

# Palos Verdes Estates Ad-Hoc Committee Meeting

City Council Chambers

September 23, 2019

## **Attendance**

Committee members Lozzi, Kemps, and Constant were present.

Stakeholders Arif Haji (Resident, FAC member), Desiree Myers (Resident), George Kay (Resident), Dawn Murdock (Resident), Luke Hellinga (Executive Staff representative), Steve Beard (PSE Union representative) were present.

Stakeholders Charles Reed (POA Union representative), Brianna Rindge (General Employee representative), and Robert Parke (Resident) were absent.

Staff member Karina Bañales was present.

## **Introductions**

The meeting opened with opening remarks from Councilmembers Lozzi and Kemps. The councilmembers reminded the attendees that Palos Verdes Estates City Council established an ad hoc committee to take a look at the impact of public pension debt upon the city and to work with stakeholders to examine options to address this debt in a meaningful way in order to stabilize the budget forecasts and ensure retirement security for all employees past, present, and future. They stated that the goal of the Ad-Hoc committee is to bring all stakeholders to the table to think through ideas together. No idea is off the table. Brainstorming and collaboration are needed in order to identify solutions. Agreement can happen as long as all avenues are talked about.

Pete Constant (RSI) made brief introductory remarks, then asked all attendees to introduce themselves and identify which stakeholder group(s) they each belonged to.

## **Status Update**

Pete Constant discussed how committee's work began with an effort to reach out to employees, retirees, management, taxpayers, residents, and other interested parties through a series of meetings. These meetings were designed to inform, answer questions, and seek initial input. All viewpoints were welcomed, and stakeholders were encouraged to participate throughout the process.

These meetings took place on September 12, 2019, with presentations made to the following groups:

- POA board members and their attorneys
- PSE board members
- General employees
- Executive Staff
- Retirees
- Residents and other interested stakeholders

[\(link to presentation\)](#)

Pete Constant discussed the initial work plan and process to be utilized.

### **Problem Identification**

Pete Constant provided committee members a printout of the presentation given at the resident meeting on September 12<sup>th</sup>. Members were provided the opportunity to ask questions, seek clarity, and discuss the information contained in the presentation.

Pete Constant provided a review of how other agencies have approached the issue, a brief review of legal constraints, and solicited direct feedback from attendees on their personal perspectives on the issue, their concerns with the status quo, their concerns with potential outcomes, and technical questions they had about pension funding or resulting budgetary impacts.

### **Committee Input**

The committee members were asked to provide input on their personal perspectives on the issue, their concerns with the status quo, their concerns with potential outcomes. The following are comments that were recorded (without attribution):

- In addition to the financial challenge it is important that the reasons why we moved here and the reason why we love living here are still in place. (Still needs to provide the services that were promised to citizens) The cost of doing nothing towards the unfunded liabilities can also be just as bad.
- There is no limitation on what you want to contribute or what you would like to propose. We want every single idea to be put on to the table. Seeking answers should not be offensive. There are no bad ideas, but there are ideas that have no significant impact.
- There is a lot of ideas that will not be legal in the State of California.
- Think of this discussion like a funnel. We will start big and funnel them down to what might be workable that the Ad Hoc representatives present to the city council.
- CALPERS annual pension statements are published 14 months after the close of the year. This causes delay in understanding the impact of changes in assumptions, market gains/losses, and extra debt payments.
- As the City and employees invest money today in CalPERS, their contributions will cause the assets to grow or shrink, based on the return on investments. These payments continue by both parties during active employment. After retirement, only the City continues to pay CalPERS.
- You will know the impacts of your actions, but they won't be reflected in the CalPERS valuation which is what CalPERS is going to bill you. If you get into that situation you are going to have to get an independent valuation report or deal directly with CalPERS.
- We will need more information to model the impacts of the suggestions (enterprise view) balance sheet.
- We do not know what the FAC has been struggling with. We do not know what the fund balances should be, we do not know what is on the balance sheets. We need to know what kind of discretionary money we have so that we can properly fund pension plans.
- Do we have accurate current headcount, pension information, balance sheet and income statements to model the current trajectory and model suggested solutions to see the impact?
- Let's not increase the problem and start to pay down our unfunded liabilities.

- Identifying whatever impacts arise from whatever comes out of this it would be wise for this group to identify who and what this
- One of the things we ought to know is if there are changes in the regulatory pipeline that's going to help us find a solution.
- We have to use reasonable discount rates to come to a solution. Let's start with a suggested rate, then evaluate its accuracy.
- Spinning our wheels while there are 4 major cases at the Supreme Court that may inhibit what we will be able to do in terms of settling our debt. Seems like we are wasting our time. Let's figure out how the federal government is going to address this issue.
- If we are able to sell our services to Rolling Hills Estates than we would be a better PD in general.
- I'm frustrated that I've given everything to the city for 35 years and have taken pride in the work. After 35 years of hard work with the pension with I've earned people want to cut it and take away benefits that I have worked hard for. Very frustrating. The city is broke and has this large Unfunded liability, but I am almost retired, as a taxpayer we are still on the hook for every other city in the state and CalPERS in general.
- As taxpayers, are we still on the hook for the other cities in our PERS pool?
- Okay there is this huge debt that has been going on for 35 years and suddenly today everyone wants to fix it.
- Everything that is earned and accrued is 100% guaranteed. The promise to continue accruing and invest is protected. PEPRA is different but employees will be getting their accrued promises.
- States cannot go bankrupt, cities can. When a city goes bankrupt that can affect your benefits.
- From an employee standpoint we are trying to figure out how we are going to survive with the budget cuts, the payment of the liability, and the decrease in their employee count.
- A solution without a revenue source is just an idea.
- Employees are concerned that the city is not looking at a revenue source in order to solve the problem.

Arif Haji informed the group that as a member of the F.A.C. he has a pending scheduled call with CalPERS staff to discuss pension issues and solicited members for questions they might want asked. He indicated he would share responses with the group at our next meeting.

The committee members were asked to brainstorm possible solutions and were reminded that: no idea is off the table; brainstorming and collaboration are needed in order to come to a solution; consensus agreement can happen as long as all avenues are talked about. A number of ideas were offered and were recorded (see *Committee Brainstorming Ideas* document).

All ideas will be vetted and revisited by the committee.

**Meeting Adjourned**