



**Finance Committee**  
November 6, 2024

# CalPERS Actuarial Liability Options

## CalPERS Unfunded Actuarial Liability – Current Status



### **Based on the most recent June 30, 2023, Actuarial Valuation** *(page 4 of Actuarial Valuation Report)*

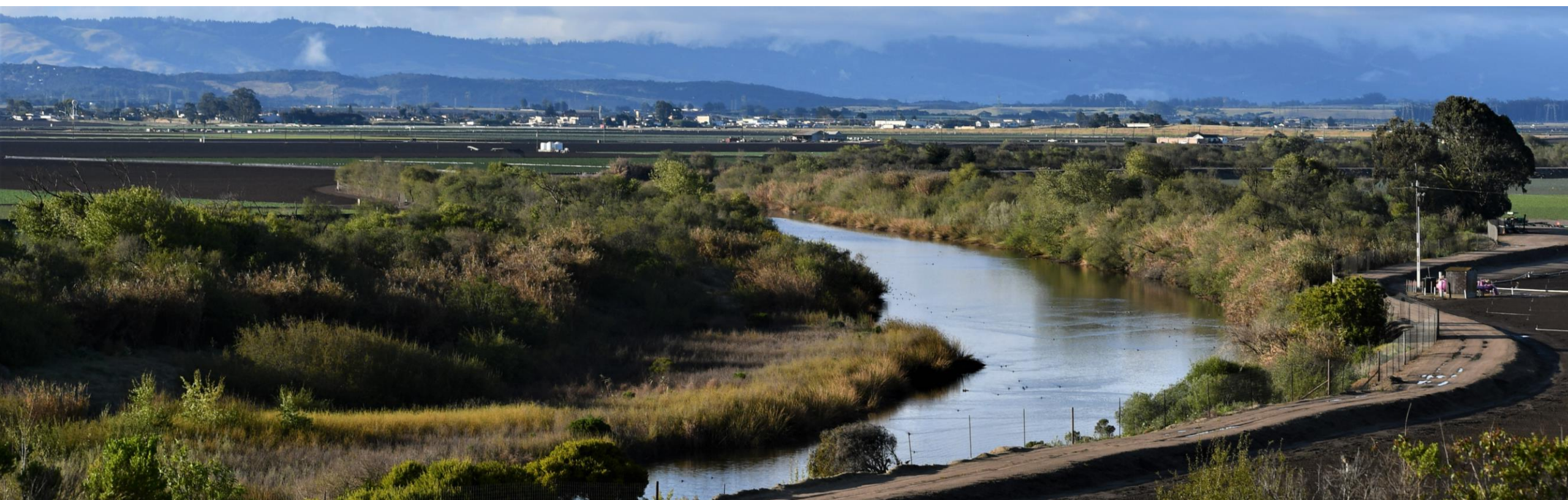
- Unfunded accrued liability is \$19,668,750
- Funded ratio is 67.8% based on a 6.8% discount rate

**CalPERS posted 9.3% investment gain, thus no change in discount rate for next year.**

### **Termination liability** *(page 31 of Actuarial Valuation Report)*

- Discount rate drastically lowered
- Liability increases to \$55.3M at the low discount of 3.06%
- Liability increases to \$30.5M at the high discount rate of 4.5%

# Funding Status as of June 30, 2023



	<b>June 30, 2022</b>	<b>June 30, 2023</b>
Entry Age Accrued Liability (AL)	\$58,057,967	\$61,109,881
Market Value of Assets (MVA)	39,090,075	41,441,131
Unfunded Accrued Liability (UAL) [AL – MVA]	\$18,967,892	\$19,668,750
Funded Ratio [MVA ÷ AL]	67.3%	67.8%

## Funding Options



### ReGen has four funding options to consider:

1. Continue to pay the minimum Unfunded Actuarial Pension Liability (UAL)
2. Create a reserve policy
3. Create a Section 115 Trust
4. Reduce the amortization period from 23 years to 15 or 10 years by making additional UAL payments annually

## Continue Paying minimum required UAL



### Option 1: Continue paying minimum required UAL

#### Pros

- No change in process
- Burden on cash requirements changes minimally annually

#### Cons

- Interest continues to accrue and grow- no savings
- Liability continues to grow
- Liability growth subject to fluctuations in interest

## Create a Reserve Policy



### Option 2: Create a reserve policy

#### Pros

- Cash set aside for future payment UAL
- Board has ability to unreserve cash

#### Cons

- Interest continues to accrue and grow- no savings
- Liability continues to grow
- Liability growth subject to fluctuations in interest rates/discount rate based on Treasury Bond market
- UAL is not reduced



## Option 3: Create a Section 115 Trust

### Pros

- Sets aside funds to pay liability
- Earnings on funds may offset interest expense on liability

### Cons

- Does not reduce liability with CalPERS
- Interest on liability continue to be incurred
- Cash once placed in Trust can only be used for CalPERS liability
- Board cannot undesignated/unreserve cash

## Decrease UAL Amortization Period /Accelerate Payment



### Option 4: Decrease UAL Amortization Period/Accelerate Payment

#### Pros

- Reduces liability
- Saves interest expense
- That UAL payment amount can be adjusted from year to year depending on current cash needs.
- There is no obligation to make a payment each year.

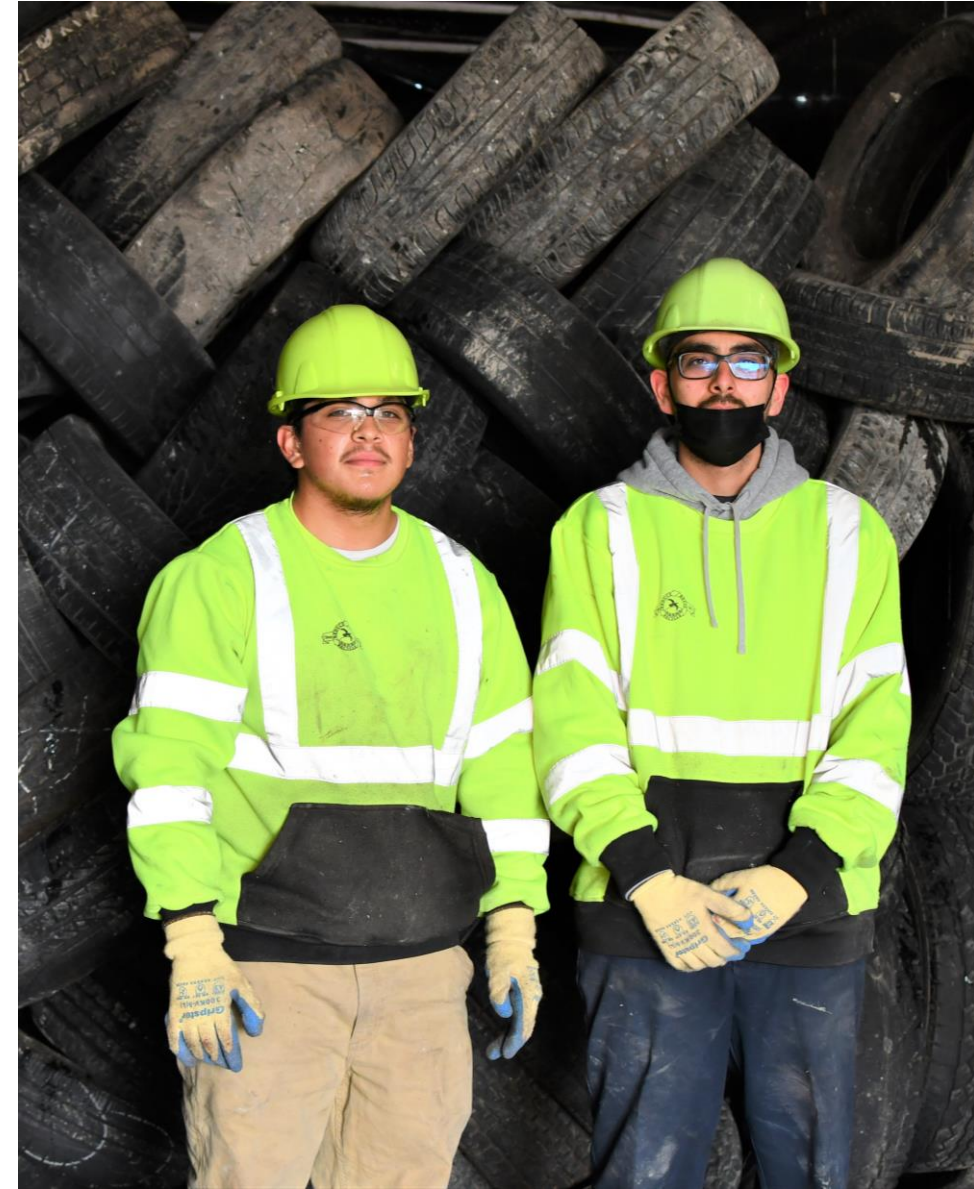
#### Cons

- Increased cash usage requirements
- Depending on CalPERS investment earnings- liability may continue to grow.



# Sample – Accelerated Payment Alternative Schedules

Date	Current Amortization Schedule		Alternative Schedules			
	Balance	Payment	15 Year Amortization		10 Year Amortization	
			Balance	Payment	Balance	Payment
6/30/2025	19,445,329	1,572,630	19,445,329	2,039,886	19,445,329	2,654,276
6/30/2026	19,142,392	1,686,672	18,659,510	2,039,886	18,024,574	2,654,276
6/30/2027	18,701,001	1,778,845	17,820,255	2,039,886	16,507,208	2,654,276
6/30/2028	18,134,338	1,974,543	16,923,931	2,039,886	14,886,661	2,654,276
6/30/2029	17,326,897	2,019,365	15,966,657	2,039,887	13,155,917	2,654,276
6/30/2030	16,418,231	2,057,810	14,944,287	2,039,887	11,307,482	2,654,276
6/30/2031	15,408,045	2,027,325	13,852,396	2,039,886	9,333,354	2,654,277
6/30/2032	14,360,670	2,019,169	12,686,257	2,039,886	7,224,984	2,654,277
6/30/2033	13,250,503	1,942,257	11,440,821	2,039,887	4,973,245	2,654,277
6/30/2034	12,144,329	1,908,785	10,110,694	2,039,886	2,568,387	2,654,276
6/30/2035	10,997,529	1,847,005	8,690,120	2,039,887		
6/30/2036	9,836,592	1,731,384	7,172,946	2,039,887		
6/30/2037	8,716,198	1,662,110	5,552,604	2,039,887		
6/30/2038	7,591,209	1,588,109	3,822,079	2,039,887		
6/30/2039	6,466,196	1,532,442	1,973,878	2,039,886		
6/30/2040	5,322,209	1,502,099				
6/30/2041	4,131,788	1,327,421				
6/30/2042	3,040,939	1,146,128				
6/30/2043	2,063,266	1,523,140				
6/30/2044	629,493	377,582				
6/30/2045	282,090	178,355				
6/30/2046	116,953	120,864				
6/30/2047						
6/30/2048						
6/30/2049						
<b>Total</b>		<b>33,524,040</b>		<b>30,598,297</b>		<b>26,542,763</b>
<b>Interest Paid</b>		<b>14,078,711</b>		<b>11,152,968</b>		<b>7,097,434</b>
<b>Estimated Savings</b>				<b>2,925,743</b>		<b>6,981,277</b>





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ReGen Monterey  
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