



**CITY OF FORT BRAGG**

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**COUNCIL COMMITTEE ITEM SUMMARY REPORT**

**MEETING DATE:** FEBRUARY 10, 2021  
**TO:** FINANCE AND ADMINISTRATION COMMITTEE  
**FROM:** TABATHA MILLER, CITY MANAGER  
**AGENDA ITEM TITLE:** Presentation and Proposal from GovInvest for Pension Actuarial Services

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**BACKGROUND AND OVERVIEW:**

On January 20, 2021, the Finance and Administration Committee received a presentation from CalMuni Advisors and The Weist Law Firm assessing the City's Pension Liability. Two key issues raised during that presentation were the need for the City to develop a pension strategy and that a pension strategy was not a one-time project or fix and would require ongoing active management and regular updating.

CalMuni Advisors provide financial advisory, consulting and issuer compliance services. The focus of their services is on financial solutions involving new and refunding debt. If the City determines that issuing some version of Pension Obligation Bonds is part of its pension strategy, their firm or another financial advisor will likely play a crucial role in the City's solution. Similarly, the Weist Law Firm provides legal services associated with debt issuance.

GovInvest is a cloud-based software product which includes actuarial valuations, funding reports, accounting valuations and actuarial consulting. An important aspect of a pension strategy, which includes a viable pension funding policy is to understand the pension and other post-employment benefits (OPEB) liabilities. A key aspect of understanding the liability is understanding how the estimated pension liability is calculated, what factors impact the actuarial estimates and the actual impact of those factors when they change. Modeling and running scenarios in real time would provide the City the information needed. GovInvest provides services that are complimentary to, not a replacement for a financial advisor or bond counsel.

Currently, we use the annual actuarial reports that are provided by CalPERS to evaluate the City's unfunded pension liability. These static reports provide the actuarial estimates for the next fiscal year but are dated as of one year prior. For example, the reports issued [July 2020 contain the valuation report as of June 30, 2019](#). The report provides the annual amortization for each plan of the City's five plans for the next fiscal

year 2021-22 and projected results for 2022-23. The current July 2020 report does not account for the fact that the investment rate of return for FY 2019-20 was only 4.7%, which is well below the target rate of return of 7%. Without more complex tools, it is impossible to have access to reliable current information on how changes in the CalPERS investment rate will impact the City's unfunded liability. GovInvest would allow the City run custom scenarios that could take into account investment returns that were both above and below the targeted rate. In turn, the City could make decisions and adjust funding strategies based on real time information.

The City's pension liability is an accumulation of pension obligations from five pension plans, which are in turn tied to individual employees who have worked for the City, continue to work for the City or will be hired in the future. GovInvest would allow staff to take a look at individual hiring decisions and would allow the City to better understand and control the City's liabilities going forward. Another challenge that the City has faced is how to allocate the pension liabilities between funds. While the two public safety plans are clearly related to the general fund obligations, the other miscellaneous funds are comprised of liabilities associated with employees who may have worked primarily for enterprise funds. Without access to the individual actuarial calculations, this is an exercise in estimating and has likely led to over or under allocating these liabilities and expenses between the various funds.

**RECOMMENDATION:**

Staff is requesting that the Finance Admin Committee participate in the GovInvest presentation and demonstration and make a recommendation to the City Council during the mid-term budget meetings regarding funding for an annual subscription to GovInvest.

**ATTACHMENTS:**

1. GovInvest Proposal for Actuarial Services and Technology, January 22, 2021
2. CalMuni Pension Liability Assessment, December 3, 2020