MINUTES
Committee of the Whole
Monday, June 7, 2021 @ 5:00 p.m.

https://us02web.zoom.us/j/85940036219; ID: 859 4003 6219; or Dial in: (646) 876 9923
Held virtually in an effort to protect the health and safety of the public & to mitigate the spread of COVID 19

CALL TO ORDER
Council President Spadafore called the meeting to order at 5:00 p.m.

PRESENT- via audio/video
Councilmember Peter Spadafore remotely from Lansing, Michigan
Councilmember Adam Hussain remotely from Lansing, Michigan
Councilmember Carol Wood remotely from Lansing, Michigan
Councilmember Patricia Spitzley - excused
Councilmember Kathie Dunbar remotely from Lansing, Michigan
Councilmember Brandon Betz remotely from Lansing, Michigan – arrived at 5:08 p.m.
Councilmember Jeremy Garza- excused
Councilmember Brian T. Jackson remotely from Lansing, Michigan

MEMBERS PRESENT- via audio/video
Sherrie Boak, Council Staff
Mark Lawrence, Mayor's Office
Lisa Hagen, City Attorney
Jim Smiertka, City Attorney
Eric Brewer, Council Internal Auditor
Robert Widigen, Finance Director
Jake Brower, Budget Director
Judy Kehler, CSO
Greg Stump, Boomershine
Jonathon Butler, San Antonio, Texas
Kim Coleman, HRCS
Chief Green, LPD

Council President Spadafore noted that Council Member Betz spoke to him about being late and should arrive shortly.

Minutes
MOTION BY COUNCIL MEMBER HUSSAIN TO APPROVE THE MINUTES FROM MAY 17, 2021 AS PRESENTED. ROLL CALL VOTE, MOTION CARRIED 5-0.

Public Comment

No public comment on this time.

Presentations

Chief Strategy Officer Update

Ms. Kehler spoke briefly on her experience on the retirement boards and the City's consulting services with Boomershine. Ms. Kehler provided a brief bio of Mr. Greg Stump with Boomershine and introduced him.

Mr. Stump shared his screen on a presentation on pension/retiree healthcare funding, historical funding, current status and the future outlook. (Presentation attached)

Council Member Jackson asked about the turning point this year, and asked what actions did Council take to get to this point. Mr. Stump stated in 2011 what was used for funding was the urban amortization funding, which meant unfunded would never get paid off. He then went through the shorter amortization process. Council President Spadafore asked if the unfunded liability will not grow but the payment will grow, and Mr. Stump confirmed. Council Member Wood asked about other options that could be looked at such as early retirement, and 911 and ZOO employees that became County employees, and the City had to pay that out to the County to go into their retirement plan. So there were fluctuations in the market and those things that contributed to the amounts also. Mr. Stump confirmed. He then continued with the history of the OPEB funding, and the benefit policy. Mr. Stump concluded with the OPEB.

Council Member Wood asked Mr. Stump about the $900 million legacy cost and if that is correct. Mr. Stump acknowledged he saw that number as well, but his 20 year numbers is less than $100 million, somewhere around $60 million total.

MRJEA – Jonathon Butler, Esq. Equity Manager, San Antonio, Texas

Council President Spadafore stated this invite was from the budget sessions where Council had asked for details on where the proposed funding was determined.

Ms. Coleman spoke on the progress of moving the racial and equity plan forward, and in doing so they looked into other municipalities, and made contact with those and spoke to San Antonio on their resources and their business model. She spoke briefly on Mr. Butlers' experience in Atlanta, Georgia and Chattanooga, TN.

Mr. Butler acknowledged the administration and staff for their assistance and then began his presentation on equity, his experience, and details on San Antonio and the racial disparities there. The presentation included "applying an equity analysis". (Presentation attached)

Ms. Coleman highlighted the presentation and the points the City intends to use for their plan to normalizing, organizing and operationalizing.

Chief Green noted the City Justice Equity Alliance is consistent with the presentation Mr. Butler provided. The work of the MRJEA is a beginning on how to reimagine, and the Mayor's goals will be presented June 22, 2021.

Council Member Hussain acknowledged the presentation, noting it is not that there is not the courage to fund, it is the inquiry for the rationale and tonight's presentation helped on how the City can advance. He then asked about the process for the year one funding, seems similar to what was done in San Antonia in 2015, and asked what that looked like. Ms. Coleman stated the City has done internal and external research and hope to have all things in place for a presentation on June 21st. Mr. Butler added that recommendations to Lansing is not to do what San Antonio did, because there were things they did that if they had to do over again they would not do the same way, so their recommendations to the City to lead into the training modules and do best practices.

Council Member Wood commented on ear marking what the funds are needed for, and asked if there were any changes to the document Council has already been provided from the March 19 draft. She then asked what the metrics will be used to determine the successfulness of the training, and if there is something used by Mr. Butler already. Mr. Butler acknowledged said they did qualitative and quantitative results. Council Member Wood asked if there is anything that looks not just in the work place but in peoples personal lives. Mr. Butler noted social justice starts at home, and equity is everyone's job.

Council Member Dunbar asked about the systemic issues in San Antonio and how they envisioned moving forward, and incorporate the wrongs that have been done, and not just move forward but to make people whole, make people accountable. She asked how he saw this moving forward and dealing with the harm that was already done. Mr. Butler stated forward thinking still takes into the content. Council Member Dunbar spoke on addressing what happened already that needs to be addressed before instead of moving forward and the current 8 legal cases brought against the City. Mr. Butler spoke on addressing history in transforming human resources practices, transform on how reporting and operationalizing.

Council President Spadafore noted that regarding the next steps will occur in the future, and asked Mr. Butler to submit the slides from the presentation.

Ms. Coleman stated Mr. Butler and Mr. Elam will be doing a presentation on June 22, 2021.

Mr. Smiertka recommended not speaking on any litigation during an open meeting.

Discussion/Action:

DISCUSSION – General Fund Status Report; FY2020/2021 3rd Quarter/Vacancy Factor Report FY 2020/2021

Bond Rating Update for the City of Lansing Sewer Enterprise

Council President Spadafore stated he spoke to the budget and finance director and these items were informational in meaning, and due to the timing of this meeting and the Council meeting at 7:00 p.m., there would be no discussion or presentation on these at this time.

Adjourn

The meeting adjourned at 7:01 pm
Respectfully Submitted by,
Sherrie Boak, Recording Secretary
Lansing City Council
Approved by the Committee on June 21, 2021

City of Lansing

Pension and Retiree Healthcare

Funding Review

June, 2021

BOOMERSHINE CONSULTING GROUP, L.L.C.

ACTUARIAL & RETIREMENT PLAN SOLUTIONS

Today's Discussion

- Pension/Retiree Healthcare Funding Background
- Historical Funding of the ERS and Police and Fire System and Retiree Healthcare
- Current Status of the Systems
- Future Outlook

Funding Background

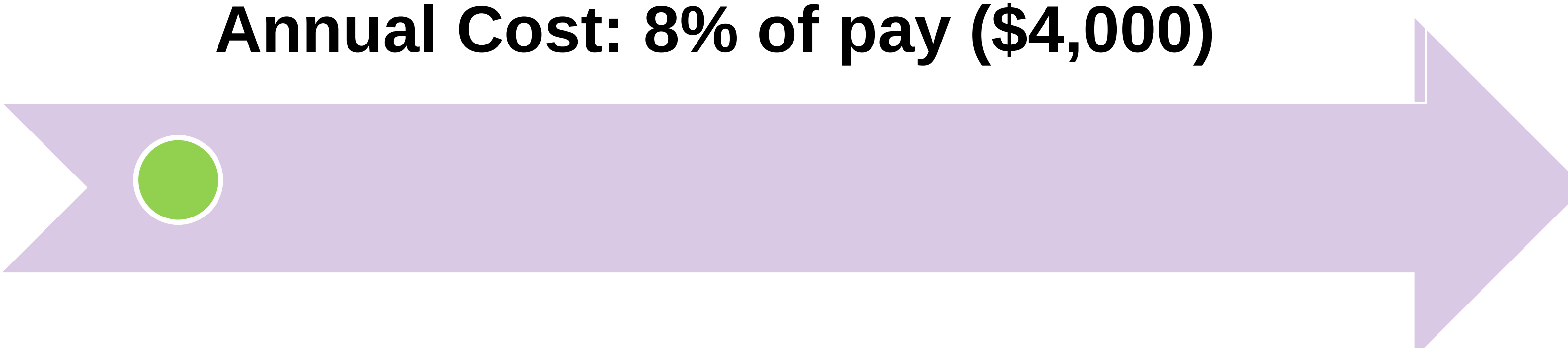
How Does It Work?

Funding Background

STAGE 1: HIRE

Assets needed: $0

Annual Cost: 8% of pay ($4,000)



Funding Background

STAGE 2: MID CAREER

Assets needed: $150,000

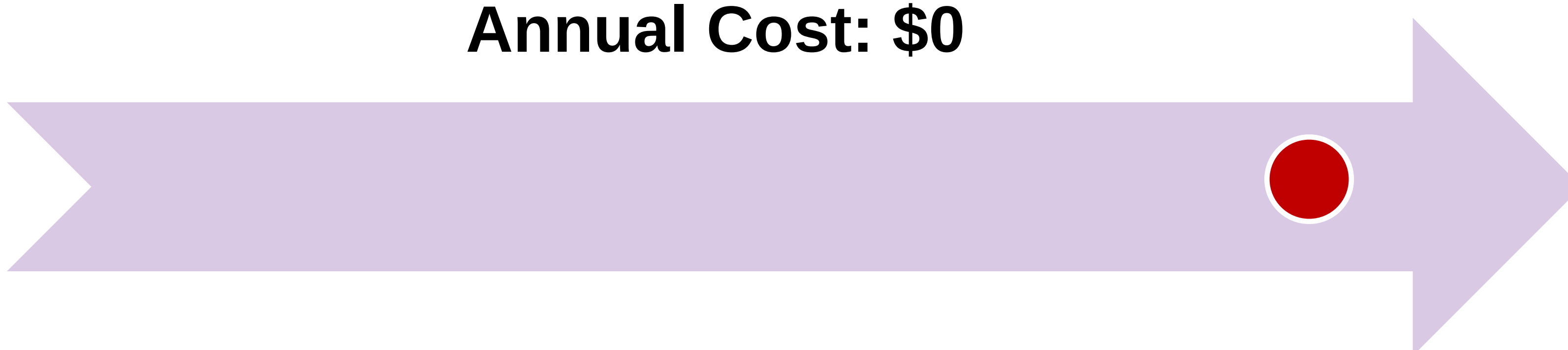
Annual Cost: 8% of pay (now $5,500)

Funding Background

<u>STAGE 3: RETIREMENT</u>

Assets needed: $400,000

Annual Cost: $0



Actuarial Terms: Assets Needed = “Actuarial Accrued Liability”
Annual Cost = “Normal Cost”

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Funding Background

HIRE

Assets needed: $0/Actual: $0

NC = $4,000

MID CAREER

Assets needed: $150,000

Actual: $55,000

NC = $5,000

RETIREMENT

Assets needed: $400,000

Actual: $380,000

NC = $0

Shortfall, aka Unfunded Liability

Cost/Contribution = Normal Cost + Amortization of Unfunded Liability
= $9,000 + $12,000 = $21,000

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Funding Background

- What Causes (or increases) Shortfalls?
  - Increases in benefits (without increased funding)
  - Contributions < Maintenance Amounts (see slide 12)
  - Investment returns lower than expected
  - Healthcare Costs higher than expected
  - Longer retiree lifetimes than expected
  - Retirements earlier than expected
  - Less turnover than expected
  - Higher salary increases than expected

(not an exhaustive list)

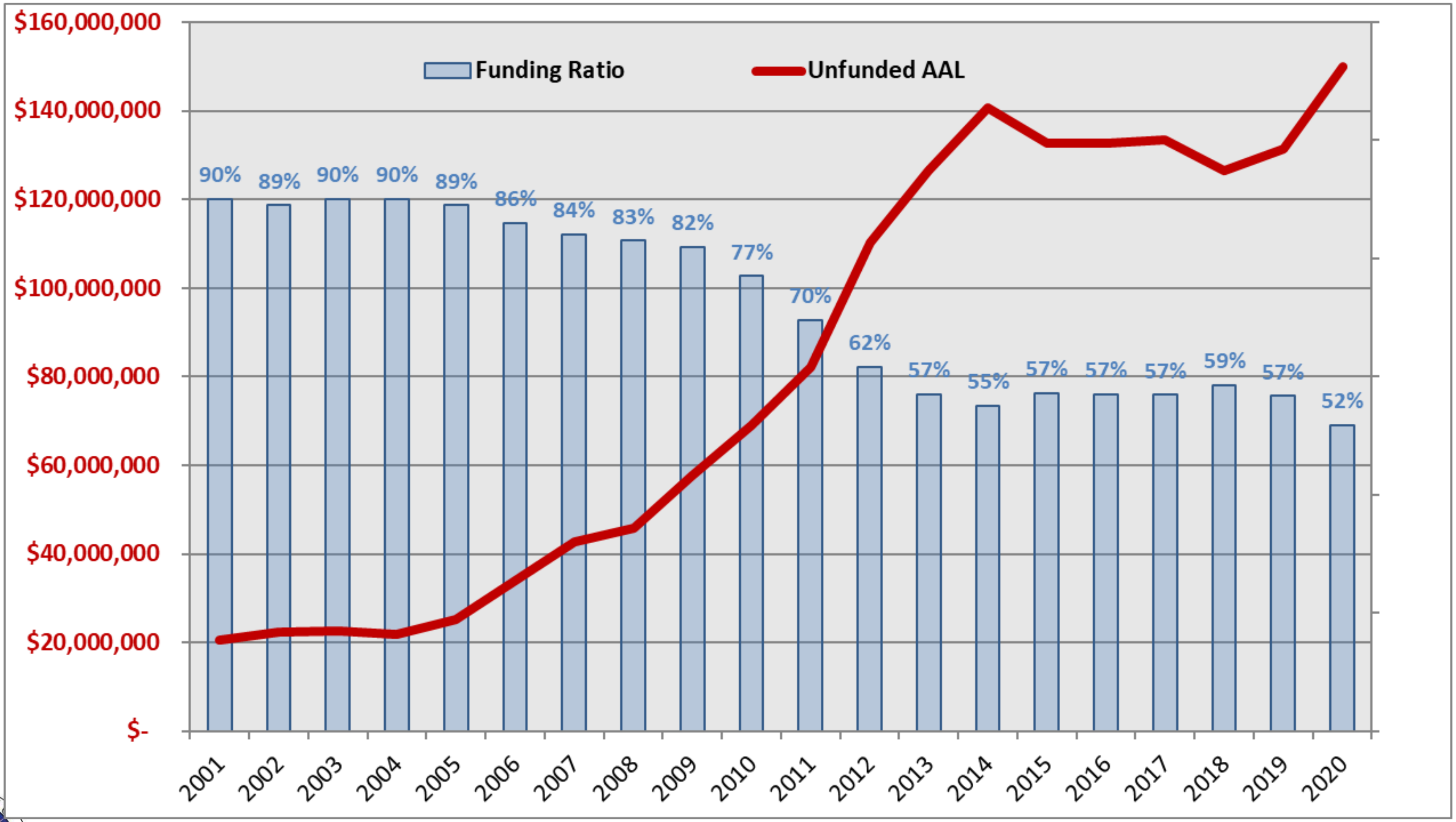
How Did We Get Here?
Historical Funding

Employees' Retirement System

Police and Fire Retirement System

History of Pension Funding Progress

ERS



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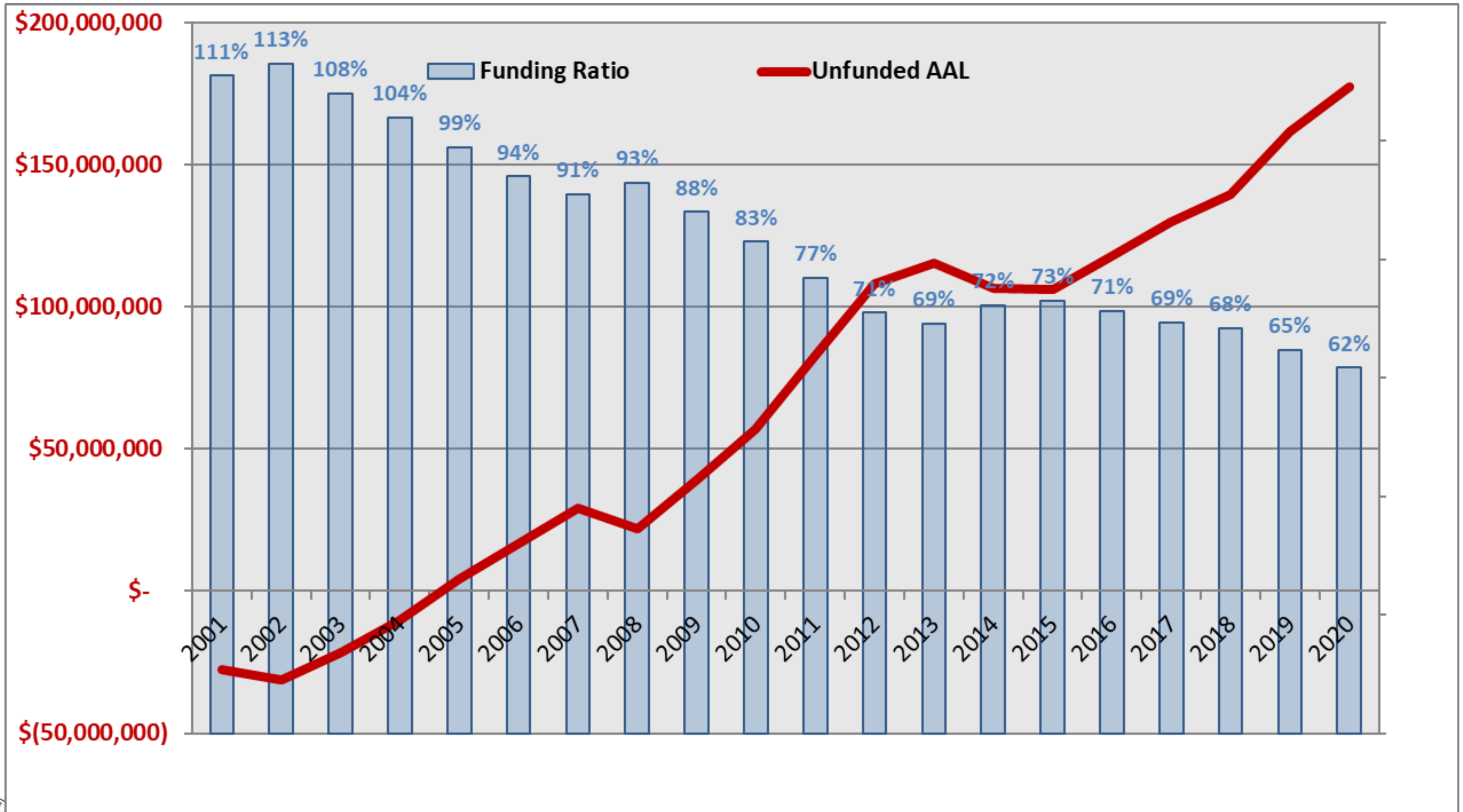
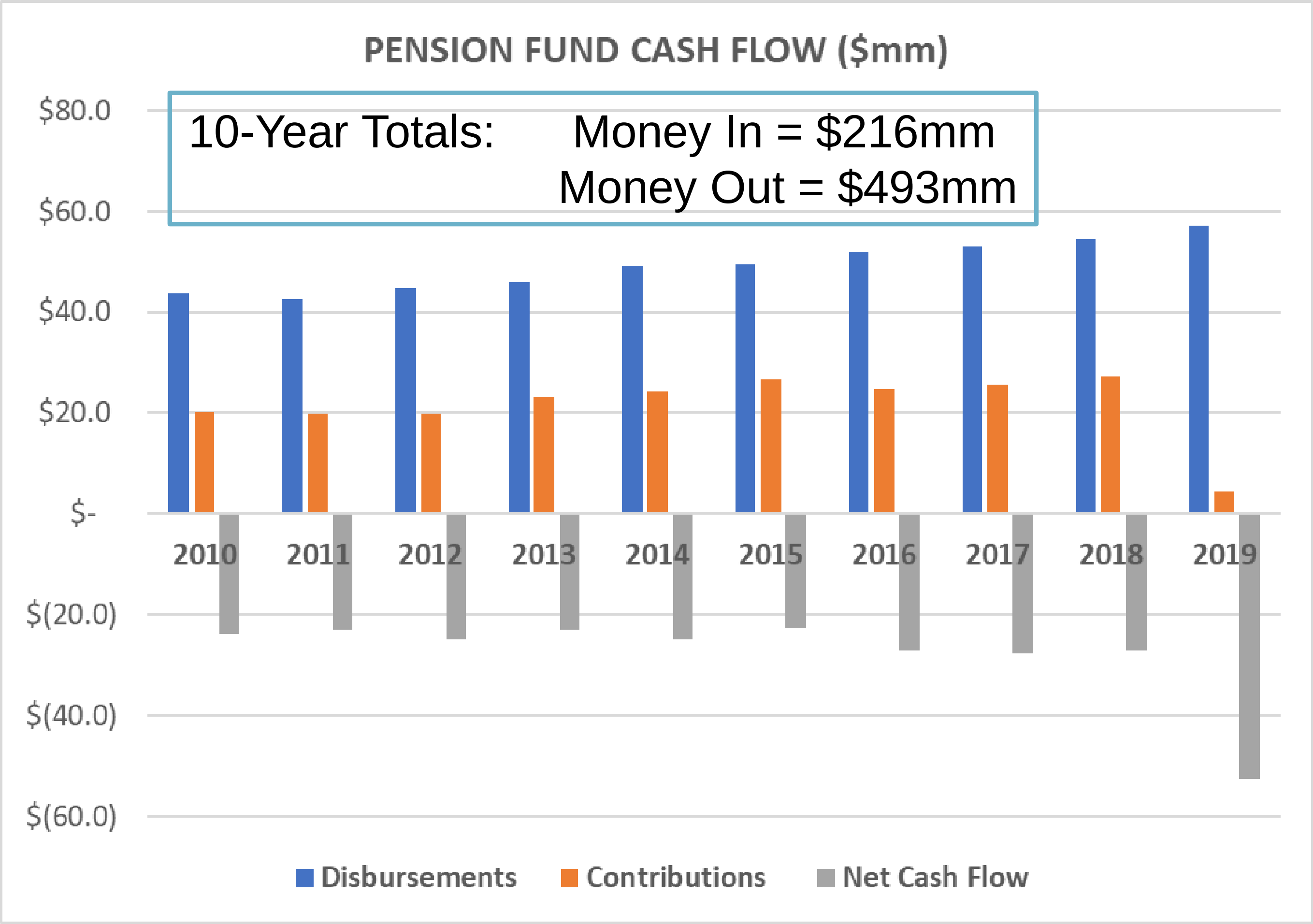
History of Pension Funding Progress

Police/Fire



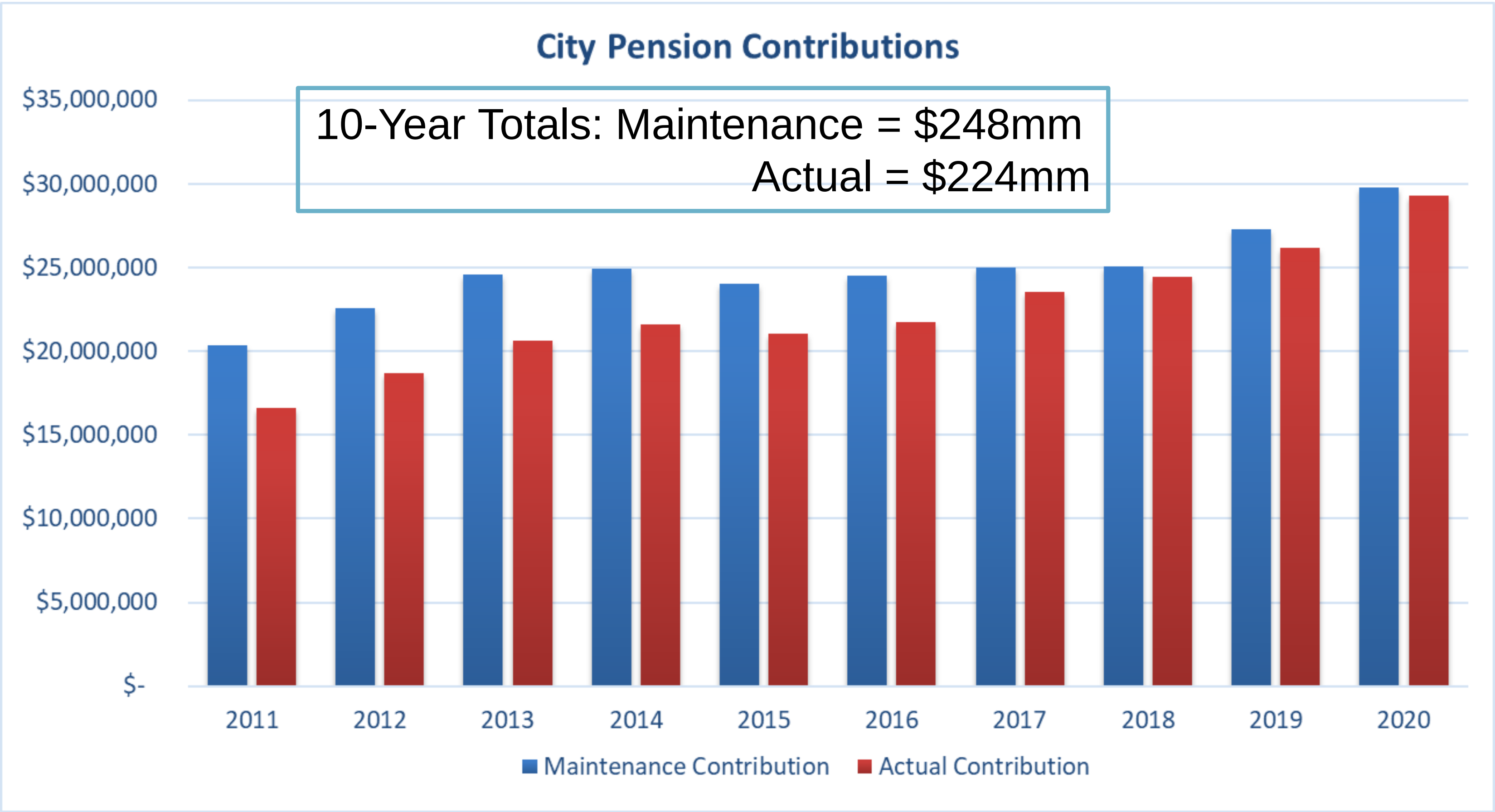
History of Pension Cash Flows



"Break-Even" Funding

- Unfunded Liability (a.k.a. Shortfall)
  - – Actuarial Accrued Liability (AAL), less Plan Assets
- Maintenance ("Break-even") Contribution =
  - – Contribution that will maintain unfunded liability without decreasing it =
  - – Normal Cost, reduced for Employee Contributions
  - \+ "interest" on Unfunded AAL

Contributions vs Breakeven Amounts

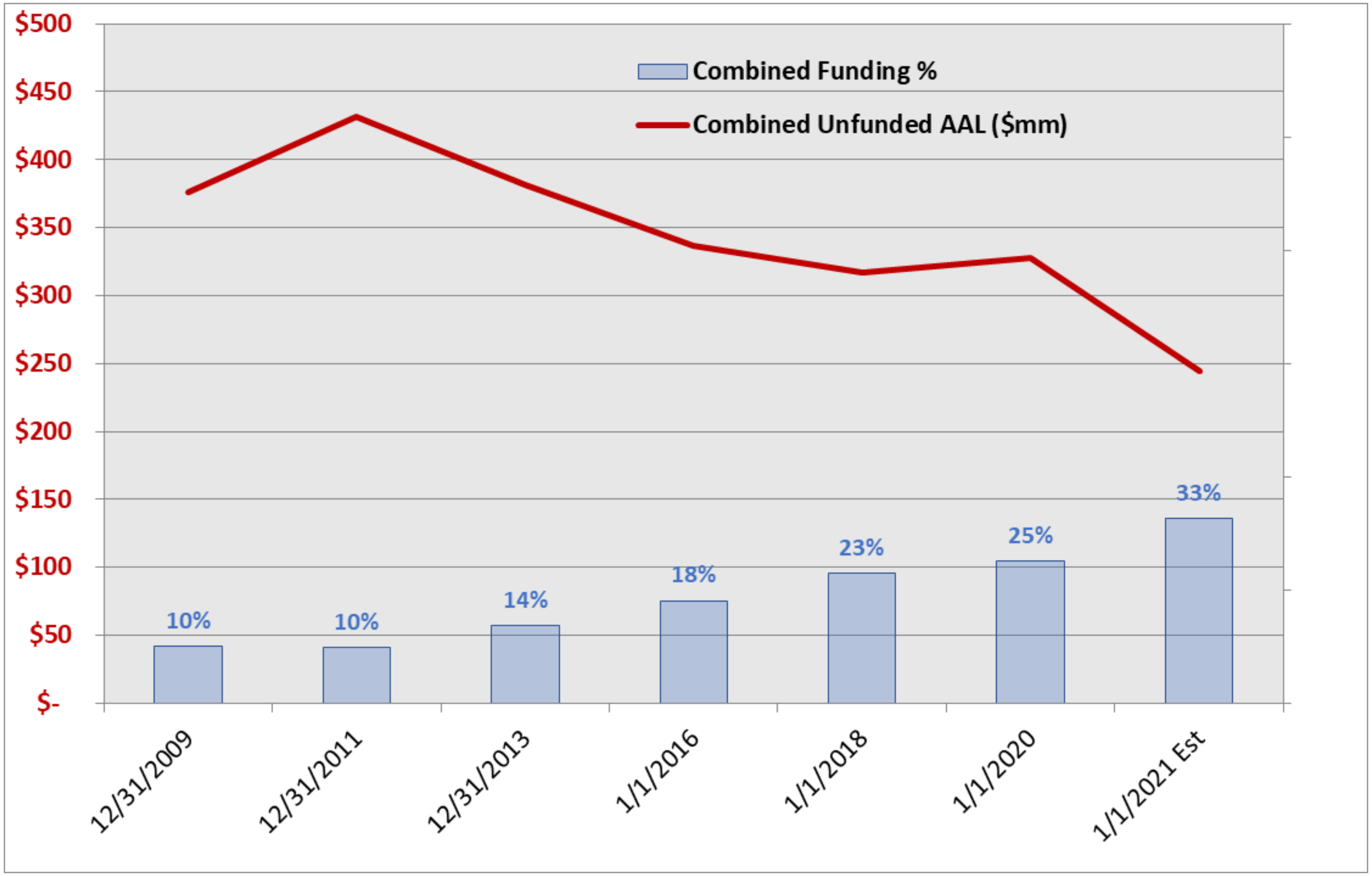


Historical Funding

OPEB = Other Post-Employment Benefits

(Retiree Healthcare)

History of OPEB Funding



This is based on the full pre-funding basis.
Actual (partial) pre-funding is based on "statutory rates"

Benefit and Funding Policy

Retirement Systems

OPEB Plans

Benefit Policy

- Many changes over the last decade through collective bargaining (City and Employees)
  - Varies by bargaining unit, date of hire, date of retirement
  - Eligibility for benefits (age/service combinations)
  - Changes in plan (to savings accounts/defined contribution)
  - Pension multiplier
  - Employee contributions (pension)
  - Benefits covered (medical, dental, vision, Post-Medicare)
  - Dependent coverage and cost-sharing
  - Medicare retirees moved to another plan

- Changes have been implemented to decrease future costs
  - Some changes have a delayed effect (e.g., only new hires affected)

Current Cost of Benefits

- Total Actuarial Cost = Normal Cost + Amortization of Unfunded Liability

- City Normal Cost = Total Normal Cost, less Employee Contributions
  - This is the actuarial cost of the benefits for City employees

- Normal Costs (2021), $ millions:

ERS	Police/ Fire	ERS OPEB	Police/Fire OPEB	Total
$1.7	$4.4	$1.0	$1.6	$8.7

Funding Policy - Contributions

- Retirement Systems
  - City Contributes Actuarial Cost based on Increasing Amortization Payments (was over 30 years, now 20)
  - a.k.a. “level percentage of payroll”
- OPEB
  - City pays annual benefit costs (pay-as-you-go) +
  - Contributions to OPEB assets
    - Assets exist as subsets of the retirement systems’ assets + a VEBA Trust for ERS

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Funding Policy – Actuarial Assumptions

- Actuarial Assumptions (Trustees and Actuary)
  - Developed by Actuary based on actual experience
  - Rates of retirement, termination, disability, mortality, salary increases
  - These are updated every 5 years, most recently in 2021
    - Adopted by each retirement system for 2021 valuations

- Expected Return on Investments
  - = Discount Rate for full pre-funding
  - At 7.00% for all pension and OPEB valuations

- Healthcare-specific assumptions
  - Age-based costs
  - Future increases in costs
  - Updated for each valuation based on available data

Where Are We Now?
Current Status

Retirement Systems

OPEB Plans

Plan Populations

- Retirement Systems (Pension)
  - 1,700 retirees/beneficiaries receiving benefits
  - Benefits paid in 2020 (Est): $59 million
  - Avg. benefit = $2,900/month
  - Avg. age = 68
- Retiree Healthcare
  - 1,400 participants receiving benefits (does not include dependents)
  - Benefits paid annually: $20 million - $24 million
- *+750-800 employees accruing benefits and 90-100 former employees with deferred benefits*

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Retirement Systems

	ERS	Police and Fire	Both Plans
Funding Progress (12/31/2019)			
Actuarial Liability	$311 million	$463 million	$774 million
Assets	$161 million	$286 million	$447 million
Unfunded Liability	$150 million	$177 million	$327 million
Ratio	52%	62%	58%
Plan Cost (FY2021)			
Member Contribs	$1.1 million	$2.4 million	$3.5 million
City Normal Cost	$1.7 million	$4.4 million	$6.1 million
Amortization	$10.6 million	$12.6 million	$23.2 million
City Contribution	$12.3 million	$17.0 million	$29.3 million
% of Payroll	48%	57%	53%

Retiree Healthcare (OPEB)

	ERS	Police and Fire	Both Plans
Funding Progress (1/1/2020 adjusted for 2021 plan changes*)			
Actuarial Liability	$150 million	$206 million	$356 million
Assets	$67 million	$42 million	$109 million
Unfunded Liability	$83 million	$164 million	$247 million
Ratio	45%	21%	31%
Plan Cost (FY2021) – Full Pre-Funding Basis			
City Normal Cost	$1.0 million	$1.6 million	$2.6 million
Amortization	$6.0 million	$11.8 million	$17.8 million
City Contribution	$7.0 million	$13.4 million	$20.4 million
% of Payroll	28%	45%	37%
* Changes in Post-65 plans decreased Unfunded Liability by $80 million (est.)			

Public Act 202

- "Uniform assumptions" established and updated annually by the State of Michigan (to compare municipalities)
  - Mortality tables
  - Investment Return/Discount Rate
  - Salary Increases
  - Healthcare Inflation/Trend
  - Amortization years
- Retirement System valuations are now consistent with these*
  - Discount rates for OPEB not based on pre-funding for this purpose because the City is not fully pre-funding

* Except amortization years for pension funding (20 vs 17 for FY2022)

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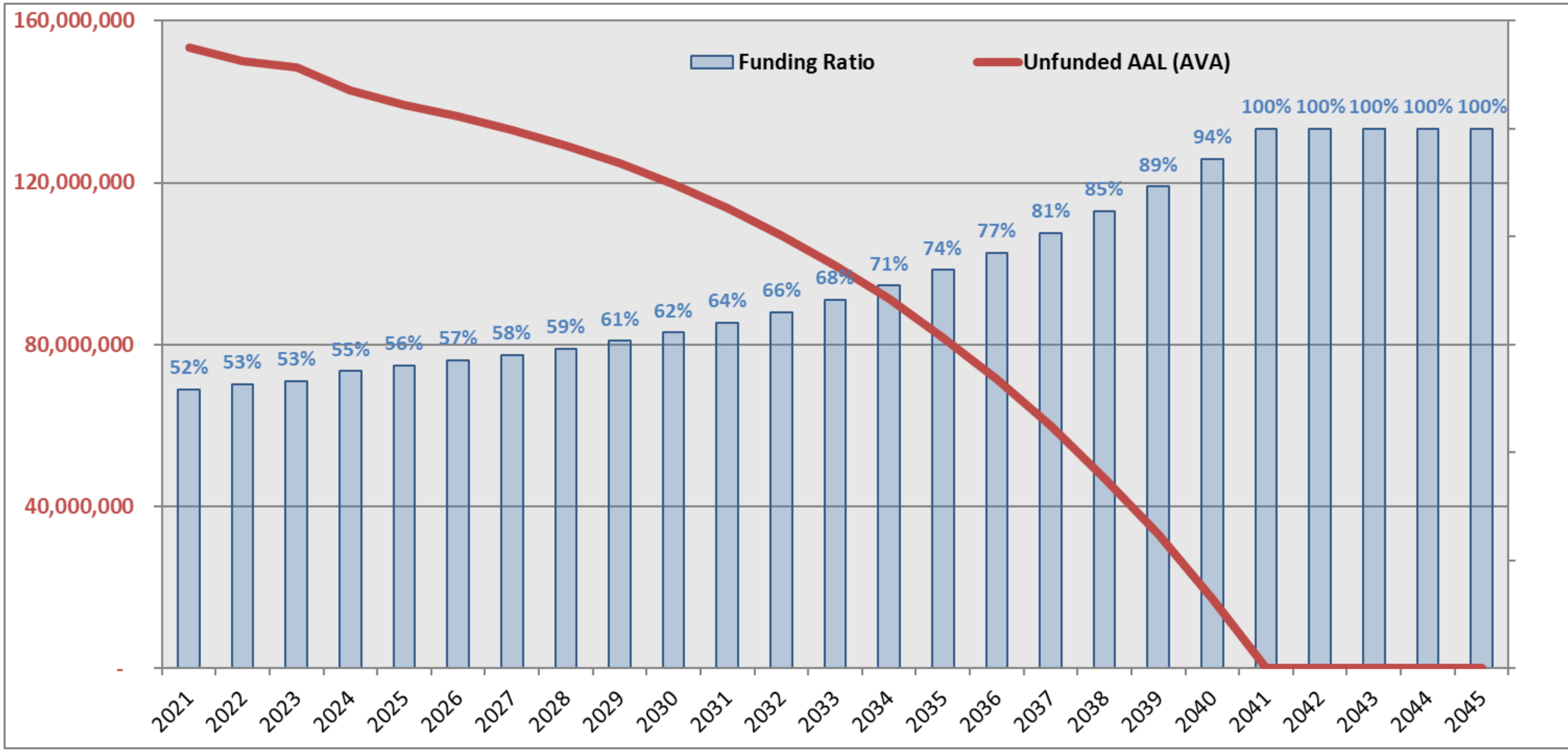
Where Are We Going?
Future Outlook

Funding Progress

City Contributions

Under Current Policies

Projected ERS Funding



These are estimates; actual figures will vary from these.

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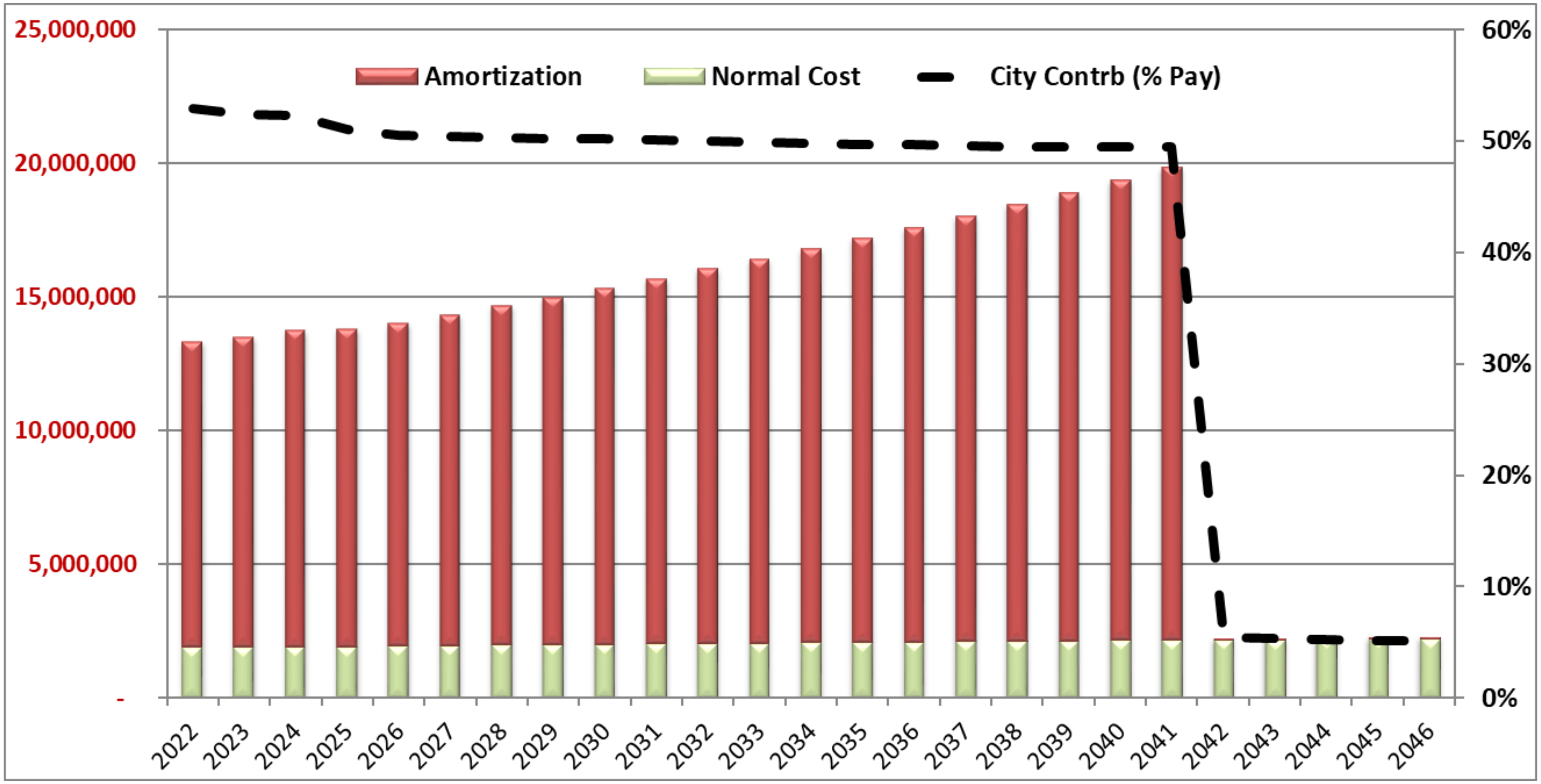
Projected ERS Cost



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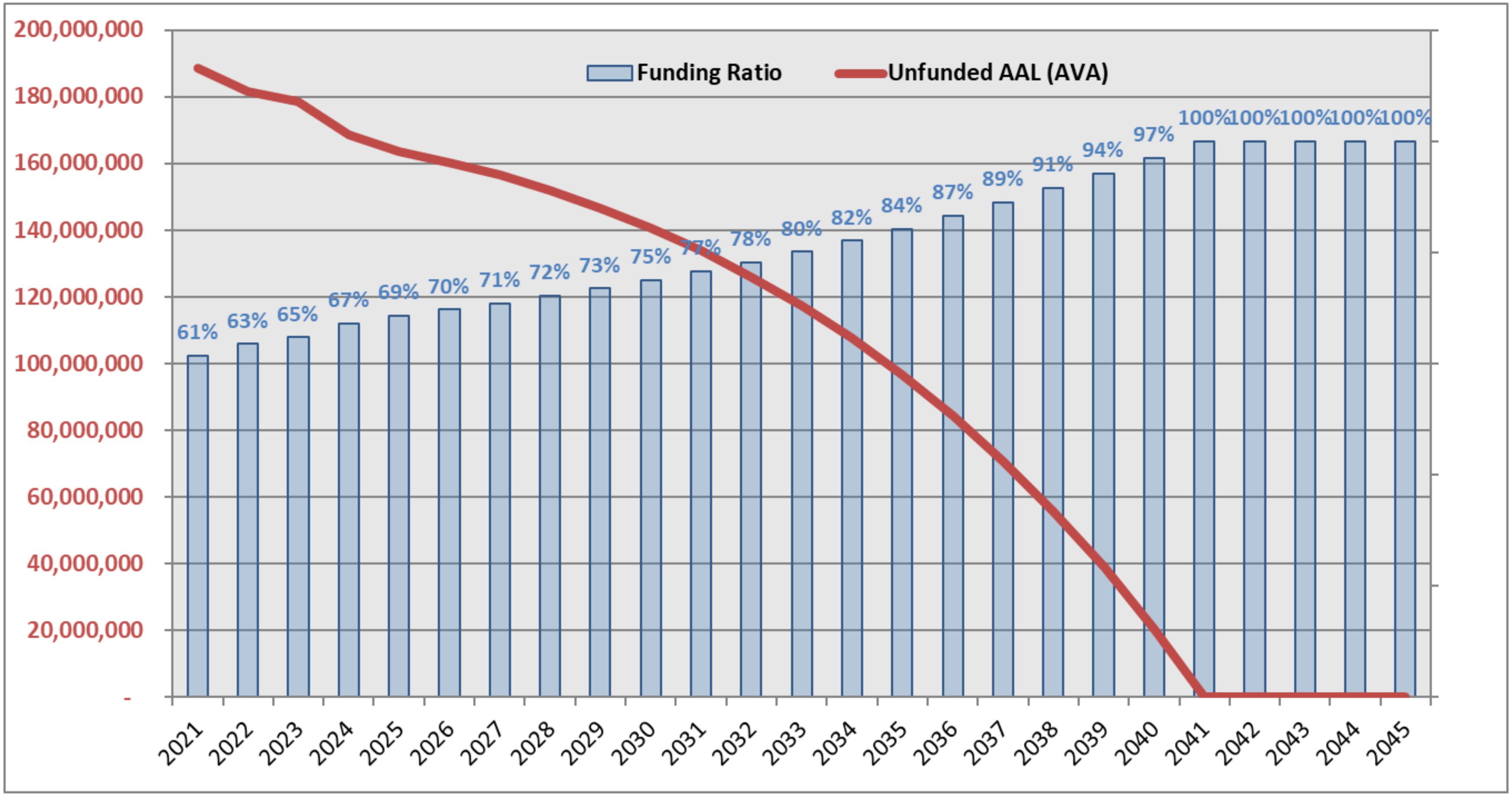
Projected Police/Fire Funding



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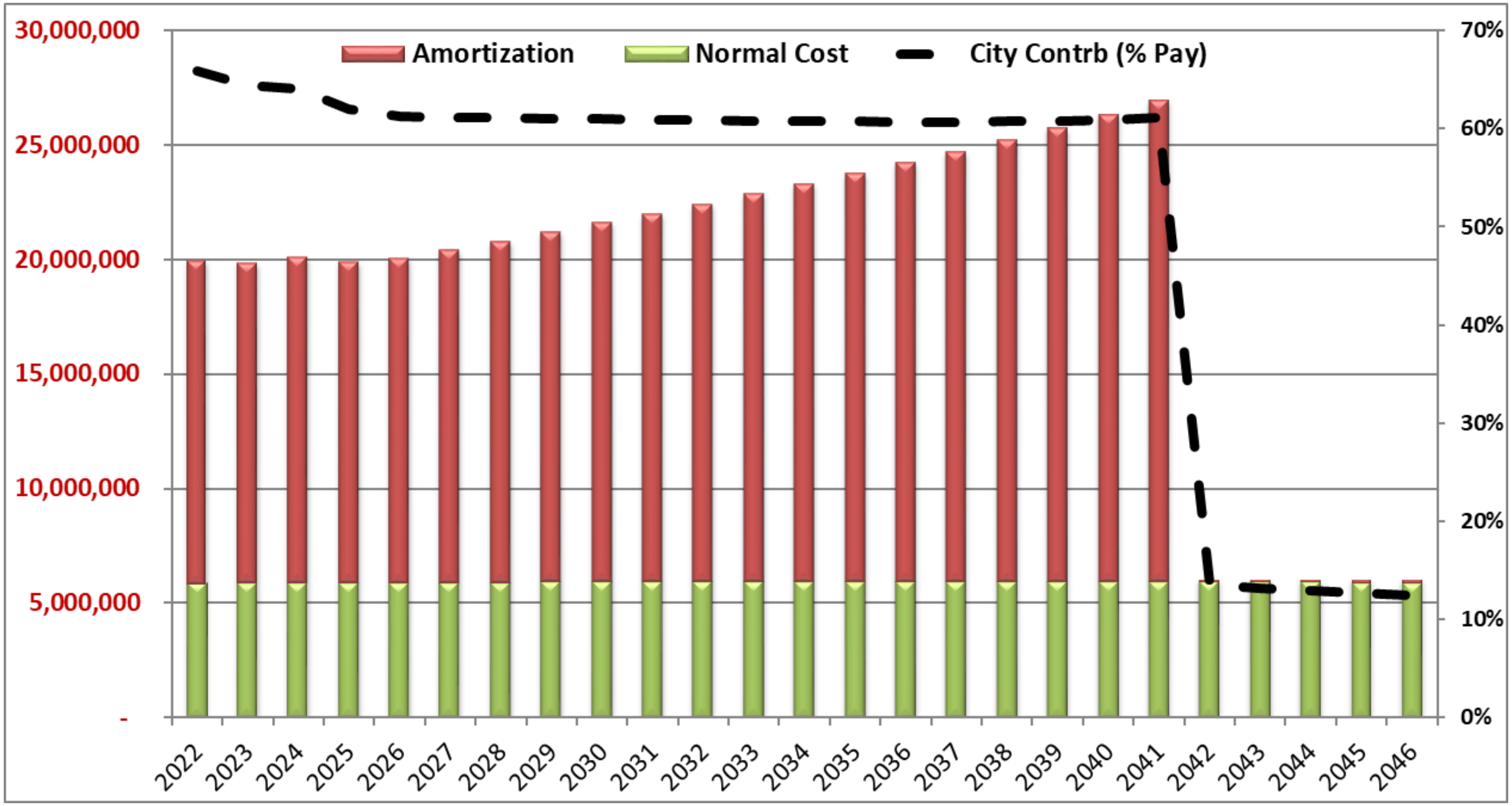
Projected Police/Fire Cost



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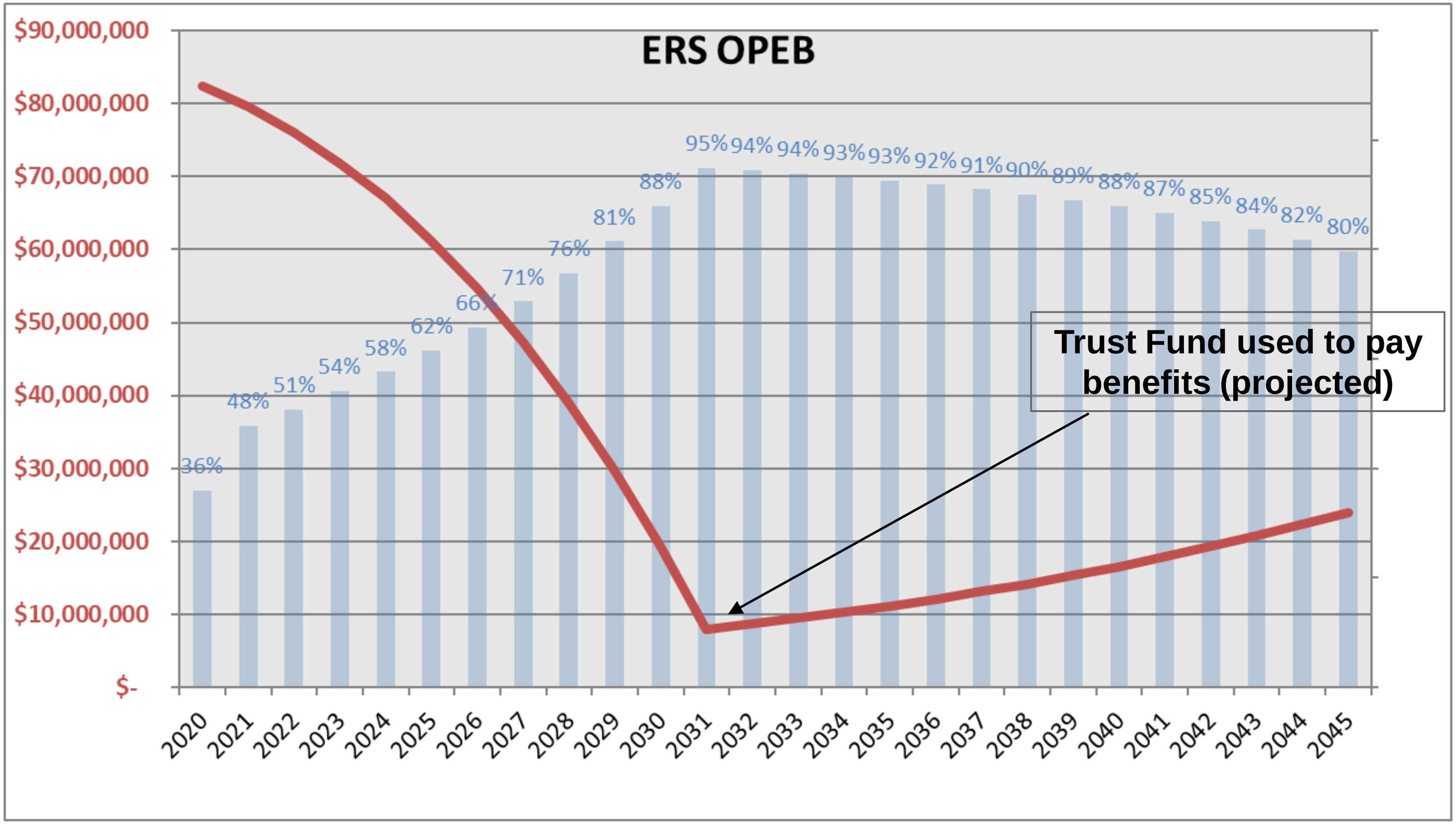
Projected OPEB Funding



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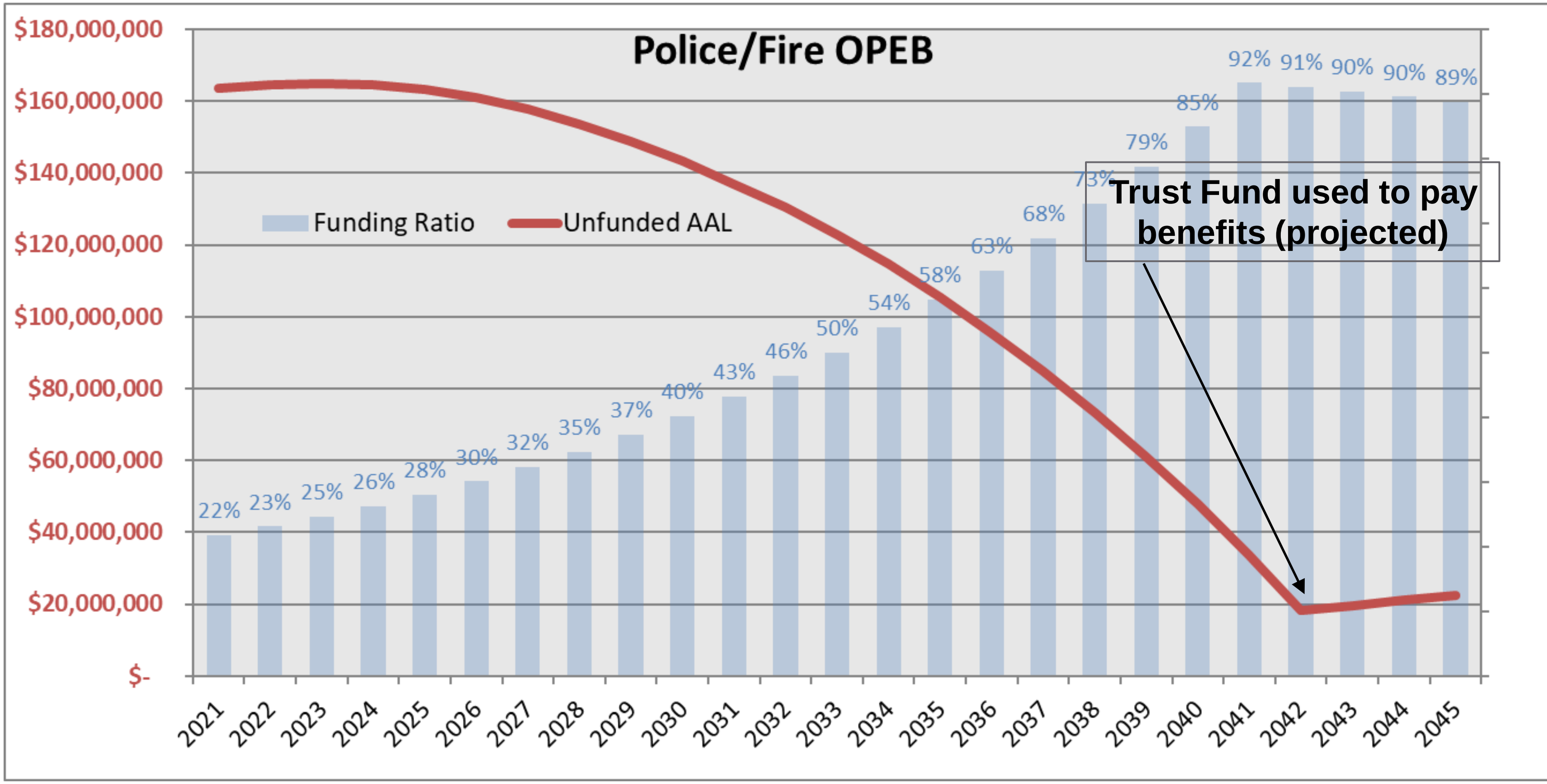
Projected OPEB Funding



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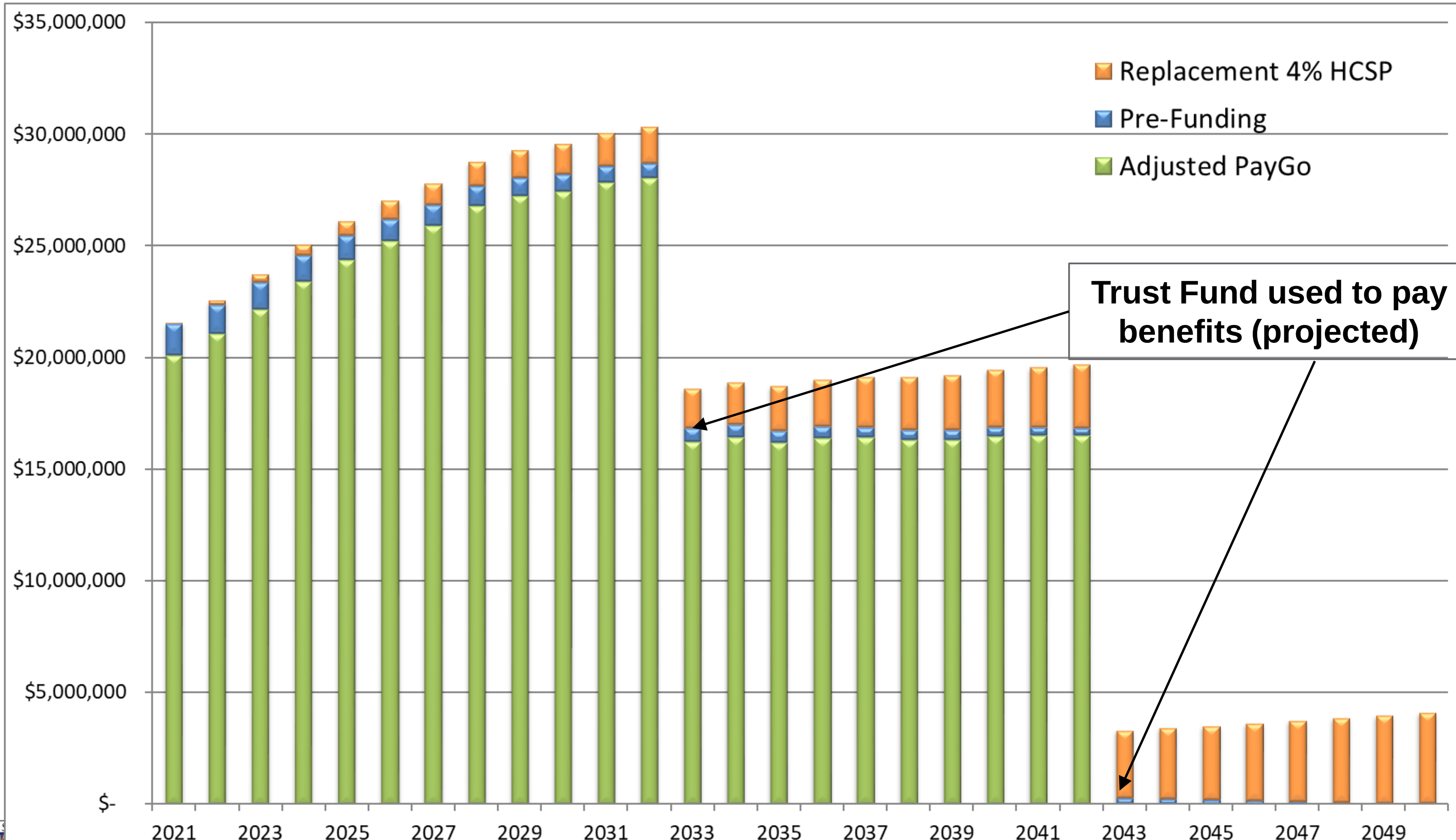
Projected OPEB Cost



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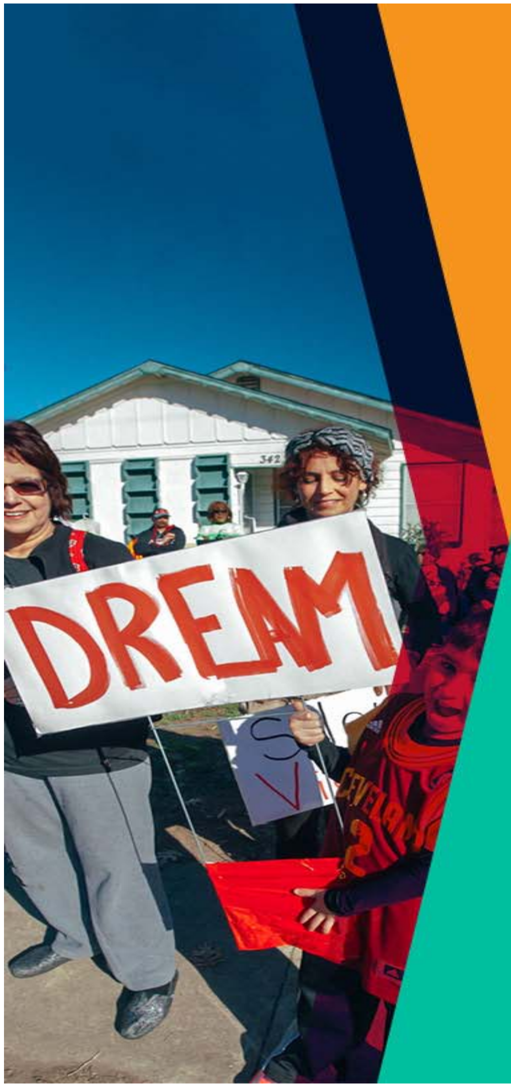
Conclusions

1. Contributions still increasing, per the funding policies
2. Significant funding improvement expected for all systems
3. Retirement Systems' Unfunded liabilities to be fully financed over the next 20 years
4. OPEB funding also improving as trust funds grow

   OPEB funding strategies currently under discussion

5. Funding is **<u>Dynamic</u>**:
   One year can change the outlook significantly



ADVANCING EQUITY IN GOVERNMENT

City of Lansing

Jonathan Butler

Equity Manager

CITY OF SAN ANTONIO
OFFICE OF EQUITY

ROAD TO THE ROOM

Native Atlantan/Emory University B.A.

JD, GA and VA Bar

Chattanooga-Neighborhoods

TN to TX and DEI 20 years

Poet, Golfer, Lover of Live Music

SAN ANTONIO IN BRIEF

- Population of 1.5 million
- 2nd largest city in Texas
- 7th largest city in U.S.
- 13,000 City Employees
- 40 City Departments
- $2.9 Billion Budget
- City Manager, Mayor, 10 City Council Members

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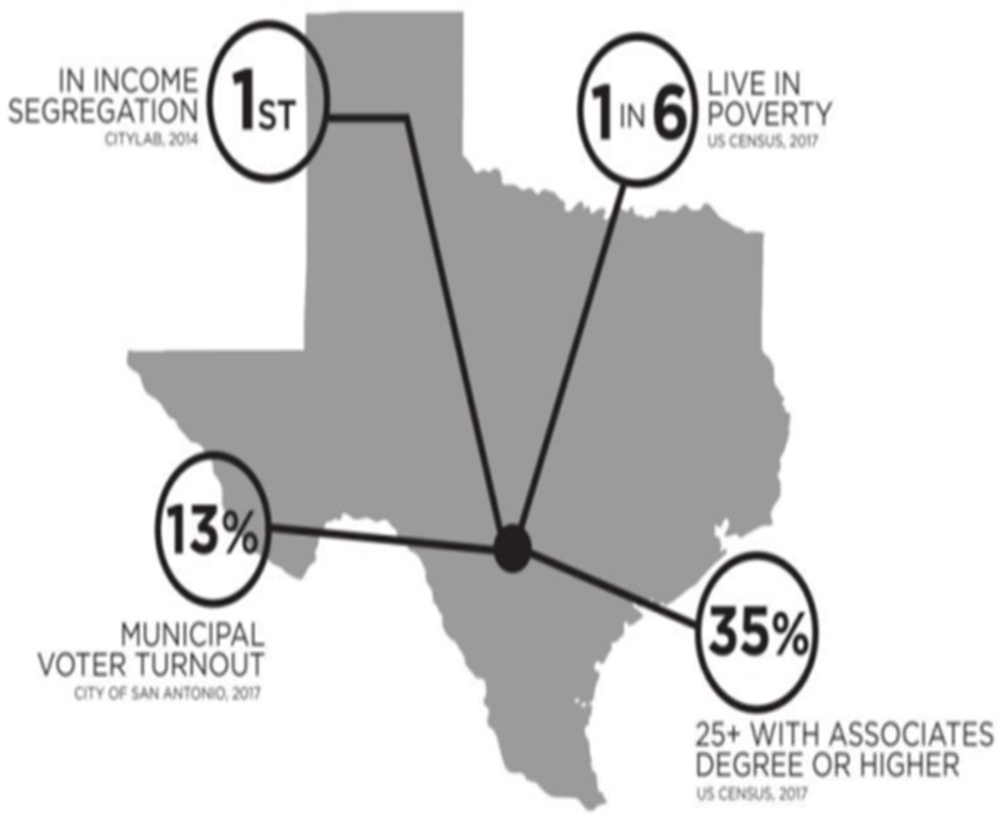

This is also San Antonio.

We are one of the leading cities for income segregation. Residents on one side of town have a shorter lifespan—by more than 20 years—than residents on another, more affluent side of our city. In addition to income and geography, race is a predictor of our community's outcomes. In San Antonio, more than one-third of our residents are burdened by housing costs, and one in six people—one in five children—live in poverty. Still, there are people in our community actively working to change these things. Together.

RACIAL DISPARITIES IN SAN ANTONIO

Poverty
Native Americans are nearly **3x more likely** to live in poverty (29.2%), and Black (22.5%) and Latinx (21.3%) **are nearly 2x more likely** to live in poverty than their white counterparts (11.2%)

Wages
The median hourly income is about $22 for Whites, while only $17 for African Americans and $15 for Latinx

Housing Burden
Black and Latinx renters are more likely to experience housing burden

COVID-19 Cases
(5/25/2021)
Latinx: 75%
White: 18%
Black: 5%
Asian: 2%

Employment
Native American, African-American, and Latinx females and males are more likely to be unemployed than their white counterparts

Homeownership
The rate of owner occupancy for White households is approximately **twice** that of Black households

Health Insurance
Latinx are more than **twice** as likely to be uninsured (19.7%) than their White counterparts (9.4%)

COVID-19 Deaths
(5/25/2021)
Latinx: 59.6%
White: 28.8%
Black: 9%
Asian: 2%

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THEORY OF CHANGE

- ***Normalize*** **concepts of social justice and equity**
- ***Organize*** **staff around advancing equity within the institution**
- ***Operationalize*** **equitable policies, programs and procedures within institution**

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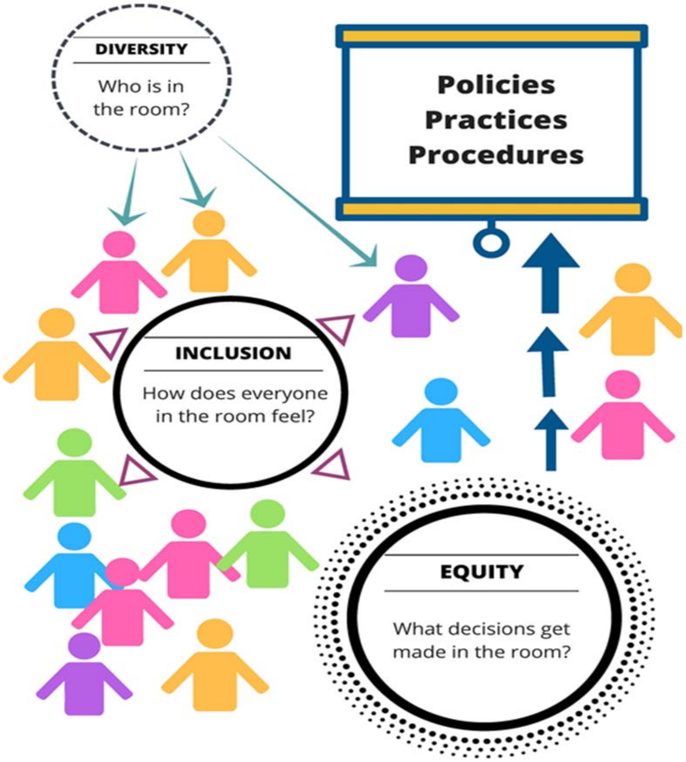
DIVERSITY, EQUITY AND INCLUSION



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EQUALITY VERSUS EQUITY

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EQUITY DEFINED

Equity means that our **policy-making, service delivery, and distribution of resources** account for the different histories, challenges, and needs of the people we serve.

Equity is achieved when **one's identity cannot predict one's outcomes**.

Equity is data-driven, addresses the root causes, proactive and people-centered.

Equity also means just and fair opportunities and outcomes for all people.

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APPLYING AN EQUITY ANALYSIS

We don’t all start at the same place, with the same things, at the same time. Equity and equitable policy making encourages recognizing and acknowledging those differences and then accounting for them in how we address and solve problems for those most in need.

My mother once told me that I didn’t need the same type of attention that my brother did, and therefore she dealt with us differently. Likewise, the challenges of people in one District or community may be very different than those in another, and they may require different solutions. Equitable solutions encourage us to meet people where they are to address the challenges that impact them the most.

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Why Racial Equity in Government?

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Racial inequities continue to be deep, pervasive, and persistent across all indicators of success, including education, jobs, housing, income and health.

Government at all levels has played a role in creating and maintaining racial inequities and disparate outcomes—even if the intent to discriminate is not present.

Examining institutional policies and practices is required to address the underlying drivers of racial inequities.

Local governments can proactively advance racial equity by explicitly focusing on the needs of communities of color.

EQUITY STRATEGIES

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TRAIN-THE-TRAINER PROGRAM

- Over 80 staff trained in 20 cohorts, with ongoing support
- Trainers learn key equity concepts and facilitation
- Trainers facilitate Equity 101, 201, 301
- Trainers help apply equity tools

The train-the-trainer program prepares staff to become equity resources in select Departments

BUILDING CAPACITY WITH TRAINING

- **Part 1: Advancing Equity in Local Government**
- **Part 2: Centering Equity: Understanding Root Causes of Inequities**
- **Part 3: Leading with Equity: Championing Transformational Change**

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CITYWIDE EQUITY COMMITTEE

50 staff, with representation from every City Department.

- Cross Departmental
- Identify and Address Equity Challenges
- Design, Coordinate, Organize Resources
- Department Equity Representative

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BUDGET EQUITY TOOL

A set of questions intended to guide City Departments in assessing how their budgets could potentially benefit and/or burden communities…

…Specifically communities of color and low-income communities

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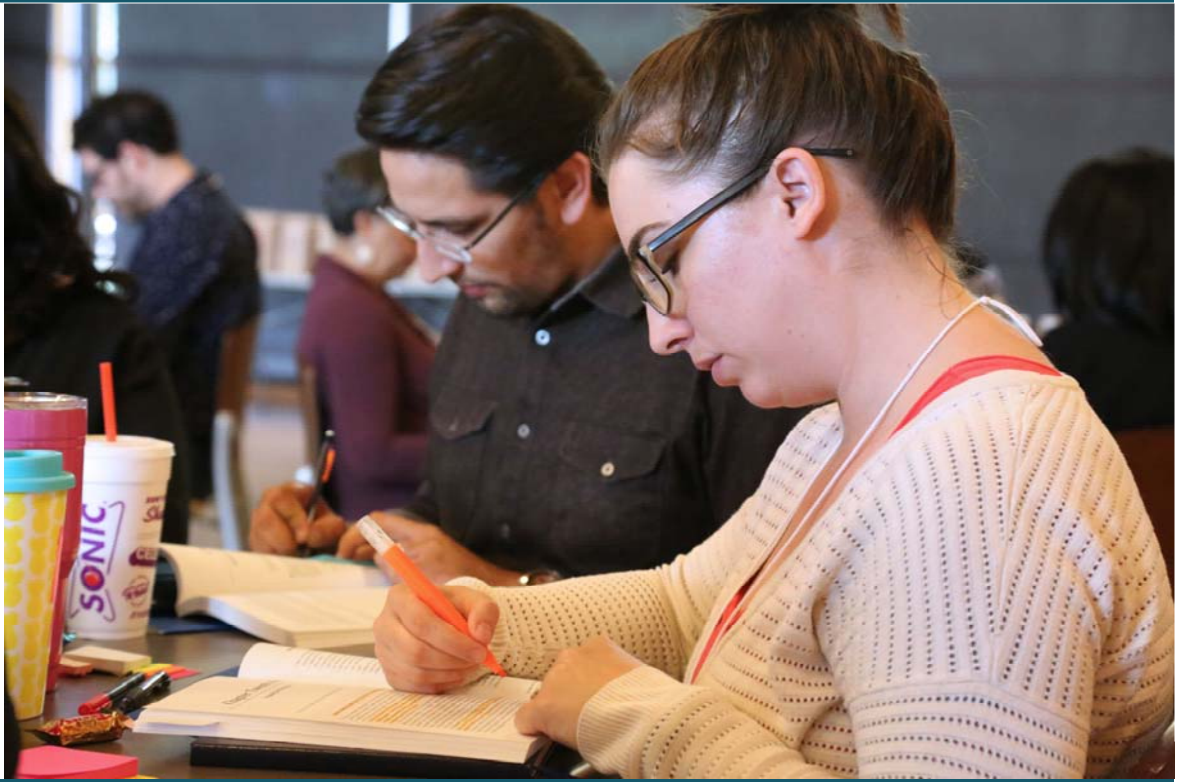
DEPARTMENT EQUITY PLANS

Equity Assessments measure current equity efforts and inform…

…The creation of two-year Department Equity Action Plans



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TOOLS

- SWOT
- Equity Trainer Program
- Department Equity Assessments & Action Plans
- Rapid Response
- Racial Equity Indicator Report
- Budget Equity Tool
- Citywide Equity Committee
- Equity Atlas

Applying and Equity Lens through tools

ADVANCING EQUITY IN GOVERNMENT

Targeted Universalism

Closing the gaps so that race and income do not predict one's success, while also improving outcomes for all.

To do so, we have to:

- Target strategies to focus improvements for those who are worse off.

- Move beyond services and focus on changing policies, institutions, and structures.

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Our Role…
“AS PUBLIC SERVANTS, WE MUST SHINE
A LIGHT ON DISPARITIES, RECONCILE
PAST HARMS, AND
IDENTIFY SOLUTIONS”

THANK YOU
JONATHAN BUTLER

Jonathan.Butler@SanAntonio.gov
Jmbutler1@gmail.com
404-668-4602

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