

**PENSION REFORM COMMITTEE
MEETING OF
Tuesday, February 24, 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>
Steve Austin	April Boling	Chris Morris
Robert Butterfield	Stanley Elmore	Larry Grissom, SDCERS Staff
Tim Considine	Kathleen Walsh-Rotto	Paul Barnett, SDCERS Staff
Judith Italiano		Mary Braunwarth
William Sheffler		Pam Holmberg
Richard Vortmann		

Mr. Vortmann chaired the meeting in Ms. Boling's absence.

Item 3: Approval of Minutes

There was a motion for approval of the minutes for the February 17, 2004 Pension Reform Committee (Committee) meeting from Judie Italiano. The motion was seconded by Tim Considine and passed unanimously with Bill Sheffler abstaining.

Item 4: Non-Agenda Public Comment

Patricia Karnes expressed her concern with the Pension Reform Committee meetings. She said the February 10 meeting was cynicism presented as humor and full of red herrings. She feels many of the Committee's questions are answered by Larry Grissom in a humorous manner, perhaps as way of dealing with the disaster that's unfolding. She questioned where the City has been putting the retirement deductions from the current employee paychecks. In a past meeting she asked where the cut off of funding was between the retirees at over 100% and current employees at 67%. She still doesn't understand the answer. She also believes many other retirees would come to the Committee meetings, but the time is not convenient for them. She feels this is senior financial abuse because the City is taking income from the senior's retirement fund investments to pay DROP accounts at 8%, when the fund is not earning that amount.

Item 5: Work Plan for the Pension Reform Committee

The Committee revisited the outline for their final report and updated the plan. The Committee agreed that their final report would address both the Pension System and the Retiree Health Plan, separately and sequentially.

The Pension System final report will include an executive summary, which should be about 10 pages, followed by simple and concise exhibits. It will include a situational assessment showing the current state of the Pension System, historical data showing what events have led to the current state, and a set of recommendations for solutions. The report should be short and simple with no questions about the facts and conclusions.

The final report on the Retiree Health Plan will fully explain the current plan, how it is funded and recommendations for solutions. The Committee agreed that they will need additional presentations from knowledgeable people involved in the Retiree Health Plan to complete this portion of their report. Attached is the draft outline for the final report that the Committee developed.

Item 6: Comments by Committee Chairperson

There were no comments.

Item 7: Comments by Committee Members

Mr. Austin distributed a letter from Rick Roeder updating the scope of work requested by the Committee. The revised estimated total cost is approximately \$22,000 for services. Mr. Austin reviewed the scope of work to ensure that all of the Committee's concerns were addressed. There were a few details the Committee asked Mr. Austin to include in the scope of work. The Committee unanimously voted to have Mr. Austin incorporate their suggestions and then work with Chris Morris to execute a contract with Mr. Roeder. The contract does not need to come back before the Committee for a vote. Any additional questions for Mr. Roeder could be added to the contract as an amendment to the contract. Mr. Austin said Mr. Roeder estimated he should have answers to some of the questions within in a week and should have all studies completed within a month.

Item 8: Adjournment

The meeting was adjourned at 6:05.

The next meeting will be on Tuesday, March 2, 2004 at 4:00 PM at the same location

Pension Reform Committee
Final Report
Draft Outline

February 24, 2004

- I. Where are we? (Situational Assessment) - Address both Pension and Healthcare – separately and sequentially
 - A. Provide data points that include:
 - 1. Current actuarial data
 - 2. Pro-forma without smoothing
 - 3. Basis and measurement of unfunded liability
 - B. Structure:
 - 1. Short (10 pages) Executive Summary
 - 2. Exhibits
 - 3. Simple and concise
- II. How did we get there? (List below should add up to shortfall)
 - A. Failure to make adequate contributions
 - B. Granting unfunded benefits
 - C. Investment performance
 - D. Actuarial assumptions not updated
 - E. Purchase of service credit
 - F. Litigation Settlement
 - G. Retroactive benefits for current retirees
 - H. DROP
 - I. Contingent benefit payments
- III. What are the recommendations for solutions? (List all alternatives & agreed up solutions)
 - A. POBs
 - B. City funding level
 - C. Change retirement plan (Prospectively & retroactively)
 - D. Elimination or reduction of benefits
 - E. Entirely new compensation program
 - F. Composition of SDCERS Board
 - G. Rules for creation of new benefits
 - H. Rules for creation of retroactive benefits for retirees
 - I. Sale of City assets
 - J. Channeling of raises
- IV. Health Plan
 - A. What is the retiree health plan?
 - B. How is it expensed and funded?
 - C. To understand unfunded liability will require professional advice.