

Finance MEETING

12/06/2022

☒ Received Before Meeting

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Pension Policy and Retiree Healthcare Trust Review and Update

Finance Committee, Item #2

December 6, 2022

Pension Funding Policy Review

Council Adopted Pension Funding Policy Goals

Funding Goals and Timeline	<ul style="list-style-type: none">• Reach a 90% funded status by FY 2036 (15-years)
Funding Components	<ul style="list-style-type: none">• Lower discount rate for normal cost (pay-go) as compared to CalPERS (currently 5.8%)• Additional contributions from excess Budget Stabilization Reserve (BSR) above target
Use of Funds	<ul style="list-style-type: none">• City Manager to identify impacts on the funding goal and timeframe to modify the transmission of contributions to the PARS Trust• Transmission of funds from PARS to CalPERS requires City Council approval
Reporting	<ul style="list-style-type: none">• Every 3 years, staff to consult with an actuary to inform progress made towards goals• Through annual budget, staff to report the status of Trust funds, including recommended contributions and transmission of funds from PARS to CalPERS

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 (tonight) ★

Potential Policy Revisions for Feedback & Action

- Add proactive planning for Other Post-Employment Benefits (OPEB)/retiree healthcare to policy, consistent with City Council actions
- Reduce the discount rate for supplemental contributions from 6.2% to 5.3% for pensions and from 6.25% to 5.75% for OPEB, as approved by the City Council
- Add language for investment strategy of Pension and OPEB Trusts, including more conservative investment allocations once 75-80% funded, or when actuary recommends disbursements
- Identify areas of focus for accumulated savings, such as rate stabilization and Additional Discretionary Payments (ADPs) to CalPERS:
 - ADPs in excess of one-year employer contribution (current policy)
 - No ADPs, all contributions accumulate in Pension Trust
 - ADPs for excess BSR and/or normal cost contributions only
- Modify actuary reporting from 3 to 4 years to align with CalPERS Asset Liability Management (ALM) process and Experience Study

ACTION: Review and accept the revised actuarial pension analysis using alternative assumptions and recommend City Council adoption of modifications to the Pension Funding Policy used to guide financial planning of these benefits



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