

**Minutes
Employee's Retirement System Board of Trustees
January 19, 2011
Special Meeting**

Call to Order: Chair Dave Nadolski called the meeting of the Employee's Retirement System Board of Trustees to order at 8:30 a.m. at City Hall.

Board Members Present: Cathy Bianchi
Matt Burns
Peggy Dant
Shawna Goldammer
Donn Hill
Angeline Lavin
Dave Nadolski

Board Members Absent: None

Staff Members Present: Bill O'Toole, Director of Human Resources
Gail Eiesland, Chief Assistant City Attorney
Angie Uthe, Compensation & Benefits Manager
Kathy Pottebaum, Benefits Technician
Ann Boden, Financial Analyst

Others present: Firefighters' Pension Fund Board of Trustees members: Randy Farland, Mike Havlovic, Paul Livermore & Mark Sivertson

The Employee's Retirement System (ERS) Board of Trustees and the Firefighters' Pension Fund (FPF) Board of Trustees met in joint session with Board Chairs noting that the planning session comments were open to both boards.

A motion was made by Dant, seconded by Goldammer, to approve the November 10, 2010 meeting minutes. Motion carried unanimously.

Angie Uthe informed the Board of the Mayor's appointments and confirmation from the City Council for Trustees Dave Nadolski and Angeline Lavin. Their appointments are effective from December 20, 2010, through December 20, 2014.

Discussion was held on possible modifications to the pension system in an effort to help reduce and stabilize City contributions and the impact on the City budget. Trustees shared comments from members and retirees. Topics discussed included: components of final average pay, access to City health plan as a retiree, establishing a waiting period before the first pension payment is made, closing down system to new hires and moving new hires to the South Dakota Retirement System (SDRS), increasing employee contributions, raising

retirement age, capping the pension benefit, modifying the multiplier and offering a hybrid plan utilizing the current deferred compensation plan (457) or similar product.

To help facilitate the discussion, the board agreed to separate proposal discussions into one of the three groups: current retirees, future employees and current employees. Recommendations were as follows:

Current Retirees: It was the consensus of the board that it was not necessary or appropriate to modify the benefits of current retirees. Current retirees made decisions to retire based on the current benefit structure and modifying their benefits would only invite lawsuits and was not an action this board was interested in pursuing.

Future Employees: The board does believe it is prudent to request further analysis from the actuary on the long-term cost/impact of moving new employees to SDRS to better understand the funding implications for the City's contributions for current employees in the Employee's Retirement System.

Current Employees: The board would like further analysis on the impact of removing retiree healthcare and pursuing a stipend or retiree health savings plan (RHS), with the City possibly matching a 1% contribution into RHS. The current cost for the City's retiree healthcare is very high and continues to increase based on claim experience and the size of the group. Providing a stipend or match into RHS would allow the retiree to purchase their own insurance coverage to meet their personal needs. The Board noted that the current federal healthcare reform law has made "pre-existing conditions" a non-issue as of January 1, 2014, but is subject to change depending on congress and they want the regulations to be monitored to ensure reasonable access to coverage. The Board would also like further clarification on increasing the employee contribution by 1 to 2 percent and the impact to the City's contribution. The City's contribution continues to increase, while the employee's contribution remains flat. There was discussion on removing eligible sick leave and vacation leave from final average pay, with the City contributing a set percentage of pay in the deferred compensation plan (457). The Board asked Firefighter Trustee Farland to meet with Human Resources and better define that option for consideration at the next meeting.

The Board discussed the process for making changes and asked for clarification on what items would require a vote of the membership. Human Resources Director O'Toole stated that any change in benefits for current employees would require a vote of the membership, such as, increasing employee contributions and eliminating retiree healthcare coverage through the City's health plan. Chief Assistant City Attorney Eiesland confirmed that closing the system to new hires and moving them to SDRS would require action on the part of the Mayor and City Council.

Trustee Lavin acknowledged the potential consequences for failing to plan and address the rising pension costs and remarked "that doing nothing was not really an option". Many other board members agreed. The impact of increased funding for the pensions could have negative consequences for City employee wages, benefits and public service. The board

recognizes the need to make recommendations to the Mayor for consideration while still providing a financially sound benefit.

Angie Uthe informed the Board that Trustee Peggy Dant's first term was ending effective 2/2/11. The Board asked Dant if she was interested in continuing to serve as a trustee and she said yes. **Motion was made by Bianchi, seconded by Lavin, to re-elect Dant to the Board. Motion passed unanimously.**

Motion was made by Lavin seconded by Bianchi, to adjourn the meeting. Motion passed unanimously.

The Board adjourned at 11:20 a.m.

Respectfully submitted,

Angie Uthe
Recording Officer