Review Pension and Other Post-Employment Benefits (OPEB)/Retiree Healthcare Trust Funds

Finance Committee, Item #1
## Council Adopted Pension Funding Policy Goals

<table>
<thead>
<tr>
<th>Funding Goals and Timeline</th>
<th>• Reach a 90% funded status by FY 2036 (15-years)</th>
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<tbody>
<tr>
<td>Funding Components</td>
<td>• Lower discount rate for normal cost (pay-go) as compared to CalPERS (currently 5.8%)</td>
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<td>• Additional contributions from excess Budget Stabilization Reserve (BSR) above target</td>
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<td>Use of Funds</td>
<td>• City Manager to identify impacts on the funding goal and timeframe to modify the transmission of contributions to the PARS Trust</td>
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<td>• Transmission of funds from PARS to CalPERS requires City Council approval</td>
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<td>Reporting</td>
<td>• Every 3 years, staff to consult with an actuary to inform progress made towards goals</td>
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<td>• Through annual budget, staff to report the status of Trust funds, including recommended contributions and transmission of funds from PARS to CalPERS</td>
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## Pension Policy Review and Reporting

- Review CalPERS actuarial analysis as of June 30, 2021 (September 20, 2022)
- Review the current status of Pension and OPEB liabilities with plan providers (October 18, 2022)
- Review comprehensive actuarial analysis based on alternative assumptions, including potential policy revisions for City Council consideration (tentatively scheduled November 29, 2022)
Areas for Feedback & Action

Areas for Finance Committee Feedback

• Investment Diversification
  • Diversify asset classes to hedge against impacts from similar negative events
  • Invest more conservatively when actuary recommends disbursements or reach 75-80% funded status

• Rate Stabilization
  • Smooth volatility in employer rates year over year
  • Act as an emergency source of funds (rainy day) in difficult budgetary or economic times

• Liability Payments
  • Additional Discretionary Payments (ADPs) to pay down liabilities
  • Funding Policy contemplates an ADP of funds in excess of a single year of employer contributions (anticipated in 2-3 years)

**ACTION:** Review and accept the status update of the City’s irrevocable 115 Pension Trust Fund and the City’s California Employers’ Retiree Benefit Trust (CERBT) Fund for the OPEB plans, discuss variables governing these plans, and provide feedback on potential policy changes moving forward