



**B**ARTEL  
ASSOCIATES, LLC

**EL DORADO HILLS FIRE DEPARTMENT  
MISCELLANEOUS AND SAFETY PLANS**

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**CalPERS Actuarial Issues – 6/30/16 Valuation  
Preliminary Results**

**Mary Beth Redding, Vice President**  
Bianca Lin, Assistant Vice President  
Wai Man Yam, Actuarial Analyst  
**Bartel Associates, LLC**

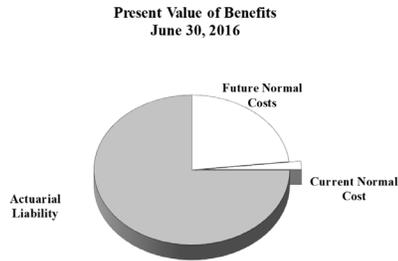
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## DEFINITIONS



- **Present Value:**
  - The value now of amounts due to be paid in the future
- **PVB - Present Value of all Projected Benefits:**
  - Discounted value (at valuation date - 6/30/16), of all future expected benefit payments based on various (actuarial) assumptions

- **Actuarial Liability:**
  - Discounted value (at valuation date) of benefits earned through valuation date [value of past service benefit]
  - Portion of PVB “earned” at measurement
- **Current Normal Cost:**
  - Portion of PVB allocated to (or “earned” during) current year
  - Value of employee and employer current service benefit

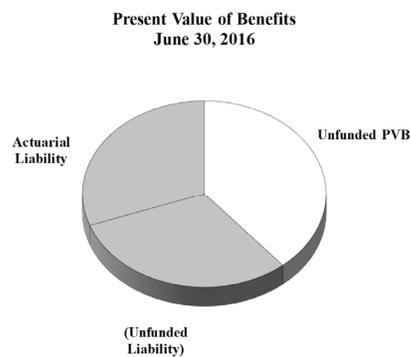
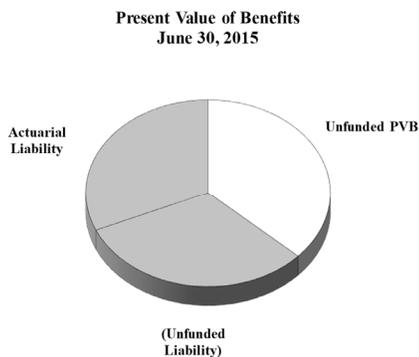


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## DEFINITIONS



- **Target-** Have money in the bank to cover Actuarial Liability (past service)
- **Unfunded Liability -** Money short of target at valuation date
  - If all actuarial assumptions were always exactly met, then the plan assets would always equal AAL
  - Any difference is the unfunded (or overfunded) AAL
  - Every year, the actuary calculates the difference between the expected UAAL and Actual UAAL. This is a new layer or amortization base
  - Each new layer gets amortized (paid off) over a period of time as part of the contribution [rate].



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## DEFINITIONS

- CalPERS Defined Benefit Promise:
  - At retirement, employees receive a monthly annuity for life
  - Final average pay (monthly) x years of service x factor
  - Example: 3.0%@50
    - Hire age 25, retire at 50 = 25 years of service
    - $3.0\% \times 25 = 75\%$  of final 1-year average pay for life
  - Cost of living increase up to 2% per year
  - No Social Security



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## HOW WE GOT HERE

- Investment Losses
- CalPERS Contribution Policy
- Enhanced Benefits
- Demographics



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# HOW WE GOT HERE – INVESTMENT RETURN

## Fundamental Funding Rule

$$\begin{aligned} &\text{Contributions*} + \text{Investment Earnings} \\ &= \\ &\text{Benefits} + \text{Expenses} \end{aligned}$$

\* Employee and Employer contributions

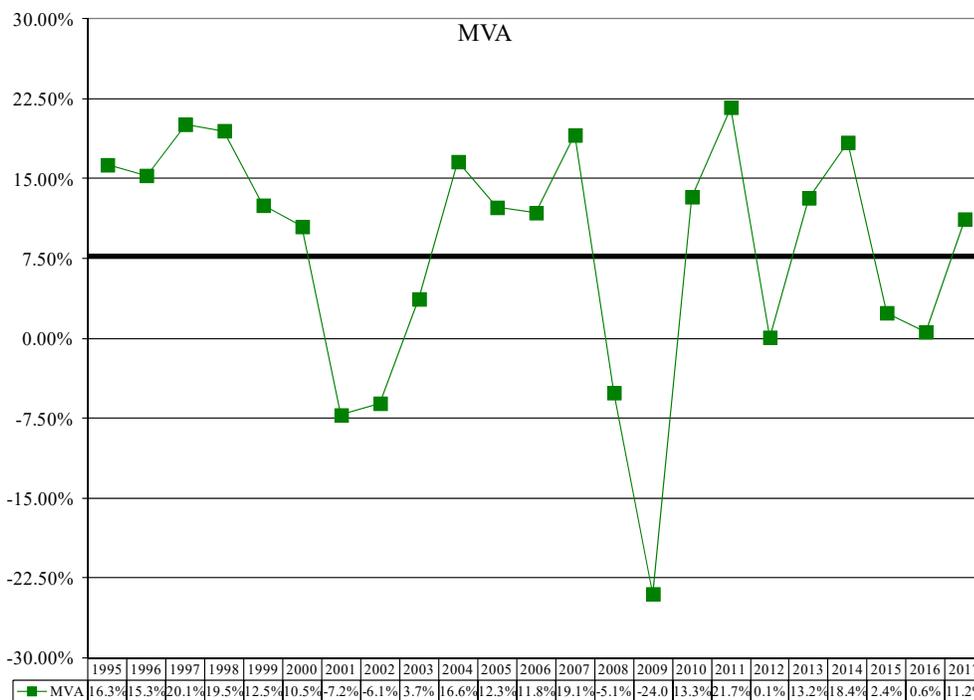


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# HOW WE GOT HERE – INVESTMENT RETURN



Above assumes contributions, payments, etc. received evenly throughout year.



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## HOW WE GOT HERE – OLD CONTRIBUTION POLICY

- Effective with 2003 valuations:
  - Slow (15 year) recognition of investment losses into funded status
  - Rolling 30 year amortization of all (primarily investment) losses
  
- Designed to:
  - First smooth rates and
  - Second pay off UAL
  
- Mitigated contribution volatility



## HOW WE GOT HERE – ENHANCED BENEFITS

- At CalPERS, Enhanced Benefits implemented using all (future & prior) service
  
- Typically not negotiated with cost sharing

■ District	Tier 1	Tier 2	PEPRA
● Miscellaneous	3%@60 FAE1	2%@55 FAE3	2%@62 FAE3
● Safety	3%@50 FAE1	3%@55 FAE3	2.7%@57 FAE3

- Note:
  - FAE1 is highest one year (typically final) average earnings
  - FAE3 is highest three years (typically final three) average earnings



## HOW WE GOT HERE – DEMOGRAPHICS

- Around the State
  - Large retiree liability compared to actives
  - Declining active population

- Percentage of liability:

	Percentage of District liability belonging to Retirees
● Miscellaneous	88%
● Safety	55%



## CALPERS CHANGES

- Contribution policy changes:
  - No asset smoothing
  - Amortization
    - No rolling amortization
    - 30 years for gains/losses; 20 years for assumption/plan changes
    - 5-year ramp up/down
  - Included in 6/30/13 valuation (first impact 15/16 rates; full impact 19/20)

- Assumption changes:

- Anticipate future mortality improvement; other, less significant, changes
- Included in 6/30/14 valuation (first impact 16/17 rates; full impact 20/21)

- Discount rate change:

	<u>Rate</u>	<u>Initial</u>	<u>Full</u>
● 6/30/16 valuation	7.375%	18/19	22/23
● 6/30/17 valuation	7.25%	19/20	23/24
● 6/30/18 valuation	7.00%	20/21	24/25

- December 2018 CalPERS Board selected asset allocation similar to current portfolio. No further change to the discount rate.



## CALPERS CHANGES

- Risk Mitigation Strategy
  - Move to more conservative investments over time
  - Only when investment return is better than expected
  - Lower discount rate in concert
  - Essentially use ≈50% of investment gains to pay for cost increases
  - Likely get to 6.0% over 20+ years
  - Risk mitigation suspended until 6/30/18 valuation
- February 2018 CalPERS adopted new amortization policy
  - Applies only to newly established amortization bases
    - Fixed dollar amortization rather than % pay
    - Amortize gains/losses over 20 rather than 30 years
    - 5-year ramp up (not down) for investment gains and losses
    - No ramp up/down for other amortization bases
  - Minimizes total interest paid over time and pays off UAL faster
  - Effective June 30, 2019 valuation for 2021/22 contributions
  - Not included in this study

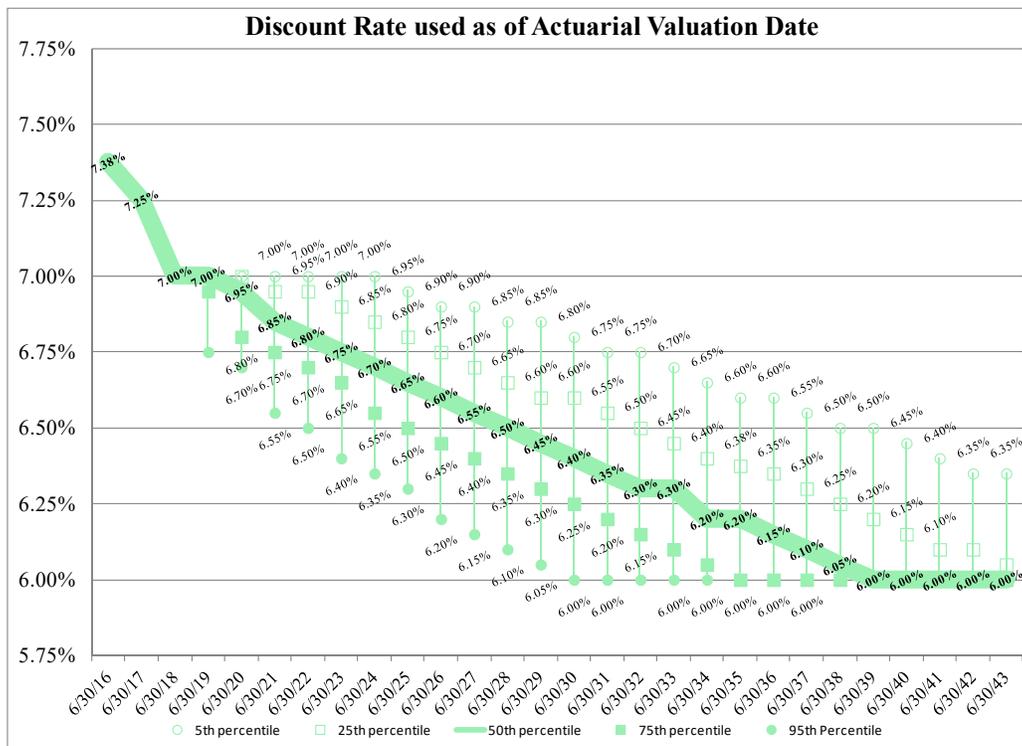


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## CALPERS CHANGES



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## SUMMARY OF DEMOGRAPHIC INFORMATION - MISCELLANEOUS

	2013	2014	2015	2016
<b>Actives</b>				
■ Counts	5	5	7	8
■ Average PERSable Wages	\$ 88,200	\$ 81,700	\$ 79,600	\$ 75,100
■ Total PERSable Wages (millions)	0.4	0.4	0.6	0.6
<b>Inactive Counts</b>				
■ Transferred	0	0	0	0
■ Separated	0	0	0	1
■ Retired	4	4	4	6



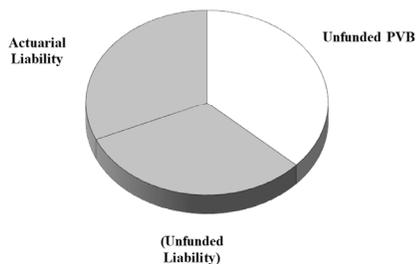
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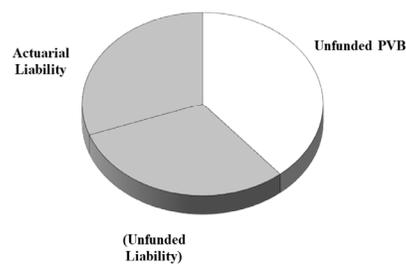


## CONTRIBUTION RATES- MISCELLANEOUS

Present Value of Benefits  
June 30, 2015



Present Value of Benefits  
June 30, 2016



<u>June 30, 2015</u>		<u>June 30, 2016</u>
\$ 2,400,000	<b>Active AAL</b>	\$ 400,000
600,000	<b>Retiree AAL</b>	2,900,000
-	<b>Inactive AAL</b>	-
3,000,000	<b>Total AAL</b>	3,300,000
2,400,000	<b>Market Asset Value</b>	2,500,000
(600,000)	<b>(Unfunded Liability)</b>	(800,000)



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**CONTRIBUTION RATES- MISCELLANEOUS**

**6/30/15 Valuation  
2017/2018 Contribution Rates**

<u>Total</u>	<u>Tier 1</u>	<u>Tier 2</u>	<u>PEPRA</u>
<b>3%<u>@60</u></b>	<b>2%<u>@55</u></b>	<b>2%<u>@62</u></b>	

<b>■ Required Employer Contribution</b>				
● Risk Pool's Base Employer Normal Cost	10.8%	12.0%	N/A	6.5%
● Class 1 Benefits				
<input type="checkbox"/> FAC1 (1-year final average pay)	0.5%	0.7%	N/A	0.0%
<input type="checkbox"/> PRSA (Pre-Retirement Death Benefits)	0.0%	0.0%	N/A	0.0%
● Pool's Expected Employee Contribution for Formula	7.4%	7.8%	N/A	6.3%
● Plan's Employee Contribution Rate	(7.4%)	(7.8%)	N/A	(6.3%)
● Payment on Amortization Bases	6.2%	7.9%	N/A	0.0%
● Amortization of Side Fund	<u>0.0%</u>	<u>0.0%</u>	N/A	<u>0.0%</u>
● <b>Total ER Contribution</b>	<b>17.5%</b>	<b>20.6%</b>	N/A	<b>6.5%</b>
● <b>Total ER Contribution \$ (in 000's)</b>	<b>\$ 97</b>			
● <b>Count of actives</b>	<b>7</b>	<b>5</b>	<b>0</b>	<b>2</b>
● <b>Payroll (in 000's)</b>	<b>\$558</b>	<b>\$434</b>	<b>0</b>	<b>\$124</b>



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**CONTRIBUTION RATES- MISCELLANEOUS**

**6/30/16 Valuation  
2018/2019 Contribution Rates**

<u>Total</u>	<u>Tier 1</u>	<u>Tier 2</u>	<u>PEPRA</u>
<b>3%<u>@60</u></b>	<b>2%<u>@55</u></b>	<b>2%<u>@62</u></b>	

<b>■ Required Employer Contribution</b>				
● Risk Pool's Base Employer Normal Cost	8.9%	12.8%	8.9%	6.8%
● Class 1 Benefits				
<input type="checkbox"/> FAC1 (1-year final average pay)	0.1%	0.7%	0.0%	0.0%
<input type="checkbox"/> PRSA (Pre-Retirement Death Benefits)	0.0%	0.0%	0.0%	0.0%
● Pool's Expected Employee Contribution for Formula	6.8%	7.8%	6.9%	6.3%
● Plan's Employee Contribution Rate	(6.8%)	(7.8%)	(6.9%)	(6.3%)
● Payment on Amortization Bases	7.6%	33.7%	0.4%	0.5%
● Amortization of Side Fund	<u>0.0%</u>	<u>0.0%</u>	<u>0.0%</u>	<u>0.0%</u>
● <b>Total ER Contribution</b>	<b>16.7%</b>	<b>47.2%</b>	<b>9.3%</b>	<b>7.4%</b>
● <b>Total ER Contribution \$ (in 000's)</b>	<b>\$ 100</b>			
● <b>Count of actives</b>	<b>8</b>	<b>2</b>	<b>2</b>	<b>4</b>
● <b>Payroll (in 000's)</b>	<b>\$601</b>	<b>\$129</b>	<b>\$232</b>	<b>\$240</b>



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**CONTRIBUTION RATES- MISCELLANEOUS**

	<b><u>6/30/15</u></b>	<b><u>6/30/16</u></b>
	<b><u>2017/2018</u></b>	<b><u>2018/2019</u></b>
■ Total Normal Cost	18.8%	15.9%
■ Employee Normal Cost	7.4%	6.8%
■ Employer Normal Cost	11.3%	9.1%
■ Amortization Bases	<u>6.2%</u>	<u>7.6%</u>
■ Total Employer Contribution Rate	17.5%	16.7%
■ Amortization Period	Multiple	Multiple
■ What Happened from 6/30/15 to 6/30/16:		
● 2017/18 Rate		17.5%
● Payroll > Expected		(0.3%)
● Asset Method Change (4 <sup>th</sup> Year)		0.7%
● 6/30/14 Assumption Change (3 <sup>rd</sup> Year)		0.5%
● 6/30/14 (Gains)/Losses (3 <sup>rd</sup> Year)		(0.6%)
● 6/30/15 (Gains)/Losses (2 <sup>nd</sup> Year)		0.4%
● 6/30/16 Discount Rate change (1 <sup>st</sup> Year)		0.7%
● 6/30/16 (Gains)/Losses (1 <sup>st</sup> Year)		<u>(2.2%)</u>
● 2018/19 Rate		16.7%



**CONTRIBUTION RATES- MISCELLANEOUS**

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## CONTRIBUTION PROJECTIONS - MISCELLANEOUS

- Market Value Investment Return:
  - June 30, 2017 11.2%<sup>1</sup>
  - Future returns based on stochastic analysis using 1,000 trials

<u>Single Year Returns at<sup>2</sup></u>	<u>25<sup>th</sup> Percentile</u>	<u>50<sup>th</sup> Percentile</u>	<u>75<sup>th</sup> Percentile</u>
● 7.0% Investment Mix	<b>0.1%</b>	<b>7.0%</b>	<b>14.8%</b>
● 6.0% Investment Mix	<b>0.8%</b>	<b>6.0%</b>	<b>11.4%</b>

  - Assumes investment returns will, generally be 6.5% (as compared to 7.0%) over the next 10 years and higher beyond that.
- No Other: Gains/Losses, Method/Assumption Changes, Benefit Improvements
- Includes Classic Tier 2 Members (2%@55) effective November 27, 2012

<sup>1</sup> Based on CalPERS 6/30/17 CAFR

<sup>2</sup> N<sup>th</sup> percentile means N percentage of our trials result in returns lower than the indicated rates.



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## CONTRIBUTION PROJECTIONS - MISCELLANEOUS

- New hire assumptions:
  - Assumes 50% of 2013 new hires will be Classic Members (2%@55) and 50% will be New Members with PEPRAs benefits
  - Assumes Classic Members will decrease from 50% to 0% of new hires over 20 years
- EE Cost Sharing:
  - Classic employees pay 4% toward District rates
  - Increases from 4% to 5% over the next 2 years (increase 0.5% effective July 2018 and increase another 0.5% effective July 2019)
- Employer Paid Member Contributions (EPMC):
  - District pays 8% for Tier 1 Classic employees
  - District pays 7% for Tier 2 Classic employees

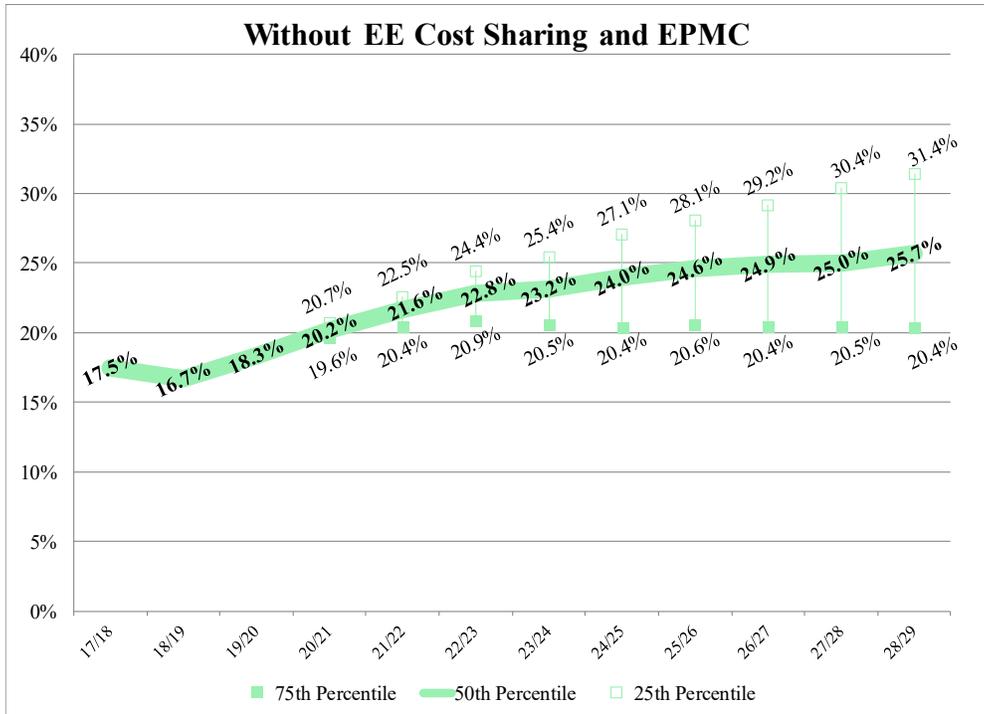


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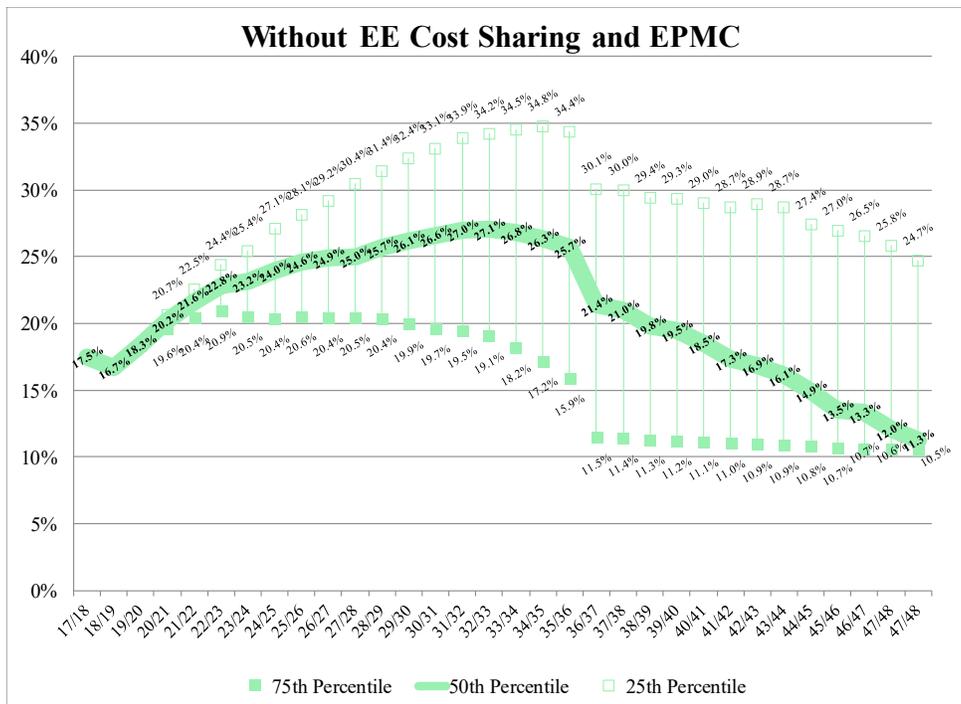
## CONTRIBUTION PROJECTIONS - MISCELLANEOUS



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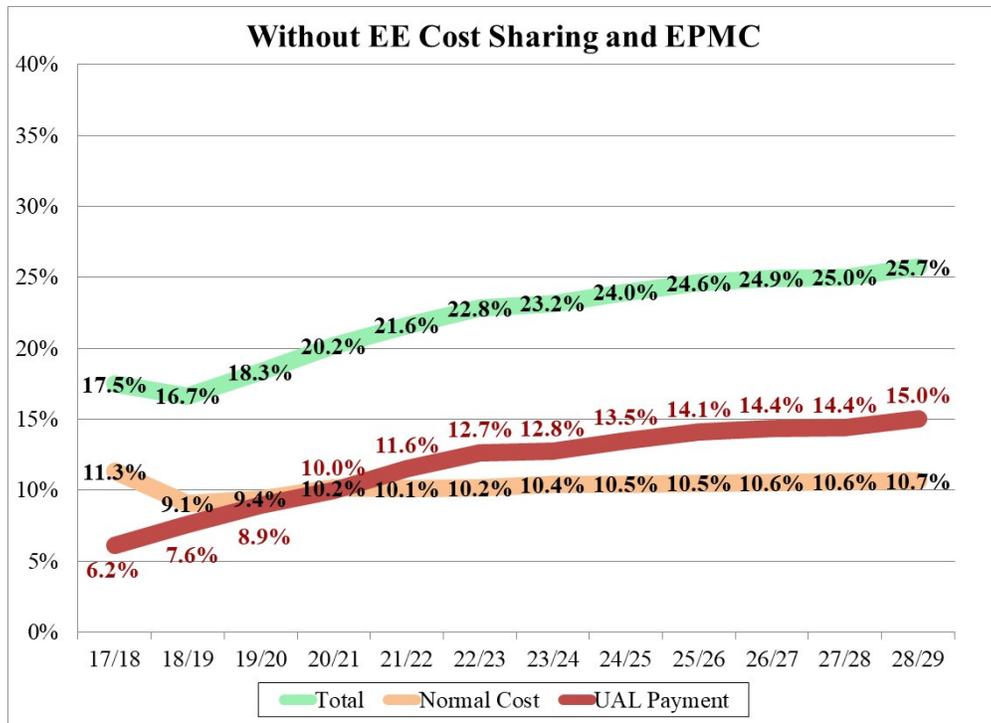
## CONTRIBUTION PROJECTIONS - MISCELLANEOUS



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## CONTRIBUTION PROJECTIONS - MISCELLANEOUS

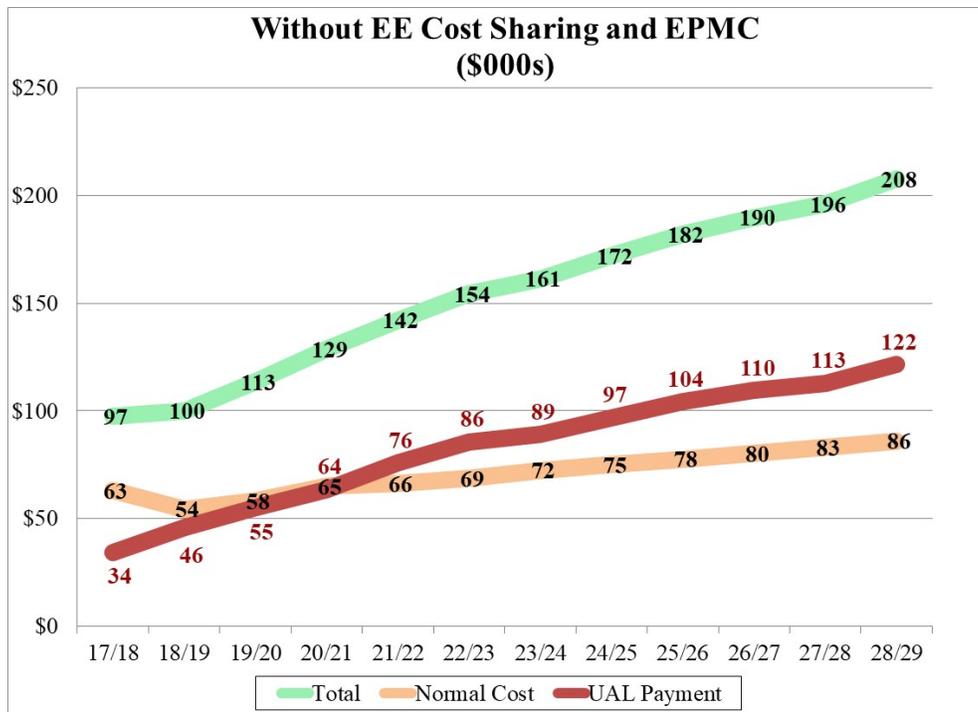


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## CONTRIBUTION PROJECTIONS - MISCELLANEOUS

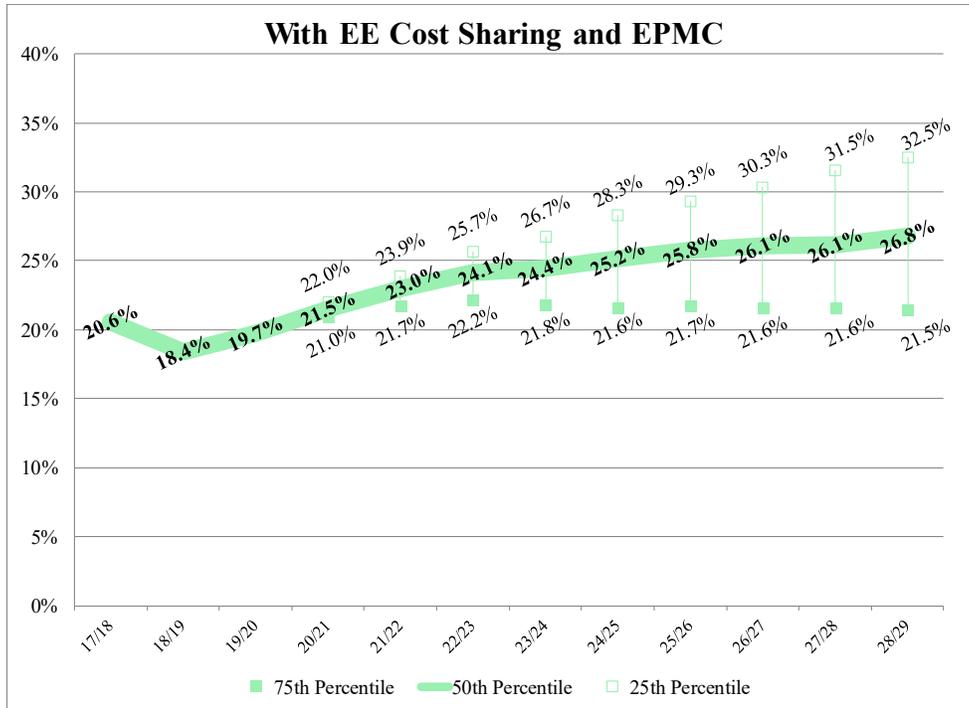


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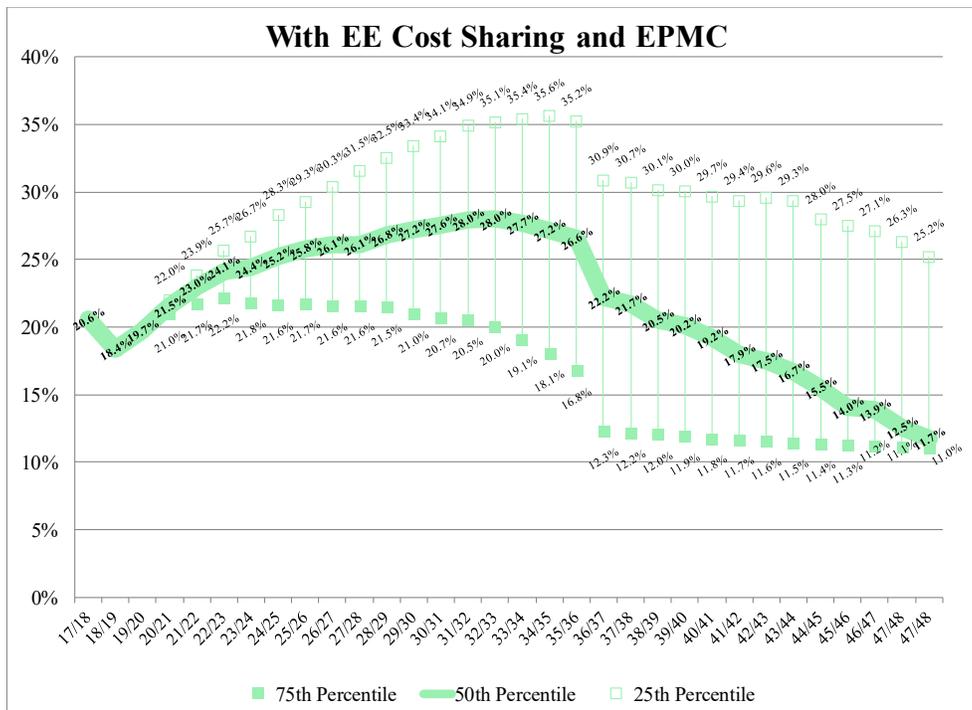
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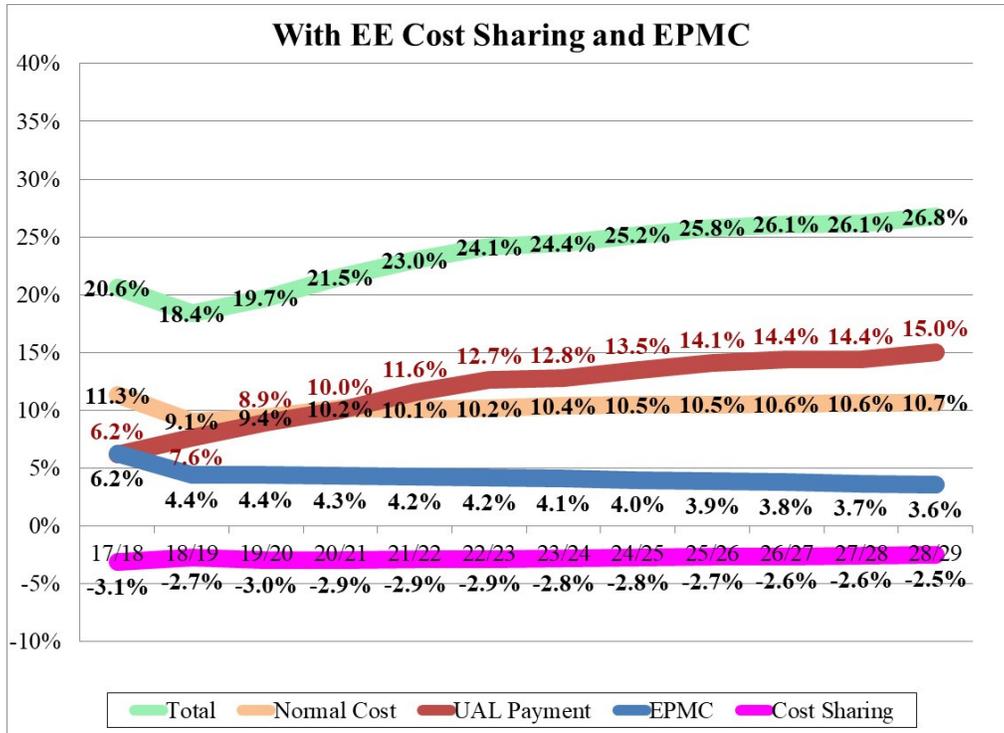
## CONTRIBUTION PROJECTIONS - MISCELLANEOUS



## CONTRIBUTION PROJECTIONS - MISCELLANEOUS



## CONTRIBUTION PROJECTIONS - MISCELLANEOUS

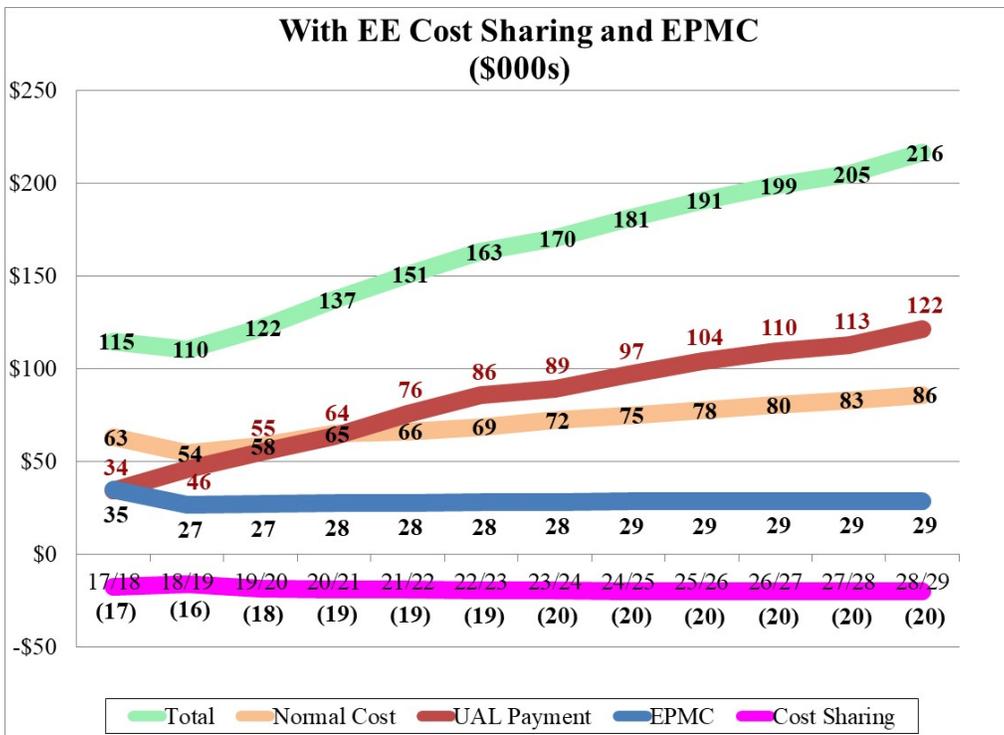


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## CONTRIBUTION PROJECTIONS - MISCELLANEOUS

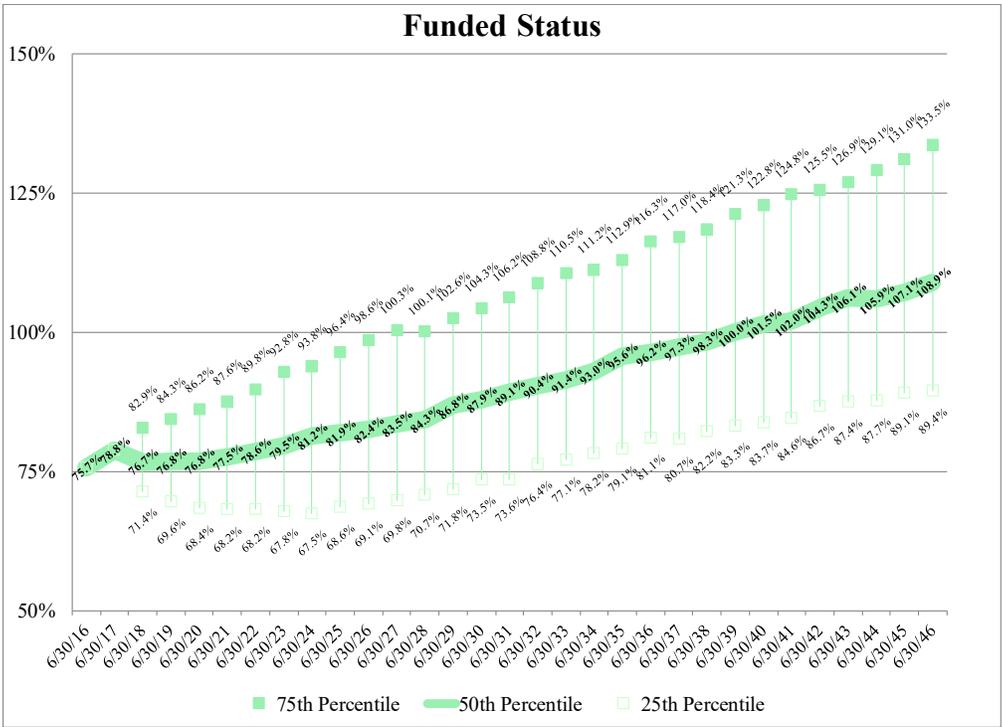


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**FUNDED STATUS - MISCELLANEOUS**



**FUNDED STATUS - MISCELLANEOUS**

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## SUMMARY OF DEMOGRAPHIC INFORMATION - SAFETY

	2013	2014	2015	2016
<b>Actives</b>				
■ Counts	49	51	55	57
■ Average PERSable Wages	\$ 132,500	\$ 127,400	\$ 123,100	\$ 126,100
■ Total PERSable Wages (millions)	6.5	6.5	6.8	7.2
<b>Inactive Counts</b>				
■ Transferred	11	11	12	12
■ Separated	3	3	5	6
■ Retired	25	27	30	33



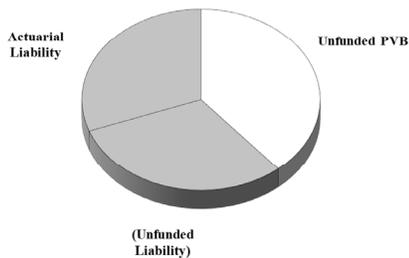
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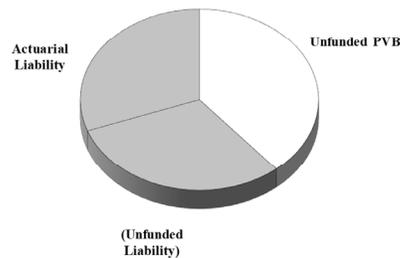


## CONTRIBUTION RATES - SAFETY

Present Value of Benefits  
June 30, 2015



Present Value of Benefits  
June 30, 2016



<b>June 30, 2015</b>		<b>June 30, 2016</b>	
\$ 25,500,000	<b>Active AAL</b>	\$ 27,800,000	
32,400,000	<b>Retiree AAL</b>	35,100,000	
<u>1,300,000</u>	<b>Inactive AAL</b>	<u>800,000</u>	
59,200,000	<b>Total AAL</b>	63,700,000	
<u>46,400,000</u>	<b>Market Asset Value</b>	<u>47,900,000</u>	
(12,800,000)	<b>(Unfunded Liability)</b>	(15,800,000)	



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## CONTRIBUTION RATES - SAFETY

**6/30/15 Valuation**  
**2017/2018 Contribution Rates**  
**Total**    **Tier 1**    **Tier 2**    **PEPRA**  
**3%@50**    **3%@55**    **2.7%@57**

<b>■ Required Employer Contribution</b>				
● Risk Pool's Base Employer Normal Cost	18.0%	18.6%	16.8%	12.0%
● Class 1 Benefits				
<input type="checkbox"/> FAC1 (1-year final average pay)	1.0%	1.1%	0.0%	0.0%
<input type="checkbox"/> PRSA (Pre-Retirement Death Benefits)	0.0%	0.0%	0.0%	0.0%
● Pool's Expected Employee Contribution for Formula	9.2%	9.0%	9.0%	11.5%
● Plan's Employee Contribution Rate	(9.2%)	(9.0%)	(9.0%)	(11.5%)
● Payment on Amortization Bases	10.6%	12.0%	0.0%	0.0%
● Amortization of Side Fund	<u>0.0%</u>	<u>0.0%</u>	<u>0.0%</u>	<u>0.0%</u>
● <b>Total ER Contribution</b>	<b>29.6%</b>	<b>31.8%</b>	<b>16.9%</b>	<b>12.0%</b>
● <b>Total ER Contribution \$ (in 000's)</b>	<b>\$ 2,004</b>			
● <b>Count of actives</b>	<b>55</b>	<b>43</b>	<b>3</b>	<b>9</b>
● <b>Payroll (in 000's)</b>	<b>\$558</b>	<b>5,968</b>	<b>259</b>	<b>543</b>



## CONTRIBUTION RATES - SAFETY

**6/30/16 Valuation**  
**2018/2019 Contribution Rates**  
**Total**    **Tier 1**    **Tier 2**    **PEPRA**  
**3%@50**    **3%@55**    **2.7%@57**

<b>■ Required Employer Contribution</b>				
● Risk Pool's Base Employer Normal Cost	18.6%	19.4%	17.6%	12.1%
● Class 1 Benefits				
<input type="checkbox"/> FAC1 (1-year final average pay)	0.9%	1.1%	0.0%	0.0%
<input type="checkbox"/> PRSA (Pre-Retirement Death Benefits)	0.0%	0.0%	0.0%	0.0%
● Pool's Expected Employee Contribution for Formula	9.3%	9.0%	9.0%	12.0%
● Plan's Employee Contribution Rate	(9.3%)	(9.0%)	(9.0%)	(12.0%)
● Payment on Amortization Bases	11.5%	13.9%	0.1%	0.1%
● Amortization of Side Fund	<u>0.0%</u>	<u>0.0%</u>	<u>0.0%</u>	<u>0.0%</u>
● <b>Total ER Contribution</b>	<b>31.1%</b>	<b>34.4%</b>	<b>17.7%</b>	<b>12.3%</b>
● <b>Total ER Contribution \$ (in 000's)</b>	<b>\$ 2,235</b>			
● <b>Count of actives</b>	<b>57</b>	<b>42</b>	<b>6</b>	<b>9</b>
● <b>Payroll (in 000's)</b>	<b>\$7,189</b>	<b>5,977</b>	<b>548</b>	<b>664</b>



**CONTRIBUTION RATES - SAFETY**

	<b>6/30/15</b>	<b>6/30/16</b>
	<b><u>2017/2018</u></b>	<b><u>2018/2019</u></b>
■ Total Normal Cost	28.2%	28.8%
■ Employee Normal Cost	9.2%	9.3%
■ Employer Normal Cost	19.0%	19.6%
■ Amortization Bases	<u>10.6%</u>	<u>11.5%</u>
■ Total Employer Contribution Rate	29.6%	31.1%
■ Amortization Period	Multiple	Multiple
■ What Happened from 6/30/15 to 6/30/16:		
● 2017/18 Rate	29.6%	
● Payroll > Expected	(0.3%)	
● Asset Method Change (4 <sup>th</sup> Year)	1.0%	
● 6/30/14 Assumption Change (3 <sup>rd</sup> Year)	0.9%	
● 6/30/14 (Gains)/Losses (3 <sup>rd</sup> Year)	(1.0%)	
● 6/30/15 (Gains)/Losses (2 <sup>nd</sup> Year)	0.6%	
● 6/30/16 Discount Rate change (1 <sup>st</sup> Year)	1.1%	
● 6/30/16 (Gains)/Losses (1 <sup>st</sup> Year)	<u>(0.8%)</u>	
● 2018/19 Rate	31.1%	



**CONTRIBUTION RATES - SAFETY**

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## CONTRIBUTION PROJECTIONS - SAFETY

### Market Value Investment Return:

- June 30, 2017 11.2%<sup>3</sup>
  - Future returns based on stochastic analysis using 1,000 trials
- | <u>Single Year Returns at<sup>4</sup></u> | <u>25<sup>th</sup> Percentile</u> | <u>50<sup>th</sup> Percentile</u> | <u>75<sup>th</sup> Percentile</u> |
|---|-----------------------------------|-----------------------------------|-----------------------------------|
| ● 7.0% Investment Mix                     | <b>0.1%</b>                       | <b>7.0%</b>                       | <b>14.8%</b>                      |
| ● 6.0% Investment Mix                     | <b>0.8%</b>                       | <b>6.0%</b>                       | <b>11.4%</b>                      |
- Assumes investment returns will, generally be 6.5% (as compared to 7.0%) over the next 10 years and higher beyond that.

- No Other: Gains/Losses, Method/Assumption Changes, Benefit Improvements
- Includes Classic Tier 2 Members (3%@55) effective November 27, 2012

<sup>3</sup> Based on CalPERS 6/30/17 CAFR

<sup>4</sup> N<sup>th</sup> percentile means N percentage of our trials result in returns lower than the indicated rates.



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## CONTRIBUTION PROJECTIONS - SAFETY

- New hire assumptions:
  - Assumes 50% of 2013 new hires will be Classic Members (3%@55) and 50% will be New Members with PEPRAs benefits
  - Assumes Classic Members will decrease from 50% to 0% of new hires over 20 years
- EE Cost Sharing:
  - Classic employees pay 6% toward District rates
  - Increases from 6% to 9% over the next 2 years (increase 1.5% effective July 2018 and increase another 1.5% effective July 2019)
- Employer Paid Member Contributions (EPMC):
  - District pays 9% for Tier 1 Classic employees
  - District pays 9% for Tier 2 Classic employees

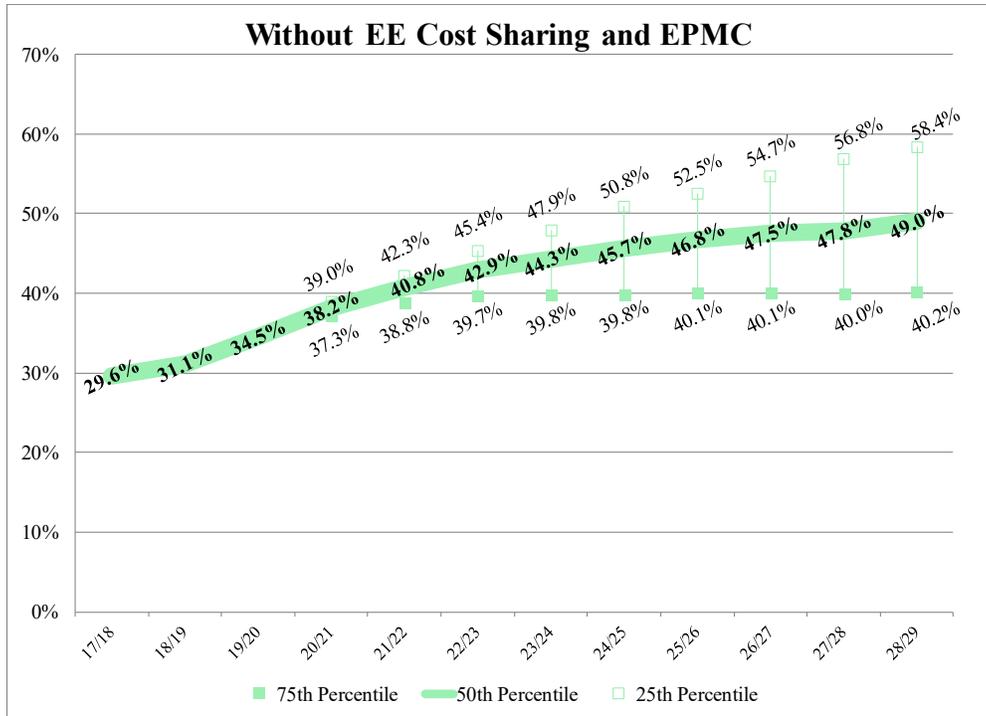


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## CONTRIBUTION PROJECTIONS - SAFETY

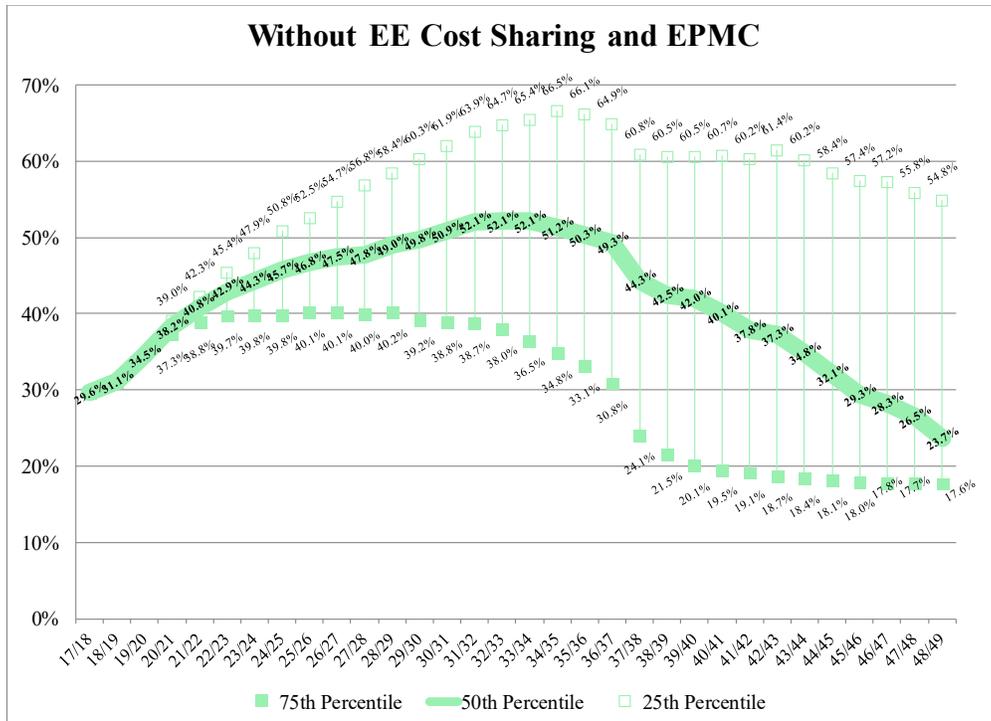


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## CONTRIBUTION PROJECTIONS - SAFETY

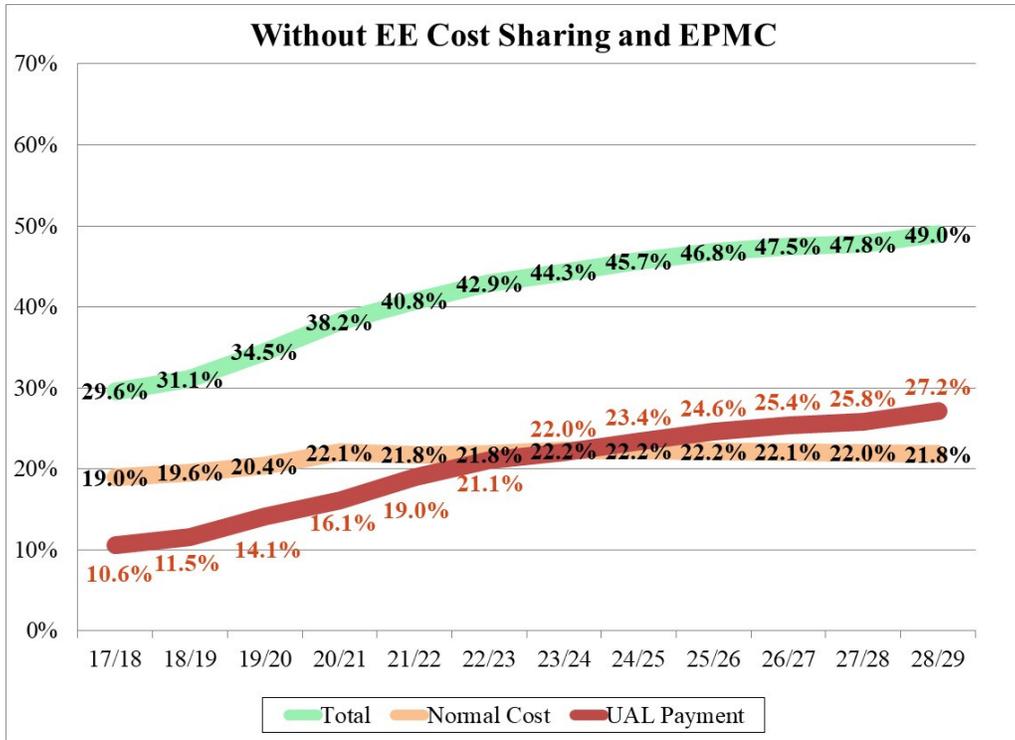


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## CONTRIBUTION PROJECTIONS - SAFETY

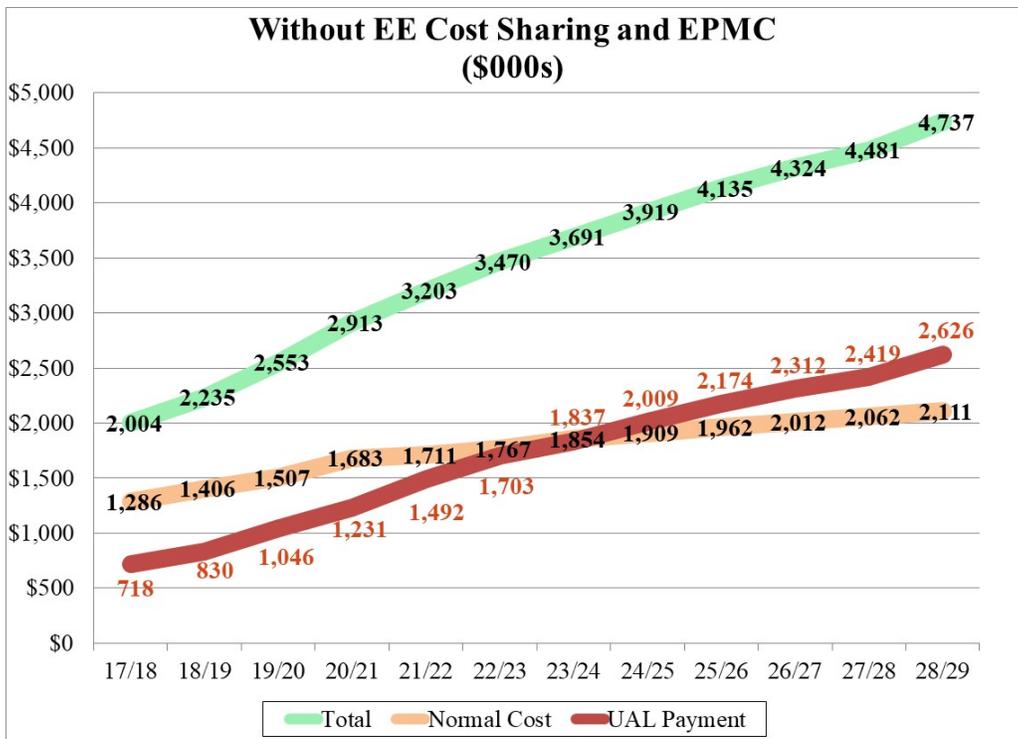


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## CONTRIBUTION PROJECTIONS - SAFETY

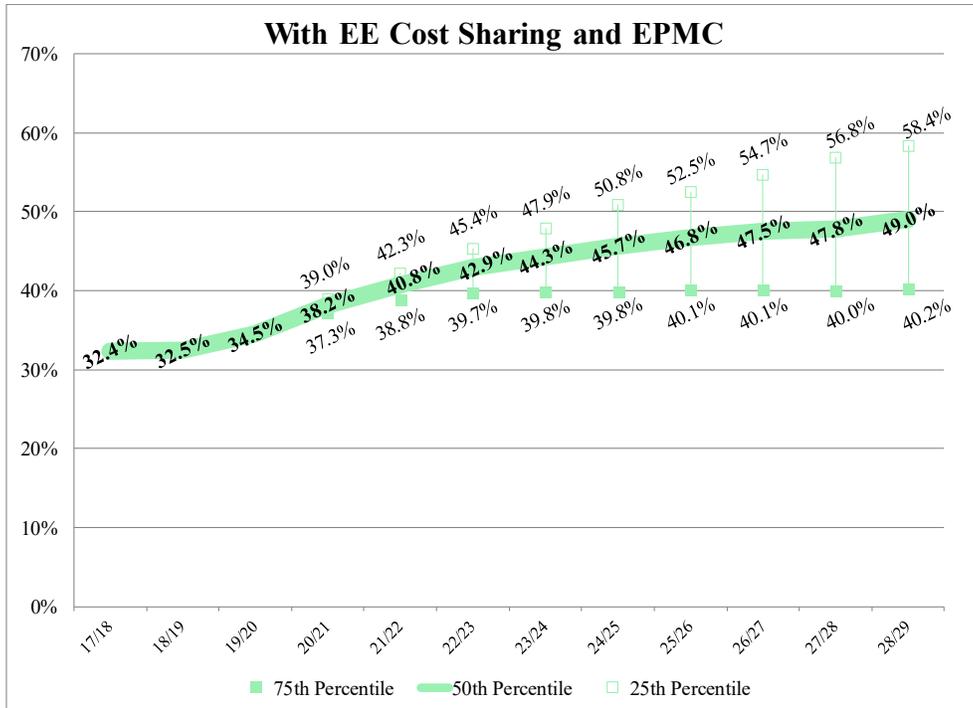


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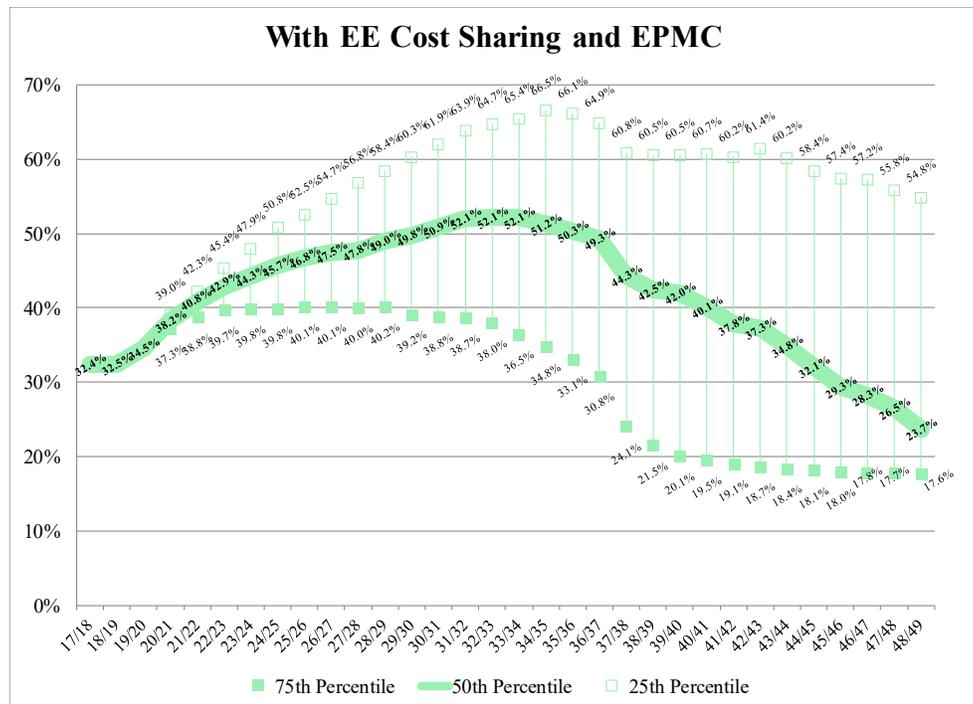
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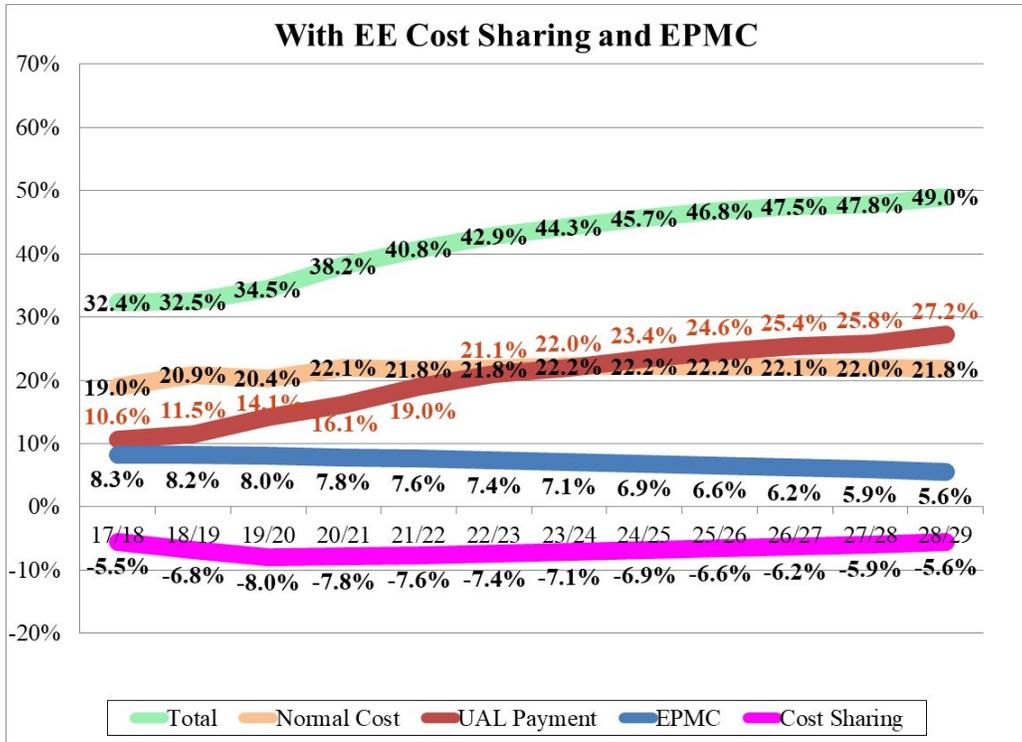
## CONTRIBUTION PROJECTIONS - SAFETY



## CONTRIBUTION PROJECTIONS - SAFETY



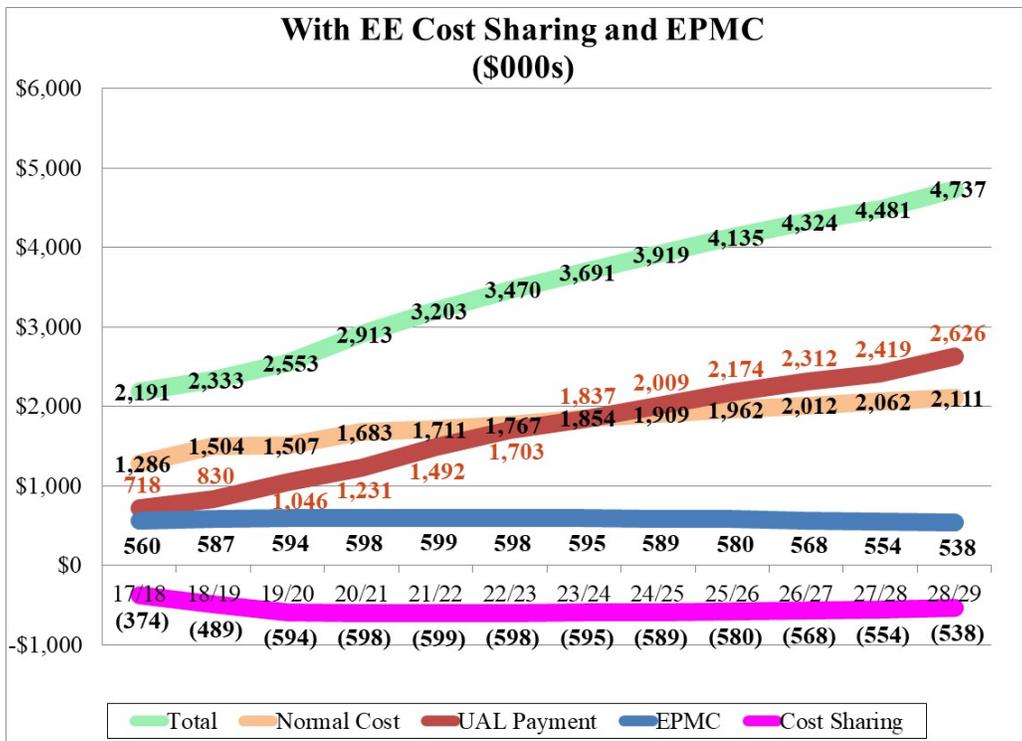
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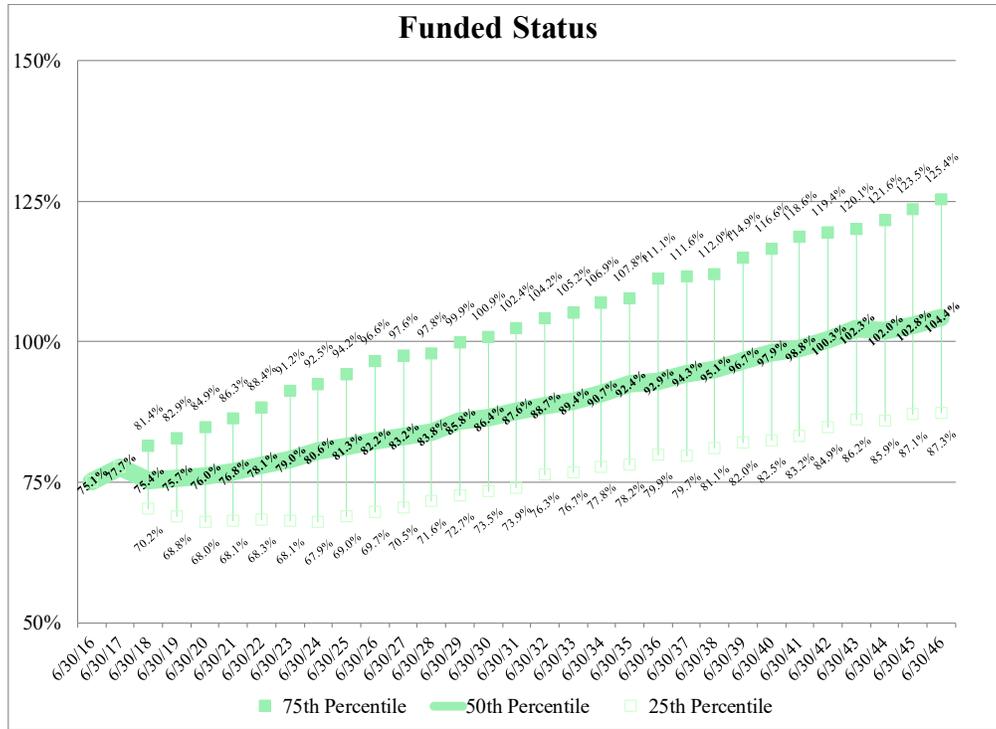
## CONTRIBUTION PROJECTIONS - SAFETY



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## FUNDED STATUS - SAFETY



## FUNDED STATUS - SAFETY

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## LEAVING CALPERS

- Participation in CalPERS is governed by State law and CalPERS rules
- The following are considered “withdrawing” from CalPERS:
  - Exclude new hires from CalPERS & giving them a different pension
  - Stop accruing benefits for current employees
- “Withdrawal” from CalPERS:
  - Treated as plan termination
  - Liability increased for conservative investments
  - Liability increased for future demographic fluctuations
  - Liability must be funded immediately by withdrawing agency
  - Otherwise, retiree benefits are cut



## LEAVING CALPERS

(Amount in 000s)

Discount Rate	<u>Ongoing</u>			<u>Termination Basis</u>		
	<u>7.375%</u>	<u>1.75%</u>	<u>3.00%</u>	<u>7.375%</u>	<u>1.75%</u>	<u>3.00%</u>
	<b><u>Miscellaneous</u></b>			<b><u>Fire Safety</u></b>		
AAL	\$3,272	\$6,679	\$5,781	\$63,704	\$128,862	\$107,768
Assets	<u>2,476</u>	<u>2,476</u>	<u>2,476</u>	<u>47,867</u>	<u>47,867</u>	<u>47,867</u>
UAL	797	4,203	3,305	15,837	80,995	59,900
	<b><u>District Total</u></b>					
AAL	\$66,977	\$135,541	\$113,548			
Assets	<u>50,343</u>	<u>50,343</u>	<u>50,343</u>			
UAL	16,634	85,198	63,205			



## OPEB PLAN

- Retiree Healthcare Benefits
- District pays 100% of premium for retirees, spouses and family coverage
  - Hired after 1/1/2012, 10 years of service required for benefits
  - CalPERS health benefits
- District pre-funding obligation with CERBT, managed by CalPERS
  - \$6.3 million at 6/30/17
- Following projections adjusted from actuary's report
  - Estimate implied subsidy and slightly higher health care cost increases
- Funding assumes 7% fund earnings and 21 year closed amortization of UAL.

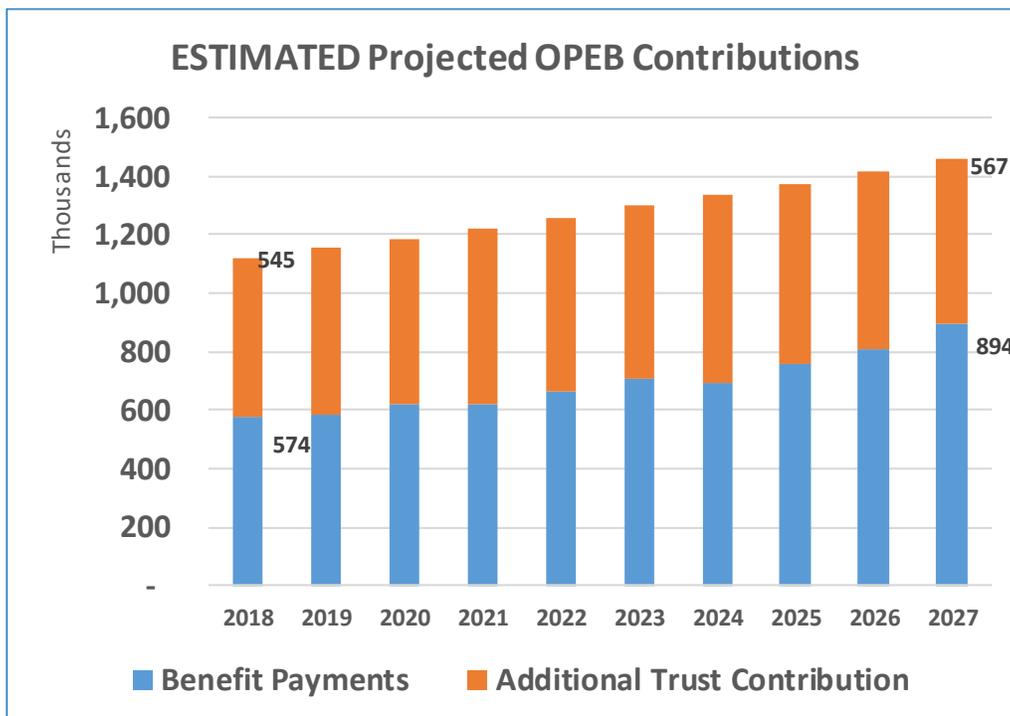


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## OPEB PLAN

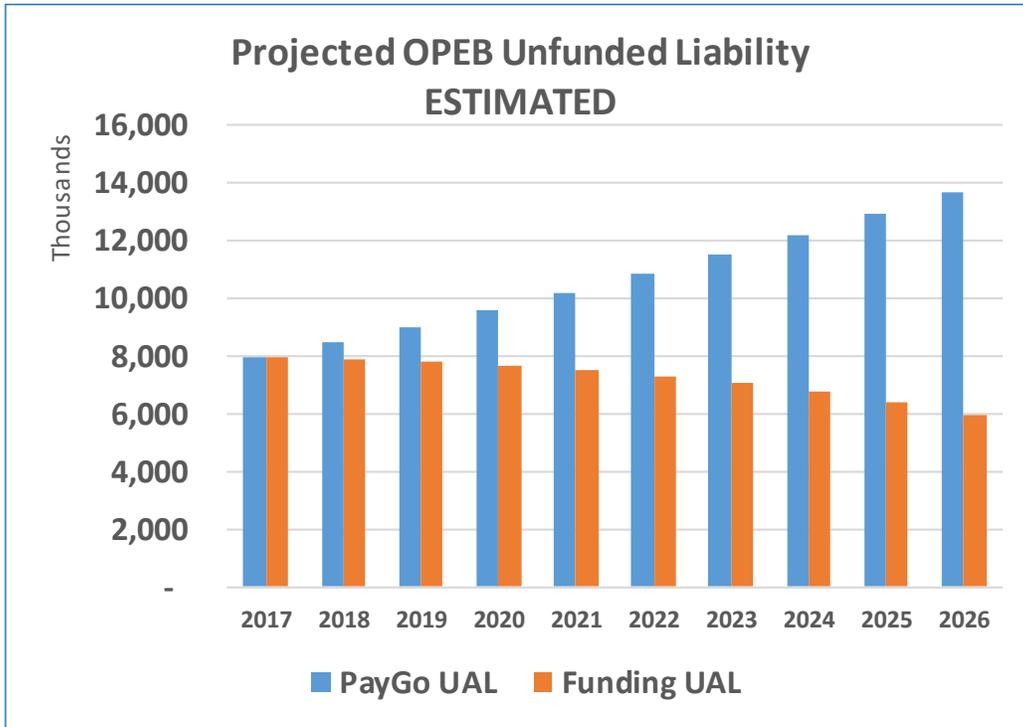


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## OPEB PLAN



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## PEPRA COST SHARING

- Target of 50% of total normal cost for everyone
- *New members* must pay greater of 50% of total normal cost or bargained amount if higher
- Employer cannot pay any part of *new member* required employee contributions
- Employer may impose Classic employees pay 50% of total normal cost (limited to 8% Miscellaneous, 12% Safety) if not agreed through collective bargaining by 1/1/18
- Miscellaneous Plan:

	<u>Classic Members</u>	<u>New Members</u>
	<u>3%@60 FAE1</u>	<u>2%@55 FAE3</u>
● Employer Normal Cost	13.4%	8.9%
● Member Normal Cost	<u>7.8%</u>	<u>6.9%</u>
● Total Normal Cost	21.2%	15.8%
● 50% Target	10.6%	7.9%



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## PEPRA COST SHARING

### ■ Safety Plan:

	<u>Classic Members</u>		<u>New Members</u>
	<u>3%@50 FAE1</u>	<u>3%@55 FAE3</u>	<u>2.7%@57 FAE3</u>
● Employer Normal Cost	20.6%	17.6%	12.1%
● Member Normal Cost	<u>9.0%</u>	<u>9.0%</u>	<u>12.0%</u>
● Total Normal Cost	29.6%	26.6%	24.1%
● 50% Target	14.8%	13.3%	12.05%



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## PAYING DOWN THE UNFUNDED LIABILITY & RATE STABILIZATION

- Where do you get the money from?
- How do you use the money?



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## WHERE DO YOU GET THE MONEY FROM?

- POB:
  - Usually thought of as interest arbitrage between expected earnings and rate paid on POB
  - No guaranteed savings
    - Including paying off CalPERS Side Fund
  - PEPPRA prevents contributions from dropping below normal cost
    - Savings offset when investment return is good
  - GFOA Advisory
- Borrow from General Fund
  - Excess Reserves?
  - Pay GF back like a loan
  - Payments should come from all funds
  - Similar to State of California in 2017



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## WHERE DO YOU GET THE MONEY FROM?

- One time payments
  - District resolution to use a portion of one time money, e.g.
    - 1/3 to one time projects
    - 1/3 to replenish reserves and
    - 1/3 to pay down unfunded liability



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## HOW DO YOU USE THE MONEY?

- Make payments directly to CalPERS:
  - Must be considered an irrevocable decision
    - Extra payments cannot be used as future “credit”
    - PEPRA prevents contributions from dropping below normal cost
  - Option #1: Request shorter amortization period (Fresh Start):
    - Higher short term payments
    - Less interest and lower long term payments
    - Likely cannot revert to old amortization schedule
      - Savings offset when investment return is good



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## HOW DO YOU USE THE MONEY?

- Make payments directly to CalPERS (continued):
  - Option #2: Target specific amortization bases:
    - Extra contribution’s impact muted by reduced future contributions
      - CalPERS can’t track the “would have been” contribution
    - No guaranteed savings
      - Larger asset pool means larger loss (or gain) opportunity
    - Paying off shorter amortization bases, larger contribution savings over shorter period:
      - e.g. 10 year base gets 12.5¢ for \$1
      - Less interest savings vs paying off longer amortization bases
    - Paying off longer amortization bases, smaller contribution savings over longer period:
      - e.g. 25 year base gets 6.6¢ for \$1
      - More interest savings vs paying off shorter amortization bases



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## HOW DO YOU USE THE MONEY?

- Internal Service Fund
  - Typically used for rate stabilization
  - Restricted investments:
    - Likely low (0.5%-1.0%) investment returns
    - Short term/high quality, designed for preservation of principal
  - Assets can be used by Board for other purposes
  - Does not reduce Unfunded Liability



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## IRREVOCABLE SUPPLEMENTAL (§115) PENSION TRUST

- Can only be used to:
  - Reimburse District for CalPERS contributions
  - Make payments directly to CalPERS
- Investments significantly less restricted than District investment funds
  - Fiduciary rules govern Trust investments
  - Usually, designed for long term returns
- Assets don't count for GASB accounting
  - Are considered Employer assets
- Over 100 trusts established, mostly since 2015
  - Trust providers: PARS, PFM, Keenan



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## IRREVOCABLE SUPPLEMENTAL (§115) PENSION TRUST

- More flexibility than paying CalPERS directly
  - District decides if and when and how much money to put into Trust
  - District decides if and when and how much to withdraw to pay CalPERS or reimburse Agency
- Funding strategies typically focus on
  - Reducing the unfunded liability
    - Fund enough to make total CalPERS UAL = 0
    - Make PEPRAs required payments from Trust when UAL ≤ \$0
  - Stabilizing contribution rates
    - Mitigate expected contribution rates to better manage budget
  - Combination
    - Use funds for rate stabilization/budget predictability
    - Target increasing fund balance to pay off UAL sooner



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## IRREVOCABLE SUPPLEMENTAL (§115) PENSION TRUST

- Consider:
  - How much can you put into Trust?
    - Initial seed money?
    - Additional amounts in future years?
  - When do you take money out?
    - Target budget rate?
    - Year target budget rate kicks in?
      - Before or after CalPERS rate exceeds budgeted rate?
- Following example:
  - Trust earns 5% per year.
  - Trust contributions: \$500,000 for each of Miscellaneous and Safety on 6/30/18
  - Budget rate 22.0% and 43.5% of pay for Miscellaneous and Safety, respectively

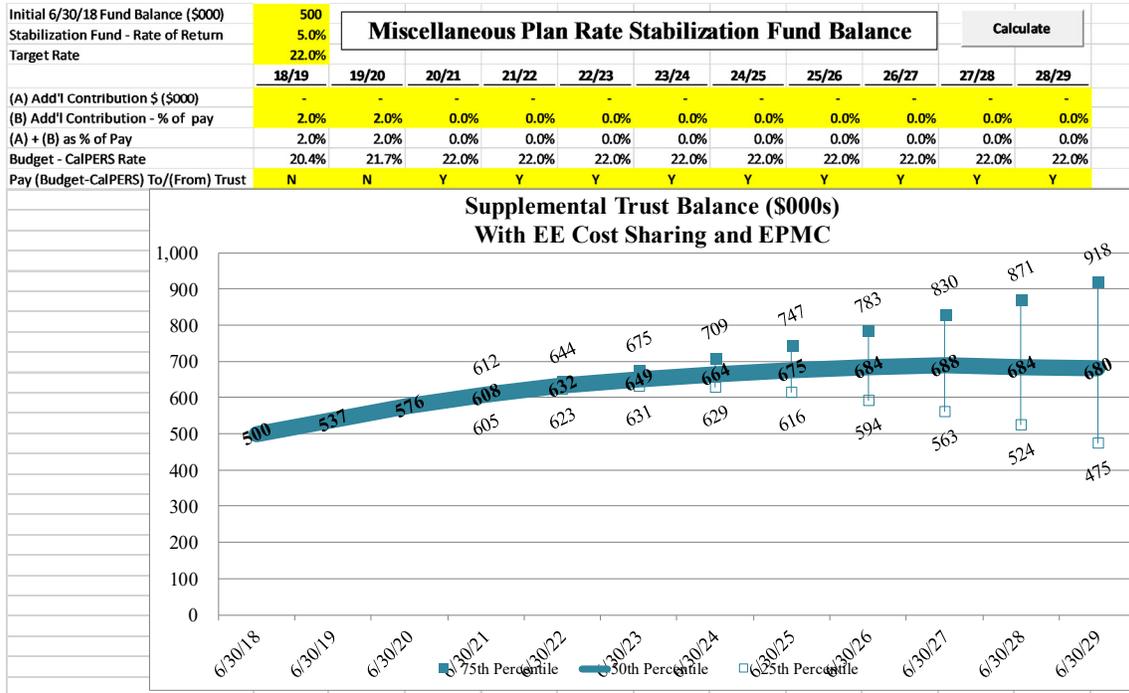


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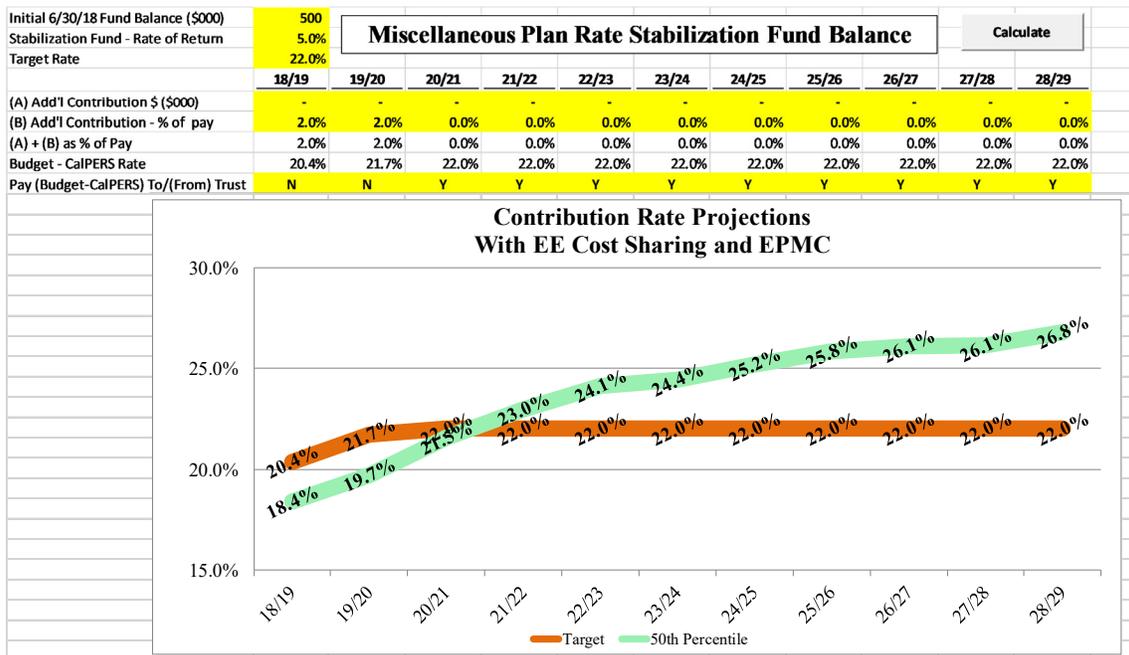
## IRREVOCABLE SUPPLEMENTAL (§115) PENSION TRUST



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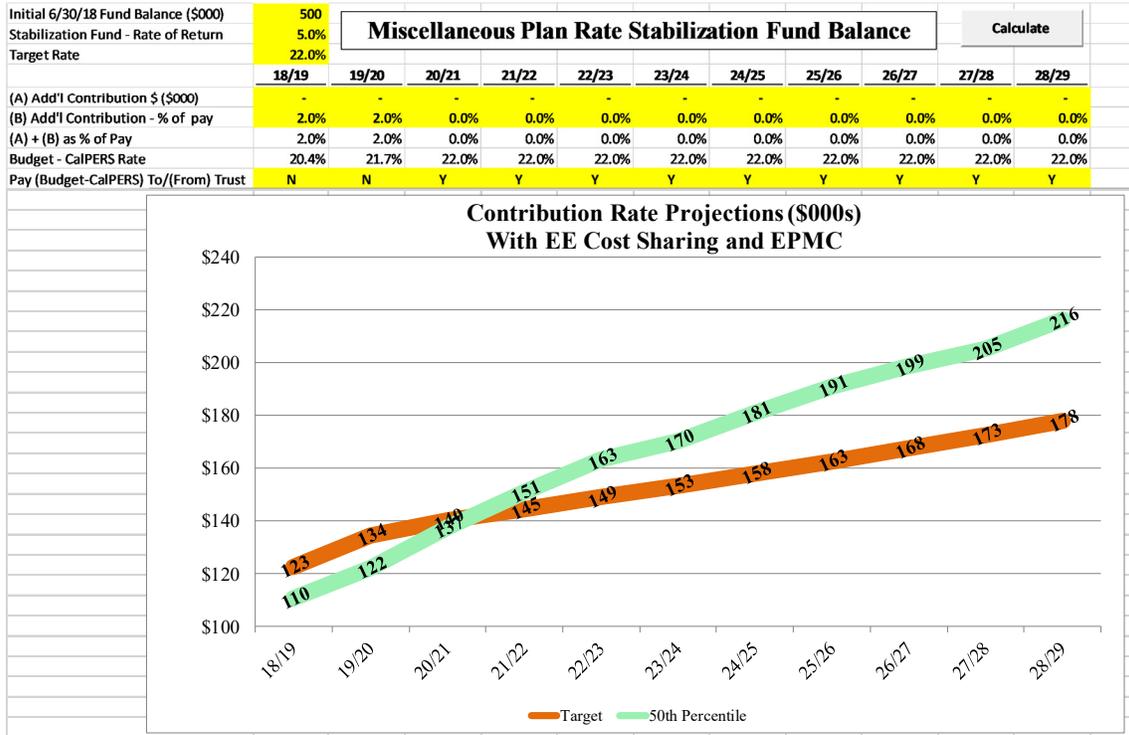
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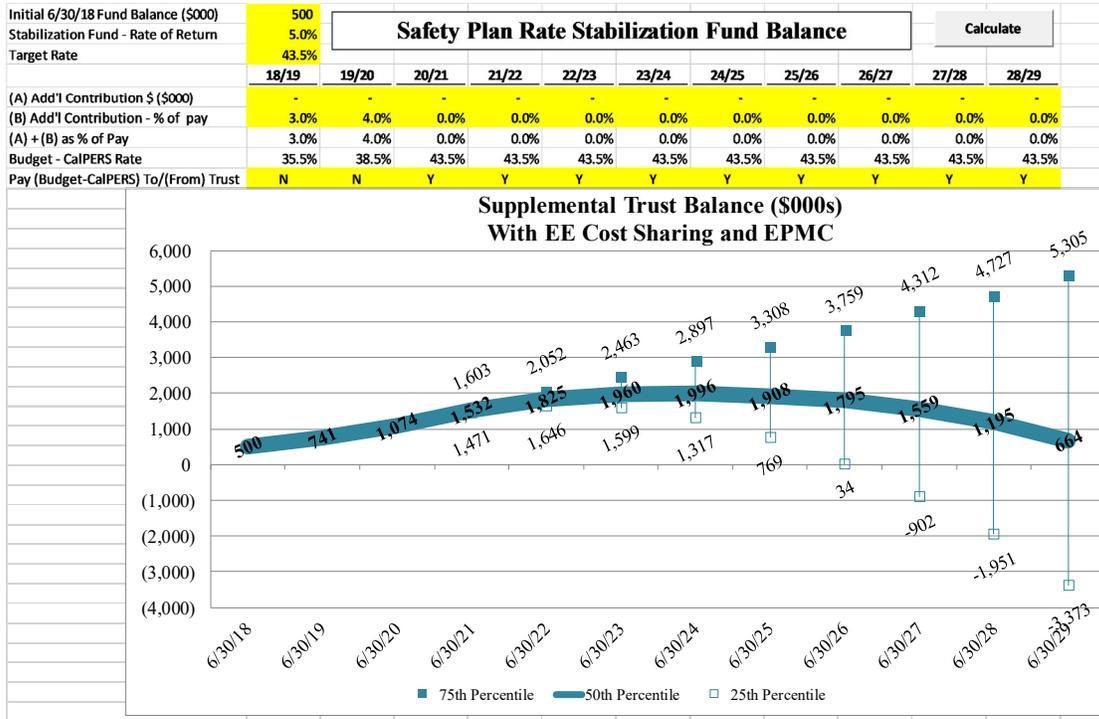


## IRREVOCABLE SUPPLEMENTAL (§115) PENSION TRUST

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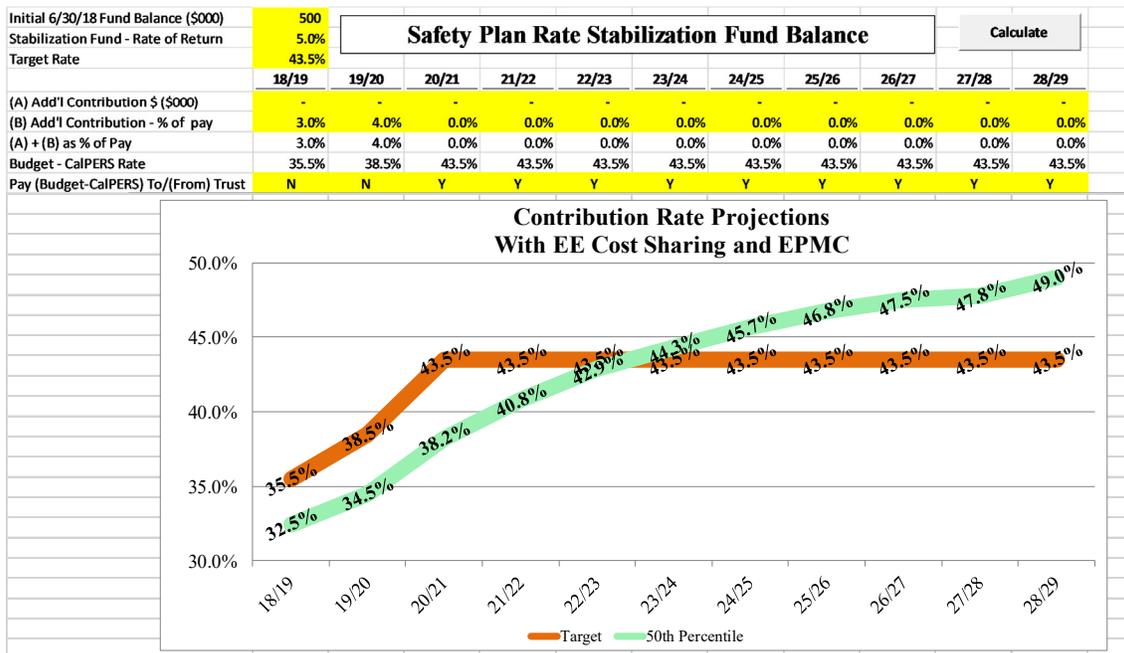
## IRREVOCABLE SUPPLEMENTAL (§115) PENSION TRUST



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## IRREVOCABLE SUPPLEMENTAL (§115) PENSION TRUST

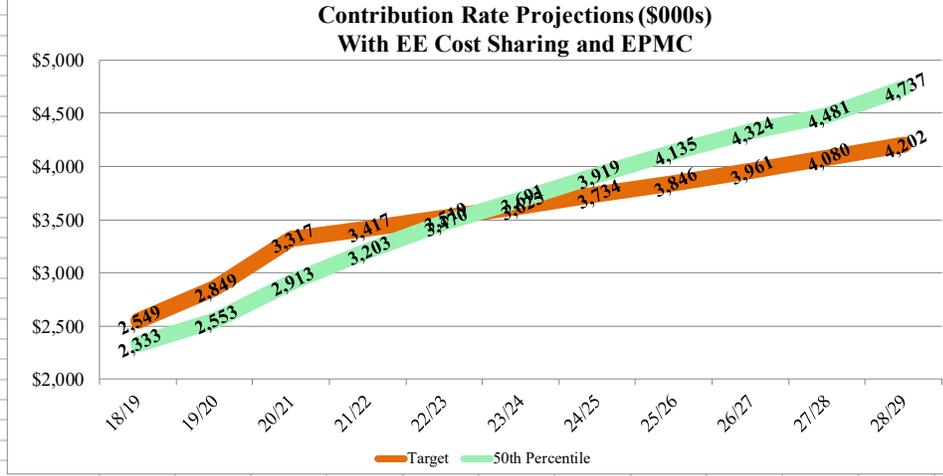


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# IRREVOCABLE SUPPLEMENTAL (§115) PENSION TRUST

Initial 6/30/18 Fund Balance (\$000)	<b>Safety Plan Rate Stabilization Fund Balance</b>										Calculate
Stabilization Fund - Rate of Return											
Target Rate											
	18/19	19/20	20/21	21/22	22/23	23/24	24/25	25/26	26/27	27/28	28/29
(A) Add'l Contribution \$ (\$000)	-	-	-	-	-	-	-	-	-	-	-
(B) Add'l Contribution - % of pay	3.0%	4.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
(A) + (B) as % of Pay	3.0%	4.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Budget - CalPERS Rate	35.5%	38.5%	43.5%	43.5%	43.5%	43.5%	43.5%	43.5%	43.5%	43.5%	43.5%
Pay (Budget-CalPERS) To/(From) Trust	N	N	Y	Y	Y	Y	Y	Y	Y	Y	Y



February 26, 2018



**Response to Cameron Park CSD's RFP for Emergency Services**

**Summary:**

On February 6, 2018 Cameron Park CSD officially released a Request for Proposal (RFP) for provision of Emergency Services. The deadline for proposals to be delivered to Cameron Park CSD is March 16, 2018.

El Dorado Hills Fire Department & Rescue Fire Protection District administrative staff thoroughly reviewed the RFP, and had several brainstorming sessions related to the feasibility of our agencies participating in this process. After several strategy sessions we have concluded that, while there would be many positives to bringing Cameron Park Emergency Services in under the El Dorado Hills/Rescue Service Model doing so would be extremely onerous and potentially overwhelming to the current and ongoing work demand placed on our administrative staff.

Most notably, three things stood out as barriers to being able to respond to the Cameron Park RFP.

**First** – Cameron Park is requesting a two (2) person per engine staffing model. The cost of this model with our current EDHFD MOU is competitive with the current costs of the CalFire contract that has recently become too expensive for the CP CSD, so our best effort proposal would already be priced beyond the affordability of available revenue.

**Second** – Our current EDHFD MOU does not allow two (2) person staffing on an engine. Our MOU requires three (3) minimum, which would run our cost of service to well over what Cameron Park CSD has available in their Emergency Services revenue.

**Third** – Hiring and training 18 employees (**if a two-person engine staffing model were acceptable**) in a relatively short time would be difficult at best. As you know, even with very competitive pay and benefits we have had difficulty attracting and hiring Firefighter Paramedics over the last few years. We are not unique in this problem. Almost every district within 100 miles is attempting to hire, and every district is having the same issue: lack of qualified people. When you add this hiring drought to the additional need to prepare and promote six (6) captains and six (6) engineers the task becomes monumental, and EDHFD would have to put most of our current projects aside to even have a hope of accomplishing this in the allotted time frame.

Staff did consider utilizing the lower cost Rescue FPD MOU as a model for answering the RFP. This lower cost MOU along with the allowance of a two (2) person engine staffing model would make us extremely competitive, but the lower than market pay and benefits of the Rescue MOU would only complicate the third issue that we already discussed above.

**Fiscal Impact:**

No Fiscal Impact

**Recommendation:**

Do not provide a response to the Cameron Park CSD RFP.

Send letter to Cameron Park CSD thanking them for this opportunity, and relaying our regrets for being unable to respond.

Letter attached for your review.

February 26, 2018

Cameron Park CSD  
2502 Country Club Drive  
Cameron Park, CA 95682  
Attn: Jill Ritzman, General Manager

Re: Cameron Park CSD Request for Proposal – Emergency Services

Dear Ms. Ritzman and Board Members:

El Dorado Hills Fire Department would like to thank you for offering the opportunity to respond to your recently released RFP for Emergency Services. Unfortunately, due to current MOU requirements that dictate a much different engine staffing model than you requested, along with concerns related to having enough administrative capacity to undertake a project of this magnitude, without compromising our current and ongoing operations, we are going to have to decline a response.

As you know, El Dorado Hills Fire Department and Cameron Park Fire Department share an extensive history of working closely together with borderless response and automatic aid agreements that have served both communities extremely well. Therefore, regardless of outcome, we vow to continue that tradition of service as it is the right thing to do for all our residents.

We offer our full support during your endeavor, and we are willing to assist you in any way we can. Additionally, we are always open to further discussions related to contracted services. We fully understand the fiscal challenge you have as a Board. One topic that we discussed was your need to control not only your current costs, but perhaps most importantly, your ongoing and future costs. This is difficult to do when you are at the mercy of another agency's negotiations and MOU. One solution to this would be for Cameron Park CSD to hire their own Emergency Services employees and contract out the management of the Fire Department and those employees. In this way, YOU control negotiations with the employee group, and only then will you be able to control your own destiny

As stated, if your RFP process does not produce the result you were hoping for we are always happy to discuss this further along with any other ideas. We wish you the best of luck in your process.

Sincerely,

EL DORADO HILLS FIRE DEPARTMENT

Dave Roberts  
*Fire Chief*  
*Serving the Communities of El Dorado Hills, Rescue and Latrobe*