

**CITY COUNCIL WORKSHOP
CITY OF GEORGETOWN, SC
SEPTEMBER 18, 2008**

Notices of this meeting have been made in accordance with the 1976 Code of Laws of South Carolina Freedom of Information Act.

A City Council Workshop was held this date in the Council Chambers at City Hall with Mayor Pro Tempore Brendon Barber presiding.

MEMBERS PRESENT:

Mayor Pro Tem Brendon M. Barber, Sr. Councilmember Jack M. Scoville, Jr.
Councilmember Rudolph A. Bradley Councilmember Clarence C. Smalls
Councilmember Paige B. Sawyer, III Councilmember Peggy P. Wayne

Mayor Lynn Wood Wilson was absent from the Workshop.

ALSO PRESENT:

Mr. Steven E. Thomas, City Administrator
Mrs. Elise Crosby, City Attorney
Ms. Ann U. Mercer, City Clerk

DEPARTMENT HEADS:

Mrs. Jessica Miller, Finance Director
Mr. Lane Mixon, Manager of Water/Wastewater/Stormwater

NEWS MEDIA

None

Mayor Pro Tem Barber opened the City Council Workshop at 4:30 PM and turned the meeting over to Mr. Steve Thomas.

Call to Order

Mr. Thomas stated all the entities in South Carolina are struggling with the ramifications of GASB 45. A few weeks ago Planned Benefit Services made a presentation to Council regarding an approach to handling the liability from GASB 45. He said this is something we cannot get around; we just have to find the best approach that will meet the needs of this Council, our employees and GASB 45. This evening Mr. Harvey Mathis and Mrs. Heather McBride of the Municipal Association are here to provide to Council some analyses and approaches to GASB 45. The Municipal Association's, South Carolina Local Government Assurance Group, currently handles the health insurance for the City of Georgetown.

**GASB 45
Presentation**

Mr. Mathias expressed his appreciation for the opportunity to share information about the programs at the Municipal Association to help Georgetown and all other (MASC) cities and towns around the State. He thanked Council for being a participant in MASC'S SCLGAG health benefits program, workers compensation and property liability programs. He said the City of Georgetown has certainly been a strong supporter of these programs as well as the Municipal Association as a whole. MASC was created and formed to be of assistance and provide services to local governments. The Municipal Association created South Carolina Other Retirement Benefits Investment Trust, (ORBIT) because GASB 45 is being forced upon all local governments in terms of how they address retiree, primarily post 65, medical benefits. Many cities are finding they cannot continue to fund, in part or in whole, what they have funded in the past. Mr. Mathias said he and Mrs. McBride are here to offer Council some examples of different options based on the way other (MASC) cities are responding to this issue. There is nothing any one else who makes a presentation to Council can do that MASC can't do through the programs presented this afternoon. He told Council, first and foremost, what you decide to do as your policy will dictate how much it may cost you for your GASB 45 liability, i.e. what can the City of Georgetown continue to fund in this regard.

Mrs. McBride said the Municipal Association formed the SC ORBIT about a year and a half ago to help the cities and towns they serve with the implementation of GASB 45. It is run by a seven member board of trustees. There are 11 members that have adopted resolutions to join the Trust. There is a little over \$6.4 million in total assets. She addressed the friendly lawsuit with SC ORBIT to help

clarify whether or not this Trust could invest in a balanced portfolio that includes equities. Last month the Supreme ruled that it is unconstitutional for the Trust to invest in equities. She stated the Trust has never invested in equities and was waiting to hear back from the Supreme Court before doing so. The Court ordered the Trust to be dissolved, a petition has been filed for a rehearing to address that issue and they are hopeful to hear from them soon. Until then, they are proceeding forward with educating staff and city members on the need of GASB 45 and also continuing to work with the actuarial firm they have contracted with which is Milliman, Inc. They are the firm that has established the estimation tool used in the scenarios provided to Council today. Milliman is also the actuarial firm for the South Carolina Retirement System. Mrs. McBride referred Council to page three in their packet where several different scenarios were outlined. It was noted that results between the Blackburn actuarial valuation and the SC ORBIT estimation tool will vary. (1) The SC ORBIT estimation model assumes an overall 5% ultimate healthcare trend; the Blackburn valuation uses a 6% rate. (2) The Milliman actuary assumes a 7.5% long term investment rate; the Blackburn valuation uses 6%. (3) Blackburn uses the South Carolina Retirement System assumptions (age 50); Milliman uses a variety of retirement assumptions. By using conservatism in calculations, you will be required to fund monies that are ultimately not going to be paid until a later date. Plan Benefit Solutions recommends using a Health Reimbursement Account (HRA) for funding some liabilities. If the City is not setting aside money into a qualified irrevocable trust, that could have an impact on the balance sheet for GASB 45 purposes. This is just earmarking the funds and the City would begin to have a net OPEB liability growing on the financial statements that could impact the City's credit rating and could ultimately impact the interest rate assumption that the actuary would use in the future. She asked for any questions.

Mrs. McBride reviewed several scenarios calculated from the SC ORBIT estimation tool and stated these are only examples of how the policy could be changed. Discussions followed. Mr. Thomas told Council they are going to have to decide how much they're willing to change the way the City handles retiree's health insurance benefits. He said GASB 45 is forcing us to do some things we probably should have been seriously considering all along anyway. The City needs to implement a service year requirement and consider the future retirees, post 65.

Mayor Pro Tem Barber thanked Mr. Mathias and Mrs. McBride for their presentation and said Council and staff will do their best to take everything under consideration and come up with the best solution for everyone involved.

Mr. Mathias told Council the Municipal Association will do anything and everything to help Georgetown. We focus entirely on your needs and those of your employees. He asked them to keep in mind all MASC programs are designed exclusively for cities, towns and other units of local government. They do not do business with anybody outside.

COUNCILMEMBER BRADLEY MOVED TO ADJOURN THE CITY COUNCIL WORKSHOP, SECONDED BY COUNCILMEMBER WAYNE AND UNANIMOUSLY CARRIED 6-0.

**Adjourn
Workshop**

The Regular Meeting was adjourned at 5:20 PM.

Ann U. Mercer
City Clerk

DATE APPROVED: 10/16/08
VERIFYING INITIALS: _____

