

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



ITEM: 3.3
(ID # 15169)

MEETING DATE:
Tuesday, May 11, 2021

FROM : EXECUTIVE OFFICE:

SUBJECT: EXECUTIVE OFFICE: Report Back on Agenda Item 3.4, February 9, 2021

RECOMMENDED MOTION: That the Board of Supervisors:

1. Receive and file the report back to the Board regarding Riverside Local Agency Formation Commission (LAFCO) Recommendation 6, steps taken to date as requested in Item 3.4 from February 9, 2021.

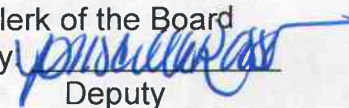
ACTION:


Don Kent, Finance Director 4/29/2021

MINUTES OF THE BOARD OF SUPERVISORS

On motion of Supervisor Hewitt, seconded by Supervisor Perez and duly carried by unanimous vote, IT WAS ORDERED that the above matter is received and filed as recommended.

Ayes: Jeffries, Spiegel, Washington, Perez, and Hewitt
Nays: None
Absent: None
Date: May 11, 2021
xc: EO

Kecia R. Harper
Clerk of the Board
By 
Deputy

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FINANCIAL DATA	Current Fiscal Year:	Next Fiscal Year:	Total Cost:	Ongoing Cost
COST	\$ 0	\$ 0	\$ 0	\$ 0
NET COUNTY COST	\$ 0	\$ 0	\$ 0	\$ 0
SOURCE OF FUNDS:			Budget Adjustment:	No
			For Fiscal Year:	2021

C.E.O. RECOMMENDATION: Approve

BACKGROUND:

Summary

At the February 9, 2021 Board of Supervisors meeting, Agenda Item 3.4 requested that the Executive Office return to the Board of Supervisors as a follow up to Recommendation 6 which stated, "The recommendation of the Executive Office is that:

- 1.) The Board direct County staff to work with LAFCO on its plan of action items 1 through 4 as noted in its Five Year Strategic Plan dated January 23, 2020, Strategic Objective (6): Pension & OPEB Unfunded Liabilities and report back within 90 days, or as soon as possible thereafter pending their June 30, 2020 audited financial statements.
- 2.) Upon future receipt(s) of its pro-rata share of unfunded liabilities, the Board direct County staff to either then make an additional discretionary payment to CalPERS, or (due to the very small size) deposit into the 2016 Section 115 Pension Trust."

As of this writing, LAFCO is staffed with four employees, two of which are Classic Tier I employees (3% @ 60), while the other two are Tier III – PEPRA employees (2% @ 62).

For reference, LAFCO's stated plan of action items are:

- 1.) Identify the process used by the County and LAFCO auditors for determining its pro-rated share of the unfunded liabilities and verify that the process is satisfactory
- 2.) Determine the future unfunded liability over 10 years for each category
- 3.) Identify a reasonable process for paydown of current and future unfunded liabilities
- 4.) Develop a 5-year and/or 10-year payment plan for budget allocation to buydown each unfunded liability

Recommendation

As part of Recommendation 6, Item 1, County staff did meet and discuss with LAFCO's Executive Officer and its independent auditors and determined that:

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1.) The process used for determining LAFCO's pro-rata share of the unfunded liability was identified, is satisfactory, and a method mutually agreed to by all parties.

2.) The future pro-rata share of unfunded liability over 10 years for each category will be in lock-step with the County as LAFCO is a participant in the County's Miscellaneous Plan with CalPERS, as well as the County's OPEB (Other Post-Employment Benefits) Plan. The actual dollar amount is presently being calculated at the end of each fiscal year ending June 30 as part of LAFCO's annual audit and will continue to do so.

3.) A reasonable process for paydown of current and future unfunded liabilities was identified. It was agreed that an internal set-aside of reserves by LAFCO, rather than a payment made to the County, would be an appropriate method to ensure that if it were ever to exit the County's Miscellaneous Plan, the calculated pro-rata share of its unfunded liability at that point in time could then be paid to the County.

For this fiscal year, FY 20/21, LAFCO has stated it will set-aside reserves of \$125,000, and, for FY 21/22, it is proposing \$150,000. LAFCO's pro-rata share of unfunded liability in the County's Miscellaneous Plan as of June 30, 2020 was \$883,897, while its pro-rata share of unfunded liability in the County's Other Post-Employment Benefits (OPEB) Plan was \$9,912.

4.) Lastly, LAFCO is developing a 5-year and/or 10-year plan for budget allocation by working on its own Pension/OPEB Unfunded Liability Reserve Policy; it is expected to place before its Commissioners for review and approval sometime in May and/or June 2021. One of the policy goals is to have a minimum set aside of reserves of 80% of their unfunded liability which would mirror that of the County's Pension Management Policy B-25 which states: "The County seeks to maintain a minimum funding level of 80% in its CalPERS defined benefit pension plan. To the extent the funding level falls below that, the County will prepare a plan to address the issue."

Also, as part of Recommendation 6, Item 2, County staff did meet and discuss with LAFCO's Executive Officer and its independent auditors and determined that:

Due to the reasons cited above, monetary receipt(s) of LAFCO's pro-rata share of unfunded liabilities are not recommended at this time. Should LAFCO ever exit the County's Miscellaneous Plan in the future, the calculated pro-rata share of its unfunded liability at that point in time could then be paid to the County. LAFCO is being charged the same employer contribution rates as County departments (which includes the normal cost, unfunded liability, Pension Obligation Bond (POB) debt service, OPEB employer contribution rates, etc.).

Impact on Citizens and Businesses:

LAFCO is currently paying their pro-rata share of the unfunded liability as does any County department with employees in the Miscellaneous Plan; it is embedded in the total employer contribution rate along with the normal cost, and, POB debt service.

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A set aside of reserves by LAFCO will ensure that if it were ever to exit the County's Miscellaneous Plan and/or OPEB, the calculated pro-rata share of its unfunded liability at that point in time could then be paid to the County. The same also applies to the OPEB.

Dave Rogers
Dave Rogers, Chief Administrative Officer 5/5/2021