



Town of Atherton
FINANCE COMMITTEE
MINUTES
SEPTEMBER 9, 2014
2:00 PM
TOWN COUNCIL CHAMBERS
94 Ashfield Road
Atherton, California

PLEASE NOTE: *Times listed on the Agenda are approximate; items may be taken up out of order.*

1. ROLL CALL

Cary Wiest, Rick DeGolia, Bob Polito Alain Enthoven, Jim Massey, Diane Beymer-Sandhu, Jeffrey Lee
Present: All were present

2. PUBLIC COMMENT

(This portion of the meeting is reserved for persons wishing to address the Committee on any matter not on the Agenda that is within the subject matter jurisdiction of the Committee. State law prohibits the Committee from acting on items not listed on the Agenda in most circumstances. Each speaker is limited to three minutes.)

REGULAR AGENDA

- 3. Approve Minutes of July 15, 2014 Finance Committee Meeting.**
Mr. Massey motioned, Mrs. Beymer-Sandhu seconded. All in Favor.
- 4. Approve Minutes of August 20, 2014 Special Finance Committee Meeting.**
Mr. Massey motioned, Mrs. Beymer-Sandhu seconded. All in Favor.
- 5. Review and discuss PARS investment strategy and PARS June 30, 2014 Statement; Recommend changes to overall strategy if appropriate.**
Presented the PARS account summary statement as of June 30, 2014, investment strategy and sought recommended changes to the overall strategy if appropriate. Discussed that in Fiscal Year 2011-12 the Town established an IRS approved section 115 irrevocable trust to comply with GASB 45, which requires governments to actuarially calculate their OPEB Obligation and annual ARC to fund the obligations. The Town entered

into an agreement to participate in the PARS (Public Agency Retirement Services) post-retirement health care plan. Discussion ensued that PARS is the trust administrator and consultant to the Town. PARS provides record keeping, accounting, and serves ongoing client liaison by monitoring contributions and plan compliance. The Town of Atherton OPEB plan trustee is U.S. Bank as they safeguard the plan assets and High Mark Capital Management is the investment manager of the Trust. This team comprises of the Town OPEB trust team. The trust allows the Town to make contributions toward funding the OPEB long term liabilities. The object of the trust enables the Town to pre-fund the cost of benefits today and leverage interest earnings to lower the long-term future OPEB costs. Staff discussed the investment approach of the Trust and its objective to ensure future growth of the trust. Focus is on fiduciary protection, investment flexibility, and risk tolerance. When the Town created the Trust it was allowed to select its own investment approach and it selected the Discretionary Investment Approach which allows the Town to direct the Trustee to invest assets of the Town in certain investment strategies. There are 5 diversified investment strategies and the Town elected the Moderate Index Plus approach. It was communicated that this strategy provides current income and moderate capital appreciation. The Town's current long-term average target rate of return is set at 6.0%. It was discussed that the Town's OPEB Actuarial Accrued Liability of \$7,724,868. The Town made initial contributions of \$1,299,316 in FY 12-13, \$2,000,000 in FY 13-14. The total ending balance of the PARS OPEB Trust as of June 30, 2014 is \$3,513,466. The total earnings net of plan expenses is \$214,150 and equates to a 6.5% return. It was discussed that The Moderate Index Plus investment strategy is yielding the required Returns on the Town plan objectives. Discussion focused on whether or not the strategy is aggressive enough or if the committee felt it was appropriate to make a recommendation to the Council to change the investment strategy. The Committee felt at this time that the current Moderate Index Plus investment strategy is correct and sufficient for our OPEB Plan Trust account.

6. **Status Report on OPEB Actuarial Refresh**

Staff gave an oral status report on the OPEB Actuarial refresh. We are currently running a refresh to include the contributions made to the Trust and some changes to retiree health per employee resolutions and MOU's.

7. **Informational Handouts-Unfunded Liabilities**

Staff provided a recap of the current Unfunded Liabilities of the Town. Town of Atherton Long Term Liabilities consist of two pension systems (Miscellaneous Employees and Public Safety Employees) and Health Benefit System (OPEB). The Pension valuations are as of June 30, 2012. New CalPERS valuations as of June 30, 2013 will come out Winter of

2014. Actuarial Value of Assets (AVA) is used by the actuary for the purpose of actuarial valuation. Market Value of Assets (MVA) based on the market value of asset at that point in time. Funded ratio is the ratio of the actuarial value of assets.

8. Next Meeting Date, Future Agenda Items and Time-November 11, 2014
9. **Adjourn-** Motion to adjourn Mr. Massey, seconded by Mr. Lee. All in Favor. Adjourn 3:11pm.

 Please contact the City Clerk's office at (650) 752-0500 with any questions

Pursuant to the Americans with Disabilities Act, if you need special assistance in this meeting, please contact the Park Program Manager at (650) 752-0534. Notification of 48 hours prior to the meeting will enable the Town to make reasonable arrangements to ensure accessibility to this meeting. (29 CRF 35.104 ADA Title II)

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