



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)*

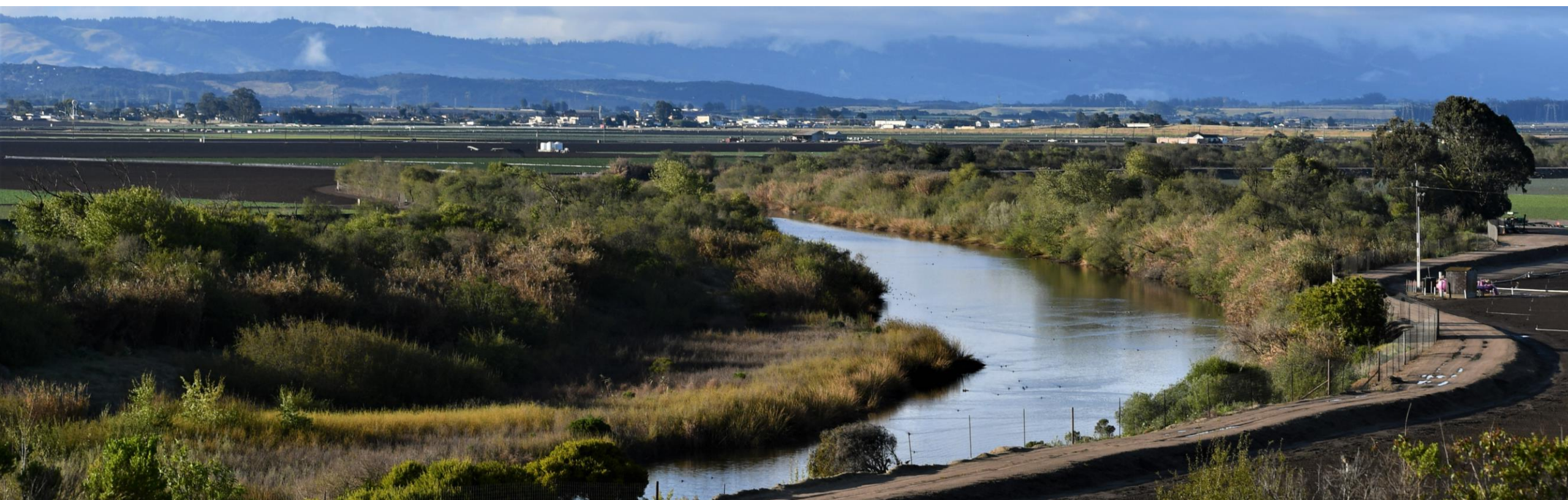
- Unfunded accrued liability is \$19,668,750
- Funded ratio is 67.8% based on a 6.8% discount rate

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



	June 30, 2022	June 30, 2023
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

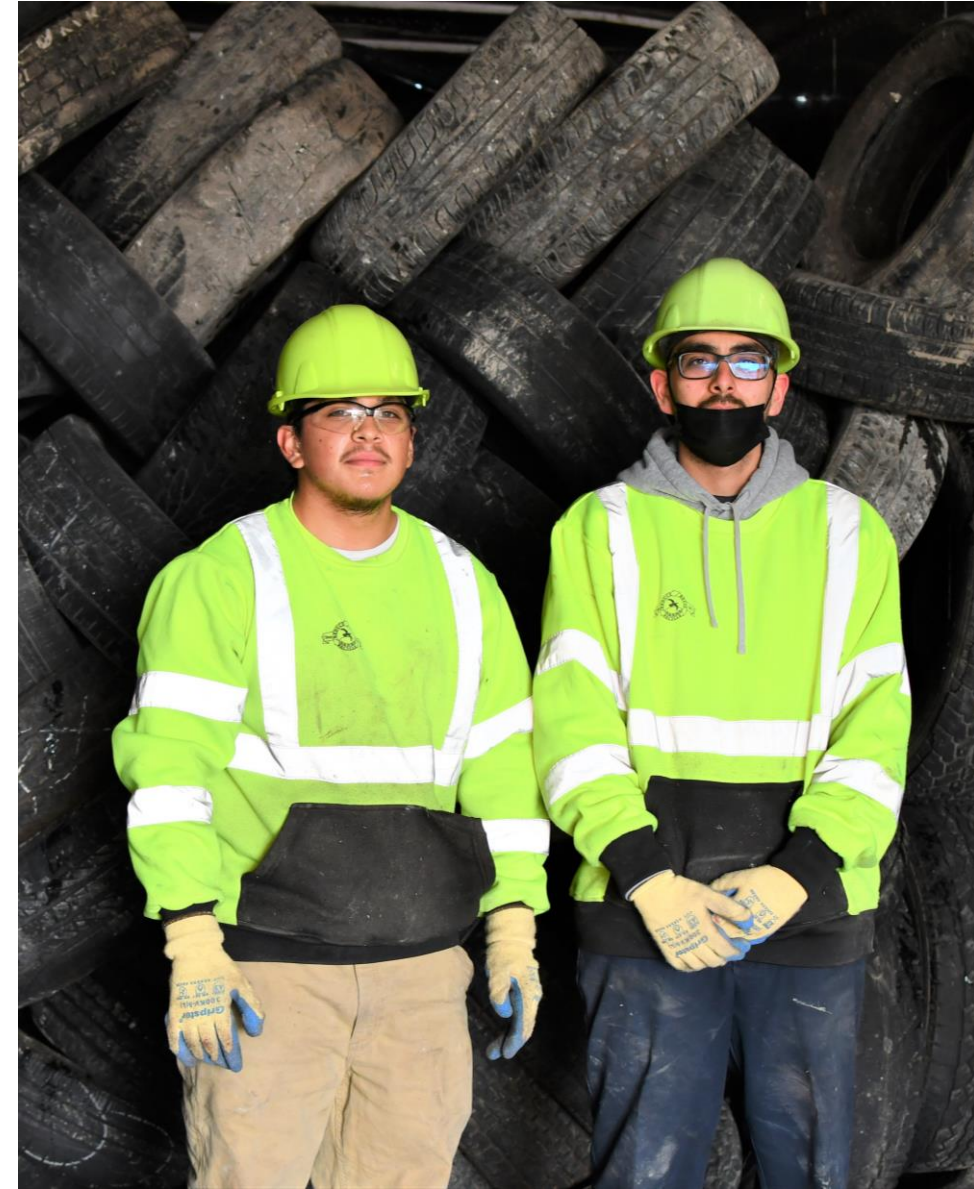
- Reduces liability
- Saves interest expense
- That UAL payment amount can be adjusted from year to year depending on current cash needs.
- There is no obligation to make a payment each year.

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						
Total		33,524,040		30,598,297		26,542,763
Interest Paid		14,078,711		11,152,968		7,097,434
Estimated Savings				2,925,743		6,981,277



Sample – Accelerated Payment Alternative Schedules

Original Payments + \$500,000 on Jan 1 each Year

Pay #	Date	Revised Balance	Original Payment	Revised Payment	Additional Payment
13	6/30/2024	19,667,969	1,509,584	2,009,584	500,000
12	6/30/2025	18,928,605	1,572,630	2,072,630	500,000
11	6/30/2026	18,073,810	1,686,672	2,186,672	500,000
10	6/30/2027	17,043,033	1,778,845	2,278,845	500,000
9	6/30/2028	15,846,908	1,974,543	2,474,543	500,000
8	6/30/2029	14,367,204	2,019,365	2,519,365	500,000
7	6/30/2030	12,740,559	2,057,810	2,557,810	500,000
6	6/30/2031	10,963,572	2,027,325	2,527,325	500,000
5	6/30/2032	9,097,254	2,019,169	2,519,169	500,000
4	6/30/2033	7,112,455	1,942,257	2,442,257	500,000
3	6/30/2034	5,072,174	1,908,785	2,408,785	500,000
2	6/30/2035	2,927,745	1,847,005	2,347,005	500,000
1	6/30/2036	701,341	N/A	724,794	-
0	6/30/2037	-	-	-	-
	6/30/2038	-	-	-	-
	6/30/2039	-	-	-	-
	6/30/2040	-	-	-	-

Total Payments	29,068,784
Total Interest Paid	9,400,815
Estimated Savings	5,964,840





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ReGen Monterey
is the public name of
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