CITY OF SOLANA BEACH

SOLANA BEACH CITY COUNCIL, SUCCESSOR AGENCY TO THE REDEVELOPMENT AGENCY, PUBLIC FINANCING AUTHORITY, & HOUSING AUTHORITY

MINUTES

JOINT **SPECIAL** MEETING
Wednesday, February 25, 2015
05:30 P.M.
City Hall / Council Chambers, 635 S. Highway 101, Solana Beach, California
Teleconference Location (Zahn) Grand Hyatt Hotel, 1000 H Street NW, Washington, DC 20001

Minutes contain a summary of the discussions and actions taken by the City Council during a meeting. City Council meetings are video recorded and archived as a permanent record. The video recordings capture the complete proceedings of the meeting and are available for viewing on the City's website.

CALL TO ORDER AND ROLL CALL:

Mayor Heebner called the meeting to order at 5:30 p.m.

Present: Heebner, Zito, Zahn, Nichols, and Marshall.
Absent: None.
Also Present: David Ott, City Manager
Johanna Canlas, City Attorney
Angela Ivey, City Clerk
Wende Protzman, Community Development Dir.
Mo Sammak, City Engineer/Public Works Dir.
Marie Berkuti, Finance Manager
Dan King, Sr. Management Analyst

CLOSED SESSION REPORT:

No reportable action.

FLAG SALUTE:

Mayor Heebner led the flag salute.

PRESENTATIONS:

(Ceremonial items that do not contain in-depth discussion and no action/direction.)

1. CalPERS Actuarial Forecast

David Ott, City Manager, introduced the item.

John Bartel, Bartel and Associates, presented a powerpoint (on file). He stated that the current CalPers contribution policy did not determine contribution rates based on market value of assets, that CalPers used a smooth asset value, which would mitigate investment gains and losses and that CalPers had determined that this method would not help achieving paying off unfunded liabilities, that changes to the current policy included 1) No asset smoothing, 2) 5-year ramp up, and 3) included the 6/30/13 valuation, that the 6/30/13 valuation determined the 2015/16 contribution rates, and agencies would see the full impact of the changes in 5 years.

Council and Mr. Bartel discussed investment returns, that they were realized and unrealized gains, that real estate investments were always appraised at or close to the fiscal year end or appraised when CalPers thought there would be a noticeable adjustment.

Mr. Bartel continued the powerpoint and reviewed the plan funding status for the Miscellaneous Group. He stated that unfunded liability was calculated by the actuarial liability value of benefit due to services rendered, that as people rendered service the actuarial liability grew, the target should be to have 100% funding which meant to have assets equal to actuarial liability. He reviewed contribution rates by tier, stated that the asset method change would increase the contribution rate by 0.9%, and asset gains dropped the rate 1.1%, that if there were poor investment returns the City's rate would go up, and if there were consistent good returns the rate would decrease noticeably. He reviewed components of contribution rates which were, 1) normal cost rates, and 2) unfunded liability component which fluctuated based on investment return. He stated that a significant change made to risk pools included splitting the rate into two areas of normal cost rate and unfunded liability which was now required to be paid in a dollar amount. He stated that the City was more progressive with pension reform than other cities by adding the 2nd tier for employees earlier than the rest of the state, and that that the new Pepra method was similar to the second tier.

Mr. Bartel reviewed fire safety plan, contribution projections, and the new accounting standard GASB68. He stated that unfunded liability would now go on the City's financial statement and would be called total pension liability. He reviewed the PEPRA (Public Employees Pension Reform Act) cost sharing change law which was effective Jan 2013, he stated that the target contribution should be 50% of the total normal cost, reviewed options of how to pay down unfunded liability which included 1) pension obligation bond (POB) which was to borrow money to pay down the unfunded liability, that this option was an interest arbitrage, that since tax payer money would used it would be difficult for a city to utilize this option. He stated that a 2nd option was for an agency to borrow money out of its investment funds 3) to ask CalPers to amortize the unfunded liability over a shorter period, 4) use a portion of end of year surplus funds to pay off unfunded liability 5) set up an internal service fund to mitigate contribution volatility and 6) set up an irrevocable supplemental pension trust.

Council and Mr. Bartel discussed the purpose of the pension trust which was to stabilize contribution rates, that it allowed agencies to de-risk the retirement system, the City could use a vendor to assist in setting up the trust such as PARS or PFM who were private sector companies who worked with the public sector agencies for this purpose or the City could hire its own attorney and accountant which would involve significant costs. Discussion continued regarding the fact that the City was ahead of other cities with pension reform by paying off the side fund and also adding the second tier to the retirement plan which would assist in mitigating future contribution rates.

ADJOURN:

Mayor Heebner adjourned the meeting at 6:40 p.m.

______________________ Approved: May 13, 2015

Angela Ivey, City Clerk