

What is the Unfunded Accrued Liability?

The Unfunded Accrued Liability (UAL) obligation represents the market value of the assets minus the discounted value of the future liabilities. When a plan or pool's Market Value of Assets is less than the Actuarial Accrued Liability, the difference is the plan or pool's UAL. An unfunded liability results in the Town paying contributions in excess of the normal cost or the employer Unfunded Accrued Liability (UAL) annual contribution amount. The UAL is amortized over a period of time based on CalPERS amortization policies. The Town's annual UAL contribution payment calculated by CalPERS is designed to pay down the UAL principal and interest over that amortization period (currently 30 years).

The 2016 Annual Valuation for the Miscellaneous Plan calculated a UAL of \$30.1 million for Los Gatos (\$94.6 M of AAL minus \$64.5 M of Market Value).

The 2016 Annual Valuation for the Safety Plan calculated a UAL of \$21.7 million for Los Gatos.

For more information on the Town's UAL and amortization, see:

<http://www.losgatosca.gov/1861/CalPERS-Actuarial-Valuation-Reports>