UNIVERSITY CITY COUNCIL
STUDY SESSION
5th floor of City Hall
6801 Delmar
January 28, 2013
5:30 p.m.

The City Council Study Session was held in the Council Chamber on the 5th floor of City Hall, on January 28, 2013. Mayor pro tem Arthur Sharpe, Jr. called the Study Session to order at 5:33 p.m. In addition to the Mayor pro tem Sharpe, the following members of the Council were present:

Ms. Paulette Carr
Mr. Terry Crow
Mr. Byron Price
Mr. Michael Glickert

Mr. Stephen Kraft and Mayor Shelley Welsch were excused.

Also in attendance was City Manager Lehman Walker.

Mayor pro tem Sharpe opened the Study Session by asking if there were any changes to the Council's agenda for the evening. No changes were requested.

Mr. Walker presented Mr. Stephen Siepman, an actuary from Buck Consultants.

Mr. Siepman answered a number of questions previously proposed by Council.

1) In calculating the City's pension contribution, what were the assumptions that were controlled by forces outside of City Council or their pension boards or any changes anticipated and what were the assumptions controlled by City Council. Connected to this was the question, what were the assumptions controlled by City Council and its boards in calculating the City's pension contribution.

   Mr. Siepman stated that in most cases the assumption were joint where there was advice from the actuary plus reasonable beliefs of the board or City.

   Those assumptions led by an actuary were:
   - mortality rates
   - disability rates

   Joint assumptions were:
   - the interest rate of 6½ percent which was currently being used
   - salary increase assumption which was based on a 3% annual salary increase, using a long term assumption
   - methodology being used was a cost method requiring an actuary's advice
   - smoothing techniques to avoid spikes up or down
   - number of years to amortize any underfunding that might exist at a particular point in time. The number of years to amortize would be a City's decision.

Ms. Carr asked to verify if the City was currently on a 30-year amortization, which was confirmed.

2) If City Council and board's desire to return to and stay closer to fully funded status by adjusting assumptions, what would be the recommended assumptions to consider and what would be the sensitivity to such changes.

   Mr. Siepman said that assumptions were a tool to determine the obligations to the plan. The real obligations to the plan would be what were the pension benefits that the existing members get and for how long. What would the benefits be for the currently active members when they retire and how long will they receive them. The real obligations for the pension benefits are for as long as they go out. The goal would be to see what the obligations are now so they can be funded now and not a pay as you go. Basically the plan should be funding for a member's retirement while that member was still working. Mr. Siepman said the assumptions need to be realistic. He said one end of the spectrum would be a conservative assumption leading to higher costs and liabilities. The other end of the spectrum would be aggressive assumptions, which would be harder to achieve. Mr. Siepman said an actuary can make a plan look better funded by adjusting assumptions. The concept would be to get assumptions that are realistic, not too aggressive or too conservative. The funded percentage, the funded status and the cost would be an outgrowth of a choice of good assumptions.

   Ms. Carr stated that if a Councilmember would ask where the City was; it would be Mr. Siepman's estimate based on his assumptions. He agreed although hesitant with the word estimate.

   Mr. Crow asked if the 6½% and the 30 year amortization were relatively standard numbers for plans. Mr. Siepman stated not necessarily and but would be answered with the next question.

3) What are the funding levels of other communities in the area and should the City consider changing the actuarial assumption from 6½%.

   Mr. Siepman stated the State of Missouri requires information to be provided for all plans and used information from 2011, as listed below:

Plan Funding	% of Cities
100%	8%
90 – 99%	14%
80 – 89%	28%
70 – 79%	21%
60 – 69%	12%
Less to 60%	17%

   Mr. Siepman noted that the City's non-uniform plan was at 77¼% funded, putting it in the midrange category. He stated that much of what was being dealt with now was the result of the market downturn in 2008.

Assumptions from the State of Missouri:

Assumption Percentage	%of Cities
8% of higher	14%
7½ – 7¾%	45%
6¾ – 7¼%	24%
6½% or lower	17%

Mr. Siepman noted the City was in a conservative interest rate of 6½% where most of his other clients were at 7½%.

Ms. Carr asked how many of the plans funded at 80% or better used the assumption rate of 6½%. Mr. Siepman said he did not know as the two tables were not cross-matched but a conservative plan could be 100% funded at 6% assumption rate. Conversely he said there could a plan at 8% assumption and only be 55% funded.

Ms. Carr asked how the City could measure itself.

Mr. Siepman noted that 45% of all plans were using 7½ to7¾% interest rate so if the City used this, the liability obligation of the City would clearly be in the upper end of the 80% of being funded. He noted that almost half of the cities were using the 7½ - 7¾% and if asked where U City would be, they would be close to the middle or above, from a relative standpoint, the plan was similar to a lot of other plans.

Mr. Crow asked for a copy of the list from the State of Missouri that Mr. Siepman quoted from.

Ms. Carr said the pension board has asked the City set aside $1.2 million for the pension fund if there was nothing demanding of the City's money. She asked if this was a necessity.

Mr. Siepman said it would be good to fund the status of the plan sooner rather than later but as an actuary he will never tell the City how to spend their money. He noted the necessity was to meet the City's funding policy which was the 30 year amortization plus the cost of the plan.

Ms. Carr asked about moving to a 15 year amortization. Mr. Siepman said that was in discussion as the 30 year amortization was at the upper end and new accounting rules were coming in place in 2014, as the GASB, Government Accounting Standards Board, sets the accounting standards.

Mr. Price asked if the investments in the fund had something to do with the fund and Mr. Siepman agreed. He said the biggest driver was what kind of returns the City would get on their investments.

Ms. Carr asked for a suggestion to insure the long-term health of the plan. Mr. Siepman said a safe investment presently might be at 2% or less. In order to get 6½% the City will need to take some element of risk. He stated that he did not know of a way to insure long term health of the plan, given the current volatility in investments.

Mr. Crow asked when the new actuary numbers would be out this year. Mr. Siepman noted they were due around April. Mr. Crow said he was told that as long as the defined benefits plan was in a deficit position they could not convert to a defined contribution plan. He asked how it worked and what the rules were.

Mr. Siepman noted he would not be speaking in favor of one plan over the other. He said defined benefit plan has the investment risk. If continued the investment risk will always be there. In a defined contribution plan, the investment risk was transferred to the employee. The key reason why cost were as high as they were now was the fact that the present value of the obligation the City accumulated as compared to the assets, was what was now being amortized over thirty years. If it would not be for that, what the City was paying each year would be the cost for the employees earning the benefits and would be a substantially lower dollar amount than what was being contributed presently. If the City would say the defined benefit plan goes away at some future date and would be replaced by a defined contribution plan, the City would keep their commitment to try to make the plan whole and be able to pay the benefits that people earned. Therefore, there would be a commitment over time in order to make up the funding shortfall. What would be changed were the benefits going farther into the future by current employees. In place the City would provide some percentage of pay into a defined contribution plan. The key opponent "would not go away" but even if there was a switch the City would still have to plan a way to deal with the shortfall.

Mr. Glickert asked if Mr. Siepman saw any future changes with GASB as related to the funds to achieve the objectives of 6½%. Secondly he asked from an actuary standpoint was there a correlation between where a fund was at, the number of employees relative to the years of service and stakeholders receiving the pension funds now.

Mr. Siepman stated the new GASB standard will require certain numbers to be disclosed. The differential between the obligations and the market value of the plan, the unfunded obligation would be required to go on the City's books. He said the numbers will be larger as the 6½% assumption rate was based on over a period of years. Mr. Siepman said from the standpoint of funding and perspectives, it would not be of help to the City. He said generally speaking the baby-boom generation has to be taken into consideration and a number of plans were seeing the number of retirees compared to active employees growing, which will put some pressure on the City's cash flow.

Mr. Price noted that there were years when the plan was not funded and asked if the good times rolled again, would it be wise to continue funding. Mr. Siepman stated that some sort of funding should continue.

Mr. Sharpe asked if there was any advantage of infusing any funds into the plan. Mr. Siepman said the better funded the plan was the more secure the benefit would be for the participants.

Ms. Carr asked if the City put in the 1.2 million dollars into the plan and the market goes down, would the City essentially loose its money. Mr. Siepman agreed.

Mayor pro tem Sharpe stated that the meeting for this discussion had run out of time. The next topic to be reviewed was the Parkview Gardens' Plan.

A summary of the planning process and the amended draft plan for Parkview Gardens was given by Dr. John Hoal and Tim Breihan with H3 Studios.

Dr. Hoal briefly presented the summary of the Parkview Gardens' planning process and with a focus on the changes. He noted as a reminder the project conception was a partnership for a sustainable community's grant. Dr. Hoal stated it was very important to remember the plan was a long range plan, twenty years out. The present plan was built on two previous studies, "The Parkview Gardens Parks and Open Space Plan" which the City Council approved and "The Delmar Loop Retail Study". He said it had five fundamental phases, four of which were formed in a community outreach plan. From there a series of options were derived which lead to a draft plan, to a final plan, and subsequently was amended. The decision working framework came from working with the community at large, secondly with the Parkview Planning partners put together by the City as advisory and finally to the decision makers. Dr. Hoal said what was important as planners, was to facilitate a community process where there was a series where everyone tended to agree with 90% of the work and the other 10% were the controversial issues. He noted the planners do not make policies. They had four public meetings and six partnership meetings. The methodology they used was very transparent and everything was presented. Dr. Hoal stated they continued to have community outreach and every phase completed was ultimately approved by the City. The Plan Commission decided to keep the conversation open when land owners around parking lot #4 voiced objection. The Plan Commission removed the development on parking lot #4 and agreed that there must be parking needs that will be addressed by a separate study, which will be done and then tied in at the comprehensive plan process.

Ms. Carr said the issue was the City had been asked to pay an additional $40,000 to amend the plan. She noted that on the bottom of page of the draft plan she had, was "the draft document is subject to revision including graphics and appearance" and mention of additional cost. Additionally on stake holder interviews, she noted only one of four property owners; Mr. Edwards was chosen as a stakeholder. She stated that Mr. Edwards said that the parking lot was never discussed with him. Ms. Carr said that Bruce Mills had no stake in University City but also saw where he did not respond nor was he interviewed, but knew that he work with Dr. Hoal on Maryland Walk. She asked why the stakeholders list was as it was, heavy on government and heavy on Wash U but not involving landowners around parking lot #4. Ms. Carr noted that according to the report, 26 stakeholders were to be interviewed as part of the planning process. Business and property owners were organized into eleven small focus groups and were critical in shaping the project team's understanding of the Parkview Gardens neighborhood and were included in the analysis of the study areas. Public engagement in parallel with regular meetings with the planning partners, four separate public workshops with neighborhood residents were conducted along with the public at large. Ms. Carr noted that Mr. Solomon said at the meeting the parking lot was being sold as a community vision and that he did not think it was an accurate perception and was not for building on the parking lot. Ms. Carr assumed the planners identified some consensus issues by the stakeholders' interviews. Mr. Solomon stated at the meeting, the condominiums existing on the location, he saw as politically controversial and would get pushed back from the business community and residents, but it was still put in the plan. Ms. Carr stated that she felt the mistake was made by the planners having gone forward with the plan and not consulting other landowners and wonder why the City had to pay an additional $40,000.

Dr. Hoal stated that all the issues were brought to the Plan Commission and were very explicit about the difficult options available. They received the commission's authorization and chose a direction. He said they did not set the direction, they just facilitated the conversations. Dr. Hoal stated they presented both options and had been very clear through the process.

Mr. Crow asked who were the coterie of people who were interested in developing the site.

Ms. Carr stated that while on the Plan Commission, they were not given an option A or B but rather told that in order to achieve the higher density and desired goal this was the plan that was suggested. She noted it was always positioned to them that way. Ms. Carr again stated she did not see why the City had to pay $40,000 to change the plans and how the planners missed three important people for stakeholders.

Dr. Hoal noted the list of stakeholders were given to them and specifically suggested the categories of people. It was a decision by the City together with the advisory committee to provide the list to the planners. Dr. Hoal specifically pointed out that they have no relationship with Mr. Bruce Mills.

Mayor pro-tem Sharpe interrupted to adjourn the meeting in order to go into the Regular Council session.

The study session was adjourned at 5:30 p.m.

Joyce Pumm, MRCC/MCC
City Clerk