SONOMA COUNTY
LIBRARY
BIBLIOTECA

Pension Additional Discretionary Payments

Policy # 2012
Effective Date: March 5, 2026

I. POLICY STATEMENT.

The purpose of this Pension Additional Discretionary Payments *(ADP)* Policy is to set out the principles and priorities that guide the library's decision-making with regard to funding the pension plan.

II. DEFINITIONS.

The following definitions shall apply to this Policy, unless the use and context clearly indicate otherwise.

A. "CalPERS - California Public Employees' Retirement System" is California's public pension fund.
B. "Defined pension" is when retirement benefits are based on a formula, rather than contributions and earnings to a savings plan, for a lifetime after retirement.
C. "Director" means the Director to the Sonoma County Public Library, or designee.
D. "Funding status" relates to the funded ratio. A funded ratio of 100% (UAL of $0) implies that the funding of the plan is on target and that future contributions equal to the Normal Cost of the active plan members will be sufficient to fully fund all retirement benefits if future experience matches the actuarial assumptions. When the funded ratio is less than 100%, the agency has an Unfunded Accrued Liability and must make additional payments to reduce that liability.
E. "Normal cost" is based on a percentage of total active payroll expenses and the employer and employee each pays a share.
F. "Policy" means this ADP Policy approved by the Library Commission, and as may be amended from time to time.
G. "Unfunded Accrued Liability (UAL)" is the gap between the present value of the pension fund and the anticipated liability – based on complex actuarial calculations – of the amount that will actually be needed to fund future claims by members.

III. POLICY.

A. **Scope.** The Sonoma County Library provides a defined pension to qualified employees through CalPERS. The library must ensure that these benefits are sustainable over the long term. The CalPERS actuarial reports calculate the funding status for the library plan. As of June 30, 2024, the library's funding status is 80.1%, and its UAL is $19,310,353.

A funded ratio of 100% (UAL of $0) implies that the plan is fully funded and that future contributions equal to the Normal Cost of the active plan members will be sufficient to fully fund all retirement benefits (assuming that future experience matches the actuarial assumptions). A funded ratio of less than 100% indicates an Unfunded Accrued Liability. This means that in addition to paying Normal Costs, the Library must make additional payments to reduce the UAL. [NOTE: Plans with a funded ratio greater than 100% have a negative UAL (surplus) but are required under current law to continue contributing the normal cost in most cases, preserving the surplus for future contingencies.]

B. **Policy Standards.**

i. The library's target is to fully fund the library's pension plan within 15 years by making sustainable annual ADPs.

ii. The library will contribute an ADP annually until the funding status reaches 100%.

iii. The annual ADPs beginning with the fiscal year 2026-2027 will be $250,000 each year.

iv. ADPs will be allocated between Property Tax and Sales Tax Funds within the Allocation of Major Revenue Policy allocations.

v. Operating revenue will always be used first; fund balance may supplement ADPs as needed and documented through the annual budget process.

vi. The library commits to funding the UAL to the maximum extent feasible for each budget year. Accordingly, the Library may use year-end savings (in property tax and sales tax) in the salary and employee benefits character to increase the ADP by an additional amount in the following fiscal year.

vii. Staff will report to the Finance Committee and the Commission annually regarding the progress of the library's funding status.

viii. Every three years the CFO will hire a reputable and qualified third-party to conduct an actuarial analysis of the library's pension plan.

ix. Important Considerations: Future market gains or losses are uncertain and will directly affect the progress of paying down the UAL. While there is no guaranteed payoff date, historical trends indicate that implementing an ADP strategy will meaningfully reduce the UAL over time. Commitment to a long-term plan will lead to an earlier pay off date.

C. **Administrative Procedures.**

i) The ADP will be part of the budget development process.
ii) The ADP will be made annually by December 31.

D. **Library Director Authority.** The Library Director, or designee, is expressly authorized to make minor amendments to this Policy, including, but not limited to, imposing additional policies or procedures that are deemed necessary for the efficient and safe functioning of the Library, so long as in line with the purpose of this Policy.

IV. APPLICABLE LAW AND REGULATIONS.

CalPERS retirement benefits are funded through contributions paid by contracting employers, members, and earnings from CalPERS investments. Employer contribution requirements are determined by periodic actuarial valuations under state law. Actuarial valuations are based on the benefit formulas the agency provides, and the employee groups covered.

V. REVISION HISTORY.

Adopted: March 4, 2026

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Significant Changes: N.A.