



Town of Atherton
FINANCE COMMITTEE
DRAFT MINUTES
November 20, 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: Wiest, DeGolia, Polito, Enthoven, Massey, Beymur-Sandhu

Excused: Mr. Jeffrey Lee

2. PUBLIC COMMENT

None

REGULAR AGENDA

- 3. Approve Minutes of September 9, 2014 Finance Committee Meeting.** Motion by Mr. Massey; Seconded by Mrs. Beymer-Sandhu: All in Favor
- 4. Presentation by Nicolay Consulting; Review and Discuss Town of Atherton Actuarial Valuation of Postemployment Healthcare Program; Recommend to council to adopt the OPEB Valuation report.** Mr. Doug Tokerude from Nicolay consultant attended the meeting and presented to the committee the latest refresh of the OPEB actuarial. Mr. Tokerude began discussing that for the meeting he prepared a one page summary to be helpful to present the results and key aspects of the actuarial. First discussed was that the funding status for the Town compared to other cities was excellent. Our plan is in very good financial standing. We are probably in the top 10% to 15% funding wise. They have a lot of clients and of those clients only 3 or 4 of them are fully funded. Question was asked by Mr. Massey which Towns or clients that are discussed that are fully funded are they comparable to our Town. Mr. Tokerude responded that they are all over the ball park in agency size. Some agencies have yet to put any money into their OPEB liabilities. Discussion he had with some of these agencies is that there is no law that

says you have to put money into it but if you don't your liabilities are going to keep growing. It was communicated that Atherton's Trust Assets as of July 1, 2014 was \$3,513,466. However as of November it is almost at \$4.5M. The reason our OPEB report has \$3.5M and not our current amount is because our OPEB Actuary was done as of July 1, 2014. We had to pick a moment in time or cutoff to run our actuary valuation refresh our data. Vice Mayor DeGolia asked if the \$3.5M actuarial value if that is our market value of the of our asset. Yes as of July 1, 2014 it was the value in our PARS trust. The FY15/16 in the report would portray our current contributions into the Trust, an estimate to be 4.8 Million in Value of Assets. It was mentioned that part of our excellent rating in the funding status of our plan is that we put in \$1.1 M in excess of our GASB 45 Annual Required Contribution This is the annual required contribution to keep up with funding the liability. We have contributed more and that is why we have an excess, we are well funding the plan. Our Actuarial accrued liability of the plan, or what our current employees and retired employees have earned is \$7,459, 244. When the plan was first put in and created in 2008 plan inception, the amount of Unfunded Accrued liability was \$7,750,968. With the contributions and the refresh the Town has cut that down in half to \$3,945,778. This is as of July 1, 2014 and if we count the \$1,020,000 contributed after July 1, 2014 it is \$2,925,778. It was discussed with Nicolay consulting we could do a roll forward to count what we have contributed into the Trust. Basing out the actuarial and looking at our FY 15/16 our unfunded actuarial accrued liability is about \$2.8 million. In FY 14/15 our annual ARC was estimated at approximately \$552,000. We are actually down to \$364,557 and this decreased for two Reasons and the biggest one was all the money we have put into the PARS Trust and that is earning interest at about 6%. Vice Mayor DeGolia asked if this could actually be less than the \$364,557 because we contributed to the additional \$1Million. The answer was yes the more we contribute to the trust the more our annual cost will be reduced. The second reason is premium rate for health care have reduced especially for medicare and for the changes in employee MOU's and resolutions. Question was posed what is the discount rate on the trust earnings for reporting purposes? It was communicated that it is 6% and as of last year our Trust earned 6.5%. Every time we do a refresh we will verify and see if there is a need to adjust the projected discount rate based on asset gains or losses and will be amortized out on the remaining period of funding. For budgeting purposes we budget the ARC based on the actuarial report. The Town over the past year and half made contributions to its PARS OPEB trust as well as made some changes to APOA memorandum of understanding and also changes to non-represented employee resolutions. This warranted a refresh of its OPEB liabilities since the Town was taking steps to reduce its liabilities. It was communicated that we wanted to project the refresh a little forward so it includes staff presenting to City Council to make another \$600,000 using 14/15 ERAF funds and make a contribution

towards the OPEB trust. This is reflected in the FY 15/16 Town contribution in the actuary report. Staff felt that with the \$600K additional contribution, it would bring the total amount funded to the Trust to a target of \$5Million. Addition discussion was that in a couple of years actuary changes to mortality rates will be mandatory in assumptions. Staff recommended to the Finance Committee to accept the new OPEB refresh and make a recommendation to the City Council to use this new OPEB actuary report dated July 1, 2014. Motion by Mr. Massey to accept and recommend this new OPEB Valuation report; Seconded by Mrs. Beymer-Sandhu: All in Favor,

5. **Combined Statement of Revenues, Expenditures, and Changes in Fund Balance Financial Report for September 30, 2014; Receive and File.** Presented the current financial status of the Town for the third month of the Fiscal Year. The Town's Total Ending Fund balance as of September 30 is \$22,248,039. Reported that the Town had a net combined negative change of \$2,646,395. This negative change is contributed to the timing of receiving property tax revenues and other transportation measure funds. This report was receive and file.

6. **Informational Handouts-CalPERS Earnings**
Presented informational handouts on CalPERS earnings. Discussed that CalPERS is the nation's largest public pension fund and recovering from Giant losses during the recession. The portfolio had peaked at \$260 billion In the fall of 2007, reduced to \$160 billion in the spring of 2009. The fund has climbed to \$299 billion in September 2014. The pension fund's goal is to get to full funding in 30 years and includes a change in actuarial method; a series of rate increases, new mortality rates, a boost in annual employer contributions and a new focus on risk. During the Fiscal Year June 30, CalPERs investments earned 18.4 percent, a five year average of 12.5 percent and a 20 year average of 8.4 percent. Also discussed was a newroom article that CalPERS received \$249.3 million from Bank of America Mortgage-backed securities settlement.

8. Next Meeting Date, Future Agenda Items and Time-January 13, 2015

9. **Adjourn** 3:40 PM; motion by Chair Mr. Polito,; 2nd By Vice Chair Massey; All in Favor

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

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