees (increasing in workforce and wages/benefits) corresponding with a higher level of general fund support for these safety services; and 3) more safety programs are aligned by the State to the County without sufficient funding/backfill. This action will result in pre-paying a small portion of the County's unfunded safety pension liabilities, reducing the interest costs to the County General Fund in FY19/20 and beyond.

The Auditor-Controller has prepared a summary of the current pension obligations for the Board to easily review the totality of the long-term pension obligations of the County. Also attached are the most recent valuation reports (June 2017) for the Safety and Miscellaneous CalPERS pension plans. If this recommended action is approved by the Board, the Auditor-Controller will work directly with the County's actuary at CalPERS to apply the prepayment to one or more-line items listed on the schedule of amortization bases (attached) for the safety plan, with the concurrence of the Pension Advisory Committee.

Future consideration that requires more budget analysis:

As mentioned in the Board report in June 2018, the Miscellaneous Plan includes County, Courts, and Fair employees and a variety of funds are used by the County to pay for the annual pension costs. Based on this composition, it is not wise for the County to use only General Fund revenues to pay down long-term pension liabilities for the Miscellaneous Plan.

However, County staff continues to analyze resetting one or more amortization bases (an irrevocable decision) for the Miscellaneous Plan. This option of reducing an amortization for an amount from 29 years to 20 years, for example, would irrevocably increase the employer contribution for the County, Courts and the Fair and it is still unclear at this time if there are sufficient federal/state/local on-going revenues or future capacity/growth in revenues to pay for this added increase in the pension employer rates above the current projected rates that the County is facing. Please note chart included for illustration (attached).

ALTERNATIVES:

The Board could choose not to accept the recommendation of the County Administrator and the Pension Advisory Committee to pay the \$6 Million to the County of Solano's CalPERS Safety Plan at this time. The Board could provide other direction or ask for more information regarding the requested action.

OTHER AGENCY INVOLVEMENT:

CalPERS provided actuary information that was used in evaluating the fiscal impacts for the County of Solano. On November 20, 2019, the County Pension Advisory Committee met and discussed future pension costs, strategies to reduce future costs, and then formulated a recommendation to the County Administrator and Board of Supervisors for consideration.

CAO RECOMMENDATION:

APPROVE DEPARTMENTAL RECOMMENDATION