

From: jvannada

Date: Monday, April 20, 2020 at 10:32 AM

To: Laurel Prevetti <LPrevetti@losgatosca.gov>, Arn Andrews <aandrews@losgatosca.gov>, Stephen Conway <sconway@losgatosca.gov>, Robert Schultz <RSchultz@losgatosca.gov>

Subject: TOWN PENSION AND OPEB TRUSTS OVERSIGHT COMMITTEE MEETING 4-21-20 -

TOWN PENSION AND OPEB TRUSTS OVERSIGHT COMMITTEE MEETING 4-21-20
ITEM 2

Dear Councilmember,

The Staff memo does not discuss the impact on CalPERS calculation of the mandatory UAL payment for FY 2021, should the \$3.66M payment be delayed until July 1, 2020. This was one of the major reasons to make the payment by the end of April 2020. Based on our discussions with David Clement from CalPERS last year, we believe May 1 is the cut-off date for CalPERS to include any ADP into the FY 2021 mandatory UAL computations.

By making the \$3.66M payment now, the Town will pay off the entire June 30, 2015 loss base. If this does not happen, CalPERS will include approximately \$280,000 in the FY 21 mandatory UAL payment since the loss base will still be outstanding at June 30, 2020. That mandatory payment will have to come from the town's General Fund during FY 2021. And to make matters even worse, we believe without a quick and major economic turnaround, the next fiscal year is going to be very difficult for the Town. We project sales and TOT tax revenues will be materially down as a result of Covid 19. There is an opportunity to get "budget" relief from CalPERS to the tune of \$280,000 if we make the payment by April 30th.

Why would we choose to delay the payment until July 1? The staff and FC agreed that it is nearly impossible to "time" the investment. Who can possibly predict how the market will react between now and July 1? And even if the scenario discussed by the Staff were to occur, what would be the amount of the "proportionate investment loss" and how will that impact the amount of the unfunded pension liability as of June 30, 2020? Wouldn't the unfunded pension liability as of June 30, 2020 be lower, regardless of the market performance between now and June 30, by making the payment now as opposed to waiting until the next fiscal year?

To take a quote from the 3/3/20 OPEB meeting, "Staff anticipated paying the second amortization base off approximately six months after the first payment which would be in the April timeframe. In addition, a payment prior to May 1, 2020 would be acknowledged by CalPERS in development of the next actuarial valuation".

We're not clear as to what has changed since that 3/3/20 meeting to risk \$280,000. Therefore, we highly recommend paying the \$3,660,342 before By April 30, 2020.

Save the \$280,000 cost to our town.

Phil Koen
Jak VanNada
Los Gatos Community Alliance

ATTACHMENT 1