AGENDA ITEM 3 A
Information Item

MEMORANDUM

DATE: **April 5, 2018**

TO: **El Dorado County Transit Authority**

FROM: **Julie Petersen, Finance Manager**

SUBJECT: **Pension and Other-Post Employee Retirement Benefits**

REQUESTED ACTION:
BY MOTION,

None. Information Only

BACKGROUND

The El Dorado County Transit Authority (El Dorado Transit) was formed on January 1, 1994 as a Joint Powers Authority (JPA) between the County of El Dorado and the City of Placerville.

On August 8, 1994, El Dorado Transit's contracted with the California Public Retirement System (CalPERS) for employee Pensions. El Dorado Transit opted to pay the estimated unfunded liability for future costs on a per pay period basis. As of FY 2015/16 the Unfunded Liability is a separate payment which can be made on a monthly or annual basis. El Dorado Transit pays one (1) annual lump sum payment to avoid monthly interest payments.

On July 1, 2007 El Dorado Transit contracted with CalPERS to provide Other-Post Retirement Benefits (OPEB) of medical benefits for unrepresented employees. This action required participation in the California Employers' Retirement Benefit Trust (CERBT) Fund to prefund future unfunded OPEB liabilities.

Changes to both contracts with regard to yearly cost estimations have occurred over time however; each annual operating budget has included current and future estimated funding of pension and OPEB due during each fiscal year.

Recently the Government Accounting Standards Board (GASB) has made several pronouncements specifically designed to inform the public of future liability costs associated with public employee Pension and OPEB benefit costs.

DISCUSSION

At the December 1, 2017 regularly scheduled Board of Directors meeting, the Mid-Year Budget was adopted for Fiscal Year (FY) 2017/18. The Board requested staff analyze the feasibility of projecting the Unfunded Liability out five (5) years for both the Pension and OPEB.

Software packages are available to produce these estimates in-house. Staff reviewed several products and GovInvest was determined to be the most realistic product for our agency size and demographics. Below is an overview of our current methodology vs. GovInvest.

PENSION – ALL EMPLOYEES	In-House Methodology	GovInvest
Required Valuation Report provided by CalPERS (required for both options)	$700	$ 700
CPA Consultant data input and review (est.)	$1,000	-
Software - Pension Module – onboarding fee	-	$1,500 (one time)
Annual Licensing fee	-	$3,000
Actuarial Report (GASB 45/75) additional for basic requirements	-	$1,000
5-Year Cost and Benefit Projections (optional)	-	$ 500
Estimated	$1,700	$6,700

OTHER POST-RETIREMENT BENEFITS – UNREPRESENTED EMPLOYEES ONLY	In-House Methodology	GovInvest
Required Valuation Report provided by CalPERS (required for both options)	$700	$ 700
Bickmore - GASB 45 report (two (2) years @ $2,500 ea.)	$2,500	-
Software - OPEB Module – onboarding fee (includes GASB 45 report)	-	$2,500 (one time)
Annual Licensing fee	-	$3,000
Estimated	$3,200	$6,200

Staff requested our outside Certified Public Accounting (CPA) consultant to review and comment on the GovInvest proposal. Below is an excerpt from the response;

> *"This is to document the issues I discussed with you regarding the GovInvest service.*
> 1. *I have trouble to establish the need for the service beyond year-end payable accrual.*
> 2. *This service would result in more work from the accounting department to upload your*

data to the service.

3. *The costs for the service would only replace the Bickmore OPEB accrual, so this service adds substantially to your annual costs and provides very little value.*
4. *I realize that the proposal would provide limited services of an actuary but the real issue is that EDCTA does not have the Finance/Economist/Actuary on staff to make any meaningful use of the service.*
5. *In my estimation, I see that EDCTA would need to inquire of CalPERS to gather the variables needed to put together any reasonable estimate of liabilities. If you have to get the assumptions from CalPERS, I suggest that you continue to use the CalPERS service.*

In my opinion, I see the service to be a lot of extra work to set up and maintain, EDCTA lacks the staffing to provide the inputs needed and there is no value for the service to provide accruals more often than year-end that would justify the additional cost over your existing service. I would not proceed any further."

Contribution rates and unfunded liability costs are represented below.

PENSION – ALL EMPLOYEES	Employer Normal Rate	Employer Unfunded Liability	Annual Contributions
FY 2016/17 (Classic)	9.558%	$148,688	
FY 2016/17 (PEPRA)	6.93%	$0	$148,688
FY 2017/18 (Classic)	9.599%	$172,662	
FY 2017/18 (PEPRA)	6.908%	$63	$172,725
FY 2018/19 (Classic)	10.152%	$208,939	
FY 2018/19 (PEPRA)	7.266%	$587	$209,526
FY 2019/20 (Classic)	10.6% (est.)	$251,000 (est)	
FY 2019/20 (PEPRA)	7.3% (est.)	$1,400 (est)	$252,000 (est)
FY 2020/21 (Classic)	11.6% (est.)	$286,000 (est)	
FY 2020/21 (PEPRA)	7.4% (est.)	$2,700 (est)	$288,700 (est)

OTHER POST-RETIREMENT BENEFITS – UNREPRESENTED EMPLOYEES ONLY

	Annual Contribution
FY 2016/17	$51,092
FY 2017/18	$55,631 (est)
FY 2018/19	$57,407 (est)

Fiscal year 2016/17 audited financial statements reports a Net Pension Liability of $2,614,209. This represents the amount due to CalPERS if El Dorado Transit discontinued operations as of June 30, 2017.

Staff is confident that the current financial position as it relates to Pension and OPEB Liabilities is sustainable. Yearly expenses to continue to prefund will help stabilize that part of the calculation under control of El Dorado Transit.

Staff does not recommend the additional $8,000 and additional staff time required to utilize GovInvest.