**POLICE & FIRE PENSION ADVISORY COMMITTEE**
**SYNOPSIS MINUTES OF NOVEMBER 2, 2001 MEETING**

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| Members present: | Jim George, Aaron Drake, Joe Yindrick, Mark Meyerson, Ross Hecht, Mark Westphalen |
| Personnel Dept. Resource Staff: | Georgia Glass, John Cripe, Paul Lutomski |
| Others present: | John Becker (Police Department Asst. Chief of Police), Teresa Hruza (Police Department Union Member) |

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Aaron Drake: I call this meeting order. Lets take a moment and introduce our guests.

John Becker: I'm John Becker. I'm Assistant Chief of the Police Department. There are 17 of us in the Police Department who don't fit into the LPU designation. We are command staff. So, I thought I'd sit in and see if this is something that we may want to do periodically. Because it's our pension plan, too.

Teresa Hruza: I'm Teresa Hruza. I'm an Investigator at the Police Department, and I am an interested Union member.

Aaron Drake: Welcome to our meeting. Paul, go ahead.

Paul Lutomski: I typed up some recent activities, the first one being a brief history of something called a Flexible Employee Benefit Account.

Paul Lutomski: About August 16th through August 30th we had some dealings with FEBA. We found we needed to revoke it for Police and Fire Retirees. The history of this is that in the year 2000, Jim George, and I called him to verify that this was true, asked Bill Thoreson to see if FEBA could be offered to Police & Fire Retirees. Bill contacted Blackstone, the FEBA provider, Kevin Hitzemann of Blackstone told him it could be done. The City Attorney was not involved in this process yet. Retirees that were in the City's United HealthCare Group Plan were then contacted. Just like the active employees they were automatically enrolled in FEBA to pay for their monthly health care premium. Georgia or John, stop me if this is ever wrong. The retirees had the option of contributing additional FEBA dollars for miscellaneous medical expenses and also the option of not participating in FEBA. Then in year 2001, a civilian retiree asked Bill Thoreson to ask if retirees that were not enrolled in the City's United HealthCare group plan could still enroll in FEBA and use the miscellaneous medical portion of it to pay outside premiums and medical expenses. Kevin Hitzemann again said, "yes" and mailed out some documentation. Don Taute of the City Attorney's Office read the documentation and pointed out that legislation in this documentation was pending - ie not cuurently allowed. Georgia told John Cripe and I this. I called Scott Hitzemann, who was out of the office, and spoke to Mark Huber an owner of Blackstone. Mark then researched the situation. The short of it was he told me that he believed it was illegal, and more specifically was that the funding source determined if a FEBA deduction was allowable. I told him the deductions were coming from a tax qualified defined benefit pension payment to retirees. He said that we couldn't do this then. He also said the legislation was pending and that even if it was passed, this would still be a gray area. He said the IRS position was clearly against this because the IRS saw it as double dipping into a retiree's pension contributions, both contributions by the City and the employee were pre-tax, and now those same pre-tax contributions were being used to pay health care expenses tax free, so the government never gets tax upon that money.

Paul Lutomski: Georgia sent a letter to Police and Fire retirees participating in FEBA to explain this situation. FEBA deductions from pension checks were stopped immediately, that being September 30th of 2001. This means that the City would pay for any expenses paid by FEBA that weren't paid for in advance by the employee. Let's say, if they paid a $1,000 of miscellaneous medical expenses, and they only had $800 of FEBA deductions up until that point, since we've stopped taking money from them, the City was going to just eat the $200 that they already spent. For year 2001 the City will issue an IRS form 1099 R as if FEBA were not used, and then issue a restated 1099 for year 2000 to show that the money that FEBA sheltered from taxes are now taxable. So, that means the retirees are going to have to refile for their year 2000 taxes, and that's the end. Any discussion on that?

Jim George: And they're not very happy.

Georgia Glass: No, they're not.

Aaron Drake: Are any of them saying that you guys ought to pay the filing and/or processing?

Georgia Glass: I've had one employee write to me and suggest that we should. And if there's a penalty or interest for their 2000 taxes that we should pay that. The Mayor has received 2 letters, 2 or 3 letters from retirees that are unhappy. Unhappy with Personnel.

Ross Hecht: Georgia, could you contact the City Attorney and ask him if he would write a letter of explanation to the IRS to accompany all the refunds, or reclaims, and see if that would be?

Georgia Glass: That it would make any difference?

Ross Hecht: Yes. I've had some problems like this and they've been pretty sympathetic. For for errors made legitimately, and it wasn't their fault. It shouldn't even be a penalty, maybe some interest.

Georgia Glass: Okay. That's a good idea. For 2000, since it was only for the last 2 months of the year, I think for some people, again depending on which insurance plan they're in and whether or whether or not they did any additional deductions, it may not even, they may not even have to file an amended return for 2000, because it won't be enough money that they didn't pay taxes on. So, there will be a few that probably just will be B it won't matter. Then there'll be those that it does matter.

Aaron Drake: Do we know how many are affected?

Georgia Glass: There were 41 that have the group health insurance, and 11 who had additional money with health or with flexible spending. I have spoken with Blackstone Insurance. Kevin Hitzemann is somewhat new. He did not consult with anyone else. Mark Huber that you talked to, Bob Moyle, who is the other principal there, who happens to be somebody I worked with in the past as an insurance consultant, when I called him, he immediately said, Can't do that. He was very apologetic for what it's worth, and he said, Kevin did not discuss this with either of us, and we will, you know, take action with Kevin. So, I mean it was just an unfortunately a matter of somebody relatively new somehow missing the fact that this whole thing was discussing proposed legislation, not consulting his own superiors about this, before he gave us an answer.

Ross Hecht: How much money are we talking about? Do you have any idea?

Georgia Glass: Not a clue, Ross. Blackstone has two CPA's on their staff and they said if anybody has questions, wants assistance, they'll give them that help and that assistance.

John Cripe: It would be hard to tell at this point what, you know, what the real cost is. If they're willing to come forward and to assist somebody with their filing because they made the error that should be significant. If the City can assist with language or a letter explaining the situation.

Jim George: What about any associated costs that the retiree may have if he has his accountant figure his taxes. Will Blackstone pick up any associated costs?

Georgia Glass: I don't know. Haven't really had that conversation.

Jim George: When I made the original request, I thought that Bill Thoreson was going to check with the IRS. When I made the original request, I didn't realize he was going to check with Blackstone. I thought the IRS was the appropriate person to check with at that time. Do we have an idea why the IRS wasn't conferred?

Georgia Glass: Yes, I'm sure it's because PayFlex handles our FEBA. They ought to know what the rules are, and that's a reasonable assumption. Of these 41 or whatever it is, I think there is B there is sort of one person that jumps out because he still has children in college, so he had family insurance, which is a thousand dollars a month, and he had the most he had like over a thousand dollars withheld under the FEBA for, you know, miscellaneous expenses, so that, there was one individual that had the hugest, I mean, far above anybody else, and that individual, his wife actually called me. It was actually very understanding, very wanted to lament that this was a huge deal to them, and but was very understanding, just kind of wanted to talk about it, you know. Didn't ask us to, you know, pay them back, or pay them anything, or help anything. I mean, she just kind of wanted to talk, so. So I think, yes, maybe we should kind of consider some of these things. I'm sure that when Finance prepares those 1099's we'll have some idea of what kind of, you know, that might give us an idea of who think that there's going to be penalties, and I will B your idea is a good one, Ross, about saying these people shouldn't be, it wasn't their fault.

Paul Lutomski: Item B.

Aaron Drake: It's good from here on out, right?

Paul Lutomski: No, it's not, but it doesn't get this bad again. The next item is the year-end actuary data. Of course we didn't make seven and a half percent assumption rate. We still have a market value that's above our carrying costs, so that's one good thing. 13th check COLA pool is $9.4 million, now. Up from 7.7 last year. Any comments or questions on the assets mixtures?

Jim George: Do we know what our funding level is?

Paul Lutomski: No, we don't, but I don't think it'll be a crisis. It was the year before last, at the actuary's recommendation that we implemented a different way to calculate our actuarial funding value, using a four year smoothing method. They told us that was an industry standard method. It used to be that we would calculate actuarial valuation based upon the average of carrying costs and market value. Then a couple years ago, they recommended we go to this four year smoothing method, so what that does is, first off it says we expect to earn 7.5%, because that's our assumption rate, so essentially a fourth of our return is based upon that 7.5% assumption rate. Another fourth of our return is based upon that current year's return. So, if it's positive or negative, we only recognize a fourth of that positive or negative return. Then a fourth again is the year before that. And another fourth is the year before that. The four components smooth out the actuarial funding. So when we're earning below assumption, it doesn't look as bad as quickly. When we're earning above assumption, it doesn't look as good as quickly, either. But right now we're in the downward cycle, so it doesn't look as bad as it could be if we used the prior method.

Paul Lutomski: Based on the smoothing method, I think the return comes out to be is about 8%, still above our 7.5% assumption rate. Of course, next year we're going to have to recognize another fourth of this year less than assumption earning, as the rolling average continues.

Jim George: When do they do our audit? When is that done?

Paul Lutomski: We sent this data roughly in September. I'm hoping to get a report before the budget season in January. The next page shows sources and uses on carrying cost basis, and on page 3, sources and uses on market value basis. Interesting points on that, we have employee contributions of a million and a half. Employer, which is City contributions of $988,000 for the last fiscal year, and then EMS, that would be the new Fire fund, contributed $121,000 to the pension. We had interest of $3.8 million, dividends of $600,000. This first one is carrying costs, so we're looking at accretion and amortization. It's like a term that is used for debt assets. If you buy a bond for 904 on the dollar, eventually when you sell it, it'll be worth a dollar, so you have to recognize a little bit every year. Same for if you buy it for $1.10, when it matures, it's still going to be worth a dollar. Realized long-term and short-term gains, during the year we sold assets and realized $5 million in gains above their carrying costs, so we add that into this. Same with CMO factor principal, we had a little bit of that because we held some CMO planned amortization class investments that accrue interest inside themselves, kind of like a treasury strip would. That comes to about $12 million of investment sources, and contributions then get it up to about $14 2.

Aaron Drake: On the realized gain, how does that compare with other years? Is this because we did so much selling and going into equities?

Paul Lutomski: Yes.

Aaron Drake: Higher than normal?

Paul Lutomski: Yes, that's higher than normal.

Aaron Drake: So if we hadn't had that?

Paul Lutomski: If we hadn't sold it, then it would just be an unrealized gain, so it would be the same effect.

Jim George: Have we still been buying every month?

Paul Lutomski: No, we stopped doing that once we reached 30% in August of 2001. We stopped at that point because DROP would cost us an initial amount of money, because of the refund option, and it would also cost us money on a monthly basis, because we'll have a lot more people entering the retirement system, than normal. We usually have maybe five or six people retire every year. You'll see later we had 21 people DROP last month, so that's 3 times the normal volume, so we didn't want to lock ourselves into any sort of continuing equity purchase program until we got the DROP taken care of, and things settled down on that aspect. I figure we can only invest maybe 40% of our money in equities and still have enough debt instruments to provide income when you add that with the employee contributions and employer contributions to make our monthly pension payments.

Jim George: So, is that our goal? 40%, then. Or, are we going to stay here for awhile?

Paul Lutomski: I think we're going to stay here, to give more people time to DROP.

John Cripe: On the DROP. We really need cash right now, and so instead of paying the cash into equities, we're paying the cash out of our funds to DROP. I don't think that will go on much past December or January, and then we need to look at rebalancing.. So, I think we'll be more active perhaps after the first of the year, when we get a little more stability in how the DROP is going to work.

Paul Lutomski: Hopefully they'll be some people that want to switch over to Plan A, and that'll be an infusion of money.

John Cripe: Right.

Paul Lutomski: So, we looked at the financial data.. It could be a lot worse. Changes to active members. Beginning the fiscal year, we had 258 firefighters, 285 police. We show the new hires,. How many people had non-vested resignation and vested resignation, how many retired, how many disability retirements there were and what we ended the fiscal year at.

Paul Lutomski: I really can't say enough about our actuary. I've been complaining about them, and now I'm going to say something good. I think their research department and the person on our team were the entire cause for this getting passed. We were the first municipality in the entire United States that was allowed to do self-direction and a lump-sum rollover with the DROP plan, and to get a determination letter to prove it.

John Cripe: Yes, if you remember, originally it was considered a transfer away from the pension, and not a pension asset. And then they're saying, No, you can't do this in our employee distributions, so it's taxable and a penalty. So then we said, No, it's within the trust. It stays in the trust. But sub-structured by the employee, and they developed the language to do that.

Paul Lutomski: Even with the plan to plan transfers, there were plan to plan transfer limits. And the lump sum rollovers were completely higher than those limits allowed, and the way that the actuary convinced the IRS on that was to say that the lump sum is a prepayment of expected future annuity payments, so if you're rolling over $200,000 that is a prepayment of say, a thousand dollars a month for the rest of your life, and they, they used a conversion system that the IRS has to allow us to say, Well, we're not putting in, you shouldn't look at this as a $200,000 rollover or transfer, you should look at it as a thousand dollars a month, So that goes under those limits too.

John Cripe: Yes, they did a good job for us.

*(Several Committee members agree)*: Yes.

John Cripe: Yes, when they first started it out, they said, You may have to make an adjustment, so we can get it fast. But we don't know if we can pass it with these constraints, and so we said, Yes, try harder And we talked to them about the principles that we thought we were under, and then they took the ball and took care of it. We spent some money when this came down the chute.

Paul Lutomski: This is another good thing. Item P. I'll let John talk about it, if he chooses to do so, but ordinances were changed to allow the post employment health plan to be included in the pension base pay.

John Cripe: This is one of those miniature nightmares. We agreed to do it in negotiations, and we had always had the proposal that it would be part or considered for purposes of pension calculated in the last year. Don Taute said he missed the meeting. We had considerable discussions. We had to talk about the principles behind the post employment health plan, and that it's not an in-your-pocket contribution, but you can count anything toward pension, if you get the agreement and the ordinance says so. We got a letter from Nationwide Insurance that says there's no limit and there's no reason not to count it under jurisdictions due, and so it got passed by the Council. So, post employment health plan contributions on your behalf, the $30 or $40, whatever it is, are counted or added into your pension for purposes of calculating your pension.

Paul Lutomski: And, for Chief Becker, as Management.

John Cripe: Right.

Paul Lutomski: It's not true for Mark and Joe.

John Cripe: Right. The Police union turned down our offer of PEHP. If you decide at some point to have it, the ordinance already will accept it.

Paul Lutomski: (To Mark Meyerson) It's a good thing. You should take it.

Jim George: Yes, I don't know why you wouldn't want it..

Mark Meyerson: Well, when it came up in our union, a lot of our members that were close to retirement were strongly against it, because they wanted that check.

John Cripe: But you could have laddered it in over the course of the contract. Give people a chance to leave that wanted to leave, because you can change it with each contract. It's not wise to do it, but you can do it. Let's say, 10 years from now when those individual accounts, $30 every two weeks, are starting to be $10,000. Maybe I don't want $10,000 of my sick leave to go in there, or I don't need it, one or the other. You know you can modify your percent of payout, you can do it at each contract. I think, you know, for managers, this is, this is the best benefit the City's come up with ever.

Mark Meyerson: I know it was a big problem in our Union was that a lot of guys didn't understand it, and I'm not sure I completely understand it myself.

John Cripe: Well, I'll make this offer- we're not in negotiations - if you want us to present something to you and explain it, we'll be glad to do it, so next time you negotiate you'll understand because you're a couple of years away.

Mark Meyerson: Right.

John Cripe: We'd be glad to tell you what it does and doesn't do. We'd even have the guys come in from Ohio, if you want to do that. Because it is something that, you know, in the 30 years I've been here, this is the best benefit they've put on the table. By far.

Mark Meyerson: Well, I know that a lot of our members are talking about it again and I think it's something that we're going to probably want next negotiation to try to get it.

John Cripe: But you have to understand what it does, in order to understand what you're negotiating. Folks ought to know what, what the principles are. But I think it's, I think it's pretty slick.

Mark Meyerson: Basically it gives you a tax free money, right?

John Cripe: Yes, tax-free, tax-free on earnings, tax-free on the payment.

John Cripe: Well, in my particular circumstance, they were paying out a quarter of my sick leave unused out of the maximum. It got raised as a part of an ordinance this year to half, with a cap. So, I probably gained $10,000 in sick leave payout. Just because I don't have to pay the taxes on it. For no other reason. And that will pay a lot of health care premiums on the single amount.

Paul Lutomski: Page 18 and 19 is an article in a magazine that we get for free. It says what we already know. We're going to have some lower returns here in the near future, which is going to mean a higher contribution rates for employers in order to keep the funding the way it's supposed to be. And, as you know, we've had some struggles with getting the appropriate funding. So that one's bad news. Item F.

Ross Hecht: Paul, before you go to that. You're talking about contributions. I'd like to go back to Page 2, if I might. Employer contributions, 988,000. That's for the fiscal year ending August of this last year. For August of next year, what's what have they proposed?

Paul Lutomski: Another quarter of a million on top of this.

Ross Hecht: On top of the 980,000. So, we're all talking about a million two.
Paul Lutomski: Yes.

Ross Hecht: Okay. And actuarially, is that satisfactory?

Aaron Drake: No.

John Cripe: No.

Paul Lutomski: No.

Aaron Drake: Not even close.

John Cripe: No. It's not satisfactory with us at all.

Ross Hecht: That's what I was thinking.

Aaron Drake: Two million by next year might be changed that to 2.7 million, for next year?

Ross Hecht: If we do not obtain the 7.5%, which we allot, I think you're going to be underfunded even more, aren't you?

Paul Lutomski: We're not underfunded, but our advance funding will be even less.

Ross Hecht: That's right. That's right.

Paul Lutomski: And the DROP will help. And so will, possibly, the switch to Plan A.

Ross Hecht: I think that if we're going to have a significant shortfall it should be brought to the City Council's attention, so that this does not come out and smack them right in the face.

John Cripe: Actually, I think we have made tremendous progress. When we met with the members of the Council individually, all of them recognize that we didn't go far enough, and I think during the evening, if somebody would have said the right thing, you would have at least one or two people thinking to double this year's contribution.

Paul Lutomski: Yes, it was Camp, Friendt and Svoboda that said they wanted to double and go to a $500,000 increase.

John Cripe: Right.

Paul Lutomski: Budget put in 500,000 and it got slashed down to 125,000, then it went up to 250,000 when the committee met with the Mayor. So the Council saw that it was originally 500,000 and those three folks wanted to get it back up to 500,000.

John Cripe: When we met with those three Council members and we offered to meet with the others individually. So when we met with them we got a pretty positive response. I think they understand that sometime soon we could be significantly underfunded. And I believe they're ready to go to pay for it. Because they expressed to us, their displeasure with it getting cut so far. So I think we've got a pretty good position right now.

Ross Hecht: Oh, I don't think you should fail to remind those people about that, because their memories are very short, and you know if it's doubt, for example, if it turns around and they'll say, 'Well, things are looking better.' Well, that's not going to help us enough.

John Cripe: The pension is complex. Both in the way it works, the way it's funded, the history of the plan, and so we started from scratch. We talked to them about the issues, we talked to them about DROP. We were concerned about, they were actually going to hold up voting on allowing the window to go from 30 days to 6 months, and so we said, 'Wait a minute, you don't get the point. The point is that the federal government passed a new tax relief act and it gives us a right to do this,' and I felt that they went away from the meeting with a better understanding of how the whole thing works.

John Cripe: And that's as important as anything, because if you understand how it works, then you understand how the funding is supposed to work, then it's very hard to sit there and say, 'They don't need the money,' or 'We don't need the money.' There has been no other time when Paul and I specifically have had an opportunity to talk to Council people about the pension than this September. We've never had that.

John Cripe: There are only so many resources, and I think that's the bottom line. I believe those folks are willing to commit the resources to the pension.

Jim George: I had some concerns though with Jon Camp, when he suggested that we increase from 250,000 to 500,000, because if I remember right he talked about cutting some fire department equipment. One more thing on that. So, what do you anticipate next budget year if we come in at, say, 100% funded or 98% funded, do you expect the City to contribute the normal cost, or if we're underfunded normal cost plus?

John Cripe: We're going to make a recommendation as soon as we get the actuary's report about whatever our contribution level ought to be and we're going to send a memo requesting that contribution. It should be somewhere in the neighborhood of two and a quarter, instead of one and a quarter, but we have to get the number for sure, but it's my intention to write a memo to Steve Hubka in Finance and the Mayor, saying, 'We believe this is the recommended contribution that needs to be made.' But we need a document to support it at the same time.

Paul Lutomski: Do you want to talk about the next one, too?

John Cripe: Yes. We've had quite a bit of discussion over the time with regard to our increases, I think we'll call this the Drake Plan. Last year, we had developed an increase, a one-time increase to the employees or pensioners who were dramatically low and who were, you know, the three, four, or five hundred dollar category, and as part of our education with the Council, we told them about the $9 million that we had with regard to the money available to do this. We said, ‘There is a COLA pool with $9 million in it that’s set aside for increases to existing employee retirement benefits. It is not part of the regular pension. It is not to be considered part of the regular pension.’ The question is how we do it, so the Law Department says we do it by resolution. We sent a memo over to Don Taute to either create an ordinance or resolution, whichever he sees fit that would create this increase to the base. Then we met with the Finance Director, the Mayor’s staff, Paul and I and Georgia to talk about whether or not we had sufficient resources to create a 1% real COLA versus the 13th Check, and whether they wanted us to pursue it. We do not have sufficient dollars to do a 1%. We have sufficient dollars to do about 0.8% true COLA and the administration’s holding off on it. And they were supposed to get back to us on their feelings and it may be next budget when we consider it. Now, you have to know there are pluses and minuses. Taking away the 13th Check and putting on 1%, there’ll be some people who, who will be negatively affected, so you have to work out a plan that substitutes the $900 that they would have gotten in a 13th Check for the 1%, so it costs more than just delivering in 1% COLA. We have to catch up people who would be negatively affected, so there’s a lot of discussion that needs to happen. I’m hopeful that before we meet again in February, the first Thursday in February, that we have the resolution or an ordinance passed that will increase the base.

Mark Meyerson: Is there going to be a 13th Check this year?

John Cripe: Yes. We did a 13th Check, and we’ll be prepared to do another one next year. There’s certainly sufficient funds to do it. But in the meantime we want to pursue whether or not we’ve changed the methodology to go to a real COLA. Just real expensive to do a big jump. I thought if we could do it incrementally by adding a percent this year and maybe a percent again in another couple of years. Might stabilize a person’s income.

Paul Lutomski: That’s everything we have, Georgia, and did you want to talk about any conversations with the Mayor? Pension enhancements?

Georgia Glass: Well, the one thing that I talked to the Mayor about because Jeff Gottbreht had asked me about this, which would have, which would be looking at an ordinance that would say if someone DROPs and while they’re in the DROP, we would make some enhancement to the Pension that they then get out of the DROP so that they can take advantage of that Pension enhancement, and the Mayor was not real interested in doing that now. He thought that he didn’t think the timing was right. He did say that he did not think that the next couple of years we would probably see any enhancements to the pension until we get the funding stabilized. And he said he would rather wait until we’ve had the DROP plan for a year, to see if this issue is a deterrent or a stumbling block to people getting into the DROP plan and, if it appears that it is, then he, you know, would have some more discussion about it, but he didn’t think the timing now is very good, anyway. So, that was his comment on that question.

Jim George: Of course, on our side, the timing is now. I mean, now is when everybody has to make that decision, whether they are going to DROP or not, and knowing whether there will be a window for .....

Georgia Glass: Do you think that, that’s a deterrent to people DROPping?

Jim George: It’s tugging. I don’t know that it’s stopping people, but it’s, I mean, it’s a big concern. What if in the next couple of years the pension is enhanced, because most of our people are convinced that our Pension is substandard, and they're hoping, I mean they've heard the promises, haven't really seen any but we are currently doing a comparison study.

Paul Lutomski: On that - I sent out 14 questionnaires, I have 8 of them back. I haven't compiled them yet, I need to harass the other 6.

Jim George: What's the status of the Task Force?

Georgia Glass: I talked to the Mayor about continuing to meet, and he was okay with it. Government structure. The Mayor said he was interested in what the committee's thoughts on that were. Any recommendations that they might have. So really the ball is in my court to schedule the meeting, and I just haven't. And, of course, now we're facing the holidays. So I, what I will do is I'll e-mail the entire task force and say, 'Would you like me to try to schedule a meeting in November or December? Or should we wait until January, after the holidays?' And just get the feedback I get from the taskforce.

Jim George: It seems like there's always something. It was vacations before. Now it's holidays, and this, this just adds to our frustration. I go to the Union meetings, I report to our body, they say, 'Where are we at with this?' and it's like, 'Well, we're And I, I mean, you know. They want results.

Georgia Glass: I will send an e-mail. Did we meet on Fridays before?

John Cripe: Actually, if I, as I recall the ending part of the meeting, last time, we had sufficient, a significant amount of discussion with regard to formalizing the contributions in both either an ordinance or in a charter amendment.

Georgia Glass: The Mayor did say he would support an ordinance to that effect. He would support an ordinance that said the City should make the effort o make the recommended contribution.

Paul Lutomski: Shall I put that down?

Georgia Glass: Yes.

John Cripe: I think we'll make a request to the Law Department.

Paul Lutomski: Well, I think we kind of talked about that before. We want to put in the minimum that. I mean, the minimum that they suggest.

John Cripe: Right. I believe that's right. So I think we ought to make the proposal to them to prepare the ordinance, and then get what reaction we need from them. I personally believe there's no wiggle room from a charter. I mean, but there is wiggle room from an ordinance.

Jim George: Let me ask you a question. When you, when the City approved the pension plan for the fire and police, didn't they automatically assume the responsibility and the obligation of making this contributions whether this new ordinance is introduced or not?

John Cripe: No.

Jim George: No?

John Cripe: What they assumed is the liability.

Jim George: Oh, okay. I see what you're saying.

John Cripe: And the ordinance says that regardless of the pension, it is an obligation of the City pays eventually.

Jim George: It talks about levying taxes right?

John Cripe: Right. You may levy taxes, but then the lid cuts that short.

Jim George: I see. Okay.

John Cripe: There were no lids when the plan was created. But if you think about it, and we reached this point one time when the old fire pension before we merged it, there's a point where it had sufficient assets, and we had a number of people on the pension rolls, if that would have lost their assets to pay, it would have been a general obligation of the City and we'd be paying it out of, out of our general fund. I mean we have the obligation to pay it no matter if there's money in it or not. Now that certainly isn't wise, and it isn't wise to go underfunded, but it is a .... Instead of doing it on the funding side, they did it on the obligation side, I should say.

Jim George: So you're going to go forward, requesting this ordinance?

Paul Lutomski: Yes.

John Cripe: Yes. I think we should make the request to the Law Department to create the ordinance to mandate that the Council make the minimum required contribution. Now, there's a plus and minus. If we get overfunded again, you know the required contributions are less.

John Cripe: Well, but you know you can. Because when Johanns got here, it was 200,000, and we were tough, we made him, he made in front of the firefighters at one of the meetings, I'll make stable contributions of 450 and he did for like three years, and the actuary's recommendation was zero. So, you can get into a point where it is less, and from our standpoint, we'd like to solidify it at a percent.

Jim George: I remember that, too.

John Cripe: At a solid number. Not a floating number. So that we know that we have the money. In reality it's easier to keep making the payment if you're making it, than it is to catch it up, so if the City gives the 2 million, it's easier to keep the 2 million than it is, you know, to try to jump to 3 or to have them take it away and go to 1.5.

Paul Lutomski: Well, the best answer then would be to get to normal cost. A 12% contribution, and of course we can't realistically think that that would pass right off the bat, but if we, if we gradually, you know, in the ordinance you're talking about, say okay, x% this year, that year and then up to normal costs in five years. Something like that.

John Cripe: Normal cost is certainly the best way to go, because it's an equal percentage, not an equal dollar, and it is not the actuarial recommendation which fluctuates dramatically based on your funding status, so if the normal cost is 11% or 12% or whatever it is, that's the number we ought to get to.

John Cripe: Paul and I had one thing. As the guests of Smith Hayes and American Funds we went to Los Angeles Thursday and Friday to tour American Funds. We had lunch with their economist, talked about the economy and he told us to buy bonds, corporate bonds in particular, for the next six months. We had a pretty good conversation, and with regard to how the market and the forces in the market are creating. Some of which we knew was going to happen before September 11th and just got accelerated. So, it was good for us. We toured the Service Center, talked to the people who service our telephone calls, make our transfers, and it was part of their service and Smith Hayes commitment with us.

Aaron Drake: Any other new business?

Paul Lutomski: No.

Aaron Drake: Okay. Seeing none, we'll vote to close the meeting.

Ross Hecht: Move to adjourn.

Aaron Drake: Officially moved to adjourn. All in favor, say 'aye.'

*(All committee members):* Aye.