

CITY COUNCIL MEETING MAY 15, 2006 REGARDING SDCERS BUDGET

Patti's Notes:

(These are Patti's understanding of remarks about SDCERS from the May 15, 2006 City Council Meeting.)

Donna Frye, Goldstone and Scott Peters discussed SDCERS at the May 15, 2006 City Council meeting in various segments that are gathered together here. It appeared that Donna Frye has been sending letters with questions to the SDCERS Board, but not getting many answers yet.

1) Donna requested SDCERS President Prevolos present the SDCERS budget to the Council, as the City is the Plan Sponsor for SDCERS. She said that SDCERS' actuary would only come if Prevolos comes.. She thought it more appropriate for Prevolos to come to the Council, rather than the Council go to the SDCERS Board. (Prevolos invited the Council to attend the May 19th actuary presentation at SDCERS). Donna said, that as the City is the Plan Sponsor, that perhaps the Council should not approve SDCERS' budget until SDCERS' actuary comes to the Council. Later she asked for Council support on this, and Scott Peters promised he would call SDCERS to request Prevolos' presence.

2) Donna asked if SDCERS use of so called "excess earnings", referred to as the "Waterfall", was continuing, and she questioned if this year's actuarial numbers reflect that it is continuing, or that it is not continuing.

3) Goldstone responded that the Mayor realizes the need for a Resolution/Ordinance regarding the use of the "Waterfall".

The legality, of the "Waterfall", appears to be under review in the City Attorney's office. Donna said, that whether it was legal or not, there was a need to do an ordinance and go beyond the discussion/policy direction that the Council gave the SDCERS Board two years ago, regarding the "Waterfall". She felt everyone on the Council would vote for it.

4) Goldstone said this should be accomplished by June 30, 2006, so the SDCERS Board would have this direction for their fiscal year 2008 planning. There was some agreement that it would be possible to do an emergency ordinance by that date.

5) Donna also wanted to see SDCERS' assumptions that were used to arrive at the City's annual required contribution (ARC), in order for the City Council to vote on disclosure statements and certify that those are the accurate numbers. Goldstone said his office will analyze SDCERS' methodology and other assumptions. Whether SDCERS is using a "Waterfall" should be in SDCERS' ARC report that SDCERS promised Goldstone on Friday May 12, but he had not received by Monday afternoon May 15.

6) Goldstone is in process to hire a City actuary to review SDCERS' numbers, validate calculations and verify if assumptions are right, etc. Goldstone questioned how much evaluation that a City's actuary would be able to accomplish in this year's limited time. More could be expected from a City actuary's review for FY 2008.

7) Donna asked how can SDCERS' unfunded liability grow, but the City's annual contribution(ARC), as figured by SDCERS, be smaller?

8) Goldstone said the current plan is to pay SDCERS \$162 million (ARC for FY 2006-2007) on July 3rd, according to the 3rd edition of the Mayor's City Budget. The Pension Obligation Bonds will be reviewed separately from the budget. If the POBs had been included, part of the City's contribution (ARC) would have been paid by POBs.

Submitted, Patricia Karnes 5/16/06