STAFF REPORT

MEETING DATE:	**April 23, 2019**
SUBJECT:	**Approve Annually Pre-Funding CalPERS Retirement Benefit Obligation**
ITEM #:	**5-8**
STAFF CONTACT:	**Monika Long, Chief Fiscal Officer**

SUMMARY:

SRTA currently has a projected unfunded retirement liability to the California Public Employees Retirement System (CalPERS) estimated at $31,218 as of June 30, 2018, the date of the most recent actuarial valuation. Staff recommends pre-funding projected retirement deficits going forward to avoid accrual of unfunded liability.

STAFF RECOMMENDATION:

It is recommended that the board of directors adopt Resolution 19-09 authorizing the executive director to pre-fund SRTA's unfunded retirement liability through CalPERS annually, beginning with $31,218 for the 2018/19 fiscal year.

DISCUSSION:

SRTA employees participate in the CalPERS program. SRTA has two choices to pay the expected retirement liability: 1) it can make supplemental advanced payments annually to SRTA's retirement account held with CalPERS; or 2) pay when the employee retires. The initial payment of $31,218 will bring the unfunded portion of the liability to zero, however, the liability is subject to fluctuate from year to year, as determined by an actuary. The fluctuation is primarily affected by CalPERS projected earnings. The obligation may increase, decrease or remain stable over time. Many government agencies have elected to pay when the employee retires due to lack of available funds.

SRTA is on sound financial footing and can pay the anticipated premiums now, as opposed to later. The agency can charge grantors through its indirect cost reimbursement for the annual amount provided to the retirement fund. By investing now, SRTA lessens the chance of having a growing unfunded retirement liability in the future.

SRTA's retirement account is currently held through CalPERS and historically has generated earnings of approximately 7% annually. The agency will also earn returns on any added contributions at the rate of approximately 7% annually (subject to market fluctuations), which is higher than the 2.5% interest SRTA would otherwise earn in the agency's operating bank account.

In order to determine the retirement liability, SRTA hired an actuary to study future costs. The most recent actuarial study indicates that the agency has a projected future liability of $31,218 for future retiree benefits. Once contributed to the trust, the funds are available only to SRTA for retiree premiums. Each year a new study is performed to adjust for over- or under-payments, and to report the new liability amount, which SRTA is required to report on its financial statements. SRTA will update the board annually with any additional amounts needed to pre-fund the retirement liability.

The Fiscal Committee met on March 27, 2019, to discuss the options for addressing the liability. The Fiscal Committee concurs with the staff recommendation to pre-fund the retirement liability. If adopted, Resolution 19-09 will authorize the executive director to pre-fund the retirement account each year, if needed.

ALTERNATIVES:

The board of directors may decline pre-funding SRTA's unfunded retirement obligation and continue to make "pay-as-you-go" contributions for retirees. This may lead to cash flow and solvency issues if retirement liability grows over time.

FISCAL IMPACT:

The financial impact for the current year would be $31,218. The future financial impact would be determined by actuarial reports performed. These costs can be recouped by SRTA through the indirect cost plan. If approved by the board of directors, the agency will avoid having a large, unfunded retirement benefit liability in the future.

Daniel S. Little, AICP, Executive Director

Attachment: Resolution Number 19-09: Approve Annually Pre-Funding CalPERS Retirement Benefit Obligation

RESOLUTION

RESOLUTION NUMBER:	**19-09**
SUBJECT:	**Approve Annually Pre-Funding CalPERS Retirement Benefit Obligation**

WHEREAS, the Shasta Regional Transportation Agency (SRTA) has established a retirement plan for retirees; and

WHEREAS, SRTA desires to annually prefund future retirees' benefits in order to reduce the unfunded retirement obligation; and

WHEREAS, the California Public Employee Retirement System (CalPERS) makes available the California Employers' Retirement Benefit Trust Fund in which SRTA participates.

NOW, THEREFORE, BE IT RESOLVED that the Shasta Regional Transportation Agency hereby establishes CalPERS as the trustee on the retirement and authorizes the executive director to sign all necessary certifications and amendments; and

THEREFORE, BE IT FURTHER RESOLVED that the Shasta Regional Transportation Agency hereby delegates to the incumbent, in the position of executive director, authority to request on behalf of the employer, disbursements from the Retirement Plan and to certify as to the purpose for which the disbursed funds will be used; and

THEREFORE, BE IT FURTHER RESOLVED that the Shasta Regional Transportation Agency hereby delegates to the incumbent, in the position of executive director, authority to annually make payments to pre-fund the Retirement Plan.

PASSED AND ADOPTED this 23rd day of April 2019, by the Shasta Regional Transportation Agency.

Kristen Schreder, Chair
Shasta Regional Transportation Agency