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MOFD to Consider Prefunding Retirement Costs

By Nick Marnell

In order to mitigate the oftentimes wild fluctuations of the required payment to fund its retirement plan, the Moraga-Orinda Fire District board July 6 agreed to consider establishing a pension stabilization program, an irrevocable trust fund designed to prefund pension costs and offset net pension liability. The district entered into a similar program in 2015 to prefund its other post-employment benefits and to offset its OPEB liability.

MOFD is required to contribute an actuarially determined payment each year to the Contra Costa County Employees' Retirement Association, the manager of the MOFD pension plan. That payment funds the retirement benefits earned during the year, plus any unfunded district pension liability. But the payment required by CCCERA can be volatile, based largely on its investment rate of return. Roughly speaking, the lower the discount rate, the higher the payment. The district contribution to CCCERA in 2014 was \$3.1 million; last year, the payment rose to \$4.5 million. By entering into a pension stabilization program, the district hopes to avoid -or even eliminate - these large CCCERA payment fluctuations.

"You will maintain complete local control of your assets, and the account can be accessed at any time as long as funds are used to pay your pension obligation," said Mitch Barker, executive vice president of Public Agency Retirement Services, a consulting firm that also set up the district health care trust.

PARS representatives will recommend how much the district should prefund into the pension stabilization trust at a future board meeting. By comparison, in 2015 the district reported a net OPEB obligation of \$6.5 million; MOFD prefunded \$84,000 that year into its health care trust fund. "In principle, I think this is the right way to go," director Brad Barber said, as director Fred Weil cautioned the board not to get carried away with prefunding because of the district's improved financial situation.

"We still have a district to run," Weil said. "We have responsibilities to the community and to our employees."

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