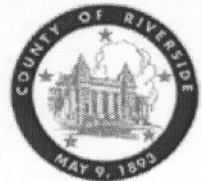


**SUBMITTAL TO THE BOARD OF DIRECTORS
COUNTY OF RIVERSIDE, STATE OF CALIFORNIA**

565



FROM: Waste Resources Management District

SUBMITTAL DATE:
May 16, 2005

SUBJECT: Payoff of Unfunded Liability on Waste Resources Management District Contract No. 1655 with California Public Employees Retirement System

RECOMMENDED MOTION: That the Board of Directors:

1. Approve the Waste Resources Management District (WRMD) pay 90% of the unfunded liability on CalPERS Contract No. 1655 (i.e. \$4,119,602);
2. Approve the budget adjustment to the WRMD budget for the fiscal year 2005 as presented; and
3. Direct the Human Resources Director to adjust the employer contribution rate after the payment of the unfunded liability is executed from 19.951% to 14.911%.

BACKGROUND: In January 2005, the County Board of Supervisors approved Board Policy B-25, Pension Management Policy, which in part states that "The County seeks to maintain a minimum Funding Level of 80%." WRMD is currently at a funding level of 72.9% owing in large part to the growing balances in the Unfunded Amortization Base Liabilities. These liabilities continue to grow because of the diminishing work force contributing to the WRMD contract and the changes in benefits over the last five years. The CalPERS valuation dated October 18, 2004 indicated that the Unfunded Liabilities for the WRMD contract had grown in one year from \$4,234,100 to \$4,577,335.
(continued)

[Signature]
Approved by: **Richard W. Komer**
Asst. County Executive Officer/
Human Resources Director

[Signature]
Hans W. Kernkamp, General Manager-Chief Engineer

FINANCIAL DATA	Current F.Y. Total Cost:	\$ 4,119,602	In Current Year Budget:	N/A
	Current F.Y. Net County Cost:	\$ 0	Budget Adjustment:	Yes
	Annual Net County Cost:	\$ 0	For Fiscal Year:	2005

SOURCE OF FUNDS: Transfer of User Charges from Waste Management Department	Positions To Be Deleted Per A-30	<input type="checkbox"/>
	Requires 4/5 Vote	<input type="checkbox"/>

C.E.O. RECOMMENDATION: **APPROVE**

County Executive Office Signature

[Signature]

Policy
 Policy

Consent
 Consent

Dep't Recomm.:
Per Exec. Ofc.:

Prev. Agn. Ref.: | **District:** ALL | **Agenda Number:**

May 16, 2005

Payoff of Unfunded Liability on Waste Resources Management District Contract No. 1655 with California Public Employees Retirement System

BACKGROUND (continued):

After consultation with the County's retirement benefits actuarial, Bartel Associates, LLC, and review and approval of the actuarial findings by the Pension Advisory Review Committee (PARC), the Department management reviewed the budgets and actual expenses of both the District and the Department to determine that sufficient budget was available to allow the payment of 90% of the unfunded liability in the fiscal year 2005. Since District payroll is funded through the County Waste Management Department it is necessary to increase the amount of funds transferred to the District as well as to increase the appropriated amounts for Salaries and Benefits within the District. The requested budget adjustment would accomplish these increases. Because of salary savings within the District, the total of \$4,119,602 is not needed and only the amount of \$3,750,000 is requested.

Payment of this amount of unfunded liability will reduce the employer portion of the District contract from 19.951% to 14.911% effective with the July 1, 2006 payroll expense. This is an immediate savings of over \$300,000 in FY 05/06 and a projected savings of more than 6% for every year thereafter. The District does not anticipate participating in the prepayment plan for employer's contributions this fiscal year owing in a large part to CalPERS calculation of the employer's contribution based on actual numbers of employees in June 2003 and Department calculations that indicate that the actual District base will be significantly lower. The lower salary and employee base creates an employer contribution for the 2006 fiscal year approximately \$100,000 lower than the CalPERS lump sum payment amount.

Because of salary savings in the Department combined with savings in the Disposal Fee expense (i.e. those monies paid to Waste Management Inc. for Riverside County trash landfilled at El Sobrante Landfill), the Department does not require a budget adjustment and has asked the Executive Office to approve an appropriation transfer to facilitate the increased salary reimbursement expense.

As the District employee roll continues to diminish the Department management will review the status of the CalPERS contract for the amounts of unfunded liability. It is anticipated that once the District is placed in the CalPERS pool and thereby no longer has an individual contract it will be in the best interest of the District and the County to payoff any remaining unfunded liability since at that time that amount will not benefit from future gains in earnings.

Attached, for the Board's convenience, are the letters from CalPERS for the reduced contribution rate and the lump sum prepayment (Attachments 1 and 2), as well as the Department's budget request (Attachment 3), and a copy of the Department's Request for Transfer of Appropriation Within a Fund/DeptID (Attachment 4).



Actuarial & Employer Services Division
 P.O. Box 942709
 Sacramento, CA 94229-2709
 Telecommunications Device for the Deaf - (916) 795-3240
 FAX (916) 795-3005

May 12, 2005

Employer Number : 1655
 Employer Name : RIVERSIDE COUNTY WASTE RESOURCES MANAGEMENT DISTRICT
 Rate Plan: MISCELLANEOUS

Re: Lump Sum Payment to reduce 2005-2006 and later non-pooled employer contribution rates

Dear Requestor:

As requested, 2005-2006 employer contribution rate information on your lump sum payment follows.

If you are aware of others interested in this information (i.e. payroll staff, county court employees, port districts, etc.), please inform them.

The information is based on the most recent annual valuation and assumes payment made between June 1 and June 30, 2005 and no further contractual or financing changes taking effect before June 30, 2006.

The change in your 2005/2006 employer contribution rate after you make the proposed lump sum payment, is displayed in the "Change to Total Employer Rate" line below.

As of June 30, 2003	Pre-Payment	Post-Payment
Projected 6/30/05 UAL	\$4,577,335	
Proposed Lump Sum Pmt of 6/30/2005 UAL	\$4,119,602	
Revised projected 6/30/2005		\$457,733
2005-2006 Employer Contribution Rate		
Payment for Normal Cost	13.173%	13.173%
Payment on Amortization Bases	6.778%	1.738%
Total Employer Contribution Rate	19.951%	14.911%
Amortization Base(s)	Multiple	5 Yr Fr Start
Change to Total Employer Contribution Rate		(5.040%)

To initiate this change, the enclosed Lump Sum Payment Request must be completed and returned to the Fiscal Services Division with a wire transfer or a check before July 1. A copy should be sent to us.

If you have questions, please call (888) CalPERS (225-7377).

David Du Bois, F.S.A.
 Senior Pension Actuary, CalPERS

enc.

ATTACHMENT 2



Actuarial & Employer Services Division
P.O. Box 942709
Sacramento, CA 94229-2709
Telecommunications Device for the Deaf - (916) 795-3240
FAX (916) 795-3005

May 5, 2005

Employer Number : 1655
Employer Name : RIVERSIDE COUNTY WASTE RESOURCES MANAGEMENT DISTRICT
Rate Plan: MISCELLANEOUS

Re: Lump Sum Payment to prepay 2005-2006 employer contribution rate

Dear Requestor:

As requested, 2005-2006 employer contribution rate information on a second lump sum payment follows.

If you are aware of others interested in this information (i.e. payroll staff, county court employees, port districts, etc.), please inform them.

The information is based on the most recent annual valuation but reflects a June, 2005 lump sum payment of \$4,119,602 to pay off 90% of the unfunded liability (with a 5 year fresh start of the remaining amount), and assumes that the second lump sum payment is made between July 1 and July 15, 2005 and no further contractual or financing changes take effect before June 30, 2006.

The change in your 2005/2006 employer contribution rate after you make the proposed second lump sum payment, is displayed in the "Change to Total Employer Rate" line below.

As of June 30, 2003	\$	%
2005-06 Employer Contributions (\$) mid year	\$886,188	14.911%
2005-06 Employer Payment (\$) beg year*	\$853,723 *	14.911%
2005-06 Revised Employer Contrib (\$) mid year	\$0	0%
Change to Total Employer Contribution Rate		(14.911%)

* ***Pay this amount (see attachment).*** Your pre-payment 2005-2006 Employer Contribution is from your June 30, 2003 actuarial valuation report. It has been reduced by a half year interest credit at the 7.75% actuarial assumed interest rate (resulting in an approximate 3.66% discount). To the extent your actual 2005-2006 payroll or CalPERS actual 2005/06 net investment earnings differ from our assumptions, we anticipate the differences will be reflected in your 2008-2009 and later employer contribution rates.

To initiate this change, the enclosed Lump Sum Payment Request must be completed and returned to the Fiscal Services Division with a wire transfer or a check between July 1 and July 15. A copy should be sent to us.

If you have questions, please call (888) CalPERS (225-7377).

David Du Bois, F.S.A.
Senior Pension Actuary, CalPERS

enc.

Waste Resources Management District

Budget Adjustment Request

For Fiscal Year 2005

May 24, 2005

Increase:

Estimated Revenue:

40250-943001-781720	Salary Reimbursement	\$3,750,000
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Appropriations:

40250-943001-513000	Retirement—Miscellaneous	<u> </u>	<u>\$3,750,000</u>
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Total Changes:	\$3,750,000	\$3,750,000
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COUNTY OF RIVERSIDE ATTACHMENT 4



REQUEST FOR TRANSFER OF APPROPRIATION WITHIN A FUND/DEPT ID

AUDITOR-CONTROLLER

Section A - Department Contact Information

1. Name: Justine Quinones
 2. Dept: Waste Mangement Department
 3. Phone: 951-486-3234
 4. Business Unit: 4500100000

Section B - Specific Request / Justification:

In order to facilitate the PARC recommended pay down of the CalPERS unfunded liability accruing to the Waste Resources Management District retirement contract it is necessary to increase the salary reimbursement appropriation within the Waste Management Department. Due to salary savings and budgetary restraint the Department has sufficient Appropriation One and Two amounts to allow this to be done without accessing net assets. In addition the contract for the expansion liner has exceeded the initial budget amount due in part to difficult weather conditions during the construction period at Lamb Canyon that required additional material.

Section C - Accounting Information for Requested Transfer

Increase Appropriations:

Fund No.	DeptID	Account	Account Description	Amount
40200	4500100000	525500	Salary/Benefit Reimbursement	2,000,000
40200	4500100000	540061	Improvements--Environmental Liners	500,000
Total Increase				2,500,000

Decrease Appropriations:

Fund No.	DeptID	Account	Account Description	Amount
40200	4500100000	510040	Regular Salaries	2,500,000
Total Decrease				2,500,000

Section D - Department Review and Approval

Approved 1. Reviewed By: HANS KERNKAMP 2. Date: MAY 16, 2005
 Denied Must be reviewed by authorized department representative 3. Title: GEN. MGR - CALIF. STATE

Section E - ACO Review and Approval

Approved 1. Reviewed By: 2. Date:
 Denied 3. Department Notified:

Section F - Executive Office Review and Approval

Approved 1. Reviewed By: 2. Date:
 Denied

Section G - For ACO Use Only

1. Date Received from EO: 2. Date Processed:
 3. Processed By: 4. Department / EO Notified: