

**Minutes of Study Session
Board of Trustees
Non-Uniformed Employees' Retirement Fund
June 2, 2009**

A meeting of the Board of Trustees was called to order at 7:05 p.m. in EOC Room, Basement Level, City Hall, 6801 Delmar.

Members in attendance: Diane Sher, Anne Silverstein, Jaime Mendez, Mark Winer, Erich Haring, Donald Humphrey

Members absent: Mark Winer (excused)

Others in attendance: Janet Watson, Deputy City Manager/Finance Director (Treasurer)
Yolanda Williams, Human Resources Director (Secretary)
Byron Price, City Council Liaison
Tom Deken, Police & Fire Pension Rep

City Council Charge to Non-Uniformed Pension Board

The City Council met on 1/5/09 in a study session pertaining to the Non-Uniform Employees Pension Plan. The Council discussed at length the current Plan and the option of pursuing the establishment of a new Defined Contribution Plan for a portion of Non-Uniform employees. Those employees would include new hires and non-vested (10 years or less) employees.

After discussion, it was the consensus of the Council to request that the Pension Board research this proposal and bring their detailed recommendations back to the Council. Specifically, the Council is requesting the Pension Board:

- Propose a Defined Contribution Plan design;*
- Recommend which employees would be a part of the new plan;*
- Determine the method of transition of any current employees in the plan; and,*
- Determine the impact of this change on the current Defined Benefit Plan, with the assistance of the actuary.*

Actuarial Study

Actuary Stephen Siepman, performed a study (attached) to project the anticipated future costs of the Non-Uniformed Employee Retirement System over a 10-year period, including two potential suggested changes to the eligibility conditions for participation in the Non-Uniformed Plan. Actuarial assumptions and methods used are the same as those used for the January 1, 2009 valuation.

- Option 1 – Employees hired after 2009 would not be considered eligible to participate in the Plan but would receive a 6% of pay City contribution to a 401(a) defined contribution plan.

- Option 2 – In addition to exclusion of employees hired after 2009 as in Option 1, employees who are participants in the Plan at 12/31/09, but are not vested would cease to be eligible to accrue benefits under the Plan. Instead, these non-vested participants would receive a 6% of pay City contribution to a 401(a) defined contribution plan beginning in 2010.

The actuary noted the results should be viewed only as a trend if the indicated assumptions are realized in the future. The study showed that over 10 years Option 2 (non-vested and new employees participate in a Defined Contribution Plan with a 6% contribution) would cost \$292,000 more than Option 1 (new employees participate in a Defined Contribution Plan with a 6% contribution).

Actuary Siepman stated that the days of favorable returns could come back and if the earnings are greater than 6%, the contributions could go back down. If there is no bounce back, the cost of the plan as it is will go up and stabilize at about 11.4% of payroll.

Member Humphrey suggested surveying potentially affected employees to get their feedback about converting to a DC plan.

Ms. Watson recommended giving affected employees an option to choose staying in the old plan or converting to the new plan as was done with the Police and Fire participants. She also stated that if the plan is changed, it is important not to change it once in place.

Mr. Carr inquired about the goal/premise behind considering the conversation—whether it is budgetary or philosophical. Ms. Watson explained that it is both in that it the transition to a DC plan could potentially save money in the long-term, and if not it would provide predictability.

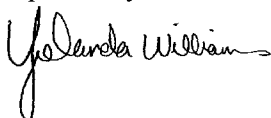
There was discussion about 6% as the City's contribution to a DC plan. Ms. Watson explained 6% was the average rate of contribution for our area as provided by the ICMA-RC representative at the March 9, 2009 study meeting. In addition, employees would contribute 3% for a total of 9%.

Chair Sher requested a 20-year history of the plans investment returns and City contributions for the board's review prior to the next regularly scheduled meeting (July 28) and the Board would determine the possibility of making a recommendation about establishing a defined contribution at that meeting.

Adjournment

Member Silverstein moved to adjourn the meeting. The motion was seconded by Member Carr and carried. There being no further business, the meeting adjourned at 8:40 p.m.

Respectfully submitted,



Yolanda Williams
Secretary