

(This packet was printed on recycled paper.)

Public notice was given to *The Register-Guard* for publication on April 12, 2013.

**LANE TRANSIT DISTRICT
BOARD OF DIRECTORS
HUMAN RESOURCES COMMITTEE**

**Tuesday, April 16, 2013
12:00 Noon**

**LTD CONFERENCE ROOM
3500 E. 17th Avenue, Eugene
(off Glenwood Blvd.)**

Public testimony will not be heard at this meeting

AGENDA

Page No.

- | | | |
|------|---|----|
| I. | CALL TO ORDER | |
| II. | ROLL CALL | |
| III. | Towery (Chair) _____ Dubick _____ Reilly _____ | |
| IV. | APPROVAL OF MINUTES | 2 |
| | <ul style="list-style-type: none">• Minutes of the July 26, 2011, LTD Board Human Resources Committee Meeting (pg. 2)• Minutes of the August 9, 2011, LTD Board Human Resources Committee Meeting (pg. 10)• Minutes of cancelled September 27, 2011, LTD Board Human Resources Committee Meeting (pg. 20) | |
| V. | EXECUTIVE SESSION PURSUANT TO ORS192.660(2)(i), to review and evaluate the employment-related performance of the general manager of LTD. | 21 |
| VI. | NEXT MEETING | |
| VII. | ADJOURNMENT | |

MINUTES OF THE HUMAN RESOURCES COMMITTEE MEETING
LANE TRANSIT DISTRICT BOARD OF DIRECTORS

July 26, 2011

Pursuant to notice given to *The Register Guard* for publication on July 22, 2011, and distributed to the person on the mailing list of the District, a meeting of the Lane Transit District Board of Directors Human Resources Committee was held on Tuesday, July 26, 2011, in the District's conference room at 3500 East 17th Avenue, Eugene.

Present: Michael Dubick, Committee Chair
Gary Gillespie
Dean Kortge

Ron Kilcoyne, General Manager
Mary Adams, Director of Human Resources and Risk Management
David Collier, Senior Analyst, Human Resources and Risk Management
Todd Lipkin, Finance Manager
Susan Oldland, Human Resources Administrative Secretary
Will Clark-Shim, Milliman
Everett Moreland, Hershner-Hunter

CALL TO ORDER: Mr. Dubick called the meeting to order at 4:04 p.m. and called the roll. Guests Mr. Clark-Shim and Mr. Moreland were introduced to Mr. Kilcoyne.

FUTURE DESIGN OF LTD PENSION TRUSTS: Ms. Adams provided an update of recent actions regarding discussion for possible changes to LTD's two pension trust plans:

- The Board Human Resources (HR) Committee began working on draft proposals for new salaried plan model at its February 7 Committee meeting. The HR Committee, District Board members, and Milliman have been working on new plan designs.
- At the June 13 LTD Board special meeting/work session, all members received an informational packet (duplicated in this meeting's packet) that laid out three new plan design options, including the current structure, a defined contribution model, and a hybrid cash balance model. At the June 13 meeting, the Board decided to proceed with developing the defined contribution model, and Milliman was instructed to develop proposals and provide information to guide the HR Committee's future discussions and decision-making process. The intent of today's discussion was to review this information and begin plan-level discussions that will provide enough information for Mr. Moreland to draft a plan. Additional discussion may occur at the next one or two HR Committee meetings, if required. The draft plan will come back to the Board for adoption, in time to have a plan in place by January 1, 2012 for any new employees that begin employment after that date.

Mr. Clark-Shim, Milliman actuary for the plan redesign, introduced the letter he drafted based on the discussion at the June 13 Board meeting. The letter outlined items that require decisions in order for Mr. Moreland to draft a new plan. He also explained that the letter contains specific proposals that are not definitive recommendations, but provided as direction for the HR Committee to enable discussion and preliminary decisions.

The first point of the letter describes the basic benefit structure, which includes an increasing percent of compensation contributed on a participant's behalf, based on years of service and an employer matching contribution. When an employee defers a percent of their pay in the 457(b) plan, he/she will receive a matching contribution of 50 percent of the amount deposited, up to the first 6 percent of the contribution. The expected long-term cost of this benefit structure is about 9.2 percent of compensation, which is meant to satisfy the strategic goal of the Board to contain the long term costs of the retirement benefit. Decisions made at this meeting will have relatively small impacts on the overall cost estimate, but in isolation or conjunction, may begin to have a material impact. The basic formulas can be adjusted to return to the target overall percentage of compensation desired for this retirement program. Once the new program begins, all new hires into salaried employment will start off at the lower end of the contribution schedules, so the 9.2 percent will take time for them to reach.

The first component of the defined contribution plan is referred to as the employer discretionary contribution, with the assumption that the District and Mr. Moreland will develop a legal document that allows flexibility to change the formula in future years, if needed.

Mr. Kortge asked Mr. Moreland if this component of the document would be voted on by the Trustees or the Board.

Mr. Moreland replied that ideally the plan would be amended by either the Board or the general manager, with checks and balances in place to have one entity review the other's changes.

Mr. Kortge asked if language would be included in the plan specifying what types of events would trigger a change in the plan, such as COLAs, and how often a review would occur.

Mr. Moreland stated that the plan itself would not address plan changes; but would say, in effect, that at any time, the Board or general manager may amend the plan. Then it would be a District personnel policy as to how often the contribution structure will be reviewed for salaried employees. The less the plan addresses administrative issues like that, the better.

Mr. Gillespie asked if Board approval would be required if the general manager changes or recommends changes to the plan.

Mr. Moreland responded that any amendment could be made by the general manager or the Board. He added that the general manager has a duty to report to the Board, and the Board

has authority to reverse his changes. Before any substantive changes would be made, the Board and general manager would have significant preliminary discussions. Additionally, internal District structure would limit changes by the general manager.

Mr. Kortge asked if the deferral amount could be increased selectively for a time, such as a year, based on District finances. Mr. Moreland responded that short-term District contributions would be possible.

Mr. Gillespie asked how the salaried plan process changes may affect the bargaining unit if they adopted this type of plan in the future.

Mr. Moreland replied that the process would be similar to the salaried plan changes, but Oregon collective bargaining law would limit changes.

Mr. Kortge added that numbers can be bargained for, both on the scale and/or the match portion.

Mr. Kortge asked if a higher employer contribution level for lower paid employees would be possible or desirable.

Mr. Moreland replied that this scenario or its reverse would be possible due to few restrictions on contribution level for government plans.

Mr. Clark-Shim added that any current or future break points for such scenarios could add complications.

Ms. Adams added that such complications could be avoided if the contributions were based on salary ranges, but drawing the line could cause friction between the two groups.

Mr. Moreland confirmed that changes related to salary ranges also could be amended over time.

Mr. Dubick cautioned that it is not the District's responsibility to be overly paternalistic with employees' behavior around managing their retirement plans.

Mr. Gillespie agreed, and added that a plan without an employer matching deferred compensation component would be far less likely to have employee participation, with the reverse encouraging participation and employee retention and participation.

Mr. Clark-Shim suggested that if there is a tiered structure in the matching formula, percentage levels could have a maximum at a set rate, with any contributions above that level at a lower percentage.

Ms. Adams pointed out that a tiered percentage range would need to be decided for the plan, as well as an employer maximum percentage.

Mr. Moreland added that the District could choose a maximum percentage, gauge the participation rate, and adjust the number if needed.

Mr. Clark-Shim asked whether or not employees should be enrolled automatically in the 457(b) plan, which could be an issue for employees at the bottom of the salary grade scale and who would prefer to opt out of the process.

Ms. Adams responded that it would be the District's preference to encourage plan participation by enrolling everyone, and adding an opt-out option would at least start all employees in the matching fund.

Mr. Moreland clarified the legal issues around new employee enrollment and opting out. Employees could be required as a condition of employment to sign up for the plan and choose to opt out at a later date.

Mr. Collier asked what percentage of their salaries new employees would be required to contribute.

Mr. Clark-Shim responded that in order for employees to amass sufficient retirement income under the defined contribution, they would have to defer their own salary and the District match. Also, when automatic enrollment is combined with a set deferral rate, people will tend to participate at that level. Generally, an employee contribution of 6 percent of pay with an employer match tends to provide enough retirement for employees.

Mr. Moreland added that 6 percent is usually the number seen for these types of plans. Employees could later reduce the percentage or opt out if they choose.

Mr. Kortge and Mr. Dubick agreed that as a condition of hire all employees should be enrolled at 6 percent for a given period of time, such as a year.

Mr. Moreland pointed out that the current District model allows employees to change their contribution at any time, and he would prefer to limit the number of changes employees are allowed over time.

Mr. Lipkin stated that most employees must follow a set procedure to make changes, and that this issue does not create a significant amount of time for the District's Finance Department to administer.

Mr. Collier asked how much of the employees take-home pay would be reduced at a 6 percent contribution level. Mr. Kortge responded that the amount would be equivalent to about 5 percent.

Ms. Adams said that the flexibility of emergency withdrawals, which occur six to eight times per year, should continue to be available in the new plan. As part of this process, employees' contributions may be stopped for a period of time.

Mr. Moreland commented on the issue of emergency withdrawals and suspended deferrals. He stated that that the District should include a similar provision in the new defined contribution plan. For example, employees will be counseled that if they take out money, their plan will be suspended for a pre-determined period of time.

Mr. Dubick asked for clarification on the chart provided by Milliman, which depicts a sample vesting schedule.

Mr. Clark-Shim referred meeting attendees to the entire portion of the Milliman letter related to vesting provisions. Vesting provisions determine when an employee becomes entitled to a retirement benefit. For example, the District's matching contributions go into an account for an employee. If the employee leaves after one year, he/she may not be entitled to any of the money, or may be entitled to a portion of it based on how the plan is structured. Typically, when an employee reaches eligibility for retirement, he/she is fully vested. Also, if the employee dies or becomes disabled while in service for the District, he/she is fully vested. Mr. Clark-Shim presented pre-retirement vesting provisions based on years of service. After reviewing several scenarios, he noted that Milliman proposes that the District employ graded vesting over a period of seven years, for discretionary and matching contributions, as indicated in the following table:

Years of Vesting Service	0	1	2	3	4	5	6	7
Discretionary Contributions	0%	10%	20%	30%	40%	60%	80%	100%
Matching Contributions	25%	50%	75%	100%	100%	100%	100%	100%

This structure entices employees to continue working during their first few years when turnover is typically higher. Mr. Clark-Shim also explained how the employer discretionary contribution relates with the vesting schedule and how the matching contributions would work. He clarified that all employee contributions belong to that employee by definition.

Mr. Moreland explained that the current discretionary plan can allow hardship withdrawals, loans, and benefit payments while employed; however, these three options are never recommended. The whole purpose of the plan is to have money when an employee retires. If employees are given early access to this money, many could avail themselves of this benefit and find themselves without enough money when they would like to retire. He strongly recommended that the new plan be structured so employees are not allowed early access to the money.

Ms. Adams clarified that only 2.5 percent of employees request the funds, and that many are repeats. These employees are told that if they request withdrawals more than twice in one year for the same reason, they are not allowed to continue participating in the plan until they can demonstrate they have resolved the causative issues.

Mr. Dubick agreed that taking out money seems counter-productive to the goal. He asked what percentage of the requests are salaried employees.

Ms. Adams responded that at least 75 percent of the requests are employees in the bargaining unit. She then asked the Committee if they felt that the withdrawal option should be removed from the new salaried plan.

Mr. Clark-Shim suggested that if early access to funds is a plan feature, the employer contribution should be off limits, and the Committee agreed.

Mr. Gillespie added that if the goal is to move the entire District to the new plan structure, there would be resistance from the Union to agree to a plan without the emergency withdrawal provision in place. He suggested that the option remain available to at least give the employee access to his/her portion of the contribution, and severely limit the criterion that qualifies for a hardship withdrawal.

Mr. Kortge pointed out that the plans are for retirement, not a savings account; although he explained that he does understand the hardship argument.

Mr. Moreland suggested that those employees with current deferred contribution accounts may be allowed access to emergency withdrawals. Under the new plan, salaried employees would not be allowed any withdrawals, but the Union employees would need to resolve the issue during bargaining.

Mr. Clark-Shim asked if the Committee members agreed to the vesting schedule, and all indicated that they did.

Mr. Clark-Shim then moved on to the "Definition of Retirement" portion of the Milliman letter that explained this definition under a defined contribution benefit structure. After reading the

definition, he outlined Milliman's proposal for the District, which states: "Because of the retiree medical benefits sponsored by the District, we recommend a relatively conservative definition of retirement." The letter defines normal retirement, early retirement, and retiree medical eligibility.

Milliman proposes that the District uses the following structure to define retirement:

- for normal retirement: the later of age 65 and five years of vesting service;
- for early retirement: either no early retirement, or later of age 55 and 15 years of vesting service;
- for retiree medical eligibility: lifetime District-paid medical benefits at later of age 55, and age plus years of vesting service equal or exceed 85 (e.g., age 55 and 30 years of vesting service; age 65 and 20 years of vesting service).

Mr. Clark-Shim explained that Oregon law requires that medical coverage be provided for retirees under age 65, and that the District's cost to provide partial coverage of this "bridge" coverage can be significant.

Mr. Moreland suggested that another option, in the initial stages of implementing the new plan, is to not offer early retirement. Then as time allows, the Board can decide if and how to include early retirement once they understand the cost of premiums' effect on the District.

Mr. Kortge explained that a District-paid stipend is not required because many types of plans are available that would cost less and be the retirees' responsibility. He strongly recommended that the Board discuss the medical benefits at a deeper level and as a wholly separate issue from the pension plan.

Ms. Adams explained that there are only a few retirees on the District's insurance plan that are not Medicare-eligible.

Mr. Collier added that some employees work beyond age 65 because they have a younger spouse who is not Medicare-eligible, and they would not be able to afford to pay the premium even after the District stipend.

Mr. Moreland recollected that he once inquired how much of the total employee premium is attributable to retirees under 65 on the plan, and was told by an insurance company that the amount is about 25 percent of the cost.

Mr. Clark-Shim replied that his understanding is that the number is less, but he would have to research the issue before giving a definitive number.

Mr. Kortge suggested for the purposes of the discussion, that the early retirement piece be pulled out of the new plan, and that the Committee should revisit the medical discussion at a later date.

Mr. Clark-Shim pointed out that several points of the letter, including compensation and definition entry provisions, had not been discussed and would likely require substantive comments.

NEXT MEETING

Ms. Adams suggested that the regular meeting times of August 9 and 23 could be considered to finalize the discussion, depending on Mr. Moreland's and Mr. Clark-Shim's availability.

Mr. Dubick agreed that the regularly scheduled meeting of August 9 would be best, since it is on everyone's calendars anyway.

Staff and Committee members agreed to meet again on August 9 at 3:30 p.m.

ADJOURNMENT

There was no further discussion, and the meeting was adjourned at 5:39 p.m.

Transcribed by Susan Oldland, Human Resources Administrative Secretary.

Recording Secretary

<Q:\Reference\Board Packet\2013\4\HR Mtg 04-02-13\BD HR Comm Mtg minutes 7-26-11 Final.docx>

MINUTES OF THE HUMAN RESOURCES COMMITTEE MEETING
LANE TRANSIT DISTRICT BOARD OF DIRECTORS

August 9, 2011

Pursuant to notice given to *The Register-Guard* for publication on August 5, 2011, and distributed to the persons on the mailing list of the District, a meeting of the Lane Transit District Board of Directors Human Resources Committee was held on Tuesday, August 9, 2011, in the District's conference room at 3500 East 17th Avenue, Eugene.

Present: Michael Dubick, Committee Chair
Dean Kortge
Gary Gillespie

Ron Kilcoyne, General Manager
Mary Adams, Director of Human Resources and Risk Management
Diane Hellekson, Director of Finance and Information Technology
Mark Johnson, Director of Operations
David Collier, Senior Analyst, Human Resources and Risk Management
Todd Lipkin, Finance Manager
Susan Oldland, Human Resources Administrative Secretary
Will Clark-Shim, Milliman, via conference phone
Everett Moreland, Hershner-Hunter

CALL TO ORDER: Mr. Dubick called the meeting to order at 3:50 p.m. and called the roll. Mr. Gillespie was not present, but joined the meeting at 4:29 p.m.

CONTINUED DISCUSSION OF FUTURE DESIGN OF LTD PENSION TRUSTS: Mr. Dubick explained that this meeting continues the Committee's discussion regarding the Milliman proposal letter for the new salaried employee's pension plan.

Ms. Adams explained that at the last meeting, the Committee discussed about half of the issues listed on the document Mr. Clark-Shim had developed. She added that the Committee needed to complete the discussion of all items in the letter prior to taking the additional steps needed to get the plan in place by the beginning of the year. She added that there is time over the next couple of months to meet should the Committee need to finalize plan-related decisions.

Mr. Clark-Shim presented an updated Milliman letter, which was an amended document from the July 26, 2011, meeting. The update is included as part of this meeting's packet, based on discussion from the July 26 meeting. He suggested an approach that he read from this letter to frame the Committee's discussion.

Mr. Clark-Shim explained that highlighted passages were re-writes of the original document that did not require further discussion. The first item addressed the employer matching contribution,

and the new passage states that the “Committee discussed possible refinement to matching formula, including a higher rate of match on lower income levels. After significant discussion, Committee decided to wait and see the actual impact of the formula shown above” (which indicated a matching contribution of 50 percent of employee deferral on the first 6 percent of compensation).

Mr. Kortge stated that the Committee had dismissed that idea after they discussed it, as opposed to “wait and see”.

Mr. Lipkin added that the Committee decided to not to make any changes at this time, but that this element can be changed later if needed. Staff and Committee members agreed that changes can be made later.

Mr. Clark-Shim continued to the next passage, which read:

- “Everett indicated he would draft the plan such that the General Manager or the Board would have the authority to amend it. The General Manager would be required to report any personally authorized amendments to the Board. However, the General Manager would not be required to obtain the Board’s advance approval of substantive amendments.”

Staff and Committee members did not make any additional comments on this revision.

Mr. Clark-Shim moved on to the topic of “New Entrant Group,” which is new information and, therefore, not discussed at the last meeting. The section states:

- “New salaried employees of the District hired after January 1, 2012, would participate in the retirement benefits.”

Mr. Dubick replied that this statement is very clear.

Mr. Clark-Shim continued with the question of whether or not current ATU members who transfer in a future year to salaried employment would be placed into the new retirement benefits, which could have significant potential consequences in attracting ATU employees to transfer. He supplied some options for this issue, which read:

- “Legal counsel’s preliminary opinion was that future transfers to salaried employment could be placed into the new retirement benefits, and that an agreement to that effect should be signed by the employee as a condition of such transfer. This opinion is based on the assumption that no ATU employee has a right to transfer to salaried employment.

- Putting current ATU members who transfer in a future year to salaried employment into the new retirement benefits may impact the ability of the District to recruit ATU members into salaried employment, especially while the current ATU retirement benefits are in place.
- Legal counsel believes that current ATU members who transfer in a future year to salaried employment could, instead, be placed into the current salaried retirement benefits.”

Mr. Kortge stated he agreed with the third option.

Mr. Dubick asked whether or not ATU members can stay on the ATU plan if they become salaried employees.

Ms. Hellekson replied that transfer employees must be on the salaried plan.

Mr. Lipkin clarified that the ATU employees' choice is not about being on the salaried plan, but taking a salaried job and the other incentives with it. He added that these employees could see a reduction in benefit if they have to enroll in the new plan, which could be a disincentive.

Ms. Adams stated that the current salaried plan is better than the ATU plan. She added that if the new plan is different enough, that could be a reason not to take a salaried position.

Mr. Moreland confirmed that the way the ATU plan is drafted, if an ATU employee transfers to salaried and the ATU benefit increases, that employee will get the increased benefit as well as whatever they earn under the salaried plan.

Mr. Collier pointed out that, at a lower wage and salary, the benefits from both plans are comparable. However, those salaried employees making a higher wage also gain a higher retirement benefit under the current plan.

Ms. Adams added that the dilemma for an employee moving from hourly to salaried, is that the hourly positions can earn overtime, resulting in higher wages and less incentive to transfer. She asked whether it was possible for a current ATU employee to enter a closed plan.

Mr. Moreland replied that it is possible for current ATU employees (those who were hired before January 1, 2012) to enter the salaried plan once it is closed.

Mr. Lipkin advised that the District could run the risk of favoring external to internal candidates should transfer employees still be eligible for the closed salaried plan.

Ms. Adams replied that allowing a transfer employee to enroll in the closed plan would be offset by the cost of training an external applicant for the job.

Mr. Dubick stated that any new salaried employee, regardless of their prior ATU status, should be allowed to enroll in the new salaried plan only.

Mr. Kortge replied that his preference would be to allow any District employee, including ATU members hired before January 1, 2012, to be allowed to on the salaried plan. He added that their union status should not matter.

Mr. Kilcoyne agreed that not allowing current ATU employees to enter the salaried plan would be a disincentive for them to take a salaried position. He also asked how many salaried employees hired over time were internal from the ATU.

Mr. Clark-Shim responded that about one-third of all salaried employees have been hired from the ATU during the history of the District.

Mr. Kilcoyne stated that if a smaller fraction of employees came from the ATU, the cost would likely be negligible, but that the one-third number could be high enough to negate any financial benefit.

Ms. Adams said that overtime-eligible ATU members will retire or terminate and be replaced with those hired after January 1, 2012. As a result, fewer of those employees would be eligible to transfer under the closed plan. She noted that any Committee decisions will need to go before the full Board, and that two versions of the plan can be drafted that include both plan enrollment options.

Mr. Lipkin reminded the Committee that the plan can be changed by the general manager and Board at any time. Consequently, if it becomes difficult to recruit internal candidates because of the retirement plan, it may be amended.

Mr. Dubick stated that, based on the arguments presented by the Committee and staff, the Committee's recommendation is to move both options forward to the full Board.

Mr. Clark-Shim next addressed the definition of "compensation." The current District definition of compensation includes salary, overtime, bonus, Extended Illness Bank (EIB) used in the course of employment, and Consolidated Annual Leave (CAL). Per the Milliman letter, he explained that there are two possible streamlined approaches to a new definition of compensation:

- "Base salary approach: Base salary or wages, including any employee-funded contributions to LTD's Section 125 and 457(b) plans, and CAL used in the course of

employment. Overtime, bonus, cash-outs of unused CAL or any other remuneration would not be included;

- OPSRP [Oregon Public Service Retirement Plan]-style definition: Same as base salary approach above, but also including overtime and bonus;
- Legal counsel believes that the Plan document itself may not need to define compensation. Nonetheless, the Compensation definition is an important policy decision.”

Mr. Kortge asked how the definition gets administered if it is not in the document.

Mr. Moreland replied that the IRS requires that the plan be administered according to its terms, or it can be costly to correct. However, he said that he was aware of no plan that was administered according to its terms. Language could be included in the plan that would cover any inevitable administrative errors.

Ms. Adams explained that many employees save CAL to increase their retirement, which is costly.

Mr. Dubick asked about the advantage of not including 125 and 457(b) in the definition.

Mr. Lipkin said that 125 should be included due to the administrative burden of not including it. He explained that the easiest way to administer the contribution is to multiply the percentage by what the employee is paid, and not subtract other types of compensation. He asked if EIB could be included in the definition. He explained how EIB is accrued and administered.

Mr. Kortge expressed understanding about the complexities of administering the plan and that it should be made as easy as possible.

Mr. Dubick stated that he feels the definition of compensation should be written somewhere in the new plan.

Mr. Clark-Shim asked for a clear summary of what the Committee had decided so far. He suggested that either the base salary definition, with open questions about overtime, bonuses, and EIB, be taken to the full Board or that the Committee develop a definition at this meeting.

Mr. Moreland voiced his understanding that the Committee and staff agree that the definition should be base salary plus EIB and CAL (both used during the course of employment) and does not include overtime and bonuses. All Committee members agreed with this statement.

Mr. Dubick noted that overtime and bonuses could be added back into the definition, if needed.

Mr. Gillespie mentioned that when the ATU bargains the pension plan issue in any future negotiations, the overtime could be a significant issue for any changes to their plan.

Mr. Clark-Shim continued the discussion with the next item in the letter: vesting provisions. Milliman proposed that the definition of "year of vesting service" be an elapsed-time definition because most District salaried employees work on a regular basis. Under this definition, the employee would earn a year of vesting service on each anniversary date of the date of hire. The Committee approved the elapsed-time definition of years of vesting service.

Mr. Clark-Shim moved to the subject of vesting schedules. He wanted to clarify that the Committee had agreed to the vesting schedules listed in the letter, and also that forfeitures from non-vested termination be applied to reduce future District contribution costs and not reallocated for the benefit of participants. Committee members stated that they agreed with both items.

Mr. Clark-Shim then summarized the Committee's discussion regarding hardship withdrawals, in-service contributions, and loans--topics that were not in the original Milliman letter. He requested approval from Committee members that these features would not apply to the District contribution discussed in the letter, and that they may separately revisit this provision of the 457(b) Plan to see if changes are warranted. Committee members approved of this additional provision.

Mr. Clark-Shim addressed the next item, "entry provisions," which was not discussed at the last meeting. This item addressed the point at which a new employee would begin receiving employee discretionary and matching contributions. Several options were listed, and Milliman proposed that the Committee:

- "consider immediate participation to begin receiving employer discretionary and matching contributions, coupled with automatic enrollment. Alternatively, consider an entry provision of the first day of the third month following the date of hire. A common approach with this type of delayed entry provision would be to include all compensation beginning with the first payroll on or after the entry date."

Mr. Kortge expressed that he preferred the simple option: that when an employee is hired, they receive the money. He also stated that this option would make the administrative process more streamlined. Committee members agreed with Mr. Kortge and approved the option of immediate participation.

Mr. Clark-Shim continued the discussion with the next item, "service and accrual rates," which was not addressed at the last meeting. He stated that the discretionary contributions schedule is based upon a definition of service, and offered the following proposals.

- “Link up as many definitions of service as reasonably possible to avoid complication in administering and explaining the benefits. We recommend using the elapsed-time year of vesting service definition as the basis for other measures of service.
- Assuming the District engages in payroll-period deposits for its discretionary and matching contributions...the higher accrual rate could apply beginning with the payroll next following attainment of, for example, five years of vesting service.
- ATU employees transferring to salaried employment could be credited service based upon their elapsed time employed from date of hire in an ATU position. This would mitigate the potential disincentive to transfer to salaried employment.”

Mr. Lipkin asked how the last point would be worded to ensure that the credited service is actual time served.

Mr. Moreland responded that this decision would be made at the District’s discretion. He added that what he sees typically, which is easier to administer, is that a return employee who has money in the plan had his/her old service counted, but not if the employee did not have money in the plan.

Mr. Lipkin stated that this provision is for employees who leave and return. He asked if ATU employees who leave and return would be credited on their last hire date.

Mr. Moreland stated that old service would not be credited--if that is the Committee’s decision.

Mr. Clark-Shim asked if service would be cancelled for the purposes of vesting.

Mr. Moreland responded that because it is a governmental plan, it does not need to comply with rules recognizing prior vesting service per the Employee Retirement Insurance Security Act (ERISA).

Committee members agreed to the Milliman proposals for service and accrual dates.

Mr. Clark-Shim proceeded to the next item, the definition of “retirement,” which the Committee discussed in detail at the last meeting. His conclusion from this discussion was that the Committee decided to define only “normal retirement” in the new salaried retirement benefit and defer deliberation on retiree medical benefits. In addition, Milliman recommends:

- “that former employees also be required to receive a complete distribution of funds. Such requirement could be as soon as practicable after separation from employment, and could include an additional trigger age such as 65. The distribution requirement will reduce the District’s administrative burden.”

Mr. Moreland clarified that the rule for re-hire prior service for future contributions is not counted. First, if prior vested money exists in the plan, two separate accounts for each vesting schedule are required; so it is administratively easier to force the money out. Second, even though the funds are individually directed, there is fiduciary liability held still by Trustees for money in the plan and the range of investment options.

Committee members approved the Milliman proposal for service and accrual dates without further discussion.

Mr. Clark-Shim addressed the next item in the letter: "Defined Contribution Investment Options." He added that this piece will not be included as part of the plan and can be deferred to a later date. The Milliman proposal stated that "LTD will need to choose whether to allow the participants to direct their own investment, or whether it will invest money on their behalf." The proposal is to:

- "allow participants to direct their own investment similar to the safe harbor provision for participant-directed investments under ERISA law. Include in the range of available investments "target-date funds" which allocate participants' assets based upon their expected retirement date."

Milliman also recommends "bringing in a defined contribution consultant to discuss further items such as the range of potential investment, available families of funds, and recordkeeping platforms."

Mr. Gillespie relayed that the Board had a prior lengthy discussion on this topic that will continue to be addressed in the future.

Mr. Dubick concurred that this topic be deferred, but emphasized the importance of continuing this discussion.

Mr. Kortge asked if a decision on this topic is the responsibility of the Board or of the Trustees.

Mr. Moreland replied that the plan will allow the Trustees to permit employees to direct their own investments.

Ms. Adams added that she would like the staff to do preliminary work and bring it back to the Committee. She asked if the ultimate decision could then be made by the full Board. Mr. Moreland stated that he could draft the plan to have the full Board decide, with guidance from the Trustees.

Mr. Gillespie conveyed his preference of having the Trustees included in the oversight process.

Mr. Kortge stated that he would rather the decision be made by the Trustees.

Mr. Clark-Shim continued with the next item of "defined contribution deposits." Milliman's proposal states:

- "The simplest solution may be to make all employer and employee deposits on a payroll basis and integrate those contribution rates with payroll processing. Annual deposits of employer contributions may be difficult to integrate with the District's annual budgeting process, because end-of-year employment will not be known until after the budget has already been established."

Mr. Kortge responded that current plan contributions are on a payroll-by-payroll basis and that this method is easiest. Any changes to this would add an unnecessary burden. Committee members and staff agreed that contributions remain on the current payroll schedule.

Mr. Clark-Shim reviewed the next item, which was whether or not employees be enrolled automatically in the 457(b) plan. He summarized that the Committee addressed this issue at the last meeting and agreed to automatic enrollment at a 6 percent of compensation deferral rate, which takes full advantage of the current matching contribution and is a common number in the public sector.

Mr. Clark-Shim addressed the final item in the letter, the "annuitization of benefits." The letter states:

"One of the concerns surrounding defined contribution retirement systems is that retirees may face challenges to establishing and maintaining steady income throughout retirement. One solution to these challenges is the purchase of annuities. An annuity purchase takes a lump sum retirement account and uses it to purchase lifetime monthly income which is guaranteed by an insurance company."

Milliman recommends that due to administrative and cost issues, the District not require or offer annuities through its plan.

Mr. Dubick suggested that an annuity could be an option at retirement, with the employee receiving the lump sum of money and a list of options, but not at the District's expense.

Mr. Moreland offered his perspective that from a fiduciary and liability standpoint, it would be easier if only a lump sum were offered. Therefore, if the employee wanted an annuity, he/she could carry out a tax-free rollover into an individual retirement annuity. This process would eliminate complex enrollment forms and District responsibility.

Ms. Hellekson asked if a time constraint could be placed on offering the lump sum.

Mr. Moreland replied that the plan could state that the annuity be purchased as administratively practicable. He added that at age 65, the IRS requires the money to rollover to an IRA if the individual does not take action.

Mr. Kortge suggested that the District research companies that offer annuities as part of the plan and a subsequent pay-out on retirement.

Mr. Moreland proposed that for purposes of adopting the plan, he would include language allowing a lump sum as the only option. Consequently, as investment options are chosen, including annuities, the general manager can decide to amend the plan to accommodate these choices.

Committee members agreed with Mr. Moreland's suggestion.

Mr. Clark-Shim and Mr. Moreland stated that they had all the information they needed to move forward with drafting the new plan.

Ms. Adams reviewed next steps including a full Board discussion and implementation details and deadlines.

NEXT MEETING

Should the Committee need to discuss any issues in-depth after the next Board meeting, the next meeting is tentatively set for October 11, 2011.

ADJOURNMENT

There was no further discussion, and the meeting was adjourned at 5:43 p.m.

Transcribed by Susan Oldland, Human Resources Administrative Secretary.

Recording Secretary

<Q:\Reference\Board Packet\2013\4\HR Mtg 04-02-13\BD HR Comm Mtg minutes 8-09-11 Final.docx>

MINUTES OF HUMAN RESOURCES COMMITTEE MEETING
LANE TRANSIT DISTRICT BOARD OF DIRECTORS

Tuesday, September 27, 2011

The meeting of the Board of Directors Human Resources Committee of the Lane Transit District scheduled for Tuesday, September 27, 2011 at 4:00 p.m., was canceled due to a lack of a quorum.

Recording Secretary

<Q:\Reference\Board Packet\2013\4\HR Mtg 04-02-13\BD HR Comm Mtg cancellation notice 09-27-11.docx>

BOARD HUMAN RESOURCES COMMITTEE AGENDA ITEM SUMMARY

DATE: April 16, 2013

ITEM TITLE: EXECUTIVE (NON-PUBLIC) SESSION PURSUANT TO ORS 192.660(2)(i)

PREPARED BY: Mary Adams, Director of Human Resources and Risk Management

ACTION REQUESTED: That the Board meet in Executive Session pursuant to ORS 192.660(2)(i), to review and evaluate the employment-related performance of the general manager.

ATTACHMENTS: None

PROPOSED MOTION: I move that the Board meet in Executive Session pursuant to ORS 192.660(2)(i), to review and evaluate the employment-related performance of the general manager.