



OFFICE OF
CHIEF BUSSINESS OFFICER

To: Dr. Keith Curry, Provost/CEO
From: Felipe R Lopez, Chief Business Officer
Date: July 1, 2016
Subject: Pension (PERS / STRS) Plan

Background

Governor Brown signed his 2014-2015 final budget bill, enacting a long-term plan to fix the \$74 billion shortfall in pension funds. As a result, the state, schools, community colleges, and employees would start paying more for pensions, effective July 1, 2014. The contributions would increase over the next several years, with schools and community colleges picking up the biggest share.

In June 2012, Governmental Accounting Standards Board (GASB) issued Statement No. 68, Accounting and Financial Reporting Pensions, an amendment of GASB Statement 27. The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local governmental employers about financial support for pensions that is provide by other entities. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reports for pension with regard to providing decision-useful information, supporting assessments of accountability and inter-period equity, and creating additional transparency.

Plan Description

California State Teachers' Retirement System (CalSTRS)

The District contributes to the State Teachers' Retirement Plan (STRP) administered by CalSTRS. STRP is a cost-sharing multiple-employer public employee retirement system defined benefit pension plan. Benefit provisions are established by State statutes, as legislatively amended, within the State Teachers' Retirement Law.

A full description of the pension plan regarding benefit provisions, assumptions (for funding, but not accounting purposes), and membership information is listed in the June 30, 2013, annual actuarial valuation report, Defined Benefit Program Actuarial Valuation. This report and CalSTRS audited financial information are publically available reports that can be found on the CalSTRS website under Publications at: <http://www.calstrs.com/member-publications>.

California Public Employees' Retirement System (CalPERS)

Qualified employees are eligible to participate in the School Employer Pool (SEP) under CalPERS, a cost-sharing multiple-employer public employee retirement system defined benefit pension plan

administered by CalPERS. Benefit provisions are established by State statutes, as legislatively amended, within the Public Employees' Retirement Law.

A full description of the pension plan regarding benefit provisions, assumptions (for funding, but not accounting purposes), and membership information is listed in the June 30, 2013, annual actuarial valuation report, Schools Pool Actuarial Valuation, 2013. This report and CalPERS audited financial information are publically available reports that can be found on the CalPERS website under Forms and Publications at: <https://www.calpers.ca.gov/page/forms-publications>.

Net Pension Liability

The District implemented GASB Statements No. 68 and No. 71 for the fiscal year ended June 30, 2015. As a result, the District reported its proportionate share of the net pension liabilities, pension expense, and deferred inflow of resources for each of the above plans and a deferred outflow of resources for each of the above plans.

As of June 30, 2015, the District reported net pension liabilities for its proportionate share of the CalSTRS net pension liability totaling \$15,665,559 and CalPERS net pension liability totaling \$7,143,796, a combined total of \$22,808,355.

Funding Status and Plan

The Compton Community College District 2015-2016 budget included one-time funds of \$500,000 to be used for future pension costs. Subsequently, the District opted to enter into a Pension Stabilization Trust plan. The Planning and Budget Committee (PBC) reviewed and were presented two proposals for consideration on February 23, 2016. The Chief Business Officer presented the two proposals to the Academic Senate on April 7, 2016. The Board approved the establishment of an irrevocable trust designed for payment of future employee pension obligations through a trust in compliance with Section 115 of the Internal Revenue Code and Governmental Accounting Standards Board Statement No. 68.

During the District 2016-2017 budget process, the Planning and Budget Committee (PBC) reviewed and developed a funding schedule to fund ongoing resources into the Trust. The PBC determined and recommended a minimum annual contributions of \$200,000 were to be funded by eliminating the \$200,000 transfer to the Line of Credit Fund and redirect funds to the Pension Trust. Additionally, the District was able to contribute an additional \$500,000 (one-time funds) into the Trust based on adequate reserve levels.

For each fiscal year as part of the Budget and Planning process, the CEO will make a recommendation to Special Trustee whether to increase or decrease the contribution amount into the Pension Trust for each fiscal year as deemed necessary. Though \$200,000 may seem inadequate at this time, it is important that the District established a process of long-term planning in order to ensure financial stability. The District's financial strategy is to maintain the minimum prudent reserve level, match ongoing expenditures with ongoing revenue, and address funding for retiree health benefits costs.

Conclusion

The District's establishment of an Irrevocable Pension Trust Program is vital to the District long-term financial planning and financial stability of the District. The Chief Business Officer is responsible for reviewing, revising, and implementing this plan in order to achieve long-term fiscal stability.

Enclosures:

Attachment A – Pension Funding Schedule

Compton Community College District
Pension (PERS/STRS) Funding Schedule
District's Funding Plan

Years to Fund Plan [1]	Fiscal Year End	Annual Contribution [2]	Earmarked Funds [3]	PERS/STRS Increases [4]	Unfunded Increases [5]
1	2015	-	-	182,186	182,186
2	2016	500,000	500,000	587,642	87,642
3	2017	[6] 700,000	1,212,000	1,091,654	-
4	2018	200,000	1,426,120	1,438,950	12,830
5	2019	200,000	1,642,381	2,186,914	544,533
6	2020	200,000	1,860,805	2,636,608	775,803
7	2021	200,000	2,081,413	2,951,908	870,495
8	2022				-
9	2023				-
10	2024				-
11	2025				-
12	2026				-
13	2027				-
14	2028				-
15	2029				-
16	2030				-
17	2031				-
18	2032				-
19	2033				-
20	2034				-

[1] - Funding schedule plan in years

[2] - Annual contribution of \$500K funding with one-time funds. Annual contributions of \$200K to be funded from the following:
1) Eliminate \$200K transfer to the Line of Credit Fund and redirect funds to the PERS/STRS Fund.

[3] - Amount represents total earmarked funds with the objective of achieving a target net rate of return of 1% which is based on funds invested in the County Treasury Investment Pool.

[4] - Amount based on future PERS/STRS costs for fiscal years 2014 thru 2021

[5] - Amount represents funding shortfall.

Compton Community College District
 Future STRS and PERS Costs
 Fiscal Years 2014 thru 2021

Effective Date	STRS	STRS Annual Rate	STRS Annual Increase	STRS Cummulative Increase	PERS	PERS Annual Rate	PERS Annual Increase	PERS Cummulative Increase
July 1								
2014	911,567	8.25%			630,814	11.442%		
2015	1,058,505	8.88%	146,938	146,938	666,062	11.771%	35,248	35,248
2016	1,434,663	10.73%	376,158	523,096	695,360	11.847%	29,298	64,546
2017	1,758,832	12.58%	324,169	847,265	875,203	15.000%	179,843	244,389
2018	2,006,078	14.43%	247,246	1,094,511	975,253	16.600%	100,050	344,439
2019	2,683,830	16.28%	677,752	1,772,263	1,045,465	17.450%	70,212	414,651
2020	3,062,726	18.13%	378,896	2,151,159	1,116,263	18.300%	70,798	485,449
2021	3,305,175	19.10%	242,449	2,393,608	1,189,114	19.150%	72,851	558,300
Subtotal				\$ 2,393,608				\$ 558,300
Total								\$ 2,951,908