



Pension Funding Policy Discussion

Special Finance Committee Meeting

February 28, 2024

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Ira Summer, GovInvest, Inc.

Pension History

UPLAND CITY HALL

- Pensions provided for City employees
 - Defined benefit not defined contribution
 - Pension debt - Unfunded Accrued Liability (UAL) with CalPERS – Upland’s largest liability
- City Council has taken many steps to address pension debt (UAL)
 - Established Section 115 Trusts (2016)
 - Bargained safety employees to pay 3% of the City’s share of normal cost (on top of their 9%) (2016)
 - Transferred responsibility for fire operations to San Bernardino County (2017)
 - Bargained new misc employees to pay 1.4% of the City’s normal costs (on top of their 8%) (2020)
 - Made \$1 million Additional Discretionary Payment (ADP) to CalPERS UAL (2020)
 - Selected Urban Futures, Inc. (UFI) via RFP to provide informational services regarding UAL (2020/21)
 - Held 7 public meetings exploring the City’s UAL (2020/21)
 - Approved Pension Funding Policy (2021)

Pension History, Con't

- Presented BLAST UAL Strategy to Finance Committee and at City Council Workshop (2021)
- Implemented BLAST (2021/22)
- **BLAST: Bonds, Lease investment, Additional discretionary payments, Savings and Transfers**
 - Issued \$15.5 million in tax exempt **Bonds** for Water Fund capital projects
 - Revised Investment Policy to allow City to invest in Enterprise Fund's investment
 - Created mechanism for financing arrangements (Parking Authority and Financing Authority)
 - **Lease** financing arrangement with Water and Sewer Funds – made \$20.5 million ADP with proceeds
 - **Additional discretionary** payment of \$10 million from Section 115 Trust to CalPERS
 - Revised pension funding policy to call for 50% of **Savings** from ADPs to CalPERS to go back to Section 115 Trust
 - Transferred \$15.26 million as an ADP from Enterprise Funds to pay their share of UAL
- With BLAST, Upland's UAL went from \$127 million to less than \$80 million

Pension Funding Policy

- Approved on June 14, 2021; revised December 13, 2021
- Fiscally prudent policy, but not an obligation - can be revoked or amended by Council
- Purpose - provide protocols for accelerating the payoff for new developed CalPERS calculated UAL
- Policy establishes 4 programmatic components:
 - 1) Annual contribution to the City's Section 115 Trust
 - Contribute the normal cost with a discount rate of 0.5% less than the current PERS rate
 - 2) Perpetual set-aside of 50% of Additional Discretionary Payment savings
 - When City makes ADPs, 50% of budgetary savings contributed to Section 115 Trust
 - 3) General Fund Surplus
 - 40% of operating year-end surplus at the close of a fiscal year will go to pension reserve (Section 115 Trust)
 - 4) Accelerate the Payoff/Funding of New UAL

Accelerate the Payoff of New UAL

Table below establishes City's parameters for accelerating the payoff of new pension UAL in a designated amount of time, based on the amount of annual UAL growth

New Unfunded Accrued Liability (Any new liability incurred after the June 30, 2021 valuation report)	Payoff Time Period
\$0 to \$5,000,000	Within 1 to 5 years
\$5,000,001 to \$10,000,000	Within 5 to 7 years
\$10,000,001 to \$15,000,000	Within 7 to 9 years
\$15,000,001 to \$20,000,000	Within 9 to 10 years
\$20,000,001 or more	Within 10 to 15 years

CalPERS 2021/22 Losses

Effect of -7.5% return and experience losses

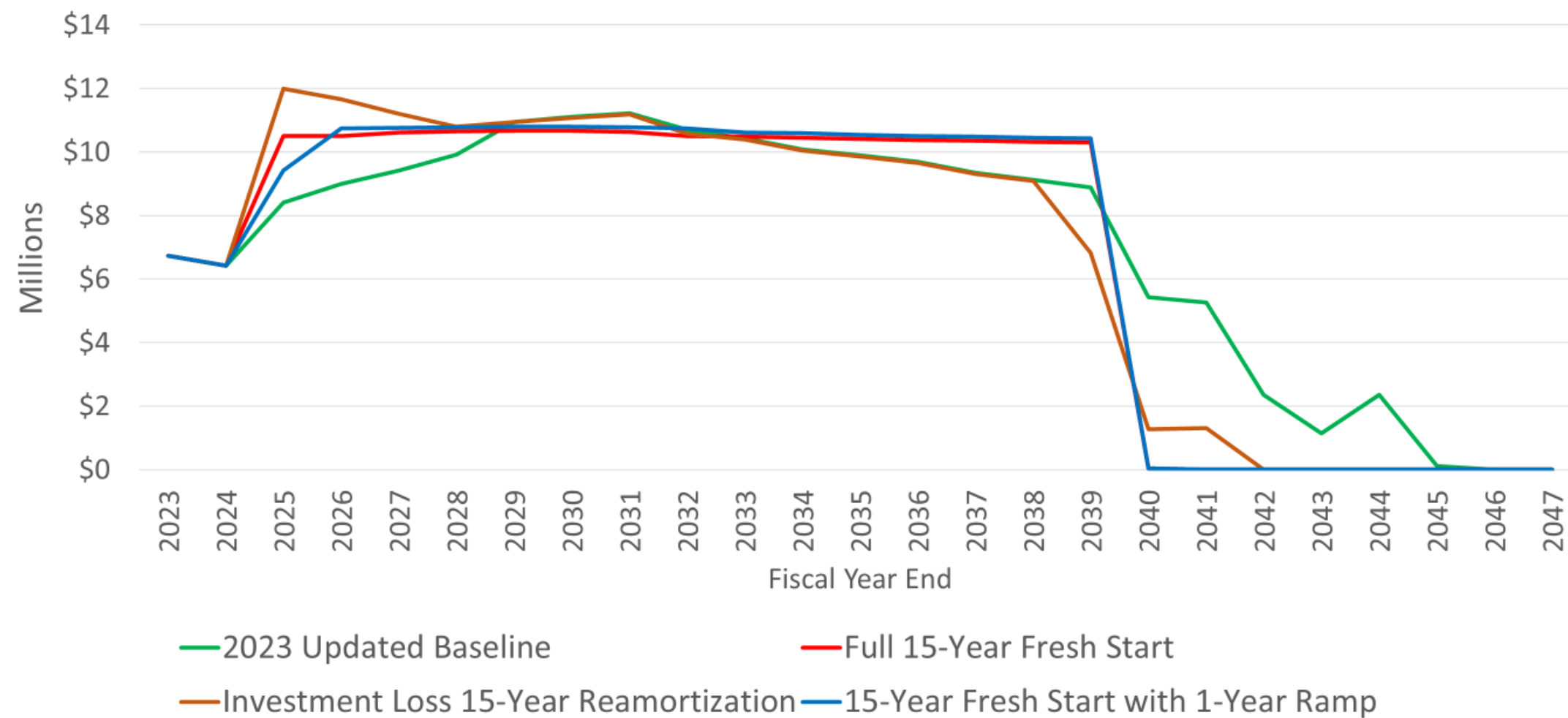
Amortization Payment Baseline



Total UAL Payments

CalPERS payments for all UAL bands

Total Amortization Payments All Scenarios



Total UAL Payments

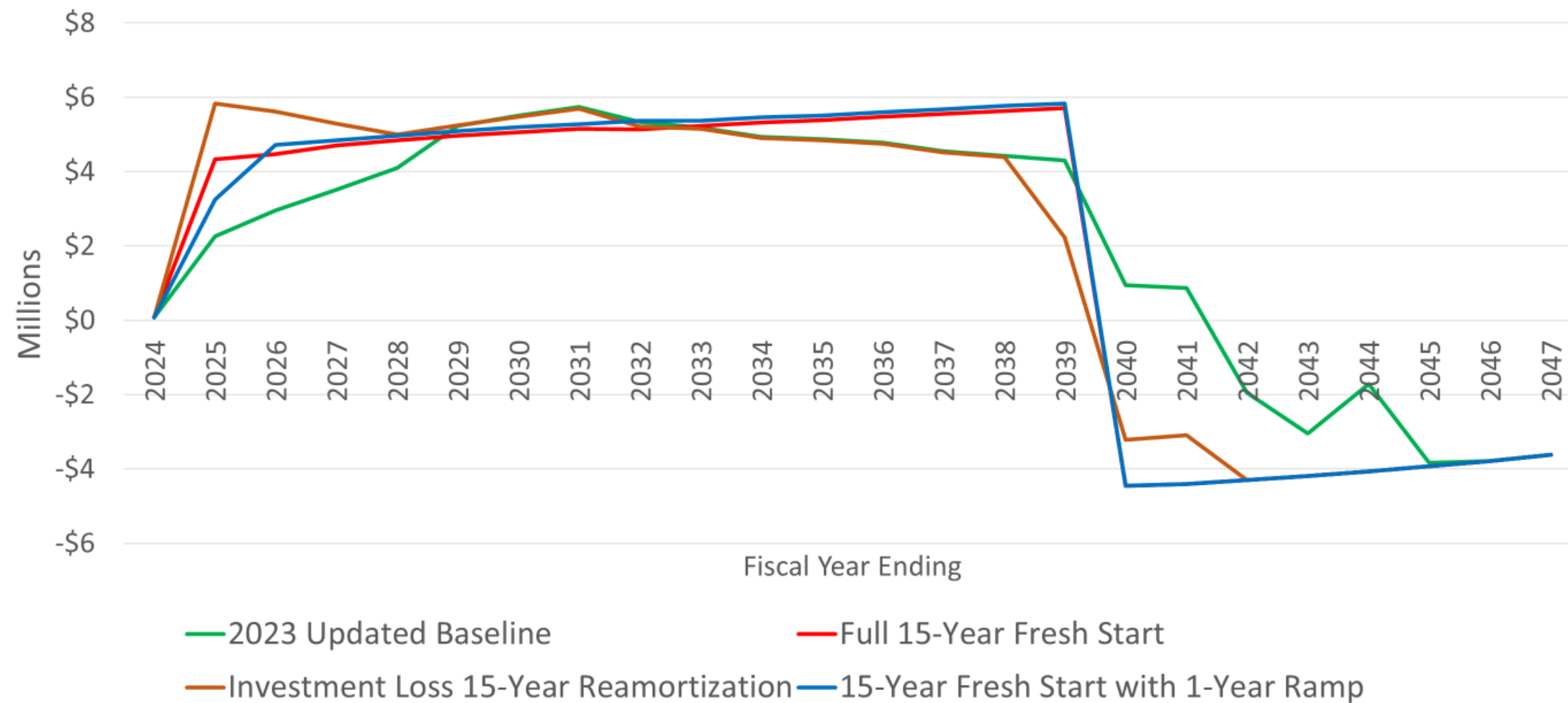
CalPERS payments for all UAL bands

Fiscal Year Ending June 30	2023 Updated Baseline	Investment Loss 15-Year Reamortization	Full 15-Year Fresh Start	15-Year Fresh Start with 1-Year Ramp
2023	\$ 6,738,619	\$ 6,738,619	\$ 6,738,619	\$ 6,738,619
2024	\$ 6,416,217	\$ 6,416,217	\$ 6,416,217	\$ 6,416,217
2025	\$ 8,410,261	\$ 11,994,204	\$ 10,496,397	\$ 9,410,261
2026	\$ 8,998,798	\$ 11,658,793	\$ 10,504,852	\$ 10,749,516
2027	\$ 9,420,599	\$ 11,196,688	\$ 10,620,444	\$ 10,757,971
2028	\$ 9,906,778	\$ 10,798,959	\$ 10,643,840	\$ 10,781,368
2029	\$ 10,944,269	\$ 10,952,542	\$ 10,667,946	\$ 10,805,473
2030	\$ 11,110,903	\$ 11,077,990	\$ 10,660,291	\$ 10,797,818
2031	\$ 11,223,498	\$ 11,190,585	\$ 10,636,056	\$ 10,773,583
2032	\$ 10,712,205	\$ 10,580,204	\$ 10,508,342	\$ 10,748,088
2033	\$ 10,433,203	\$ 10,401,135	\$ 10,483,080	\$ 10,614,788
2034	\$ 10,072,567	\$ 10,040,499	\$ 10,457,963	\$ 10,589,671
2035	\$ 9,900,165	\$ 9,868,097	\$ 10,403,621	\$ 10,535,329
2036	\$ 9,686,359	\$ 9,654,291	\$ 10,377,527	\$ 10,509,234
2037	\$ 9,343,944	\$ 9,311,875	\$ 10,350,921	\$ 10,482,629
2038	\$ 9,123,414	\$ 9,091,346	\$ 10,323,534	\$ 10,455,241
2039	\$ 8,888,034	\$ 6,819,566	\$ 10,294,770	\$ 10,426,477
2040	\$ 5,437,562	\$ 1,279,564	\$ 41,902	\$ 41,902
2041	\$ 5,270,324	\$ 1,306,261	\$ -	\$ -
2042	\$ 2,349,977	\$ -	\$ -	\$ -
2043	\$ 1,144,237	\$ -	\$ -	\$ -
2044	\$ 2,356,546	\$ -	\$ -	\$ -
2045	\$ 105,147	\$ -	\$ -	\$ -
2046	\$ -	\$ -	\$ -	\$ -
	Baseline	Investment Loss 15-Year Reamortization	Full 15 Year Fresh Start	15-Year Fresh Start with 1-Year Ramp
Required Contribution	\$177,993,626	\$170,377,434	\$170,626,322	\$170,634,184
Additional	\$0	\$0	\$0	\$1,000,000
Total	\$177,993,626	\$170,377,434	\$170,626,322	\$171,634,184
Savings	N/A	\$7,616,192	\$7,367,304	\$6,359,442

Additional UAL Contributions Necessary

Change in UAL Contributions factoring in CalPERS FY 21/22 losses

Total Contribution Increase



Additional UAL Contributions Necessary

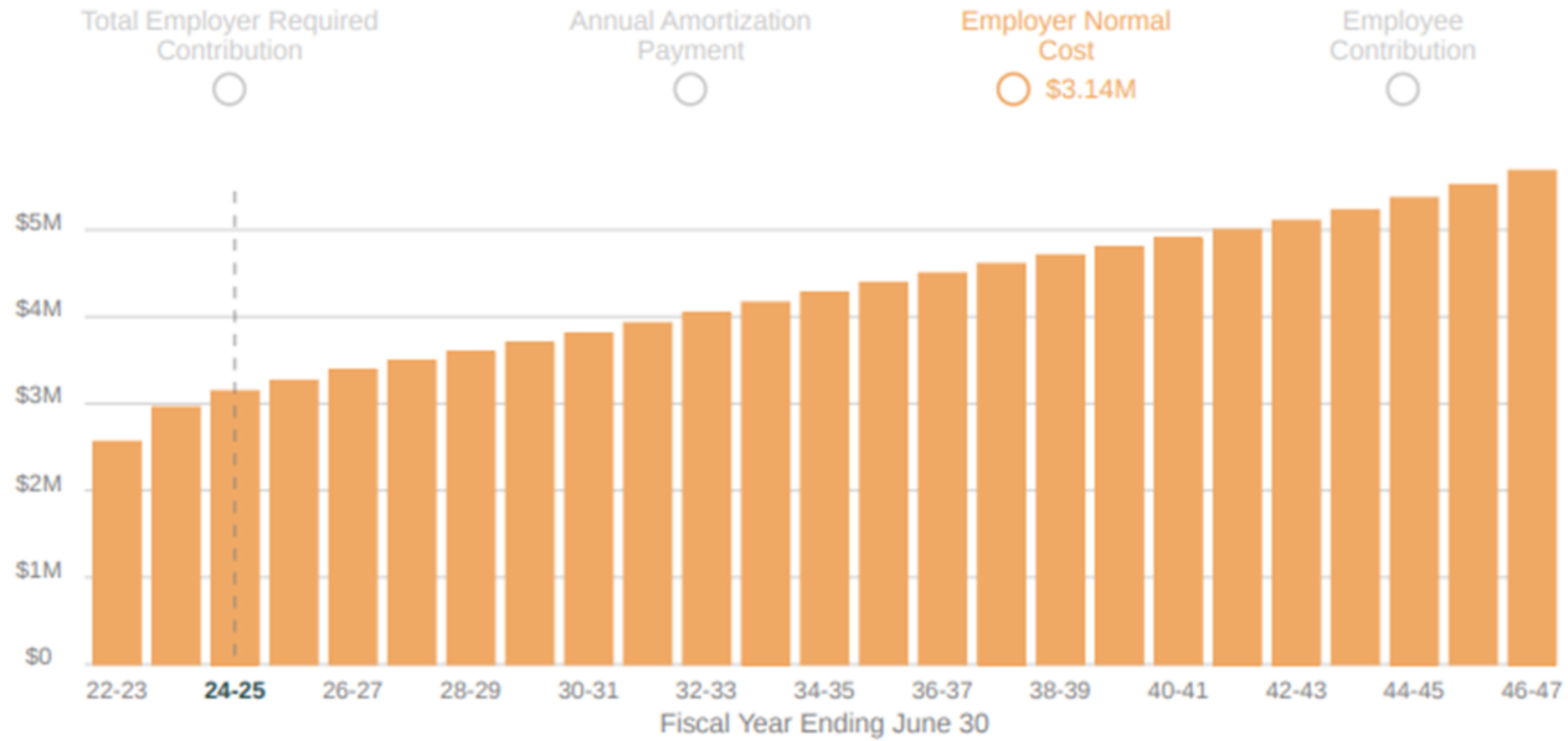
Change in UAL Contributions factoring in CalPERS FY 21/22 losses

Fiscal Year Ending June 30	2023 Updated Baseline	Investment Loss 15-Year Reamortization	Full 15-Year Fresh Start	15-Year Fresh Start with 1-Year Ramp
2025	\$2,252,927	\$5,836,871	\$4,339,064	\$3,252,927
2026	\$2,963,021	\$5,623,016	\$4,469,075	\$4,713,739
2027	\$3,510,266	\$5,286,355	\$4,710,111	\$4,847,638
2028	\$4,098,311	\$4,990,492	\$4,835,374	\$4,972,901
2029	\$5,235,772	\$5,244,045	\$4,959,450	\$5,096,977
2030	\$5,508,573	\$5,475,659	\$5,057,960	\$5,195,487
2031	\$5,732,003	\$5,699,089	\$5,144,560	\$5,282,087
2032	\$5,338,389	\$5,206,388	\$5,134,526	\$5,374,273
2033	\$5,181,237	\$5,149,168	\$5,231,114	\$5,362,821
2034	\$4,936,577	\$4,904,509	\$5,321,974	\$5,453,681
2035	\$4,879,284	\$4,847,215	\$5,382,739	\$5,514,447
2036	\$4,778,587	\$4,746,519	\$5,469,755	\$5,601,463
2037	\$4,544,189	\$4,512,121	\$5,551,167	\$5,682,875
2038	\$4,431,551	\$4,399,483	\$5,631,671	\$5,763,378
2039	\$4,295,274	\$2,226,805	\$5,702,009	\$5,833,717
2040	\$938,845	-\$3,219,154	-\$4,456,816	-\$4,456,816
2041	\$870,215	-\$3,093,848	-\$4,400,109	-\$4,400,109
2042	-\$1,949,072	-\$4,299,049	-\$4,299,049	-\$4,299,049
2043	-\$3,050,610	-\$4,194,847	-\$4,194,847	-\$4,194,847
2044	-\$1,716,176	-\$4,072,722	-\$4,072,722	-\$4,072,722
2045	-\$3,827,401	-\$3,932,549	-\$3,932,549	-\$3,932,549
2046	-\$3,783,026	-\$3,783,026	-\$3,783,026	-\$3,783,026
2047	-\$3,619,517	-\$3,619,517	-\$3,619,517	-\$3,619,517
	Baseline	Investment Loss 15-Year Reamortization	Full 15 Year Fresh Start	15-Year Fresh Start with 1-Year Ramp
Required Contribution	\$51,623,762	\$44,007,569	\$44,256,458	\$45,263,319
Additional	\$0	\$0	\$0	\$1,000,000
Total	\$51,623,762	\$44,007,569	\$44,256,458	\$46,263,319
Savings	N/A	\$7,616,192	\$7,367,304	\$5,360,442

Normal Cost

Payments made to CalPERS annually in conjunction with bi-weekly payroll

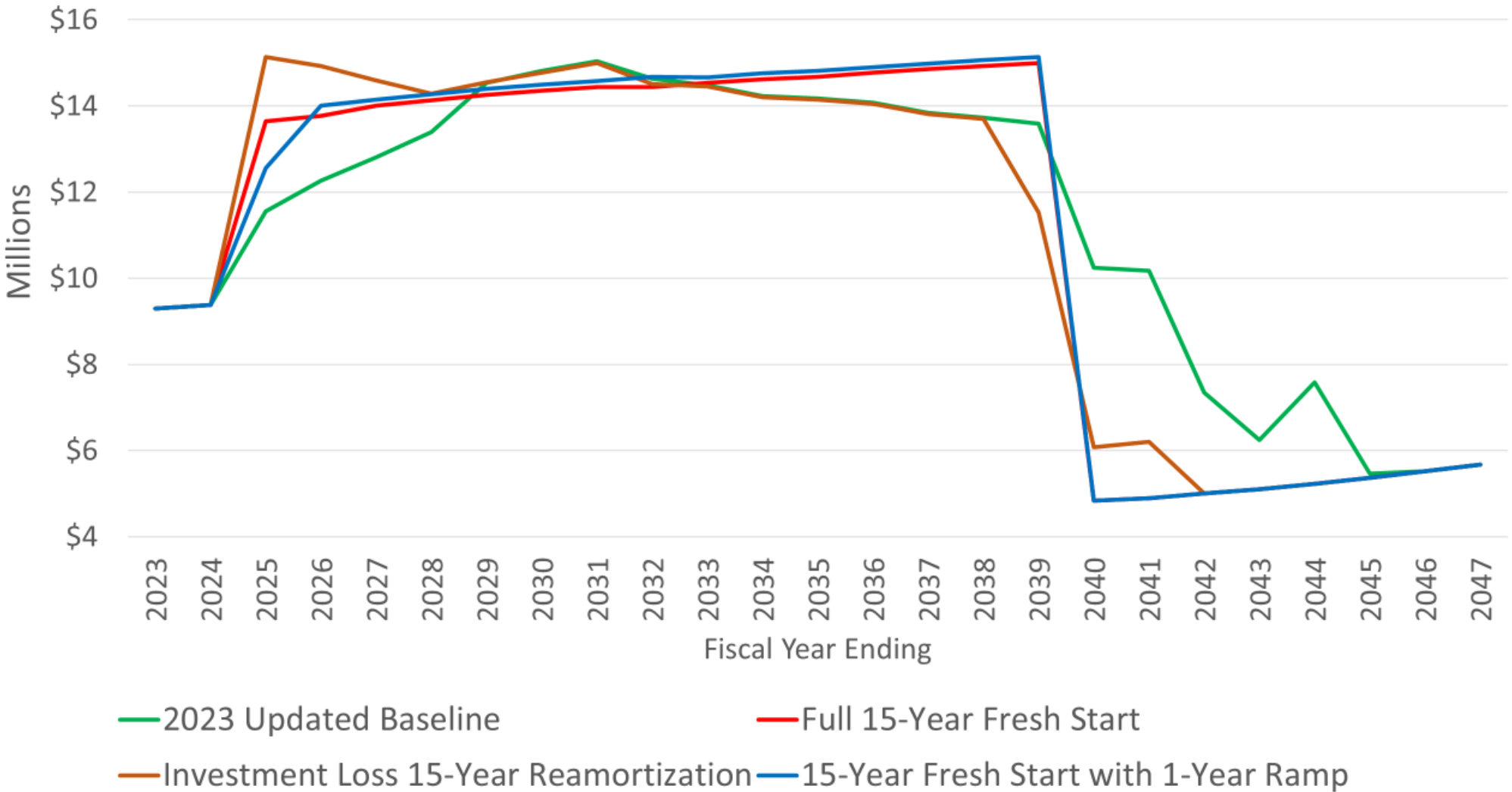
Normal Cost



Total CalPERS Contributions

All CalPERS payments made: Normal cost + UAL payments.

Total Contributions All Scenarios



Total CalPERS Contributions

All CalPERS payments made: Normal cost + UAL payments.

Fiscal Year Ending June 30	2023 Updated Baseline	Investment Loss 15-Year Reamortization	Full 15-Year Fresh Start	15-Year Fresh Start with 1-Year Ramp
2024	\$9,373,681.82	\$9,373,681.82	\$9,373,681.82	\$9,373,681.82
2025	\$11,552,066.40	\$15,136,010.26	\$13,638,203.19	\$12,552,066.40
2026	\$12,262,159.62	\$14,922,155.20	\$13,768,214.03	\$14,012,877.80
2027	\$12,809,405.52	\$14,585,493.72	\$14,009,249.60	\$14,146,776.67
2028	\$13,397,449.87	\$14,289,630.69	\$14,134,512.66	\$14,272,039.72
2029	\$14,534,911.10	\$14,543,184.54	\$14,258,588.71	\$14,396,115.78
2030	\$14,807,711.65	\$14,774,797.94	\$14,357,098.94	\$14,494,626.01
2031	\$15,031,142.28	\$14,998,228.57	\$14,443,699.51	\$14,581,226.57
2032	\$14,637,528.45	\$14,505,527.55	\$14,433,665.13	\$14,673,411.67
2033	\$14,480,375.58	\$14,448,307.45	\$14,530,252.74	\$14,661,960.28
2034	\$14,235,716.36	\$14,203,648.23	\$14,621,112.65	\$14,752,820.19
2035	\$14,178,422.65	\$14,146,354.52	\$14,681,878.55	\$14,813,586.08
2036	\$14,077,726.57	\$14,045,658.44	\$14,768,894.36	\$14,900,601.89
2037	\$13,843,328.31	\$13,811,260.18	\$14,850,306.27	\$14,982,013.80
2038	\$13,730,689.81	\$13,698,621.68	\$14,930,809.84	\$15,062,517.37
2039	\$13,594,412.86	\$11,525,944.54	\$15,001,148.35	\$15,132,855.88
2040	\$10,237,983.96	\$6,079,985.32	\$4,842,323.51	\$4,842,323.51
2041	\$10,169,354.26	\$6,205,291.08	\$4,899,030.08	\$4,899,030.08
2042	\$7,350,067.32	\$5,000,090.02	\$5,000,090.02	\$5,000,090.02
2043	\$6,248,528.99	\$5,104,292.22	\$5,104,292.22	\$5,104,292.22
2044	\$7,582,963.20	\$5,226,417.56	\$5,226,417.56	\$5,226,417.56
2045	\$5,471,737.76	\$5,366,590.53	\$5,366,590.53	\$5,366,590.53
2046	\$5,516,112.77	\$5,516,112.77	\$5,516,112.77	\$5,516,112.77
2047	\$5,679,622.34	\$5,679,622.34	\$5,679,622.34	\$5,679,622.34
	Baseline	Investment Loss 15-Year Reamortization	Full 15 Year Fresh Start	15-Year Fresh Start with 1-Year Ramp
Required Contribution	\$284,102,239	\$276,486,046	\$276,734,934	\$276,742,796
Additional	\$0	\$0	\$0	\$1,000,000
Total	\$284,102,239	\$276,486,046	\$276,734,934	\$277,742,796
Savings	N/A	\$7,616,192	\$7,367,304	\$6,359,442

NEXT STEPS

- Staff will work with GovInvest to evaluate UAL payment options
 - Adjusting what is paid to CalPERS to comply with Pension Funding Policy
 - Modifying Pension Funding Policy
 - Potential draw-down of Section 115 Trust balances
- Continue through the FY 24/26 2-year budget process
 - Finance Committee update at next meeting
 - City Council Workshop scheduled for May 20, 2024
- Continue to provide information regarding City's UAL to Finance Committee and City Council

RECOMMENDATIONS

That the Finance Committee receive the information report on the pension funding policy and its effects on future budgets.



QUESTIONS?
