COUNTY OF YOLO

Pension Funding Stabilization Options

(Listed in increasing degree of commitment)

	Funding Stabilization Options	Definition of Option	Advantages of Option	Disadvantages of Option	Chargeable to Grants	Reduce Contribution Rates	Reduce Pension Liability
1	Accounting Reserve	Reservation of fund balance by Board of Supervisors to be used toward pension liability.	✓ Reserve level can be adjusted up or down by Board to respond to unforeseen circumstances. ✓ Withdrawal can be made to supplement contributions. ✓ Easiest option to implement	✓ Assets would not be invested long-term and therefore would not keep up with inflation. ✓ Undisciplined saving since reserve is susceptible to changing organizational priorities.	No	No	No
2	Discretionary Contributions (to CalPERS)	Additional lump sum contributions made to the pension plan as cash flows allow.	✓ Provides flexibility since contributions can be made whenever cash is available. ✓ No long term commitment in relation to other options.	✓ Undisciplined approach to reducing liability. ✓ May require buy-in or method to address other employers in the pension plan. ✓ Costs must be allocated cost centers for claim purposes.	Maybe	Yes, delayed	Yes
3	Prepayment of Annual Contributions	Prepay the required contributions in a lump sum to CalPERS by July 15th rather than bi-weekly for the entire fiscal year to take advantage of discount	✓ Reduces amount payable annually to CalPERS ✓ For FY16/17 potential $1 million premium saving for a net cash saving of about $900K.	✓ Requires County to find $24 million by July 15th to make contribution. ✓ May require buy-in from other employers in the pension plan. ✓ Is mainly a cash saving mechanism; must direct saving toward pension funding.	Yes	No	No
4	Section 115 Trust	Open an irrevocable trust account for additional contributions which are invested similar to the OPEB trust to provide a mechanism for pension contribution stabilization.	✓ Local control of assets and can be used to offset future contribution increases ✓ Likely higher returns since assets invested by trustee outside of county treasury. ✓ Positive effect on credit rating. ✓ Don't need buy-in from other employers in plan. ✓ Could reduce pension liability on financial statements	✓ Assets are restricted to pension funding. ✓ Assets would not be included by CalPERS in their funding valuations to determine future contributions ✓ Risk of market volatility and underperforming investments in relation to CalPERS ✓ Additional cost and effort to administer. ✓ Discipline plan required.	Yes	No	Yes
5	Alternative Amortization Schedule as offered by CalPERS	Refinancing of the net pension liability to amortize and pay off liability over a shorter time period, at a level rate. 15-year or 20-year amortization instead of 30.	✓ Quickest way to reduce unfunded liabilities. ✓ Substantial long term savings of interest on pension liability (Total $18 million for 20-yr option; $86 million for 15-yr option) ✓ Reduces negative amortization as keeps contribution percentage level and eliminates ramp up/down.	✓ Increased annual budgetary burden due to accelerated payments (Add'l $1.7 million for 20-yr option; $5.1 million for 15-yr) ✓ No flexibility to change once alternative amortization base has been selected. ✓ Would affect other employers in the Misc. Plan require their agreement.	Yes	No	Yes