Cal PERS Unfunded Accrued Lability (UAL)

Created by:

Asset Loss = Investment earnings that did not reach discount expectations.

Non-Asset Loss = Change in demographics of miscellaneous plan lives.

Assumption change = discount rate, plan changes, amortization period, ramp up/down.

1. Funding UAL
    a. Pros
        i. Dollars paid will be credited to our own liability
        ii. Avoid 7% loan rate
        iii. Reduce agency liabilities
    b. Cons
        i. PERS is a bit of a black box on assumption changes and invest Gain/Loss.
2. Section 115 Trust to fund UAL
    a. Pros
        i. Allowed to invest outside Trindel investment Policy for Higher returns.
        ii. Possible protection from Investment losses given PERS investment Choices.
    b. Cons
        i. Origination fees 5K to 20K. PARS/Chandler
        ii. Trust may not perform as well as PERS.
        iii. GASB 68 would not allow us to reduce our PERS liability with the trust balance on our published financials. (Employee asset)
3. Re-Amortization http://www.newportbeachca.gov/government/departments/finance/csmfo
    a. Pros
        i. Ability to shorten the 7% Cal PERS loan period saving money.
        ii. Avoid the ramp up and ramp down in payments also shortens loan.
        iii. Allows agency to start saving money if not able to fully fund UAL.
    b. Cons
        i. Still paying 7% on loan balance.
        ii. PERS is a bit of a black box on assumption changes and invest Gain/Loss.