

STPUD part of pool that owes \$915 million to CalPERS

By Kathryn Reed

South Tahoe Public Utility District says it has no unfunded liability other than the \$3 million for sick days employees could claim. But it is part of pool that pays into the state retirement system that is behind more than \$900 million in payments.

While the district is current on its payments to PERS, it has not taken steps to cutback what it must pay – something entities throughout El Dorado County have already done.



Because STPUD has fewer than 100 active members in the California Public Employees Retirement System it must participate in a risk pool. The more than 150 cities and special districts in this risk group share the responsibility of the unfunded retirement account.

There are two ways to calculate the unfunded amount. One is to use the market value of the fund and the other is the actuarial number. The latter is what STPUD uses in its financial statement. In doing so, it skews the numbers dramatically to paint a much less bleak picture.

The district's most recent annual financial report for fiscal year ended June 30, 2011, says the collective unfunded liability for PERS as of June 30, 2009, was \$466,178,582. Another way of looking at it is the pot is missing 21.8 percent of what it should have. This compares to the prior year when the unfunded liability was \$293,817,678 – or missing 16.1 percent.

However, using the market rate assessment the unfunded liability for the pool is \$915,908,782 for the same time period, or 42.8 percent deficient.

This means these groups have promised their workers a certain amount of money when they retire, but the money is not there. If everyone comes collecting, it could affect STPUD retirees because their money is part of the pool.

CalPERS essentially has two sets of books. The market value is the true value of the account. But when the stock market crashed and the losses of 2008-09 depleted the fund value, this private entity (CalPERS is not a government agency) said that loss would be amortized over 30 years. That in essence is the lower, actuarial rate STPUD and other government bodies use because it is smaller.

When it comes to retirement benefits there are three basic choices: 1. nothing, 2. defined contribution upfront, like what most 401(k)s are in the private sector, so employees know what amount the employer is giving toward their retirement, or 3. defined benefit, which is what most public employees have, so then they know the dollar amount they will get when they retire.

The problem for the public agency paying the defined benefit is that at least through PERS there is no control by the member agencies in how the money is invested. When there are losses, the public agencies must make up the difference. When raises are given, that affects what people get in retirement, but is seldom part of the public discourse in terms of what taxpayers are liable for.

Someone may be hired as a public servant. But it's the taxpayers who are doing the lifetime of serving by paying for that employee until they die.

STPUD has been part of PERS since 2003.

“STPUD does not have an ‘unfunded liability’ as defined by CalPERS. The CalPERS Pool itself is required to account for the unfunded liability,” Paul Hughes, South Tahoe PUD’s chief financial officer, told *Lake Tahoe News*. “This liability is 100 percent CalPERS’ and not the district’s.”

But the pool is funded by those 150-plus entities, which includes STPUD.

Other entities in the risk pool with STPUD include Diamond Springs/El Dorado Fire Protection District, Lake Valley Fire Protection District, South Placer Municipal Utility District, Squaw Valley Public Service District, Tahoe City Public Utility District, Tahoe-Truckee Sanitation Agency, Town of Mammoth Lakes, Town of Truckee, Truckee Donner Public Utility District, Truckee Fire Protection District, Truckee Sanitary District, and Truckee-Tahoe Airport District.

For the last fiscal year STPUD’s CalPERS contribution was \$1,316,604; for fiscal year ending June 30, 2010, it was \$1,313,791; and for year ending June 30, 2009, it was \$1,204,423.

For the current year, the district pays 16.59 percent of an employee’s salary into PERS, while the employee’s share is 6.59 percent. Those figures change July 1 to having the district pay 16.804 percent and employees 6.804 percent.

Full member contribution is 8 percent. So, the district is paying a portion of the employees’ share in addition to the employer’s share.

It’s items like these that the STPUD management and board have not even tried to negotiate with staff. The next round of negotiations is expected to start this spring because the current contract expires June 30.

Getting employees to pay their share of PERS is what the city of South Lake Tahoe finally accomplished with its bargaining

units. The final agreement was ratified by the City Council Jan. 3, with the last group upping its contribution for this fiscal year and going to pay the full amount starting next fiscal year.

"I like to think No. 1 we have been as conservative as we can. If there are things that can be done to make the plan better relative to the long-term financial stability of the district, that will be looked at," STPUD board President Eric Schafer said.

He said changes to PERS have not occurred because the current contract was signed in 2007 when fiscal matters were more robust. That was for four years, then extended a year to expire this June.

This fiscal year, which ends June 30, 2012, the district has a \$49,733,789 budget. Salaries account for \$9,434,757 or 18.97 percent; PERS \$1,416,237 or 2.85 percent; and health care \$2,749,200 or 5.53 percent.

STPUD's main sources of income are people paying for water and/or sewer operations, property taxes (which were down 6.6 percent last fiscal year and are expected to drop another 1.8 percent this fiscal year), investments, and connection fees.

Service charges accounted for 69 percent of revenue in fiscal year 2010-11 – that is the money people are paying each quarter.

South Tahoe PUD employees have the best PERS retirement plan available. At age 55 they may retire with 2.7 percent of the highest year's salary for every year of service.

Schafer says it's not the absolute best because employees have to pay into it.

The least expensive available is 2 percent at 60.

"The Board of Directors is currently considering a tiered

system that would affect new hires. Bear in mind, while that is certainly a possibility, it is a long-range solution that only bears fruit many years from now," Dennis Cocking, STPUD spokesman, said.

A tiered approach is something South Lake Tahoe went to several years ago. El Dorado County went to a tiered structure years ago, too. Some employees are at 2 percent at age 55, while new employees are at 2 percent at age 60. Eldorado Irrigation District, the county's largest water provider, is also tiered.

As it stands now, someone hired today at South Tahoe Public Utility district would have retirement benefits that are 35 percent higher than someone hired today by South Lake Tahoe.