

**AGENDA FOR THE
PENSION REFORM COMMITTEE
MEETING OF
August 17, 2004
3:00 PM – 5:00 PM Meeting**

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

MINUTES

**THE REGULAR MEETINGS OF THE PENSION REFORM COMMITTEE ARE
SCHEDULED FOR EVERY TUESDAY AT 3:00 PM AT 401 B STREET, 4TH FLOOR**

THE OPINIONS AND VIEWS OF THE COMMITTEE OR ITS MEMBERS, AND PRESENTATIONS MADE AND DOCUMENTS PROVIDED TO THE COMMITTEE OR ITS MEMBERS, MAY CONTAIN PROJECTIONS, FORECASTS, ASSUMPTIONS, EXPRESSIONS OF OPINIONS, ESTIMATES AND OTHER BACKWARD-LOOKING RECONSTRUCTIONS OR FORWARD-LOOKING STATEMENTS, ARE NOT TO BE CONSTRUED AS REPRESENTATIONS OF FACT, AND ARE QUALIFIED IN THEIR ENTIRETY BY THIS CAUTIONARY STATEMENT. ONLY STATEMENTS MADE BY THE CITY IN AN OFFICIAL RELEASE OR SUBSEQUENT NOTICE OR ANNUAL REPORT, PUBLISHED IN A FINANCIAL NEWSPAPER OF GENERAL CIRCULATION AND/OR FILED WITH THE MSRB OR THE NRMSIRs ARE AUTHORIZED BY THE CITY. THE CITY SHALL NOT BE RESPONSIBLE FOR THE ACCURACY, COMPLETENESS OR FAIRNESS OF UNAUTHORIZED STATEMENTS.

Item 1: Call to Order

Item 2: Roll Call

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

Item 3: Approval of Minutes

There was a motion for approval of the minutes for the August 10, 2004 Pension Reform Committee (Committee) meeting from Mr. Elmore. The motion was seconded by Ms. Italiano and passed unanimously with Mr. Considine abstaining.

Item 4: Discussion on Final Report

The Committee discussed the August 17 draft of the final report. Ms. Boling said she had incorporated contributions from various Committee members and had made minor changes in

grammar and punctuation so the new sections would fit smoothly. She is still waiting for submissions from Ms. Walsh-Rotto regarding the impact of Manager's Proposal I and II and a complete list of possible benefit changes to accompany the Committee's recommendations. In addition, certain numbers in the current draft are only placeholders until Mr. Roeder completes his actuarial reports.

Mr. Austin distributed a draft of the proposed PowerPoint presentation for City Council based on the final report. It is the intent of the Committee that the PowerPoint presentation will also serve as the Executive Summary. The Committee discussed the how the final report and PowerPoint presentation should look and who would be presenting it to Council. Mr. Austin suggested that the Committee contract with a graphics designer to help with the PowerPoint and final report (at no cost to the Committee.)

It was decided that Ms. Boling will present the introduction and background of the report; Mr. Considine will discuss reducing the UAAL, treatment of the contingent benefits and the retiree health care benefits; Mr. Sheffler will present on the reduction of the normal cost and the retiree medical benefits; Mr. Vortmann will discuss governance and other recommendations, and Mr. Austin and Ms. Boling will provide a conclusion and recap of the Committee's recommendations. Mr. Austin will work on developing the PowerPoint presentation and distribute it to the members by August 24 so each member can review the sections they will present. At the August 31 meeting, the Committee will do a dry run of their Council presentation. Ms. Boling will work with the Mayor's office to find a date to present to Council in September.

Mr. Roeder provided the Committee with two reports: 1) a study on the Committee's proposed new benefit structure for new hires, and 2) the actuarial gains (losses) from pay increases and further analysis of Corbett liabilities. Mr. Roeder provided an overview of the reports and explained the assumptions that were used. Mr. Roeder will be providing Mary Braunwarth with a cost estimate to provide an additional report which will reflect the savings of the proposed benefit changes. To complete this report, Mr. Roeder will need either Pat Frazier or Larry Grissom to provide him with information on what portion of the \$605 million payroll number is premium pay.

Item 5: Committee Position on Proposition H

There was a discussion about the Committee's position on Proposition H regarding the composition of the Retirement Board. It was also suggested that the Committee express an opinion on Proposition G, regarding setting and establishing amortization schedules for the unfunded accrued actuarial liability. The amortization proposition is almost identical to what was recommended by the Committee. The proposed composition of the Retirement Board differs from the Committee's recommendation, which was for seven independent members with a background in economics or other relevant field. Proposition H would change the composition to seven independent members and six members with City affiliations. Some on the Committee expressed the opinion that even though they would prefer a seven member independent Board, they would support Proposition H as a step in the right direction. Joe Flynn gave public testimony encouraging the Committee to stay with their original recommendation of 7 members only. Mr. Flynn believed the change would remove any conflict of interest from the Board. Mr. Considine made a motion that the Committee support the ballot measures. The motion was

seconded by Mr. Vortmann. The motion was passed with Mr. Austin, Ms. Boling, Mr. Considine, Mr. Sheffler, and Mr. Vortmann in favor and Ms. Italiano opposed.

Item 6: New Business

There was no new business.

Item 7: Comments by Committee Chairperson

There were no comments.

Item 8: Comments by Committee Members

Ms. Italiano asked if the report includes a list of the people who were invited by the Committee to present their issues and concerns. Ms. Braunwarth explained that the invitation is listed in the report's bibliography. Ms. Boling asked that the names of the people invited be listed in that section of the bibliography.

Item 9: Non-Agenda Public Comment

Patricia Karnes: Ms. Karnes was concerned about the references in the report that the Retirement Board is simply administrative. Her question was if the Board sees itself as administrative, then who has the fiduciary responsibility? She feels that no one is taking fiduciary responsibility. She also believes that the level of risk of the investment of the Retirement funds is higher than conservative and she would like someone to review that.

Jim Gleason: Mr. Gleason was concerned with comments made in the Moody's report which downgraded the City's credit status. The report pointed out that the City is not a heavy revenue city. It suggested pension obligation bonds as a possible source of revenue. It also mentioned the City Charter article that would allow the Council to levy a sum sufficient to meet the requirements of the pension funds. He wondered if that would be a conflict of Proposition 13 or 218. He believes the Committee should investigate that and opine if that is a viable issue. Mr. Gleason also discussed the Blue Ribbon Report to Council issued in 2002 which pointed out the pension system was in trouble and recommended the City not get into further trouble. Then, ten months later the Council voted to further under fund the system. He believes the Committee needs to make the Council very aware of how serious the problem is.

Item 10: Adjournment

The meeting was adjourned at 5:10 PM.