

Independent Rates Oversight Committee (IROC)
Meeting of September 19, 2022



1. **Roll Call**

Chair David Akin called the full IROC meeting to order at 9:30 a.m. Roll Call was conducted, and a quorum was declared. Attendance is reflected below:

Members:	Present	Absent
David Akin, Chair	X	
Tiffany Mittal, Vice Chair	X	
Christopher Dull		X
Gordon Hess	X	
Jeff Justus	X	
Jack Kubota	X	
Luis Osuna	X	
Jim Peugh	X	
Linh Quach	X	
<u>Ex-Officio Members:</u>		
Jerry Jones, Metro/JPA	X	

Some of the City representatives present included Juan Guerreiro (Director of Public Utilities) and Ray Palmucci (Deputy City Attorney).

2. **Non-Agenda Public Comment** – None.

3. **Approval of Draft Minutes from Meeting of July 18, 2022** – *David Akin, Chair*
ACTION: Chair Akin called for a motion to approve the minutes. Motion by Member Hess. Second by Member Peugh. Motion passed with 7 in favor, 0 opposed, and 2 abstained.

4. **Chair Updates** – None.

5. **Mayor and Council Staff Comments** – None.

6. **PUD Updates** – *Juan Guerreiro, Director of Public Utilities*

- Interviews were held for the AMI Project Management firm using the RFP process and a firm was selected.
- City Council approved the appointment of new COO, Eric Dargan.
- Interviews have been held for the Assistant Director of the Water Delivery Branch.

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7. **Presentation: Update on the General Health of the Pension Fund (SDCERS)** – Gregg Rademacher, Chief Executive Officer, SDCERS

- Presentation for the Independent Rates Oversight Committee
 - Mission and Values
 - Mission
 - Deliver accurate and timely benefits to its participants, and
 - Ensure the Trust Fund's safety, integrity, and growth
 - Values
 - Customer Service
 - Accountability
 - Professionalism
 - Fiduciary
 - Integrity
 - Transparency
 - The Plan
 - The City of San Diego, 1927
 - Port of San Diego, 1963
 - San Diego International Airport, 2003
 - Our Members
 - Working – 5,772
 - Deferred – 3,272
 - Retired – 11,681
 - Board Members – Mayoral/Council Appointments (7)
 - Board Members – Mayoral/Council Appointments (7)
 - Paul Kaufmann, President
 - Lisa Marie Harris, Vice President
 - Michelle Bush
 - Louie Nguyen
 - Cliff Schireson
 - Bobbie Spoon
 - (Vacant)
 - Board Members – Elected by Membership (5)
 - Bret Bartolotta, Active General
 - Thomas Battaglia, Active General
 - Charlie Hogquist, Retiree
 - Lou Maggi, Active Police
 - Paul Lotze, Active Fire
 - Board Members – Designated by Mayor (1)
 - Natasha Collura
 - Historical Market Value
 - Ending 6/30/22 – \$10.0
 - Asset Allocation
 - SDCERS Portfolio Asset Allocation – June 30, 2022
 - Stocks, 42%
 - Private Market, 18%
 - Real Estate, 10%
 - Opportunistic, 7%
 - Return Seeking Fixed Income, 3%
 - Bonds, 20%

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- City's Funding Story
 - 30 Year Funding Ratio History, 1992 - 2021
 - 74.3%
 - Unfunded Liability, \$2.95 billion
- UAL Funding Survey
 - Unfunded Liability Survey
- The Valuation Process
- Members Living Longer
- Investment Return Assumption
 - SDCERS, 6.50%
- Performance
 - Total Fund Returns – Investment Results as of 06/30/22
 - 1 Year
 - Total Fund – Gross, -1.6%
 - Total Fund – Net, -1.7%
 - Policy Benchmark, -5.7%
 - Difference, 3.8%
 - Since Inception (12/31/1988)
 - Total Fund – Gross, 8.9%
 - Total Fund – Net, 8.8%
 - Policy Benchmark, 8.3%
 - Difference, 0.5%
- Risk and Return Comparison
 - Total Fund Peer Universe: Risk and Return Comparison
 - June 30, 2022 – 1.7%
- Benefit Funding
 - 10 Year SDCERS Revenue Analysis, 2013-2022
 - Investment Earnings 60% (\$5.7 Billion)
 - Employer and Member Contributions 40% (\$3.7 Billion)
- Cash Flow: Mature Plan
 - 10 Year Cashflow Analysis, 2013-2022
 - (\$138 million), 1.5% investments
- Assumption Projection
- Concluding Thoughts
 - New Board of Administration Structure
 - Strong Governance Foundation
 - Fiduciary Focus on the Trust
 - Sound Actuarial Funding Strategy
 - Professional Investments
 - Effective and Efficient Administration
- Questions
 - Chair Akin asked about the impact of the new employees who have been added to the fund.
 - Mr. Rademacher responded by saying that this is a net positive and improves the cash flow to the plan.
 - Chair Akin asked if the City and employees were making sufficient contributions today to meet the future needs.
 - Mr. Rademacher answered in the affirmative and stated that employer rates are adjusted annually. He further explained that every three years an actuary is hired to assess the position of the funding model.

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- Chair Akin asked what is considered a healthy percentage of funded.
 - Mr. Rademacher responded by saying 100% – 120%.
- Chair Akin asked if the 13th check was still being issued.
 - Mr. Rademacher responded that the 13th check (formerly called the Annual Supplemental Benefit) is a result of litigation and is paid to a closed group of retirees.
- Member Kubota asked if the pension plan information is shared during the recruiting process.
 - Mr. Rademacher responded that the status of the funding is shared with the three plan sponsors.

8. **Discussion: Update on Status of FY22 IROC Annual Report and Recommendations (due to PUD by 12/31/2022 and to the Mayor/Council by 01/31/2023)** – David Akin, Chair

- Chair Akin suggested submitting a cover letter which would include a summary of the annual report, any concerns they might have, and any suggestions that the committee has about how their role can improve.

9. **Metro/JPA Report Out** – None.

10. **Proposed agenda Items for Upcoming IROC Meetings** – IROC Members

- Vice Chair Mittal requested a COSS progress update.

11. **IROC Members' Comments** – IROC Members

- Proposed agenda items carried over from the April 2021 minutes:
 - Once collections resume, Chair Akin would like to have a presentation on the Customer Support Division and Office of the City Treasurer collection process.
 - I&O Subcommittee – Member Kubota recommended adding an item on the “Valve Maintenance and Replacement Program in the Potable Water System (including fire hydrants)” to the agenda (*tentatively scheduled for 01/17/2023*).
- Proposed agenda items carried over from the July 2021 minutes:
 - Once collections resume, Chair Akin and Member Kubota would like to combine the collection process presentation proposed in the April 2021 bullet above with an update on the status/timing on lifting water shutoff restrictions.
- Proposed agenda items carried over from the August 2021 minutes:
 - Finance Subcommittee – Once collections resume, a deep dive into the Office of the City Treasurer collections process.
 - O&C Subcommittee – Once in-person training resumes, an update on the Management/Field Academies.
- Proposed agenda items carried over from the March 2022 minutes:
 - Chair Akin would like an update on the Water Meter Services Division. This should include an update on AMI, the meter shop, and field crews (*tentatively scheduled for 03/20/23*).
 - Member Peugh requested an update on ways PUD is reducing methane discharge (*tentatively scheduled for 02/21/23*).

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- Members Hess and Peugh requested updates on the following COSS-related items:
 - COSS Rate Structures. -from Member Hess
 - The level of infrastructure replacement and staffing the COSS is based on for both water and wastewater. -from Member Peugh
 - Update on current System Condition Studies in preparation for the next COSS. - from Member Peugh
 - Update on the number of unfilled positions, hiring success, and PUD functions affected by unfilled positions; and an update on whether the COSS will provide resources to fill the unfilled positions. -from Member Peugh
 - Update on how these items are addressed in the COSS: Water sales; reservoir levels; budget status; Pure Water costs & progress; County Water Authority & MET rates; lawsuit updates; impact of changes with Fallbrook and Rainbow; and the Urban Water Management Plan. -from Member Hess
 - It would be helpful to understand why the last COSS was inadequate according to the judge and what the options are to address these deficiencies should the City lose its appeal of the decision. There must be other data requirements or options that could address the rates in a legal manner. -from Member Hess
- Proposed agenda items carried over from the April 2022 minutes:
 - Member Kubota asked for information on Demineralization Facilities and Recycled Water Systems.
- Proposed agenda items carried over from the May 2022 minutes:
 - Member Peugh asked for a Lake Hodges Dam funding update.
- Proposed agenda items carried over from the June 2022 minutes:
 - Member Peugh would like an update on the Canyon Sewer Task Force (*tentatively scheduled for 11/21/22* as part of the Canyon Sewer Cleaning and Long-Term Maintenance Program Update).
 - Member Kubota would like to know how the Brine Line Project will affect rate payers.
- Proposed agenda items carried over from the July 2022 minutes:
 - Member Peugh requested an update on Wastewater Pipeline Cleaning (*tentatively scheduled for 02/13/23* as part of the Collection System Maintenance Program Update).
 - Member Kubota requested a Water Quality Monitoring Overview, including impacts on water flowing in from across the border (*tentatively scheduled for 11/21/22*).

12. Meeting adjourned: 10:41 a.m. in memory of Jim Peasley, Metro/JPA Alternate

Minutes submitted by Megan O'Brien