

pension costs in the future years. The following chart summarizes the City's current and projected employer contributions for the next six years for classic members.

Fiscal Year	19/20	20/21	21/22	22/23	23/24	24/25	25/26
Normal Cost %	10.22%	11.03%	11.00%	11.00%	11.00%	11.00%	11.00%
UAL Payment	\$ 167,823	\$ 204,228	\$ 246,000	\$ 282,000	\$ 303,000	\$ 324,000	\$ 333,000

The City currently makes annual lump sum prepayments of the UAL in July every year resulting in average annual cost savings of approximately \$6,000. While there are a variety of strategies to implement with paying down the UAL, the following table compares five options: Status quo; Paying off the UAL completely; Changing the amortization schedule to either 15 or 10 years; Making an additional payment.

Options	Pros	Cons	Estimated Savings
Status Quo	Maintain liquidity and flexibility by preserving local control of cash assets	Highest costs, ongoing liability, future budget challenges as costs rises. Total interest of \$3,801,325 over 30 years.	N/A
Pay Off Completely	Elimination of UAL. Greatest interest savings experienced.	Reduced flexibility to allocate resources. Future market risk. CalPERS would not return or credit the City's plan for excess amounts paid	\$3,801,325
15 Year Amortization	Fast elimination of UAL.	Higher annual payment over 15 years. Not flexible, City must commit. Average cost increase of \$45,628	\$834,967
10 Year Amortization	Faster elimination of UAL. Higher savings.	Higher annual payments over 10 years. Average cost increase of \$172,983	\$1,702,033
Additional Payment	Reduction in UAL depends on amount. Flexible and discretionary.	Applied against outstanding unfunded liabilities only. Future assets in excess of liabilities will not be refunded	Varies (requires further analysis)

Actual savings are subject to further analysis and discussion with CalPERS actuary.

Paying off UAL balance in one lump sum may result in the greatest overall interest savings, followed by adopting the shortest amortization schedule. One-time additional discretionary payments can also be made, though savings will depend on amount and how it's applied. Additionally, a hybrid strategy can be developed, such as making an additional discretionary payment and adopting a shorter amortization schedule. Based on CalPERS actuarial assumptions, to achieve greatest savings, the best option would be to pay off UAL completely. The largest risk of completely paying off the unfunded liability is if the rate of return on CalPERS investments performs better than expected. It is in this