



DATE: September 20, 2021

AGENDA ITEM # 2

**TO:** Financial Commission  
**FROM:** Jon Maginot, Deputy City Manager  
**SUBJECT:** City of Los Altos PERS Reserve

**RECOMMENDATION:**

Provide a recommendation to the City Council to direct staff to send at least \$5 million to CalPERS for pre-payment of unfunded liabilities

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**BACKGROUND**

In 2016, the City established a “PERS Reserve” fund as a part of the General Fund. Since that time, the PERS Reserve fund has grown to \$5 million. The Financial Commission has expressed interest in utilizing those dollars in some manner.

The City has various plans that the City is a part of that make up the City’s unfunded liabilities. The two largest are a Miscellaneous Plan and a Safety Plan (both indicate the type of employees that are part of the plan).

**DISCUSSION**

Staff has done a preliminary analysis on using the \$5 million to pre-pay a portion of the City’s unfunded liability with CalPERS. At the September 20, 2021 Financial Commission meeting, staff will present further details of its analysis of pre-payment.

If the City were to use the entire \$5 million as a pre-payment, the City could significantly lower its annual payment. In the current Fiscal Year, the City could save at least \$270k in payments, if not more. Over the next 19 years, the City could save at least \$10 million in payments by spending the dollars now. If the City were to send more than \$5 million to PERS, the savings would be even more.

Staff recommends that the Financial Commission send a recommendation to the City Council to direct staff to:

1. Determine whether additional dollars could be included in a pre-payment to CalPERS
2. Send at least \$5 million to CalPERS for pre-payment of unfunded liabilities, including the entirety of the PERS Reserve fund
3. Determine the optimal distribution between the City’s Miscellaneous and Safety plans to maximize savings to the City