

How much of the Town's budget goes towards pensions, and what are the potential future impacts on the budget and services from growing pension obligations?

Current impact of pensions: 17% of General Fund

The Town's budget for the fiscal year beginning July 1, 2020, spends about \$2.8 million for pension costs for past and present employees¹ (including the Town share of police and fire department pension costs), or about 17% of its General Fund expenditures.

The Town's existing pension liability is approximately 75% funded when compared to the value of its pension assets. The remaining 25%, which is currently unfunded, totals approximately \$31.2 million.²

In addition to general revenues, the Town applies pension taxes totaling over \$2 million collected from property owners.³ The Town also issued a Pension Obligation Bond in 2012 that repaid a portion of its pension obligation; the bond will be paid off by the end of 2021, freeing up revenue to apply to pension costs or other Town priorities.

Future impact of pensions: pension costs projected to double

Over the next ten years, pension costs are projected to double⁴. However, Town revenues typically rise at a slower, more moderate rate each year. Unless additional revenues can be found to help address these additional pension costs more of the annual budget will be needed. Inevitably, this will affect operating expenses.

In 2019, the Town established Section 115 Trusts for unfunded pension and retiree medical costs, and placed \$500,000 into the pension trust fund \$100,000 into the retiree medical (Other Post-Employment Benefits, or OPEB) trust. The Town will add to these trust funds each year. These funds can help in the future to soften the potential impact of pension costs on other services. The Town can augment the trust fund as part of the annual budget process.

Further information can be found in a 2019 Ad Hoc Financial Advisory Committee presentation⁵ and reports prepared by the Town's Staff⁶ and pension advisor.⁷

¹ Staff report March 1, 2018 for the Meeting of March 13, 2018, ITEM 7 - Presentation by Bartel Associates (Bartel 2018).

² Based on Calpers Actuarial Valuation June 30, 2019. Town is responsible for Fire CalPERS plan - projected 50%, and 37% Police CalPERS plan.

³ The Town's pension tax is used to pay for the cost of the employee pension program. The rate is \$0.059 per \$100 of a property's assessed value.

⁴ Town of San Anselmo: Budget and Work Plan 2020-2021, pg. 8.

⁵ Town of San Anselmo Financial Advisory Committee Presentation March 26, 2019.

⁶ Town of San Anselmo Financial Advisory Committee Presentation March 26, 2019.

⁷ Town of San Anselmo Misc. and Public Safety Plans, CalPERS Actuarial Issues, March 13, 2018.