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

February 7, 2011

Pursuant to notice given to *The Register-Guard* for publication on February 4, 2011, and distributed to persons on the mailing list of the District, a meeting of the Lane Transit District Board of Directors Human Resources Committee was held on Monday, February 7, 2011, in the District's Board Room at 3500 E 17th Avenue, Eugene.

Present: Michael Dubick, Chair
Dean Kortge
Mark Pangborn, General Manager
Mary Adams, Director of Human Resources and Risk Management
Diane Hellekson, Director of Finance and Information Technology
Mark Johnson, Director of Transit Operations
David Collier, Senior Analyst, Human Resources and Risk Management
Jeanne Schapper, Clerk of the Board/Recording Secretary

Absent: Gary Gillespie

CALL TO ORDER: Mr. Dubick called the meeting to order at 10:01 a.m. and called the roll.

FUTURE DESIGN OF LTD PENSIONS TRUSTS: Ms. Adams said that at a recent pension work group meeting, Mr. Kortge had suggested a more in-depth discussion would be in order. The discussion today will focus on a timeline and approach for the Board and the HR Committee to discuss proposed changes to the salaried pension plan. Ms. Adams reminded the Committee that pension plan reform was on the labor negotiations table last spring, and it was taken off the table as part of the agreement to settle on the one-year contract with no wage increase and a new health care plan. Bargaining will begin again in April.

Mr. Pangborn clarified that moving toward a 100 percent defined contribution plan had been discussed in labor negotiations, along with changes to the health care plan. A cash balance model was not part of the negotiations.

Ms. Adams said that Pete Sturdivan, actuary for the plans, was asked to assist in the process of reviewing changes to the salaried plan. As there is no bargaining cycle in the salaried plan, changes may be made whenever it is deemed prudent. Mr. Sturdivan was asked to prepare actuarial analysis of different models and different funding streams for the salaried plan, initially with the thought that changes could be made as early as July 1, 2011. However, in further discussion related to the transition process, it was decided that perhaps January 1, 2012, may be more appropriate.

At the workgroup meeting held three weeks ago, with Dean's participation as a plan trustee, expanding the participation in the workgroup to the full Board was discussed.

Mr. Kortge stated his appreciation for Mr. Sturdivan's professionalism and directness in his presentation to the group. The crux of the matter is who takes the risk. With the defined benefit plan, LTD takes the risk; with the defined contribution plan, employees take the risk. The two concepts can be modified and blended. At the meeting, Mr. Kortge had stated that if LTD were to go to a defined contribution plan of some sort, that would be a policy statement—not just from the trustees, but from the Board. This would be essential in today's climate with considerable scrutiny of public employees' benefits. The Board should make the policy decision, and the trustees can work out the details.

Ms. Adams added that the question may be presented to the Board through a values questionnaire that Mr. Sturdivan provided. Ms. Adams focused the Committee's attention to the Timeline, which includes a policy discussion by the Board. The workgroup will continue to meet, with the next meeting scheduled for March 4. The questionnaire would then be introduced to the Board at its March 16 regular meeting. A more in-depth discussion of the Board would follow at an April work session. The discussion also can include key differences between LTD's plan and PERS that affect both the cost and benefit of the plan. This also could assist in terms of labor negotiations strategy. An executive session related to labor negotiations also is planned for the April 11 special Board meeting.

In response to a question from Mr. Kortge, Mr. Johnson related that it is realistic to believe that pension plan changes will be on the table for discussion at the next labor negotiations. Mr. Pangborn added that it is critical that the proposal be on the table. It is hoped that this topic and wages be the primary focus of negotiations, with health care benefits taking a secondary role. To emphasize a point Mr. Kortge made earlier, Mr. Pangborn added that this discussion also is critical in terms of the public point of view.

Ms. Adams added that pension reform is one of the items TriMet is negotiating as they move into arbitration. Salem-Keizer Transit (SKT) does not have pension on the table.

In response to a question from Mr. Kortge, Mr. Pangborn clarified that neither TriMet nor SKT are part of PERS. This is due to legislation passed in 1979, specifically excluding transit agencies. It wasn't until much later that transit agencies qualified. In addition, ATU, which has been around since the late 1800s, had its own pension plan and were reluctant to give that up. Ms. Adams added they each have their own pension trustees.

Mr. Dubick remarked that perhaps the deeper the pool, the less risk. Mr. Kortge expressed his belief that assumption is not accurate. Mr. Pangborn added that it could be more accurate in terms of actuarial projections. The actuary rates the client by property. A client could be a part of PERS and receive the benefit of using the PERS investment ability. Each pays according to how many people retire, what they pay out, etc. For example, 4J is talking about taking a big hit next year. Each agency has a different percentage.

Commented [JS1]: Mary: Please edit to make message clearer. Thanks.

Mr. Kortge said that the larger the pool, the more unique investment opportunities would be sought. However, with that comes risk.

Ms. Adams continued with the proposed Timeline, adding that recommendations can be adopted by the Board by May, June, or July. If a decision is not made by July, it would be doubtful that the January 1 deadline could be met.

The pension workgroup is currently composed of Dean and LTD staff. Dean expressed his desire to continue with the workgroup and putting plan details together; however, he said he strongly believed that the Board needs to set policy guidance. He expressed that other Board members could certainly serve on the workgroup so long as it didn't slow down the process. Other persons would need to be schooled in pension jargon and understand the plan.

Mr. Pangborn added that more Board members who have an intimate sense of the plan details give more confidence to the other Board members who are not participating in the process. It would also make the process less staff driven.

In response to questions from Mr. Dubick, Ms. Adams said that its been discussed that changes to the salaried plan be limited to new employees. There is a defined benefit piece in the salaried plan, and a defined contribution piece was added in 1999. Ms. Hellekson added that it worked like PERS in that there was a 3 percent employer contribution and a 3 percent employee contribution. However, LTD added pick up language, and employees agreed to give up certain benefits to fund the entire 6 percent.

Ms. Adams said that she did not believe that LTD could change the existing defined benefit model for existing employees; however, LTD is allowed to change the defined contribution piece. Ms. Hellekson clarified that there is a legal opinion stating that no changes may be made for current employees on the defined benefit plan. Mr. Pangborn clarified that the discussions are more focused on perspective employees.

Mr. Pangborn added that this is the opportune time to have these discussions since LTD will not be hiring many employees. Current employees will be grandfathered in to the new plan, will continue to accrue benefits, and the unfunded liability will still remain. Two-thirds of the payment into the ATU plan is to fund the unfunded liability; for the salaried plan, it's about half. If the new plan is structured appropriately, it could start off being fully funded. It seems likely that there will be a two-tiered plan.

Mr. Kortge said that the larger issue will be the separation of plans between employees. Even though there are definite benefits that can be expressed to employees, there will still be discussions around the water cooler comparing plan benefits.

In response to a question from Mr. Pangborn, Mr. Kortge suggested that Mr. Gillespie would be a welcome addition to the workgroup as he brings a different perspective that would be valuable to the discussion.

Ms. Adams reiterated her understanding that all three HR Committee members are interested in participating in the workgroup. She proposed that the group meet during the regularly scheduled HR Committee meeting times, with Mr. Sturdivan attending.

The Committee members agreed with Ms. Adams recommendation and the proposed timeline.

In reviewing the questionnaire, Mr. Kortge suggested that some questions would be better directed toward staff rather than Board members. The Board's issue is more the values of a type of a plan. In response to Mr. Kortge's suggestion, some questions would be rephrased for the Board's consideration.

NEXT MEETING: March 4, 2011.

ADJOURNMENT: There was no further discussion, and the meeting was adjourned at 10:33 a.m.

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Recording Secretary