SWEETWATER SPRINGS WATER DISTRICT

TO: Board of Directors **AGENDA NO. V-A**

FROM: Steve Mack, General Manager

Meeting Date: June 1, 2017

SUBJECT: PRESENTATION ON PUBLIC AGENCY RETIREMENT SERVICES (PARS) PENSION RATE STABILIZATION PROGRAM

RECOMMENDED ACTION: Receive a presentation by Mitch Barker, Executive Vice President of Public Agency Retirement Services (PARS) on the PARS Pension Rate Stabilization Program and provide direction to staff.

FISCAL IMPACT: none

DISCUSSION:

The District has decided to become more active in addressing its CalPERS retirement unfunded actuarial liability (UAL). Last month we made an accelerated one-time payment on our UAL directly to CalPERS in the sum of $60,000. An additional approach to addressing UAL is to try to offset CalPERS costs with higher investment returns -- and therefore riskier ones -- on District funds. This is a very similar approach to our participation in CERBT to offset UAL in our retiree health costs. The PARS program and CERBT both offer a solution to the District's limited investment choices.

The PARS "Pension Rate Stabilization Program" provides a vehicle for higher returns by way of a IRC Section 115 Trust. Elements of the program, or any Section 115 Trust, are:

- Can be used by local governments to fund essential governmental functions (i.e., retiree healthcare, pension)
- Trust is irrevocable and designed to pre-fund retirement plan obligations
- Once contributions are placed into trust, assets from the trust can only be used for retirement plan purposes:
    - Reimburse District for CalPERS contributions
    - Assets can be transferred to CalPERS at anytime for pension
    - Up to 2 years of pension costs can be withdrawn for other expenses.

Mitch Barker, Executive Vice President of PARS will attend the June 1 meeting to give a presentation on his organization and their programs. Attached are the slides of his presentation.

The staff vision of using PARS is fund it using a portion of District Reserves, with the goal of earning better returns on funds the District has no intention of using absent a dire emergency. The District could then tap into a portion of investment returns (a "safe withdrawal rate") to defray annual retirement expenses.

PARS has investment portfolios with different risk scenarios that, on average, should get rate of returns similar to what CalPERS aims for (4-8 percent) and much higher than the County funds get (currently in the 1% vicinity). A "safe withdrawal rate" would be an amount less than projected returns.

The cost of participating in PARS is estimated at a minimum of 55 basis points, or .55% annually.