



General Government & Finance Committee Summary Minutes

Wednesday, June 29, 2011 10:30 AM City & County Building, Room 391

Members Present: Brown, Faatz, Lehmann, Robb

Members Absent: Boigon

Other Council Present: Nevitt

Committee Staff: Gretchen Williams

Bill Requests

BR11-0457 Approves a Secondary Agreement amendment between the City and County of Denver and Chandler Asset Management to extend the term through December 31, 2011 with the option to extend two additional years with a total contract cost of \$1,140,000 for consulting and investment management services (CE90484).

Bob Gibson, Department of Finance; Joseph Strese, Department of Finance

Chandler Asset Management provides investment consulting to the Finance Department staff managing the City's \$2.2 billion investment portfolio. The initial contract with Chandler was signed in 2009 following an extensive selection process. The proposed amendment would extend the contract through Dec. of 2011 with the option to renew for two additional years.

Denver pays Chandler 6.5 basis points (.065%) on the \$400 million of assets it helps manage, or approximately \$260,000 per year.

With Chandler's assistance, the City has identified benchmarks reflecting investment goals and business practices. Denver's portfolio, 50%-60% of which is attributed to DIA, is doing well. It has consistently out-performed the benchmarks on both a current return (cash) basis and a total return (cash plus market values) basis. Long-term yield in 2010 was 2.57, which Chandler deems as right on target and consistent with governmental purposes.

Mr. Gibson explained that the Charter is very specific about the types of investments the City can make, and those are only the "best of the best". The Charter is specific, but the voters did expand the permissible investments in 1988, after two unsuccessful attempts at the polls. The Code modifies the Charter to some extent, and the City's investment policies allow slightly more flexibility. The structure has served the City well, and the City has never lost \$1 of principle.

Pension plans and deferred compensation plans are less restricted than cities in the array of investments they can make. These plans make long term investments in equities, timber, and others that the City is not allowed.

Denver's investment earnings are spread across about 900 budgets, of which the General Fund is one. Each fund pays a management fee. DIA pays between \$300,000 and \$400,000 per year in management fees, plus 60% of the Chandler contract.

The Investment Administration Structure now includes internal and external committees, although this was not always the case. The current structure was formalized in 2007. The Chief Financial Officer selects members of the external committee.

Chandler Asset Management was formed 1988 and is based in San Diego. It manages over \$5 billion for institutional investors, including 28 public funds.

A motion offered by Councilmember Faatz, duly seconded by Councilmember Brown to file a bill carried by the following vote:

AYES: Nevitt, Brown, Faatz, Lehmann, Robb(5)

NAYS: (None)

ABSENT: Boigon(1)

ABSTAIN: (None)

Presentations

2010 Medical Plan Market Update

Chris Lujan, Career Service Authority; Bruce Backer, Career Service Authority; Heather Britton, Career Service Authority

Mr. Backer discussed how Career Service Authority (CSA) determines employee medical benefits each year. The providers have presented renewal information for 2012 to the Employees

Health Insurance Committee (EMIC), which will make recommendations by July 19. The CSA Board will review the recommendations on Aug. 4 prior to Council consideration on Sept. 5. Open enrollment meetings will be held in Sept. and the open enrollment period is October.

CSA conducts surveys including several sources to help it evaluate the proposed medical plans. External survey sources are:

- Mercer National Survey of Employer Health Plans 2012, representing large employers (500-20,000 employees);
- Mountain States Employers Council 2011 Survey of Health & Welfare Plans, representing over 100 governmental entities across Colorado; and
- Kaiser Metro Area HMO Plan Design, representing government with other 2,500 members.

Data was collected for comparison with Denver on the following points:

- Types of medical plans offered and % enrollments;
- Average employee premium contribution;
- 2011 average percent increase;
- HMO co-pay; and
- PPO deductibles and co-insurance.

The Mercer survey indicates that nationally, the average employee contribution to the premium is 24% for single and 28% for family. Denver's averages are 15% and 25%. The EMIC is discussing changes to bring Denver more in line.

The 2010 CCD Plan Loss Ratio for Kaiser was 84%, which is good. For United, it was 73% (excluding DERP early retirees). Denver Health was at 102%, which is not good at all. The overall medical trend is now 8-12% per year, which is alarming as Denver goes into the next cycle.

Total Compensation Study

Chris Lujan, Career Service Authority; Bruce Backer, Career Service Authority; Melissa Fisher, Career Service Authority

Mr. Backer said that the study resulted from a Council Proclamation, and that without Councilwoman Boigon's support and her hours of direct involvement, this project would not have happened. The project has fundamentally changed the way the City pays its employees.

The study's objectives were to:

- Improve the total compensation system by enhancing attraction and retention, and to be fair, competitive and response.
- Enhance the sustainability of the total compensation system for the future.
- Enhance focus on performance.
- Improve clarity and transparency.

One item that stood out is that Denver includes sick and vacation time payout in the calculations for retirement benefit. No other employer allows that. On the whole, Denver is very competitive in the market place.

Denver had wider pay ranges than the typical market place. We tend to start employees low, but over time, they can get to the highest level. In the near future, we'll come back with more specific data on the pay ranges.

Some specific changes include adding the Paid Time Off Plan, simplified pay ranges, and the Enhanced Performance rating scale. Initially, the scale had three rating, but supervisors wanted more flexibility, so it increased to five.

The E-Performance implementation is going very well, with 95% of all PEP/PEPRs created in PeopleSoft, a very efficient method. Using common review and merit increase data helped. For 2011, we budgetted an average percent increase of 2.2%; the actual average was 2.06%.

Several Council Members noted that the new system is difficult since Council is actually 14 separate, small offices. They were forced to give evaluations that were not reflecting the truth just to fit into the scale. The rules do not work for all agencies.

Mr. Backer agreed and said CSA would separate large and small agencies as it is in the process of reconstituting the system. He will bring the review back to Council.

Councilwoman Faatz asked that the City think more creatively about furlough days. There should be a way to try using them on an as-needed basis rather than setting a certain number for the year.