

## Item 7 – Consideration of UAAL Payment

The Budget/Finance Committee considered paying off the current UAAL balance associated with the TCDRS retirement plan. The GM was asked to research plausible options to lower the UAAL level.

- GM spoke with Russell Armagost concerning the UAAL and budgeting for lowering the balance. Using his current formula (1 year delayed), the UAAL balance will probably always out run the budgeted amount. We are likely to never pay down the balance. His suggestion is to pay off the UAAL amount and budget some money to pay down the UAAL as it accrues.
- GM spoke at length with our TCDRS representative about lowering the UAAL. If we want bring the UAAL balance to \$0, we will need to multiply \$22,196 x 1.075 for this to occur. The factor (actuarial) changes over time due to economic conditions, demographics, etc. He also wanted to make clear that making this supplemental contribution will bring the UAAL balance to \$0 **“at this time**. There is no guarantee that there will not be some level of UAAL in FY2022. This lends credence to Russell’s suggestion that we continue to budget some amount to cover a future UAAL during that FY.

Options:

1. Leave the UAAL balance alone. TCDRS representative indicated the Fitch considers a retirement fund such as ours is “well-funded” at 80%. We are currently at 95%.
2. Lower the UAAL balance to level that leaves some balance.
3. Pay off the UAAL balance bringing it to \$0. The District would Make a total supplemental contribution to TCDRS of \$24,000. We have already done a supplement of \$2000. Action would require the Board to amend the FY2021 budget adding \$22,000 to the UAAL line item. The total contribution to TCDRS will fall to \$32,766 with the contribution rate falling to 13.97% from 14.95%.
  - a) Leave Russell’s FY2022 suggested UAAL budget at \$3,331. We will know in April 2022 if the UAAL is underfunded and at what level. There is no way to forecast before then time what that might be.
  - b) An alternative would be to budget \$0 in FY2022 but set a % level of funding that would trigger a lowering of the UAAL to \$0.