



A Tradition of Stewardship
A Commitment to Service

Agenda Date: 5/21/2019

Agenda Placement: 6Y

NAPA COUNTY BOARD OF SUPERVISORS Board Agenda Letter

TO: Board of Supervisors
FROM: Minh Tran - County Executive Officer
County Executive Office
REPORT BY: Mary Booher, Assistant County Executive Officer - 707-253-4153
SUBJECT: Investment of retirement funds

RECOMMENDATION

County Executive Officer requests authorization to invest \$3,587,342 appropriated to reduce future pension liability to be invested in the 115 Trust for Pension.

EXECUTIVE SUMMARY

In October 2018, the Board established a 115 trust for Pension. In January 2019, the Board approved a budget adjustment appropriating \$3,587,342 of FY 2017/18 year end fund balance to future pension liability, and directed staff to come back with a recommendation as to how best to invest these funds. The Pension Oversight Committee met with actuarial John Bartel, and the committee recommended to the County Executive Officer to invest the funds in the 115 trust for Pension.

FISCAL IMPACT

Is there a Fiscal Impact?	Yes
Is it currently budgeted?	Yes
Where is it budgeted?	Non-Departmental
Is it Mandatory or Discretionary?	Discretionary
Discretionary Justification:	The Board appropriated a portion of year-end fund balance to address future pension liabilities, in order to protect future service delivery.
Is the general fund affected?	Yes

Future fiscal impact: This investment now can be used to reduce future pension contributions.
Consequences if not approved: The funds will remain in the treasury, which has lower investment returns.
Additional Information:

ENVIRONMENTAL IMPACT

ENVIRONMENTAL DETERMINATION: The proposed action is not a project as defined by 14 California Code of Regulations 15378 (State CEQA Guidelines) and therefore CEQA is not applicable.

BACKGROUND AND DISCUSSION

Napa County's unfunded pension liability is \$238 million, based on the most recent actuarial valuations from the California Public Employees Retirement System, or CalPERS. Based on these reports, the County's contribution to pension, as a percent of salary, will increase steadily for the next 20-25 years, at a rate that exceeds the projected growth in revenue. In order to mitigate the impact of these rate increases on the County's ability to deliver services in the future, the Board established a 115 trust for pension in 2018, and funded it with an initial investment of \$4.27 million, which was part of the 2018/19 adopted budget.

Subsequently, when the County closed the FY 2017/18 books, there was available fund balance, and in January 2019, the Board appropriated \$3.587 million to reduce future pension liability. At that time, the Board requested additional information prior to authorizing how best to invest these funds. The Pension Oversight Committee has met with the County's actuarial John Bartel, and has recommended to the County Executive Officer that these funds be invested in the 115 trust for Pension. The County Executive Officer has evaluated these options, and recommends that the Board authorize the investment of these funds in the 115 trust for pension.

The options considered are discussed below.

115 Trust for Pension: investing here allows the Board the most flexibility. The Board can use these funds to reduce the County General Fund cost for the employer contribution, while still ensuring full contributions from other participants, such as the cities who contract with the County for Law Enforcement, the Courts, and programs funded by State and Federal sources. Based on the Board-approved investment strategy, these funds will earn returns similar to the investment returns achieved by CalPERS.

Pay down a long-term amortization with CalPERS: investing here would reduce the pension contributions, beginning in 2 years, for the life of the longest current amortization, or 30 years. PERS allows a directed investment such as this, to either the Safety or the Miscellaneous group. However, the reduced rate is assigned to the entire group. In the Safety group, this would result in the General Fund dollars being used to reduce pension costs that are associated with services provided through contracts with American Canyon and Yountville. In the Miscellaneous group, this would result in the General Fund dollars being used to reduce pension costs that are associated with the Napa County Court employees and for services funded by State and Federal sources, such as the Health and Human Services programs. Also, based on the bargaining unit agreements, any decreases in the employer contribution would be shared with the employees, through a reduction in the employee cost share.

Pay down a short-term amortization with CalPERS: investing here would reduce the pension contributions, beginning in 2 years, for the life of the shortest amortization, or approximately 5 years, at which time the rate would go back up to the previously-projected rate. As with the long-term amortization option, the General Fund would not realize the full benefit of this investment.

SUPPORTING DOCUMENTS

None

CEO Recommendation: Approve

Reviewed By: Helene Franchi