

A large, stylized graphic of a water splash in shades of blue, with various droplets and bubbles, set against a light blue gradient background.

SAWPA

CalPERS Unfunded Liability
Payment Options

CalPERS Formula

PERS 2% @ 55 - Classic

	FYE 2020	FYE 2021
PERS Employers Rate	11.12%	11.816%
Employer Paid Member Contribution (EPMC)	1.40%	0%
Unfunded Liability Payment	\$229,033	\$277,384

PERS 2% @ 62 - PEPRA

	FYE 2020	FYE 2021
PERS Employers Rate	7.191%	7.847%
Unfunded Liability Payment	\$6,095	\$11,686

UAL – Classic Members

FYE	Unfunded Liability	Discount Rate	Employer Rate	UAL Payment
2015	\$2,169,716	7.5%	12.434%	\$0
2016	\$2,247,501	7.5%	9.454%	\$87,085
2017	\$3,104,742	7.5%	9.846%	\$106,117
2018	\$3,724,430	7.375%	9.887%	\$135,256
2019	\$3,649,848	7.25%	10.411%	\$180,636
2020	\$4,461,839*	7.0%	11.12%	\$229,033

* Projected

In July 2012, we paid off our side fund of \$321,424

UAL - PEPRA Members

FYE	Unfunded Liability	Discount Rate	Employer Rate	UAL Payment
2015	\$0	7.5%	6.70%	\$0
2016	\$0	7.5%	6.724%	\$0
2017	\$6,847	7.5%	7.066%	\$57
2018	\$25,286	7.375%	7.045%	\$174
2019	\$28,087	7.25%	7.383%	\$5,486
2020	\$52,175*	7.0%	7.191%	\$6,095

* Projected

Definitions



Unfunded Liability

A liability that does not have current or projected assets to cover the liability.

Unfunded Accrued Liability (UAL)

The present value of future employer contributions for service that has already been earned.

Deferred Outflows of Resources

The consumption of net assets by the government that is applicable to a future reporting period. (prepaid items and deferred charges)

Deferred Inflows of Resources

An acquisition of net assets by the government that is applicable to a future reporting period. (deferred revenue and advance collections)

Options to Pay Down the UAL



- Option 1
 - Pay off \$2,551,673 from reserves
 - Interest savings of \$2,538,190 over amortization period
 - Lower annual payment approximately \$190,000 per year
- Option 2
 - Use Alternative Amortization Schedule
 - 15 year
 - 10 year
 - Increase annual payment amount
 - Reduce interest costs

Option 1- Pay Down the UAL

Schedule of Plan's Amortization Bases

Reason for Base	Date Established	Amortization Period	Balance 6/30/18	Payment 2018-19	Balance 6/30/19	Payment 2019-20	Balance 6/30/20	Scheduled Payment for 2020-21
SHARE OF PRE-2013 POOL UAL	06/30/13	17	\$995,357	\$77,016	\$985,366	\$79,110	\$972,510	\$80,246
NON-ASSET (GAIN)/LOSS	06/30/13	25	\$(14,944)	\$(792)	\$(15,171)	\$(1,018)	\$(15,180)	\$(1,030)
ASSET (GAIN)/LOSS	06/30/13	25	\$1,554,636	\$82,432	\$1,578,192	\$105,860	\$1,579,163	\$107,126
NON-ASSET (GAIN)/LOSS	06/30/14	26	\$1,312	\$52	\$1,350	\$72	\$1,370	\$91
ASSET (GAIN)/LOSS	06/30/14	26	\$(1,231,331)	\$(49,085)	\$(1,266,750)	\$(67,242)	\$(1,285,867)	\$(85,030)
ASSUMPTION CHANGE	06/30/14	16	\$752,049	\$41,374	\$761,895	\$56,665	\$756,613	\$71,946
NON-ASSET (GAIN)/LOSS	06/30/15	27	\$(60,302)	\$(1,627)	\$(62,840)	\$(2,508)	\$(64,645)	\$(3,381)
ASSET (GAIN)/LOSS	06/30/15	27	\$764,857	\$20,639	\$797,048	\$31,809	\$819,938	\$42,886
NON-ASSET (GAIN)/LOSS	06/30/16	28	\$(113,778)	\$(1,579)	\$(120,109)	\$(3,245)	\$(125,160)	\$(4,919)
ASSET (GAIN)/LOSS	06/30/16	28	\$955,787	\$13,263	\$1,008,973	\$27,257	\$1,051,406	\$41,319
ASSUMPTION CHANGE	06/30/16	18	\$290,704	\$5,486	\$305,379	\$11,272	\$315,096	\$17,155
NON-ASSET (GAIN)/LOSS	06/30/17	29	\$(23,572)	\$0	\$(25,222)	\$(350)	\$(26,625)	\$(708)
ASSET (GAIN)/LOSS	06/30/17	29	\$(472,726)	\$0	\$(505,817)	\$(7,027)	\$(533,955)	\$(14,193)
ASSUMPTION CHANGE	06/30/17	19	\$306,173	\$(17,773)	\$345,990	\$6,535	\$363,449	\$13,253
NON-ASSET (GAIN)/LOSS	06/30/18	30	\$70,036	\$0	\$74,938	\$0	\$80,184	\$1,095
ASSET (GAIN)/LOSS	06/30/18	30	\$(146,190)	\$0	\$(156,423)	\$0	\$(167,373)	\$(2,286)
METHOD CHANGE	06/30/18	20	\$136,321	\$(1,020)	\$146,918	\$(1,048)	\$158,286	\$2,951
ASSUMPTION CHANGE	06/30/18	20	\$479,689	\$(15,410)	\$529,207	\$(15,833)	\$582,630	\$10,863
TOTAL			\$4,244,078	\$152,976	\$4,382,924	\$220,309	\$4,461,840	\$277,384

Discount rate used by CalPERS= 7%

Option 1 – Pay Down the UAL

- Pay off amortization bases of \$2,551,673
- Interest savings of \$2,538,190 over amortization period
- Lower annual payment approximately \$190,000 per year

- Other Options
 - Could pay off other amortization bases
 - Could pay off the total UAL



Option 1 – Pros and Cons




- Pros
 - Reduce the annual payment or continue same payment to reduce UAL quicker
 - Interest savings
 - Reduce liabilities on the balance sheet
 - Pay of UAL faster
 - Reserves earn average interest of 2.5%, liability accrues interest at 7%
- Cons
 - Lowers our total reserves
 - General Fund (100)
 - Brine Line Operating



Option 2 - Use Alternate Amortization Schedule

- 15 Year Amortization Schedule
 - Increase annual payment amount by \$125,046 for FYE 2020
 - Estimated interest savings of \$1,052,918
- 10 Year Amortization Schedule
 - Increase annual payment amount by \$272,759 for FYE 2020
 - Estimated interest savings of \$2,167,359

Option 2 – Pros and Cons



- Pros
 - Pay off UAL faster
 - Reduce liabilities on the balance sheet
 - Interest savings
- Cons
 - Is the higher payment sustainable?
 - Payment would continue to increase each year
 - Would increase our indirect costs and benefit rates
 - Would increase member agency contributions



Questions?