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## **Burlington Retirement Committee**

*Meeting of the Committee Members*

### **Agenda**

**October 21, 2014 5:00pm – 7:00pm**

Contois Auditorium, City Hall

149 Church St., Burlington Vermont 05401

5:00pm – 5:05 pm     **Approve Agenda**

#### **Review and Approval of September 30, 2014 meeting minutes**

Bob Rusten suggests amending the agenda to move public comment until after a preliminary discussion on the draft summary paper.

Brian Lowe moved to approve, Councilor Paul seconded

5:05pm – 5:10pm     **Public Comment**

5:10pm – 5:20pm     **Update from BERS**

*All*

Jim Strouse gives an overview of BERS deliberations:

BERS adopted a new mortality table

BERS elected not to adjust the expected return on investment from 8 percent

BERS deferred a decision on an open group method

BERS adopted the Entry Age Normal method

BERS deferred a decision on tiered amortization. Some indications of support for tiered amortization at the 1 or 2 percent level

Bob Hooper and Dan Gillick (now representing BPOA instead of John Federico), members of BERS concur with Jim's overview.

Councilor Bushor: What is the impact of going to the new mortality table?

Jim Strouse: It will cost us more money – people are living longer, and it will cost the system more.

Bob Rusten – If no further discussion, let's move to the next section

5:20pm – 6:50pm     **Review of Small Group Discussion and Revised Summary Paper of Retirement Committee Discussions**

*All, with Keith Brainard*

Bob Rusten – Provides a high-level overview of the Committees work and how it translated into a draft retirement summary paper. Notes that the Committee did not receive any additional written feedback, but revisions were made to the draft report based on feedback from the small group and new updated information from BERS. Bob specifically notes the changes regarding the COLA on page 7 of the revised draft summary report.

(No Questions following the overview – Bob begins public comment)

**PUBLIC COMMENT:**

**Ron Ruloff** – Hard decisions have to be made. This cannot be talked about endlessly.

**Joe Keenan** – Participated in this Committee since January, with other representatives from the City's bargaining unit. Some have expressed frustration that the union representatives will not vote on a final report. We cannot, as we are engaged in bargaining.

There are two fundamental questions: the changes BERS is contemplating and defining the health of the system.

Pleased to see references to the COLA have been deleted from the latest draft. Implores the Committee to remove consideration of ever impacting retirees from the paper entirely

The level of respect on the part of the Committee member has made a long process bearable.

**Gene Bergman:** Appreciative of the work Mike Flora has done, and appreciates the revisions to the draft. Concerned about the criteria of national norm – compliance with national norm isn't necessarily a good thing. Remove impact from those who are paid less – income sensitivity measure. Recommends sunset provision.

**Bill LaCroix:** Employee for 33 years. I would like to reiterate that current employee benefits should be protected.

5:20pm – 6:50pm      **Resuming the Review of Small Group Discussion and Revised Summary Paper of Retirement Committee Discussions**  
*All, with Keith Brainard*

Bob Rusten: Are people comfortable with the proposed changes in the summary paper.

Councilor Knodell: Income sensitivity suggestion from Mr. Bergman should be included in the report.

Mike Flora: I'm not comfortable with the overall submission of this report without having run some of the numbers here. National norms, for example – I've looked it over, and I'm not comfortable absent understanding what the numbers actually look like. We have made 13 changes to Class A and 9 changes to Class B, and it hasn't worked.

Bob Rusten: We are required to provide a report to the Council by the Resolution, and we'd decided last time to wrap his up tonight

Dan Gillman: Unclear on #5 on page 7. If there is one plan with variations as opposed to two separate plans, what is the difference?

Keith Brainard: Only administrative – it moves things around, but plan participants would not notice the difference.

Eileen and Bob Hooper: Would this save money, or would this have an impact on the plan?

Keith Brainard: It would not have a financial impact on the plan, but it would help simplify the plan.

Councilor Knodell: Not clear to me what the proposals are that we would be evaluating in the first recommendation – Bob or Brian, can you clarify?

Brian Lowe: The proposals the consultant submitted are the proposals that would be evaluated.

Bob Rusten: That includes the national norm conversion Mike Flora referenced earlier.

Councilor Bushor: I'd echo Jane – it is not clear to me what that refers to. I don't want to spend a lot of time focusing on something that will concern people, but not do something meaningful to the system. I feel this paper falls short, and does not give the necessary guidance.

Mayor Weinberger: I think #1 and #2 are meant to be read in concert. It is not an infinite list, and it is a significant list that we did not have at the outset of the process.

Mike Flora: I'd like to submit that we say "explore the possibility" at the outset of #s 2 – 4. And on #1 after the phrase collective bargaining process add language "and changes to the system for non-union employees"

Councilor Knodell: Under Reform Principles, "changes to employee benefits and contributions be based on ability to pay" reflective of income sensitivity concerns

Eileen Blackwood: How would this work in practice? Higher paid employees would get higher benefits in our system.

Councilor Knodell: It could be modeled after, for example, social security, in which higher wage earners accrue less of a benefit.

Bob Rusten: Any other additions? (none) Then I will turn to the small group discussion and the Mayor's proposal. Bob gives an overview of both the small group proposal and defers to the Mayor on his proposal.

Small Group Proposal:

80 percent funded in no more than ten years and continue toward 90 percent or higher after that point

If the trend line changed from positive, there would have to be a trigger

The taxpayer contribution would remain flat for at least some period of years; if it rises, there would be a trigger

Taxpayer contribution could be measured in current \$ or in percentage of payroll as the measure

Mayor Weinberger: Overview of his proposal – below.

Mayor's Proposal:

"The Committee recommends that the next round of collective bargaining include three major goals:

Negotiated agreement to a plan that improves the funding level to at least 85 percent

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Taxpayer contributions remain flat or decline for three to five years in recognition of high rate of tax increases taxpayers have experienced over the past decade  
Agreement on automatic adjustments to the plan in the event that the funding level of the plan drops below 85 percent”

Mayor Weinberger: To speak to some of the differences between the proposal, we have been meeting for a year and invested substantial resources in this project. 10 percent is not enough for me, and that is why I think 85 percent makes more sense. I am also aware there is no timeframe here, and for me 10 years is too long – I do not believe the public will accept that. The second component does not need further explanation. The third component was a real example of learning for me – this was a new concept to us, and I believe there is agreement on these.

Bob Rusten: Should we include this in the paper?

Councilor Bushor: I would very much like to have this in the paper. Everyone needs to know there is a dedicated revenue stream to sustain the system. That is an important component of the discussion here.

Bob Rusten: Does anyone disagree with putting these proposals in the paper? Or, something along the lines of what the Mayor or the small group proposed? (no objection)

Let’s take them in turn then. Looking first at the first component of the small group and Mayor’s proposal, and thoughts?

Mike Flora: Not having a timeframe makes this difficult to quantify. How would you do this?

Councilor Mason: With a specific timeframe, absent the details of what the changes will actually be, you can’t really put a number on it that proposal.

Mayor Weinberger: Looking around the country, when there were agreed upon changes, they had a substantial impact on the system – we want to agree to changes in the next round and score those after coming out of bargaining to see the future impact on the system.

Councilor Bushor: Keith, if we bargain changes, the Mayor thinks we could see immediate changes in our funding level. I don’t recall that. Do you recall whether there were short-term, significant changes in funding level based on the scenarios we have been proposing?

Keith Brainard: Where you would get immediate impact is reducing benefit levels of employees. Changes in the COLA in OK, ME, RI, CO led to dramatic changes. Or requiring immediately a higher retirement age or changing the multiplier. Affecting new hires only leads to negligible change.

Councilor Knodell: Flat or declining for three to five years? And after?

Mayor Weinberger: It could go up again – I don’t think it’s realistic to think it would never go up again.

Councilor Paul: I would not be opposed to tying the taxpayer contribution to an index after the three to five year timeframe. I don’t think 80 percent funding is good enough. I don’t even think 85 percent is enough – but I’d be willing to accept that here. As far as a time, I’d be in favor of cutting the time from ten years to five.

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Jim Strouse: I thought the last comment was reasonable. 85 percent in five years. I do think we need to have a time frame.

Councilor Knodell: So that is a substantial amount of money (she estimates \$32 million) that can only come from one place, unless you are counting on the market which we shouldn't do.

Bob Hooper: I agree with Karen, though I'd add that even a 100 percent funded system can still be tripped up. There is some feeling in the City that it's time to make changes.

Dan Gillman: It sounds like with no increase in taxpayer contributions, there is only one place for the money to come from, and that could lead to contentious bargaining situation.

Councilor Bushor: Everyone likes the triggers. I would also support the plan to keep taxpayer contributions flat for 3 to 5 years, similar to what Karen said. When it comes to 85 percent funded, I'm not sure we have ever really agreed to a goal. I don't know if we can get to 85 percent funded in five years unless we said we'd do some things we said we wouldn't do. What about people who have worked here but aren't vested, while keeping the benefit they have already accrued. Is it attainable in ten years? Maybe. I am not sure.

Bill Rasch: If we are unable to reduce the unfunded liability now, with a cap on taxpayer contributions means it comes from employees. I'm not happy with that. I prefer Bob Hooper's proposal with the City putting more money in up front.

Bob Hooper: I through my proposal out because I saw us not getting something concrete. Having a clear proposal of who puts in what made sense to me. 2 percent extra from everyone for about 5 years and at that time would be counted against the UAL.

Councilor Paul: Investment returns and a significant increase in benefits are the main drivers of the problem we face, compounded over time. We did not meet the ARC for two years, and while I advocate that we make it every year, that is not the driver. We must be mindful of huge trajectory of increase taxpayers have made over the last 15 years.

Bob Hooper: Agree with Karen Paul. Employees must do something to save the system. But, as a citizen, I want to ensure the highest quality of employees. But the tax burden is too high.

Councilor Knodell: Taxpayer contributions flat for a timeframe. So, we wouldn't be making the ARC possibly if not enough came from the employees? This is a trade off. If we want to gain the \$32 million, we'd have to be all in. If we were willing to go ten years, it might work.

Bob Hooper: Clarification – 80 percent funded in ten years is easier to make that 85 percent in five years.

Jim Strouse: It has come to our attention that for many years we have underpaid the expense portion, perhaps to the tune of \$500k, compounded for years.

Chip Mason: I sit on the Board of Tax Abatement, and I regularly get emails from people across the City complaining about the high cost of taxes in this community. The combination of the increasing school taxes and increasing taxes for things like the retirement system is putting a huge burden on City residents.

Bob Rusten: What if, in my role as facilitator, I made the following compromise suggestion:

- 85 percent funding in no more than 7 years in trajectory that is up

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- For three years no increase in City contribution and after that increase tied to an index
- If we don't hit the target in a given year, there would be triggers (agreed upon before)

Councilor Paul: And that there is a requirement to meet the ARC.

Bill Rasch: How would that happen, other than increased employee contributions? (The ARC means the City would put in its full required amount).

Jim Strouse: I strongly agree with Karen

Councilor Bushor: Can you speak to the percentage increase of taxpayers? I'd like to understand the numbers better before committing to something. Maybe 80 percent in seven years. The flat rate could be problematic for us.

Mike Flora: What happens after tonight?

Bob Rusten: A number of different factors are at play here. We are trying to set some basic principles we would work to achieve in bargaining. Any additional comments?

Jane Knodell: I want to understand your compromise – 85 percent in 7 years with taxpayer contributions constant for 3 years, with triggers all seven years? (Yes, and beyond those seven years). I think that is a reasonable compromise.

Mike Flora: If you're hitting targets, it remains flat?

Bob Rusten: Yes.

Bob Hooper: I'm in favor of voting for the compromise Bob has laid out.

Jim Strouse: Make sure there is language in there that we will abide by the ordinance and meet our ARC obligation.

Bob Rusten: So, to recap: ***85 percent in 7 years with City contribution constant for 3 years, with triggers all seven years, and beyond? (Yes). I think that is a reasonable compromise. If in any one year the target of increasing the funding level is missed, it would trigger an adjustment that would share the risk between us.*** Bob also reviews the other changes considered, and all agree the summary is accurate. Is there anything else people would want to put into the report? (there is none).

Bob notes Brian will update the language and get it out to people so they have a chance to confirm it is accurate. Then we will submit this to the City Council, recognizing there is not a formal vote, but that it reflects the discussion of the Committee.

6:50pm – 7:00pm      **Concluding Remarks**  
*All*

Councilor Bushor: Keith, thank you again for bringing us along and sharing your knowledge.

Keith Bushor: It was an honor and best of luck going forward.

Councilor Paul: I'd like to thank Bob, the Mayor, my Council colleagues, and others, but especially the union representatives who have been here to take part in this process every step of the way.

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This is very different than the 2007 process, which was not inclusive. I hope that this one will be different and offer a framework for negotiations that will continue for some months.

Councilor Knodell: Bob, thank you for an excellent job facilitating a difficult process. I would just add that the 2007 process did make some progress. And I'd add that my comments last week were not critical of the union representatives

Jim Strouse: Thanks Brian for his work

Mayor Weinberger: I want to thank the union representatives, Councilors, and others for doing this work in a way that is collaborative and productive. I did not know what would come out of the process at the beginning, and I believe we have advanced the ball and believe in the upcoming bargaining rounds we can find a way to avoid having this difficult discussion repeatedly in the future.

Bob Rusten: It was not fun discussing retirement. I did enjoy working with everyone on this issue.

**Meeting ends at 6:56pm.**