



TOWN OF LOS GATOS
TOWN PENSION AND OPEB TRUSTS
OVERSIGHT COMMITTEE REPORT

MEETING DATE: 03/21/2023

ITEM NO: 4

DATE: March 14, 2023
TO: Town Pension and OPEB Trusts Oversight Committee
FROM: Laurel Prevetti, Town Manager
SUBJECT: Receive Actuarial Presentation on CalPERS Analysis – 6/30/2021 Valuation Report by Foster & Foster Actuaries and Consultants and Identify Amortization Bases for Future Potential Additional Discretionary Payments (ADPs)

RECOMMENDATION:

Receive Actuarial Presentation on CalPERS Analysis – 6/30/2021 Valuation Report by Foster & Foster Actuaries and Consultants and identify amortization bases for future potential Additional Discretionary Payments (ADPs).

BACKGROUND:

The Town's pension plans are administered by the Board of Administration of the California Public Employees' Retirement System (CalPERS). The Board of Administration is responsible for the management and control of CalPERS and maintains exclusive control of the administration and investment of pension funds. In addition, CalPERS actuaries are responsible for the provision of actuarial valuations for the Town's pension plans. Sworn employees are covered under the Safety Plan which is a pooled plan, while all other employees are covered in the Miscellaneous Plan, which is a separate plan. The Miscellaneous Plan is administered by CalPERS in the Public Employees' Retirement Fund (PERF).

Recognizing the importance of the Town's pension obligations and projected increases in future pension costs, starting in 2018 the Town contracted Bartel and Associates to perform an annual review of the actuarial valuation reports provided by CalPERS. Foster & Foster Actuaries and Consultants (formerly Bartel and Associates) is an industry leader in providing actuarial related services to California local governments.

PREPARED BY: Gitta Ungvari
Finance Director

Reviewed by: Town Manager and Town Attorney

PAGE 2 OF 3

SUBJECT: Actuarial Presentation on CalPERS Analysis – 6/30/2021 Valuation Report by
Foster & Foster Actuaries and Consultants

DATE: March 14, 2023

DISCUSSION:

Foster & Foster has prepared an analysis of the status of the Town's pension plans for its Miscellaneous and Safety employees as provided in Attachment 1. The Town Actuarial Consultants are attending the meeting to review the following key issues regarding the Town's pension plans:

- An introduction to actuarial valuations
- An introduction to the development of expected returns
- A review of 6/30/2021 valuations and subsequent projections
- Recommended amortization bases for potential future ADPs

The presentation slides are contained in Attachment 2.

CONCLUSION:

The Finance Commission received the presentation and had an opportunity to ask questions of the consultant its March 13, 2023 meeting. The Finance Commission recommended that Oversight Committee pay down the longest base for the Miscellaneous Plan. The current balance of the IRS Pension Trust is approximately \$1.3 million as of March 14, 2023. The entire balance is available for the ADP payment. Staff recommends that the Oversight Committee evaluate and compare both the pros and cons of paying down longest base in Miscellaneous Plan versus Safety Plan as described below.

If the Town makes an ADP payment to the non-pooled Miscellaneous plan, the ADP will be added to the plan's assets and it will reduce the plan's unfunded liability. Earnings will be credited on the plan's assets including the ADP for the year deposited based on the average return credited for the year and the portion of the year after the payment is made. Per the actuarial analysis, paying additional \$1 million ADP to the Miscellaneous Plan yields approximately \$954,000 interest savings.

If the Town makes an ADP payment to the pooled Safety plan, it will reduce the Safety plan's unfunded liability in exactly the same manner as for the Miscellaneous plan. Since actuarial gains and losses are allocated among the risk pool members, the ADP's future investment gains and losses for the Safety plan will not be the same but will be very close to the Miscellaneous plan. Per the actuarial analysis paying additional \$1 million ADP to the Safety Plan yields approximately \$1,035,000 interest savings.

COORDINATION:

This report has been coordinated with the Town Manager's Office.

PAGE 3 OF 3

SUBJECT: Actuarial Presentation on CalPERS Analysis – 6/30/2021 Valuation Report by
Foster & Foster Actuaries and Consultants

DATE: March 14, 2023

FISCAL IMPACT:

Based on the recommended plan bases payment, the Town will have an interest savings between \$954,000 to \$1,035,000.

ENVIRONMENTAL ASSESSMENT:

This is not a project defined under CEQA, and no further action is required.

Attachments:

1. CalPERS Analysis – 6/30/2021 Valuation Report by Foster & Foster Actuaries and Consultants
2. Actuarial Presentation on CalPERS Analysis – 6/30/2021 Valuation Report by Foster & Foster Actuaries and Consultants
3. Commissioner Communication