



City of Riverside Pension Funding Policy

PURPOSE:

To deploy a variety of strategies with one-time or unanticipated funds to achieve the following objectives:

- A) Reduce projected pension contributions to maintain services.
- B) Increase the funding ratio for both the City's Safety and Miscellaneous CalPERS plans.

Strategic Options

To achieve these objectives, the City will create a Pension Stabilization Fund that will deploy resources in the following manner:

1. Establish a Section 115 Pension Trust to realize greater investment returns than what is currently available through the City's cash pool investments. An outside investment advisor shall be hired to administer the trust.
2. Pre-pay the City's annual Unfunded Accrued Liability (UAL) payment to save on interest costs. On July 1 of each year, the City receives its annual CalPERS UAL invoice. The City has two payments options. The invoice can be paid in 1/12 increments or pre-paid at the beginning of the fiscal year by July 31. By pre-paying the entire balance due by July 31 the City can save over a million dollars annually. As such, every effort should be made to pre-pay the UAL upon receipt of the annual invoice.
3. Unanticipated one-time revenues or settlements shall be prioritized at a rate of 50% of the revenue alongside other critical needs to make a one-time payments to CalPERS to pay-off a portion of the City's UAL to save on interest payments, reduce annual payments, and lower annual operating expenses. Payments would be incorporated into the City's annual budget for City Council consideration and will only be utilized if the general fund is not projected to end the year at a deficit.

In addition to establishing a Pension Stabilization Fund, this policy provides the following guidance:

1. As part of the annual budget process, City staff shall set aside a portion of any projected year-end increase in fund balance to manage increases in pension contributions. Actual one-time transfers made to the Pension Stabilization Fund will vary on a year-to-year basis depending upon the actual fiscal year end audited reserve balance.
2. City staff shall work with its financial and other advisors to refinance its debt obligation bonds when it can achieve savings consistent with the City's Debt Management Policy and redirect any savings to the Pension Stabilization Fund.
3. Upon maturity of General Fund Debt Obligation, staff will present a plan to reallocate all or a portion of debt service payments that have matured to the Pension Stabilization program as long as there is no general fund deficit at the time of debt maturity.

PROCEDURE:

| Responsibility | Action |
|-----------------------|--|
| Finance Department | <ol style="list-style-type: none"><li data-bbox="521 233 1455 300">1. The Accounting & Budget and Revenue Divisions will coordinate pre-payment of the annual UAL by July 30 of each year.<li data-bbox="521 302 1500 468">2. Upon final close of the fiscal year end, the Budget and Revenue Division will identify any budgetary savings and make a recommendation through the Chief Financial Officer to the City Manager and the City Council as to allocation of savings among other potential needs to the Pension Stabilization Fund or the CalPERS UAL directly.<li data-bbox="521 470 1479 604">3. The Budget and Revenue Division, when appropriate, makes recommendations through the Chief Financial Officer to the City Manager and the City Council as to appropriation of unanticipated one-time revenues or settlements to pay-off a portion of the City's UAL.<li data-bbox="521 606 1455 804">4. The Budget and Revenue & Debt and Treasury Divisions shall coordinate through the budget process to identify any impending General Fund debt obligations maturing and make recommendations through the Chief Financial Officer to the City Manager and the City Council as to reallocation of debt service payments to the Pension Stabilization Fund or the CalPERS UAL directly. |