





Interoffice Memorandum

City of Fort Pierce Retirement and Benefit System

TO: Mayor and Commissioners
THRU: Tom Perona, Chairman 
FROM: Gloria J. Johnson, Secretary/Treasurer, Finance Director 
RE: Results of Workshops on Benefit Changes
DATE: March 28, 2014

At the February 17, 2014, City Commission meeting the actuarial study requested by the City Commission during the 2013 summer budget workshop was presented. The study was commissioned to reduce pension cost to the City, amend benefits to the current plan (defined benefit) and introduce a define contribution plan.

The actuarial study did generate savings; however, more options and or benefit revisions were suggested at the commission meeting. Also, the Utilities Authority wanted to have a shared voice in any proposed benefit changes, as well as the cost for actuarial study of such.

The Retirement Board was tasked to provide recommendations of reform to the system that will generate cost savings to our citizens as well as maintain a viable and cost effective pension for City employees and retirees; while ensuring the health of the system. Workshops and meetings were scheduled and held to discuss various options and the effects on both the system and the employees.

The first Retirement Board workshop was held on Monday, March 10, 2014. The workshop included the following people: Members of the Retirement Board; Attorney Walker, the Retirement Board's attorney; Brad Armstrong the Board's actuary; City Manager, Deputy City Manager, Captain Amandro, and Mr. Thiess, Utilities Authority Director. Also, via teleconference was Mr. Jim Lynn, pension attorney consultant, to give direction and assist with any questions that may arise. At the meeting the different options were presented, analyzed and ranked. Afterwards, the options believed to best accomplish the desired result were forwarded to the system's actuary to perform a financial impact study.

The second retirement work shop took place after the Retirement Board meeting on Thursday, March 27, 2014. The results of each option were delivered by Brad

Armstrong, the Retirement Board's actuary. The first challenge was to define the objective or decipher the Commission's definition of meaningful reform. The committee agreed to use as a bench mark the Citizen's Budget Committee recommendation of reducing the City's pension cost by \$700,000. After a very lengthy and intense workshop, the committee unanimously agreed to recommend two options, grouped as options 1, 3 & 4 or 2, 3, & 4, to the City Commission:

1. Recommendation #1: Increase the final average period to eight years with a three year phase-in.

The current final average salary period is five years. The final average salary for General Members is the highest 5 consecutive years out of the last 10 years. The Police and Utilities Members are the highest 5 out of the last 10 years. The change in this benefit provision for the employee will result in no current monetary reduction but a benefit reduction at the point of retirement and substantial savings for the employer. The monetary savings for each employer in fiscal 2015 are: General members \$178,927, Police \$168,137 and Utilities Authority members \$236,799; the combined savings for the City is \$347,064 and the Utilities Authority \$236,799, saving the taxpayer a total \$583,863. Over a thirty year period, adjusted for inflation, the projected annual savings are: General 1.51% or \$128,443; UA 1.41% or \$177,809 and Police 1.86% or \$120,122.

2. Recommendation #2: Decrease the multiplier to 2.5%; and allow for a buy-up option at the employees expense.

The current benefit multiplier is 3%; a reduction of the multiplier to 2.5% will result in a benefit reduction for the employee and monetary savings for the employer. The monetary savings for each employer in fiscal 2015 are: General members \$165,359, Police \$106,937 and Utilities Authority members \$188,936; the combined savings for the City is \$272,296 and the Utilities Authority \$188,936, saving the taxpayer a total \$461,232. Over a thirty year period, adjusted for inflation, the projected annual savings are: General 2.12% or \$179,605, UA 1.74% or \$219,123 and Police 1.49% or \$95,793.

3. Recommendation #3: Not to institute a defined contribution plan.

The committee discussed and thinks the introduction of a defined contribution plan will divert funding from the defined benefit system.

4. Recommendation #4: No retroactivity for any option considered.

If the City Commission decides to select Recommendation #1 or #2, or any other option the Committee request that the Commission implement without any retroactivity.

Also, as a cost containment measure, there are policies the Commission can revisit that can help ease the sudden escalation of the contribution rate in times when the markets are volatile. The Commission can reinstate the minimum contribution requirement for the employer. This change in policy was decided when the Retirement Fund was over-funded. The analogy was the City is liable for all increases in contributions over the minimum rates so the City should benefit when the contributions are under the minimum requirements. This change reduced the City's retirement budget during the retirement system good times, but in the bad times it skyrockets the employers contribution requirements. The minimum requirement for general was 7.60% and Utilities Authority 9.61%, which helped in stabilizing contribution rates. Copies of the recommended contribution for prior years are in the packet; you can see where the City received an "abbreviated holiday", and the taxpayer saved millions of dollars. The policy change should also affect the benefit side of the equation; policy can be instituted to control increase benefit changes.

As this Commission is aware, the City of Fort Pierce Retirement and Benefit System has been managed extremely well. Prior Boards took very serious their fiduciary responsibilities and made prudent decisions that have tremendously benefited this system. This Board does not set policy; however, is committed to performing its fiduciary responsibility by continuing the tradition of safeguarding the system's assets and to appropriately manage the plan. The objective is to administer the plans assets so that it is able to provide a respectable retirement for every member of the system.

The Board received very good news at the March Board meeting. The contribution rates are continually being adjusted downward; the beginning of October 1, 2013 the employer rates were: General 17.19%, Police 16.17%, and Utilities 18.57%. The rates changed during the fiscal year after the implementation of SB 1128 and other City instituted benefit provision changes; the adjusted rates were: General 16.20%, Police 15.33% and Utilities 17.41%. The further reduced rates for October 1, 2014 are: General 14.61%, Police 13.76% and UA 16.81%. The fiscal 2015 budget percentage reductions are: General 2.58%, Police 2.41% and UA 1.76%; the projected funding decreased \$725,967. With the selection of option 1 (\$583,863) or 2 (\$461,232), the funding requirement will be further reduced; resulting in a combined reduction of \$1.3 million and \$1.18 million, respectively.

The funding status of the system has been a talking point of concern over the past few years. The status reached a low of 85% in 2011; which is considered very well in the financial world. The unfunded portion of the fund is currently amortized over 30 years. The Retirement Board is pleased to announce that the System's funding status is 89%,

4% higher than the 85% on the last valuation. If the market value of the assets are used the funding status is 95%, which is fantastic.

The Retirement Board would like to thank the Commission, City Manager, Deputy City Manager, Police Chief, Utilities Authority Director, and everyone else who participated, for their input and assistance in helping us derive to the above recommendations. Included also, are attachments that were used in the formulating of the Board's discussions.

Attchmnts.

cc: Robert, Bradshaw, City Manager
Nick Mimms, Deputy City Manager
Bill Thiess, FPUA Director
Sean Baldwin, Chief of Police
Retirement Board Members

CITY OF FORT PIERCE RETIREMENT AND BENEFIT SYSTEM
 CURRENT AND PROPOSED BENEFIT PROVISIONS
 SUMMARY OF PROJECTIONS

Option	Detail Page #	FY 2014			FY 2015			Change			30 Year Averages		
		Current Benefits Provisions			Proposed Benefits Provisions						General	UA	Police
		General	UA	Police	General	UA	Police	General	UA	Police	Average Annual Savings %/ \$	Average Annual Savings %/ \$	Average Annual Savings %/ \$
Final Average Salary Period to 10 Years for Current Members and New Hires	33												
Total Adj. Contrib. Require.		19.77	22.97	18.92	16.35	19.93	14.59	(3.42)	(3.04)	(4.33)			
Members portion		5.16	6.16	5.16	5.16	6.16	5.16	0.00	0.00	0.00			
Employer portion		14.61	16.81	13.76	11.19	13.77	9.43	(3.42)	(3.04)	(4.33)			
Employer portion		1,238,918	2,117,334	886,424	948,904	1,734,425	607,484	(290,014)	(382,909)	(278,940)	2.45%	2.30%	3.06%
											207,787	290,037	197,362
Increase Normal Retirement Eligibility for New Hires	37												
Total Adj. Contrib. Require.		19.77	22.97	18.92	19.77	22.97	18.92	0.00	0.00	0.00			
Members portion		5.16	6.16	5.16	5.16	6.16	5.16	0.00	0.00	0.00			
Employer portion		14.61	16.81	13.76	14.61	16.81	13.76	0.00	0.00	0.00			
Employer portion		1,238,918	2,117,334	886,424	1,238,918	2,117,334	886,424	0	0	0	1.50%	1.47%	2.64%
											127,369	184,569	170,263
Increase Normal Retirement Eligibility for Current Members and New Hires	41												
Total Adj. Contrib. Require.		19.77	22.97	18.92	15.04	18.39	9.42	(4.73)	(4.58)	(9.50)			
Members portion		5.16	6.16	5.16	5.16	6.16	5.16	0.00	0.00	0.00			
Employer portion		14.61	16.81	13.76	9.88	12.23	4.26	(4.73)	(4.58)	(9.50)			
Employer portion		1,238,918	2,117,334	886,424	837,817	1,540,451	274,431	(401,101)	(576,883)	(611,993)	3.79%	3.86%	7.50%
											321,729	486,403	483,217

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Option	Detail Page #	FY 2014			FY 2015			Change			30 Year Averages		
		Current Benefits Provisions			Proposed Benefits Provisions			Change			General Average Annual Savings %/ \$	UA Average Annual Savings %/ \$	Police Average Annual Savings %/ \$
		General	UA	Police	General	UA	Police	General	UA	Police			
Decrease the Benefit Multiplier to 2.50% for Future Service for Current Members and New Hires	17												
Total Adj. Contrib. Require.		19.77	22.97	18.92	17.82	21.47	17.26	(1.95)	(1.50)	(1.66)			
Members portion		5.16	6.16	5.16	5.16	6.16	5.16	0.00	0.00	0.00			
Employer portion		14.61	16.81	13.76	12.66	15.31	12.10	(1.95)	(1.50)	(1.66)			
Employer portion		1,238,918	2,117,334	886,424	1,073,559	1,928,398	779,487	(165,359)	(188,936)	(106,937)	2.12%	1.74%	1.49%
											179,605	219,909	95,793
Final Average Salary Period to 8 Years for New Hires	21												
Total Adj. Contrib. Require.		19.77	22.97	18.92	19.77	22.97	18.92	0.00	0.00	0.00			
Members portion		5.16	6.16	5.16	5.16	6.16	5.16	0.00	0.00	0.00			
Employer portion		14.61	16.81	13.76	14.61	16.81	13.76	0.00	0.00	0.00			
Employer portion		1,238,918	2,117,334	886,424	1,238,918	2,117,334	886,424	0	0	0	0.47%	0.38%	0.25%
											39,856	47,486	16,384
Final Average Salary Period to 8 Years for Current Members and New Hires	25												
Total Adj. Contrib. Require.		19.77	22.97	18.92	17.66	21.09	16.31	(2.11)	(1.88)	(2.61)			
Members portion		5.16	6.16	5.16	5.16	6.16	5.16	0.00	0.00	0.00			
Employer portion		14.61	16.81	13.76	12.50	14.93	11.15	(2.11)	(1.88)	(2.61)			
Employer portion		1,238,918	2,117,334	886,424	1,059,991	1,880,535	718,287	(178,927)	(236,799)	(168,137)	1.51%	1.41%	1.86%
											128,443	177,809	120,122
Final Average Salary Period to 10 Years for New Hires	29												
Total Adj. Contrib. Require.		19.77	22.97	18.92	19.77	22.97	18.92	0.00	0.00	0.00			
Members portion		5.16	6.16	5.16	5.16	6.16	5.16	0.00	0.00	0.00			
Employer portion		14.61	16.81	13.76	14.61	16.81	13.76	0.00	0.00	0.00			
Employer portion		1,238,918	2,117,334	886,424	1,238,918	2,117,334	886,424	0	0	0	0.75%	0.61%	0.40%
											63,713	77,296	25,661

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Option	Detail Page #	FY 2014			FY 2015			Change			30 Year Averages		
		Current Benefits Provisions			Proposed Benefits Provisions			Change			General	UA	Police
		General	UA	Police	General	UA	Police	General	UA	Police	Average Annual Savings %/ \$	Average Annual Savings %/ \$	Average Annual Savings %/ \$
Increase Member Contribution Rates for Current Members and New Hires by 2%	1												
Total Adj. Contrib. Require.		19.77	22.97	18.92	19.87	23.09	18.98	0.10	0.12	0.06			
Members portion		5.16	6.16	5.16	7.16	8.16	7.16	2.00	2.00	2.00			
Employer portion		14.61	16.81	13.76	12.71	14.93	11.82	(1.90)	(1.88)	(1.94)			
Employer portion		1,238,918	2,117,334	886,424	1,077,799	1,880,535	761,449	(161,119)	(236,799)	(124,975)	1.77%	1.75%	1.85%
											150,490	220,970	119,285
Decrease the Benefit Multiplier to 2.75 for New Hires	5												
Total Adj. Contrib. Require.		19.77	22.97	18.92	19.77	22.97	18.92	0.00	0.00	0.00			
Members portion		5.16	6.16	5.16	5.16	6.16	5.16	0.00	0.00	0.00			
Employer portion		14.61	16.81	13.76	14.61	16.81	13.76	0.00	0.00	0.00			
Employer portion		1,238,918	2,117,334	886,424	1,238,918	2,117,334	886,424	0	0	0	0.55%	0.46%	0.26%
											46,498	58,234	16,857
Decrease the Benefit Multiplier to 2.75 for Future Service Current Members and New Hires	9												
Total Adj. Contrib. Require.		19.77	22.97	18.92	18.80	22.23	18.14	(0.97)	(0.74)	(0.78)			
Members portion		5.16	6.16	5.16	5.16	6.16	5.16	0.00	0.00	0.00			
Employer portion		14.61	16.81	13.76	13.64	16.07	12.98	(0.97)	(0.74)	(0.78)			
Employer portion		1,238,918	2,117,334	886,424	1,156,662	2,024,126	836,176	(82,256)	(93,208)	(50,248)	1.01%	0.83%	0.70%
											85,845	104,712	45,094
Decrease the Benefit Multiplier to 2.50% for New Hires	13												
Total Adj. Contrib. Require.		19.77	22.97	18.92	19.77	22.97	18.92	0.00	0.00	0.00			
Members portion		5.16	6.16	5.16	5.16	6.16	5.16	0.00	0.00	0.00			
Employer portion		14.61	16.81	13.76	14.61	16.81	13.76	0.00	0.00	0.00			
Employer portion		1,238,918	2,117,334	886,424	1,238,918	2,117,334	886,424	0	0	0	1.18%	0.98%	0.55%
											100,261	123,102	35,195