



CITY OF BEVERLY HILLS
455 North Rexford Drive
Beverly Hills, CA 90210
4th Floor Conference Room A

The Beverly Hills City Council Liaison / Finance & Audit Committee

SPECIAL MEETING HIGHLIGHTS

Thursday, August 22, 2019
4:02 PM

MEETING CALLED TO ORDER

Date / Time: August 22, 2019 / 4:02 PM

IN ATTENDANCE: Assistant City Manager Nancy Hunt-Coffey, Councilmember Robert Wunderlich, Councilmember Lester Friedman, City Treasurer Howard Fisher, Director of Finance Jeff Muir, Assistant Director of Finance Tatiana Szerwinski, Executive Assistant II Vanessa Catullo, Principal Performance Auditor Abbey Tenn, and Principal Performance Auditor Shawnee Pickney

1) PUBLIC COMMENT

Members of the public were given the opportunity to directly address the Committee on any item listed on the agenda.

None.

2) SECTION 115 TRUST INVESTMENT STRATEGIES AND INVESTMENT COMMITTEE

Section 115 Trust Investment Strategies

- There are five pre-defined funding strategies for the trust ranging from conservative to more aggressive. The City Council approved the initial recommendation of investing into the actively managed Conservative portfolio, which provided the least volatility. Based on the Finance Department presentation and investment summaries for each strategy, the Investment Committee approved changing the strategy for the OPEB portfolio to the Moderate Conservative portfolio, as these funds are anticipated to be held long-term, and approved maintaining the current strategy of Conservative for the Pension portfolio, based on the subsequent discussion to more aggressively pay down the City's unfunded pension liability.

Section 115 Investment Committee

- The 115 Trust Investment Committee is to be comprised of the City Treasurer, the members of the Audit and Finance Committee, the Director of Finance, and the City Manager. The Staff Report from April 2, 2019 indicated the Section 115



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Trust Investment Committee as defined was to be temporary, and would be replaced with a committee approved by City Council in the future, if such a recommendation came from the Committee. The Investment Committee discussed the structure of the committee and approved keeping the current structure in place.

3) PENSION UNFUNDED LIABILITY AMORTIZATION STRATEGIES

- The current combined amortization schedule to pay down the Unfunded Accrued Liability extends to 2043. If the City made the required annual payments it would pay approximately \$540 million over this period, with over \$255 million being interest (CalPERS uses its discount rate of 7% as the interest rate).
- Staff has determined that by leveraging the additional \$5 million per year approved by Council for pension funding and the \$23 million placed in the Section 115 Trust for pension purposes (in addition to the existing required amortization payments), the City could commit to paying off the unfunded liability for the Miscellaneous Plan in 10 years, and the Safety Plan in 15 years.
 - This would result in nearly \$97 million in gross savings versus the current amortization schedule (assuming no changes to CalPERS assumptions, expected returns, and discount rate).
- Staff recommended the proposed pay-down of the pension liability as stated above and the Finance and Audit Committee agreed that this was a reasonable and prudent approach to addressing the City's unfunded liabilities and recommended bringing this subject matter forward to the City Council.

4) ADJOURNMENT

Date / Time: August 22, 2019 / 4:48 PM