

CITY OF ALEXANDRIA
AD HOC RETIREMENT BENEFIT ADVISORY GROUP

MINUTES OF SEPTEMBER 19, 2011

Members Present	Representing
Russell Bailey	Public
Janine Bosley	Public
Brenda D'Sylva	General Schedule
Robert Gilmore	Deputy Sheriffs
Jennifer Harris	General Schedule
James McNeil	Public
Ed Milner	Police
Lonnie Phillips	Medics & Fire Marshals
James Ray	Public
Len Rubenstein	Public
David Speck	Public
Laura Triggs	City Manager

Alternates present:

Marietta Robinson, General Schedule Employee

Staff present:

Steven Bland, Retirement Administrator, Finance Department

Bill Mitchell, Assistant Director Human Resources

Theresa Nugent, Retirement Specialist, Finance Department

Cheryl Orr, Director of Human Resources

CALL TO ORDER:

The meeting was called to order at 6:32 PM.

AGENDA

Mr. Ray suggested that this and future agendas include an opportunity for future comment. A motion was made by Mr. Phillips to approve the meeting agenda as amended by Mr. Ray. It was seconded by Ms. Bosley and the motion was accepted.

MEETING MINUTES:

Ms. Bosley made a motion to accept the minutes of September 8, 2011. The motion to accept the minutes was accepted. Mr. Phillips abstained.

FOLLOW UP AND OLD BUSINESS

Staff referenced handout 3(i), the two e mails from Susan Keith at VRS. The context for the first note was verifying whether or not employees or departments could withdraw from VRS. They cannot.

The context of the second was the question of whether or not Deputy Sheriffs, Medics, and Fire Marshals might increase their employee contribution to VRS to enable a more attractive benefit package. The answer is no, all City employees in VRS I must pay the same percentage of salary. The employee contribution rate was set at 5%. Municipalities are given a one-time irrevocable choice to pick up the entire 5% contribution so the rate may be 0% or 5% for all employees in VRS I, but it may not vary by person or by department.

Staff referenced two handouts: 3(ii) and 3(iii). These handouts were designed to address a number of related questions. Information on the handouts included: average salary, average salary of those approaching retirement, and projected social security and pension benefits. There is not a database designed for this application so reasonable approximations were used. Data was provided by employee group. The approximations were based on averages and assumptions were footnoted.

COMMENTS BY CITY MANAGER

At the September 8, 2011, meeting torrential rains prohibited Bruce Johnson from staying long enough to present City management's position on the trigger mechanism. He said Ms. Triggs would outline his position and that at the September 19, 2011 meeting she would deliver his position in the form of a signed memo. Ms. Triggs distributed handouts 4(ii) (1), and 4(ii) (2). The former is Mr. Johnson's memo and the latter a schematic illustration.

Mr. Phillips asked if City Council had seen Mr. Johnson's letter. Ms. Triggs said that would go to City Council later.

Ms. Bosley asked what is the role of City Council and the City manager's Office with respect to the specifics and how might the trigger be structured. Ms. Triggs said that it stands no different than any other recommendation from the Group, it is discussed by the group, voted upon, and the result will be placed in the Report with all the other recommendations

Ms. Triggs said the employee groups would decide how to apply this to their specific plan.

Mr. Phillips opposed the idea of a trigger.

Mr. Milner also opposed the idea.

Mr. Speck was quite concerned with removing the capricious and arbitrary fashion Council had made pension decisions during the June 22, 2010, meeting.

Mr. Milner was concerned that losses had been incurred in 2008 – 09 but the actuarial smoothing methods deferred the recognition for several years. He felt there was a built in bias to increase contribution rates for several years.

Ms. Triggs indicated the City Manager might use a later year.

Mr. Rubenstein asked how the triggers would be determined. Ms. Triggs responded that the different employee groups would be given the opportunity to provide input as to which approach was best for them.

Staff said the City Manager's proposal is to establish FY 2013 as the base year. No possible change would be until 2014 or later.

Mr. Rubenstein, Ms. Bosley, Mr. Milner, Mr. Phillips, and Mr. Gilmore all expressed concern over who would be making decisions on the trigger mechanism. Mr. Phillips felt this group was more informed than City Council and he did not want them to treat this matter as they did the VRS contribution amount that they adopted at the June 22, 2010 City Council meeting. Mr. Speck suggested a trigger would be a benefit for employees.

Ms. Bosley asked who would make the choice on the trigger. Mr. Triggs indicated the City Manager was responding to Recommendation 3 (Section XII) of the Draft #1A document. Ms. Bosley asked Mr. Ray where the ideas on page 62 had come from. He said they were a combination of staff's ideas and handouts from prior meetings and his own ideas.

Mr. Phillips wanted clarification on the prospective vs. retrospective nature of potential changes. It was agreed any changes would be prospective only, impacting future periods not past.

Staff indicated the City was limited on changes to the Supplemental Plan for Deputy Sheriffs, Medics, and Fire Marshals due to state law.

Ms. Harris arrived at 7:15 PM.

DISCUSSION OF THE DRAFT REPORT

Ms. Bosley asked how the group should structure the report and how should the group do their review.

Mr. Rubenstein envisions a structure that City Council, staff, and employees understand. It is best to put key information in the front of the report and the rest in an appendix. He believes what should be emphasized is what is at stake. Also, paragraphs should be titled which would serve to clarify the subject. The observations are very useful. The recommendations should be prioritized from most important to least important. For example, the disposition of the Virginia Department of Health should come last.

Mr. Ray said he was not going to rewrite the entire report. Mr. Milner agreed the report represented a significant amount of work.

Ms. Bosley suggested the group ask for more time from City Council. Ms. Triggs said the due date was selected as the last City Council meeting prior to a key budget meeting in which City Council would give guidance to City staff on drafting the budget. City Council wants to hear from this group before providing budget guidance.

Mr. Speck suggested that Boards frequently retain someone to write reports for them and that the group members do not write the report.

Mr. Gilmore suggested the City Council's first action could be to create a unified board and that board's first task would be to determine the recommendations the group is now working on. Also, the City Manager's recommendation is to use 2013 contribution rates as a starting point, as a yardstick or guideline. There would be no change until 2014 at the earliest.

Mr. Bailey suggested the group go through the substance of the pension issues first and then the report writing afterwards.

Mr. Bailey referred to his notes and edits, which are handout 5 (i). Group members agreed with his suggestions and they will be incorporated into the report.

Mr. Phillips said on page 41, item A-2(e) mentions the City as first and he believes the correct place is fourth.

Mr. Bailey would like to see Social Security costs added to page 42.

Mr. Milner asked why Social Security should be included if Social Security tax rates are out of the City's control. Public representatives saw Social Security as a City retirement cost and therefore should be included. Mr. Milner suggested that the employee's contribution to Social Security also be included.

Mr. Phillips said throughout the document there were multiple references to the values on page 42. If Social Security were added to the totals then the entire report would have to be reviewed. Mr. Baily volunteered to do the review.

Mr. Milner does not believe Social Security is a pension. Ms. D'Sylva agrees.

Mr. Rubenstein believes the purpose of the report is to determine what a fair and reasonable retirement is and Social Security is part of that package. Mr. Bailey noted that not all employers pay into Social Security. Staff indicated that some employers pay into Social Security and integrate their retirement plan with Social Security. The retirement benefit would be offset by the value of the Social Security benefit.

Mr. Milner believes the value of Social Security could be changed at any time and thus should not be part of the discussions.

Staff suggested the report have two totals, one with Social Security, and one without. Mr. Bailey's review would no longer be necessary. A motion was made, seconded to direct staff to create two totals, one with social security, and one without.

Those in favor: Mr. Bailey, Ms. Bosley, Ms. Harris, Mr. McNeil, Mr. Ray, Mr. Rubenstein, Mr. Speck, Ms. Triggs

Those opposed: Ms. D'Sylva, Mr. Milner, and Mr. Phillips.

Mr. Gilmore abstained.

The motion passed.

Mr. Rubenstein referred to the chart on page 42. He said the lion's share of the increase took place in 2007 and was attributable to VRS. This should be explained. He also said policy decisions should be distinguished from investment driven changes in contribution rates. Mr. Ray suggested the changes might be written up in the Observations section. Mr. Phillips will write this up.

The meeting recessed at 8:16 PM.

The meeting resumed at 8:27 PM.

Mr. Rubenstein asked for a short introduction to the plans on page 50 to precede the observations and recommendations. Mr. Rubenstein will work with staff to write a brief, high level overview of the plans.

Ms. Harris asked employee representatives to send her a short overview of their presentations from prior meetings.

Page 51, # 1, first paragraph: Mr. Rubenstein would like to see the last sentence dropped.

Page 51, # 1, third paragraph: Mr. Phillips and Ms. Orr will work together to review and possibly rewrite the references to the Watson Wyatt study.

Page 51, #1 fourth paragraph: Mr. Speck felt this section should address the delicate balance and burden between two constituencies: employees and tax payers. Mr. Speck will submit language.

Page 51, # 2, first paragraph: The language might be confrontational and it should be replaced with something on the order of "...public sector and private sector trends..." A motion is made, and seconded to incorporate this language. The motion passes (11-0).

Page 51, # 2, second paragraph: Mr. Speck felt the word "Many" should replace "All" at the beginning of the second sentence. The term "body blow" is harsh and Mr. Speck suggests other language.

Page 52, # 2, first full paragraph: The term "irresponsibly failed" is loaded and the idea could be made in a less confrontational manner. The group agrees this should be done.

Page 52, second full paragraph: Ms. Bosley thought the word "irresponsible" in the first sentence should be removed.

Page 52, # 2 (c): Mr. Rubenstein noted the 7 ½% investment return assumption used in actuarial valuations and setting contribution rates should be mentioned along with the fact that several surveys the group reviewed showed the median assumption nationwide is 8%. Using 7 ½% is more conservative. Group members agreed with this.

Page 52, (f), (g), & (h): These are valid points but many felt were off topic of (a) – (e) and (i) – (j). The discussion focused on the phrase "...serious steward..." The three points should be separated and placed under a different heading and a phrasing is sought that does not use "steward."

Page 53, #3: Ms. Bosley tied this observation to page 44. She recommends an analysis be inserted. Also, "Out of Control" should be put in quotes.

Mr. Rubenstein would like to add to this section staff's chart projecting Fire & Police plan contribution rates. The chart is not meant to predict rates but to illustrate the impact of recent investment gains currently being deferred but ultimately recognized. Mr. Philips will write language for #3.

Page 53, #3, paragraph three: Mr. Speck noted the word "investors" in the second sentence should be "investments."

Mr. Rubenstein suggested titles be added for each section. Mr. Ray will use titles that Mr. Rubenstein emailed to the group.

NEW BUSINESS

There was no new business.

NEXT MEETINGS:

The next meetings were set for:

Thursday, September 27th, Chet and Sabra Avery Room on the second floor of City Hall, 6:30 PM

- Tuesday, October 11, at 6:30 PM, Sister Cities 1101
- Thursday, October 27, meet with Council Pension/Compensation Committee [begins at 6:30 p.m. in Sister Cities 1101]
- Wednesday, November 9, City Council Scheduled to receive report from group, [City Council meeting starts at 7:00 p.m.]

Mr. Ray referred back to #4 on pages 53 - 54. Mr. Bailey noted footnote #9 on page 54. Mr. Bailey suggested taking out footnote and inserting the edits he distributed earlier. No one objected.

Mr. Speck reported that you can buy an annuity with a defined contribution plan.

Mr. Ray suggested group members email him and all group members suggested changes on items discussed tonight.

ADJOURNMENT

A motion was made and seconded to adjourn. The motion passed unanimously. The meeting adjourned at 9:37 PM.

MEETING HANDOUTS:

- Agenda
- Draft Minutes September 8, 2011 Meeting
- E-Mail from Susan Keith, Employer Representative Program Manager, VRS [3 (i)]
- Replacement Ratio [3 (ii)]
- Average Salaries of Recent Retirees [3 (iii)]
- Memo from Bruce Johnson, Acting City Manager, Response to the Group's Recommendation Concerning a Pension Trigger Mechanism [4 (ii) (1)]
- Current Contribution Rate Structure [4 (ii) (2)]
- Edit suggestions from Russ Bailey [5 (i)]
- Edit suggestions from Len Rubenstein

MEETING FOLLOW-UP ITEMS (As of the Most Recent Meeting Date Listed)

Tasks on the follow-up list will be addressed at the next meeting or will remain on the list until addressed.

September 19, 2011

The following members will provide suggest language changes: Mr. Ray, Mr. Bailey, Mr. Phillips, Mr. Speck, Rubenstein (in consultation with Staff), and Ms. Orr.

Ms. Triggs will talk to the City Manager to request more time from City Council for the group.

Future agendas are to include an item for comments from the public.

September 8, 2011

The requests for public comment on the City's website should be extended to September 26, 2011.

August 2, 2011

Ms. Orr will research the history of the City's reimbursement program (retiree health insurance premium contribution) and report back to the Group.

Mr. Phillips raised questions on termination rates of Medics. Ms. Orr believes her department should be able to come up with some statistics to validate Mr. Phillips' concerns about employment turnover rates. Staff says actuarial valuation rates are also available.

July 14, 2011

Obtain GASB reviews; place the GASB exposure draft on a future meeting schedule.

June 15, 2011

Staff asked Mr. McElhaney to send the pdf version of his illustrations to staff so that they can be forwarded to the entire group. **This was requested June 20 and expected for the July 14 meeting.**

Mr. Ray asked Ms. Orr to find out how much it might cost to update the Watson Wyatt Study and how long it might take to complete. **This was requested June 21.**

May 25, 2011

Ms. Bosley asked for information on exit interviews and attrition rates. **Mr. Mitchell from the Human Resource Department said he would follow up on this. Information will be available at the August 2 meeting and posted on the web page.**

Ms. Bosley asked staff to extrapolate the values of the *Pensions as a Percent of Total Budget* handout for several years. Staff can provide something in terms of contribution rates, but budget information needs to come from Office of Management and Budget. **Referred to OMB and Laura Triggs.**

April 4, 2011

Provide information on 1982-83 and 1989 changes to pension contributions. Resolution 898 regarding the City paying the VRS 5% member contributions is posted on the Group's web page.