WORKSESSION
OF THE MAYOR AND CITY COUNCIL OF BENSON, ARIZONA
HELD AUGUST 12, 2019 AT 6:00 P.M.
AT THE BENSON COMMUNITY CENTER, 705 W. UNION STREET, BENSON, ARIZONA

CALL TO ORDER:

Mayor King called the meeting to order at 6:00 p.m. with the Pledge of Allegiance.

ROLL CALL:

Present were: Mayor Toney D. King, Sr., Vice Mayor Joe Konrad, Councilmembers: Pat Boyle, Larry Dempster, Lupe Diaz, Nick Maldonado and Barbara Nunn.

NEW BUSINESS:

1. **Public Safety Retirement Board Presentation, including questions and discussion, if any**

City Manager Vicki Vivian stated a few weeks ago she spoke to Mr. Christian Palmer, Communications Director, with the Public Safety Retirement Board (PSPRS) and Mr. Palmer offered to come and present information to Council, adding Councilmember Diaz had also inquired about arranging a presentation. Ms. Vivian introduced Mr. Palmer and stated after his presentation, he would be able to answer questions Council may have.

Mr. Palmer thanked Council and Ms. Vivian for inviting him and then stated PSPRS takes their management role very seriously and he appreciated the chance to speak. Mr. Palmer explained that he was before Council to provide a 30,000-foot view of PSPRS management, their challenges, and most importantly what they are doing about those challenges, adding the PSPRS didn't get into their current situation overnight, and when he speaks to municipalities, he explains any solution will not fix everything overnight, and while there will be issues for years to come, there is light at the end of the tunnel. Mr. Palmer stated he was there for Council's benefit and they should feel free to stop him at any time during the presentation to ask questions.

Mr. Palmer began his presentation explaining PSPRS manages three retirement plans: the PSPRS (Public Safety Personnel Retirement System), CORP (Correction Officers Retirement Plan) and EORP (Elected Officials Retirement Plan) and overall, they have about 60,000 members and retirees across the state of Arizona and 250 employers throughout the state. Mr. Palmer stated they also manage several defined contribution plans, 401(a) and 457(b) retirement plans for members as well as running a Public Safety Cancer Insurance Program that is available for retirees in Public Safety. Mr. Palmer stated it is important to note that each year the pension system distributes about $1 billion in benefits which is an incredible economic driver for municipalities, especially small municipalities throughout the state.

Mr. Palmer reported that PSPRS management consists of a 9-member Board of Trustees and the process to get appointed as a Trustee is very stringent with a lot of thought going into who is nominated with involvement from the Police Union, Fire Fighters Union, League of Arizona Cities and Towns, County Supervisors Association of Arizona, and so forth. Mr. Palmer stated nominations consist of 2 respected members from Law Enforcement and 2 respected Firefighters; 3 nominations representing cities and towns, noting these must be civilians as they may not be a police officer, firefighter, or correctional officer, nor be a member; 1 member representing counties, not a member; and 1 member nominated by the Trustees. Mr. Palmer then stated from the nomination pool to select 9 members, 4 Trustees are appointed by the Governor; 1 additional Trustee is appointed by the Governor but must first be nominated by the PSPRS Advisory Committee and the Board of Trustees; 2 Trustees are appointed by the President of the Senate; and 2 are appointed by the Speaker of the House of Representatives. Mr. Palmer went on to state PSPRS has been fortunate in selecting some of the most respected investment minds in the private sector on their Board of Trustees, adding qualifications require at least 10 years of experience in senior executive positions managing portfolios and pensions, or as economists, bankers, underwriters, auditors, and serving as a fiduciary, meaning having a legal obligation to look after the financial health of a system, and many Trustees serve on other organizations like Blue Cross Blue Shield, and lastly this is a very respected group trusted with millions and millions of dollars and they all have incredibly respected careers. Mr. Palmer then gave a "meet the trustees" overview of each of Board Member including their credentials and experience.

Mr. Palmer went on to "Funding Status," the amount of money on hand to pay for the retirements of not just retirees but all the current members in the system; this measurement is the standard for public pension systems, and it is also the measurement that started off in the private sector world and migrated off to the public sector. Mr. Palmer then stated this is important because if you are a company like Coca Cola, you need to have 100 percent of your pension money funded ready to pay out to employees because there is always the risk your company could go out of business. Mr. Palmer stated people ask all the time what a healthy funding level for government is and it has to do with what is too much for each employer, noting pension expenses can crowd out other areas of their budgets, adding if it is, cities could be reaching problematic levels. Mr. Palmer stated in 2002, the PSPRS funding level was greater than 100 percent then, with enough dollars in the system that they didn't have to ask employees to contribute to their pension and they established a minimum contribution of 2.5 percent; asking the Council to imagine the City's public pension retirement expenses being 2.5 percent. Mr. Palmer stated as shown in his presentation, the fund takes a sharp nose-dive all the way out to about 2009 when it began leveling off a bit, adding the nice thing is it is flattening out and when it comes to public pensions, what you look for is the trend, noting there will not be a sharp spike upwards in financial health overnight, but the drop will start to smooth out before it starts to rise again. Mr. Palmer then stated a good sign is they experienced slight increases in all three of their retirement plans last fiscal year. Mr. Palmer then addressed how Benson looks compared to the statewide average and Council could see that Benson Fire is 82 percent funded, adding the reason they can see a higher funding level is the City probably missed out on the brunt of the housing crash back in 2008 and 2009. Mr. Palmer then stated Benson PD is 54 percent funded, and the statewide average is 69 percent, noting if you combine the plans, the City is somewhere in the statewide average, adding they realize these are very tough expenses for small cities like Benson to bear. Mr. Palmer then stated the statewide aggregate number is what will be in the newspaper as this system is weighted for population, giving for example the City of Phoenix has about 40 percent of their total membership so if the City of Phoenix funding levels are low, and they are, that has a greater impact on what the aggregate weight looks like. Mr. Palmer stated in looking at employer contribution rates, in 2008 Benson Fire had a 10 percent contribution rate, and in just over 10 years, the contribution rate has tripled to 30 percent; then stated in 2008, Benson PD had just over a 10 percent employer contribution rate, which also tripled to about 35 percent just ten years later.

Mr. Palmer moved into "What happened with PSPRS," adding one of the big things was the 2001-2002 economic dot.com crash, adding PSPRS, like most other pensions, lost a ton of money in that calamity with PSPRS losing $1.7 billion as they were heavily involved in stocks and the stockmarket was the center of the explosion; then fast forward to 2008-2009, the Great Recession with the housing and credit market crash causing more losses. Mr. Palmer then stated in looking at something more local and what the primary driver of the increase in contribution rates would be, the Council needs to look at the Permanent Benefit Increase (PBI), which was established in the late 80s and is unique to PSPRS, adding the system operated as a profit-sharing mechanism and what it did was share some of the earnings with other members, but noted it was the "mother of all good intentions gone bad." Mr. Palmer then explained that it provided every single retiree the exact same level of pension increase, and again the intention was to bring the pension of the rural, smaller government retirees up in line with someone in a place like the City of Phoenix, where they had a slightly higher salary and a slightly higher pension, but the bad part mathematically is when increasing some of these pensions by $100 a month, it is a much larger impact on someone who has a $1,000 monthly pension versus someone who has a $5,000 or $7,000 monthly pension, and the smaller the pensions, the larger the percentage increase, so for the smaller employer, they were having sharper increases in pension benefits for members than the larger employers. Mr. Palmer then stated that cities maybe could handle that for 1 or 2 years, but when it happens year after year, these discrepancies were compounding, creating a mathematical disaster in the making. Mr. Palmer then stated this made it difficult for PSPRS to recover from the dot.com crash and the recession, adding the profit-sharing nature was based on investment returns and it took 50 percent of all investment returns above 90 percent and immediately translated those into pension increases for the members, based on the fact there was no statutory limit. Mr. Palmer then stated the other problem was the money left over would go into a pension benefit increase separate fund and that fund would be used to increase pensions for the next year, regardless of what the investment returns were. Mr. Palmer stated this created a huge problem and was what the PSPRS Board of Trustees was warning everyone about because when you are trying to recover from a Great

Recession, you can't increase pension liabilities every single year and be in an environment where those will never decrease, adding what it meant was that PSPRS could not take the full financial advantage of a very strong investment return and then absorb the full impact, 100 percent, of low returns. Mr. Palmer stated in the presentation, the Council could see the -16.86 percent in 2001 and -15.07 percent in 2002 because of the dot.com crash; and then sliding down to 2008 at -7.27 percent and 2009 at -17.73 percent and view the PBI in the middle which means they were still dispensing pension increases because PSPRS was handcuffed by state law to increase pensions. Mr. Palmer then stated the obvious affect is on the statewide aggregate funding ratio, going from 125 percent funding in 2000 to less than 50 percent by 2016. Mr. Palmer state other major reasons of course, noting Council is probably more familiar than most people of this, is the effect of the Great Recession's immediate slowdown of Government hiring. Mr. Palmer stated he was working with the State Capital when the Recession hit, and the state literally woke up and had 30-40 percent less revenues, adding no one, including the Department of Public Safety, was hiring for several years which was one of the catch 22s of the formula and the cause of what happened to PSPRS.

Mr. Palmer stated he did a similar presentation in Prescott and in looking at their numbers, they found they had added 20 pensions within five years while the number of active employees had stayed static. Mr. Palmer then asked the Council if they could imagine 20 extra checks going out every single month while the City had the same amount of contributions coming in from the same number of members, adding that is incredibly hard to manage and there is no investor including Warren Buffet that can wrestle their way out of that; it just can't be done, not responsibly anyway.

Mr. Palmer then stated he would be moving to the most important part of his presentation, "What is Being Done to Fix This," and he thanked everyone for hanging with him during the "What Happened" phase. Mr. Palmer then stated PSPRS started making pension reforms and policy changes to start to fix the problems and in 2011 PSPRS created a second employee tier which are the employees contributing a greater amount of their paychecks into the system and working a greater number of years in order to retire. Mr. Palmer then stated this was something that was going to eventually lower the actuarial impact that the system otherwise was going to produce had they just stayed with Tier 1 employees who tended to have a more lucrative benefit stream only requiring them to work 20 years, but noting that many members work 30 or more years. Mr. Palmer stated in 2016 they added a third employee tier where they did a 50/50 contribution split between members and employers, which was contested by many of the employees, but is closer to what is seen with the ASRS (Arizona State Retirement System) which is a 50/50 split between the employees and employers and is based on the actuarial demand for the retirements. Mr. Palmer then stated this reduces the normal retirement costs for taxpayers and the pension reform brought in the availability of defined contribution benefits for public safety employees. Mr. Palmer stated the Tier 3 structure with a defined contribution plan is used more heavily by older members of the system, particularly those who retired from other jurisdictions and other states and were hired again for Fire Districts, and local Police Departments.

Mr. Palmer stated in working to get policy reforms, PSPRS lost court battles trying to change the existing benefits of members; and then existing benefit reforms for employees already in the system were passed by the legislature not supported by PSPRS, and more losses came in because PSPRS had to refund a lot of money back to members involving excess contribution amounts, including interest, that members paid into the system. Mr. Palmer said the Hall-Parker litigation impact was that PSPRS had to refund about a quarter of a billion dollars in a single year, adding thankfully PSPRS is in a 20-year actuarial cycle so any sort of hit is divided over 20 years and not something absolutely ruinous. Mr. Palmer then stated it had a minimal impact on employer contribution rates for that year which pleased employers because it was another good sign of things to come. Mr. Palmer then stated the Board of Trustees didn't take this lightly because they fully realize how high employer contribution rates are. Mr. Palmer stated the interest period for excess contribution refunds started July 1, 2011 for all PSPRS members and employers and ending periods vary according to when each employer refunded excess contributions to impacted members.

Mr. Palmer then stated he included demographics in his presentation because it is one of the least understood and least acknowledged formula impacts on the pension system, adding as it stands today the Tier 1 and Tier 3 employees make up a third of the active law enforcement and fire fighting community in Arizona. Mr. Palmer stated these are people who will be contributing more towards the system, people who will be working longer, and right now they are in actuarial infancy, but this will take time to work to start lowering costs from demographics alone. Mr. Palmer then stated finally, Proposition 124 passed in 2016 and was one of the policy goals PSPRS really needed to accomplish; this constitutional amendment replaced PBI payments to an annual COLA (Cost-of-Living Adjustment) capped by 2 percent, so no longer would a local employer like Benson be distributing a potential 10 or 15 percent pension increase, and that pension increase would be capped at 2 percent. Mr. Palmer then stated with the 2 percent cap, the City would not see an automatic increase the next year, and there would be much less stress on employers. Mr. Palmer stated in 2018 voters also passed Proposition 125 that applied these same changes to retirees of the Correction Officers (CORP) and Elected Officials (EORP).

Councilmember Diaz stated Mr. Palmer explained employee Tiers 2 and 3 have a smaller contribution but work longer before they can retire, and asked if these tiers supported the Tier 1 group or if they were separate because Tier 1 dropped and now it was reformed, adding the employer pays the actuarial amount for Tier 1 and Tier 2 which are split along the lines of what they are for each individual's plan, noting Tier 1 members pay a 7.65 percent contribution rate into the system, while their employer goes in and pays the rest of the actuarial demand; Tier 2 members pay a 11.65 percent contribution rate and these are now called legacy costs; and Tier 3 is handled differently, as they are pooled. Councilmember Diaz then asked if the new employees were taking the brunt to support the older employees as they retire out of Tier 1.

Mr. Palmer stated Tier 3 employees are not paying for the Legacy costs associated with the Tier 1 or Tier 2 employees as it is almost as if you have started a new pension plan, adding because the City of Benson has less than 250 officers, the City is pooled into a statewide pool with other small employers. Mr. Palmer then stated again, that the City's Tier 3 employees are not paying for any benefits for Tier 1 and Tier 2 employees; Tier 3 employees absolutely do not pay for someone else, especially for those having benefits richer or more generous than their own tier. Councilmember Diaz stated he asked that question because Tier 1 employees are the members who saw the loss, and then asked if there is enough money to support the Tier 1 group. Mr. Palmer stated some employers were left with the impression that employers would no longer be paying for contributions for Tier 1 and Tier 2 employees, however those are worked into the City's final pension bill, adding it will not run out of money because those systems are shutting down, noting Tier 1 and Tier 2 plans are closed to new members.

Mr. Palmer stated he would now move on to "Investments," adding if anything, PSPRS was holding a 70/30 investment portfolio meaning they were holding 70 percent in stocks and 30 percent in bonds which is something you see in a retail investors' portfolio or a 401(k) plan, but when the value of the investment world crumbles, the system takes an enormous hit. Mr. Palmer stated PSPRS's lesson was to diversify to protect local employers from those effects, adding PSPRS spent five years lobbying the Legislature to get the legal statutory rights and authority to diversify investments into other types such as venture capital, private equity, real assets such as timbers, vineyards, powerplants, adding the point of this was they would not be experiencing losses across all of these asset classes at the same time. Mr. Palmer then stated what Council is going to realize when playing this diversification investment strategy, is you are not going to hit the high scores when Wall Street is having a record year, but your plan is to prevent losses, adding employers like Bisbee and Tombstone have serious issues with their budgets caused by the pension problems, so this plan was put into place to protect the smaller employers and prevent these very stressful liabilities. Mr. Palmer stated the next strategy was for PSPRS to attract and retain the best investment team possible and they have put together a very strong, very respected team.

Councilmember Diaz asked if the 70 percent stocks and 30 percent bonds had changed and that he would like confirmation on what he understood in that PSPRS is investing at a lower rate and the stocks are not high-risk stocks, meaning there is a less chance of losing with those stocks. Mr. Palmer stated that is absolutely correct and to give Council an idea, they probably remember the stock market back in November and December when it took an immediate drop, noting PSPRS didn't lose a dime for the calendar year last year, however when you experience that type of drop, many of the other pension plans for the calendar year were 5, 6, and 7 percent under water. Mr. Palmer then stated their plan is built to take a beating and keep on ticking and to say they didn't lose any money when everyone else lost money was one of their accomplishments and what the plan was built to do.

Mayor King stated there was about 20 minutes remaining before the Council had to break for their next meeting and asked if the Council could hold questions or write them down, adding they could save a few minutes for questions following the presentation.

Mr. Palmer thanked the Mayor and suggested they now discuss "Performance." Mr. Palmer stated basically after several years of having performance problems, the Council could see roughly an 8.67 percent return over a 10-year span which is excellent, adding this will not lower the City's bills tomorrow but it is a positive force on the actuarial demands on the system. Mr. Palmer then stated in discussing investment returns and evaluating their performances versus other pensions, this was a good way to do it because if you ask which athletes out of a random group are the best - the answer is how in the heck do we even compare them when they all play different sports? Mr. Palmer stated the investment strategy is going to be developed and defined by the level of risk someone is willing to take, adding when the City of Bisbee is less than 10 percent funded, the amount of risk PSPRS can responsibly take is lowered dramatically. Mr. Palmer then stated ASRS can take a more moderate amount of risk as ASRS is better funded and they did not have a permanent benefit increase structure during or after market crashes. Mr. Palmer stated the State Land Trust with the Arizona Treasurer's Office does not have an identifiable amount of risk because they operate on distributions solely out of a percentage and not an actuarial demand.

Councilmember Diaz stated there is a guaranteed cost of living rate involved in PSPRS, with Mr. Palmer stating that was correct, adding the permanent benefit increase had the effect of literally doubling many pensions and creating a scenario where many members made more in retirement than when they were actively working, noting it was moved to a Cost-of-Living increase based on inflation and capped at 2 percent, which means the amount of future increases is greatly reduced lowering both the actuarial demand and the contributions rates for employers over time.

Mr. Palmer stated the PSPRS portfolio looks like a pizza cut into a million pieces spread across eleven asset classes and the whole idea is to prevent a domino effect of losses across investments the next time Wall Street takes a major recession, adding this is absolutely by design and widely recognized as a model for future pension plans. Mr. Palmer stated this is one of the things making PSPRS investment team highly sought after when it comes to media reviews, speaking roles with other organizations and so on, adding ASRS has a much simpler pension design and obviously PSPRS is dealing with a 10-year record bull run which has had the effect of helping disproportionate pensions with higher exposures to stocks, adding the more stocks you hold in your pension plan and run for 10 years straight in investment gains, the better you will do, but PSPRS has less than 30 percent of its money allocated in stocks for the sole reason of providing protection for employers.

Councilmember Diaz wanted to know when this took place with Mr. Palmer stating in 2008, PSPRS was able to get the legislative authority to invest into alternative assets, private equities, real estates, and greater amounts of related assets, but unfortunately in 2008, by the time they got the authority, it was the year the housing crash started. Mr. Palmer stated they had been trying to get that authority for 5 years, then stated another affect is you can't turn around a multi-million dollar pension plan from a stock and bond portfolio to a highly diversified model overnight, adding it takes time unless you just want to hand out money.

Mr. Palmer then spoke about what the PSPRS Investment Plan has achieved over the years, adding the Council could see in his presentation 2001 with limited allocation compared to the 2009 with more allocation and then it looks different in 2019, a difference of night and day, with lots of different allocations reducing the risk. Mr. Palmer then stated one of the big concerns they hear about are investment fees which are more routine in the alternative investment structure and they are incredibly misunderstood for several reasons. Mr. Palmer stated he addressed how to form investment strategies, and the steps from there are easy: find an appropriate strategy, find the appropriate asset mix you are looking for, and then execute to achieve your asset mix as cheaply as you can and don't buy junk. Mr. Palmer stated they are going to pay slightly higher on fees than a lot of other plans, but they are still paying less than 1 percent year over year in investment fees, which is pretty much standard, even for a retail mom and pop company with 401(k)s and related plans. Mr. Palmer stated it is also important to note that for private equity, which is an area where fees are paid, they are getting greater than a 15 percent return over the last 10-year period, adding the answer is if you are paying 1 percent fees and still achieving an 18 percent return, which is greater than twice your earnings rate you need for your actuarial amount, you are doing excellent.

Councilmember Diaz then asked, with that projection, how it looks for the next 25 years and how the system is going to meet their liabilities in the next 25 years with Mr. Palmer stating it is hard to handicap the system and last year, they saw all 3 plans increase their funding level status, adding they have policy reforms which are going to take awhile to start showing the real impact, but rates are going to come down. Mr. Palmer then stated PSPRS now has a portfolio built to withstand trouble and is factored to meet their liabilities for retirees so employers will see the financial health of the system start to climb, adding it's not a question of if it will, but of when it will. Mr. Palmer then stated they don't know what is going to happen next year any more than what is going to happen tomorrow, adding in the investment world sometime in the next 5 years, there is going to be a recession, noting that is coming from the smartest people in the room telling him this. Mr. Palmer then stated he was not going to pretend to say he knew what's in the future and it's the whole reason to diversify portfolios.

Councilmember Diaz stated in the investment world, he understood that if there is another recession it could go under the line to meet the liabilities but cities will always meet them because taxpayers will have to bear the City retirement obligations because those obligations are guaranteed. Councilmember Diaz then stated that is an extreme scenario, but it is something that should not be underestimated, just in case. Mr. Palmer stated that was true, but now the portfolio is built for that exact scenario, adding if a recession comes, the portfolio won't take a 15 percent dive; it will take a 2 percent dive, adding the portfolio is built to prevent the sudden jarring of expenses. Councilmember Diaz stated he just wants to be sure the City can meet its obligations for employees with Mr. Palmer stating that is the primary concern of the Board of Trustees as well. Mr. Palmer then stated he discussed the major points of PSPRS, and he would now be open for more questions.

Mayor King stated his question relates to our community size, including the size of our Police Department and Fire Department, and the impacts over the next couple of years, adding he understands the City will be paying a little more, and he knows that is projected, but he would like to know what the City is looking at as far as expenses. Mr. Palmer stated they will have the next valuations in late November or early December, and he has no idea of what demographic changes the City had within the plan, for example, the hiring of Police Officers and Fire Fighters or the retirement of either, but if you remove that as a factor, he would guess there would be a small increase. Mr. Palmer further stated in discussing the funding curve, the first thing is to stop the plummet, and it has started balancing out and already shows a slight increase, which leads him to believe the funding level is going to come up.

Mayor King stated he feels the City has done well for where we are at with our community, adding there are other communities a lot worse off, but his concern is the future and getting hit with something going wild all of a sudden. Mayor King then stated he hates not knowing what will come up and he feels the Board of Trustees should be people with a gauge on what the outlook may be a few years out and he would like to hear their predictions. Mayor King stated as Mayor, the only way communities our size can prepare for what might be coming is to understand everything they can about what might be happening in the future. Mr. Palmer stated this is a concern the Board of Trustees shares, adding they share the bottom line for employers, and they share meeting the obligations to the employees. Mr. Palmer then explained that the effect of the ballot initiatives, Proposition 124 and Proposition 125, is significant, adding it is going to take some time, but a lot of the actuarial pressures causing rates to rise to some degree have been mitigated. Mr. Palmer stated Mayor King mentioned he would like to know what is around the corner, but unfortunately, no one knows the future.

City Manager Vicki Vivian stated as far as she knew, no one in the past from the City reached out to the Public Safety Personnel System to ask these questions. Ms. Vivian then stated she has Mr. Palmer's phone number, and Staff will be talking with PSPRS a lot more often, reviewing everything, and instead of being surprised, Staff can go over the actuarial with him. Ms. Vivian stated she can reach Mr. Palmer, spend five minutes on the phone, and know if PSPRS is outperforming projections, or of any inconsistencies, or if it's less than predicted, adding Staff will have current information she can convey to Council before budget time rather than waiting for a letter to arrive stating what the situation is. Mayor King thanked Ms. Vivian for establishing this contact, adding she is very accurate in that the Council has never talked to PSPRS before and it is good they were able to reach out and have Mr. Palmer come to Benson. Mayor King stated the Council very much appreciated Mr. Palmer's time and presentation, and now Staff and Council have contact information to stay informed.

Councilmember Dempster stated he appreciated Mr. Palmer's presentation providing Council with a gauge on how well the City of Benson was doing; then stated although there was a lot of averaging and policy information provided, he would like to possibly dummy it down as to what it means to the City, such as: the City puts money into the budget every year for this and what determines how much is put in and what the consequences are of putting in more or less in; does Bisbee have a penalty attached to them; does Prescott have a penalty attached to them in any way; and it is great when performance is good, but it's bad, it's bad and he would like to know what this means for our pensioners. Mr. Palmer stated Councilmember Dempster had some excellent questions and to make it simple, the Council could think of it as a mortgage, adding the fund doesn't require every single dollar in the budget to pay for the full retirement of all retirees and active members, but there is the long-term liability amount set every single year. Mr. Palmer stated if someone wants to pay their mortgage off faster and you want to save money, then you will want to do the same things with your pension. Mr. Palmer then stated as far as Prescott, they passed a local sales tax; an option that may not be available to every municipality, but within a period of 1 year, they have seen their liabilities falling considerably. Councilmember Dempster then asked if there was a requirement on them to do that, and if there would be a penalty involved with Mr. Palmer stating there was not, adding every single employee has their own account with PSPRS, and the City has what is called a multi-employer plan. Councilmember Dempster stated theoretically, someone could be without a pension because Benson screwed up if there is an averaging of some sort, adding in the direst circumstances, for example, if a local employer goes broke and declares bankruptcy, then members have a constitutional right to their pension in bankruptcy court. Councilmember Dempster asked what happened in the Stockton, California case and some other cities in California and if the liability was with the cities or with the state. Mr. Palmer stated he was loosely familiar with the Stockton, California case but he does not know if they have a Public Safety Plan or a General Civilian Plan or both, stating he can't answer Councilmember Dempster's question intelligently, but he can assure him the PSPRS Board of Trustees, which are some of the brightest minds for investing, have good heads on their shoulders and are determined to make sure these types of things do not happen.

Mayor King thanked Mr. Palmer for his time and presentation stating Councilmembers, and especially City Manager Vivian, will be contacting him in the future.

ADJOURNMENT:

Councilmember Maldonado moved to adjourn at 6:57 p.m. Seconded by Councilmember Diaz. Motion passed 7-0.

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Toney D. King, Sr., Mayor

ATTEST:

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Vicki L. Vivian, CMC, City Clerk