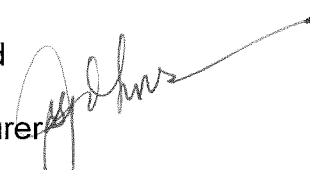


Interoffice Memorandum

From The Office Of The

Director of Finance

TO: City of Fort Pierce Retirement Board

FROM: Gloria J. Johnson, Secretary/Treasurer 

RE: Proposed Changes to Retirement System

DATE: July 9, 2014

I apologize for not being able to attend June's Retirement Board meeting and not placing Ms. Hurtubise' letter on the agenda; however I did not see the urgency to present the letter at the last meeting because the proposed changes will have to be negotiated by the City's three unions, which will probably take a few months, if not longer. In addition, I wanted to be present to address the concerns Ms. Hurtubise has on the attached letter.

One of the concerns is why the short-term savings vs. the 30-year average annual savings was used in the presentation. The reason for using the short-term savings was they were the most realistic and accurate out of all the other years presented. The projections are based on assumptions and we know those assumptions will change, creating both positive and negative contribution results; therefore, the earlier years present the most accurate figures. The key word is projection; if these tables were accurate there would be no need for an actuarial study for the next 30 years.

The City Commission was provided with 30-year tables on both options; increasing the final average to 8 year and decreasing the multiplier to 2.50.

Attached is a letter I am forwarding to the City Commission as Finance Director in support of their selection of increasing the final average salary to 8 years.



Interoffice Memorandum

From The Office Of The

Director of Finance

TO: Mayor and City Commissioners
FROM: Gloria J. Johnson, Director of Finance
RE: Retirement Plan Changes to Retirement System
DATE: July 9, 2014

The Commission recently received a memorandum urging you to reconsider your decision to select the 8-year final average salary and choose the 2.5% multiplier with the buy-up provision. This letter is written in support of your decision to select the 8-year final average salary instead of the 2.5% multiplier; however, If the Commission elects to change the option, I request it be done uniformly across all groups so that cost for the taxpayer and employee will produce equitable retirement benefits for all employees; even though, it will pose a hardship for the City's employees.

Currently, the economy is such that employees are in a position that their income has become stagnate, even for those who were fortunate to receive minimal pay increases. With the cost of living and insurance premiums continually increasing and contributions from the employees and employer escalating annually, the combination of these factors continues to erode the disposable income of our employees. If the 2.5% multiplier is chosen the employee will lose 2% of disposable income, which is compounded annually. There will be a loss of 2% of income plus future raises associated with the 2% reduction of income. Preface these economic conditions and adding an additional 2% reduction in pay creates a greater financial hardship for both City and UA employees.

The 8-year final average salary option is the most equitable option, in comparison to the 2.5% multiplier with the employee option to buy-up to 3.0%. The 2.5% with the buy-up;

can be negotiated, i.e. with promotions, pay studies, and union negotiations; which can eliminate equity among certain employees. The new, and those employees not close to retirement, will be penalized more than the ones closest to retirement with the implementation of the 2.5 option; they will be saddled with paying the additional 2% for up to 25 years. In the 4 examples illustrated in the letter it appears the 2% will only be paid 2 to 3 years with the final average salary having a phase-in period. With the implementation of the 8-year final average option all employee retirement benefits are affected the same, whether they earn \$20,000 or \$120,000 and work 5, 10, 25 or more years. The final average salary will be eight years and all employees keep the 3% multiplier without giving up any disposable income. Also, the employee at the time of retirement will be receiving an equal percentage reduction in his or her monthly and annual benefit, which will afford the tax payer a reduction in the annual required contribution rates and lower the annual pension liability to the citizens.

The committee unanimously agreed to recommend the following options to the City Commission and the savings are reflected:

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 in fiscal 2015. 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 in fiscal 2015. 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.

Our employees will benefit more from a small percentage decrease in the monthly benefit upon retirement instead of a current reduction in pay. The value of a dollar today is worth much more than a dollar 25 years from now.