

**PENSION REFORM COMMITTEE
MEETING OF
Tuesday, February 17, 2004
4:00 PM – 6:00 PM Meeting**

**401 B Street
Conference Room, 4th Floor**

MINUTES

**THE REGULAR MEETINGS OF THE PENSION REFORM COMMITTEE ARE
SCHEDULED FOR EVERY TUESDAY AT 4:00 PM AT 401 B STREET, 4TH FLOOR**

Item 1: Call to Order

Item 2: Roll Call

<u>Members Present</u>	<u>Members Absent</u>	<u>Staff Present</u>
April Boling Steve Austin Robert Butterfield Tim Considine Stanley Elmore Judith Italiano Richard Vortmann Kathleen Walsh-Rotto.	William Sheffler	Chris Morris Larry Grissom, SDCERS Staff Paul Barnett, SDCERS Staff Mary Braunwarth Pam Holmberg

Item 3: Approval of Minutes

Mr. Considine had a correction to Item 6 of the February 10, 2004 minutes. The minutes reported he was working with Sanford Bernstein to complete their scope of review of the investment performance. The scope has been completed and Sanford Bernstein is working on completing their investigation. The minutes will be revised to reflect that change. There was a motion for approval of the revised minutes for the February 10, 2004 Pension Reform Committee (Committee) meeting from Mr. Considine. The motion was seconded by Mr. Elmore and passed unanimously.

Item 4: Inventory of City Assets

Real Estate Assets Director Will Griffith provided a presentation on the City's property portfolio, highlighting some of the property characteristics, environmental issues, lease revenue, and the historical cost versus fair market value. The Committee asked questions about the portfolio and discussed the need for a shorter list of properties that could be transferred as an asset to SDCERS. The Committee asked if Mr. Griffith could provide a recommended list of both encumbered and unencumbered properties that could be transferred. They asked if the shorter list would also separate out leased and unleased properties. Ms. Boling asked Mr. Butterfield to

provide Mr. Griffith with further specifications for the type of properties that should be included on this shorter list. Mr. Griffith will return with the revised list at the March 2 meeting.

Item 5: Scope of Actuarial Study

Mr. Austin distributed a copy of the February 16, 2004 letter from Rick Roeder defining the scope of specific work assignments and providing fee quotes for each. The initial fee estimate for all the studies is \$13,750. Mr. Austin reviewed the scope as outlined in the letter and the Committee discussed any changes or additions. Mr. Austin will correspond with Mr. Roeder, further clarifying the scope of work and incorporating suggestions from the Committee. Mr. Austin will also ask for a time estimate for completion of the study.

Item 6: Potential Compensation Comparison Study

Ms. Walsh-Rotto reported on her investigation of compensation comparisons. While she has found salary studies for the private sector, she has been unable locate creditable studies that compare benefits too. Her research has shown that performing a compensation comparison that includes benefits would be both costly and time consuming. Ms. Boling said she did not feel the Committee needed to do this additional study as there is no available evidence that City employees are paid better or worse than the private sector. The Committee decided not to proceed with an outside study.

Item 7: Meet and Confer Process

Ms. Boling reminded the Committee about the questions she raised on meet and confer at the February 10 Committee meeting. She said that Deputy City Manager Bruce Herring would not be presenting information on this subject for the Committee. Therefore, she plans to send a letter asking for answers to the following questions: a) When a new benefit is being considered during the meet and confer process, does the City Manager take into account the past service cost, the annual impact of the amortization of the past service cost and the change to normal cost? b) When results of meet and confer are given to City Council, are they also given this same information about past service cost and normal cost? c) If those benefits are voted on and become part of the budget, is that information made public? Mr. Grissom offered his perspective on those questions. He reported that when a new retirement benefit is proposed in the meet and confer process, he is contacted by the Labor Relations office. Mr. Grissom conveys the definition of the proposed benefit to the SDCERS actuary who responds with written pricing that includes the normal cost, the total past service liability in dollars and the percent of payroll amortized. Mr. Grissom communicates that information back to Labor Relations. If a proposal is modified, the process is repeated. If the benefit is agreed upon in meet and confer, it goes to a vote of the SDCERS members. Mr. Grissom's staff prepares the ballot for the vote which includes the benefit change and the cost of the contribution rate to employees. The total cost, past service liability, and the increase to the City's contribution are not reported on the ballot. He did not have any information on what information was shared with City Council. Ms. Italiano reported that MEA is fully informed by City staff on all costs associated with new benefits during the meet and confer process.

Ms. Boling said it is her impression that Councilmembers did not believe they had been fully briefed on the future costs of past benefit increases. She would like to identify where the

breakdown in communications was occurring. She said the letter to City management will shed light on how the communication process worked.

Mr. Butterfield asked Mr. Morris about the legality of exempting City Council members and City Management from receiving any new benefits awarded during their tenure in office to avoid conflicts of interest. Mr. Morris said that it would require a separate contract of employment with each person, but it is legal.

Item 8: Assignment Matrix

There was no discussion.

Item 9: Discussion Related to Previously Docketed Items

Ms. Boling raised an issue about the actuarial valuation presented last week by Rick Roeder. She felt that it would be helpful to know how SDCERS' normal cost compared to other public pension funds. Mary Braunwarth was asked to do a survey of normal cost in the recent actuarial valuations from other California agencies and compare them to the SDCERS' normal cost.

Mr. Butterfield asked if Mr. Roeder could tell the Committee what the impact the 13th check and DROP have on the funding level of the System. Mr. Austin will add it to the scope of work for Mr. Roeder.

Item 10: New Business

There was no new business.

Item 11: Discussion of Upcoming Presentations Related to the Retirement System Overview and Meeting Schedule

There was no discussion.

Item 12: Work Plan for the Pension Reform Committee

Ms. Boling would like to use the February 24 meeting to review the work plan. There will be no outside presentations at the meeting so the Committee can concentrate on the task at hand. She asked the Committee members to take time this week to review the format for the final report constructed in November and come back to the next meeting with suggestions of any additions, subtractions or restructuring. Ms. Boling asked that staff resend the draft outline to the Committee this week.

Item 13: Comments by Committee Chairperson

Ms. Boling said she would be asking that the Committee members come back in a few weeks with their individual proposal on how to balance SDCERS funding level. She feels that if all members of the Committee construct their solution it will make for a more meaningful discussion of solutions.

Item 14: Comments by Committee Members

Mr. Vortmann discussed the two letters from Mercer Investment Consulting which were distributed to the Committee showing their preliminary findings in their reviews of Callan Associates, Inc. (Callan) and Gabriel, Roeder, Smith & Company (GRS). The interim findings on Callan show that the universe rankings are in-line and consistent with their independent analysis. Mercer found that GRS was qualified to perform the required actuarial services and could find no reason to believe that their work can not be relied upon.

Item 15: Non-Agenda Public Comment

There was no public comment.

Item 16: Adjournment

The meeting was adjourned at 6:10 PM. The next meeting will be on Tuesday, February 24, 2004 at 4:00 PM at the same location.