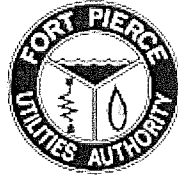

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Director of Finance
"Committed to Quality"

June 12, 2014

Ms. Gloria Johnson, Secretary/Treasurer
City of Fort Pierce Retirement and Benefit System
100 North US 1
Fort Pierce, FL 34950

Re: Proposed Changes to Retirement System

Dear Gloria:

This letter serves to request inclusion in the Retirement Board's next Agenda packet my concerns regarding changes to the Retirement System being considered by the City Commission.

FPUA continues to support providing an option to employees to select between a decrease in the benefit multiplier to 2.5% (with an option to buy-up to 3%) vs. increasing the Final Average Salary to 8 years.

I am uncertain why only the short-term savings were presented vs. the 30-year average annual savings when this item was presented at the May 5, 2014 City Commission meeting. I believe that if the City Commission knew greater long-term savings could be achieved through the decrease in the benefit multiplier, they would support that recommendation.

I have provided a recap of the estimated savings for just the two recommended options. Please note that greater long-term savings could be achieved through the decrease in the benefit multiplier. As well, please refer to the attached correspondence from Bill Thiess, FPUA Director of Utilities.

I urge the Retirement Board to provide this information to the City Commission prior to any change being considered for approval. Thank you.

Sincerely,

A handwritten signature in cursive script that reads "Nina B. Hurtubise".

Nina B. Hurtubise, CPA
FPUA Director of Financial Services
FPUA Board Appointee



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**City of Fort Pierce Retirement and Benefit System
Estimated Savings from Proposed Benefit Changes**

	General Members	Utilities Authority	Police Members	Total
Increase Final Average Salary to 8 years for Current Members and New Hires				
FY 2015	\$ 178,927	\$ 236,799	\$ 168,137	\$ 583,863
30 Year Average Annual Savings				
Level % Amortization of UAAL	\$ 128,443	\$ 177,809	\$ 120,122	\$ 426,374
Level \$ Amortization of UAAL	\$ 122,224	\$ 168,656	\$ 113,358	\$ 404,238
Decrease the Benefit Multiplier to 2.50% for Future Service for Current Members and New Hires				
FY 2015	\$ 165,359	\$ 188,936	\$ 106,937	\$ 461,232
30 Year Average Annual Savings				
Level % Amortization of UAAL	\$ 179,605	\$ 219,123	\$ 95,793	\$ 494,521
Level \$ Amortization of UAAL	\$ 174,687	\$ 212,909	\$ 92,937	\$ 480,533

**Comparison of City and FPUA Savings for Multiplier
Reduction to 2.5% versus 8-Year Final Average Salary¹**

Employee Group(s)	A	B	C	% Savings Increase for 2.5% Multiplier (C/A)
	Savings for 8-Year Final Average Salary Salary ²	Savings for Reducing Multiplier to 2.5% ³	Additional Savings for 2.5% Multiplier (B-A)	
General	\$128,443	\$179,605	\$51,162	40%
FPUA	\$177,809	\$219,123	\$41,314	23%
Police	\$120,122	\$95,793	-\$24,329	-20%
Gen + FPUA	\$306,252	\$398,728	\$92,476	30%
Gen + FPUA + Police	\$426,374	\$494,521	\$68,147	16%

Notes:

1. Source: Tables prepared by Retirement Board Actuary and referenced in City Finance Director's March 28 memo to City Commissioners.
2. Retirement multiplier remains at 3% with this option
3. Final average salary calculation would remain at the highest 5 of the last 10 years with this option.

Retirement Benefit Reduction with 8-Year Final Average Salary: Four Cases

	Employee #1	Employee #2	Employee #3	Employee #4
Job Title	Constr./Maintenance Administrator	Billing Specialist	Gas Distribution Mechanic III	Billing Team Leader
FPUA Pay Grade	20	13	18	22
Exempt/Nonexempt	Non-Exempt	Non-Exempt	Non-Exempt	Exempt
Years of service at 10/1/17	27	26	20	20
5-year Final Avg. Salary (FAS)	\$56,192.03	\$45,222.03	\$42,540.59	\$54,652.73
Annual Retirement Benefit, 5-year FAS	\$45,515.54	\$35,273.18	\$25,524.35	\$32,791.64
8-year Final Avg. Salary	\$55,245.33	\$44,075.89	\$41,653.64	\$53,065.90
Annual Retirement Benefit, 8-year FAS	\$44,748.72	\$34,379.20	\$24,992.19	\$31,839.54
Benefit/FAS decrease w/8-Year FAS (%)	-1.7%	-2.5%	-2.1%	-2.9%
Annual Benefit decrease w/8-Year FAS (\$)	-\$766.82	-\$893.98	-\$532.16	-\$952.10
Monthly Benefit decrease w/8-Year FAS (\$)	-\$63.90	-\$74.50	-\$44.35	-\$79.34

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Director of Utilities
"Committed to Quality"

May 21, 2014

City Commissioners
City of Fort Pierce
100 N. US Highway 1
Fort Pierce, FL 34950

Re: Retirement Plan Changes

Dear Commissioners:

I am concerned that we are missing an opportunity to create a win-win situation for the City of Fort Pierce, FPUA, and our employees with regard to retirement plan changes. My understanding is at the present time, City staff is working toward implementation of changing the final average salary period from the highest five to the highest eight years of the last ten years of employment. At the May 5 City Commission meeting, Commissioners appeared to dismiss giving current employees the option of keeping the 5-year final average salary and decreasing the retirement multiplier from 3.0% to 2.5%, with or without the option to buy the multiplier up to 3.0% at their cost.

Moving to an 8-year final average salary calculation is not an unreasonable step to take. It will reduce costs to the City and FPUA, and our employees' retirement system will still be competitive for this area. It does, however, penalize employees that are close to retirement. The FPUA Finance Department completed retirement workups for four employees that would be eligible to retire October 1, 2017. The decrease in retirement benefits for these four employees resulting from going to the 8-year final average salary ranged from \$532 to \$952 per year (see attached summary spreadsheet). This range of benefit reduction would be expected for City employees at similar pay levels with 17+ years of employment. There would be no way for these employees to offset that reduction.

Allowing current employees to select a reduced multiplier option with the opportunity to buy it back up to 3% would maintain the retirement benefit for these employees at no additional cost to the City or to FPUA. According to estimates of the Retirement Board actuary, the multiplier reduction option provides greater savings to the City and FPUA over a 30-year period, as compared to the 8-year final average salary (see attached table). Giving employees choices regarding their future retirement would help maintain morale, which has deteriorated



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May 21, 2014

Page 2

noticeably since these discussions began. It may even help with the union negotiations, as it allows employees close to retirement to preserve their current benefit at no additional cost to the City or FPUA.

It was stated at the May 5 City Commission meeting that allowing a one-time employee selection of the above-stated options would be excessively complicated. That is certainly not the case. Calculating the retirement benefit for an employee selecting the reduced multiplier, with or without the buy-up, is no more difficult than performing the calculation for a phased-in 8-year final average salary. The Retirement Board actuary would have to provide an annual determination of the buy-up cost, but that should not significantly increase the cost of the actuary's service.

In summary, I would like the City Commissioners to reconsider allowing employees to select the multiplier reduction option, with or without an employee-funded buy-up. There are a lot of positives associated with allowing this employee choice and I do not see where there would be any negative consequences. I also do not think it is necessary to allow this option to new employees, as long as their pension plan remains competitive.

Thank you for your consideration of this very important employee matter.

Sincerely,



William G. Thies, P.E.

Director of Utilities

pc: FPUA Board

Robert Bradshaw, City Manager

Nick Mimms, Assistant City Manager

Linda Cox, City Clerk

Enclosures (2)



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