



# MARIPOSA COUNTY

Administration • 209-966-3222



## **RESOLUTION - ACTION REQUESTED 2015-374**

MEETING: July 28, 2015  
TO: The Board of Supervisors  
FROM: Mary Hodson, CAO  
RE: CalPERS Unfunded Liability Payment

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### **RECOMMENDATION AND JUSTIFICATION:**

Approve The Annual Payment of the County's Unfunded Liability Contribution to California Public Employees Retirement System (CalPERS) in One Lump Payment for Fiscal Year 2015-16.

The CalPERS Board of Administration approved structural changes to the "pools" of personnel that resulted in the combining of existing pools into two new pools - Miscellaneous and Safety. The CalPERS actuarial study for the County's Safety Plan that was done in June 2013 is now being used to calculate the amount owed for fiscal year 2015-2016. The Safety pool is less than 100 persons and is therefore considered a "Risk Pool" requiring the liability of possible retirements to be funded. The Miscellaneous pool is greater than 100 persons and the standard retirement contributions are deemed adequate to fund the retirement liability for this pool.

This new Unfunded Accrued Liability Payment represents the new amortization and rate smoothing policies set by CalPERS for the employer's contribution towards retirement plans. This amount has been separated from the traditional employer contribution line item as it has been determine by an actuarial study and the Public Employees' Pension Reform Act of 2013 (PEPRA) to be a "risk pool" that will need to be funded directly to avoid an underfunded situation in the future.

The County has two options for paying the unfunded accrued liability - in one lump payment or in monthly amounts. If paid monthly, there will be interest charges so staff is recommending the annual lump payment which will save the County a little over \$25,000 in interest fees. The appropriate funding has been budgeted in the affected budgets for the Requested/Recommended Budget for Fiscal Year 2015-16, but because this is a new program and the budget has not been adopted, staff is requesting Board approval for the lump sum payment.

The attached invoice shows the monthly payment amount of \$60,205. Monthly payments would total \$722,460. The lump sum payment of \$696,797 would save \$25,663 in General Fund dollars.

### **BACKGROUND AND HISTORY OF BOARD ACTIONS:**

This is the first fiscal year payment to CalPERS for the unfunded liability issue.

**ALTERNATIVES AND CONSEQUENCES OF NEGATIVE ACTION:**

Do not pay the annual amount but instead pay the monthly amount that will include interest.

**FINANCIAL IMPACT:**

The annual payment amount, including interest, is incorporated in the Fiscal Year 2015-2016 budget in the following amounts:

District Attorney \$14,594 - Sheriff \$578,402 - Probation \$129,464.

**ATTACHMENTS:**

CalPERS Unfunded Liab Invoice (PDF)

Clarification from Auditor (PDF)

**CAO RECOMMENDATION**

Requested Action Recommended



Mary Hodson, CAO

7/21/2015

**RESULT:** ADOPTED BY CONSENT VOTE [UNANIMOUS]

**MOVER:** Rosemarie Smallcombe, District I Supervisor

**SECONDER:** Kevin Cann, District IV Supervisor

**AYES:** Rosemarie Smallcombe, Marshall Long, Kevin Cann, John Carrier

**EXCUSED:** Merlin Jones



888 CalPERS (or 888-225-7377)  
 TTY: For Speech and Hearing Impaired (916) 795-3240  
 Fax: (800) 959-6545 | www.calpers.ca.gov

California Public Employees' Retirement System

**INVOICE**

County of Mariposa  
 Karla M Berg  
 PO BOX 729  
 MARIPOSA, CA 95338-0729

Business Unit: 1900  
 CalPERS ID: 3760897012  
 Invoice Number: 100000014565613  
 Invoice Date: 07/02/2015  
 Due Date: 07/31/2015

Description	Monthly Amount				
<p>Annual Unfunded Accrued Liability as of June 30, 2013 Valuation.</p> <p>The total minimum required employer contribution is the sum of the Plan's Employer Normal Cost Rate (expressed as a percentage of payroll) plus the Employer Unfunded Accrued Liability Contribution Amount.</p> <p>Your agency's monthly amount due toward the Unfunded Accrued Liability is:</p> <table data-bbox="164 808 475 856"> <tr> <td>Monthly Amount</td> <td>Due Date</td> </tr> <tr> <td>\$60,205.00</td> <td>07/31/2015</td> </tr> </table> <p><b>If you would like to prepay the entire Annual Payment toward your Plan's Unfunded Accrued Liability, you can submit the Annual Lump Sum Prepayment amount of \$696,797.00 by 07/31/2015 instead of the monthly amount listed above.</b></p> <p>Please refer to the June 30, 2013 actuarial valuation report for the details of this calculation. Reports are available at CalPERS On-Line or by visiting MyCalPERS.CA.GOV.</p> <p><b>For questions concerning your invoice, please call our CalPERS Customer Contact Center at 888 CalPERS (or 888-225-7377) and ask to be referred to the Actuarial Office.</b></p>	Monthly Amount	Due Date	\$60,205.00	07/31/2015	
Monthly Amount	Due Date				
\$60,205.00	07/31/2015				
<b>Total Due</b>	<b>\$60,205.00</b>				

California Public Employees' Retirement System  
[www.calpers.ca.gov](http://www.calpers.ca.gov)



Explanation on Unfunded Liability Payment:

Due to changes in CalPERS' amortization and rate smoothing policies, as well as the creation of PEPRA, CalPERS decided to combine all risk pool plans into two active pools; one for miscellaneous groups and one for safety groups. As a result of PEPRA, the population in these classic formula risk pools is expected to decline; therefore it would no longer be feasible for agencies to pay their portion of the unfunded liability/side fund as a contribution rate. Instead the payment towards the County's unfunded liability/side fund will be made as a flat dollar amount. There are two main components to this payment. There is the unfunded liability portion, which represents the County's share of the risk pool's unfunded liability. There is also a side fund payment, which represents the County's unfunded liability apart from the risk pool. The total payment prior to interest being calculated is \$696,797 (\$722,455 with interest).

As a comparison to FY 14/15, the unfunded liability payment in FY 15/16 expressed in the form of percentage is 18.301% of projected payroll. The percentage for this in FY 14/15 was 18.499%. When adding in the percentage of the plan's normal cost the comparison is as follows: 36.825% for FY 15/16 and 36.92% for FY 14/15. Therefore, despite the fact that a portion of the employer cost will now be paid in dollars as opposed to a percentage of payroll for the Safety classic plan, the overall employer cost remains very similar to last fiscal year.