POLICE & FIRE PENSION ADVISORY COMMITTEE
FEBRUARY 8, 2002

Members present: Aaron Drake (AD), Jim George(JG), Mark Meyerson (Meyerson), Mark Westphalen (MW)

Members absent: Joe Yindrick

Personnel Dept.
Resource Staff: Georgia Glass (GG) , John Cripe (JC), Paul Lutomski (PL)

Others present: Greg Roelke, Doug Srb, Mark Munger (MM), Ed Sheridan (ES), Greg Sorensen (GS), Terrence Sherrill

AD: We=re here at the start of the February 8th City of Lincoln Police & Fire Pension Meeting. We have a number of guests here. I=d like to introduce who everyone is and then we have a request to break from our normal agenda and start with new topics as one of our guests has an item he=d like to bring up and then we can resume our normal activities.

AD: Okay. Let=s start on the right.

GR: Hi. My name is Greg Roelke. I=m a retired Police Officer. City of Lincoln. I served on this Board back in >87->88. I=m currently president of the Lincoln Police Officers X Retired Police Officers Association. So I think we=re going to try and be in attendance from here on out as a group of retired Police Officers.

DS: Doug Srb. Lincoln Police.

MM: My name=s Mark Munger. I=m the President of the firefighters union.

ES: Ed Sheridan. I=m the President of the Lincoln Police Union.

GS: Greg Sorensen. I=m a detective with the Police Department.

TS: Terrence Sherrill of the Lincoln Police Department.

AD: Welcome, everybody. Some are returning. Some are new people

visiting, and we welcome to have everyone here that can attend. Georgia has just come in as well. Georgia, we=re going to jump to # 3 which is new topics. One of our guests has an item he=d like to address, and then we=ll resume our normal agenda. So. Go ahead, if you=d like.

GS: The item that I want to address is the DROP program and the differences upon entering the DROP between three different programs, Plans A, B and C. The way I understand that it currently is, is that Plan A, once they reach retirement age, can enter the DROP program at any time once they have reached retirement age. Plans B and C, when they reach retirement age, which is 53, they only have one year in which they can determine whether or not, decide whether or not they want to enter the DROP program. After that one year expires, they=re no longer eligible to enter the DROP program.

GS: Now, from when I was talking with Paul Lutomski, the reason that there=s a difference between the Plan A, which can enter anytime they want after eligibility, and Plan B and C, is that Plan B and C no longer have to pay into the Fund at their 7% or 7.6% rate. And my question is, couldn=t X can there be an ordinance change to allow the B and C members, once they reach retirement age, to voluntarily pay back into the plan in an attempt to lengthen that period of time when they can choose whether to enter the DROP? B and C cannot reach their maximum retirement until they have an additional five years on after retirement age, so at age 58, people in Plan B and C can reach the maximum retirement that they=re allowed, either 64 or 68 percent. But under this DROP program, should they want to go into the DROP program, they have to take a lesser retirement in order to get into the DROP program. If they continue to pay into the plan at age 53 and at age 53 they started paying back in at 7 or 7.6 percent, then from what I was told by Paul Lutomski, there is no cost to the City. Essentially they could then enter the DROP program the same as Plan A, anytime they wish to.

PL: I would not have said that there isn=t any cost to the City. I would have said the employee contribution is the difference.

JC: When the plan was under development this group we went over a number of scenarios. We asked the actuary for an analysis on when you could or couldn=t DROP and prices to the pension. How much does it cost to do a three year window, five year window, because those were all the things that this committee wanted to know about. And there were significant economic differences between a three year and a five year

window. And so, when we proceeded the other issues was whether or not employees would pick up contributions in Plan B or C and the committee at that time said that there would be no employee increase in contributions, so we proceeded with the IRS, with only a one year window for B and C and then an infinite window for A.

PL: And on the cost situation, there=s a little difference between Plan A and B/C. Plan A, they=re frozen at 64%, so while they=re thinking about getting into the DROP plan, they=re contributing 8% and their pension benefit is frozen at 64% of their pay. B and C, even if they started contributing, their pension benefit is not frozen. It goes up 2% for every year. So the employee contribution does not pay for the increased cost.

GS: But the most they can max out at is either 64 or 68 percent.

PL: Yes, but I=m saying that we would have to send this to an actuary and ask them what the cost would be, or what would need to be done to get the cost neutral, because unlike A, where they contribute 8% and the benefit is frozen at 64%, if Plan B/C guys contribute 7.6 or 7, their benefit goes from 54% or 58% up by 2% per year to their max.

JG: We spent almost 2 years going back and forth on this DROP, getting it finalized. When it was first brought to us, it sounded like a good plan, but in doing research with other DROP plans, we could see that there was some significant things that could and should be added to that plan to make it more equitable. Make it a better plan, and still fall under the, the bottom line of being cost neutral. That, that was the whole thing, I mean, for the City to want to offer it to us and for us to want to accept it... Well, for us to accept it, it was obviously a, a good plan for us. For the City to offer it, there had to be something in it for them, too. At least, that was the impression I got. At least, not be an added cost to them. Originally, we were going to get like 88% of our pension paid into the DROP, and a three year DROP period and not be able to get our refunds and contributions back. And those were things that through negotiations were changed. There was give and take, of course, on both sides. One of the things I felt, we gave up was the fact that the 7.6 people had to one year to decide whether to get into the DROP or not. And, it was, it was, I mean I could see the economics of it. For that to be allowed to go on was going to add some cost to the City according to our actuaries, and the City was very reluctant to, you know, take the plan to the Council, if there was any cost at all. And, like I say, there was a lot of discussions on whether this was going to cost the City any money or

whether it wasn=t. Well, we=ve heard from other participants with DROP plans. Basically, I guess it=s like, well, it=s already been mentioned. No, but I don=t ever remember anybody bringing up the possibility of allowing the 7.6 plan members start paying in again. I don=t ever remember that discussion. In order to leave that DROP window open. The way the DROP is set up you enter it at normal retirement age, and that=s 53 for the 7.6 plan and it=s age 50 for the 8% plan.

PL: Well, if we want to look into this, the next step is to ask the actuary for the cost of it.

JC: You=d also have to ask whether or not it would require an additional IRS ruling.

PL: Yes. We=d have to re-file, I=m sure.

AD: I were sitting in that Chair I probably wouldn=t be very thrilled at the answer just accept our opinion that it was expensive.

GS: Well, it sounds like it was never, that was never brought up. You never questioned the actuaries as to whether and what it would cost if the people started paying back in.

AD: I don=t believe we asked them that specific terms, but maybe we have some components of that information that we can use to, to give an idea as to what the cost was.

PL: I don=t think we looked at it from a Plan B/C question. We looked at it from a Plan A question. Initially, it was, you have your choice of, instead of getting your full pension benefit paid into your DROP, you get 88% of your pension benefit paid in or you can get your full pension benefit and keep paying the 8% deduction out of your account. But I don=t, I don=t remember us asking for a formal cost estimate for B/C, because when we looked at it, the actuaries said, AOh, man, that=s, that=s going to be pricey, because you=ve got a lot of older people in B/C, so they=re the ones that are going to be using this right away. They=re not contributing anything, plus their benefit=s going up during that 53 to 58 age period. You know you=re going from 58% to 68%.≅

JC: There=s only two ways that we spend the money for the pension. One way that you spend the money is current accrued liabilities, and that means if we, we make the change to the plan and we accrue a new

liability, then they assess it immediately to the plan. So if we say we want to institute this change and the actuary, whether it matters or not, because we have had this debate whether or not it actually occurs, if they believe it will cost us $3 million, then they deduct from our overfunding $3 million that next year, so the funding of the plan goes down $3 million. And then the second way that we fund the pension is through normal cost, and normal cost would have went up substantially. So that=s the percent of payroll that=s paid every year or is obligated every year, and our mission, based on the City direction, was to institute a plan that was relatively neutral in both regards, so that there was not a substantial increase in accrued liability and there was not a substantial increase in normal costs.

PL: And there was a $2 million initial cost.

JC: Liability.

PL: Charged to overfunding

JC: So that=s as close as we got to zero.

PL: And we=re also trying to do what=s comparable with other communities that have a DROP plan and the ones that we=ve seen there is as soon as you get to normal age and service retirement they offer the DROP plan, and there is an eligibility window, probably for the same reasons that we=re talking about, the cost. So, if we want to make it cost neutral X If we want to continue the discussion, I think the next thing is to spend some money to have the actuary cost it out.

JC: Well, the committee would have to make the recommendation, and we=d have to go to see the Mayor if he wants us to spend the money to make, to figure out what it costs.

JG: I would have to say reviewing DROPs most of the plans, not all of them, but most of the plans by far had time limits. A lot of them within 90 days. From the time you meet normal retirement, you=ve got 90 days to get into the DROP.

GS: And I understand that, sir, but the problem is Plan A once you get to it, as long as you=re paying in, you get to enter the DROP plan whenever you want, they can go to age 65, if they want, to enter the DROP.

JC: If they choose to do it in Plan A, they should seek help.

JG: Yes, because they=re paying money in, with no benefit.

JC: Because if they=re paying 8% of their salary every year in contributions, and their payroll was only going up 4%, their pension is going down equivalently every year that they wait. If a person waits more than a month or two, they=re not making a wise financial decision – regarding the pension at least.

MEYERSON: Can you or Paul or can anybody here say for sure whether or not there would be a cost with Greg=s proposal? Or are we just guessing, because it=s never been discussed and looked at?

JC: Well, I=m pretty sure there=ll be a cost. The question is how much. Because the 7.6 isn=t the only contribution to the increased amount of the pension. Remember in the early days when we wrote that big pension bill across the chalkboard and talked about how long you finance the pension and how many years. The question is when the pension is fully funded for an individual on that entire track. Well, if they cut off the track at 53 and take their DROP, then we know that it=s fully funded at that point, and so the City, the City has a 12% obligation on normal costs of any increasing benefit that happens to break past 53.

MEYERSON: So you think there=d be a cost, but you don=t know if it would be substantial.

JC: I don=t know how much, and don=t know whether the contributions has to be mandatory, or if its optional.

MEYERSON: Do you have any idea what it would cost out of the pension fund for an actuary to cost this up? Because half of our guys are on the B and C plan, and I know this is an important issue to a lot of them.

PL: About five thousand bucks.

JC: Well, based on the way that we=ve been checking into the DROP for the last couple of years, five thousand seems pretty small, based on what we=ve spent on the DROP already. But I think it needs to be a decision that the Mayor comes forward with. If you all vote to make a recommendation we ask the Mayor whether we go forward on that or not. It took a year and a month to get the IRS to rule on the current status,

and I don=t think it will be any quicker if we have to amend the plan and have to refile. So it is a decision that, I think, the administration has to make. But first you=d have to say you want me to go forward with it, and then we will ask the question.

JG: This isn=t a new topic. But at the time, I think we would have all just as soon had an open window on it. I obviously I don=t know that there=s a lot of people that would take advantage of it, but if there=s any, why not have it? I mean I agree with that. But personally when I B from what I kept hearing back from the actuary is that it was going to add cost, it=s also going to add cost to us. I mean, some of us have thirty years of service by the time we retire. We haven=t been paying into that plan for nine years.

JC: It would seem to me that a person needs to make an individual decision. If you look at the economics, you=re not making any contribution from 21 until whenever you retire, and your pension increases after 53, from 58% to 68%, is that more valuable to you than increasing contributions after 21 years of service or increasing contributions after 53 years of age ? Because somewhere we have to figure whether we=re going to fund it or not. The compromise in introducing Plan A, was that we would allow Plan B and C to sort of go idle and there would be no future contributions, and there would be no pre-21, and you=d get the benefit of everyone that was on there. Folks on Plan B and C could make the choice on how they wanted their pensions to play out. Whether they wanted it to be at the set amount and 8% contribution for their career, or whether they=d rather stay in those plans and not make contributions B for some cases ten years, twelve years B and their benefit does increase after 53. We would just need to have some direction from you all. It is not something that the City=s probably going to chase.

GS: And I=m not suggesting that everybody who has reached 21 years of service and age 53 be required to pay into that, it would be only if they decided to go into the DROP program.

JC: If it=s possible that we might be able to get a resolution that if you decided to go into the DROP program, you had to pay back those years that were in between like we are with plan A. Because it=s a funding issue. We=re funding your pension over a 30 year period, and the City continues to fund Plan A and Plan B/C pensions, your entire career, whether you make contributions or not, based on the normal cost for the pension. And so we are obligated.

GS: Yes, but that=s just like you have the lump sum payment back in, now to go into Plan A, if you were going to do B if you had the money to do a lump sum payment, why not just go into Plan A now? A lot of people don=t have the money to do the lump sum payment.

JC: Well, but there=s lots B I mean, there=s lots of reasons not to do as much as there are reasons to do it. It is all the individual circumstance. Every person is different based on their career plans. It isn=t one size fits all, so some folks have it, some don=t, some shouldn=t ever switch, some should have switched five years ago. I mean it=s all different.

GS: So, you=re just talking about having a bunch of options. They can either pay in 7% or they can pay a lump sum, whatever.

JC: We=d have to ask the question, Where is it neutral? Is it neutral if we have to have people pay it back? Is it neutral if we start at 53? Is it neutral when the contribution is larger than 7.6 or 7? I mean, we have to ask the question for them to tell us at what point can we go to the Council and say, AHere=s another amendment to the pension and it is neutral.≅

GS: It would give another option. It sure wouldn=t hurt to find the answer to those questions.

MEYERSON: If it=s cost neutral or very little cost, I mean it would be a good thing. It would be a type of enhancement, but I guess that=s what nobody seems to know for sure. You=re saying there=s B you=re sure there=ll be some cost to it, but you=re not sure if it would significant or not.

JC: This is the only way when we ask them to design a DROP, this is the only way we got to neutral on this, and this is as close as we got, and it cost us.

PL: I think it would be almost as much as the employee would have to contribute their 7.6 and the City=s normal cost also. So another 20%, basically.

GS: Why would they have to do that?

PL: Because we fund the pension to expected retirement date, and if you want to DROP after your expected retirement date, the cost to continue increasing the pension payout is the total normal cost. It would be you=re 7.6% and the City=s normal cost, a total of about 20%.

GS: How do you do that for people who are on B and C? I mean, retirement age is 53, but B

PL: Because we expect the A people to be out of here fairly early after they attain age 50 and 25 years of service.

GS: No, I=m talking about B and C. How do you figure what their B when they=re going to retire?

JC: The history of B and C is 30 years old. So, the actuary did a study for us two years ago, and mathematically came up with the approximate retirement age in Plan B and C, and I think that was 54, 55 or something. Somewhere in there.

PL: Well, let=s just ask them, instead of speculating.

JC: Anywhere in that period, so that=s the funding that we fund to that period if you retire before that point and enter the DROP, it costs us money.

MEYERSON: Is there any way without any money or having them cost it out that you can ask them some questions and look into it a little bit?

JC: *(Laughing)* No.

AD: Paul, in lieu of doing that, would you feel comfortable in running some preliminary calculations?

PL: No. I think you have to have the actuary do it. If you=re going to take this number to the Council, it=s going to come down to what the actuaries say eventually anyway.

JC: They=d have to do an assessment, an educated guess, on how many people would take advantage of the clause if it were put into place, and then it would B depending upon how many were going to take advantage of their estimate, then they=d have to find out how much it would cost based on real and normal retirement history.

JG: I would think maybe Chiefs and Captains would have more of a tendency to stay longer, but do you think there=s many officers that would elect to wait until, say, 58, the five year maximum, retire, get in the DROP, spend five years in the DROP and then retire at age 63?

GS: I can only speak for myself.

JG: Those are things that went through my mind, as we were getting to all this. The picture I got, I mean, from the Fire side, because I don=t know the Police side, but the Fire side I didn=t think that there would be a lot of people that would want to do that. That they=d be more interested in getting in at an early age, get that five years of DROP building and then be out of here at age 58, with a nice DROP amount and the pension versus staying until they=re 58 and then getting the DROP and then spending the five years to get at 63.

GS: Well, that may be the case, but you may be talking just a couple of years, too. I mean the difference is if you retire just before your 54th birthday, the City=s probably required to give you close to 56%, because you=re putting in another year.

JG: Right.

GS: Well, if they stayed another year after that, maybe three at the most before when they DROP, they would still up their retirement benefit.

JG: Yes, there=s the key right there. I would question that if you don=t plan on staying the five years, if you=re going to only stay in the DROP two years, that you . . .

GS: No, I=m talking about staying, before they go into the DROP, stay two years past age 53.

JG: Oh.

GS: Then go into the DROP three years past age 53 and stay in for five years.

GS: I mean, I think in this day and age, depending upon what the economy does or when it turns around, you know, if you can=t afford to retire, which many people may not be able to do, with insurance and everything, why retire out of a job that=s paying you 27, 30 dollars an hour and paying your medical, if you can still do the job, because you=re physically fit, if you can handle it, why then go to work for a lot less money for somebody that you may not want to work for?

JC: We currently have 8 people in the entire 299 people at the Police

Department who are over 54 years of age. We only have 8. That=s the point, I think our actuary will make with this. That the Police Officers separate much earlier than the firefighters.

GS: Well, they only talk about 5, 6, 7 people. Eight people. That=s not going to cost anybody anything.

JC: We=ve got about 35 of the 285 firefighters who are over 54.

PL: And probably most of them are DROPped by now.

JC: I mean that=s the difference in the two systems. What our problem is, and we brought it up in the beginning, whether or not you guys would have two plans or one plan. Because you have two different retirement solutions for the two uniformed services. Firefighters tend to stay longer in terms of age, not necessarily years of service. They tend to start a little later and stay a little longer in terms of age. Police Officers tend to start a little younger and retire a little sooner. So you have two different pensions that you=re trying to administer, but one set of benefits.

PL: Okay. So what are we, what are we going to do with this question?

AD: I appreciate your bringing this to us. In the interest of maintaining a lengthy schedule here, I would like to move on. We will certainly discuss this as a Board and try to figure out some additional progress sooner under new business. See if maybe we can make some headway.

GS: Okay.

AD: But I would like to move on.

MEYERSON: Can we put this on the next meeting agenda? I think we=re going to want to talk some more and get some fill in from our Union members about how hard we want to pursue this.

AD: That would give us some time to B

JG: Well, in the meantime, we can proceed with checking with the actuary on an estimate of what it would cost.

AD: If someone wants to bring forward a motion.

JG: An estimate. We shouldn=t be charged for an estimate of what it would cost to ....

GG: You mean an estimate of what they would charge us for their time.

JG: What they would charge us.

PL: About five to seven thousand.

AD: Yes, in our New Business, if you want to bring up a motion, we certainly can, but the next meeting we would give us time to at least address some of the Police, or the Fire as well, and see what interest lies there.

AD: Maybe no one has brought this to us yet, but there may be some strong feelings on our side as well.

AD: Paul, to Item A.

PL: Item A. All we=re asking is that you look over the minutes from the November meeting and next time we get together you can vote to approve them or we can amend them so that they=re approvable. Item B, pages 1 through 6 in your packet, copies of ordinances that discuss a one time increase to retiree and deferred annuitant monthly payments with a $675 target amount. We=ve been talking about that for quite a while. That=s going to go on the City Council=s Agenda for first reading February 25th.

JC: You may have noticed that the original discussion under the ADrake plan≅, as we refer to it, was $600. But when we did an analysis of cost versus benefit, we had 112 people that were affected at the $600 level and it was going to cost us about 1.8 million. We have 121 people affected at $675 and that is at 2.1 million, so we got a pretty good increase in the numbers of people affected by the base rate of pay. Greg would be interested in telling his retirement group. The ordinance that we are preparing is to raise the current base to any current or deferred member from the current dollars to $675. Then each of the mathematical equations are in the ordinance, showing how you get paid and what scenario by. We still have a significant number of people receiving a pension from us that are under $400 a month, so this will raise their base to $675. It is being paid for out of the 13th Check COLA pool. We have 9.4 million dollars in the pool to pay for future increases and benefits both on the 13th Check and increases like this. This is a one time

cost, because it=s a decreasing liability because these folks eventually will pass on and the benefit will not accrue any greater, so that=s why the 2.1 million is a static amount. It=s not an increasing liability for the plan. So we=re able to take the money out of the COLA pool and pay for it.

AD: Would it be advisable to have someone in attendance in the first reading?

JC: We believe that we=ll have some kind of discussion with the Council either in advance of that or in a Pre-Council that day.

AD: Okay.

JC: Somewhere around 1990 or 1991, I can=t remember, we did the percent, half percent for each year of service increase. That raised quite a few people. But even at 20 years that half percent is only a 10% increase on $300, so this is a significant increase to those folks.

GG: To answer your question, Aaron, certainly when it=s on second reading public hearing, I think that public hearing, yes, I would think that certainly you might want to, that=s when you might want to be there. That=s an opportunity when they say, ADoes anybody want to speak in favor or against?≅ so you can just go up there and talk.

JC: We=ve already talked to several Council people about how we=re funding it, because of the economics of the current budget, it=s kind of difficult to forward a plan that costs 2.1 million, but it is a cost internal to the plan. It=s not new money that they have to come up with and it=s not money that they have to budget for in the future, so we=ve talked to two or three of them about this plan and believe it=s going to be accepted.

AD: Okay.

PL: Okay. Item C. We=re awaiting the Mayor=s comments on an ordinance idea change. Right now the City=s contributing about 4 2% of valuation payroll. We=re asking that the ordinance be changed to specify a 6% contribution in the next fiscal year, which is about a $350,000 increase. Thereafter followed by 1% for every year after that to get us up to full normal cost and, once we get the full normal which is about 12%, we stay right there. We talked about this at the last meeting. The actuarial recommended minimum is 9%. We didn=t think it was realistic to ask the City to double its contribution. The chances of that getting passed are

pretty slim, but if we ask for $250,000 every year increase for the next six years, we think maybe that has a chance.

JC: And as you=ll read in the notes, we are opposed to asking for the Council to only put in the minimum recommendation, because there have been some years where the recommendation was zero and we don=t want the City not to fund the pension in those particular years when we are in excess of funding. We want them to put in regular normal cost and we believe the only way to do that, based on our task force, is incrementally.

PL: Next item, D, pages 7 through 9, we have on page 7 a balance sheet as of December 31, 2001. This is pretty much just for your information. Page 8 shows equity returns by difference asset classes. The only asset class that made us any money last year was a domestic small cap with all styles mixed together. The fund was the Vanguard Small Cap Index Fund. Everything else uniformly went down anywhere from 4 to 20% with an average of negative 112. But we=re hoping for a turnaround.

JG: Are there any plans to go beyond the 30% equity?

PL: Not right now, but there are plans to get back up to 30% equity.

MEYERSON: That was what I was going to ask next. Where are we at right now?

PL: 272%

JC: Actually that=s part of D. We=re interested in rebalancing to get back to 30%. But you have to understand what our target ought to be. So, if our target is .... Let=s say our target is 30% all the time. If it gets to 32, do we rebalance back to 30? And if it gets to 27, do we buy more to balance to 30? The issue is, based on that model that we saw in return, risk and return, if our objective is 70/30, then we need to rebalance every month to that amount.

PL: And we also have cash flow constraints that limit us to stay below 40% of assets in equities right now, unless the City contribution increases dramatically. Because we need our 70% of debt to generate coupon interest to pay monthly benefits.

JC: Otherwise, we=re selling products that are making us money to make normal monthly payments, which isn=t good.

JG: You said 40%? Can we afford 40%, then?

PL: I think we should stick with 30 for right now, because we are kind of in the state of flux. We=re talking switching, DROPping, increasing pension benefits, and Plan B-C people DROPping later, so I=d like to get back up to 30% and then rebalance it when we go two percent either direction. We haven=t established 32 and 28 really, but the idea is with cash flow concerns, we want to stay around 30.

JG: This committee wants 40% equity. If equities are performing well, I don't think we should sell them to rebalance back to 30% if we don't need the cash flow.

PL: I agree, but we also don=t want to set our minds on a 40% target. We want the highest equity percent and still be able to cash flow our pension payments without ever selling the equity assets earmarked for growth.

MEYERSON: Do we try to do any timing? Is there any concern that we=re missing some good opportunities? Because we haven=t bought anything since ....

PL: August.

JC: We bought for a year and a half when the market was declining. We really have been dollar cost averaging to a point where we could get good solid return, and so we had good coupons to pay our payments, and we did not know how we=d be affected with the DROP.

PL: Mark, by rebalancing X Let=s say it goes to 32% and we decide to rebalance back to 30. Well, that means we=ve had a recent run up, so we=re taking some profits out of that and putting it into the debt, which has not appreciated as much as the stocks. So you=re taking your profits here and you=re buying something at a depressed level. We=re not intending to forego future equity allocations, but we don=t, we don=t want to say we have a 40% target.

JC: It=s going to be a tough period for us, until we see the last of the DROP.

AD: So there=s really a re-investment risk associated with rebalancing.

JC: Yes.

PL: We don=t want to have to sell equities at a down period, and that=s the major thing that we=re trying to avoid. It is preferable to sell when they go up, and rebalance then.

JG: When do you feel the DROP will be stabilized? Up to where?

PL: Maybe next October. Because I think a lot of people are going to wait until that one year and get in.

JC: We=ve got little chunks of people coming in all the time. We had a big run last October. We=ve had a couple of people trickle in. We had a pretty good run again in January and February now, where people are coming in switching, and then we=re going to have a pretty good group, I would think, again when the end of the switch date comes up, March 30th or whatever. If people are going to wait to switch and DROP at that time.

PL: Asset allocation is dynamic with the City funding. We have this ordinance asking for a commitment for 1% increases every year until we get to normal cost. Well, if we get that, that=ll give us a little more breathing room to buy some more equities.

JC: Eventually, eventually Plan A will help us in terms of stability. But it isn=t for some time.

JG: Okay.

MW: The only concern I=ve got on rebalancing is, and again it would just be a judgment on my part, is that rebalancing monthly, I don=t know that that increases your performance or minimizes your risks all that significantly, and I would want to opt to do it no more frequently than each year. Also, with the potential that the market is going to run for the next couple of years, I=m going to be, you know, greedy and say, Al want as much run at the market as possible in equities to get this plan into an overfunded status, so that if we want to consider future benefits down the road, we=ve go the money to do it.≅ To not be taking some of our profits back into fixed income, that may not perform as well.

PL: How about this so we can get going. What we=re asking for, right now is to buying an additional 3% of stocks. Everybody in favor of that?

ALL: Oh, yes.

PL: We=ll buy some stocks.

JG: I think you=ll always get a Ayes≅ on that one.

PL: Before we sell, we=ll come and talk about it again.

ALL: Okay.

PL: So we=re going to buy whatever it takes to get up to 30%, which is about 3.3 million. The next page is debt returns. We have roughly 70% of our money in debt assets, and they earned about 9%, so that=s why we ended up with a positive 3.1487 for year 2001. Plan A enrollment report, 20 members switched to Plan A. Eleven from Police, nine from Fire. Total switchover was about$ 200,000. And it=s working fine. People are taking money out of the deferred comp and rolling them in to our plan and that=s working just fine. We have DROP enrollment report. Thirty-six people in the DROP. Nine from Police, twenty-seven from Fire.

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PL: The annual letter that the members received is reprinted on pags 10, 11, and 12 for Mark Westphalen=s benefit. But that has some good information in it. I don=t know if you=ve ever seen an annual letter before.

MW: No.

PL: We talk about how many members we have, what we paid out for the pension benefits and COLA benefits. Kind of go over the events that occurred during 2001, the DROP, the switch. Page 11 shows a chart of our month to month return rates, and they=re all over the place. Next box down, equity and bond, the total portfolio returns for the past few years, and then, finally, what we asked for from the Budget Department in terms of a City contribution. We asked them for $2.8 million, and right now they=re at $1.25 million. So if we get 2.8, that=ll be great. I don=t really expect that, but maybe another $250,000, up to a million and half. Questions on anything? Oh, the web site. We announced that as being in existence for people, so that they can go in and look at annual letters like this, minutes of prior meetings, Plan A, B and C information, general stuff, DROP brochures, all of that=s on here. And then, there=s a member inquiry menu that this committee has seen. In order to get someone set up, X let=s say, Doug Srb wants to look at his pension account information X you need to have some passwords set up. You need to talk to Data

Processing, and set up a network ID and then a password that goes with that, and I need to be informed that you want access to your information. I can put your user ID in the pension=s security table, so you can then look at your account values on the pension, your years of service, your contributions, your highest 26 salaries. Everything that we can see, you can see. On page 11, I sent out some account statements. The good news, those were correct. The real numbers are always correct. Page 13, I=m sorry. Mailed out 588 account statements that were accompanied by pension analysis estimates that had essentially double the amount of interest that they should have on them, and I apologize profusely. It was my fault. I did not check these things before I sent them out. There was a data processing bug that I didn=t anticipate. I worked with D.P. and we=ve corrected this. It=s going to be rerun, probably right now, and we=ll mail it out on Monday. What happened was there was some coding changes to the design of the program that we weren=t made aware of when they were running the DROP switch type information. It was looking for a 2002 interest entry. Well, on January 15th, there isn=t a 2002 interest entry, because we only calculate interest once a month and we put it in at the end of January. So when the estimate program went and looked for a interest entry, which it shouldn=t have been looking for to start with, it screwed things up and turned around and calculated the interest twice instead of once, and so the account values on estimates are too high. The after refund monthly pension payment estimates for Plan B and C participants, are therefore too low. If there=s questions on this, I can answer.

JC: Let me make a couple of comments here. Paul is overstating his responsibility. We catch hell for almost anything that goes out of here, because most of it goes out under my signature. Last May, we had a series of three or four data processing errors that resulted in miscalculations, and I was prepared to fire the Data Processing department and buy our own software, and/or consultant, and they convinced me that this would not happen again. So, we did the numbers calculation in November. Paul checked a number of those people in November and the numbers came out perfectly, and so two months later you believe that the software will do what it=s supposed to do, because in November it performed correctly. So Monday we have a meeting with D.P and it=s my intention to hire someone independent of our data processing department or to develop our own software with a consultant. So, if we get away from these problems that shouldn=t be problems in the first place. There was no reason that the programmer asked it to find that interest rate. That is not something we asked him to find. That=s

something he did when he was programming it. So I think we will spend some money on doing it, but we already spend about $40,000 a year on data processing services, and it doesn=t look like to me we=re getting anything for it so. We expect to have a relatively quick resolution to it this time. I apologize that we didn=t do it last summer, but we, we will do it now.

AD: Now, since we can go outside data processing for items like running programs and a bunch of things like that, do we have any leeway to go outside data processing on anything else?

JC: We don=t have any leeway to go outside data processing for checks and payroll. If that was the question you were going to ask.

AD: Right.

JC: That=s the legal opinion that we got from the *[Law]* department, that it, it=s the Treasurer=s responsibility to do payroll, including pension, and so we don=t have any leeway there at all. We do have, under the ordinance, the ability to spend whatever money is necessary to administer the plan correctly. Honestly, up until two years ago, when we changed programmers, we didn=t have any problems, ever. And the programmer that they assigned to us two years ago has not done anything correctly since we=ve been assigned to him. In fact, I think they=ve thoroughly screwed up the program at this point. The regular assessment=s working right and if you put the percentage in, the final comes out perfect, but you have to check every one of the estimates and if you have to check every one of them, there=s no reason to have a computer. So we need to resolve those issues and get somebody who can program correctly.

GS: So the statements that just came out, the account balances are too high on all of those?

PL: No, the statement is correct. The Apension analysis estimate≅, with the stars and the disclaimer on the top, the interest in the accounts that are shown on the estimate are too high. The real numbers are correct.

JC: But if you were 10 years from now, or 15 years from now, your account estimate looks really pretty good. Because it doubled the entire interest you would have earned over that period.

JG: The only number that=s wrong is the estimated value of your account at your retirement date.

PL: Yes.

JC: Your straight life should be correct.

PL: The before refund numbers are all correct and the plan A folks, other than the account value, the monthly numbers are all correct on that, too. But for plan B/C folks, they can take a refund of their money, since their account value is inflated, that means that they=re taking a greater portion of their pension out initially, leaving less that we can then spread around of their life expectancy, so the after refund numbers are too low, and they vary anywhere from a few dollars to a thousand bucks too low.

GG: Have B have any union people heard anything from anybody about this?

MM: Oh, yes. Quite a bit.

ES: Is this the third year we haven=t got the letter right the first time?

GG: Yes, it hasn=t been B since I=ve been here, it hasn=t been right.

ES: That hasn=t been correct, and it is a huge credibility issue. I=m not calling anybody names, but B how do I B ?

GG: Oh, we know it=s a huge credibility issue.

ES: How do I believe you when I come to you and want my numbers?

JC: Well, and that=s what we=re doing. We=re doing them by hand to make sure that the computer is right today. And that=s not necessary. There was nobody madder about this issue last May than me. Because every one of those letters had my name on it. Nobody else=s. They don=t have the Mayor=s, they don=t have Georgia=s, or Paul=s.

ES: I believe you. I believe you. I know what you=re talking about.

JC: Every one of them, and I was furious, and the Finance Director, the D.P. manager, they even sent out a letter apologizing. Finance did or D.P. did. Saying that they made the error. Well, they=ve made all the errors. And, and we=ve been, you know, chastised, or held accountable for it.

Because it is such a large issue, you can=t physically check all 500 or 600 to make sure that they=re correct, so I=m fed up with it. This is it.

ES: How do we make sure they=re right?

JC: We=ll hire somebody to make sure they=re right. They can=t assure me today that they can do anything correctly. I mean, I let them get by with it in May, because they assured us that it could never happen again, and here we are, less than a year later, and it happened again. So there=s nothing that they can say to me that will say, AYes, that=s correct.≅ And as long as we have the ability to hire somebody to do it correctly, we ought to do it.

MM: Yes. If we have a reliable, independent consultant, I think that goes a long way towards resolving it.

JC: That=s our intention.

AD: Would we be able to hold the independent person accountable? If they make mistakes, and someone makes a financial decision, a long term financial decision based upon that amount and they are incorrect, would we have cause to go after them, where we couldn=t in our own data processing?

JC: What D.P. told us they would do last year, and did not do, was that they were to go from scratch to look over the entire program piece by piece, code by code, to see where the problems were and to fix them and streamline them. They did not do that. That is the first thing we need to have the consultant do. To go over every piece of code and find out where the problems are and make them consistent between plans. Because last year we were even seeing, you know, in May and June, we were seeing monthly payments amounts, the amounts of income different from B to A. And those should be exactly the same numbers, and they come right from payroll, and so how can they be different? So it was a programming error.

PL: They didn=t perform the divide by 364, multiply by 365 and a quarter process for all people.

JC: So, we have to start from scratch. And so, we=ll check every one that goes out. We=ve been checking everyone that goes out since the, the Jeff Butt=s unfortunate situation. Every one that I=ve done, I=ve checked

by hand to make sure that the numbers are right. We look through the history to make sure that the payroll=s correct.

MW: I=ve never heard of a consultant being held accountable. Even a CPA doing tax returns, there=s always a negotiation whether he=s going to pay your penalties and fines B late fees and all that kind of stuff, so I don=t see that happening, quite honestly.

JC: Our tables come from the actuary. They=re just downloaded from the actuary, and that part is fairly straightforward. There=s two separate programs. There=s one to estimate future benefits, and there=s another final for your retirement benefit.

PL: We input in an Ae≅ or an Af≅ when we run these things. If it=s an Af≅, it does no estimating at all. It just grabs and plugs it in, uses the actuary tables. It's the estimating that we=re having problems with.

JC: We continue to struggle. After Jeff Butt's problem we cut off the Police Department.

ES: But that=s the program people want. To make decisions about.

JC: That=s right. We cut off Police and Fire from their local estimation programs as soon as we found Jeff=s problem, and we made folks come to us for estimates. Because then we could check them before we mailed them. Because I didn=t know for six months that Jeff was running estimates. You can run them on your own, and it doesn=t cost anything. Well, we didn=t know that it was estimating improperly, until, you know, after we gave him his final numbers and he said, AThey=re different.≅ And so, the finals are coming out perfect, but the estimation program has been a nightmare for at least the last two years.

MM: What can Ed and I tell our members with respect to your time line on getting this problem fixed? Because that=s going to B that=s going to be the issue, I think.

JC: We intend to hire, as soon as possible, a consultant.

GG: We had a meeting Monday morning with Finance and the Mayor=s Office, and D.P. Or whatever. I.S. To talk about this, and to B basically, John=s right, to sort of fire Information Services, and so ....

MEYERSON: So are we looking at April 1, June First? I mean, what B what can we B ? I mean, what kind of expectations can we give our members, that this is going to be taken care of, properly?

JC: You=re going to get a new letter, and we=ll recheck as many as possible of the estimates that come out of the next computer, and they will run again week, and we=ll recheck them by hand, as many as possible. Because, you know, you do B everybody deserves to have this year=s, not waiting until April. But as soon as possible, we need to have our own consultant to start looking at the program, so.

ES: Is this committee going to have any input on that, John?

JC: It doesn=t matter to me whether they help hire them, but I told Paul I don=t know of anybody who does COBOL programming, so. I mean we really don=t care, as long as they=re super-qualified.

ES: They=re just going to build a program?

JC: We want them to look over the entire old program, and make any modifications necessary.

PL: It isn=t just the actual programming. It=s the design of the program that appears to be causing problems.

MEYERSON: It will be a significant cost.

JC: Well, it costs about $70,000 to develop it, so B

MEYERSON: It=s out of the pension fund, right?

JC: Well, we already spend 40 grand a year=s worth on the same people. So I=m estimating that we=re B we=ll spend another 20 or 30 thousand this first year, and maybe we=ll have an ongoing contract somewhere in the 40, 50 range. But you have to remember it=s not a mom and pop deal anymore. It=s a huge operation.

ES: Sure it is. That=s a lot of money.

JC: Right. That=s the biggest part of expense we have. Paul=s salary and computer programming.

JG: Who is it that mails the checks and does all the IRS filing?

JC: Finance.

JC: Same people who do your regular payroll.

JG: And then they do that because we=re back to the discussion we had a few years ago about whether this should be done at this level or contracted out.

JC: The City Attorney=s Office says it=s their absolute obligation.

JG: And the City Attorney makes that determination based upon an ordinance?

JC: The Charter, I believe.

JG: Charter.

JC: Yes.

JG: Can Charters be changed?

JC: Vote of the people.

JG: Vote of the people.

GG: Yes, the City Charter can only be changed by a vote of the people.

JC: I believe it=s a Charter issue. Not just an ordinance issue.

JG: Okay.

MW: So under whose signature are these letters going out now? The apology letters.

JC: We haven=t had one yet.

GG: Whose signature would you like to see on it?

MW: I think we ought to push the blame back to D.P.

ES: I think we should know who=s responsible.

MW: Have them sign it.

JC: Oh, there=s no question we know who.

GG: We went that route once before and I think we=re meeting with them Monday morning and Don Herz, the Finance Director, knows that we=re wanting to hire somebody else to do it, and I think he concurs, and you know the programmer feels terrible, but X

AD: So what?

GG: Enron feels terrible.

AD: Not all of them?

JC: Well, Don was in that same meeting that we were, last May.

GG: Yes, exactly.

MM: Are we still bound to remunerate them the 40 thousand, for the lack of consistency and accuracy?

JC: We=ve been pushing them every time they run a report that=s not correct. We=ve been making them credit that back to our account.

GG: If they make a mistake, then they don=t charge us for it.

JC: But we=ve been doing that a lot

JG: That=s not the end.

ES: They=re going to mail out the 600 letters? Themselves?

PL: No.

JC: No, we do all that.

ES: Yes. You haven=t made them responsible.

MW: Have them pay the postage.

JC: They ought to pay for everything, as far as I=m concerned.

ES: Have them pay for the new mailing.

GG: Well, I=ll inform them of that Monday morning, when we meet. We=ll just charge it back to them.

ES: Thank you.

PL: Okay. Item I.

GG: Is there anything else in the meantime that you=d like us to do? I mean .... In terms of this issue. I mean, is there any B is there any B would any of us coming to your next union meeting, or, sorry, break, you know ....?

MM: Well, hopefully the letters would be sent out promptly next week.

GG: Oh, they will.

MM: I don=t think attendance at our meetings is necessary. However, I think I will have Aaron put something on our website with respect to this error, so.

JC: It doesn=t have any value that we did something with Don Herz and the Mayor=s signature. That we made a change. I mean, I=ve been serious about this, because it isn=t Paul and it isn=t me, because I put my name on the letter. We=ve been wrestling around with sort of bad press for a long time, and we want to get it resolved.

ES: Well, I=ve never heard any of this before. So this is good that I=m hearing this.

GG: Yes.

JC: Well, it is good. Because we heard a lot going the other way. I mean we got letters from Jane Burke for at least a year and a half about, you know, all the crap going on, and we=d send to her and say, ALook, it=s Data Processing. We=re having a hell of a time with them."

MEYERSON: Do you think by the next quarterly meeting that will all be done?

JC: Boy, I sure hope so.

GG: I mean B Generally the process for the, you know, the RFP process, you have to, of course, post it and give potential bidders a month to respond, and then you=d have to review them and have them come in and make their presentB do their presentations, and they B. I mean the whole process takes a good two to three months just to get to where you can select somebody.

JC: I had a question to Paul, too. You were going to check with the Purchasing Agent to see how high you can go with professional services.B

PL: When the program was written originally, they hired an outside programmer to do everything . I worked with him when he did it and I have some programming experience myself, and the design was very good. But over the last ten years I haven't directly overseen the coding.

MM: Which brings up a point to me. The pension=s going to be assessed a fee to remedy or repair the software of which nobody in this room, sounds like, had any effort changing it, so it was all Data Processing=s responsibility apparently. Is that correct? So, why, why would the pension then be assessed to repair something that=s their sole responsibility?

PL: Well, we can talk about that with them Monday.

JC: Well, I think you have two issues, though. One, you have to fix it as soon as possible. So, we don=t negotiate with them whether or not they=re going to pay us or give us credit for whatever they screwed up. First we should hire the person and then figure out where the mistakes are and have them tell us were they common mistakes or were there competency related mistakes, and then we can go back to D.P. and say, AYou=ve cost us so much money.≅

ES: Who will maintain the program. ?A

JC: No, no, no. No, we=re going to hire them to stay on for any modifications, changes or updates or maintenance. They=ll be working for the pension for a long time.

ES: And D.P. won=t mess with it.

JC: D.P. will not be.

ES: Okay.

MEYERSON: I think you should report back to us at the next meeting on how it progresses and we should carry this item over to the next time.

JC: We=d be glad to. We wanted to go this far last May, but we were kind of talked out of it.

PL: Item I. Ross Hecht resigned, so we need another person.

MM: I have somebody in mind.

MM: As a matter of fact Mark Westphalen knows the person that I=m going to bring forward. He=s a business associate of mine. He=s a CPA here in town. His name is Brad Ewerth. He=s not affiliated with Police or Fire whatsoever that I=m aware of. He just happens to be a business associate.

GG: Ewerth?

MM: Ewerth. E B W B E B R B T B H.

GG: Okay.

JC: We actually encourage anybody to bring people forth.

MM: I=ve already asked him. He would love to do it. He knows about the three plans currently. He=s advised our members on whether to go from B into A and all that sort of thing, so he does have a background history.

JC: And the appointment is actually the Council=s.

GG: City Council=s. So, but what B They=ve been asking for recommendations, so what, if it=s okay then, Mark, I=ll give this name to B

MM: Please do.

GG: I think Amy Tejral kind of coordinates appointments to Boards and Commissions. I=ll give it to her, so that she take B

MM: Would you like his phone number?

GG: Yes.

MM: 486-3777.

GG: 3777. Okay. Great.

MM: Did you take that to her?

AD: I=d like to acknowledge in some way Ross=s dedication to the Board over the number of years that he was here. I B I don=t know how long it was.

JC: It was a relatively short time. We=re talking about three years, I think.

AD: I don=t know what we B I don=t recall what we=ve done in the past that I=m aware of, but if there=s some type of appreciation.

JC: We did one certificate for a Police representative. Tim Domgard, who was on the Pension originally. We gave him a certificate of appreciation from the Mayor. I think that=s the only thing that we=ve done, to my knowledge.

AD: Okay. I=d like to start that back up in some form.

JC: I think that sending a letter or some kind of certificate from the Mayor would probably be the most appropriate.

AD: Great.

PL: And tell Smith Hayes he retired.

JC: And tell Smith Hayes.

GG: Maybe they=ll give them a gift?

JC: That=s right. Maybe he=ll get a clock. No, he can=t get a clock.

PL: Okay. Next. Item J. Pages 15 through 26, I think we can kind of look at 15 and look at 26. We purchased a corporate bond fund after extensive research. The reason we started looking at this was it=s getting more difficult to make a dollar and corporate bond funds pay a little bit more than treasury type bonds. However, with corporates you have a lot of

fiduciary responsibility because those corporations may default on their coupon payments and with the treasury issues you don=t have that worry, so we needed to hire someone, or pick a professionally managed corporate bond fund, and what we=re buying here is a professionally managed mutual fund. On page 26, is a summary of the differences in the bond funds we considered. Calvert Income Fund was chosen. We were looking for was a total return fund. We didn=t have the expectation of getting income off this, so we sought total return, that invests primarily in corporates with the highest reward to risk relationship and a proven track record. Calvert income fund was submitted as a credit quality of A+. Pimco Total Return has a better credit quality, but the reason is that it is pretty much all treasury bonds. Wells Fargo said they=d set us up with a brand new fund, but the manager doesn=t have a track record so they were out. First American Fund is something that US Bank made just in the year 2000, and there is no track record, so they are out. That leaves Van Campen. The credit quality is below what the investment policy requires in the A or better, but even if it wasn=t the returns on Calvert, one, three, five, ten are all higher, and then there=s some risk measures called the Sharp and Trainer that show that Calvert is managing its risk way better than the other funds, and turnover is a measure of how hard they=re making their money work for them. In other words, how much return on income are they getting versus the money that they have out there in the market working for them. Calvert won here also. So we committed to $4 million initially. We put $2 million in up front. We=re putting a hundred thousand dollars every week into this until we get to December of 2002. At which point, we should have $7 million into this, which is about 8% of our portfolio.

JC: In the way of background, if you remember when we were in Los Angeles talking to the American Funds economist, his advice was over the next year or so, he thought the window for making income was in corporate bonds, and X By the way, they don=t sell any corporate bond funds. So we thought the advice that the economist was giving us was pretty solid, so we invested. We investigated the issues and found that yes, he was right. There=s at least a hundred basis points or so difference between corporates and governments, and there is a window there for us to get some revenue off of bond funds.

PL: If you=ll look on page 22, because you may be saying, AHey we=re only looking at five funds here. What=s the rest of the world look like regarding their corporate?≅ Page 22 has every corporate bond fund available charted on there and the risk return. Note that Calvert is the highest risk

and the highest return. Dreyfus fund, which was not offered to us, has about the same return as Calvert, but it has a lower risk and the reason for the lower risk is because it has only 28% of its money invested in corporates. So we chose Calvert as our goal is to diversify into corporates.

PL: Any questions on that, then?

MW: I=m surprised that it shows up as higher standard deviation of risk.

PL: I think that might have to do with year 2000. I=ve got a lot more detailed data, but there was one year where they didn=t perform as well because they believed that the bonds they held would come back the next year, and they did and the next year it was way better than any other fund.

JC: So they had less turnover that year and held them, so the next year their turnover was much bigger, greater, and of course the return was better.

PL: There=s going to be some ups and downs with this bond fund. They=re out there very aggressively buying and selling. But if you=re paying somebody, we want them to buy and sell and monitor the financials of all these companies, and check the default risk, find value. Okay. Well, if any questions come up on that, ask it later, but I=m trying to hurry so we can get time to okay the Pension Survey on 27.

PL: I made two additions here, Jim, from the information that was sent out. All we have here is the summary page, but I added a benefit calculation method, which shows the market having a benefit multiplier of 2.6% per year of service. Age 50 and 25 years gets you 64%. The market Plan A is 76% and Lincoln=s Plan A is 64%, as we said. There=s some things that Lincoln is above market on . . .

MM: Excuse me, Paul. Just a quick question. Is it possible to calculate for comparison purposes what our multiplier is? That 2.6%?

PL: 2.56. If you have 25 years of service exactly at age 50.

MM: But the market average was ....

PL: 2.6. Yes, we=re real close. I mean, two fifty six versus two point six. However, ours is basically capped at 64 versus 76.

MM: So the market average cap is 76 maximum.

PL: Yes, you=ve got all the back up data in that big thick survey.

JC: And for folks who aren=t used to looking at the pension, two things make the 76% possible. The employee contribution in the market is 8.6325% versus our 8%. And the planned average pay and salary is three years versus 26 pay periods. That and the market also doesn't have a refund available. That makes the 76% possible.

JG: You don=t suppose another thing that might be a factor in that is the City=s contribution to the plan?

JC: I don=t think it has anything to do with it.

JG: Nothing to do with the benefits at all.

JC: Seriously, if you proposed . . . B

JG: I=m serious too.

JC: The tape=s always running.

PL: Let=s round it off at 9.

JC: Okay. You say I=m going to make a 9% contribution, and I=m willing to change from one year to three year final average. I would guess that if we proposed that to the actuary that, and of course funding=s for life, not for 21 years, I don=t know that they wouldn=t give us a higher pension on those dollars. That it isn=t 70% or so. But if you think about taking the three year average salary, and multiplying it by the same percentage versus only a one year final average salary, that is a huge difference, and if you=re contributing 8.6 or even 8.7 compared to 8 or 7 or 7.6 your entire career, the employees in the market are funding their own 76% percent, compared to what you are.

PL: Everything but the COLA, I think, will pretty much show up as an actuarial wash with our plan. The COLA is where we fall behind in that the 13th Check has about half the value of a real 3% COLA. So, what do you want to do now?

JG: These numbers to me are, I don=t know how I could politically correctly

say it, but they=re skewed.

GG: They=re skewed, because?

JG: Because of the way that they=re put together. I don=t know. I guess we could start with a B Well, let=s just, let=s just start with the three year average. I mean that=s an easy one. Let=s go back and look at the, the cities, the responses to the question.

JG: And then take them and divide them, and tell me, tell me how you get 3 years. And that=s, that=s the one that just jumps right out as being incorrect.

GG: I need to get my copy of the survey. I don=t B

JC: Sioux Falls is 3 years, Davenport is 3 years, Cedar Rapids is 3 years, Des Moines is 3 years, Springfield is 3 years, Topeka is 3 years, Wichita is 3 years. The most common practice is 3 years.

JG: So how do you come up with that figure? You add these all up, divide it by the number of cities, and, and get the average?

JC: Well, you could do it two ways. You can do a modal analysis, which is the most common, and 3 is certainly the most common of all those figures.

JC: Seven out of eleven have 3 year final average. One has a 5. There=s only 3 that are less than 3 years. A one year, and one, and Rockford claims to have 0.

JG: Well, to me, when you, when you make an average of something, you add all the numbers up, you divide it by the number of B

PL: The average is 2.6 years.

JG: Thank you.

PL: Including the 0.

JC: Right.

JG: My point.

JC: Well, but that isn=t the most common in the market.

JG: It=s not the common, it=s the average.

JC: Well, I don=t think we said it was the average. I think we said it was the market practice.

PL: Yes, we=re calling it market practice.

PL: Sometimes average is the appropriate way, and sometimes the most common number is the more appropriate way. What was your next one?

JC: 8.6.

PL: For contribution rate. Do you know what question it is? Question 4, what rate does an employee contribute? That is an average.

JG: Average meaning you total them and then divide it by 11?

PL: Yes.

JG: Which I guess would be appropriate. But you do it there, why don=t you do it in the next column?

PL: 2.6 years is the average for final salary.

JG: Okay.

PL: So do you want us to use 2.6 years, then?

JG: If we=re trying to be accurate. I don=t know of any other way to do it.

JC: If you=re trying to figure out where you stand in the market and you want to know why you have a 64% pension and the market has a 76% pension? Isn=t that the question? What can you do to get the 76?

JG: One of the ways to me is because you look at all the other cities and the amount of money that the city contributes to (the pension) B Don=t shake your head. Listen to me. The reason that Lincoln is considerably under is because what other cities contribute to other plans. To me, that is a factor. What is the benefit that I, as an employee of the City of Lincoln, receive from the City for my retirement? That benefit, as far as

I=m concerned, is how much you provide for my retirement.

JC: Right.

JG: You can have 100% pension, if I=m financing it, or if great investments are financing it. I can do that without the City. That=s not a benefit that I am getting from the City of Lincoln. City employees, they get a benefit of 2 to 1.

JC: Right.

JG: That is the benefit they receive. What do Police and Fire receive from the City of Lincoln for our retirement?

JC: That=s a different B You didn=t ask us to ask that question.

JG: Yes, I did. Yes, I did. That=s a question that was not allowed to be asked.

JC: You asked us to survey the market.

GG: What was the question that you wanted to ask, to get at that?

JG: How much do other cities contribute to their employees= retirement?

PL: We asked that.

JC: Right.

PL: Yes, it=s question number 27. Of all the ones that gave us an answer anyway.

JG: Where? I wasn=t finding those.

PL: Oh, this is in the big thick thing that you guys were sent.

GG: Question number 27 is AWhat is your pension actuarial total normal cost? What part of total normal cost is paid by the employer and the employee?≅

JG: And the answer?

PL: Sioux Falls says, AEight BA Oh, oh, you were talking employer, now.

JG: Employer remainder.

PL: Okay, so that means 10%, because the total is 18. And police is also 10%. Let=s see. The other one is B Davenport is 16.7.

JG: This is normal cost. This question is AWhat is your pension=s actuarial total normal cost?≅ It=s not how much they pay.

PL: Over the long term, this is how much they pay.

JG: Okay, what=s Lincoln=s answer? What=s Lincoln=s answer to that question?

PL: 11.79%.

JG: That=s what they pay?

PL: Yes.

JG: They haven=t paid that in 15, 20 years.

PL: No.

PL: That=s what we=re obligated to pay.

JG: That=s not the question, though. The question was AWhat is the true cost the cities pay.≅

PL: It doesn=t matter.

JG: But it does matter.

JC: It doesn=t matter. Even if we were broke, and we=ve had this discussion at every one (of these meetings) B I think this is why Ross isn=t here anymore. At every single one of these meetings, somebody says, ALet=s get more investments, let=s do this, let=s do this.≅ If the City=s pension is virtually broke, the ordinance says we have an absolute obligation to pay all of you your pensions out of General Fund.

JG: We all know that. There=s no reason to go through all that again. We all know that.

JC: That goes to the point of how much does the City have to contribute. We=re in favor of the City contributing normal cost every year, and you=ve heard us say that to the Mayor and to this group dozens of times.

JG: What would our pension=s benefits look like now, if they had B

GG: They might not look any different.

JG: Oh, Georgia.

JC: We=d have the COLA.

JG: We might have better benefits, too.

JC: Well, you=d certainly have a COLA. I=m not sure about the rest of that.

JG: If they would have paid that every year, it would have been so much money, more money going in that we=d be a hundred and thirty, forty percent funded probably.

PL: Yes. Maybe you=d be a hundred and thirty or forty percent funded, but maybe the benefits wouldn=t be more than what the market would bear anyway.

JG: But typically what happens then, once your pension gets overfunded, what other cities do B

PL: Okay, we asked that question.

GG: Which number is that, Paul?

PL: 29B. Sioux Falls has a committee to discuss long range objectives regarding overfunding. That the employer contributions are reduced, just like Lincoln. Davenport, Cedar Rapids and Des Moines, they add the overfunding to a reserve. Omaha increases benefits. Colorado Springs, possible reduction in future contributions or future increases in benefits. And Wichita, which I just got yesterday, employer contributions are reduced.

GG: St. Paul and Topeka are unknown, because they didn=t answer the question.

Meyerson: So over half of these then, your over funding is at least put into reserve and invested, probably towards enhancements.

JC: And the other half reduce the City=s obligation.

Meyerson: Right. I understand.

JC: Like the City of Lincoln has done forever.

JG: Well, we=ve got two unknowns and one, Wichita, which I don=t have any information on. I=m basing what my observations on what=s here in front of me now.

PL: All I have that you don=t, is Wichita, which I just got yesterday.

JG: Okay. But two unknowns, also.

PL: Yes. We share our overfunding, too. We=ve got the 13th Check COLA pool. That whole 9 million bucks comes from overfunding, and we=re giving that back, in terms of the 13th Check, and we=re also trying to utilize that to do the Aaron Drake 2.1 million thing, and if we can do a real COLA, that=s where a good chunk of the money would come from.

JG: And all of that is coming from overfunding.

PL: So we=re doing both Jim. We=re reducing the City=s contribution because of our overfunding, and we=re also sharing some of the overfunding to increased benefits.

GG: Question 29 again is also about the funding, and Sioux Falls, fire is a hundred B almost 104% funded, Police is 89. Davenport, Cedar Rapids and Des Moines are 101% funded. Omaha is 102% funded. Springfield is 77%. Colorado Springs is 116. Rockford is 86 for Fire and 94 for Police. I guess St. Paul and Topeka didn=t tell us. And what did you just find out from Wichita?

PL: Wichita is 114% funded.

JC: So they=re doing catch up.

GG: I understand your frustration, but at least in the three budget processes

that I=ve been through, neither this group nor the Personnel Department, is sitting there at the 9th hour, when budget is sitting with the City Council trying to figure out how to put together the Mayor=s budget and Steve Hubka always puts into his five year projection the right number, and I don=t understand how all this voodoo works, but at some point when we=re not there, you=re not there, the Mayor is sitting down with the City Council saying, AWe don=t have enough money. Oh, well, we=re supposed to put a half a million more into the Police & Fire Pension. I guess we won=t this year, because we=re overfunded.≅ So, I don=t know what to do about that, you guys. I mean, I really don=t.

PL: Well, we=ve got an ordinance that asks.

JC: We=ve got an ordinance that will do that, if it passes.

Meyerson: It=s obvious to me, when it comes budget time, like you=re talking about, that the retirement fund of Police and Firefighters is not a priority to them.

GG: I=m hoping you guys are talking to your representatives on the City Council.

JC: We=ve been talking to them. We talkedto them for the first time this last year.

GG: About this. I mean we talk to them.

JC: They won=t give to the Pension, until there=s a crisis.

PL: We got to talk to the City Council, because of Georgia. Georgia=s taken this fight to the Mayor, and he has looked at it, and he=s, you know he=s doing more than any other Mayor has done before to try to help us out, so I mean it gets cut, but I think he=s trying.

JC: I asked a question the other day, and I=m still frustrated over it, maybe. Don=t take it wrong, Jim, but I=m frustrated over it because as the administrators I want to know what your goal is. I mean, if we go through four or five months worth of work, which we just did, to come up with a document, and I tell you how they get the benefit, and you tell me that=s not right, just tell me what your goal is, then, so that we can say B

JG: My goal B

JC: So we can say, how much does it cost? And if I go to the actuary and say, Al=ll give Jim George a 75% pension, a 2.6 life time earning, no cap, and what does it cost? What contributions does Jim have to make with the final average compensation have to be, and is there a refund of the dollars, or isn=t there a refund of the dollars?≅ We=ll ask the question. That=s what we did for the 64% plan. We said, ATell us what it takes to provide this benefit,≅ and they came back with it, and that=s the benefit we put into place.

GS: Well, the other part of that question, John, is that it=s going to take less, if the City funds their portion of the pension.

JC: Normal cost is the total cost of the pension. The City=s share of normal cost is just a part of it. The employee=s part is the other potionto provide the same benefit, no matter where you live, actuarially it costs the same amount of money. So if Jim is a firefighter in, in Des Moines, and they=re at 8.7% contribution, and 75% pension, then the normal cost to pay for that would be the same as if that plan is in Lincoln, Nebraska.

PL: And if you=re comparing this plan to the civilian, civilian 6%, two for one match, 18%. Okay? What are we talking here? Our normal cost is also 18%. The employee average contribution is 6.64 or something like that.

JC: And we=ll have an ongoing debate for this forever, but the pension=s funded for 50 to 75 years, so when you talk about normal cost being a percentage, that is the City=s lifetime obligation. In the report that you all got, for percent of payroll for 2002 and 2001, normal costs for the employer was 11.70% for 2002, 11.75% for 2001. The employee or member contributions were 6.79% this year. Last year, it was 6.64%. That=s the average, because we have so many B=s and C=s who aren=t contributing anything anymore. So the way that the City gets by is to use whatever, amortorized overfunding, to pay their portion. That=s the only magic here. Otherwise we=re obligated to pay the 11.7% and we are collecting 6.79% from you. And that=s what it costs to do your pension as it stands today. So if your pension grows and normal cost goes to 20%, the question is how is that factored? IDoes yours become 7.6 average and ours goes to 12.4? I mean, that=s the answer we need to know. How much normal cost does it go for us, and how much does it go for you?

MM: If they stay with the current policy, then we=re never going to get any enhancements, because they=re not willing to use any of that

overfunding, any more than they are now.

PL: Well, we=ve asked the Mayor to look in an ordinance, though, that says they=re going to gradually get up to full normal costs, and once they get there, they=re staying there.

JC: And I thought that should have been a charter item, so that they couldn=t weasel out of it.

PL: I think we=re all feeling like you guys think we=re the bad guys, and we=re not wanting to be the bad guys. We=re the guys that you have, and you=re not wanting to yell at us maybe, but we=re the only ones you get to yell at.

JG: I don=t know that I look at you as the bad guys, but I have to say you two guys as much as anybody should understand our pension and the numbersand what we=re trying to compare.

GG: Thank you.

JC: Thank you.

JG: I=ve heard Georgia say, she=s got this two for one matched pension, and she said that she would rather be under our defined benefit plan. At least we got a guarantee. She=s lost money the last two years. Those things are true. But I=ll guarantee you, if the City was putting in two to one for our contributions, whether we have defined benefit or defined contribution, either one, that is the benefit that the City providing us. What becomes of that would be up to us, if it=s a defined contribution. I don=t think that you understand the comparability of the numbers. You put a chart together, you look at the chart, and you say, AOh, yeah. Look at all these guys, a bunch of babies, cry babies. Some good here, some bad there.≅ But you don=t add B You don=t add all the factors.

GG: We=ve given you all the raw data. You can you can figure it out.

PL: Tell us what you want. We=ll go and have the actuary cost it.B

JG: Health insurance. Where=s health insurance in all this?

JC: There=s just Omaha.

JG: No, it isn=t just Omaha. See, after getting the survey, I=m reading the

information that you guys provide, and you don=t have that in here, and then when we discuss it, you say, Alt=s just Omaha.≅ But it=s not just Omaha, unless the data that you provided is incorrect. That=s where I=m getting it. I find in there Sioux Falls, South Dakota, pays 50%.

JC: Okay. How many others?

JG: Okay. Omaha pays 100%.

JC: Go on.

GG: They just changed it.

JG: St. Paul pays $350 up to a maximum of $550.

JC: Okay, go on.

JG: Well, there=s three that=s in here, and I didn=t do the survey.

JC: That=s 3 out of 11.

JG: Why isn=t it in? Don=t you think that that has some bearing on what we=re trying to compare here?

JC: Every employee in Omaha gets the retirement.

JG: So?

JC: It isn=t an issue just for police and fire.

JG: So?

JC: Just tell us what you want. B

JG: I want something that=s B

JC: No, no, no. I don=t want comparison talk anymore. Frankly, after the last three years, just tell us what you want. If you want a 75% pension, tell us, and then we=ll figure it out.

JG: It doesn=t do any good to tell you what we want if we=re not comparable. We=ve got to be realistic.

JC: That's what I'm saying.

JG: We=ve got to be within the realm of comparability. That=s what I thought this was all about.

JC: Take the numbers and tell us what you want. We though the market practice was reasonable. You don=t think they=re right. It=s all right with me. Just tell me what you want it to be. If you want the pension to be 75% of your salary at age whatever, what are the contributions you have to make and what are the contributions the City has to make, and what=s the final average compensation figured on? We go up to the Mayor=s office and say, ALook, they want a 75% pension, they want 3 year or BA

JG: No. And the Mayor says ADo they have anything to justify it?≅ You say, ANo. We=ve run the figures, and it isn=t anywhere near that.≅

GG: Actually, the Mayor=s never said, ADo you have anything to justify it?≅ He=s only said, AWhat is the cost?≅

JC: It=s the only thing he=s interested in.

JG: And what does it cost? The City never has any money at budget time, because it=s a lot of money, and they=ve got the lid.

JC: After three years of this, you have never once said what you want. I=m asking you, AWhat do you want?≅

JG: John, it=s not that simple.

JC: It is absolutely that simple.

JG: I could say a hundred percent. I got to have some kind of justification. I want 100%. I know no Firefighter or Police Officer is going to want to pay the required contributions in order to get 100%. I don=t even want to pay those kind of required contributions, but I want 100% of my salary to continue after retirement.

JC: It=s absolutely that simple. Just tell me what it is.

PL: Give us a reasonable what you want.

JG: And that=s what I thought was were was going to set down and come to

a consensus over, and that=s what I thought this was all about.

JC: And that=s what I was starting to say when you said it was not correct.

JC: My belief is, looking at the summary page, and I didn=t do the math, okay?

PL: I did the math.

JC: If, at 76% and 2.6% per year for your career, with no refund, it=s a 3 year final average and 8.63%. Now, you don=t believe that=s correct. It isn=t one year.

JG: I didn=t say it was.

JC: Do you understand? And it isn=t 8%, and it isn=t a contribution that=s refundable. I mean, there are parts of this that are obvious, and that=s where the money is. That=s where it=s being funded. There are other parts that aren=t so obvious. The 13th Check versus the 3% COLA. I mean, that=s expensive. We know. We just got the information this week. The 3% COLA is $14 million.

MM: And how much do we have in the 13th Check?

JC: After this, we>ll have seven point ....

PL: 7.4.

JC: Right.

MM: So over half the money is there now to do it.

PL: Well, it=s 14 million up front plus another million and a half every year in addition to what normal cost is now.

JC: A 4.5% normal cost increase.

Meyerson: And this COLA, John. I think that is one issue that we thought of in a lot of meetings, and about being something that we feel is more important, and that we do want. And, if I understand you and Paul correctly, you=re saying this survey basically shows us as being comparable with the exception of the COLA. Do you think that=s a fair

reading?

JC: I think it is hard to get an apples to apples comparison because of our plan design. I mean, we=re one of only a couple with a DROP, or only one of a couple with a refund. We=re only one of two or three that have anything less than three years. So there=s some differences, but if you take a 70% pension on a three year final average versus the 64 on the one year final average, the dollars aren=t that much different.

JC: And that=s what people don=t get. The one year is tremendous advantage. Now, how did they pay for it. It appears that the market is having the employees pay. That=s not my suggestion. I=m just saying that=s what it appears.

MM: So you=re saying we factor everything, we=re even not that behind with the COLA, as well?

JC: The COLA hurts, and we believe that there ought to be a permanent 3% COLA.

MM: Okay.

GG: As does the Finance Director.

JC: Right.

GG: I mean B

MM: Okay, then how does this committee? I mean, apparently we have the data here showing that we deserve that. We know we want it, so how do we hammer out a strategy or plan to work towards getting that?

JC: Right. That=s what we=ve been working on the last couple of weeks. We were trying we asked the actuary to cost out various scenarios.

Doug Srb: I know I=m not on the Board, but could I say something, because I=ve got to go?

JC: Right.

Doug Srb: I think we could beat each other up here forever and get nowhere. I think the COLA B

JC: We do this every quarter.

Doug Srb: Yes. I think the COLA is really important. I think that we ought to take a look at converting that 13th Check to a true 3% COLA. We ought to explore ways to get there, and people are open to that.

JC: Well, that is the question we asked the actuary. How much benefit can we get out of it? There is a problem. And, Jim brought it to our attention. Jim earns more than a one or a one and a half percent COLA on the 13th Check, mathematically.

JG: For a given year.

JC: Right. So, we have to ensure that folks aren=t harmed. So looking over the list, we can=t use the entire 7 billion or so left in the COLA pool, because you have to guarantee that the folks that are still out there, the benefit won=t be decreased. Because if we gave a 3% COLA on somebody earning $500 a month, it isn=t nearly as much as the eight hundred that we give them on the 13th Check.

PL: The 13th Check is worth half as much as a real 3% COLA, so what that means, in the Jim example again, is that Jim=s going to be behind with this 3% COLA for a little while, and then after that the 3% COLA for his expected lifetime is going to pay him twice as much as the 13th Check, so if he=s willing to be behind for a little while, then he=s going to get twice as much in the long run.

Doug Srb: We=re used to the concept of delayed gratification.

JC: But with the 3% COLA, you=re ahead the first check you get, versus the 13th Check.

PL: With 13th Check you=re ahead at first, because we pay the 13th Check after the first year. Market practice is to pay your 3% after a three lag.

MM: I know Jim disagrees with me a little on this, but I think it takes it so long to catch up to the 13th Check, that that=s like a baby step. I mean, if we=re going to fight a COLA battle, I=d rather go for the 3%.

JG: On the same token, if we=re going to make a stand. If we=ve gotten to the point, we=ve argued all these years. I=d like to hear the rest of this

committee=s opinion. I=ve made some pretty frank statements on what I think of these numbers. You guys have all looked at the numbers. That=s why we=ve had these things. I think, go around the table and listen to each person=s opinion of am I, am I completely off base here, or are the numbers actually correct, or, or B

AD: I think since we=ve all had a chance to review this and I=m not going to speak for everyone here, but the feeling that I get is that there is some subjectivity to these numbers. Whether the analysis uses averaging, modal, median, market average, market trend, there=s a lot of different ways things should be put to analysis. I think we really started off for this to be a very objective look, and it turned subjective. From editing the list of questions, to editing the cities that were eligible, to editing the cities that responded, to being subjective as to how the information is presented. I don=t think anybody lied. I don=t think anybody tried to paint a particular picture. I think decisions have to be made and those are decisions, but I B I think the original intent was to be extremely objective and there=s an appearance now where it=s become somewhat subjective. But that=s just someone=s opinion. So I think, when Jim points out some very specific points, he=s really alluding to the larger picture. That maybe the raw data in another set of hands might point to another direction.

PL: Well, you=ve the raw data. We respect you guys, go look at the raw data, tell us what you think is comparable and what you think is reasonable.

MM: Bring a proposal forward?

PL: Yes.

JC: I think you have to. There=s been tremendous frustration on everybody=s part, and I know the committee=s part, because they=ve been saying, AWe want these changes,≅ and this isn=t the place where negotiations come up, and the Mayor says, AIt=s not a subject for negotiation.≅ Honestly, I don=t I buy all that. At some point, somebody has to make a decision. What we never get is sort of a straightforward thing is AWe=d like to propose this.≅ And then we can figure out what it is. Because we always beat around the bush here. And if you look at it, no matter where you are, if you B and I don=t care who you give it to, each one of those cities, at 8% or 9% or 10% employee contributions, five year final average, they get the sum by letting them calculate out what that benefit is worth. Because at the bottom of that page is an analysis of what the same

dollars are worth. That=s not make believe, that=s everybody earning the same amount of money. What did they pay for it? And it appears to us that we do this a lot, that the employees are buying their benefit. Not the community. That the employees are buying those increased benefits. I said to Paul the other day, come forward with a 70%, 3 year final average and an 8 2% final contribution, that probably goes. It probably gets changed. But is that the best thing for you? The one year=s the best thing for you.

JG: One of the best things for us, I believe, is a true benefit factor. I mean, to me it=s ridiculous to have an employee come on at age 21, work until he=s 50, he=s put in 29 years, then get the same benefit that somebody pays for at 25 years.

JC: Well, despite the discussions to the contrary, 64% and 25 years of service was an absolute agreement between the City administration and your president and the Police president. That was an absolute. 25 years, age 50, 64%.

JG: Probably never even give it a thought that somebody was going to be paying a lot more into that plan for the same benefit. Especially when market practice is that=s how other cities do it. I mean that=s not right or fair.

JC: And if we=d had two plans, and if we subdivided the plan, which we did not do, in my example earlier, the Plan A 64% is probably much more suited toward Law Enforcement than Fire. Just because of what we know with retirement rates. There=s no doubt about that. So the two plans, the two concepts, as we said earlier, are different. The two end results are intended to be different, and we have a one plan catchall. It has to do both. We have no problem with the COLA, but how do we get it?

JC: I don=t think you gained by doing a 3 year final average and you contribute 8.6 for your entire career, because that=s the general tendency of the market. Versus the 8% for career, 1 year final average, and 64%. I don=t think it=s economically better for you. That=s why I said, ATell us what you want, we=ll go to the actuary, because you may very well get it,≅ but it doesn=t mean that was better for you.

MM: We can do that.

JC: Yes, I think that=s what we=ve got to do.

MM: That=s a fair request.

Meyerson: I can tell you right now our largest hue and cry by far from our union members, I can=t speak for Fire, just Police, is they want some kind of a real COLA where their pension after they retire will keep up with inflation. So I guess I would ask you and Paul, do you have to crunch some numbers to see what, how much of an increase in contributions?

JC: We=ve been asking for a year. We agree with you. There=s no difference of opinion here. We agree that you ought to have a 3% COLA.

Meyerson: So, if what we=re doing isn=t working, then we need to come up with a different plan, and go in a different direction, and that=s what this committee needs to try and figure out.

JC: Absolutely. In our opinion, that=s the best thing you can do for everybody. That=s where you can spend your most, your energy the best. You have the best opportunity of getting it. And you have the best opportunity of helping everybody by doing that. Every individual=s going to be different on what plan suits them.

MW: And so what does your membership say about duty disability?

Meyerson: It has not been real significant in Police. How about you guys saying? I think we feel it=s probably adequate.

JC: It=s huge in terms of expense. Because we=ll pick a police officer who=s 24 or 25 with 3 back surgeries and we=ll pay him a million dollars before.

PL: It=s appears to be above market. Because market appears non occupational. Ours is occupational.

JC: And that was part of the compromise in 64%, because John Enevoldsen says it has to be occupational versus a disability from anything, and we said, AOkay. It=ll be occupational.≅ So that means you can=t do police work. Well, you can=t do police work for Lincoln, because we=ve got somebody who retired as a Police Officer on a disability, and doing police work someplace else. That is their problem. But theoretically it=s from the occupation of this job. So that=s fairly lucrative. The other is if you look at disability for life. The social security difference. Lots of these wouldn=t

qualify for any kind of subsistence.

MM: We=re not unhappy with that.

JC: But I think we=re trying to do whatever we can to figure out a way to fund a COLA, if even incrementally funding a COLA, so that we can get something started and then roll it.

Meeting Adjourned.