



**Town of Atherton  
FINANCE COMMITTEE  
DRAFT MINUTES**

**May 8, 2018**

**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**

Bob Polito, Jeffrey Lee, Yogesh Amle, Ann Yvonne Walker, Devika Patil,  
Cary Wiest, Bill Widmer

**Present: Polito, Lee, Walker, Patil, Amle, Wiest, Widmer**

**2. PUBLIC COMMENT**

None

**REGULAR AGENDA**

3. Review and Approve Draft Minutes of February 13, 2018 Finance Committee  
**Motion to approve the minutes by Ms. Walker, seconded by Mrs. Patil; All in Favor**
4. Review and discussion of Pension Costs, hear a Presentation from PARS on the Pension Rate Stabilization Program; if appropriate, provide a recommendation to City Council  
**Staff began discussion that this item was a presentation from PARS regarding new Pension Rate Stabilization program available for agencies. Staff presented that during its review of the CalPERS June 30, 2016 actuarial reports were projected Employer Contribution Rates through Fiscal Year 2022/23 and projections of the phased changes in the CalPERS Discount Rate from 7.5% to 7%. It was noted that the committee asked for further in depth conversation to occur at a future meeting regarding pension liabilities. Particular items suggested the Town could consider included; 1. Consideration of additional contributions to CalPERS beyond the required Unfunded Actuarial Liability (UAL) Payment to lower our payroll normal costs. Additional contributions will have the effect of accelerating funding based on alternative amortization schedules in the valuation reports. 2. Consideration of accumulation of reserves to establish**

an Internal Service Fund. Money within the Fund would be used to make singular significant contributions to CalPERS when the Town deems prudent. 3. Consideration of establishment of an Irrevocable Supplemental Trust that can only be used to make payments directly to CalPERS. 4. Consideration of setting a funding target for unfunded liabilities, similar to what was done with Other Post-Employment Benefits (OPEB); or continuation of “pay as you go” with CalPERS valuation reports.

It was communicated that the Town had already opened an irrevocable trust for OPEB. It was created to prefund the Town’s OPEB (Other Post-Employment Benefits) retiree health care costs for its employees. Since the City Council took significant steps to reduce the Town’s OPEB Liability, one of the suggested items to consider to assist in paying down pension liabilities is establishing an Irrevocable Supplement Trust for Pensions. This is a program similar to the Town OPEB Trust, however this would be only for pensions.

Staff presented that beginning in FY 2018/19, the discount rate is reduced to 7.375%. In the short term this would indicate that the CalPERS contribution rates would see an increase with the change in the discount rate. The actual investment return for CalPERS for FY 2016/17 was 11.2% and for Calendar Year 2017 CalPERS had a 15.7% investment return. The projected UAL payment for FY 18/19 for the Town was \$864,762 and estimates to be \$1,234,000 in FY 20/21. Also discussed that the Employer normal cost as percentage of payroll will go up. Staff illustrated that the Town has contributed its normal cost and UAL payment consistently over the years. FY 15/16 total contribution was \$1.1 Million and FY 2016/17 contribution was \$1.13 Million. As of June 30, 2016 the MVA for Miscellaneous Employees is \$12,141,574 and the unfunded liability is \$4,364,480 (73.6% funded). For Public Safety Employees the MVA is \$27,292,457 with an unfunded liability of \$11,162,375 (71% funded). This results in a total unfunded liability of \$15,525,855.

Jennifer Meza of PARS and Fred Hurst of High Market Capital were present to discuss a new pension rate stabilization trust program available for municipalities. Staff opined that a Pension Rate stabilization program can assist the Town in addressing pension liability concerns. Funds placed in the Trust can be accessed anytime and used to offset pension costs or to submit additional payments to CalPERS. There is no cost to set and no fees until assets are added. During the presentation it was communicated with a Pension Rate Stabilization Program (PRSP), an agency can access funds at anytime. Because the Town has an OPEB Trust, the assets of OPEB and Pension would aggregate and reach lower fees on tiered schedule sooner- saving money. There are no costs to set up, and no fees until assets are added. It was communicated that there were 145 agencies in California that have (PRSP) programs. PARS and High Market Capital

discussed several reasons for prefunding pension obligations as to include

1. The Town has complete control over contribution and disbursements, to include timing, amount, and risk tolerance level.
2. Pension Rate Stabilization- assets can be transferred to retirement system plan at the Town's direction, which can reduce or eliminate large fluctuations in Employer contributions to the retirement system.
3. The funds can be an emergency source of funds when employer revenues are impaired based on economic or other conditions.
4. There is great diversified investing, potential for greater return than General Fund as the Town could choose risk tolerance levels. Also presented were the diversified portfolios to invest funds through High Market Capital. Also discussed were allocation strategies and historical returns.

It was presented to the Finance Committee that the Pension Rate Stabilization Fund could follow the OPEB investment strategy of Moderate Passive investment approach. Discussion continued on the program and the options. Staff recommended to the Committee that it can recommend to the City Council adopt and enter in the PARS Pension Rate Stabilization Trust Program. It was noted that adopting a plan does not mean that it would be funded as well. The plan would provide a tool to fund pension liabilities when there are available funds and the Council chooses to allocate funds to the trust.

The Committee recommended that the City Council adopt and enter into an agreement to participate in the PARS Pension Rate Stabilization Trust Program. This program will cost us nothing to create until assets are funded to the Trust.

**Motion by Chair Polito, seconded by Ms. Walker; All in Favor**

5. Review, Receive and File the FY 2018/19 Special Revenue, Internal Service Funds, and Capital Improvement Program presented to Council  
**This was a receive and file regarding the FY 2018/19 Special Revenue, Internal Service Funds, and Capital Improvement Program Budget presented to the City Council in previous study sessions.**
6. Brief discussion about future SAS 114 discussion with Auditor  
**This was brief discussion on whether the Finance Committee wanted to have a meeting with the Town independent auditor regarding the yearly SAS 114 communication or if they wanted correspondence through an Ad-Hoc Sub-committee of the communication. The committee unanimously requested that auditor Maze & Associates present the SAS 114 communication to the Finance Committee.**
7. Next Meeting Date, Future Agenda Items and Time-  
**Suggested Meeting Times of Tuesday July 10 or Thursday July 12 pending availability of committee members.**

**8. Adjourn: Motion Ms. Walker, seconded by Mr. Amle. All in Favor 3:40pm**

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

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