The Agency has three plans with CalPERS, based upon when employees were hired and enrolled with CalPERS. The net pension liability of $28 million, including $6 million of Agency pension bonds, is based on CalPERS June 2017 actuarial. CalPERS used 7.15% and 3.00% discount rates in calculating the Agency's unfunded and termination liabilities. See Note 12 of the Agency's CAFR and CalPERS website for more on this debt and pension benefit provisions.
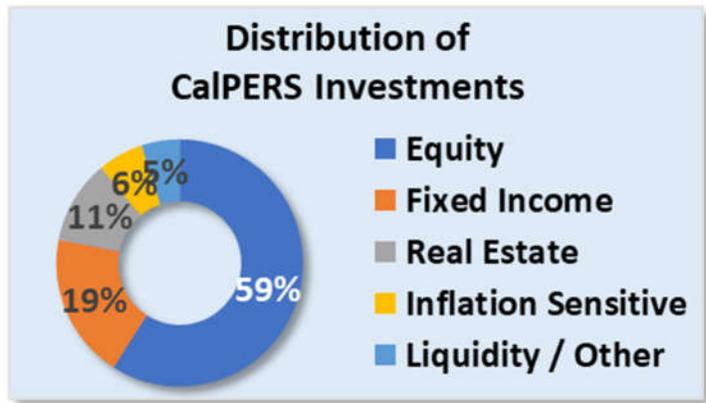
Analysis

The increase in the net pension liability is due to the CalPERS phase in of its reduction in its assumed rate of return from 7.65% to 7.15%, which increases M1W's net liability. A 1% drop in the discount rate would lower the funding status of the 3% at 60 plan by 9% and increase the liability by $11 million. The funding of the other plans remains 15-20% higher than the 3% at 60 plan. The 3@ 60 plan has high volatility (16) for its Unfunded Actuarial Liability (UAL) due to its low ratio of active to inactive employees in the plan, while the other plans have low volatility (0.4-0.6).
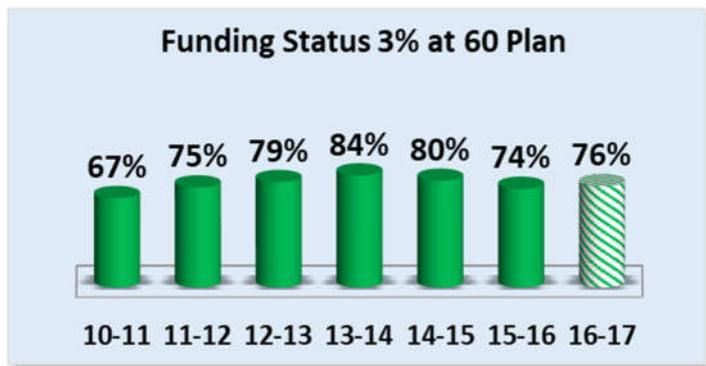
CalPERS is currently amortizing the 3 @ 60 liability over a 28 year period, while the liabilities for the other plans are being amortized over 13-18 years. If M1W entered into an agreement with CalPERS to reduce these amortization periods to 10-15 years for the 3 @ 60 plan, it could save between $6 million if refinanced over 15 years and $12 million if refinanced over 10 years. The annual payment on the UAL noted below is expected to rise to $2.3 million by FY 2024-25. The employee (EE) rate below for FY 19-20 may change based upon the results of current employee MOU negotiations.

Pension Plan	Unfunded Liability with Bonds (Millions)	Unfunded Termination Liability with Bonds	Funded Status CalPERS Plan	Normal Cost Rate FY 19-20	UAL and bond Payment FY 19-20	EE Rate 19-20	Ees Active / Nonactive with Agency	
3% at 60	$28 M	$86 M	76%	14.4%	$1.5 M	8.211%	50	121
2% at 55 (2nd Tier)	< $1 M	< $1 M	98%	9.7%	$2.8 K	7.211%	6	4
2% at 62 (PEPRA)	< $1 M	< $1 M	96%	7%	$4.6 K	6.461%	21	1