

An adjourned meeting of the Board of Supervisors of Albemarle County, Virginia, was held on December 15, 2011, at 12:00 p.m., Room 241, County Office Building, McIntire Road, Charlottesville, Virginia. The meeting was adjourned from December 14, 2011.

PRESENT: Mr. Kenneth C. Boyd, Mr. Lindsay G. Dorrier, Jr., Ms. Ann Mallek, Mr. Dennis S. Rooker, Mr. Duane E. Snow and Mr. Rodney S. Thomas.

ABSENT: None.

OFFICERS PRESENT: County Executive, Thomas C. Foley, County Attorney, Larry W. Davis, and Clerk, Ella W. Jordan.

Agenda Item No. 1. The meeting was called to order at 12:21 p.m., by the Chair, Ms. Mallek. Ms. Mallek welcomed everyone present and thanked them for attending this joint session. (**Note:** Prior to the meeting starting, the Board members and Legislators ate lunch.)

Agenda Item No. 2. Meeting with Area Legislators. State Legislators Present: Senator-Elect Bryce Reeves, Delegate Rob Bell, Delegate David Toscano, Delegate Steve Landes, and Delegate-Elect Matt Farris.

Also present was Legislative Liaison for the TJPDC, Mr. David Blount, and Ms. Tracy Eppard (Senator Creigh Deeds Legislative Aide).

Ms. Mallek invited Board members to introduce themselves and make a brief comment about the district they represent, after which she asked the legislators to introduce themselves and provide similar comments to the Board.

Ms. Mallek began by saying she represents the White Hall District, a banana-shaped district on the western part of the County which stretches from the Shenandoah National Park down to the Mechum's River. She said the White Hall District is mostly rural except for the Town of Crozet.

Mr. Rooker said he represents the Jack Jouett District. He said he is an attorney and a business person. He said the Jack Jouett District is one of the most urban districts in the County, which surrounds Albemarle High School and includes all of the apartment buildings on Georgetown Road and Hydraulic Road, and extends west to Farmington.

Mr. Snow said he represents the Samuel Miller District. His district borders Nelson County on one side, Buckingham on the other side and extends into the Ivy area. He said his district covers a fairly large area with a diverse population. Mr. Snow thanked the legislators for their attendance at the meeting and expressed appreciation for their representation at the state level.

Mr. Boyd said he represents the Rivanna District, which covers the northeast quadrant of the County, and is bordered on the south by Interstate 64 and on the north by the Greene and Orange County lines. His district is a mixture of both rural and urban, with that mixture being probably larger than any of the other five districts.

Mr. Thomas said he represents the Rio District, which is right next to the Jack Jouett District and pointed out that both districts are pretty densely populated. He said his district goes from the city limits to north of the South Fork Rivanna River, and to the southern side of Earlysville. He said his district is fairly dense in the middle, but has some rural aspects as well.

Mr. Dorrier said he represents the Scottsville District, at least until the end of December. He said Chris Dumler will be taking his place on the Board beginning January 1, 2012. He said he represents the Town of Scottsville and the region of the County that goes back to the Monacan Indians. He pointed out that Scottsville was the county seat from 1744 to 1762. He said the Scottsville District has a proud tradition with a lot of farmland, and lots of celebrities. He said his district has a large urban population that includes Mill Creek, Glenmore, and the suburbs of Charlottesville; something for everyone and he encouraged everyone visit.

Mr. Davis said he is the County Attorney and his office works with the Board of Supervisors in their efforts to communicate the County's legislative program. He said his office can be a good resource for legislators as they go through the General Assembly and his office stands ready to provide any assistance to the legislators as needed.

Mr. Foley said he is the County Executive and is now a constituent of Delegate Landes.

Delegate Landes said he now represents more of Albemarle than in previous years. His District is the 25th and represents three localities now: Rockingham, Augusta and Albemarle. He said he is happy to have the County Executive and the County Attorney as constituents.

Delegate Bell said he represents the 8th District which includes the eastern half of the County from Free Union and Earlysville in the north down to Scottsville in the south.

Delegate Toscano said he represents the 57th District which includes all of the City of Charlottesville and part of Albemarle County. He said, after redistricting, he now has many more county voters than any of his governing colleagues.

Mr. Bryce Reeves said he represents the 17th Senatorial District, which encompasses the City of Fredericksburg, City of Culpeper, parts of Albemarle, Orange, Louisa and Culpeper Counties.

Ms. Tracy Eppard said she is Senator Creigh Deeds' Legislative Aide and is attending on behalf of Senator Deeds, who was unable to attend due to a court commitment. She said Senator Deeds represents the 25th District, which includes most of Albemarle County.

Thomas Jefferson Planning District Legislative Program Summary, David Blount.

**Thomas Jefferson Planning District
2012 Legislative Priorities
(Counties of Albemarle, Fluvanna, Greene, Louisa and Nelson, and
Charlottesville City)**

SECONDARY ROAD DEVOLUTION

- We are strongly opposed to any legislation or regulations that would transfer responsibility to counties for construction, maintenance or operation of current or new secondary roads.

STATE/LOCAL FUNDING and REVENUES

- The state should honor its funding obligations to localities and resist cost-shifting to localities.
- Facing continuing budget woes and funding cuts to localities, the state should relax state requirements or provide flexibility for meeting requirements, and not further restrict local revenue authority.
- The state and localities should examine contractual relationships for services required by the state.

PUBLIC EDUCATION FUNDING

- The state should fully fund its share of realistic costs of the Standards of Quality (SOQ) without making formula changes that shift the funding burden to localities.

CHESAPEAKE BAY TMDL

- The state and federal governments must provide major and reliable forms of financial and technical assistance for comprehensive water quality improvement strategies.
- We urge fairness in applying requirements for reductions in nutrient and sediment loading across source sectors, and accompanying authority and incentives for all sectors to meet such requirements.
- We will oppose actions that impose monitoring, management or similar requirements on localities without providing sufficient resources. Any expansion of the Nutrient Exchange Program should be contained within and be relevant to a particular watershed.

TRANSPORTATION FUNDING

- We request separate and dedicated state revenues for all transportation modes.
- The state should restore formula allocations for secondary/urban construction and provide stable and increasing dollars for cities and towns to maintain roads within their boundaries.

LAND USE and GROWTH MANAGEMENT

- We request additional tools to manage growth without preempting or circumventing existing local authorities in this area.
- We support making the use of urban development areas optional for localities.

COMPREHENSIVE SERVICES ACT

- We urge a better partnership between the state and localities in containing the costs of (SA, and in balancing (SA responsibilities. We support additional state funding for administering (SA, as localities foot the bill for most of these costs.

Mr. Blount addressed the group, stating that he is the legislative liaison for the localities located in Planning District 10 (PD 10). He said he works directly for the local governments in the region and this is his thirteenth legislative session in that capacity. He called everyone's attention to the approved regional legislative program for 2012 as well as the one-page summary of the seven priority items in the program. He said the priority items have been fairly consistent from year to year. Mr. Blount said the position on public education funding has remained the same and maintains a focus on the realistic cost of Standards of Quality (SOQ). He said the position on land use and growth management is consistent and states opposition to the removal of any of the authority currently held, and requests additional tools which could assist in the management of growth. He said the position on the Comprehensive Services Act (CSA) is primarily a funding issue, the main focus being the containment of administrative costs, with localities paying approximately 80% to 90% of those costs. He stated that the top priority this year concerns secondary road devolution, and the position states localities' opposition to transferring responsibility for secondary roads from the state to the localities. He added that a number of concerns have been expressed about this from the monetary standpoint as well as a practical and implementation standpoint. He said the priority position that PD 10 localities have in the long version of the program lays out those concerns in a fairly concise manner.

Mr. Blount said, perennially, the position on state and local funding and revenues has been to fund state programs and services obligations that are carried out at the local level because those have to be done in partnership with the state. He said PD 10 wants to see adequate funding for those and not see the responsibility for the costs of those programs shifted unnecessarily. At the same time, PD 10 is asking that the state not further restrict the local revenue-generating authorities that are currently in place. He said localities are very reliant on personal property tax and, if other revenue streams or sources become limited, this can be very harmful. He stated that PD 10 has introduced a new concept into their position this year, one that grew out of the frustration of cost shifting and responsibility shifting, and that is to have the state and localities look collaboratively at contractual relationships for services that are provided to determine a practical way where the responsibility for programs and the funding for those programs might work in a different way.

Mr. Blount said that the Chesapeake Bay TMDL is a long-term proposition for the state and the localities. He pointed out that a significant amount of time was spent last year on developing a new position which is maintained this year. He said, during the next 10-15 years as localities try to meet water quality requirements, it is important to have a good partnership that relies on technical and financial assistance so water quality improvements can be made. With regard to transportation funding, Mr. Blount noted that the Commonwealth Transportation Board (CTB) has been looking at ways to allocate and redistribute the maintenance payments that go to cities and towns differently, and a new statement has been added to the Priorities List which is asking the state to restore formula allocations for secondary/urban construction and provide stable and increasing dollars for cities and towns so that they can maintain roads within their borders. He stated that there is also a long-standing position requesting dedicated revenue streams for transportation. He said he hopes the legislators will consider these positions.

Mr. Rooker noted that secondary road fund allocations over the next five years will be 5% of what it was six or seven years ago, adding that Albemarle County has lost 95% of funding for secondary roads. He said secondary road construction has already been devolved to localities, stating that if the County wants to get a secondary road project funded, it would have to pay for it. He said the state does provide a matching fund program, so some of the projects that the County is looking to do over the next couple of years that weren't previously funded in prior years, can be done using matching funds from the state. Mr. Rooker said that, at the Governor's most recent transportation conference, he talked about a similar matching program for maintenance, which would mean about \$5 million per year locally, or 3 or 4 cents that would have to come from local property tax payments. He stated that, statewide, devolution of secondary road construction and maintenance is a huge issue and could potentially lead to balkanization throughout the state whereby one area may maintain its roads, and another one may not because they can't afford it. He emphasized that this particular reason was one of the ideas behind having a unified transportation system in the first place.

Ms. Mallek commented that these types of issues certainly inhibit the economic rebound which localities are working so hard to bring about and stated that it is even harder for the poorer communities who don't have as much to stand on.

Legislative Priorities: 1) Composite Index; 2) Elimination of Split Precincts; and 3) Biosolids, Larry Davis.

Mr. Davis addressed the group, stating that Albemarle County adopts legislative priorities that are similar to the regional position; however, he noted that one new item has been added to this year's Legislative Priority List and that is the issue of biosolids. He said the County has received numerous complaints from constituents about biosolids being spread near neighborhoods in the County's growth area that are still in agriculture production in addition to these biosolids being spread near tributaries to the County's reservoirs, which are a primary source of drinking water for the entire community. He said that, at the time the legislative priorities were adopted, the County had intended to request that legislation be introduced that would allow localities to restrict areas where biosolids could be spread, as a local decision, and as a means to protect drinking water reservoirs and to protect residential neighborhoods. Since that time, the state has promulgated new regulations regarding biosolids and this information is provided to legislators in their handouts. Mr. Davis said he suspects the General Assembly may be reluctant to address this issue in legislation until the regulations play out to see whether or not these are sufficient protections that may address the concerns that have been raised; however, if legislation is introduced, Albemarle County is interested in being able to control where biosolids can occur. As the information in the packet would indicate, although there is enabling authority for localities to control the storage of biosolids, the spreading of biosolids has been preempted by state law and Albemarle County does not have the authority to do that now, other than having a minor inspection authority that is optional for localities. He said it is a matter of concern and the County is closely monitoring how this plays out. In the future, Mr. Davis said the County may need legislators' help on this issue.

Mr. Davis stated that the County has had a strong commitment in the past to buying conservation easements and has one of the strongest conservation easement programs in the state. He said the amount of federal and state funding for this program has been diminishing over the years. In the past, it has been the state's priority to fund these programs and he would encourage representatives to look favorably on that type of funding if it's available. He added that transportation funding is a high priority for the County and one that would ensure the road system is adequately maintained and funded. The Comprehensive Services Act (CSA) is also a major concern as a lot of local dollars are being spent in that area and the need to continue to have the state funding to support that program is critical. Mr. Davis said that redistricting in last year's General Assembly created four different split precincts in the County. For election efficiency purposes and voter confusion reasons, it would be helpful to eliminate those split

precincts. He stated that Senator Howell and Delegate Cole, members of the Privileges and Elections Committee, had asked the Registrar for proposals that would fix split precincts and in their packets is a copy of the request from the Senate's Privileges and Elections Committee along with the County's response that was prepared in conjunction with the Registrar's Office. Mr. Davis explained that the request contains two options that would cause the least shift in the number of voters impacted and would fix the split precincts. He said the County is not favoring one option over the other as long as the split precinct is fixed. He said that some of this affects Delegates Bell and Toscano in one precinct, and impacts Senators Reeves and Deeds in the Senate precincts. He said the County would appreciate the legislators' support in trying to find a solution to eliminate these split precincts. It is the County's opinion that the proposals put forth by the Registrar's Office would work but it is a moving puzzle because some of the numbers that are affected by the split precincts may be offset by split precincts in other parts of the district. This is a complicated issue to solve independently; however, the County would appreciate any help the legislators can provide.

Mr. Davis said the County continues to be concerned about unfunded state mandates and has provided a list to the committee that has been meeting on this and will continue to work through those issues but the County is requesting the legislators not create any more unfunded state mandates in the future. He also stated that Albemarle County strongly supports the continuation of drug court funding for both the County and the City. Mr. Davis said that the composite index is also an issue, with the focus of concern being land use taxation as one of the components of the composite index as the "true value of real estate." Mr. Davis explained that the County has a large land use taxation program that defers about \$18 million of local property taxes which are deferred because that land that is in the land use program. If the County used the land use values rather than the true values in the composite index, it would have a significant impact on the County and would more correctly reflect its ability to pay. He stated that the land use taxation program is a state program designed to preserve rural lands and promote orderly development, and the County would like the state to recognize Albemarle County's success in implementing the land use taxation program to benefit all of those identified priorities. Mr. Davis noted that because the County has been successful in implementing the program, funding from the state for schools is impacted negatively.

Mr. Davis pointed out that he had included information regarding the bill Delegate Bell had previously introduced in 2010 that deals with another inequity which is the City-County revenue-sharing agreement and its impact on the composite index. Mr. Davis explained that the effect of the revenue sharing agreement is that the taxation on 10% of the true value of the County is actually passed to the City as a revenue-sharing payment. He said Delegate Bell's bill, had it passed, would have corrected that situation and would reflect that the City's ability to pay should be increased by 10% of the true value of the County's tax base and the County's ability to pay would be reduced by 10% of the tax base. He said the School Board has already addressed that issue with legislators and even though this has not been officially addressed by the Board of Supervisors to date, it is of concern.

Ms. Mallek pointed out that funding for the regional jail is another issue, as the County has been restricted in expansion due to cancellation of funding which was to cover construction to deal with inmate increases. In addition, she said state prisoners are not being moved to state facilities in a timely fashion, which means they are staying in the local jail longer. She said she has recently learned that the state plans to close one of its prisons due to a lack of interest, yet local facilities continue to house state prisoners at its own expense.

Mr. Rooker said it was his understanding that the state would be closing that particular prison because out-of-state prisoners are being removed because a better deal was found somewhere else. He explained that the local jails are full because the state found it to be more lucrative to rent space to out-of-state prisoners than to take prisoners from in-state facilities. He expressed concern that there is an arbitrage going on by the state whereby prisoners that should be in the state system are shuffled down to localities, they are being kept there at a miniscule rate, and then the state is making money on out-of-state prisoners. Instead of taking the prisoner load off localities because they lost a contract, they're planning to close a prison, which then leaves the localities holding the prisoners that should be in state facilities at much cheaper rates.

Ms. Mallek said this will be devastating to Mecklenburg's economy because the employees at that jail will be losing their jobs.

Delegate Landes noted that many localities like the state reimbursement system, but Mecklenburg's situation is due to the loss of out-of-state prisoners. He also indicated that the General Assembly would be reviewing the length of time allowed for local and regional jails to hold state prisoners before putting them back in the system and will try to move that forward. He said bed space is not the problem; it's the length of time they need to move. He added that it is somewhat dependent on the courts and the penalties that the individual prisoners receive and pointed out that there is even disagreement as to when the prisoners should go or how long they should stay and/or the length of term. He said the General Assembly is trying to get some more information as part of the overall issue related to public safety and state response.

Ms. Mallek added her support for drug court funding, pointing out the low recidivism rate and the much lower cost to have the appropriate people in that program as opposed to incarceration. She said that approach has produced fantastic results thus far and the County would like to have that program well supported going forward. She asked the legislators for their feedback on how they feel things might play out in this year's General Assembly session.

Delegate Bell stated that he had already met with the School Board about the impact of VRS and acknowledged that the budget shortfall would be extremely challenging this year, and asked everyone to be very measured in their requests and to be patient as legislators work through what is anticipated to be a very difficult budget process.

Mr. Rooker and Ms. Mallek noted that the price tag of the VRS shift is estimated to increase by \$1.4 million for local government; schools would be approximately twice that amount, which is a lot of money for the County to absorb.

(Note: Delegate Bell left the meeting at 12:50 p.m.)

Delegate Landes said that, from a locality standpoint, the state is going to have some challenges. He said the state still has to balance its budget. He said the choices are not going to be easy but, for most of the legislators who have been there a while, they look forward to having a dialogue with local leaders and it will basically be an issue of which of the bad choices do localities want. He added that trying to come up with what will have the least impact on localities is not going to be easy. The one thing that is just not going to occur, that has occurred in the past, is they are not seeing the economy jump back up like it has after a recession. He stated that this is no one's fault; it is just the way the global economy is. The other thing he is very concerned about, which could impact Albemarle County, has to do with some of the defense contractors and installations in this area, because what happens in Washington can potentially impact Virginia's economy, and that still remains unknown. The issue of VRS, in addition to all the other items that legislators have a responsibility for, will present significant challenges. He ended by saying that legislators normally have one or two challenges to deal with each session; however, they are likely to have five or six in this year's budget session.

Mr. Rooker asked if legislators had any information to share with the Board about Chesapeake Bay funding and the direction that might go. He said that County staff has indicated that the costs of dealing with that program in this locality could be as high as \$10 million annually, an overwhelming expense, so Board members hope that is not going to be the case, but urged legislators to keep this in mind. He said the federal government has said states will need to be responsible for that expense; however the Board is hopeful that legislators are not going to turn around and tell localities that this is a local problem, but it could be an immense expense and Albemarle County certainly does not have the wherewithal to incur those types of expenses.

Delegate Landes said he has not seen any of the details on TMDL but it is his understanding that the Environmental Protection Agency (EPA) and the administration are supposedly working toward improvements being done gradually, spreading the costs out over a 10 to 20-year period. He said there are some proposals out there and one idea he has heard is to use the state's bonding capability to deal with some of the infrastructure issues that could benefit from water treatment and sewage facilities in certain parts of the state. He said that would certainly help, but it would be a state-backed debt. He added that part of the problem with even that is the rating agencies are very concerned about Virginia's debt capacity right now, with a primary concern being the impact of defense cuts and how that will impact Virginia's economy, and how much debt the state can incur and handle all of its debts. He pointed out that there are a lot of pieces to this issue; and it is not just one thing that impacts what the rating agencies are looking at right now. He mentioned that if the state is not able to maintain their AAA bond rating, the state will be in trouble because they would not be able to get the best interest rates. He stated that legislators are looking closely at this as a partial solution, but again, the administration is trying to look at a long term solution, not trying to put the burden on the state or the locality up front and perhaps spread that out in a shared manner as much as possible.

Mr. Rooker noted that minor changes in regulations can sometimes result in huge expense differentials. As an example, he said when Albemarle County first began formulating plans for upgrading their sewer treatment plant, the County thought it would be able to sell credits, because the facility would actually be over-treating. As regulations moved along, it looked like the County might not even be in compliance and would have to make further investment. So those types of actions need to be thoughtfully looked at, particularly at the state level, as they're making the deal with the EPA to make certain that what is on the ground in localities is not being put in a box.

Mr. Toscano asked what a penny on the tax rate equates to.

Mr. Rooker said it is a little over \$1.5 million.

Mr. Toscano said that, locally, there is a triple whammy of declining real estate assessments, proportionately less money from the state, and rising fixed costs, which is not a good place to be and he would like to try to find a way to support local government. He agreed with Del. Landes' statement about the legislators having some huge challenges in this upcoming session.

Mr. Foley commented that the County is also paying close attention to federal cuts and how they might impact the state which could then trickle down to the local level.

Delegate Toscano stated that he is not hearing a lot of enthusiasm for devolution, and he has noticed a shift in the thinking that devolution would pertain more to the larger counties.

Ms. Mallek asked if Albemarle would be considered a "large" county.

Delegate Landes responded that he doesn't see a lot of support for that concept either, and said he wasn't sure why there would even be a Department of Transportation if the state was not responsible

for primary and secondary roads. He emphasized that it has always been the state's responsibility to work with localities, and believes that should still be its posture. Delegate Landes said that doesn't preclude taking advantage of opportunities for partnerships between the state and local level to continue to look for opportunities where, if a locality identified a project that is a high priority one and the state is supportive of getting a particular project moving forward; whether it is rural rustic roads or major project like that, he said there are policies in place to allow for that and he would like to see that continued. He stated that he doesn't necessarily believe the General Assembly will support having primary and secondary roads become the responsibility of the locality.

Mr. Snow commented that, with the rural nature of the state, he doesn't believe it would be possible. He said the majority of Virginia counties wouldn't be able to fund their own transportation departments.

Delegate Landes responded that Henrico is doing that now, and confirmed that they were getting money from the state to help fund it. He said he could see an urban county which surrounds a major metropolitan area wanting to go that route and he would not have any problem looking at that, but there is a process in place now where a locality could come to the state with a request to be like Henrico.

Mr. Boyd asked if Henrico is funding roads out of property tax dollars or out of state allocations from VDOT.

Mr. Landes said Henrico gets state allocation money.

Ms. Mallek noted that the statutory state allocation is \$9,000 per mile for Henrico and \$16,000 per mile for Arlington. If Albemarle County were guaranteed that kind of allocation, the Board could think about it differently, but half of \$5,000 per mile just doesn't cut it.

Mr. Rooker said, obviously, there are no easy answers, but asked legislators to keep Albemarle County in mind as they begin their budget deliberations.

Legislator's Priorities and Sponsorships/Questions and Answers, Legislators.

Delegate Toscano encouraged Board members to continue to follow legislation during the upcoming session. Delegate Landes said that there are times when certain bills do fly under the radar screen but having both a House and Senate helps catch things.

Ms. Mallek asked about better exposure to committee votes, as a lot of things happen within small groups and the process is not made clear. She said this makes it challenging for the Board to keep track of particular bills.

Delegate Landes responded that there is always at least five people at the subcommittee level, and these meetings are always open to the public but they don't always take minutes of those meetings. Because of the 60-day limit, they must get their business done in that period of time. Delegate Landes said it would be cumbersome and expensive to record votes as they are done in full committee, adding that most subcommittee chairs ask for a show of hands or voice vote.

Mr. Snow asked legislators if they had any other recommendations as to what Board members could do to help the County's case on some of their issues.

Delegate Landes stated that Board members are welcome to appear before these committees to testify at the state level, and Mr. Blount would be a good resource in facilitating that process. He also said that if a legislator has introduced a bill on behalf of the County, the time and date of the hearing is always made available to the locality.

Mr. Boyd asked if the General Assembly will be taking up the idea of a defined contribution plan for VRS and said that is an issue that definitely needs to be discussed.

Senator Reeves replied that he believed it would be taken up in this session.

Mr. Boyd said he read the JLARC report last year and, even though there were no conclusions, he said the report made a lot of sense. He said that everyone else in the world, except for government, has learned that defined benefit plans are unsustainable.

Mr. Blount said there may be some kind of combination plan whereby new employees pay on a different structure.

Mr. Boyd pointed out that the model is available because the University of Virginia has been migrating to a defined contribution plan for a number of years.

Delegate Landes noted that the House bill passed last year was a compromise. He said when it becomes clear what the costs are going to be to localities and to the state without any changes, people are going to be more willing to consider some major changes and reform as to how retirement benefits are provided. It is not only competition in what the private sector is doing, but all sorts of issues will have to be considered. He said legislators will try to do it in a way that will hopefully treat current employees fairly, look at future employees differently, but more importantly, have a retirement system that will be solvent for the long term, so when people retire, they have their retirement benefit.

Mr. Blount pointed out that the Governor's recent announcement regarding funding retirement for state employees and teachers represents a \$2.2 billion proposition with the state providing about 1/3 of that amount and 2/3 of that amount coming from local funds over a ten year period; however, that does include a portion of the repayment.

Mr. Boyd said that is something that could spiral out of control if it is not taken care of now.

Mr. Rooker said he is not saying that shouldn't be done for fiscal solvency purposes, but in looking at the general direction of where things are going, the state is going to have a tremendous challenge 15-20 years out when people go into retirement with virtually nothing. He said that employers have gotten out of the business of having a defined benefit plan and, to an extent, would like to get out of the medical insurance business as well. He said he sees this as a social issue, but agreed that there is a limit on how much money that can be put into such programs. Mr. Rooker said there are no easy answers, but said there could be a huge amount of money that will need to be spent on the back end because it was not spent on the front end.

Mr. Blount pointed out that state government employees have been a little more amenable to discussing defined contribution plans whereas teachers really haven't been open to that issue.

Mr. Rooker said that one dynamic of the shift is there are people that are put into the position of managing their own retirement funds instead of having funds collectively managed by professionals, and stated that the way to accomplish this through a defined contribution plan is to ensure participants have good, professional investment advice and fund management on what they need to be doing for their retirement plan in order to generate reasonable income when they get there. He said it is easy to look at the work of the state, federal and local government and be assured that if they stay in the system for 30 years, they will have a certain amount and that is something they can count on. What is being considered, however, is a system where people really can't do that. He added that it would be helpful to provide an education component so that people understand the purpose of the fund and how they need to contribute and have it managed in order to get to an income point at some time in the future.

Mr. Boyd stated that the management responsibility wouldn't necessarily have to shift; adding that the difference is where the burden of liability falls, on the individual or on the state, and that is the difference between the contribution and benefit programs. As far as managing the assets, that could still be done collectively even though an employee would have their own pool of money.

Mr. Rooker said that component is worth keeping in mind.

Legislators thanked Board members for their time, and the Board members thanked the legislators for attending.

Adjourn. With no further business to come before the Board, the meeting was adjourned at 1:17 p.m.

Chairman

Approved by Board
Date: 03/07/2012
Initials: EWJ