

**PENSION REFORM COMMITTEE  
MEETING OF  
May 11, 2004  
4:00 PM – 6:00 PM Meeting**

**401 B Street  
Conference Room, 4<sup>th</sup> Floor**

**MINUTES**

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**THE REGULAR MEETINGS OF THE PENSION REFORM COMMITTEE ARE  
SCHEDULED FOR EVERY TUESDAY AT 4:00 PM AT 401 B STREET, 4<sup>TH</sup> 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		Patricia Frazier
Robert Butterfield		Chris Morris
Stanley Elmore		Larry Grissom, SDCERS Staff
Judith Italiano		Paul Barnett, SDCERS Staff
William Sheffler		Pam Holmberg
Steve Austin		Mary Braunwarth
Kathleen Walsh-Rotto		
Tim Considine		
Richard Vortmann		

**Item 3: Approval of Minutes**

There was a motion for approval of the minutes for the May 4, 2004 Pension Reform Committee (Committee) meetings from Tim Considine. The motion was seconded by Stan Elmore and passed unanimously.

**Item 5: Discussion on Final Report**

The Committee completed their discussion on the draft outline for their final report. Please see the attached outline. The Committee will use the next few meetings to further discuss the final report and vote on their recommendations. Mr. Vortmann suggested that the final report divide their recommendations into high, medium and low priorities to help guide decision makers. Ms. Boling notified the Committee that in order to make the November ballot, the Committee needs to submit any proposed City Charter changes to the City Clerk for review by the Rules Committee by May 28, 2004 at 10:00 a.m. Due to tight time frames for both the budget and election, it was suggested that the next few meetings be expanded to 3 hours to help expedite the completion of the final report. It was decided to meet from 3:00 p.m. – 6:00 p.m. for the next few meetings. Ms. Boling said the Committee will try and meet the deadline of June 15 for the final report to City Council.

The Committee asked Mr. Morris if it is legal to attend the meetings and vote by telephone. Mr. Morris will look into this and notify the Committee. Mr. Austin asked Ms. Braunwarth for a copy of the City's most recent audited financial statements.

**4: Actuarial Study**

A report from Rick Roeder showing a summary of actuarial rates with issuance of pension obligation bonds was distributed. Please see the attached copy. The Committee discussed the findings.

**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**

There were no comments.

**Item 9: Non-Agenda Public Comment**

There were no comments.

**Item 10: Adjournment**

The meeting was adjourned at 5:55 p.m.

The next meeting will be on Tuesday, May 18, 2004 at 3:00 PM at the same location.

DRAFT OUTLINE  
FINAL REPORT TO COUNCIL  
Updated May 11, 2004

INTRODUCTION

- A. How we got here
  - 1. Roeder report
  - 2. 1996 start date
  - 3. Order of magnitude
    - a. Stock market
    - b. Benefit enhancements
    - c. Under funding
  
- B. Where we are
  - 1. April's presentation (4/19/04 to City Council)

RESOLUTIONS

- I. Addressing the deficit
  - 1. The Measurement
    - a. Pick a date
      - report date – mid-late May 2004
      - \*Market value as of February 2004 (2/29/04 data as reviewed internally by Management)
    - b. Value of contingent benefits and inclusions
    - c. Address all contingent benefits (Corbett and 13<sup>th</sup> Check etc.)
  
  - 2. Options
    - a. POBs
    - b. Hope (Market)
    - c. Contributions from the City
    - d. Real Estate Assets
    - e. Decreasing number of participants
    - f. Changing the assumptions
    - g. Early retirement
    - h. Use of tax increase
  
- II. Plan design
  - 1. Changes to benefits for new hires
    - a. High one year salary changed to high three year or five year.
    - b. Changing to defined benefit plan
    - c. Elimination of DROP
    - d. Changes of the percentage per year, i.e. 2.5% to 2.0%

- e. Changes to retirement age – up by one year
  - f. COLA decrease
  - g. Enhancements for current retirees
- 2. Changes to Structure
    - a. Separating from Pension Fund-Retiree Health Care.
- III. Funding policy – Defined Benefit
- 1. Key Decision Points:
    - a. Amortization of normal gains and losses (demographics)
    - b. Smoothing vs. Market Value Measurements (yes, no, length of time)
    - c. Shortfall in funded status at each measurement date
      - \* Minimum funding (floor)
      - \* Two or more layers
      - \* Optimal funding
    - d. Amortization of past service cost – for new benefits, Charter change?
    - e. Funding status ratios – including overfunded %
    - f. Address Corbett and 13<sup>th</sup> check
    - g. EAN vs, PUC
- IV. Funding Policy – OPEBs
- 1. Key Decision Points
    - a. Measurement Issues – standards
    - b. Segregation of Funds
    - c. Pro forma disclosures
    - d. Management of Benefit Increases
    - e. Governance
    - f. Plan Changes
- V. Governance
- 1. Key Decision Points
    - a. Disability Retirement
    - b. Optimum Number of Members
    - c. Conflict of Interest – Independence issues
    - d. Qualifications
    - e. Compensation
    - f. Investment Policy Restrictions

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- g. Sarbanes-Oxley – types certifications
- h. Identify Officers or others responsible for funded status

VI. Improved disclosure/communication

1. Key Decision Points

- a. Disclosure in City’s financial statements
- b. Frequency of communications to the City
- c. Formal communication of the cost of new benefits

VII. Transition summary