

MONTEREY PENINSULA REGIONAL PARK DISTRICT
BOARD OF DIRECTORS MEETING

DATE: June 3, 2020
TO: Board of Directors
FROM: Kelly McCullough, Finance Manager
REVIEWED BY: Rafael Payan, General Manager
SUBJECT: Consider California Employer Retirement Benefit Trust (CERBT)
Funding Status and Provide Direction on FY2019-20 Contribution

RECOMMENDED ACTION

Staff respectfully requests that the Board consider the funded OPEB status of the CERBT Investment Trust and provide staff direction on making the FY2019-20 budgeted contribution (**ATTACHMENT 1**) to the CERBT or another option.

FISCAL IMPACT:

\$75,253 up to \$101,000

FUNDING SOURCE:

6107 – Employee Benefits

FUNDING BALANCE:

\$101,000

DISCUSSION:

The Board considered information regarding the status of the CERBT investment account at the May 6, 2020 Board Meeting. At that time, they directed staff to return to the June 3, 2020, meeting with an update on the funds in the investment account, so that they could consider moving forward with the FY2019-20 budgeted contribution or wait until sometime later when it appeared the economy was more likely to calm down and stabilize. The table (**Table: 1**) below reflects the current status of the account since inception in March 2013.

The account experienced a steep loss from its all-time high in February of 2020 but has been making a steady recovery and is nearly back to its value on the date of the June 30, 2019 valuation. As of May 21, 2020, we are down \$39,789 from our June 30, 2019 balance. At the time of the June 30, 2019, actuarial valuation the District maintained an 89% funded status.

The next full valuation will not occur until June 30, 2021. However, the actuary will perform a “Roll Forward” for us on June 30, 2020. This is not a full valuation, but it will provide us with an update to the funded status, based on the investment account balance as of June 30, 2020, payroll costs for the FY2019-20, and contributions made for the same period for current retiree premiums. The “Roll Forward” will not be available until late August or early September. At this time, it appears likely that the “Roll Forward” numbers will not deviate too far from the current funded status.

Table:1

Account Summary as of May 21, 2020	
Initial contribution (3/15/2013)	\$1,729,009
Additional contributions	\$240,006
Disbursements	(\$224,697)
CERBT expenses	(\$14,538)
Investment earnings	\$778,265
Total assets	\$2,508,045
Money-weighted annualized net rate of return (3/15/2013-4/23/2020-7.11 Years)	4.88%
Strategy 1 time-weighted 10-year expected annualized rate of return (2018 CMAs)	5.85%
Percent Funded (based on 6/30/19 actuarial valuation)	89%

The full impact of the COVID-19 pandemic will not be known for some time. A new surge, some anticipate in the fall, could cause more economic turbulence, but for now the initial “blood bath” seems to have subsided and a slow recovery may have begun.

Other factors to consider are pension costs and revenues for future years. The impact on pension costs will not occur until 2022 and are unknown at this time, although they most certainly will cause an increase to the pension costs, which were already planned to increase. CalPERS valuations run two years behind current activity. The rate we are paying this fiscal year is based on a June 30, 2018 valuation.

Property tax revenue for the coming fiscal year is based upon the assessor’s valuations as of January 1, 2020. This is prior to COVID-19 effects on the economy. Therefore, revenue is expected to increase in FY2020-21 based on the assessor’s valuations by 4.5% to 5%, but the tax collector’s ability to collect on those bills in FY2020-21 is unknown at this time. Even though the owner’s eventually will have to pay the bill, they have the ability by Executive Order N-61-20 to defer payments until May 6, 2021, without penalties, costs or interest. At this time, the assessor plans 0% growth for FY2021-22, but will continue to monitor the situation.

A contribution to the CERBT investment trust is not required. The District budgeted \$101,000 for this fiscal year, but based on the actuarial valuation that was recently completed we only need to contribute \$75,253 to stay on our current path to fully funding future benefits.

The OPEB Funding Policy adopted by the Board at the May 6, 2020 meeting also allows the Board the option of placing these budgeted funds on unfunded pension liabilities rather than investing them in the CERBT Trust. We currently pay 7% interest on those unfunded pension liabilities.

Staff requests direction from the Board on moving forward with a contribution to the CERBT of \$75,253 for the current fiscal year. To have an impact on our June 30, 2020, OPEB funded status, funds must be received by the CERBT no later than June 30, 2020.

Please provide staff with direction on one of the following options:

1. Contribute \$75,253 to the CERBT Trust for unfunded OPEB liabilities, put the remaining budgeted funds (\$25,747) towards unfunded pension liabilities
2. Use the entire \$101,000 that was budgeted for the CERBT to pay down unfunded pension liabilities instead
3. Retain the funds in the District Reserves