



June 11, 2021

Kelly Woo
Director of Finance and Administration
Truckee Tahoe Airport District
10356 Truckee Airport Rd
Truckee, CA 96161

Re: Truckee Tahoe Airport District – CalPERS Review and Prefunding Alternatives

Dear Ms. Woo:

Bartel Associates would be happy to provide the Truckee Tahoe Airport District actuarial consulting services.

Background

The District participates in CalPERS, providing:

- Miscellaneous Tier 1 Classic employees the 2.7%@55 benefit formula,
- Miscellaneous Tier 2 Classic employees the 2.0%@60 benefit formula, and
- Miscellaneous PEPRA members hired on or after January 1, 2013, the PEPRA 2.0%@62 benefit formula.

The plans are in the CalPERS Risk Pools.

Project Scope and Fees

CalPERS has made many changes in their contribution rate methodology over the past several years, with many of the changes phased-in over a period of years.

The District would like to understand its projected CalPERS contribution rates and options for prepaying the Unfunded Accrued Liability (UAL). Our analysis will take into account all of CalPERS changes, recent CalPERS investment returns, growth of the PEPRA tier, and an illustration of expected contribution rate volatility due to variable investment returns. We will explain projected District contribution rates in easily understood terms.

CalPERS Review and Baseline Rate Projections

Bartel Associates will project CalPERS contribution rates, including asset return sensitivity, for each fiscal year through 2030/31. Rates will break out the normal cost and UAL payments as percentages of payroll and dollar amounts.

Our study will also:

- Illustrate the projected range of contributions during the next 30 years
- Discuss the background behind the current unfunded liability
- Analyze the change in the District's contribution rate from last year to this year
- Review of the options the District has to pay down the unfunded liability
- Include an in-depth discussion of results with District staff,

UAL Prepayment Analysis and Modeling

- We will analyze the City's options with regard to the CalPERS unfunded liability, comparing the impacts of various alternatives on contribution rates and the projected unfunded liability, including:



- Continue making required CalPERS payments as billed
- Make additional discretionary payments to CalPERS from District funds (ADPs) (2 alternative payment schedules)
- Make payments to a Section 115 pension trust from District funds, and use that to mitigate future CalPERS rate increases, and/or to eventually pay down the unfunded liability (2 alternative payment schedules)

Discussion of UAL Prepayment Options – No Modeling

Alternatively, we are available to make a Board presentation discussing the District’s options as noted above, but presenting only generic illustrations of the impacts.

The following table summarizes the projects and fee estimates:

Project Options	Fee Estimate	Fee Cap
■ CalPERS review and baseline contribution projections	\$6,000	\$7,000
■ UAL Prepayment Analysis and Modeling	\$2,000	\$3,000
■ Virtual meeting with District Staff (included)	included	included
■ Board Presentation (optional)	\$1,500	\$1,500
■ Total	\$9,500	\$11,500
■ Alternative: Board general discussion without contribution projection or modeling.	\$2,000	\$2,500

Please note:

- We will bill the District at the following hourly rates:

Position	2021 Hourly Rate ¹
Partner & Vice President (Redding)	\$300
Assistant Vice President (Lin)	270
Associate Actuary	220
Senior Actuarial Analyst	200
Actuarial Analyst	160

- The above time is estimated and does not include time for:
 - **Formal Report.** The project includes a discussion outline with significant detail. This document is not meant to be a stand-alone explanation to give to the Board. A Formal Report is a stand-alone report summarizing results. Our fees to prepare this will be approximately \$3,000.
 - **More than 1 meeting.** Additional meetings (e.g. Board, Committee, or bargaining group meetings) will increase the above time by actual meeting and preparation time. If no additional work is necessary, then fees will be \$1,000 to \$1,500 for an additional virtual meeting.
 - **Additional scenarios** for UAL prepayment. 2 scenarios are included in the estimated fees. Most of our clients find this sufficient, but additional scenarios could require additional fees.
- Hourly rates include provision for miscellaneous expenses; no expenses will be billed.

¹ We are keeping 2021 hourly rates the same as 2020 in order to help our clients in these difficult times



Data

To complete our review, please provide:

- Detailed descriptions of any employee cost-sharing agreements, if any (employees pay a portion of the District's required contributions).
- If the District pays member contributions (EPMC) for any classic employees, please provide details.
- Copies of CalPERS all available CalPERS valuation reports (for contributions) for valuation dates of June 30, 2016 and earlier. These allow us to prepare historical plan information but are not required.

We are prepared to begin this project immediately and can set a meeting date as soon as we receive the above information. Initial meeting dates are usually set approximately 5-6 weeks after we receive the actuarial information. Please contact me at mbredding@bartel-associates.com if you have any questions. We look forward to working with you and the City.

Sincerely,

Mary Elizabeth Redding, Vice President

c: Bianca Lin, Bartel Associates

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