

BUDGET, FINANCE AND PERSONNEL COMMITTEE

February 17, 2009

3:45 P.M.

Councilwoman Berz, Chairman, called the meeting of the Budget, Finance and Personnel Committee to order, with Councilmen Rico, Bennett, Robinson, Benson, Gilbert, Page and Pierce present. City Attorney Michael McMahan and Shirley Crownover, Assistant Clerk to the Council, were also present.

Others present included Greg Haynes, Larry Zehnder, Dan Johnson, Donna Kelley, Richard Beeland, Daisy Madison and Frank Hamilton.

Chairman Berz called the meeting to order stating that she had two announcements and a Fire and Police Pension Quarterly Report.

The first issue concerned the question of Council Auditor. Chairman Berz stated that all Councilmembers would have in their boxes by Friday, the final report and research related to the auditor position. She asked that each Councilmember peruse this over the weekend and that she had planned that we would make the final decision next week; however, she added, Ms. O'Neal had told her that we had a very heavy committee schedule next week, and this might have to be scheduled for the final decision the week after.

Councilman Benson felt because of the urgency of this, that we might need to make time next week and that he would cut his Legal and Legislative Committee short.

Chairman Berz stated that in Council's boxes would be all the options that had been mentioned such as outsourcing, in-sourcing, what the department might look like, what positions would be needed, and the cost. She stated that next week would be decision time; that the information would be available on Friday.

Councilman Benson commended Chairman Berz on doing her homework, stating that we needed to move on this issue. He again stated that he would make his Legal and Legislative Committee short.

Chairman Berz reiterated that the Council would have the options in front of them and should be ready to make a decision next week.

Councilman Rico stated that he would need to study this first, with Chairman Berz reminding him that he would have the information by Friday.

Councilman Page stated that the reason Ms. O’Neal had said that we had a very full agenda was because he had an Economic Development Committee scheduled to hear David Eichenthal—that he was coming back, but he felt that Chairman Berz had a priority item. He mentioned that he did have two Pilots, one being Unum that was supposed to start at 4:00 P.M.—that this should continue. He asked that Ms. Crownover see that either she or Ms. O’Neal contact David Eichenthal to ask if he could come at another time.

Councilman Benson asked what David Eichenthal was coming for. Councilman Page stated that it was economic development stuff we asked for; that we will go ahead and do the two projects and ask that Mr. Eichenthal look at another date, reiterating that we would keep the Pilot. He requested that Mr. Eichenthal be changed to a future date.

Chairman Berz stated that the Budget, Finance and Personnel Committee would follow right after Legal and Legislative Committee, and we would make the final decision on the auditor position.

The second issue concerned an Ordinance to provide a temporary exception to the City Code for employees assigned to the 9-1-1 Communication Board. Ms. Madison was present to explain this. She stated that this was part of unification and would remove the city employees working for the 9-1-1 Board who would normally lose any personal leave that they had accumulated and not used by March 12th; that this would extend the time so that they would not lose it.

Councilman Pierce asked if they could not build up time? Ms. Madison explained that there was a maximum carry-over amount.

Councilman Bennett mentioned that the matter of personal leave had come up, and we were to get recommendations from Internal Audit. Chairman Berz stated that this had been put on hold and will come back later.

Councilman Pierce asked if this would be advertised for next week. Ms. Madison confirmed that it would be on next week’s agenda.

UPDATE ON FIRE AND POLICE PENSION FUND

Chairman Berz stated that several months ago the Mayor had a representative on the Fire and Police Pension Board; that the City Council now has a representative, who is **Ray Ryan of Patten and Patten**; that Mr. Ryan was present to give us a quarterly report.

She first called on Frank Hamilton to speak. Mr. Hamilton thanked everyone for allowing him to be here; that this was the fourth quarter of 2008 Report. He stated that he would let the Council know that this has been a hard year with a loss of 19.1% for the fourth quarter and a loss of 31.3% for the calendar year; that the Board, with the guidance of Ray Ryan, had adopted a new Investment Policy Statement; that the Board had hired an independent auditor to audit the Fund, and they had suggested that the Fund pay the majority of expenses in-house, which had served as a cost-saving measure indirectly by streamlining the audit process.

Councilman Page asked what this meant? Mr. Hamilton stated that it involved bills and management fees; that we had always given the bills to the Trustee, and he paid the bills for us and charged a fee; that we now do it all from our office with the same Staff.

Mr. Hamilton went on to say that during the fourth quarter there were seven (7) retirements from the Fire Dept.; three pensioners and one beneficiary passed away during this quarter; there were 18 new members added to the Fund. Two Police Officers were rehired and repaid contributions to the Fund. He explained that 672 members elected to increase contributions to 9% in order to remain eligible for the old DROP Plan; 37 elected to remain at 8% and 4 remaining members have until February 27th to make an election.

Mr. Hamilton stated that his last item was as a result from last year they were having their second Retired Widows' meeting and were drafting a letter to explain the problems in funding and the market and to assure them that their benefits are safe.

Councilman Rico asked if the 31.3% loss was an indicator of the present economy and was occurring across the board?

Councilman Benson asked about diversity and if we didn't have something secure such as annuities?

Chairman Berz suggested that we let the expert talk.

Councilman Benson asked about conservative investing.

Mr. Ryan spoke next, stating that the Treasury and Federal Agency Bonds are on par. He stated that his involvement began in October; that there were outdated plans and they had been updated, and they had passed a new Investment Policy and had discussed the under performance of the Fund. He noted that a 31.3% loss is worse than the average; that we were going into 2009 with 57% allocated to Equities, which was a bit too high and that they would be working on revising the structure of the Plan and Management; that they needed to allow for this to work. He mentioned 13% in Real Estate, which is not entirely offices.

Councilman Page asked for an update of this year, noting that the figures being given were for the end of 2008.

Mr. Ryan indicated that he had no figures for January and February of 2009.

Councilman Page asked if the market was down? Mr. Ryan responded that it was 8% year to date and bonds are flat. Councilman Page asked Ms. Madison to comment on the General Pension Fund. She responded that the General Pension Plan is having the same type of performance with a similar loss of 30%. Councilman Page stated that we are responsible for both of these funds, and he wanted to know what we expect this to look like in 2009. Ms. Madison stated that we would have an actuarial evaluation done on both plans; that we will not experience the full benefit when the market goes up but not the full loss either—that it will “smooth” out. She agreed that there were pretty significant losses.

Mr. Ryan stated that he would support what Ms. Madison had said; that an actuary in Memphis had been given this task and would be providing us a report.

Councilwoman Robinson noted the 31% loss on our side with the national average being 25%, trusting that we had something to consider for the City. Ms. Madison responded that we had a city consultant doing the same thing.

Attorney McMahan added that a lot of funds are restricted by law, and we are experiencing the market.

Councilman Benson noted that we were looking at this from hindsight; that he wished we had been more conservative, but we could have lost more.

Ms. Madison stated that we were doing well and our loss was not too bad.

Mr. Ryan explained that the new policy restricts to 65% and that a 5% differential is a fair amount of money for equity going forward.

Councilman Page stated that he was not as discouraged by the 31% loss; that it was not all that bad but as new allocations were found, he would be concerned about shifting equity. Mr. Ryan responded that this would give them latitude of timing and there would be a series of meetings this Spring. He noted that some of the managers were under performing, and they had not changed oversight.

Chairman Berz asked if there were other highlights?

Mr. Ryan responded that he thought everything was covered in his fourth bullet which read “*Since 1984, the Fund has earned an average annual return of approximately 8.9%*”. He stated that last year was disappointing but we had had five years prior which were a nice cushion.

Councilman Page stated that this was the most information he had received since he had been on this Council; that we were always in the dark a lot. He thanked Mr. Ryan. He then asked Mr. Ryan to talk about the outlook and what he thought the market would do over the year. (At this point Councilman Rico made some statement regarding Dan’s question and Councilman Page stated that Councilman Rico was always interrupting, which he guessed was his prerogative). He stated that he thought it would be most interesting to see how well we are doing as compared to other municipalities.

Mr. Ryan responded that he had nothing off the top of his head; that States such as California and New York had been hit harder. He mentioned Florida and Nevada as States with the largest housing bubbles; that States in the center of the country, such as Tennessee, have fared better; that States in the middle of the country are stronger than those States that are closer to the ocean; that what we have is a “cakewalk” compared to what is happening in California and the rest of the country, prompting Councilman Page to note that 30% loss was not that bad.

Chairman Berz asked the Council if this update of the Plan met their needs?

Councilman Benson responded in the affirmative, stating that he hoped the General Pension Plan would make a report similar to this. Mr. Johnson reminded him that the General Pension Board meetings are held in this same room and that everyone is invited.

The meeting adjourned at 4:10 P.M.