

RESOLUTION NO. 104-23

**A RESOLUTION OF THE COUNCIL OF THE CITY OF RICHMOND,
CALIFORNIA, ADOPTING UPDATES TO THE PENSION FUNDING POLICY
FOR THE CITY OF RICHMOND PENSION TRUST**

WHEREAS, the City of Richmond (the “City”) is a Charter City that operates under the Council-Manager form of government for the purposes of providing a full range of municipal services including police and fire protection; construction and maintenance of highways, streets and infrastructure; library services; storm water and municipal sewer systems; wastewater treatment facility; and the administration of recreational activities and cultural events; and

WHEREAS, the City also operates the Richmond Memorial Convention Center and the Port of Richmond; and

WHEREAS, the City provides retirement-related costs also known as Pension Benefits administered by CalPERS; and

WHEREAS, the Pension Benefits are comprised of two major components the normal cost, and unfunded accrued liability (“UAL”); and

WHEREAS, the City, like most cities in California, has a UAL associated with its CalPERS pension plans for Safety and Non-Safety employees; and

WHEREAS, a UAL occurs when current pension plan assets are not projected to be sufficient to pay projected pension costs in future years; and

WHEREAS, in July 2022, the City established an irrevocable Section 115 Trust pursuant to the Internal Revenue Code for purposes of prefunding Pension, administered by Public Agency Retirement Services (PARS); and

WHEREAS, prefunding a Section 115 Trust will address the rising UAL due to variances in actual experience versus CalPERS actuarial assumptions; and

WHEREAS, the City Manager is vested with the City and has fiduciary responsibility for the administration, management and operation of the Pension Trust; and

WHEREAS, the City Manager has an obligation to provide reasonable assurance that the costs of benefits under the Pension Trust will be funded in an equitable and sustainable manner; and

WHEREAS, a funding policy establishes guidelines for plan funding through actuarial valuations, regular contribution rates, contribution timing and actuarial assumptions; and

WHEREAS, the adoption of a Pension Funding Policy is consistent with “best practices” and the Board’s fiduciary oversight of the Pension Trust.

NOW, THEREFORE BE IT RESOLVED, that the City Council hereby adopts the Pension Funding Policy for the City of Richmond Safety and Non-Safety Plans that is attached hereto as Exhibit A.

I certify that the foregoing resolution was passed and adopted by the City Council of the City of Richmond at a regular meeting thereof held on October 17, 2023, by the following vote:

AYES: Councilmembers Robinson, Willis, Zepeda, Vice Mayor McLaughlin, and Mayor Martinez.
NOES: None.
ABSTENTIONS: None.
ABSENT: Councilmembers Bana and Jimenez.

PAMELA CHRISTIAN
CLERK OF THE CITY OF RICHMOND
(SEAL)

Approved:

EDUARDO MARTINEZ
Mayor

Approved as to form:

DAVE ALESHIRE
City Attorney

State of California }
County of Contra Costa } : ss.
City of Richmond }

I certify that the foregoing is a true copy of **Resolution No. 104-23**, finally passed and adopted by the City Council of the City of Richmond at a regular meeting held on October 17, 2023.

Certified as a True Copy

PAMELA CHRISTIAN
CLERK OF THE CITY OF RICHMOND, CALIFORNIA

BY *Jabrun Lundy*
ASSISTANT

EXHIBIT A

THE CITY OF RICHMOND, CALIFORNIA PENSION FUNDING POLICY UPDATED ON OCTOBER 17, 2023

A. Introduction

The following policy has been developed in response to significant annual pension cost increases as a result of current and retired employees living longer, lower than anticipated investment returns by CalPERS over the last several years, reduction in Discount Rate and CalPERS adopted policies that require all cities to payback all Unfunded Actuarial Liability (“UAL”) over thirty years for unfunded liability prior to June 30, 2019 valuations and over twenty years for any new unfunded liability. This policy will formalize a funding mechanism to be used at the City’s discretion to help offset future pension cost increases.

B. General Information

The City of Richmond (the “City”) approved a new contract to create a combo Section 115 Trust account on July 19, 2022, for pension prefunding. The combo Section 115 Trust account is administered by Public Agency Retirement Services (“PARS”) and allows the City to prefund Pension and Other Post-Employment Benefits (“OPEB”). The funds that are contributed to the Trust account can only be used to pay Pension and OPEB; the City can utilize these funds to pay for such costs during fiscal emergencies.

C. Policy Funding Objectives

The primary funding objectives of this Policy are to:

1. Address the increasing annual employer required UAL contributions due to variances in actual experience versus CalPERS actuarial assumptions including investment returns.
2. Prefunding the Trust Fund account can help the City improve its UAL funding ratio faster.
3. Provide budgetary flexibility during challenging budget years or to “smooth” payment spikes that could cause financial stress on the City.

D. Funding Guidelines

This Policy establishes guidelines for setting the employer contribution to pre-fund rising pension costs.

1. The City shall continue to make annual UAL prepayment to CalPERS in the beginning of each Fiscal Year, resulting in an estimated 3.0 percent discount compared to paying the UAL monthly. The City shall place the prepayment savings into the Trust account.

2. The City shall place 10 percent of each year-end operating surplus (Total Actual Revenues minus Total Actual Expenditures, including Transfers In and Transfers Out) in the General Fund in excess of the City's Minimum Reserve Policy into the Trust.

E. Review of Funding Policy

Funding Pension requires a long-term plan. The City will review this policy annually and make changes as necessary. Annually checking the CalPERS actuarial valuations to determine if changes to this policy are necessary to ensure adequate resources are being accumulated to fund Pension.