

**Finance Committee Minutes**  
**Monday March 23, 2015**  
**Town Hall Conference Room**

Attendees:

Michele Takei – Chair  
George Savage  
Bill Urban  
Gary Nielsen  
Ken Lavine

Nick Pegueros – Town Manager  
Ann Wengert – Council Liaison  
Craig Hughes – Council Liaison

The meeting was called to order at 5:30pm.

**Approval of Minutes**

The minutes of the January 6, 2015 meeting were approved as amended. Change spelling of “principle” to “principal” on page 3, paragraph 2 of the minutes.

**Election of Committee Chair for 2015**

Chair Michele Takei thanked Bill Urban for agreeing to accept the chairmanship for the Committee. The Committee unanimously voted to elect Bill as the Committee chair for 2015. Members thanked Michele for her many years serving as Committee chair.

**Discussion of Funding Options for Unfunded Pension Liabilities**

Town Manager Nick Pegueros said he would provide a review of the *CalPERS Annual Review of Funding Levels and Risks* and the *CalPERS Miscellaneous Plan of the Town of Portola Valley*. Nick said he would like guidance or a recommendation from the Committee for the Town Council on whether the Town should **a)** not prepay any portion of the Town’s unfunded liability this year, **b)** pay down the unfunded liability in full as estimated by CalPERS, or **c)** pay down some portion of the unfunded liability. The decision to move ahead with any action needs to be made by the Council by June 30 of this year.

Under Committee discussion, it was noted that the *CalPERS Review* seemed to be an honest evaluation in that funding level problems and unsustainable discount rates in the past (and may still be) were acknowledged. Members had some difficulty making sense of the source of some of the numbers in the *CalPERS Portola Valley Plan*, but members did not request to have a consultant address the Committee on this matter as offered by Nick. Committee members were mainly concerned about statements in the *CalPERS Review* concerning whether a full payment of the unfunded balance would provide (guarantee) full benefits for Portola Valley employees or whether our employee benefits would be averaged with cities with unfunded liabilities. This question arose from page 5, paragraph 2 of the CalPERS Review. Likewise, the Committee had similar concerns with the Unfunded Termination Liability, page 18 and 28 of the *CalPERS Review*. Nick said he would contact CalPERS and try to extract a response on these concerns.

The consensus of the Committee was to pay down some or all of the Town’s unfunded liability. Four members preferred paying down near or all of the liability and one member preferred paying 50-90% of the liability. The following motion was proposed: “Subject to CalPERS confirming that funds are segregated for the sole

benefit of Portola Valley's pension plan, the committee recommends funding 95% of the Town's estimated adjusted CalPERS unfunded pension liability as of June 30, 2015". Under discussion, the Committee noted it did not wish to overpay the amount and would rely on paying 95% of the estimated adjusted amount to prevent overpayment. The motion passed unanimously.

There was a short discussion on the funding source for this payment that would come from funds in the Town's LAIF account. In a side discussion, the Committee reviewed investment options to provide a greater rate of return by creating an irrevocable trust or a development corporation for specific purposes.

The committee agreed that a discussion on the Town's cash reserves and how to handle excess reserves would best be discussed at a future meeting.

The next meeting was scheduled for May 18 at 5:30pm.

The meeting was adjourned at 7:20pm

Gary Nielsen – Acting Secretary