

WORKING SESSION - MONDAY, FEBRUARY 12, 1996

The working session of the Ann Arbor City Council was called to order at 7:09 p.m. in the City Hall Council Chamber by Mayor Ingrid B. Sheldon.

ROLL CALL OF COUNCIL

PRESENT : Councilmembers Tobi Hanna-Davies, Patricia Vereen-Dixon, Jane Lumm, Jean Carlberg, Heidi Cowing Herrell, Patrick A. Putman, Christopher Kolb, Elisabeth L. Daley, Mayor Ingrid B. Sheldon, 9.

ABSENT : Councilmembers David Kwan, Stephen C. Hartwell, 2.

REVIEW OF EMPLOYEES' RETIREMENT SYSTEM FUNDING STATUS

Mayor Sheldon introduced the members of the Ann Arbor Employees' Retirement System Board of Trustees; Retirement System Actuary Alan Sonnanstine; Retirement System Attorney Jerold Lax; and former Board Member Cecil Nesbitt. The Mayor expressed hope that this meeting would become an annual tradition that would lead to greater understanding between the City and the Retirement System.

Board Chairman Larry Hahn presented a brief overview of the Retirement System and the functions of the Board. He stated that the Board's fiduciary responsibility is to administer the assets of the Pension System solely for the benefit of the employees and retirees. Mr. Hahn reported that the Board's role and responsibilities have expanded along with the Fund's tremendous growth.

Mr. Sonnanstine reviewed the Retirement System's actuarial report. He reported that the System has over 120% of its past service liabilities covered, which means that the City can reduce its contribution for the current fiscal year to 7.98% of payroll, or \$3.059 million. Mr. Sonnanstine stated that the extraordinary investment return earned in the last several years has helped put the Plan in this surplus position, in spite of those years when the City's contribution was under the actuarial recommended amount. He added that the actuarial assumptions and methods no longer have to be so conservative because a recent change in the retirement system ordinance gives the Pension Fund first priority for retirement millage funds.

Finance Director Dean Moore reviewed the status of the post-retirement health and life insurance benefits and reported that the premium payout for these benefits has increased significantly during the past decade. He requested that consideration be given to advance funding of these benefits.

Mr. Hahn reviewed the proposed Memorandum of Understanding between the City and the Ann Arbor Employees' Retirement System which attempts to establish general principles and procedures governing the relationship. Mr. Hahn stated that the administrative duties of the Board have been growing along with the Fund and that clarification of the roles of the City and the Board are needed.

The above presentations were followed by discussion and questions from Councilmembers.

Mayor Sheldon invited interested Councilmembers to serve on an ad hoc committee that would meet with Pension Board members to review the issues concerning the Memorandum of Understanding.

Mr. Hahn encouraged Councilmembers and employees to attend Pension Board meetings, held at 11:30 a.m. on the second Wednesday of each month, for a better understanding of the Retirement System.

The following documents were distributed to Council and filed in the City Clerk's Office: "City of Ann Arbor Employees' Retirement System Annual Report, Fiscal Year Ended June 30, 1995"; "Memorandum of Understanding, October 11, 1995"; "City of Ann Arbor Employees' Retirement System General Members - 1995"; "City of Ann Arbor Employees' Retirement System Non-General Members Police Department and Fire Department - 1995".

ADJOURNMENT

There being no further business to come before Council, the Mayor declared the meeting adjourned at 8:40 p.m.

W. Northcross
Clerk of the Council

Janet L. Chapin
Recording Secretary