

**MONTEREY PENINSULA REGIONAL PARK DISTRICT
BOARD OF DIRECTORS MEETING**

DATE: February 13, 2019
TO: Board of Directors
FROM: Kelly McCullough, Finance Manager
REVIEWED BY: Rafael Payan, General Manager
SUBJECT: Consider Approval of Payments on CalPERS PEPRA & Miscellaneous Retirement Plan Unfunded Amortized Bases

RECOMMENDED ACTION

It is recommended that the Board approve payment of the PEPRA Retirement Plan unfunded balance, estimated to be \$1,627, as of June 30, 2019 (**ATTACHMENT 1**). Staff also respectfully recommends, that the Board consider making an additional payment on the Miscellaneous Retirement Plan unfunded balance, in the amount of \$326,000, using budget savings from funds that were appropriated for elections, but were not required, due to the three seats running unopposed (**ATTACHMENT 2**).

FISCAL IMPACT

\$327,627

FUNDING SOURCE

6147 - Elections

FUNDING BALANCE

As of the date of this report, no funds have been spent from this \$328,000 budgeted line item.

DISCUSSION

On February 7, 2018, the Board reviewed in detail, the status of both the PEPRA and Miscellaneous Retirement Plans for the District. The Board expressed their desire for staff to find ways, by utilizing any current and future budget savings, to pay down the unfunded balance of both plans.

The Board approved payment of the entire unfunded June 30, 2018, balance on the PEPRA Plan. The early payoff balance amounted to \$9,898 (**ATTACHMENT 1**).

The actuarially determined estimated payoff balance as of June 30, 2019, will be up to \$1,627 (**ATTACHMENT 1**). Paying off this balance early, should keep the PEPRA Plan within a manageable annual unfunded balance, which the Board can continue to review annually to determine their desire to pay down.

The actuarially determined unfunded balance of the Miscellaneous Plan as of June 30, 2019 will be \$2,826,619 (**ATTACHMENT 2**). This unfunded balance as detailed last February, consists of numerous bases, created and updated annually by the CalPERS

Actuary. Extra payments made on the shortest bases are expected to lower the following budget year required contributions. Extra payments made on the longest bases are expected to create savings in the interest paid over the life of the plan.

Staff made an appointment to review the District's plans, and personally met with the District's actuary on October 23, 2018, at the Annual CalPERS Forum, and again on January 9, 2019 at the Annual CSMFO Conference. Staff strategized with the Actuary on the various options that would best benefit the District. Staff is carefully monitoring all options and strategies for paying off these unfunded balances.

Legislation was passed in January that permits CalPERS to start a Section 115 Trust for pre-funding pensions. This is similar to the Section 115 Trust that the District has for Other Post Employment Benefits (OPEB). CalPERS indicated it may take up to two years to get such a plan for pensions in place. Staff will continue to monitor this, and will update the Board on the pros and cons of establishing such a Trust for the District. In the meantime, staff will continue to provide recommendations to the Board for other options and strategies to expedite pay down of these balances.

Staff recommends that the Board approve a payment of up to \$1,627 on the PEPRA Plan and \$326,000 on the Miscellaneous Plan, utilizing election budget savings. If the Board approves, staff recommends that the \$326,000 payment be applied to a long-term bases to maximize interest savings (**ATTACHMENT 2**). Additional payments made to the plans by late February, will be reflected on the next actuarial report. Payments made after that date will still benefit the plan, but are too late to be reflected in print on the next actuarial report.

ATTACHMENTS:

1. [PEPRA PLAN](#)
2. [Miscellaneous "Classic" Plan](#)