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# Minutes

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**Date:** January 12, 2017

**To:** NCPA Finance Committee

**From:** Trisha Hubbard, Administrative Assistant

**Subject:** January 9, 2017 Special Finance Committee Meeting Minutes

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## Finance Committee Attendees:

### Committee Members

Madeline Deaton, Chair	Alameda	Call-in
Ann Hatcher	Santa Clara	Call-in (at 2:40)
Melissa Price	Lodi	Call-in
Matt Michealis	Gridley	Call-in (at 2:45)
Philip McAvoy	Roseville	Absent

### Member Staff

Bob Orbeta	Alameda	Call-in
Liz Warmerdam	Alameda	Call-in
Tarun Narayan	Palo Alto	Call-in
Monty Hanks	Roseville	Call-in

### Consultants

Mike Berwanger	PFM
Gene Carron	Orrick

### NCPA Staff

Randy Howard  
Sondra Ainsworth  
Bob Caracristi  
Trisha Hubbard

## 1. & 2. Call Meeting to Order and Roll Call

Chair Madeline Deaton called the meeting to order at 2:15 p.m. and roll call was conducted as listed above.

## PUBLIC FORUM

Ms. Deaton asked if anyone wished to address the Committee on matters within the jurisdiction of the Committee. There were no requests for public comment at the site or at any of the teleconference locations.

## REPORTS AND COMMITTEE ACTION ITEMS

### 4. Review and Recommendation for Approval of the Long-Term Funding Plan for NCPA's Employee Pension Program

Staff provided a presentation seeking a recommendation for approval of a Long-Term Funding Plan for NCPA's Employee Pension Program. At the November 9<sup>th</sup> Finance Committee meeting, following the discussions of the growing unfunded employee pension program liability, the Committee directed staff to develop a long-term funding plan that would establish a minimum funding level of 80% within 15 years. Additionally, the Committee

directed staff to research other ways to limit the pension liability going forward; staff was specifically directed to further research the Public Agency Retirement System (PARS) Pension Rate Stabilization Program. The employee pension program is currently at 56.1% funded.

Staff provided information related to the PARS Pension Rate Stabilization Program. The advantages of depositing additional contributions with PARS include more flexibility, greater control over pension assets, diversification of risk, and established trustee and investment management partners U.S. Bank and HighMark Capital. The disadvantages include initial fees that are 35 basis points higher than CalPERS and that the 9 year historical investment returns of the recommended investment profile of PARS had a significantly lower average return compared to CalPERS.

Member concerns:

Santa Clara asked if staff contemplated more funding source options for members to consider. Staff explained that the different options were presented during the November 9, 2016 meeting and following discussions during that meeting, staff was asked to consider the 15 year funding option as it appeared to provide the best balance of "extra funding" and projected savings.

Roseville and Alameda requested that staff improve upon timelines on the notice given to members when asked to make these decisions for their budget planning purposes. Alameda specifically requested a two year deferral of the additional funding level as Alameda has committed to holding rates steady for two years, and the City needs time to fold the costs into the rate base.

Alameda asked if it was possible to consider a longer amortization or to change the minimum funding to 75%. Lodi asked if there may some risk involved in implementing an Agency policy that sets the minimum funding level below the rating agency's recommended ratio of 80%.

Motion: A motion was made by Monty Hanks and seconded by Melissa Price recommending approval of the Long-Term Funding Plan for NCPA's Employee's Pension Program framework which includes the following: 1) establish a goal to obtain a minimum funding level of 80% within 15 years and confirm the policy of funding 100% or more of the employer required contribution each year; 2) shorten the amortization period used in the CalPERS actuarial calculations from 30 years to 15 years and fund an increased employer contribution that will reduce the liability 3) research other ways to limit the pension liability going forward; and 4) Chair of the Finance Committee to provide an annual report to the full Commission on the progress of reducing the unfunded liability and propose to limit the pension liability going forward. The specific funding level for FY2018 is subject to the budget process which includes Committee review and recommended approval of the final budget figures. A vote was taken by roll call: YES = Madeline Deaton (Alameda), Ann Hatcher (Santa Clara), Melissa Price (Lodi), Matt Michaelis (Gridley). ABSENT = Philip McAvoy. Monty Hanks of Roseville was present and expressed his support of the recommendation. Voting Results: 4 Ayes, 0 Noes, 0 Abstain, 1 Absent. The motion passed.

## **NEW BUSINESS**

### **5. External Auditors Request for Proposal Selection Panel**

Staff plans to distribute a Request for Proposal for external auditors mid to late February this year. Staff is seeking member feedback on their desired participation level. In past RFPs, the Finance Committee members participated in the review and selection process. The Committee recommends continuing with member involvement going forward.

### **6. Financial Advisors Request for Proposal Selection Panel**

Staff plans to distribute a Request for Proposal for financial advisors mid to late February this year. Staff is seeking member feedback on their desired participation level. In past RFPs, the Finance Committee members participated in the review and selection process. The Committee recommends continuing with member involvement going forward.

### **7. Other Items of Interest to the Finance Committee**

No other items brought to the Committee for discussion.

### **8. Next Finance Committee Meeting**

The next regular Finance Committee meeting is scheduled for February 8, 2017 at 10:00 a.m.

## **ADJOURNMENT**

The meeting was adjourned at 3:34 p.m.