

LAKE ARROWHEAD COMMUNITY SERVICES DISTRICT

MEMORANDUM

DATE: AUGUST 13, 2019

TO: BOARD OF DIRECTORS
Lake Arrowhead Community Services District

FROM: 

JOHN O'BRIEN, Finance Manager



CATHERINE CERRI, General Manager

SUBJECT: CALPERS PENSION PLAN UPDATE

A. RECOMMENDATION

This is an information item only.

B. REASON FOR RECOMMENDATION

This is an information item only.

C. BACKGROUND INFORMATION

The District is a member of the California Public Employee Retirement System (CalPERS) which is the nation's largest public pension fund with investments of \$365.75 billion in both domestic and international markets and is one of the largest private equity investors in the world.

The District's total pension liability is actuarially determined based upon participant history and various assumptions including retirement age, life expectancy, and inflation. These assumptions are periodically reviewed by CalPERS and adjusted based upon experience.

Funding for the pension liability consists of investment income, employee and employer contributions. Employer contributions have two major cost components, which are the Employer Normal Cost contributions and the Unfunded Actuarial Liability (UAL) contributions. Employer Normal Cost contributions are based upon a percentage of payroll. The UAL is based on the difference between the projected or anticipated return of investment and the actual return on investments.

The District's total pension liability is \$30.2 million, which is 73.5% funded, resulting in an estimated \$8.0 million Unfunded Accrued Liability (as presented in the most recent CalPERS valuation dated June 30, 2017).

District Plan Funded Status and UAL				
	Tier 1	Tier 2	PEPRA	Total District
Accrued Total Liability	29,713,266	69,155	530,445	30,312,866
Market Value of Assets	21,724,975	70,843	496,729	22,292,547
Unfunded Accrued Liability (UAL)	7,988,291	(1,688)	33,716	8,020,319
Funded Ratio	73.10%	102.40%	93.60%	73.52%

UAL Funding Options

The Board of Directors has requested staff to provide several scenarios showing the costs and benefits associated with paying down the District's Unfunded Accrued Liability. Due to the size and complexity of the pension plan, there is a two year lag between CalPERS calculating the District's pension liabilities and reporting them to the District in the month of August each year. As of today, CalPERS has not released the District's annual valuation report. Staff has decided to wait until the current valuation report has been released to present the Board with payment scenarios. Since the most recent valuation report is nearly three years old, staff doesn't feel the Board would have sufficient information to make an informed decision.

D. FISCAL IMPACT

This is an information item only.

E. ENVIRONMENTAL IMPACT

None.

F. ATTACHMENTS

None.