Palos Verdes Estates Ad-Hoc Committee Meeting
Palos Verdes Estates Council Chambers
November 20, 2019 6:00pm

I. Introductions (5 min.)
   a. First time attendee introductions
   b. Brief committee member/staff introductions
   c. Guest introductions

II. Opening Comments (5 min.)
   Councilmembers Lozzi and Kemps

III. Process Discussion (5 min.)
   Pete Constant

IV. Discussion of Prior Meetings (10-15 min.)
   Full Committee
   a. Meeting Summaries
   b. Questions/Concerns

V. Distribution of Handouts (2-3 min.)
   Pete Constant
   a. Supreme Court Cases
   b. City of Philadelphia
   c. City of Newport Beach
   d. City of Plancentia

VI. Updates Since Last Meeting (10-15 min.)
   Pete Constant/ Councilmembers Lozzi and Kemps
   a. FAC
   b. GovInvest

VII. Review of Brainstorming Ideas (75-90 min.)
   Full Committee
   a. New additions
   b. Categorization
   c. Additional Information Needed
   d. Priority Setting

VIII. New Business

IX. Adjourn (8:00pm)

California Pension Cases before the State Supreme Court

Summary Status

DECIDED:

Cal Fire Local 2881 v. CalPERS
In March 2019, the California Supreme Court upheld one of Governor Brown's (modest) changes to retirement benefits in PEPRA for public employees: eliminating the opportunity to purchase "airtime." The court determined that this perk was different than the core pension benefit and therefore able to be modified.

PENDING:

Alameda County Deputy Sheriff's Association, et al. v. Alameda County Employee's Retirement Association
The Deputy Sherriff's Association (and others) are challenging the elimination of overtime pay, on-call pay, call-back pay, vacation and sick leave sold back, recruitment bonuses, and other items from pension calculations. The appellate court upheld most of the modifications under the same reasoning of Marin. Both sides have asked for the Supreme Court to review.

Marin Association of Public Employees v. Marin County Employees' Retirement Association
Four local unions challenged the elimination of callback and standby pay from their pension calculations. In a departure from California Rule, appellate court ruled the modifications were legal and employees only have a right to a reasonable pension. Court of Appeal sided against the unions. It is currently pending in the California Supreme Court.

Hipsher v. Los Angeles County Employees Retirement Association
The PEPRA law allows the modification of public pension benefits for public employees who are convicted of a felony for behavior while performing official duties. The court of appeals upheld the ability to alter the benefits in these narrow circumstances but requires due process for public employees. It is now awaiting review from the California Supreme Court.

McGlynn v. State of California
Six trial judges petitioned for retirement benefits for when they were elected in 2012, rather than when they took office in January 2013, which was after PEPRA changes. All courts have sided with the state. It is now pending review from the California Supreme Court.

RSI Retirement™ Security Initiative

California Pension Cases before the State Supreme Court

Detailed Status

DECIDED:

<u>Cal Fire Local 2881 v. CalPERS</u>
Supreme Court Case: **S23995**
Summary: This case presented the following issues: (1) Was the option to purchase additional service credits pursuant to Government Code section 20909 (known as “airtime service credits”) a vested pension benefit of public employees enrolled in CalPERS? (2) If so, did the Legislature’s withdrawal of this right through the enactment of the Public Employees’ Pension Reform Act of 2013 (PEPRA) (Gov. Code, §§ 7522.46, 20909, subd. (g)), violate the contracts clauses of the federal and state Constitutions?

The Supreme Court’s decision in March 2019:
“We therefore affirm the decisions of the trial court and the Court of Appeal, which concluded that PEPRA’s elimination of the opportunity to purchase ARS credit did not violate the Constitution.”

Notable quotes from the Supreme Court’s opinion:
“We conclude that the opportunity to purchase ARS credit was not a right protected by the contract clause. There is no indication in the statute conferring the opportunity to purchase ARS credit that the Legislature intended to create contractual rights. Further, unlike core pension rights, the opportunity to purchase ARS credit was not granted to public employees as deferred compensation for their work, and here we find no other basis for concluding that the opportunity to purchase ARS credit is protected by the contract clause. In the absence of constitutional protection, the opportunity to purchase ARS credit could be altered or eliminated at the discretion of the Legislature.” (page 3)

“In this regard, plaintiffs argue that a contractual right with respect to the opportunity to purchase ARS credit should be found because public employees reasonably expected that the opportunity would continue to be made available for the duration of their employment. The only cited basis for those “reasonable expectations,” however, is the belief that the opportunity to purchase ARS credit would continue to exist in the future because it “was in effect for ten years.” The argument proves too much. We have never held that statutory terms and conditions of public employment gain constitutional protection merely from the fact of their existence, even if they have persisted for a decade. Such a rationale would directly contradict the general principle that such terms and conditions are not a matter of contract and are generally subject to legislative change.” (page 35)

“Because we conclude that California’s public employees have never had a contractual right to the continued availability of the opportunity to purchase ARS credit, the question of whether

PEPRA worked an unconstitutional impairment of protected rights does not arise." (page 45)

Undecided Questions
Two major issues remain open, perhaps to be decided in the other pending cases:
1) The degree of protection for unearned benefits for future work by current employees.
2) The circumstance under which vested benefits can be changed once vested and whether a "comparable" benefit must be provided.

PENDING:

<u>Alameda County Deputy Sheriff's Association, et al. v. Alameda County Employee's Retirement Association</u>
Supreme Court Case: **S247095**
19 Cal. App. 5th 61 (1st Dist. 2018), review granted, 413 P.3d 1132 (Cal. Mar. 28, 2018).

Summary: This case includes the following issue: Did statutory amendments to the County Employees' Retirement Law (Gov. Code, § 31450 *et seq*.) made by the Public Employees' Pension Reform Act of 2013 (Gov. Code, § 7522 *et seq*.) reduce the scope of the pre-existing definition of pensionable compensation and thereby impair employees' vested rights protected by the contract clauses of the state and federal Constitutions?

In the courts below:
Deputy Sheriff's union and others sued challenging the elimination of overtime pay, on-call pay, call-back pay, vacation and sick leave sold back, recruitment bonuses, and other items from pension calculations. The appellate court upheld most of the modifications under the same reasoning of *Marin*, but held some of the changes were illegal and would send others back to the trial court for further review. Both sides of this case asked the State Supreme Court for review.

Status: Briefing in Progress. Supplemental Briefs in response to friends of the court briefs. As of October 17, 2019, the most recent document was filed May 29, 2019.

<u>Marin Association of Public Employees v. Marin County Employees' Retirement Association</u>
Supreme Court Case: **S237460**
2 Cal. App. 5th 674 (1st Dist. 2016), review granted, 383 P.3d 1105 (Cal. Nov. 22, 2016).

Petition for review after the Court of Appeal affirmed the judgment in an action for writ of administrative mandate. The court ordered briefing deferred pending the decision of the Court of Appeal, First Appellate District, Division Four, in Alameda County Deputy Sheriff's Assn. v. Alameda County Employees' Retirement Assn., A141913[, or further order of the court].

Four local unions challenged the elimination of callback and standby pay from their pension calculations. In a departure from California Rule, appellate court ruled the modifications were legal and employees only have a right to a reasonable pension.

Court of Appeal conclusion:
"As will be shown, while a public employer does have a "vested right" to a pension that right is to a "reasonable" pension – not an immutable entitlement to the most optional formula of calculating the pension. The legislature may prior to the employee's retirement, alter the formula, thereby reducing the anticipated pension." Marin Ass'n. of Pub. Emps. v. Marin Cnty. Employees' Ret. Ass'n, 206 Cal. Rptr. 3d 365, 380 (Cal. Ct. App. 2016), appeal pending in California Supreme Court, 383 P.3 1105 (2016).

Hipsher v. Los Angeles County Employees Retirement Association
Supreme Court Case: **S250244**

Petition for review after the Court of Appeal modified and affirmed the judgment in an action for writ of administrative mandate. The court ordered briefing deferred pending decision in Alameda County Deputy Sheriff's Assn. v. Alameda County Employees' Retirement Assn., S247095, which includes the following issue: Did statutory amendments to the County Employees' Retirement Law (Gov. Code, § 31450 et seq.) made by the Public Employees' Pension Reform Act of 2013 (Gov. Code, § 7522 et seq.) reduce the scope of the pre-existing definition of pensionable compensation and thereby impair employees' vested rights protected by the contracts clauses of the state and federal Constitutions?

The California Rule is described in Hipsher v. Los Angeles County Employees Retirement Assn., 24 Cal.App.5th 740, 754-754 (2018) "… with respect to active employees any modification of vested rights must be (1) reasonable, (2) bear material relation to the theory and successful operation of a pension system and (3) be accompanied by a 'comparable new advantage,'" but that court noted that, after the Marin decision, there is no "must" related to a modification of a comparable new advantage and a modification need not be so accompanied. Id. At 754.

McGlynn v. State of California
Supreme Court Case: **S248513**

Petition for review after the Court of Appeal affirmed the judgment in an action for writ of administrative mandate. The court ordered briefing deferred pending decision in Alameda County Deputy Sheriff's Assn. v. Alameda County Employees' Retirement Assn., S247095, which includes the following issue: Did statutory amendments to the County Employees' Retirement Law (Gov. Code, § 31450 et seq.) made by the Public Employees' Pension Reform Act of 2013 (Gov. Code, § 7522 et seq.) reduce the scope of the pre-existing definition of pensionable compensation and thereby impair employees' vested rights protected by the contracts clauses of the state and federal Constitutions?

Six judges who were elected to the superior court in mid-term elections in 2012, but who did not take office until January 7, 2013, maintain they are entitled to benefits under the Judges' Retirement System II (JRS II), which were effect at the time they were elected, rather than at the time they assumed office.

Court of Appeal conclusion:
"We conclude, as did the trial court, that the judges did not obtain a vested right in JRS II benefits as judges-elect, but rather obtained a vested right to retirement benefits only upon taking office, after PEPRA went into effect. We also conclude PEPRA's provisions pertaining to fluctuating pension contributions do not violate the non-diminution clause of the California Constitution (Cal. Const., art. III, § 4), nor do they impermissibly delegate legislative authority over judicial compensation (Cal. Const., art. VI, § 19)." (pages 1-2)

City of Philadelphia, PA

The Road to Funding

The Philadelphia Municipal Retirement System is currently 46.8% funded with a $6 billion unfunded liability. The City of Philadelphia developed a comprehensive plan to improve the long-term health of the fund. Following the steps below will improve the plan's funded ratio to 83.5% by 2029 and to full funding by 2033.

The plan also helps insulate the fund from future economic contractions or market shock events. Even in lower return or market shock stress testing scenarios, as conducted by The Pew Charitable Trusts, the plan still reaches 80% funding by 2035.

1 – Provide Additional Assets to the Pension Fund.

- Secured **dedicated revenue source** from the local Sales Tax. Over the City's Five Year Plan, the Sales Tax is projected to provide more than $300 million to the pension fund.
- **Additional employer contributions**. The City continues to pay the full actuarially required contribution each year. Since FY16, the City has also made additional lump sum payments totaling more than $160 million to the fund in years when the fund balance has come in stronger than expected.
- **Additional employee contributions.** Through collective bargaining and interest arbitration, the City secured additional employee contributions from its union members. The union agreements require the City to put these additional member contributions toward the unfunded liability.

To maximize the benefit of these additional assets, the City created the **Revenue Recognition Policy (RRP)**. This policy has the City contribute the additional revenues listed above in addition to the state required contribution. Making these payments above the actuarially required contribution, rather than using them to defray the City's annual payment, helps improve the funding status of the plan more quickly.

2 – Reduce the Rate of Liability Growth.

As a part of recent contract negotiations, the City created a **new mandatory stacked hybrid plan** for non-uniform future hires. These new hires will have a defined benefit that is capped annually at $65,000 and can also participate in a voluntary defined contribution plan. Over time, as more new hires become members of the stacked hybrid plan, the flat cap is projected to reduce future plan liabilities by more than $100 million between FY18 and FY29.

3 – Reduce the Plan's Risk Profile.

The Pension Board has worked to **reduce the plan's risk profile** over time. Since 2005, the Board has consistently voted to reduce the assumed rate of return from 9% – which was historically used – to the current 7.6%, and 7.55% effective July 1, 2020. The Board also adopted changes to other actuarial assumptions like mortality rate and salary growth to ensure that the plan's projections match actual experience. This reduces the likelihood of adding to the unfunded liability in any given year.

The Board has also made other changes to maximize investment returns while lowering manager fees and reducing investment risk. The plan management is now more than 54% passive, an increase from 29% in 2014. By making greater use of indexing when active manager returns didn't justify the fees, the Board saved more than $15 million annually in fees.

City of Newport Beach, CA

Each year, staff analyzes the most recent CalPERS actuarial valuations and evaluates opportunities to more efficiently amortize the City's unfunded pension liability compared to the default minimum contribution schedules proposed by CalPERS. The city has also hired an actuary to review and comment on staff's recommendations.

The following (in blue) are excerpts from a staff report dated November 29, 2018 (https://www.newportbeachca.gov/home/showdocument?id=62509).

The city has established the UAL pension funding goals indicated below.:

- Consistent with the Government Finance Officers' Association (GFOA) and the California Actuarial Advisory Panel (CAAP), the staff believes it is financially advantageous to repay or amortize unfunded pension liabilities over a period of not-to-exceed 20 years, but a term closer to 15 years is preferred.
- Maintain prudent funded status levels or develop an aggressive repayment plan to ensure that funds are available in the long run to meet City obligations.
- Preserve financial flexibility to meet or maintain City service obligations while funding post-employment benefit obligations.
- A short amortization period dramatically reduces taxpayer interest costs and better matches the average remaining work-life of plan participants.
- Manage amortization bases effectively to avoid negative amortization and repay unfunded liabilities in the most efficient manner possible, with an overall goal of reducing the interest costs to taxpayers.
- There is a high cost of waiting for actuarial valuation results that lag the contribution year by at least two years. Therefore, all known pending loss bases are considered when developing a payment plan recommendation. This minimizes negative amortization and interest cost to taxpayers.
- Staff also believes that a level dollar repayment schedule improves the likelihood that funds will be available to meet future repayment schedules. A level dollar payment plan becomes a decreasing percentage of the annual budget over time, whereas an increasing dollar payment plan moves in commensurate manner with rising budgets.

Funding Options

In order to achieve the aforementioned funding goals, staff considered three additional direct payment plans to CalPERS and considered the option of locally investing our discretionary payments into a Section 115 pension prefunding trust. Since all optional payment programs contemplate a directive to the CalPERS actuarial office to adjust the default payment schedule in the 2018 valuation, which sets the rates for the 2020/21 fiscal year, the minimum UAL contribution for FY 2019/20 would remain unchanged at $26.5 million. The City contemplates making an ADP of at least $8.5 million bringing the total UAL payment to $35 million for the FY 2019/20.

Default Payment Option: This option starts with the 2017 actuarial valuation (2013 Fresh Start Base plus gain loss bases between 2014 and 2017) but then considers the future impact of known 2018 gain/loss bases that do not require a minimum payment until Fiscal Year 2020/21. Specifically, the known 2018 gain/loss bases include the 0.25% reduction in discount rate from 7.25% to 7.0% ($28,888,079) amortized over 20 years, less the favorable investment gain base of ($8,953,515) amortized over 30 years. See Appendix A-1 for breakdown of amortization bases.

Together the net impact of the 2018 gain/loss bases total $19,934,564 which include interest accumulation of approximately $2 million between June 30, 2018 and July 1, 2019. However, if we wait until July 1, 2020, another $2.1 million of interest would compound on top of that. There is a high cost for waiting. Therefore, we do our best to estimate known losses and start paying on them as soon as is practical. The minimum required payment on the UAL for FY 2019/20 under the default option is $26,469,557. The annual amount under this option would escalate to a maximum of $44.9 million in FY2033/34. See Appendices B-2 and C-1.

Assuming $35,000,000 is allocated and authorized to pay down the unfunded pension liability in the FY 2019/20 budget, this would leave $8,530,443 available for additional discretionary payments before considering any additional allocation from the FY 2017/18 surplus. In addition to unfavorable payment escalation, there are $31 million in underutilized credits in year 2038-2050 that can be brought forward to offset nearer term costs. See Appendices B-1 and B-2.

Option 1: proposes a full Fresh Start which would consolidate all gain/loss amortizations bases into one base amortized over a level dollar base for 15 years. This option would require a minimum annual contribution of approximately $34.5 million annually and would be irrevocable. See Appendix C-2. New credit bases or ADPs would be the only actions that could lower the minimum contribution level. This options represents a total payment savings of approximately $40 million over the default schedule over 15 years as demonstrated in Appendix B-1.

Option 2: This option converts the existing 2013 Fresh Start base to a level dollar payment plan over the original 15-year term and consolidates the remaining bases including the 2018 loss into a 20-year level dollar partial fresh start base. This election would require a minimum contribution of approximately $34.1 million annually for 15 years and then a payment of approximately $2 million thereafter for 5 additional years. See Appendix C-3. This payment election would be irrevocable but represents a total payment savings of approximately $35.5 million over 20 years as demonstrated in Appendix B-1.

Option 3A: The option leaves the 2013 Fresh Start base alone, consolidates all other bases into a new 2018 Fresh Start base (See Appendix A-1 for proposed consolidation of bases). This plan contemplates a level dollar payment of $35 million annually for 14 years followed by a final payment of $22.8 million in the 15th year. If this option is selected, the minimum payment would not increase initially over the default minimum requirement in FY 2019/20 but would increase approximately $1.7 million over the default minimum in FY 2020/21 but then would level off at $35 million if ADPs of approximately $5 million are maintained. This payment election does not commit the City to continued ADPs. See Appendix C-4. This option represents a total payment saving of approximately $45 million over 15 years as demonstrated in Appendix B-1.

Option 3B: This option is the same as Option 3A above but illustrates the consequence if ADPs are not utilized as contemplated in Option 3A. The minimum payments would range from $29.2 million to $42 million annually for 15 years with payments dropping to approximately $2.4 million per year for years 16 through 20. See Appendix C-5. This option represents a total payment savings of approximately $16 million over 20 years as demonstrated in Appendix B-1.

Staff Recommendation

After evaluating the City's current default repayment schedule and the three optional repayment schedules presented in Appendix B-1, staff's preliminary recommendation is to pursue Option 3A.

Option 3A accomplishes the following funding goals:

- Amortizes the UAL over a level dollar payment plan over 15 years as opposed to the lengthier, and consequently costlier, term options.
- Continues an aggressive funding plan to improve the plan's funded status and further increases repayment efficiency of the unfunded pension liability.
- Preserves financial flexibility to continue ADPs or not.
- Consolidates the number of amortization bases that range between 19-30 years down to a default 20-year repayment schedule. If ADPs are continued, this 20 year base would be reduced to 4 years. See Appendix C-5 then C-4 to see how the ADPs would reduce the term of the 2018 Fresh Start Base from 20 years to 4 years.
- Starts paying on projected loss base that will be included in the 2018 actuarial valuation thereby avoiding one year's worth of negative amortization.

Option 3A represents a savings of $45 million over the default schedule realized over 15 years. By carefully managing our bases over several years, the payment efficiencies gained will save Newport Beach taxpayers between $100 and $126 million relative to the county-wide repayment schedule. In the example below, we illustrate the comparative savings of having efficient repayment schedules compared to the county-wide average of 200% on a hypothetical unfunded pension liability of $300 million.

Section 155 Prefunding Trusts

Additionally, the city analyzed the possibility of utilizing a 115 trust, however they concluded the trust did not add value to their approach for the following reasons:

- The City is already retaining budget flexibility by maintaining a $50 million contingency reserve and has options to apply ADPs in a discretionary manner.
- Unlike other post-employment benefits like retiree healthcare, a pension plan, by its very nature, is already a prefunding trust. This trust can only be used for the intended purpose of providing pension benefits. Funding a Section 115 pension trust would be redundant and increase the cost of administration.
- The cost of investing would undoubtedly be more expensive and would not likely outperform a $360 billion pension trust over time.
- Due to the limited scale of Section 115 plans, these plans could not likely avail the City to the private equity asset class of investments that have been an important driver of investment return over time.
- Funded solely by additional discretionary payments, the fund would not have any measurable impact on diversification.
- The potentially short investment horizon could subject the trust assets to undue market volatility risk since assets cannot be simply transferred between plans. Trust assets would have to be sold at then market prices at potentially below their original acquisition cost.
- If the locally directed trust does not perform well, public officials may be subjected to additional headline risk.
- Due to the inherent flexibility of this a Section 115 plan, the Governmental Accounting Standards Board (GASB) no longer allows funds in a Section 115 pension prefunding trust to reduce the net pension obligation on the City's balance sheet.

City of Placentia, CA

Earlier this year, the City of Placentia decided to leave Orange County Fire Authority as their Fire/EMS provider. As an alternative to the previous agreement, the City Council elected to create their own Fire and Life Services Department. The city's intent for this new Department is to NOT be a part of CalPERS, even though the rest of the City's employees (Police and Miscellaneous) will still be with CalPERS. The City will offer a Defined Contribution plan to their employees in the Department instead. The City had several scoping and introductory emails/phone calls with CalPERS to confirm that this would be possible. CalPERS said it was legal and possible, and helped them through the process of setting it up, essentially giving them the blueprint or the book on how to do it.

The City's existing CalPERS contract has a "Fire" category from when the City last had a Fire Department in 1975. Since then, that category of their PERS Contract has not been used since they contracted their services out. Part of the City's recent work with CalPERS includes removing that "Fire" category from their existing contract, so that all future employees who are hired would NOT be enrolled in CalPERS. For several months and through several milestones, CalPERS staff has been cooperative and helpful.

In order to facilitate the transition, CalPERS sent the City a draft contract with the changes made. The Mayor signed the contract and sent it back to CalPERS, where it would then be presented to the CEO for their signature. The contract was in this stage for several weeks, and CalPERS then changed their position. CalPERS then took the position that the change was not possible, citing dated resolutions as their legal argument for why this cannot be done. Furthermore, they told the City that this issue had to go to the full Board and could not be administratively approved, which is contrary to what was communicated originally to the City.

The City received an official administrative denial and was offered an appeal process which the City accepted. The first step, a three-person internal panel of CalPERS staff, occurred in early November. Based on initial feedback they assumed that appeal would be denied, and the issue would move to the Pension and Health Care Committee, then eventually the full Board.

Shortly after the appeal the city was notified by CalPERS that they had administratively approved the City's appeal.

The City will now be able to move forward with their new Fire Department staff being in a Defined Contribution plan when they are hired as opposed to being enrolled in CalPERS.

PVE Pension Ad-Hoc Committee
Brainstorming Ideas to Date 11.13.19
Unattributed, Grouped by Category

Categories: (arranged in order originally reported)

1. Management of funds
2. Bond Issue
3. Plan Design
4. Revenue
5. Current Debt
6. Future Debt
7. Budget
8. Communication
9. Controls

Note: Numbers track to original position on list. Possible duplicates are in blue.

1	Exit CALPERS	Mgmt
42	Investigate pros and cons of exiting CalPERS, and of alternative pension management resources	Mgmt
5	Should we use PARS?	Mgmt
15	Rather than increase the percentage funded of our pension plans, what if we put the money into a 115 Trust instead?	Mgmt
16	Address legacy and new debt with separate but coordinated approaches	Mgmt
47	Declare bankruptcy (as a means to restructuring contracts and pensions)	Mgmt
2	Can a city have a bond issue and put that money aside to invest on their own with a group of people? Can you bond against your debt and use your bond to get out of the program?	Bond
3	Can the city sell municipal bonds and pay its bonds over a period of time and then pay off the debt as a part of the budget? Issue bonds against a revenue stream and then apply it to the pension debt.	Bond
46	Issue a pension bond	Bond
4	Freeze the pension plan, annuitize the people that we already owe a benefit to and then we would establish a defined contribution or Hybrid plan. More competitive for young workers, and package would be the same.	Plan design
41	Have Staff pay a fair share of costs associated with CalPERS shortfalls (and unfunded levels) rather than the City bearing the full cost, moving forward	Plan design
23	An agreement where the city aggressively pays off debt with a new tax and employees increase contributions so everyone has skin in the game	Revenue & Plan design
6	Could we enter into a contract with RHE and Rancho PD for police service?	Revenue
14	New revenue measure(s): Temporary measure that expires. Parcel tax/Sales Tax/Some type of Tax.	Revenue

48	Seek parcel tax to fund up to a certain percent (80%, 85%?), but not 100% (which could lead to a false sense of comfort and future bad financial decision)	Revenue
7	Retiring/Pay off your smaller plan debt. Pay off your two smaller plans with the debt of $26,000 and then manage your payments for both of those plans in order to keep them 100% funded. (save the interest and the cumulative impact)	Current debt
19	Pay off PEPRA debt first, then classic plans debt	Current debt
10	If we are unable to make the calculation and come up with the analysis of what the normal payment should be (put in our own assumptions) instead of a 30-year amortization we pay down on a 20-year amortization. If we can't calculate one piece, we are very easily able to calculate the other payments.	Current debt
11	Figure out how to incrementally pay off the unfunded liability using existing revenue streams.	Current debt
18	Pay off debt quicker than scheduled	Current debt
20	Make all extra contributions on the largest debt first	Current debt
28	Financially model payoff of the pension debt (10-15 years) using a temporary tax. Determine cost savings in interest. Determine overall reduction in payments that then be applied to infrastructure.	Current debt
8	Make the payments that actually prevent us from getting into negative amortization.	Future debt
9	Pay enough each year in normal costs to prevent any new debt.	Future debt
21	Re-calculate normal costs paid each year so no new debt is incurred	Future debt
22	Use better assumptions to be more accurate	Future debt
12	Are we able to calculate what our payments should be given the recent change at CalPERS whereby all new debt is amortized 20 years and old debt remains at 30 years?	Future debt
13	Can we treat issues of new debt due to inaccurate normal cost calculations separately than legacy debt?	Future debt

27	Expected Rate of return: • Recommend to Council the City establish a policy for the expected rate of return CalPERs will receive on investments utilizing PVE's threshold for risk. This rate needs to be used to prepare the City for a recession. The policy would also include how this rate is to be used: o Representation of the debt: in Forecast, budget, notations in the CAFR o Calculations of the normal payments o Calculations of full employee costs • Recommend to Council how this policy is to be established - RSI engage PVE stakeholders (IAC, FAC, Pension Adhoc) to reflect PVE's risk tolerance.	Future debt
30	Have city council discuss what the appropriate amount of risk for the city is and then create new assumptions tailored to the city's needs to calculate pension payments and obligations	Future debt
38	Create a reserve fund to cover future pension payments	Future debt
17	Add all long-term liabilities to the budget	Budget
25	Revise the Budget document to include Pension debt by department	Budget
26	Expand the Budget management process by Council to address: • Management of existing pension debt • Management of future services which will increase pension debt	Budget
29	Reduce and control existing costs to free up funds to pay down pension debt: • Utilize zero based budgeting • Line item budget review	Budget
32	Make budget easier to understand and more digestible	Budget
33	Create easy to understand graphics for budget components.	Budget
34	Create a budget overview for residents and employees	Budget
35	Require a 5% decrease across all department budgets (all line items in scope) and use savings to fund pension payments	Budget
36	Freeze salaries and personnel (FTEs) until shortfall is made up	Budget
44	Conduct operational review to see if staffing levels can be reduced, and apply savings to pension payments	Budget
45	Conduct thorough review of contracts and benchmark to comparables to ensure we are paying Staff appropriately and incurring appropriate pension responsibility	Budget

24	Increase transparency of Committee progress: • Create a Webpage on the City site of the options, timeline, status and members • Show the options being considered and outcome (legal? cost? Impact?) • Provide information about the problem and impact to employees and residents in easily digestible format. • Provide such information in graphs using OpenGov for more engaged constituents • Allow the public to submit suggestions	Communica-tion
31	Get CalPERS fees that the city pays available to public and in a more palatable way	Communica-tion
43	As a resident I would expect to find the following on the PVE Community website: First: A clear statement of the issue, such as Our community as does many other CA communities owes its employees a pension obligation that has been both earned and is expected to be earned. Our current obligation is approximately $16,000,000 (need to fill in exact figure). This is a legally binding obligation based on a good faith agreement between our past and current employees. This obligation is a debt, not unlike a mortgage that has to be paid down annually. Second: The following charts (Michael and Victoria are familiar with these charts) represent the community's financial status over the past 5 years: update charts for income vs. expenses, unrestricted available funds balance, and absolute level of pension debt. Third: The city council, the FAC and the Pension Ad Hoc are working to identify solutions A long range financial plan is being developed which will be shared with the community. All prospective new sources of revenue and all cost reduction initiatives will be identified and modeled. (Show income, expense, fund balances and pension liability for each year of the long range plan probably 5 years) Show all Departmental historical costs and prospective budgets on a fully allocated basis, (all costs associated with the activities of that department will be assigned to the specific department) will be shown and benchmarked against cities of similar size and nature. All prospective cost reduction initiatives will be identified and modeled. (Prior 5 years, future 2 to 5 years) A listing from high annual cost to low cost of non-essential activities (annual fully allocated cost) Finally recommended actions to reduce and contain the	Communica-tion

	community's pension liability will be individually financially modeled, and incorporated into the long range plan.	
49	Create clear, simple reporting that shows historical, current and forecasted pension liabilities and payments (by source) and make available to the public	Communica-tion
37	Create safeguards to keep City Manager and/or City Council from increasing benefits and spending money the City does not have AND from when the City is in a better financial situation (e.g., don't pick up Staff payments when financial times are good, don't increase Staff pay to cover their pension payments) – is this a ballot measure?	Controls
39	Create a compensation committee to create policies, oversee compensation and report out to the community	Controls
40	Create safeguards to protect against pension spiking (have heard conflicting reports on how overtime fits into this today, and in the future)	Controls