



# Santa Clara Valley Water District

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**File No.:** 19-0046

**Agenda Date:** 2/12/2019

**Item No.:** 8.1.

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## BOARD AGENDA MEMORANDUM

### **SUBJECT:**

Update on Pension and Other Post-Employment Benefits Unfunded Liabilities.

### **RECOMMENDATION:**

Receive information on the status of pension and Other Post-Employment Benefit unfunded liabilities and provide direction to staff as necessary.

### **SUMMARY:**

The purpose of this agenda memo is to provide a status of the District's pension and Other Post-Employment Benefits (OPEB) unfunded liabilities, which total \$230 million and \$78 million respectively as of June 30, 2018. The District's OPEB Trust Fund continues to perform well. The most recent actuarial study shows the District is on track to have the OPEB unfunded liability paid off by Fiscal Year (FY) 2027-28 assuming a 7.28% average annual return, or by FY 2029-30 assuming a 6.28% average annual return. Both scenarios assume no incremental trust fund contributions.

The unfunded pension liability remains a concern as it is highly dependent on investment returns of the District's pension plan within the California Public Employees' Retirement System (CalPERS). If a 7% average annual return is assumed, then the District's plan is projected to achieve an 80% funded level by FY 2023-24, and a 100% funded level by FY 2034-35. If, however, a 6% average annual return is assumed, then the District's plan is projected to achieve an 80% funded level by FY 2026-27, and would achieve a maximum funded ratio of 97% by FY 2041-42. Lower investment returns ultimately translate to higher required employer contributions in future years.

### **FINANCIAL IMPACT:**

There is no financial impact related to this agenda item. It is presented for information only.

### **CEQA:**

The recommended action does not constitute a project under CEQA because it does not have the potential for resulting in direct or reasonably foreseeable indirect physical change in the environment.

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**ATTACHMENTS:**

Attachment 1: PowerPoint

**UNCLASSIFIED MANAGER:**

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