MINUTES OF FINANCE COMMITTEE MEETING

LANE TRANSIT DISTRICT BOARD OF DIRECTORS

October 12, 2010

Pursuant to notice given to *The Register-Guard* for publication on October 10, 2010, and distributed to persons on the mailing list of the District, a meeting of the Lane Transit District Board of Directors Finance Committee was held on October 12, 2010, at Lane Transit District, 3500 East 17th Avenue, Eugene.

PRESENT - Mike Dubick, Dean Kortge, Ed Necker

CALL TO ORDER – Mr. Kortge, chair of the committee, called the meeting to order at 10:07 a.m.

ROLL CALL – All committee members were in attendance. The following LTD staff also were present: Diane Hellekson, Carol James, Mark Pangborn, Todd Lipkin, Mark Johnson, Mary Adams, and Chris Thrasher. Budget Committee member Warren Wong was also in attendance.

MINUTES – Minutes from the February 24, 2009, joint meeting of the Human Resources and Finance Committees were approved by the committee, as well as minutes from the May 12, 2009, Finance Committee meeting.

PENSION PLAN FUNDING – Ms. Hellekson, director of finance and information technology, provided a status overview of the District's two defined benefit plans: (1) Amalgamated Transit Union, Local 757, Pension Trust, and (2) Salaried Employees' Retirement Plan. Both plans currently assume full funding over a twenty-year period and 7.5 percent return on the investment of plan assets, down from 8 percent that was the actuarial assumption until 2006. Despite the more conservative return on investment assumption, both plans have large and growing unfunded liabilities, and the portfolios are earning significantly less than 7.5 percent. The unfunded liability for the ATU plan was $14,017,672 on January 1, 2010 (or 51.2 percent funded). The unfunded liability for the salaried plan was $4,503,512 on July 1, 2009 (or 67.9 percent funded).

Ms. Hellekson referred the committee to the agenda packet for actuarial valuations of both plans from Milliman and proceeded to highlight items throughout the reports.

Ms. Adams, director of human resources and risk management, stated that the average age of employees for both plans is 50, which affects pension plans, health care, and other benefit areas.

Ms. Hellekson stated that staff has been evaluating the benefits of establishing a two-tier system.

Ms. Hellekson also stated that neither plan has a guaranteed cost of living adjustment, and both plans are defined benefit plans. The salaried pension plan is based on final average three-year salary, which is similar to PERS. Employees covered by the ATU plan receive the same rate regardless of their job classification based on service credits and a multiplier specified by the collective bargaining agreement.

Milliman provided a calculation for a rate of return of 6.5 percent. For the salaried retirement plan, a 6.5 percent rate of return assumption would increase the contribution from 18.3 percent to 22 percent. For the ATU plan, a 6.5 percent rate of return assumption would increase the contribution from $4.26 to $4.96 per hour. The monetary value of the two combined is approximately $500,000 annually.

Ms. Adams distributed a handout that compared the monthly pension benefit and percentage of income for employees with 20 and 30 years of service under both plans.

The committee was asked to consider a recommendation to the full Board, which could include do nothing, opt to lower the return on investment rate, or periodically contribute an additional lump sum amount into the plans.

GASB PROPOSAL FOR PENSION PLAN DISCLOSURE – Because so many public pension plans have significant unfunded liabilities, the Governmental Accounting Standards Board (GASB) has proposed new reporting and disclosure rules. The major feature of the proposal is a requirement for public entities with underfunded pension plans to report the unfunded plan liabilities as liabilities of the employers. LTD would be required to report unfunded liabilities of the two LTD pension plans as liabilities of LTD. Essentially, LTD's assets would be used to offset the asset shortfalls of the plans. As of the most recent valuations, LTD would need to report $18.5 million as a liability on the balance sheet.

Ms. Carol James, chief accountant/internal auditor, stated that practitioners oppose the proposal; however, the debt market is pushing for recognition of this debt. For all governments with debt, it would have an impact on bond rating.

DISCUSSION -- Ms. Hellekson recommended that the committee not make a decision today.

Mr. Wong believed that the funding of the ATU pension plan was too low. He recommended that the Board adopt a policy to contribute amounts beyond the suggested actuarial amounts.

In response to a question from Mr. Kortge, Ms. Adams stated that this was not an ATU negotiating issue.

Mr. Dubick suggested that maybe employees could contribute to the plans. Ms. Hellekson stated that there is an option for a plan with a base contribution and then a match system for new employees.

ADJOURNMENT – There was no further discussion, and the meeting adjourned at 11:27 a.m.

(Recorded and transcribed by Chris Thrasher, Lane Transit District)