

MINUTES

Special Board Meeting

October 26, 2022

9:30 a.m.

Location: Remote Via Zoom

Board of Directors

*Randy Mendosa (Division 3) - President, Blaine Maynor (Division 1) - Vice-President,
Nicole Johnson (Division 2) - Director, Eric Loudenslager (Division 4) - Director
David Rosen (Division 5) - Director*

CALL TO ORDER

The *special* session of the Board of Directors for the Arcata Fire District was called to order by President Randy Mendosa at 9:30 am.

President Mendosa paused while the Board Secretary attempted to contact Director Maynor who was not in attendance but had advised he would be attending. There was no contact with Director Maynor and President Mendosa resumed the meeting at 9:33 am.

PLEDGE OF ALLEGIANCE

The Pledge of Allegiance has been suspended during Shelter in Place.

ATTENDANCE AND DETERMINATION OF A QUORUM

The meeting continued with a quorum and the following were present remotely via zoom: President Randy Mendosa, Director Nicole Johnson, and Director Eric Loudenslager. Vice President Blaine Maynor and Director David Rosen were absent.

Additional District administrative staff included Fire Chief Justin McDonald, Assistant Chief Chris Emmons, and Board Secretary Becky Schuette.

PUBLIC COMMENT

There were no public comments.

DISTRICT BUSINESS

1. Receive Report from Andrew Flynn Regarding the 2022 Pension Liability Assessment: Andrew Flynn presented a PowerPoint to the Board which will be included as an attachment to these minutes.

The presentation was followed by a general discussion period of questions and answers regarding various savings or investment options. One of the key points from the Chief was the use of CalTrust which will be discussed more thoroughly at the December Regular meeting.

There were no public questions or comments.

This item was for information only, no action was taken.

ADJOURNMENT

President Mendosa adjourned the meeting at 10:23 am.

The next Regular Meeting is scheduled for **November 8, 2022, at 5:30 pm.**

Respectfully submitted,



Becky Schuette,
Clerk of the Board



Arcata Fire Protection District

2022 Pension Liability Update

OCTOBER 26, 2022



Presenters

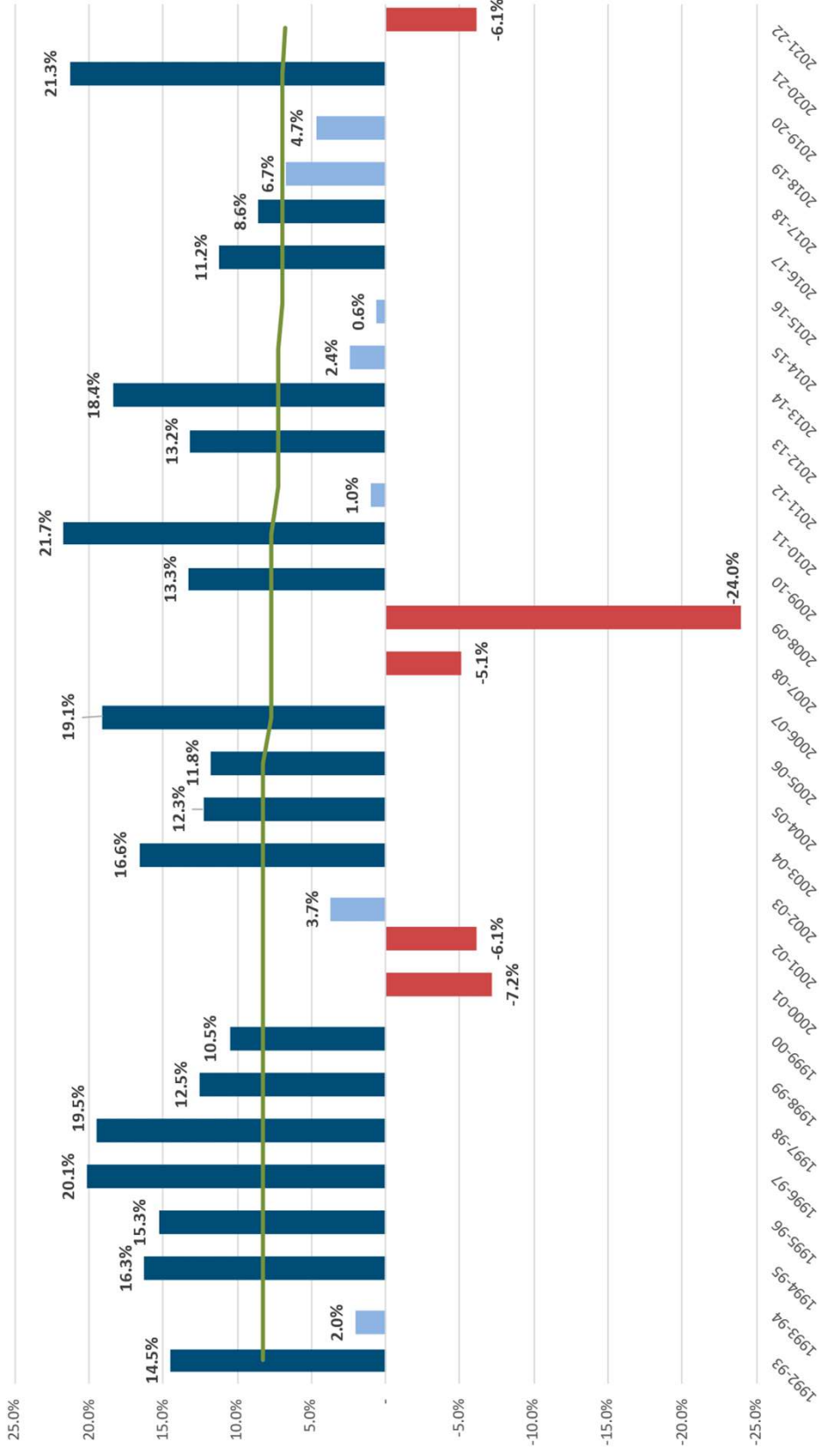
- Andrew Flynn, Managing Director
California Municipal Advisors LLC – Independent Registered Municipal Advisor
(Fiduciary)
 - Assures District’s financial and policy interests are protected
 - Intermediary between Broker/Dealer or Placement Agent and District
 - Manages financial transaction details on behalf of District



Investment Risk and Returns

CaIPERS Historical Average Rates of Return through 2021-22:

Past: 5 years – 7.0% 10 years – 8.1% 15 years – 5.9% 20 years – 7.6% 25 years – 7.2%



2050: 55% of pension benefits funded by investment returns

CaIPERS manages pension investments

District bears all investment risk

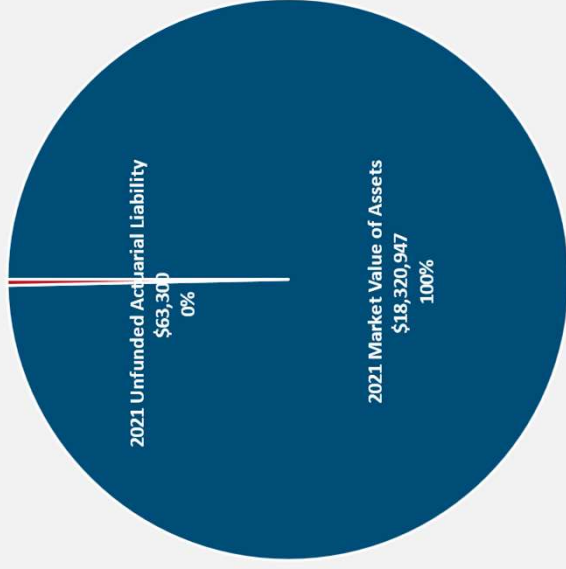
Failure by CaIPERS to achieve target investment returns does not relieve

District from pension benefit guarantees to employees and retirees

Lower returns => higher UAL and higher pension payments by District

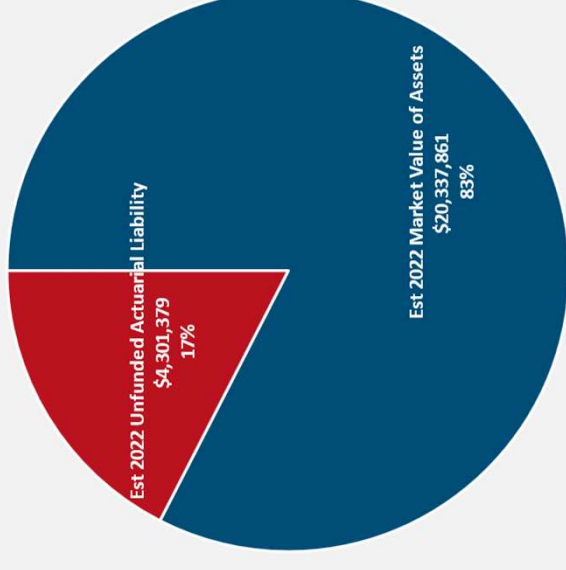
Pension Funding Status

2021 Pension Funding Status



- Total Accrued Liability = \$23.1M
- Market Value of Assets = \$23.0M
- Shortfall = \$0.1M (99.7% of what is needed)
- Accrues interest at 6.8% interest rate = **\$0.0M interest**
- Total Unfunded Liability with interest = **\$0.1M**
- Amortizes over time (currently 0 years)

2022 Estimated Pension Funding Status



- Total Accrued Liability = \$24.6M
- Market Value of Assets = \$20.3M
- Shortfall = \$4.3M (17.5% of what is needed)
- Accrues interest at 6.8% interest rate = **\$10.8M interest**
- Total Unfunded Liability with interest = **\$15.1M**
- Amortizes over time (currently 23 years)

Pension Funding Status

Description	Safety*	Miscellaneous*	Safety 2nd*	PEPRA - Fire*	PEPRA - Misc*	Combined
2021 Total Accrued Liability	\$20,977,466	\$497,595	\$742,549	\$843,581	\$9,259	\$23,070,450
2021 Market Value of Assets	\$20,853,557	\$504,539	\$766,422	\$872,754	\$9,878	\$23,007,150
2021 Unfunded Actuarial Liability (UAL)	\$123,909	-\$6,944	-\$23,873	-\$29,173	-\$619	\$63,300
2021 % Funded	99.4%	101.4%	103.2%	103.5%	106.7%	99.7%
2022 New UAL Estimate	-\$673,210	\$25,491	\$87,762	\$110,602	\$1,232	-\$448,124
2022 Total UAL Estimate	\$4,070,308	\$72,148	\$76,882	\$81,429	\$613	\$4,301,379
2022 % Funded Estimate	81.8%	86.4%	90.3%	91.0%	93.8%	82.5%

Source: CalPERS Actuarial Valuation as of June 30, 2021

* Included in analysis

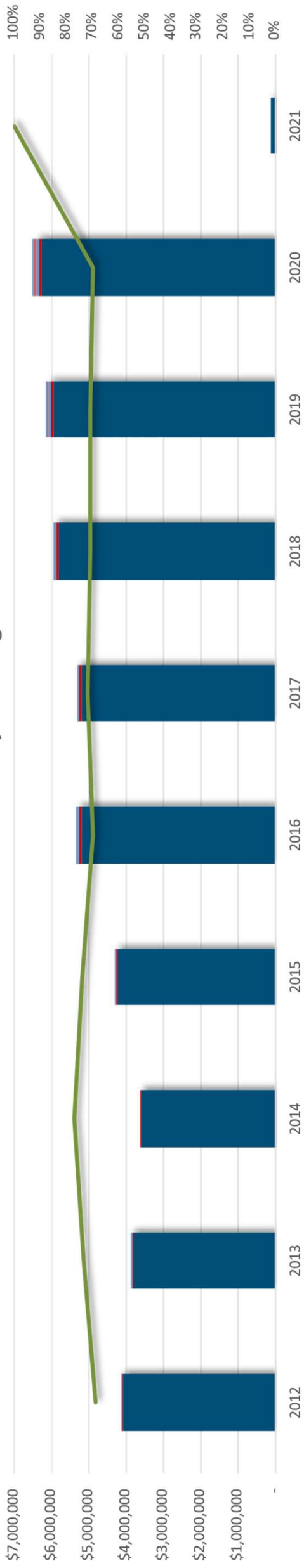
Definitions:

Five Pension Plans:

- Total Accrued Liability = What You Need ➤ Classic: Safety, Safety 2nd, Miscellaneous
- Market Value of Assets = What You Have ➤ PEPRA: Fire, Miscellaneous
- Unfunded Actuarial Liability = What You Owe

Pension Funding History

Unfunded Actuarial Liability & Funding Level

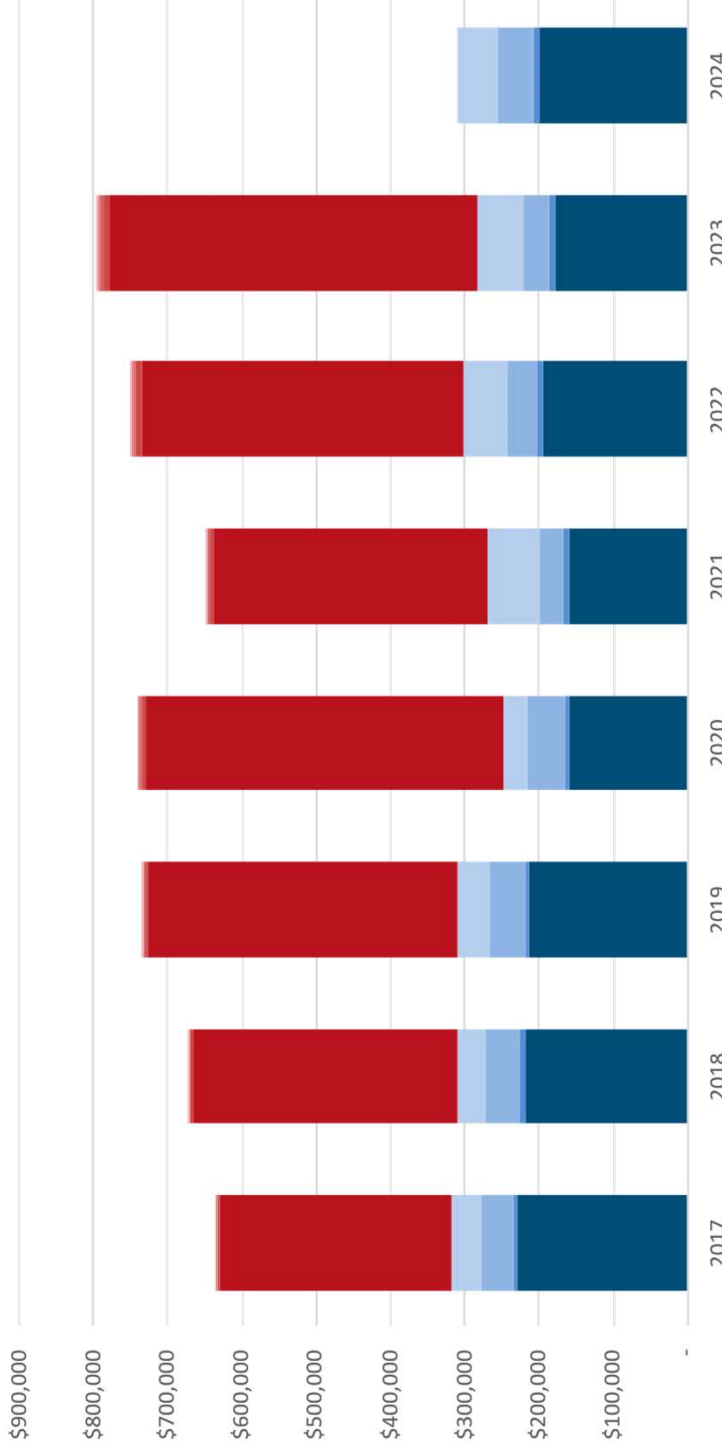


Owe
\$4.1M
less

Funded Level
30.8%
higher



Pension Payments



Annual Pension Payment Increase
-\$360K
 in eight years

UAL as a Percent of Total Payments
 2017 **49.9%** 2024 **0.0%**

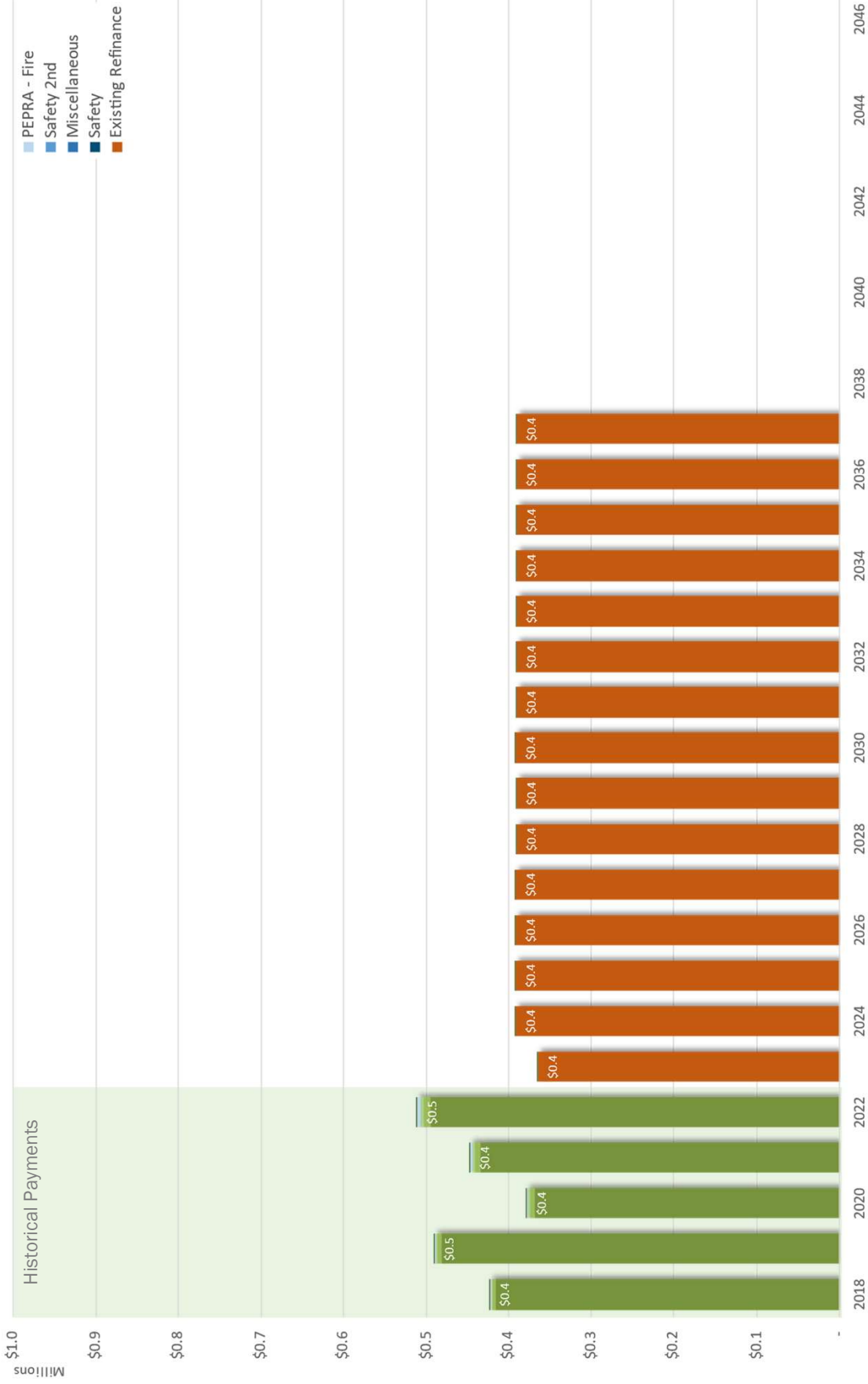
	2017	2018	2019	2020	2021	2022	2023	2024
UAL - PEPR - Misc	-	5	1,992	-	33	212	60	-
UAL - PEPR - Fire	15	54	236	1,733	2,060	2,808	3,900	-
UAL - Safety 2nd	-	-	1,286	1,677	2,125	2,918	4,025	-
UAL - Miscellaneous	3,215	3,453	4,011	4,591	5,429	6,673	7,891	-
UAL - Safety	312,790	356,732	416,213	481,858	368,782	433,785	495,069	-
Normal - PEPR - Misc	-	-	-	-	-	-	-	-
Normal - PEPR - Fire	40,474	37,699	44,453	32,176	68,208	59,587	62,019	55,169
Normal - Safety 2nd	43,674	45,820	47,296	51,105	32,872	40,454	35,790	46,760
Normal - Miscellaneous	5,281	5,594	6,128	6,923	7,775	7,359	7,472	8,456
Normal - Safety	228,509	219,689	212,502	158,262	159,957	194,340	178,351	199,777



Where Things Currently Stand

Current UAL Amortization Schedule

06/30/2021 Actuarial Valuation



Funded Percent
99.7%

INCLUDES:

- UAL Payments Only
- 2021 Debt Service

DOES NOT INCLUDE:

- All plans – normal contributions

As of 2021

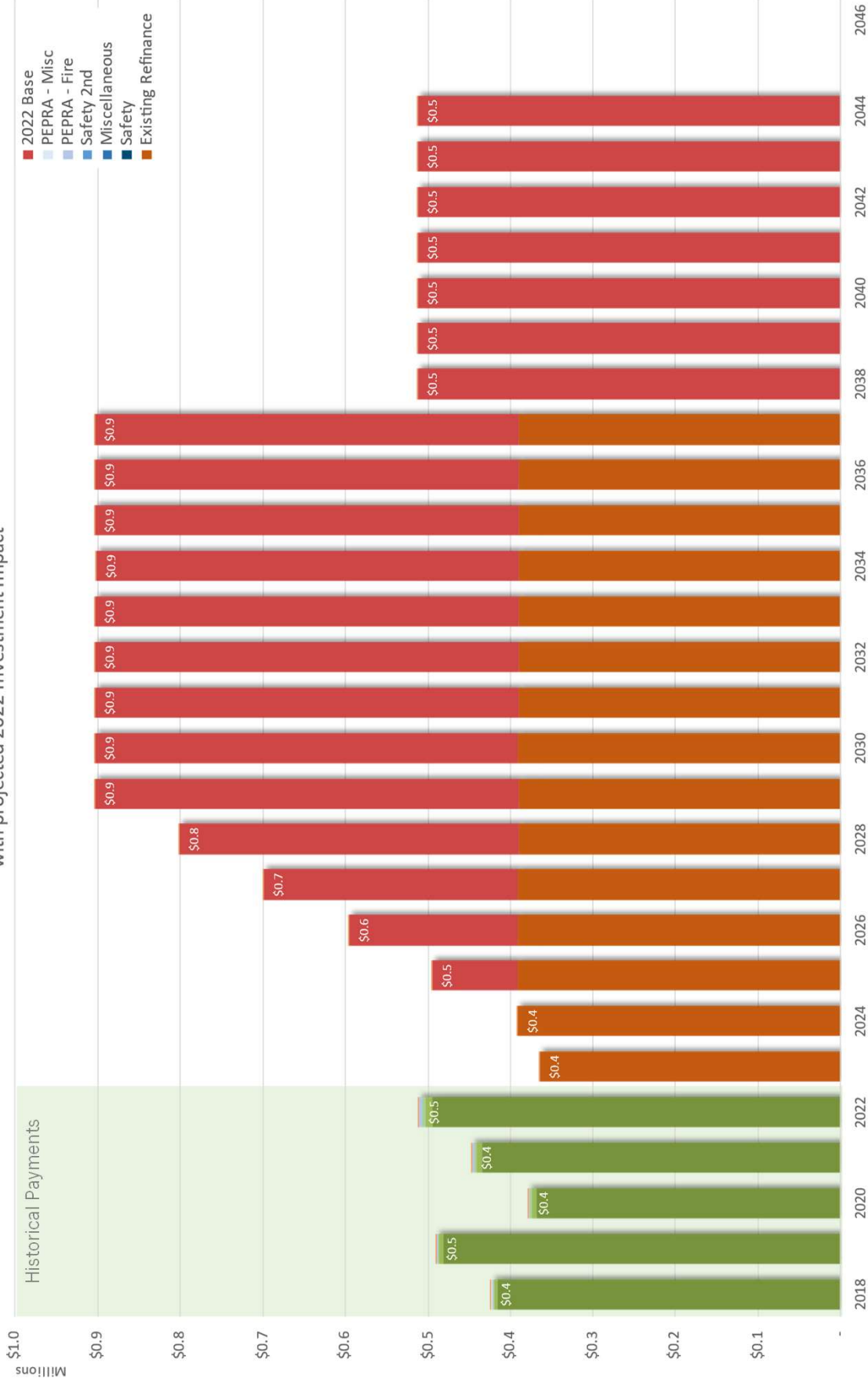
Principal **\$4.8M**
Interest **\$1.1M**

Total Due **\$5.9M**



Estimated 2022 Investment Impact

06/30/2021 Actuarial Valuation



Funded Percent
82.5%

INCLUDES:

- UAL Payments Only
- 2021 Debt Service
- Estimated impact of -6.1% Return

DOES NOT INCLUDE:

- All plans – normal contributions

As of 2021

Principal **\$9.1M**
Interest **\$6.0M**

Total Due **\$15.1M**



Next Steps & Recommendations

Given the projected impact of the -6.1% investment earnings for FY 2022, the District has a range of options to consider.

- Set aside surplus funds in reserve in order to prepare for accelerated Base payments beginning next year.
- Monitor overall market conditions and consider establishing a 115 Trust if macroeconomic conditions stabilize.

QUESTIONS? Contact Us

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