



COUNTY OF HUMBOLDT

Legislation Text

File #: 23-1032, Version: 1

To: Board of Supervisors

From: County Administrative Office

Agenda Section: Consent

Vote Requirement: 4/5th

SUBJECT:

Approve Prepayment of the Fiscal Year 2023-24 CalPERS Unfunded Accrued Liability Contribution (4/5th Vote Required)

RECOMMENDATION(S):

That the Board of Supervisors:

1. Approve the prepayment of the Fiscal Year (FY) 2023-24 CalPERS Unfunded Accrued Liability (UAL) contribution in the amount of \$29,122,849 (4/5th Vote Required).

SOURCE OF FUNDING:

Fund 3250 - Retirement-County Share, All county funds

DISCUSSION:

The California Public Employees' Retirement System (CalPERS), as the pension plan administrator of the County of Humboldt and other California government agencies pension plans, establishes actuarial assumptions for all pension plans under their administration. The actuarial reports for the County of Humboldt for FY 2023-24 are attached (Attachment 1 and 2). These reports determine the Normal cost and the UAL cost that will be paid in the upcoming year.

Per the Pension Funding Policy, revised by the Board on April 20, 2021, in the case that CalPERS provides an incentive or discount for prepayment of the minimum required contribution to remit payment in full at the beginning of the year as opposed to monthly payments:

- a. *The CAO shall prepare a financial analysis on an annual basis when a financial incentive is offered to make a prepayment of the UAL contribution to determine where this is in the best interest of the County.*
 - i. *The analysis should take into account the savings and cash flow impact from remitting the pension contribution in advance compared to any costs of borrowing or financing.*

- ii. *This recommendation shall be submitted as part of the County's recommended budget.*

The CAO did not include this analysis and recommendation as part of the budget process; therefore, staff seek approval today to remit the prepayment by the deadline of July 31, 2023. The savings offered in FY 2023-24 by CalPERS for prepayment is a total of \$973,893:

Monthly Payment				
Plan		Total	Prepayment	Savings
Miscellaneous	\$	24,024,109.00	\$ 23,246,719.00	\$777,390.00
Safety	\$	6,072,633.00	\$ 5,876,130.00	\$196,503.00
Total	\$	30,096,742.00	\$ 29,122,849.00	\$973,893.00

It has been the prior process of the County to remit prepayment, as such, the Treasurer-Tax Collector has anticipated this payment and ensured sufficient funds are available in the County Treasury. Based on an estimated 2.3% interest, it is anticipated, if monthly payments of \$2,508,062 were made rather than prepayment, these funds could earn approximately \$347,726 in the County Treasury during FY 2023-24:

Prepayment Balance Less			
Month		Monthly Payment	Interest Earned in Treasury
July	\$	29,122,849.00	\$ 55,054.15
August	\$	26,614,787.00	\$ 50,312.89
September	\$	24,106,725.00	\$ 45,571.62
October	\$	21,598,663.00	\$ 40,830.35
November	\$	19,090,601.00	\$ 36,089.08
December	\$	16,582,539.00	\$ 31,347.81
January	\$	14,074,477.00	\$ 26,606.55
February	\$	11,566,415.00	\$ 21,865.28
March	\$	9,058,353.00	\$ 17,124.01
April	\$	6,550,291.00	\$ 12,382.74
May	\$	4,042,229.00	\$ 7,641.47
June	\$	1,534,167.00	\$ 2,900.21
Total			\$ 347,726.15

Given that CalPERS typically earns a higher yield than the County's Treasury and considering the savings from the discount to the County is an additional \$626,167 above interest that could be earned on these funds, staff recommend remitting prepayment of the required UAL contribution for FY 2023-24.

FINANCIAL IMPACT:

Expenditures (3250)	FY23-24
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Total Expenditures	\$29,122,849
Funding Sources (3250)	FY23-24
Use of Fund Balance/Treasury	\$29,122,849
Total Funding Sources	\$29,122,849

**Projected amounts are estimates and are subject to change.*

Narrative Explanation of Financial Impact:

As detailed in the discussion, prepayment of the UAL contribution to CalPERS is anticipated to save the County of Humboldt \$626,167 in FY 2023-24.

STAFFING IMPACT:

Approval of this prepayment does not have a direct staffing impact, though there is a small savings in staff time by issuing one payment to CalPERS, rather than twelve monthly payments over the course of the year.

STRATEGIC FRAMEWORK:

This action supports the following areas of your Board's Strategic Framework.

Core Roles: N/A

New Initiatives: Manage our resources to ensure sustainability of services

Strategic Plan: N/A

OTHER AGENCY INVOLVEMENT:

N/A

ALTERNATIVES TO STAFF RECOMMENDATIONS:

Your Board could choose to remit monthly payments of the required UAL contribution rather than the upfront prepayment.

ATTACHMENTS:

1. Miscellaneous Plan Annual Valuation Report as of June 30, 2021
2. Safety Plan Annual Valuation Report as of June 30, 2021

PREVIOUS ACTION/REFERRAL:

Board Order No.: L-1

Meeting of: 4/20/2021

File No.: 21-356