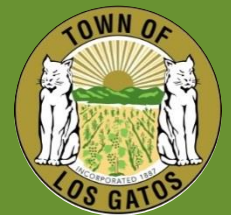


# Town Pension and OPEB Trusts Oversight Committee

## September 3, 2019

CalPERS Actuarial Review and Additional  
Discretionary Payment (ADP) Strategy



# CalPERS Approved Asset Allocation Changes

## ■ Risk Mitigation - 2019 Valuation

- Move to more conservative investment portfolio over time
  - Target lower investment risk due to increasing plan maturity
  - Lower discount rate when investment return is greater than assumed
  - Reduce exposure to higher risk investments
  - Lower probability benefit payments will exceed contributions and earnings
  - Lessen impact of investment losses as a percentage of payroll
  - Gradual phase-in avoids immediate large contribution increase
  - Reduces impact of future investment gains on employer contributions
- Discount rate likely to go from 7% to 6% over 20+ years

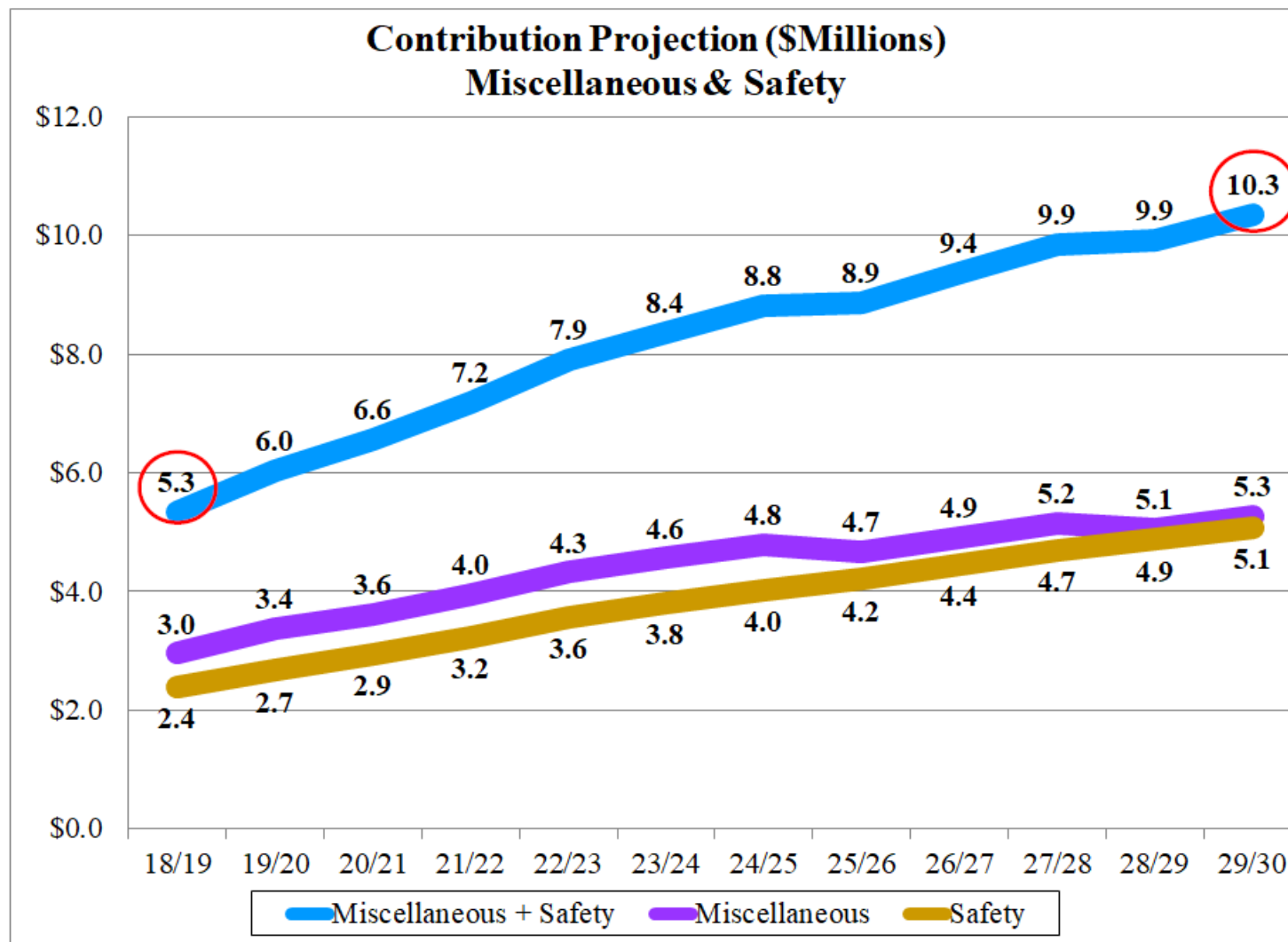
## Valuation Results

### Discount Rate Sensitivity - June 30, 2017 Valuation

(Dollar Amounts in Thousands)

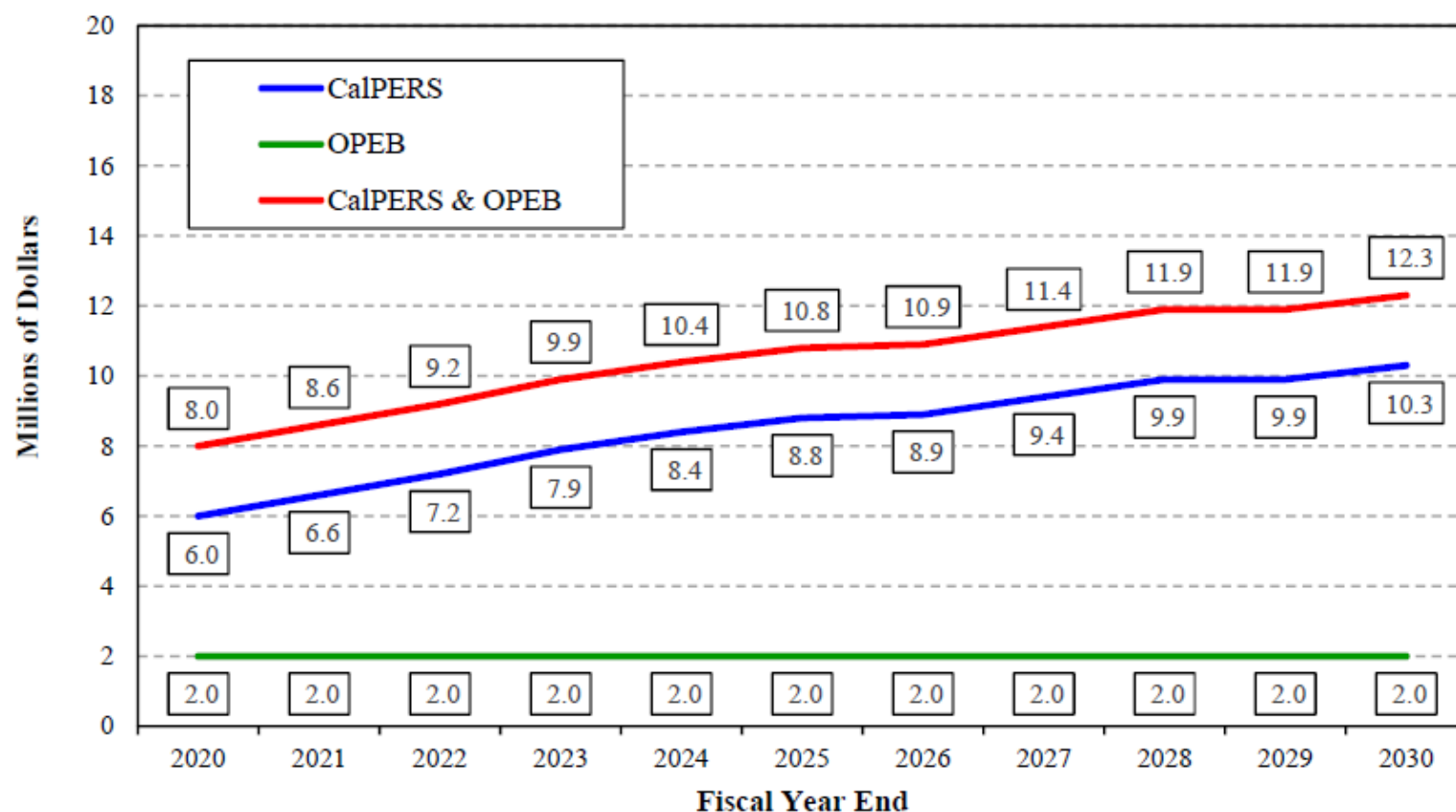
Funded Percent	Ongoing Plan Discount Rate <sup>6</sup>		
	7.25%	7.00%	6.00%
<b>■ Miscellaneous</b> <ul style="list-style-type: none"> <li>● Accrued Liability</li> <li>● Assets</li> <li>● Unfunded Liability</li> <li>● Funded Percent</li> </ul>	\$99,903 <u>69,527</u> 30,376 69.6%	\$102,599 <u>69,527</u> 33,073 67.8%	\$115,979 <u>69,527</u> 46,452 59.9%
<b>■ Safety</b> <ul style="list-style-type: none"> <li>● Accrued Liability</li> <li>● Assets</li> <li>● Unfunded Liability</li> <li>● Funded Percent</li> </ul>	\$84,807 <u>62,719</u> 22,089 74.0%	\$87,274 <u>62,719</u> 24,555 71.9%	\$99,376 <u>62,719</u> 36,657 3.1%
<b>■ Total</b> <ul style="list-style-type: none"> <li>● Accrued Liability</li> <li>● Assets</li> <li>● Unfunded Liability</li> <li>● Funded Percent</li> </ul>	\$184,710 <u>132,246</u> 52,465 71.6%	\$189,873 <u>132,246</u> 57,628 69.6%	\$215,354 <u>132,246</u> 83,109 61.4%

## Combined Plans (50th Percentile)



Assumes investment returns will, generally be 6.5% over the next 10 years and higher beyond that.

## Projected City Contributions CalPERS Pension & OPEB



# **Additional Discretionary Payment (ADP) Strategies**

- **Payments directly to CalPERS**
- **Payments into Pension 115 Trust**
- **Payments into OPEB Trust**

# Making Payments Directly to CalPERS

## Pay Off Targeted Unfunded Bases Miscellaneous Example

Bases Targeted	Contribution Impact	Interest Savings
Shorter Bases	Immediate	Less
Longer Bases	Delayed	More

Bases Targeted	Initial Payment	Contribution Savings	Present Value (3% Discount Rate)
Shorter Bases <sup>9</sup>	\$8,000,000	\$3,701,000	\$1,844,000
Longer Bases <sup>10</sup>	8,000,000	11,674,000	4,903,000

# Payments into an IRS 115 Pension Trust

- Generally greater risk and return than general fund
  - Agency chooses asset allocation
  - Consider risk tolerance and when funds are expected to be used
- Flexible as to when and how used for CalPERS funding
  - Rate stabilization is a common objective
  - Paying of unfunded bases in the future
- Avoids CalPERS overfunding due to required Normal Cost contributions
- Asset restricted and can only be used for pension funding



# Payments Directly to OPEB 115 Trust

## Contribution Projection - Full ADC Funding - New Plan - Additional \$8 Million (Amounts in 000's)

Fiscal Year End	New Plan CERBT #1			Additional \$8 Million <sup>18</sup>		
	ADC <sup>19</sup>	BOY UAAL <sup>20</sup>	BOY Fund%	ADC	BOY UAAL	BOY Fund%
2019	\$ 1,991	\$ 10,242	61%	\$ 1,991	\$ 10,242	61%
2020	1,959	9,662	65%	1,355	1,662	94%
2021	1,967	9,572	68%	1,345	1,640	94%
2022	1,970	9,456	70%	1,329	1,615	95%
2023	1,975	9,310	72%	1,315	1,586	95%
2024	1,981	9,133	74%	1,301	1,552	95%
2025	1,987	8,921	75%	1,286	1,513	96%
2026	1,990	8,671	77%	1,268	1,468	96%
2027	1,994	8,378	79%	1,250	1,416	96%
2028	1,995	8,041	80%	1,228	1,357	97%

# ACTION



## Decide on an Additional Discretionary Payment (ADP) Strategy Based on the August 2019 Bartel and Associates Analysis

- Payments directly to CalPERS
- Payments into Pension 115 Trust
- Payments into OPEB Trust