

MINUTES

METROPOLITAN EMPLOYEE BENEFIT BOARD

STUDY & FORMULATING COMMITTEE

September 29, 2014

The Metropolitan Employee Benefit Board's Study & Formulating Committee met on Monday, September 29, 2014 at approximately 4:03 p.m., Sonny West Conference Room, Howard Office Building, 700 2nd Avenue North, Nashville, TN.

Committee Members present: Chair: Michael Shmerling; Vice-Chair: Lucia Folk; Member(s): Glenn Farner, Jr., and Ivanetta Samuels.

Member Debra Grimes was unable to be present.

Benefit Board Member(s) present: Veronica Frazier, Edna Jones, B.R. Hall, Jerry Hall and Richard Riebeling.

Other(s) present: Justin Stack, Metro Human Resources, and Nicki Eke, Metro Legal Department.

Michael Shmerling called the meeting to order and asked if there were any amendments, corrections or questions of the minutes from the last meeting held on July 28, 2014. With no corrections, Lucia Folk moved for approval of the minutes. Glenn Farner seconded and the minutes were approved without objection.

At this time, Michael Shmerling gave an opening statement regarding the purpose of and what the Charter states regarding this Committee. He also noted that the Committee does not have the authority to make any changes to any plans.

1. Interim presentation by the Pew Charitable Trust.

David Draine from the Pew Charitable Trust was present.

David Draine stated that the organization was asked to review the funding of Metro's pensions and retiree health benefits, the unfunded pension costs, best practices, how Metro's plan compares to other cities and plan options (state of TN hybrid plan), for future workers. He stated that they have received input from city officials, actuaries, and others (labor groups). He reviewed the process of analyzing/reviewing Metro's plans and the current fiscal condition of those plans.

David Draine reviewed the fiscal condition of Metro's active pension plans and the current funding of those plans (83% funded) and the five closed plans being 21% funded. He also reviewed the retiree health care obligations and stated that those obligations are being handled on a pay as you go basis. He reviewed the projected retiree health care liability of \$2.3 billion and stated that many cities and states are starting to take steps to manage that liability by prefunding or modifying those benefits.

David Draine reviewed the funding methods for the active and closed pension plans.

On the issue of the retiree health care obligation, Mr. Draine reviewed the new accounting rules requiring states and cities to estimate that cost and put it in the financial statements. He reviewed approaches that some states have taken to comply with those rules.

David Draine reviewed some pension funding practices to reduce cost and how Metro's plan differs from common practices in the public sector. He also noted that pension benefits play a major part in terms of recruiting and retaining employees.

In assessing Metro's retiree health benefits, Mr. Draine reviewed the main cost drivers for a retiree health benefit, options for new employees with Metro, (hybrid plan), the parameters of the state of TN hybrid plan and a benefits comparison of that plan.

There was some discussion regarding feedback received from the stakeholder groups (unions). It was noted that the benefits comparison of the hybrid plan did not include a healthcare benefit.

There was some discussion regarding the closed plans and any recommendations regarding those plans not being any better than what Metro has already done as far as funding and actuarial contributions and anticipated gains.

There was some discussion regarding recommendations and/or further information and analysis being presented at the next meeting.

There was some discussion of the design of a hybrid plan and costs.

There was some discussion on the lack of information related to medical benefits in this presentation and it was requested that more information be presented related to funding retiree health care.

There was discussion of options being seen in the industry regarding funding of medical benefits.

There was also some discussion of retention/turnover stats and the change in vesting from 5 to 10 years.

At this time, the floor was opened for commentary from the audience.

Doug Collier, union representative, addressed the Committee regarding Metro's benefit plans and funding those benefits.

Mark Young, union representative, addressed the Committee regarding Metro's benefit plans and funding issues.

The audience made various comments regarding the benefit plans, employees funding benefits, the last compensation study, (which is not under the jurisdiction of this Committee), Metro employees being underpaid and the current compensation package.

Robert Weaver, Fraternal Order of Police, (FOP), addressed the Committee regarding the employees paying into the pension system and the previous changes made to address benefits for those with a vested pension benefit.

There was also commentary from the audience on the comparison made on Metro's current plan and a hybrid plan and the value of that benefit, input from the stakeholders and employees, and obtaining data/stats within the state.

There were comments from the audience regarding who funded the Pew organization's coming to Nashville and Pew's affiliation with the Jon and Laura Arnold Foundation.

There was some discussion of the next meeting date and time.

With nothing further presented, the meeting adjourned at 5:39 p.m.

ATTEST:

APPROVED:

***Ms. Veronica T. Frazier, Director
Human Resources***

***Mr. Michael Shmerling, Chair
Study & Formulating Committee***