

FEATHER RIVER AIR QUALITY MANAGEMENT DISTRICT  
MEMORANDUM  
10/04/2021

TO: FRAQMD BOARD OF DIRECTORS

FROM: Christopher D. Brown, AICP, APCO

SUBJECT: Informational presentation on CalPERS Employers' Pension Prefunding Trust (CEPPT) and Employers' Retiree Benefit Trust (CERBT) Funds.

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RECOMMENDATION:

Staff is beginning discussions with CalPERS about prefunding OPEB and Pension benefits. This informational item provides some background information.

ALTERNATIVE:

No alternative – informational item only

BACKGROUND:

Links

CalPERS Retiree Benefit Trust (OPEB) –

<https://www.calpers.ca.gov/page/employers/benefit-programs/cerbt>

CalPERS Pension Prefunding Trust -

<https://www.calpers.ca.gov/page/employers/benefit-programs/ceppt>

Important note. The District, like most small agencies, is in a shared pool account with CalPERS. This means that a lot of the specific actions that larger agencies can take with CalPERS are not available to the District. For example, the District cannot simply send additional payments to CalPERS - those funds would be credited to the entire pool – not FRAQMD specifically unless a prior arraignment was made.

The District has four liabilities with CalPERS

1. Health Care (less Vision and Dental), paid annually in full
2. Other Post Retirement Benefits (OPEB) – paid when due (not prefunded)
3. Retirement (both employee and employer share), paid annually as billed
4. Retirement unfunded liability, paid down slowly over time as billed annually

Health care costs are very dynamic and change rapidly both because of market forces and changes in the number of insured, how many dependents and even changes spouse's coverage. This cost can only be paid annually (pay as you go) and is not a long-term liability for the District.

Other Post Retirement Benefits (OPEB) costs are the non-pension benefits provided to employees once they retire. FRAQMD pays the legally required minimum to retired employees, which is a small health care stipend to those over age 50 who retire with more than 5 years of service. The District does not provide any vision or dental OPEB benefit. These costs are considered a long-term liability for the District (GASB 43 and 45). The District has not set aside funding for OPEB in the past, instead paying the cost annually as it was billed by CalPERS.

Retirement Costs is the pension costs (including CalPERS overhead) for all District employees and is calculated by CalPERS and billed annually.

Retirement Unfunded Liability is the difference between the funds deposited with CalPERS and the actuarial liability due retirees. The difference can result from underpayments to CalPERS, missed investment targets at CalPERS or higher actuarial costs (retirees living longer). As a relatively young agency (1990) with no safety employees, the District does not have excessive unfunded liability. CalPERS currently bills annually to pay down the District's balance over time (~20 years).

District staff believe it is in our best interest to pre-pay pension liabilities when possible.

OPEB Prepayment -

California Employers' Retiree Benefit Trust (CERBT) Fund was established by CalPERS in 2007 as a way to allow employers to prefund OPEB (post retirement benefits) costs. Presently over 575 agencies use CERBT. The trust can accept payments of a fixed amount annually, or one-time payments when excess funds are available. Funds earn interest for the District and can be withdrawn at any time for any reason.

Funds deposited into the CERBT Trust will reduce the District's liability under GASB 75.

Pension and Unfunded Liability Prepayment –

California Employers' Pension Prefunding Trust (CEPPT) Fund was established in 2019 to allow public employers to prefund pension expenses. The District can make annual or quarterly payments, or simply allocate excess funds when they are available. Funds on deposit can be withdrawn if needed.

Funds on deposit with CEPPT can reduce unfunded liability on financial reports.

Next Steps

Staff plans to develop a detailed funding plan with CalPERS and the Policy Finance Committee and bring the final proposal back to the Board in the spring. The final funding plan will need to include direction about allowable risk levels and any requirements for withdrawal.

FISCAL IMPACT:

None – information only at this time.