

Burlington Retirement Committee

Meeting of the Committee Members

Agenda

January 28, 2014 5 – 7pm

Fletcher Free Library Community Room

235 College Street, Burlington, Vermont 05401

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| 5:00pm – 5:20pm | <i>Introduction of Committee Members and what each identifies as key goal of this process</i>
<i>The Retirement Committee meeting will start promptly at 5:00pm</i>
<i>Refreshments will be provided beginning at 4:30pm</i> |
| 5:20pm – 5:40pm | Identify anything in the Committee's charge that is unclear and discuss membership key guidelines |
| 5:40pm – 6:05pm | Group discussion of guiding principles/key characteristics for retirement plans – what broad principles that we will use to evaluate solutions to the problem? |
| 6:05pm – 6:25pm | General observations on funding trends discussed at the November 5, 2013 Pension Summit
<i>General observations will serve to help focus discussion at future meetings</i> |
| 6:25pm – 6:55pm | Discuss next steps: Establish meeting schedule (including length of meetings), select a committee chairperson, and discuss the final report, the next agenda, consultant tasks and key characteristics, and who should research consultants |
| 6:55pm – 7:00pm | Public Comment |

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Meeting started at 5:07pm (Chip Mason arrived at 5:08pm)

Bob Rusten opens as facilitator with outline for the night:

- Need to get organized
- To understand the charge ahead of us
- Ask members to introduce themselves and state the fundamental goal they want to see in the process

*5:00pm – 5:20pm **Introduction of Committee Members and what each identifies as key goal of this process***

Sustainability of the system (Eileen Blackwood, Jim Strouse, Bob Hooper, John Federico, Mike Flora, and Brian Lowe emphasize this same point)

Involvement of the BERS Board in all retirement discussions (Jim Strouse, Bob Rusten)

Sustainable and Equitable Defined Benefit Plan (Jane Knodell)

Sustainable System and Relief to the Taxpayers (Sharon Bushor)

By June, a playbook for how to reverse current trajectory (Mike Flora)

Sustainability of the System and Resolution of the Unfunded Liability (Chip Mason)

Sustainability and resolving some of the many unanswered questions (Bill Rasch)

Move forward and find agreeable solutions to retirement system challenges (Karen Paul)

Maintaining the System (Susan Leonard)

Sustainability and the potential for a resolution to eliminate a contentious issue once and for all (Mayor Weinberger)

Sustainable, Equitable, Taxpayer Relief, a Plan for the way forward, and then actually doing it in a way that resolves the issue (Bob Rusten)

(Derek Libby present representing Joe Keenan; Duke present representing Jeffrey Wimette)

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5:20pm – 5:40pm **Identify anything in the Committee’s charge that is unclear and discuss membership key guidelines**

Bob Rusten: Is there any lack of clarity on the charge (City Council Resolution) in front of us

--no questions

Bob Rusten: Seeing no questions, what kind of behaviors do we need to show to make the process work

Bill Rasch: Respect and Understanding

Sharon Bushor: Actually listen to those speaking

Mike Flora: Transparency, and willingness to talk about the issues on the table

Bob Hooper: People have to be willing to put skin in the game – this is about money

Bob Rusten: What do you mean by “skin in the game”?

Bob Hooper: You have to be willing to go to the people you represent and be willing to speak to the people you represent about questions on the table

Bob Rusten: Other ideas? Will come back to all

Eileen Blackwood: Distinguish between brainstorming and discussion time

Sharon Bushor: Be clear about what respect means – this is about an issue, not a person.
Important not to take the issue personally

Chip Mason: It is about civility – let people complete their statements. At the Pension Summit, I learned a lot from the union reps about the retirement system that I did not know

Eileen Blackwood: Use first names

Bob Rusten: I would add honesty, and a willingness to distinguish between fact and opinion

Mayor Weinberger: Recognizing that we need analytical capacity to understand some of the questions in front of us

Bob Rusten asks Brian Lowe to read back what we have so far

Bob Hooper: Of note, only a consultant can help us with some of the analytical capacity

John Federico: What did the City Council intend with consultant charge? It is not clear.

Bob Rusten: Hold on that till later in the meeting – will need to be addressed.

Bob Rusten: Do people agree this is about money?

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Jim Strouse, Bob Hooper: Yes, that is what is driving this, and it drives recruitment of employees as well

Chip Mason: There is an important human element to this. It is a benefit package, it is about people, and it is about competition with the State Police as well

Jim Strouse: Agree with that – money drives a human element

Sharon Bushor: This is also about planning, and the need for appropriate planning

Mike Flora: This is also about family – your wife, your kids depend on your benefits

Derek Libby: It is about people – folks are scared about the retirement system discussion, BFD employees are visiting HR to learn more about their retirement benefits, and we are losing some job candidates because of uncertainty about the retirement system

Bob Rusten: It is important that people hear this as something broader than a financial issue, and I would add to that from my time as a union representative that this is also about respect

Karen Paul: This is about financial security for everyone. It is also about the quality of employees we can attract to the system. Employees depend on benefits for financial security – but there are taxpayers that are finding it hard to live in town with the increasing taxes. This needs to be about financial security and stability for everyone – taxpayers and employees.

Susan Leonard: This is also about trust. This [retirement] conversation is influencing people, and particularly BFD following the death of David Gale. But part of earning that trust means having these conversations with a goal of maintaining the system.

Mike Flora: It is important to note that in the public at large, public pension programs have become almost a swear word in the eyes of some people. Across the country, this is a contentious issue.

Bob Rusten: There are different constituencies at play here – union representatives hear from the people they represent, and Councilors or others hear from those impacted by increasing taxes

Bob Rusten: Gets agreement from Committee to abide by these ground rules

5:40pm – 6:05pm **Group discussion of guiding principles/key characteristics for retirement plans – what broad principles that we will use to evaluate solutions to the problem?**

Bob Rusten: We need to agree to principles by which to judge the issues in the system against. An example of this would be something like fairness, meaning those already retired off the table

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Sharon Bushor: Current retirees should probably not be involved

Duke: Current retirees or those with 30 or more years of service

Bob Hooper: I would include maintaining the Defined Benefit plan as a principle

John Federico: I am skeptical of spending time laying out these principles and whether it will help with the charge we have and the questions at hand

Bob Rusten: An example of how it could help is with selecting a consultant – were we to agree to a defined benefit, then we would not look at consultant specializing in direct contribution plans

Mike Flora: Establish a clear goal for reducing the unfunded liability – if 69 percent is unacceptable, what is acceptable? And then, what timeline to get to that acceptable level?

Jane Knodell: Accepting that changes will not include current retirees as a principle would then shape where we're looking. Additionally, we should approach this in a progressive way, asking those with a higher income for more. Additionally, equity across stakeholders with some rough parity across different bargaining units in the City

John Federico: Establish clearly that we are not directly affecting change within the retirement system within this committee. We are looking for some ideas and solutions here on the Committee, and trying to solve the issue at hand, but the unions have a clear collective bargaining process that already exists

Bob Rusten: Summary of principles thus far: No impact on current retirees, aware of the impact on employees getting closer to retirement (as a broader group than those with 30 or more years of service), maintaining a defined benefit plan, clarifying unfunded level that is acceptable, timeline for addressing the problem, progressive system re: employee contribution, affordable for taxpayers, equity across unions, and not carving out specific benefits

Bill Rasch: We are on a system that is not working. It depends on an 8 percent return that we are not realizing. I did not come here to whittle down specific benefits – we need to look at some of the assumptions underpinning our system. As a group we need to consider whether we should move the pot of money/ the City's investments somewhere else

Bob Rusten: So look at ways to increase non-contribution money coming into the system

Bill Rasch: If we were fully funded right now, the system wouldn't be sustainable given the returns we have. 8 percent may be an unrealistic assumption, and we need to think about what that means.

Mayor Weinberger: We also need to consider greater stability for the system in terms of taxpayer contributions

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Jim Strouse: Many concessions have been made, but the impact has been minimal – evaluating the accounting standards that measure concessions made is also important

Bob Rusten: I would add, as a minimum, any change contemplated cannot make the system more complex.

Bob Rusten: Disagreement on these principles?

John Federico: Yes. These principles do not touch on everything that is important. There are things that need to be on the table.

Bob Rusten: Keep the principles for reference only, then. What else do we need to know? I have four (*missed here but captured in the summary below*):

Why concessions have not had substantial impact?

Sharon Bushor: Were any of the 2007 Task force report recommendations implemented or tried? City Council is informed but not as well as some of the employees. I would like to know about the concessions made, and what was expected by employees there.

Bob Rusten: So analysis of past efforts

Chip Mason: Also, what was proposed but not implemented. That would be helpful

Bill Rasch: I saw most of the 2007 proposals at the bargaining table

Bob Rusten: Comprehensive list of last ten years

John Federico: We need a history lesson, and it needs to be a 20 year history lesson in data – the funding of the system, employee contributions,

Chip Mason: And what the assumed rate of return has been and what the actual rate of return has been for past 20 years

John Federico: Definition of terms – these are complex terms and we need to understand them well

Karen Paul: If we come up with ideas, we need to know if they will make actuarial sense. For example, how many employees would like to wait five years after they retire to get their benefits in return for getting a high benefit? Would employees want that? Would it actually be good for the system?

Mayor Weinberger: Whether there are good models from other communities to base our considerations on

Bob Rusten: I'd add two: We need someone to come in and tell us what are the key drivers of cost, what are the impact of GASB 68 rules are going to be.

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Chip Mason: Include Moody's changes as well.

Karen Paul: Need the information in as plain English as possible.

Sharon Bushor: I don't know enough to know what I don't know, and may have more questions in the future.

Bob Rusten: So in sum: Factors involved in the actuarial evaluation of the system, a 20-year history lesson, term definitions, actuarial evaluation, good models for comparison, key cost drivers, understanding GASB 68 implications & Moody's accounting standard implications. For history lesson, term definition, and good models - we as a Committee can handle that. But we may need someone to come in and look at the rest who has the real expertise

John Federico: We may want someone other than Buck Consultants who has no pre-established thinking about our system already established. NCPERS is my recommendation. They may have some recommendations, and they group exists to make sure defined benefit systems.

Bob Rusten: That's two points. What do people think about not bringing Buck Consultants in for this, first, and second, thoughts on other consultants?

Jim Strouse: I spoke with a guy from Buck Consultants who has a new funding concept, and he may be helpful. His concept is now that GASB is not telling us how to fund, we can look at future changes over a longer time horizon and smooth fund the plan

Bob Rusten: We will share the article with everyone

Jane Knodell: Stick with Buck Consultants to provide the information on the actuarial evaluation because it is expensive to replicate that same work.

Eileen Blackwood: We may be talking about two different people – we don't want to pay for what Buck has already done, but we may want someone to evaluate different ideas

Bob Hooper: International unions also have analytical ability that this group could draw on

Bob Rusten: Hearing (i) Buck to come in and tell us what they are doing and what is going in to the valuation report, and then having someone else evaluate independently

Sharon Bushor: Why just one additional outside consultant?

Jim Strouse: BERS brings in Buck routinely and have them speak to their actuarial valuation before BERS Board formally accepts – this committee could join BERS for that in February

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Bob Rusten: We have talked about other consultants and what we would need. On the 20 year history lesson, is there someone who has the capacity and knowledge to do that?

Karen Paul: The 2007 Task Force Report has a five page summary that could help.

Bob Rusten: I would offer to work with John Federico to compile the 20 year history.

John Federico: The data resides in your office [Bob], but it would need to be supplemented by history from those who have been involved in the last 20 years.

Bob Rusten: Agreed. Okay - What about evaluating the investment choices the City has made?

Jim Strouse: We have that and do it annually – it does give us benchmarks

Chip Mason: It is more than just the return – there is a smoothing component at work here as well that complicates this

Bill Rasch and Bob Rusten: Whether we got 6 or 8 percent return, if the market rose 16 percent should we consider how we invest our money? Further, we need to determine whether the return is 6 or 8 percent.

Bob Rusten: We should ask Buck to explain the numbers they are using in their evaluation. But we need to also understand the numbers, the returns, and the basis for those returns.

Eileen Blackwood: BERS Board members and VPIC members should have the ability to explain this – only if that explanation is unsatisfactory should we go out and get outside help, which is expensive

Mayor Weinberger: So to be specific, BERS / VPIC representatives could report at a future meeting on, over 20 year time horizon, how does our return compare with the assumptions of the plan

Bob Rusten: Would BERS / VPIC be willing to do a presentation on what we need to understand one component of our cost drivers – specifically, the investment return, in whatever form they would like to do?

Bob Hooper: Whether it is me or someone else making the presentation, people need to understand that VPIC made a more conservative investments post-2008 to insulate its investors from market downturns

Bob Rusten: Susan Leonard – can your office come with annual return numbers?

Susan L: Yes

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Bob Rusten: So in sum for now, Jim will let us know when Buck is coming to BERS when, Eileen will get term definitions and share them with the group, Bob R. and John Federico will work on the 20 year history lesson, and Bob Hooper and Karen will work on a presentation on asset management and last 20 years of returns, and Susan can provide the annual numbers.

Mike Flora: This is all good, and the history is important, but I do not want to lose site of the fact that we're \$63 million in the hole. This needs to be the focus of our work.

Bob Rusten: We have a short timeline with which to do that, and we need to select a consultant?

John Federico: I would take the lead on contacting with NCPERS along with Susan Leonard.

(agreement on all of above)

Bob Rusten: We need a meeting schedule, and we have a lot to do. How frequently do we need to meet, and for how long?

Jim Strouse: 2 hours

Karen Paul: Tuesday nights

Jane Knodell: Every two weeks is enough time to do the work and get it out

Bob Rusten: Doodle poll out for two weeks? Or can we establish this every two weeks from Tuesday – we will send out a schedule, and Brian will find a location.

Bob Rusten: Facilitator?

John Federico: Is there anyone else we should look into outside the Committee? It is hard to balance the facilitation role.

Bob Rusten: If people have names, send them to me, and we can discuss at the next meeting.

Open meeting for public comment:

Richard Lyons: I think this was pretty good – long time resident of Burlington with a job at DPW

Bob Rusten: With no more public comment, meeting is adjourned early – at 6:48pm.