CITY OF FORT PIERCE RETIREMENT AND BENEFIT SYSTEM

BOARD AGENDA

Retirement Board Regular Meeting - Thursday, September 17, 2015 - 2:00 p.m.
City Hall - Second Floor Conference Room, 100 North U.S. #1, Fort Pierce, Florida

1. **CALL TO ORDER**

2. **ROLL CALL**

3. **COMMENTS FROM THE PUBLIC** (limited to 4 minute duration)

4. **CONSIDERATION OF MINUTES**

   a. Approval of summarized minutes of August 20, 2015

5. **REPORT FROM BOARD ATTORNEY**

   a. Ordinance Amending Section 13 of the Code-Disability Retirement

6. **PUBLIC HEARINGS ON BENEFIT APPLICATIONS**

7. **OLD BUSINESS**

   a. Second Reading of Board Rule 17-Benefit Administration

8. **NEW BUSINESS**

   a. FY 2015/16 Budget

9. **CONSENT AGENDA**

10. **CONSIDERATION OF ABSENCES**

11. BOARD MEMEBER COMMENTS

12. **ADJOURNMENT**

a. Next Meeting is October 15, 2015 at 2:00 p.m. and will be held in the Second Floor Conference Room, City Hall.

13. MISCELLANEOUS INFORMATION

In accordance with the Americans With Disabilities Act of 1990, persons needing a special accommodation to participate in this proceeding should contact the Recording Secretary of the Retirement and Benefit System at the Finance Department of the City of Fort Pierce no later than three business days prior to the proceeding. Telephone (772) 467-3000 for assistance.

Any person seeking to appeal any decision by the Retirement Board with respect to any matter considered at this meeting is advised that a record of proceedings is required in any such appeal and that such person may need to insure that a verbatim record of the proceedings is made including the testimony and evidence upon which the appeal is to be based.

Retirement Board

Meeting Date: 09/17/2015

Re: Minutes of August 20, 2015 Meeting

Information

SUBJECT:

Approval of summarized minutes of August 20, 2015

Attachments

8-20-15 Minutes

Form Review

Form Started By: Johnna Morris | Started On: 09/15/2015 10:43 AM

Final Approval Date: 09/15/2015

CITY OF FORT PIERCE RETIREMENT AND BENEFIT SYSTEM
MINUTES OF MEETING HELD
AUGUST 20, 2015

Summarized Minutes of the regular meeting of the City of Fort Pierce Retirement and Benefit System, August 20, 2015 at 2:00 p.m. in the 2^{nd} Floor Conference Room at City Hall.

Present:

Commissioner Tom Perona, Chair	City Commission Member
Gloria J. Johnson	Secretary/Treasurer
Stanley Fidge, Vice Chair	General Member
Commissioner Reginald Sessions	City Commission Member
Rodney Nieves	Police Officer Member
Nina Hurtubise	U.A. Board Appointee
Keith Stephens	U.A. General Member
Attorney Jim Walker	Assistant City Attorney, Advisory
Christina Luna	Retirement Clerk

Guests:

Weston Lewis	Callan Associates
Cody Chapman	Callan Associates

Recording:

Johnna Morris	Chief Accountant

ITEM NO. 1 & 2 ~ ROLL CALL

Chairperson, Commissioner Tom Perona called the meeting to order at 2:00p.m., the first item on the agenda being the "*Roll Call*".

ITEM NO. 3 ~ COMMENTS FROM THE PUBLIC

Comm. Perona, the next item on the agenda was comments from the public. He asked if there were any comments from the public. There were no comments from the public.

ITEM NO. 4 ~ APPROVAL OF SUMMARIZED MINUTES OF JULY 16, 2015.

Comm. Perona, the next item was the approval of the summarized minutes of July 16, 2015 and asked if there was a motion to approve the minutes.

A motion was made by Ms. Nina Hurtubise and seconded by Mr. Stan Fidge to approve the summarized minutes of July 16, 2015, with an amendment to page 5 correcting the acronym FPPTA.

All those in favor of the motion signified by saying aye. There was no opposition and the motion carried unanimously.

ITEM NO. 5 ~ ATTORNEY'S REPORT

Attorney Jim Walker said he had included a report for all board members on his attendance at the NAPPA conference. He also provided a draft ordinance creating Board Rule 17, which allows the board to verify benefit eligibility. He said it was drafted with thought that from time to time the board may want to add additional provisions.

Mr. Keith Stephens asked what was the process.

Mrs. Gloria Johnson explained that bi-annually retirees were required to send in updated information forms to continue receiving benefits. The form has now been updated and requires that they be notarized.

Commissioner Reginald Sessions asked at what point is the benefit cut off.

Mrs. Johnson said that we could not cut off benefits; we would discontinue the direct deposit and create manual checks until the retiree returns the form verifying identity and the eligibility for continued distribution.

Comm. Sessions asked if there was no response how long do we wait before we stop paying benefits.

Atty. Walker said the board would have to have a hearing and could suspend the benefit.

Comm. Perona asked for a motion to accept the ordinance.

A motion was made by Comm. Sessions and seconded by Mr. Stephens to approve the creation of Board Rule 17.

All those in favor of the motion signified by saying aye. There was no opposition and the motion carried unanimously.

Comm. Perona asked if there were any questions Attorney Walker. There were none.

ITEM NO. 6 ~ PUBLIC HEARING ON BENFITS APPLICATIONS

Comm. Perona stated that the next item on the agenda was Public Hearings on Benefit Applications.

Comm. Perona opened up the public hearings for anyone to comment on the request for retirement from Kathleen P. Murphy with 25 years of service with the Fort Pierce Police Department. He asked if there was any one here who would like to publicly comment on this request. Seeing none, Comm. Perona closed the public hearing. Comm. Perona opened up the matter for the Board. **A motion was made Mr. Fidge and seconded by Sgt. Rodney Nieves to approve the request for retirement from Kathleen P. Murphy.** Comm. Perona asked for any questions or comments on this request before the motion was called. **All those in favor of the motion signified by saying aye. There was no opposition and the motion was carried unanimously.**

Comm. Perona opened up the public hearings for anyone to comment on the request for retirement from Juanita Jackson with 6 years and 6 months of service with the Fort Pierce Utilities Authority. He asked if there was any one here who would like to publicly comment on this request. Seeing none, Comm. Perona closed the public hearing. Comm. Perona opened up the matter for the Board. **A motion was made Ms. Hurtubise and seconded by Comm.**

Sessions to approve the request for retirement from Juanita Jackson. Comm. Perona asked for any questions or comments on this request before the motion was called. **All those in favor of the motion signified by saying aye. There was no opposition and the motion was carried unanimously.**

Comm. Perona opened up the public hearings for anyone to comment on the request for retirement from Mary R. Adams with 15 years and 8 months of service with the Fort Pierce Utilities Authority, entering into the DROP program. He asked if there was any one here who would like to publicly comment on this request. Seeing none, Comm. Perona closed the public hearing. Comm. Perona opened up the matter for the Board. **A motion was made Ms. Hurtubise and seconded by Mr. Stephens to approve the request for retirement from Mary R. Adams.** Comm. Perona asked for any questions or comments on this request before the motion was called. **All those in favor of the motion signified by saying aye. There was no opposition and the motion was carried unanimously.**

Comm. Perona opened up the public hearings for anyone to comment on the request for duty disability retirement from Donald Spence with 7 years and 3 months of service with the Fort Pierce Police Department. Seeing none, Comm. Perona closed the public hearing. He opened the matter for the Board.

Mrs. Johnson explained that the Disability Review Committee had been tasked by the board to review and give recommendation. She gave reference to and briefly explained the form the committee had provided outlining the criteria that was used to make the recommendation.

Comm. Perona asked if there were any questions regarding the form. There were none. He asked for a motion.

A motion was made Mrs. Johnson and seconded by Comm. Sessions to approve the request for duty disability retirement from Donald Spence.

Comm. Perona asked for any questions or comments on this request before the motion was called.

Sgt. Nieves said he had an incident report from the City of Port Saint Lucie Police Department and questioned the validity of Mr. Spence's claim for disability.

Comm. Perona said we have reviewed all the medical history that was brought before the board.

Mrs. Johnson explained that the recommendation was made based on the criteria currently in the code, and as it now reads, he is eligible.

Atty. Walker said the board had been provided with two different rules, one from worker's comp and one from the disability review committee.

Comm. Perona, after much discussion, said he was happy that this has been concluded by the disability review committee and that committee feels it is complete and all requirements have been met. He called for the vote on the motion.

All those in favor of the motion signified by saying aye. There were 5 approvals and 1 opposition.

ITEM NO. 7 ~ OLD BUSINESS

Comm. Perona stated that the next item is Old Business.

Mrs. Johnson said at the last meeting the board requested to review the form that was sent to retirees verifying benefit eligibility and it had been provided.

Mr. Fidge asked how often the form was sent.

Mrs. Johnson said bi-annually.

Comm. Perona asked for any other old business. There was none.

ITEM NO. 8 ~ NEW BUSINESS - REPORT FROM CONSULTANTS, CALLAN ASSOCIATES

Comm. Perona turned it over to Weston Lewis and Cody Chapman.

Mr. Weston Lewis said the fund performance remains exceptional. The 1^{st} quarter was slow but the 2^{nd} quarter had picked up a bit. The Russell is up .31% and growth continues to overwhelm value. With fixed income there was a lot of volatility on the long end of the curve and as a result we will see negative returns. The policy mix or asset allocation is in line with the target. He reminded that an additional $5 million is in the que for real estate (Heitman), which had increased by .75%. He introduced Mr. Cody Chapman to complete the review of the Executive Summary.

Cody Chapman said all managers continue to do well. He said the fund's assets were $183 and continues to do very well. He explained that Emerald had an outstanding quarter due to their strong stock selection across the board. Morgan Stanley-Developing Markets had challenges 2013 and 2014 but are very strong for the quarter, up 1.7%. William Blair was up 6 basis points, still down more than a quarter from the benchmark; it looks like the change will be a success. Ceredex and Richmond Capital continue to do well. Heitman is in the top 25% of its peer group and outperformed the 2nd quarter and 3rd quarter appears to be prudent. Morgan Stanley-Emerging Markets did not meet their exact benchmark but they are recommending no changes.

Comm. Perona asked if there were any questions for the consultants. He thanked Callan for coming and for the presentation.

ITEM NO. 9 ~ CONSENT AGENDA

Comm. Perona, the next item is the Consent Agenda.

A motion was made by Mr. Fidge and seconded by Mrs. Johnson to approve the refund of member contributions.

All those in favor of the motion signified by saying aye. There was no opposition and the motion carried unanimously.

ITEM NO. 10 ~ CONSIDERATION OF ABSENCES

Comm. Perona said that the next item is Consideration of Absences. There were none.

ITEM NO. 11 ~ BOARD MEMBER COMMENTS

Comm. Perona asked for comments from the board.

Mr. Fidge commented that the plan's balance continues to climb and this was good.

Mr. Stephens commented on the upcoming trustee school.

Mr. Hurtubise asked about the minutes being online.

Mrs. Johnson explained that they are on the website under the agenda.

Mrs. Johnson commented that Disability Review Committee is meeting and working on an ordinance to change the provisions of disability retirement. Also the budget will be provided at the next meeting.

There were no other board member comments.

ITEM NO. 12 ~ NEXT MEETING

Comm. Perona said that the next item was next month's meeting. The next meeting was scheduled for September 17, 2015 at 2:00 p.m.

ITEM NO. 13 ~ ADJOURNMENT

Seeing that there were no further questions or comments, Comm. Perona adjourned the meeting at 3:29 p.m. He thanked everyone for their time and attendance.

ATTEST:

______________________________	______________________________
Secretary/Treasurer	Chairperson

Note: These minutes are not verbatim, only important issues and motions are reproduced in writing for the benefit of the Fort Pierce Retirement and Benefit System members. The recording itself is the official record for the meeting. The meeting tape/cd is available.

Retirement Board

Meeting Date: 09/17/2015

Re: Ordinance Amending Section 13 of the Code-Disability Retirement

Information

SUBJECT:

Ordinance Amending Section 13 of the Code-Disability Retirement

Attachments

Draft Ordinance Amending Section 13

Form Review

Form Started By: Johnna Morris

Started On: 09/15/2015 10:45 AM

Final Approval Date: 09/15/2015

ORDINANCE NO. ________

AN ORDINANCE AMENDING THE CODE OF ORDINANCES OF THE CITY OF FORT PIERCE, FLORIDA; AMENDING SECTION 13-16; PROVIDING A DEFINITION FOR "IN LINE OF DUTY"; PROVIDING DEFINITION FOR ADMINISTRATOR; AMENDING CODE SECTION 13-36; MODIFYING PROVISIONS RELATING TO PERMANENT AND TOTAL DISABILITY FOR PURPOSES OF DISABILITY RETIREMENT; AMENDING CODE SECTION 13-37 DISABILITY ANNUITY; AMOUNT OF; AMENDING PROVISIONS RELATING TO IN LINE OF DUTY DISABILITY; PROVIDING REDUCTION AND DISABILITY PAYMENTS IN PROPORTION TO PREEXISTING CHARACTER OF CONDITION AND FURTHER PROVIDING OFFSET FOR RECEIPT OF SOCIAL SECURITY DISABILITY; REPEALING ORDINANCES AND PARTS THEREOF IN CONFLICT; PROVIDING FOR AN EFFECTIVE DATE.

BE IT ORDAINED BY THE CITY COMMISSION OF THE CITY OF FORT PIERCE, FLORIDA, a Municipal Corporation, AS FOLLOWS:

SECTION 1. Sec. 13-16 Definitions., is hereby amended to add these additional definitions and these new definitions to be added shall read as follows

In Line of Duty *Means an injury or illness arising out of and in the actual performance of duties required a member's employment, during such members regularly scheduled working hours or irregular working hours as required by the City. The Administrator may require such proof as he or she deems necessary as to the time, date and cause of any such injury or illness, including evidence from any available witnesses. Workers' Compensation records under the provisions of Chapter 440 may also be used. Disability arising from drug or alcohol abuse or use of tobacco products shall not be considered in the line of duty.*

Administrator*, means the director of finance for the City of Fort Pierce, or such directors designate.*

SECTION 2. Section 13-36 Disability Retirement; conditions for., is hereby amended so that the same shall read hereinafter as follows:

Sec. 13-36. - Disability retirement; conditions for.

The retirement board may retire a member on account of disability if all of the following requirements have been met:

(1) The member has five (5) or more years of credited service, or no fewer than ten (10) years if the individual became a member on or after October 1, 2012;

(2) The member was a member at the time the disability was incurred;

(3) A written application for disability retirement, in the form and containing the information prescribed by the retirement board, has been filed with the retirement system by the member or the member's department head;

(4) Membership is terminated prior to the selected date of disability retirement;

(5) The participant submits to all medical examinations and tests and furnishes copies of all medical reports requested by the retirement board;

(6) The retirement board determines the member to be totally and permanently incapacitated for duty in the employ of the member's participating employer, by reason of a personal injury or disease. ~~;~~

(a) Such incapacity must be sufficient to render the employee incapable of performing any gainful, sedentary work on a sustained basis for pay within a fifty (50) mile radius of the member's residence, or the distance between the member's residence and City Hall, whichever is greater, and where the member is wholly and continuously unable to perform the essential duties of his or her employment, with or without a reasonable accommodation, or of any position to which he or she may be assigned upon the recommendation of the disability review committee, as approved by the administrative department head, by reason of a physical or mental impairment, as document by objective medical evidence.

(b) It is the intent of this section to provide whenever practical and feasible for placement within the city of employees who may become unable to perform duties of a particular job. If placement in another position with the City is not practical or possible, this fact does not in and of itself determine disability.

(7) ~~Two (2) physicians, one of whom shall be selected by the retirement board and paid by the retirement system, and one of whom shall be selected~~

~~by the member and paid by the member, both report to the retirement board, in writing, that the member is mentally or physically totally incapacitated for duty in the employ of the member's participating employer, the incapacity will probably be permanent, and the member should be retired.~~

The administrator shall require proof that the member is totally and permanently disabled as provided herein:

i.) Two physicians, one of whom shall be selected by the retirement board and paid by the retirement system, and another of whom shall be selected by the member and paid by the member, shall both report to the retirement board on the members physicals limitations, on a form typed by the board, and certify that the limitations are permanent. The administrator may further require, at the board's expense, a functional capacity evaluation, reports from vocational rehabilitation evaluation, or testing specialist, including examinations or tests conducted when the employee or member was evaluated originally for employment;
ii.) There must be documentation that the members medical condition occurred or became symptomatic during the time the member was employed as a regular employee of the City;
iii.) There must be documentation that the member was totally and permanently disabled at the time he or she terminated employment with the City.

The five (5) years of credited service requirement, or the ten (10) years of credited service required for individuals who became members on or after October 1, 2012, contained in this section shall be waived in the case of a member whom the retirement board finds to be in receipt of weekly workers; compensation on account of disability arising out of and in the course of his employment by a participating employer.

SECTION 3. Section 13-37 Disability Retirement; conditions for., is hereby amended so that the same shall read hereinafter as follows:

Sec. 13-37. - Disability annuity; amount of.

(a) The amount of a disability retirement annuity under the standard form of payment shall be calculated as provided in section 13-31, subject to subsections (b) and (c) below.

(b) If a member is retired on account of disability as provided in section 13-36 for a disability arising out of and in the course of the member's employment by a participating employer, the following additional provisions shall apply:

(1) Subject to subsection (c), the amount of disability annuity under the standard form of payment during the member's duty disability period shall be seventy-five (75) per cent of the member's final average salary for all coverage plans.

(2) The member's duty disability retirement period begins on the date of the member's disability retirement.

(3) The member's duty disability retirement period ends on the first to occur of the following dates: the date the pension is terminated as provided in section 13-38; or the end of the month in which the retired member dies; or, the date the annuity has been paid for the maximum duty disability retirement period.

(4) The maximum duty disability retirement period is the number of months in the period from the date of the member's duty disability retirement and the first to occur of the following dates: The date the member would have acquired twenty-five (25) years of credited service had employment continued with a participating employer; the date the member attains age sixty-five (65) years but not prior to the date which is sixty (60) months after the date of duty disability retirement.

(5) Credited service shall not be projected for the purpose of calculating the amount of a disability annuity.

(6) At the end of the disability period the disability benefit would convert to a regular retirement benefit with service credit granted for the duty disability period.

(7) A finding under the workers' compensation system that a member is or is not permanently and totally disabled shall not be proof that the member either is or is not permanently and totally disabled for purposes of this Chapter, or that the illness or injury was incurred in line of duty. For purposes of in line of duty disability, the employment must be the major contributing cause of the members illness or injury. The term "major contributing cause" means the cause which is more than 50% responsible for the injury or illness as compared to all other causes combined for which treatment or benefits are sought. In those instances involving occupational disease or repetitive exposure, both causation and sufficient exposure to support causation must be established by clear and convincing evidence. Pain or other subjective complaints alone, in the absence of objective relevant medical findings, are not a basis for determining entitlement to in line of duty disability. Establishment of the causal relationship between employment and illness or injury which is not readily observable must be by medical evidence only, as demonstrated by physical examination findings or diagnostic testing. Major contributing cause may be demonstrated only by medical evidence.

(c) The amount of a disability retirement annuity shall not exceed the difference between one hundred (100) per cent of the member's final average salary and the monthly equivalent of any weekly worker's compensation paid the retired member.

(d) In no case shall the amount of the duty disability annuity under the standard form
of payment for a police officer member be less than forty-two (42) per cent of final salary, nor shall the amount of the non-duty disability annuity under the standard form of payment for a police officer member who has ten (10) or more years of service be less than twenty-five (25) per cent of final salary.

(e)<u>In the event any portion of the condition giving rise to disability preexisted the employment then the disability retirement annuity otherwise payable shall be reduced in proportion to the same degree as the condition preexisted the employment.</u>

(f) <u>The amount of the disability retirement annuity shall be reduced by his or her disability benefit percent up to a maximum of 50% multiplied by the monthly Social Security primary insurance amount (PIA) which the member is initially receiving from the Social Security Administration as a disabled worker, or the amount to which he or she would initially be entitled as a disability worker if the employee has willfully failed or refused to apply for, and in good faith pursue, obtaining such Social Security disability benefit, unless this requirement is waived by the administrator for good cause. This reduction, once determined, shall not be further adjusted by subsequent increases in Social Security primary insurance amounts.</u>

SECTION 4. All ordinances or parts of ordinances in conflict herewith are and the same shall be repealed and shall be of no further force or effect whatsoever

SECTION 5. This Ordinance is and the same shall become effective immediately upon final passage hereof.

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Linda Hudson, Mayor

ATTEST:

____

Linda Cox, City Clerk

APPROVED AS TO FORM AND CORRECTNESS:

____

Robert V. Schwerer, Esq.
City Attorney

Retirement Board
Meeting Date: 09/17/2015
Re:

Information

SUBJECT:

Second Reading of Board Rule 17-Benefit Administration

Attachments

Board Rule 7

Form Review

Form Started By: Johnna Morris   Started On: 09/15/2015 10:49 AM
Final Approval Date: 09/15/2015

CITY OF FORT PIERCE - OFFICE OF THE CITY ATTORNEY

MEMORANDUM

TO: Tom Perona, Chair, Board of Trustees, Fort Pierce Retirement Board

FROM: James T. Walker, Assistant City Attorney

SUBJECT: Creation of Board Rule 17

DATE: August 6, 2015

It will be recalled that the Board expressed interest at its last meeting in creation of a formal Rule memorializing a practice for periodic review of a beneficiary's continued eligibility for benefit entitlement. With this in mind, a proposed rule on the subject is drafted and set out below for the Board's consideration:

Rule 17. <u>**Benefit Administration.**</u>

<u>Administration of benefits awarded by the Board shall be subject to the following:</u>

(1) <u>Biannually, once every two years, the Secretary shall verify a retiree or beneficiary's continuing right to receive pension payments. If verification is not received, the Secretary shall send the retiree or beneficiary notice to appear in person for the purpose of receiving payment and thereupon producing identification or such other documentation as may be necessary to establish continuing right to receive a monthly benefit.</u>

s/ James T. Walker

James T. Walker, Esq.
Assistant City Attorney

/la
cc: Robert V. Schwerer, City Attorney

Retirement Board
Meeting Date: 09/17/2015
Re:

Information

SUBJECT:
FY 2015/16 Budget

Attachments

Budget Memo
FY 2016 Proposed Budget

Form Review

Form Started By: Johnna Morris   Started On: 09/15/2015 10:51 AM
Final Approval Date: 09/15/2015

Interoffice Memorandum

From The Office Of The

Director of Finance

TO: Chairman and City of Fort Pierce
General Retirement Board Members

FROM: Gloria J. Johnson, Director of Finance-Secretary/Treasurer

RE: COFP Retirement and Benefit System 2016 Budget

DATE: September 14, 2015

Attached is a copy of the proposed 2016 retirement budget. This budget is prepared to address the estimated needs of the system for the budget year 2015-2016. The revenues projected are $6,312,243 and the expenses are $14,925,000 which equates to a shortfall of $8,612,757. The shortfall is addressed by a transfer(s) from investments as recommended by our investment consultant.

This year's budget includes a contingency line item of a million dollars to cover any unforeseen expenditures that may arise during the fiscal year. The Board will advised if any of the appropriation (million dollars) is needed during the budget year.

By this memorandum I am requesting the Board approve the City of Fort Pierce Retirement and Benefit System 2016 budget with recommended adjustments if needed.

REVENUE DETAIL

CITY OF FORT PIERCE — *ACCOUNT*

RETIREMENT AND BENEFIT SYSTEM — **603-6300-513**

Classification	Actual 2013	Acutal 2014	Approved 2015	Estimated 2015		Proposed 2016
OPERATING REVENUE						
Investment Earnings						
Interest on Investments	2,650,849	2,140,072		1,400,000	*	
Dividends	517,726	847,650		800,000	*	
Other Income	900	0		400	*	
Gains & Losses	4,653,692	12,435,565		7,111,582	*	
Unrealized Gains & Loss	13,339,748	2,063,638		-1,601,098	*	
Total Invest. Earnings	**21,162,915**	**17,486,925**	**0**	**7,710,884**	*	**0**
Contributions						
Employer-General	1,344,557	1,353,814	1,453,516	1,150,000	**	1,540,526
Employer-Police	884,708	949,027	888,768	886,000	**	926,000
Employer-UA	2,037,538	2,053,287	2,218,588	2,180,000	**	2,154,930
Total Employer Contrib.	**4,266,803**	**4,356,128**	**4,560,872**	**4,216,000**	**	**4,621,456**
Members-General	437,136	444,453	513,357	397,218	**	528,993
Members-Police	313,447	321,321	362,354	325,000	**	347,416
Members-UA	729,017	727,756	787,145	762,000	**	814,378
Total Employee Contrib.	**1,479,600**	**1,493,530**	**1,662,856**	**1,484,218**	**	**1,690,787**
Transfer From Investments			8,484,769			8,612,757
TOTAL REVENUES	**26,909,318**	**23,336,583**	**14,708,497**	**13,411,102**		**14,925,000**

* Actual revenues through 8/31/2015; not used in cash flow projection.

** Projected revenues through 9/30/2015

Note: Investment earnings are not used in the proposed budget.

APPROPRIATION

CITY OF FORT PIERCE

RETIREMENT AND BENEFIT SYSTEM

ACCOUNT

603-6300-513

Classification	Actual 2013	Approved 2014	Approved 2015	Estimated 2015 (1)	Proposed 2016
OPERATING EXPENSE					
Legal Fees	40,996	52,220	45,000	50,000	50,000
Actuarial Fees	0	36,095	16,000	25,000	25,000
Auditing	4,769	4,943	5,000	5,114	5,000
Admin. & Other	155,957	153,847	165,000	165,000	165,000
Total Administrative	**201,722**	**247,105**	**231,000**	**245,114**	**245,000**
Investment Cost					
Contractual	477,133	547,139	500,000	550,000	550,000
Total Investment Cost	**477,133**	**547,139**	**500,000**	**550,000**	**550,000**
Benefits					
General	3,639,067	3,809,453	3,989,067	3,974,690	4,050,000
Police	2,455,575	2,675,582	2,755,575	2,767,271	2,840,000
Utilities Authority	5,067,855	5,392,014	5,732,855	5,789,428	5,840,000
Total Benefits	**11,162,497**	**11,877,049**	**12,477,497**	**12,531,389**	**12,730,000**
Refunds					
General	110,774	166,309	100,000	90,000	100,000
Police	136,484	89,976	150,000	110,000	150,000
Utilities Authority	257,407	51,551	250,000	71,305	150,000
Total Refunds	**504,665**	**307,836**	**500,000**	**271,305**	**400,000**
Total Contingency			1,000,000		**1,000,000**
TOTAL EXPENDITURES	**12,346,017**	**12,979,129**	**14,708,497**	**13,597,808**	**14,925,000**
Excess/(Deficit)	**14,563,301**	**10,357,454**	**0**	**(186,706)**	**0**

(1) Expenditures are estimates through 9/30/2015.
(2) Contingency will notify board if needed.

Retirement Board
Meeting Date: 09/17/2015
Re:

Information

SUBJECT:
MISCELLANEOUS INFORMATION

Attachments

8-31-15 Financial Report
Cypen 8-20-15
Cypen 9-3-15
Cypen 9-10-15

Form Review

Form Started By: Johnna Morris Started On: 09/15/2015 10:39 AM
Final Approval Date: 09/15/2015

CITY OF FORT PIERCE
RETIREMENT AND BENEFIT SYSTEM
FINANCIAL REPORT
AUGUST 31, 2015

	August 31, 2014		August 31, 2015	
Beginning Market Balance		**168,762,698**		**179,120,149** *
Plus Income:				
Investments Earnings	14,510,901		9,241,225	
Unrealized Gains on Investments	5,171,741		-1,601,098	
Total Investments		19,682,641		7,640,127
Employer Contributions	3,941,281		3,816,169	
Employee Contributions	1,379,683		1,375,845	
Total Contributions		5,320,964		5,192,014
Total Receipts		**25,003,605**		**12,832,141**
Less Expenses:				
Investment Expenses	461,762		534,971	
Professional Fees	92,433		78,615	
Administrative Expenses	141,495		140,953	
Member Refunds	258,634		264,758	
Retiree Benefits	10,866,105		11,463,710	
Total Expenses		**11,820,429**		**12,483,008**
Ending Market Balance		**181,945,874**		**179,469,282**

*Adjusted for year end audited financials

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CYPEN & CYPEN NEWSLETTER for AUGUST 20, 2015

Stephen H. Cypen, Esq., Founding Editor

Adam Levinson, Esq., Contributing Editor

Never Forget September 11, 2001

and

Always Remember May 2, 2011

1. FLORIDA PREMIUM TAX DISTRIBUTION AMOUNTS RELEASED: Here is the information Florida municipal firefighters and police officers' have been anxiously awaiting. The Municipal Police Officers' and Firefighters' Retirement Trust Funds Office has released the amounts available to be distributed to firefighter and police officer pension plans. The gross amount for firefighters is $96,953,984.06 and for police officers, $72,750,408.10. The total net distribution amount for firefighters is $74,024,487.74 and for police officers, $66,880,375.45. (Note that the foregoing distribution figure for firefighters does not include supplemental fire distributions.) The lists can be viewed at https://www.rol.frs.state.fl.us/forms/Fire_2014.pdf (for fire) and https://www.rol.frs.state.fl.us/forms/Police_2014.pdf (for police). Initial distribution will be mailed shortly, with follow-up distributions as plans are approved. If your plan is not on the list, please contact the Municipal Police Officers' and Firefighters' Retirement Trust Funds Office and provide whatever information is needed for approval of your annual report. Remember: if a plan has not been approved by September 30, 2015, the 2014 premium tax monies cannot be included on the 2015 annual report, and any resulting funding deficiency will have to be made up by the city/district. As always, thanks to Keith, Sarah, Melody, Martha and Julie.

2. 51% OF WORKING AMERICANS DOUBT THEY WILL RECEIVE SOCIAL SECURITY: Half of nonretired Americans doubt they will receive Social Security benefits when they retire, according to a recent Gallup poll published by News Bites Finance. Of the respondents to the poll, which was conducted in the weeks leading up to the 80th anniversary of Social Security, 51% say they do not think they will receive the benefit when they retire. Due to the country's changing demographic composition, the Social Security Administration projects the system's ability to pay full benefits to retirees will end in 2034. "Americans' doubtfulness about the long-term viability of Social Security thus would appear to have a basis in reality," the report said. Americans younger than 50, who will be retired or still working in 2034, are most skeptical about receiving Social Security benefits, with 64% of people between the ages of 18 and 29 and 63% of those between the ages of 30 and 49 believing they won't receive benefits. Those who are older than 50 are less skeptical, with 30% of people between the ages of 50 and 64 believing they will receive benefits. The poll indicates they may anticipate being grandfathered out of any future changes to the system. Only 6% of those 65 and older who are currently working doubt they will get benefits. Current retirees believe there will be changes to their Social Security benefits in the future. While down from 56% in 2010, 43% of current retirees predict there will eventually be cuts to their benefits. The skepticism can be traced to Americans' beliefs in well-being of the program. Two-thirds of Americans said Social Security is either in a state of crisis (21%) or has major problems (45%). Two proposals--raising taxes or cutting benefits--have been proposed as ways to change the Social Security program and ensure its long-term solvency. Poll respondents favored raising taxes (51%) over cutting benefits (37%).

3. ON SECOND THOUGHT...MAYBE THEY WERE WRONG?: The horse is here to stay but the automobile is only a novelty -- a fad. The president of the Michigan Savings Bank advising Henry Ford's lawyer not to invest in the Ford Motor Co., 1903.

4. TODAY IN HISTORY: In 1991, Dolphin Dan Marino surpasses Joe Montana as the highest NFL player with a 5-year extension for $25 million.

5. KEEP THOSE CARDS AND LETTERS COMING: Several readers regularly supply us with suggestions or tips for newsletter items. Please feel free to send us or point us to matters you think would be of interest to our readers. Subject to editorial discretion, we may print them. Rest assured that we will not publish any names as referring sources.

6. PLEASE SHARE OUR NEWSLETTER: Our newsletter readership is not limited to the number of people who choose to enter a free subscription. Many pension board administrators provide hard copies in their meeting agenda. Other administrators forward the newsletter electronically to trustees. In any event, please tell those you feel may be interested that they can subscribe to their own free copy of the newsletter at http://www.cypen.com/subscribe.htm.

7. REMEMBER, YOU CAN NEVER OUTLIVE YOUR DEFINED RETIREMENT BENEFIT.

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CYPEN & CYPEN NEWSLETTER for SEPTEMBER 3, 2015

Stephen H. Cypen, Esq., Founding Editor

Adam Levinson, Esq., Contributing Editor

Never Forget September 11, 2001

and

Always Remember May 2, 2011

1. RETIREMENT CONFIDENCE DROPS: According to Employee Benefit Adviser, retirement confidence dipped slightly in 2015, but workers are still more confident than they were during the height of the Great Recession. Nearly 60% of workers say they are somewhat or very confident they will be able to retire comfortably and, 49% say they are saving enough for retirement, which is a slight drop from 2014. American workers are still recovering from what is commonly referred to as the Great Recession. Most are focused on saving for retirement yet confidence is still lacking among many. As a natural outcome, many expect to continue working in retirement. Nearly one-quarter of workers say they have not quite recovered from the Great Recession, with 15% saying they have not yet begun to recover and 8% saying they may never recover, according to the 16th Annual Transamerica Retirement Survey. The good news is that 37% of workers who responded to the survey said they had fully recovered or not impacted at all by the Great Recession, an increase from last year. The bulk of today's workers are concerned about retirement, saying that their generation will have a harder time achieving financial security compared to their parents' generation, according to the survey. More than three-quarters are worried Social Security will not be there for them when they are ready to retire. Workers fear outliving their savings in retirement and are worried about long-term care and a reduction in Social Security benefits by the time they retire. Other retirement fears include not being able to meet the financial needs of their family, cognitive decline and a lack of adequate or affordable health care, the study found. The percentage of workers who say that saving for retirement is their top priority increased from 2011 to 2014 and remained steady in 2015. Nearly one-third of respondents said that saving for retirement is their top priority. Other priorities are covering basic living expenses and paying off debt or student loans. Forty-nine percent of workers expect to self-fund their retirement, using their 401(k) plan, IRA or other savings and investments. Twenty-six percent plan to rely solely on Social Security as their primary source of income in retirement. Thirteen percent say they will just keep working in retirement to help them pay expenses. With regard to saving and planning for retirement, there is no such thing as an average American. Each demographic segment faces its own unique opportunities and challenges. Nevertheless, we live in a time in which all workers face retirement-related risks and the need to take greater personal control of their long-term financial security. Forty-eight percent of Millennials and 40% of Generation X expect to fund their retirement through a defined contribution plan or IRA, while 35% of baby boomers are still relying solely on Social Security. The survey also polled people on their expected standard of living in retirement and where they were saving for retirement. Seventy-six percent of workers said they are saving for retirement through an employer-sponsored retirement plan, which is a drop from 80% in 2011. The median age at which workers started saving for retirement was 27. The number of workers who have access to an employer-sponsored retirement plan dropped slightly from 2014 to 2012. That number is significantly lower than the number that was offered plans in 2012, Transamerica said. Only 66% of workers had access in 2015, compared to 76% in 2012. Participation rates are high for workers who have access to a plan, the study found, increasing slightly from 2011, and the amount people are saving in their plan annually also increased slightly from 6% of annual pay in 2011 to 8% of annual pay in 2015. The Transamerica Center for Retirement Studies is a division of Transamerica Institute, a nonprofit, private foundation. Its goal is to educate the public about emerging retirement trends in the United States.

2. 2015 GLOBAL SURVEY OF ACCOUNTING ASSUMPTIONS FOR DEFINED BENEFIT PLANS: Towers Watson has published a white paper entitled *2015 Global Survey of Accounting Assumptions for Defined Benefit Plans.* In broad terms, accounting standards aim to enable employers to approximate the cost of an employee's pension or other postretirement benefit over that employee's service period. Any benefit accounting method that recognizes the cost of benefits before their payment becomes due must be based on estimates or assumptions about future events that will determine the amount and timing of benefit payments. Two of the key economic assumptions in the determination of benefit costs under an accounting standard are the discount rate and inflation. Under ASC 715, there is a further key economic assumption, the expected long-term rate of return on plan assets (for funded plans). In many countries, three additional economic assumptions, which are more or less linked to inflation, can play a key role: rate of salary increase; rate of increase in pensions, both in deferment and in payment; and rate of increase in social security parameters reflected in the pension benefit formula. Although the survey mainly explores economic assumptions, the authors have again shown data regarding mortality assumptions, which are receiving closer attention because of increasing longevity. The observations in the report reflect data at or near the end of 2014. During 2014, investment returns on plan assets (both bond and stock returns) were relatively strong in most major markets. At the same time, decreasing discount rates boosted the growth in plan obligations and, in most cases, at a rate higher than the growth of plan assets. The survey represents 1,122 companies with data from 48 countries, includes the following key findings:

- Overall, the authors observed a significant decrease in both government and corporate bond yields from last year-end. The vast majority of long-term bond yields experienced a downward trend and discount rates followed suit.
- The average projected benefit security ratio decreased for the majority of countries shown. During 2014, investment returns on plan assets (both bond and stock returns) were relatively strong in most major markets. At the same time, decreasing discount rates boosted the growth in plan obligations and, in most cases, at a rate higher than the growth of plan assets.
- The majority of surveyed countries have implied life expectancies between 20 and 30 years. The impact of the differences in this assumption will vary depending on whether the typical payment form is lump sum or annuity. In Canada and the U.S., new mortality tables were released in 2014, showing significantly increased life expectancies, which would lead to higher pension and other postretirement benefit obligations.

3. NATIONAL INSTITUTE ON RETIREMENT SECURITY SAYS MANHATTAN INSTITUTE RESEARCH ON PENSIONS IRRELEVANT, HIGHLY FLAWED: A new study is so fundamentally flawed that it is irrelevant to the retirement security debate according to the National Institute on Retirement Security. The new study, Defined-Contribution Pensions Are Cost-Effective, is authored by Josh McGee, a senior fellow at the Manhattan Institute. It claims to assess public sector retirement plans but uses private sector pension data that is not comparable, which invalidates the findings. It is perplexing why the study uses the wrong data in the analysis. This major miscalculation renders McGee's study misleading and useless. This is just one of the many problems with his study, said Diane Oakley, NIRS executive director. The study is not even an apples to oranges comparison – it is apples to nothing. Also troubling is that the study's title is not supported by any numbers in the report to demonstrate the cost-efficiency of a defined contribution plan. Oakley said. NIRS stands by its research, *Still a Better Bang for the Buck: Update on the Economic Efficiencies of Pension Plans*, (See C & C Newsletter for December 11, 2014, Item 1) which is inaccurately criticized in the McGee study. The numbers in the NIRS study add up, and it remains a credible and accurate retirement study. It was conducted by a respected pension actuary with both public and private sector experience; it is based on empirical research on investment behaviors of individuals; and was carefully reviewed by a committee of experts. The McGee study:

- Claims that DB plans are not structurally more cost-effective than DC plans. But, NIRS data and empirical evidence shows otherwise. DB plans can deliver a target retirement benefit at half the cost of a DC account.

- Says DC plans get similar investment returns as DB plans. But, the analysis fails to use public pension data, and it conveniently ignores asset allocation shifts in private sector pensions due to "frozen" pensions.

- Indicates the DC plans can offer annuities. But, few offer annuities and even fewer retirees choose annuities because they are costly. The author conveniently ignores these costs or seeks to buy them from the DB plan.

- Says pension debt is a significant cost driver for DB plans. But, this not relevant to the economic efficiencies of DB plan – just like funding shortfalls and asset leakage are not relevant to measuring the efficiency of DC accounts to deliver adequate income replacement.

- Indicates DC plans are a good retirement security option. DC plans can be well designed, but the one public DC plan that might come close to the cost efficiencies of public pensions relies on the state DB plan to provide lifetime income. Luckily, this state reopened the DB plan to new employees and most of them actively make elections to join the DB pension.

The National Institute on Retirement Security is a non-profit, non-partisan organization established to contribute to informed policymaking by fostering a deep understanding of the value of retirement security to employees, employers, and the economy as a whole. Located in Washington, D.C., NIRS' diverse membership includes financial services firms, employee benefit plans, trade associations, and other retirement service providers. More information is available at www.nirsonline. (Tain't funny, McGee.)

4. GENERATIONAL DIFFERENCES – READY OR NOT RETIREMENT?: National Association of Government Defined Contribution Administrators, Inc. says statistically, Americans are living longer (July 2014 estimates of over 70,000 centenarians (100+) 80% were female). As a result, retirement income remains a growing concern, one that is shared by both employers and employees. Employee populations are mixed primarily across three generations: Baby Boomers, Gen X and Millennials (*a/k/a* Gen Y). Every age group needs increasingly to plan for their own retirement. What can employers do to communicate with and help their employees be better prepared for retirement? The NAGDCA has a publication which serves as a handy checklist for plan sponsors to better understand the behaviors, attitudes and communication preferences each demographic group has when it comes to retirement planning. Suggested communication points are included that plan sponsors might incorporate into participant materials and meetings. Here is the link to this informative publication: http://www.nagdca.org/dnn/Portals/45/Publications/Issues/NAGDCA%20Behavioral%20Economics%20Publication%202015.pdf.

5. DC PARTICIPANT CLIENTS LIKELY UNABLE TO RETIRE AT 65: Six in ten workers are not on track to meet their needs in retirement at age 65, according to a recent analysis. An analysis from Aon Hewitt reveals that most workers will likely need to work longer to save enough to maintain their standard of living in retirement. The analysis of 77 large U.S. employers, representing 2.1 million employees, projects the average worker will need to save eleven times their final pay at retirement (age 65) to keep their preretirement lifestyle. However, most workers are coming up short. Only one in five are on track to meet or exceed their needs in retirement at age 65. An additional 20% may be close to having reasonably adequate savings with some lifestyle adjustments. This leaves 60% of workers unable to afford to retire at age 65. Aon Hewitt projects that age 68 is the median age U.S. workers will be able to retire with sound financial security, while 16% are not expected to have enough to retire even by age 75. Aon Hewitt notes that exact income replacement depends on the unique situation of each worker including age, income, anticipated retirement age and Social Security. The benefits landscape has changed over time and U.S. workers are now accountable for a greater portion of their financial needs in retirement. Unfortunately, most are under-prepared. The most important thing they can do is to establish goals for the kind of retirement they want and determine a savings plan to meet those needs and desires. This might mean starting to save more now, delaying retirement by a few years, or making a conscious choice to retire with a lower living standard. A separate Aon Hewitt survey found that just more than half of workers (54%) have estimated their retirement needs, determined savings requirements or forecasted how much income they will need in retirement. Only 40% of workers have created a financial plan to achieve their retirement goals.

6. STATES WITH THE WORST-FUNDED PENSION PROGRAMS: The U.S. had a $968 billion shortfall in 2013 -- up $54 billion from the prior year -- between the pension benefits that were promised to employees and what was actually saved to make those payments, according to a recent report by Pew Charitable Trusts. Here are the states with the worst-funded pension programs based on the percentage the programs were funded in 2013. Rankings are listed in ascending order:

- Nevada / Vermont - Percentage of pension program funded: 69%.
- New Mexico/Oklahoma/West Virginia - Percentage of pension program funded: 67%.
- Alabama / Virginia - Percentage of pension program funded: 66%.
- Indiana / Maryland - Percentage of pension program funded: 65%.
- New Jersey/South Carolina - Percentage of pension program funded: 63%.
- Pennsylvania - Percentage of pension program funded: 62%.
- Colorado/Massachusetts/North Dakota - Percentage of pension program funded: 61%.
- Hawaii/Kansas/Michigan - Percentage of pension program funded: 60%.
- Louisiana/Mississippi/Rhode Island - Percentage of pension program funded: 58%.
- New Hampshire - Percentage of pension program funded: 57%.
- Alaska - Percentage of pension program funded: 55%.
- Connecticut - Percentage of pension program funded: 48%.

- Kentucky - Percentage of pension program funded: 44%.
- Illinois - Percentage of pension program funded: 39%.

7. ON SECOND THOUGHT...MAYBE THEY WERE WRONG?: If excess smoking actually plays a role in the production of lung cancer, it seems to be a minor one. W.C. Heuper, National Cancer Institute, 1954.

8. TODAY IN HISTORY: In 1995, eBay founded.

9. KEEP THOSE CARDS AND LETTERS COMING: Several readers regularly supply us with suggestions or tips for newsletter items. Please feel free to send us or point us to matters you think would be of interest to our readers. Subject to editorial discretion, we may print them. Rest assured that we will not publish any names as referring sources.

10. PLEASE SHARE OUR NEWSLETTER: Our newsletter readership is not limited to the number of people who choose to enter a free subscription. Many pension board administrators provide hard copies in their meeting agenda. Other administrators forward the newsletter electronically to trustees. In any event, please tell those you feel may be interested that they can subscribe to their own free copy of the newsletter at http://www.cypen.com/subscribe.htm.

11. REMEMBER, YOU CAN NEVER OUTLIVE YOUR DEFINED RETIREMENT BENEFIT.

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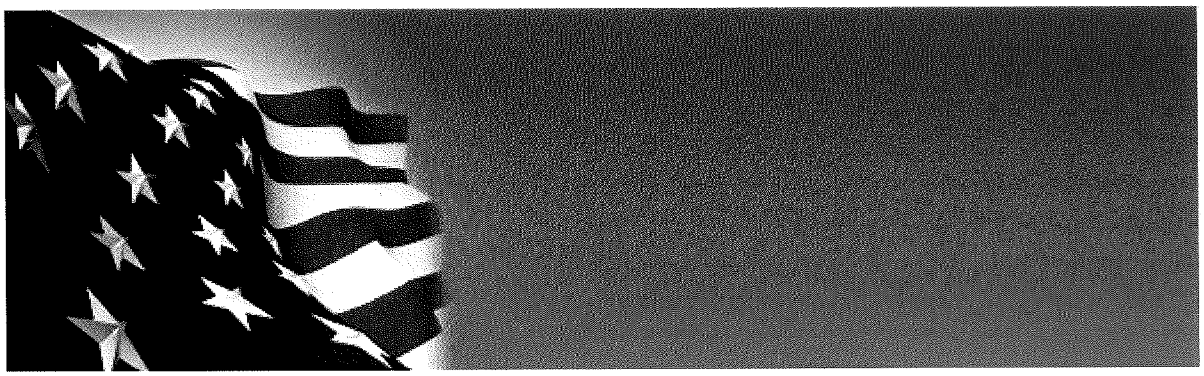

CYPEN & CYPEN NEWSLETTER for SEPTEMBER 10, 2015

Stephen H. Cypen, Esq., Founding Editor

Adam Levinson, Esq., Contributing Editor

Never Forget September 11, 2001

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Always Remember May 2, 2011

1. JUST AS WE WERE STARTING TO PRINT TOMORROW'S ISSUE, WE LEARNED THAT THE FLORIDA SUPREME COURT HAD REFUSED TO STEP IN BETWEEN PARTIES TO A POLICE LABOR DISPUTE: The Florida Supreme Court determined not to hear appellate proceedings by Miami-Dade County in a legal battle with a police union about unfair labor practices. In February, the 1st District Court of Appeal ruled in favor of the Dade County Police Benevolent Association in the dispute, stemming from a 2012 decision by Mayor Carlos Gimenez to veto an agreement that had been approved by county commissioners to resolve an impasse. Gimenez wanted members of the union to make additional health care contributions, but the appellate court agreed with the union's argument that state law did not permit the mayor to veto the commission's impasse of the resolution. In May the county asked the Supreme Court to hear the case, but the Justices just declined to do so.

CAUTION: this item is a summary of a summary, as the Supreme Court generally does not explain its reasons for declining to take jurisdiction. *Miami-Dade County Board of County Commissioners v. Dade County Police Benevolent Association*, Case No SC15-880 (Fla. September 8, 2015).

2. WHAT IS A PENSION? IS IT ALL YOU WILL NEED TO RETIRE?: According to The Motley Fool, for many, pensions are the heart of their retirement income. What is a pension? Simple question and a slightly more complex answer than you may think. When most people think about pensions, they imagine someone who spent 30 years working at the factory, then getting a gold watch and a monthly check when he or she retires. And while that may be true for some people (except for the gold watch nowadays), pension benefits are a little more than that. As a matter of fact, plenty of people who receive pensions will only get a small benefit and it may come from a company the worker left years and years ago. Let's take a closer look at pensions, what they are, and how the benefits work.

- **The pension defined.** A pension is a kind of defined benefit plan where a worker gets exactly that: a defined benefit. In the case of a pension, when said worker meets specific qualifications, such as time on the job, the person will be eligible to receive pension benefits when he retires. Pensions are fully managed by employers, with no employee involvement in picking investments or managing funds. Typically, your benefit will be based on how long you worked for the organization and your pay -- often the last year or last few years' average pay. In other words, the longer you work for that particular organization, the more you will typically get when you do retire. When you retire, your pension will be paid out of a pension fund, not off the company's payroll. Companies with pensions must set up and regularly contribute to a pension fund in order to meet their obligations to retirees. Some larger organizations handle much of the administration of their pensions in-house, but may rely on investment companies actually to manage and invest the pension funds, while smaller ones may use a third party to handle the whole operation.

- **What jobs have pensions?** Historically, many unionized workforces have had pensions, including manufacturing, public sector, educators, and skilled trades. These benefits are often hard-fought and central parts of labor contracts, but over the past decade-plus, the pension has become less and less common in the private sector. They remain a key benefit for many public sector jobs like public education, police, fire, as well as many federal, state, and local administrative jobs.
- **Can I take my pension with me?** Yes and no. If you are "vested" in your current employer's pension plan but leave for another job before retirement, your pension benefits typically will "freeze," meaning whatever level of benefit you qualify for today will kick in when you eventually do retire. In other words, you do not lose your benefit, but you cannot take it to another company as it stays with the pension fund. In some rare cases, you may be eligible for a very small benefit and the pension fund may be legally allowed to pay you a lump sum. But beyond that, it is very rare that you would actually be able to take any of the funds from the pension fund.

There is a kind of defined benefit plan called a "cash balance plan" in which your employer deposits a specific amount of money each year into the fund in your name, typically with a guaranteed rate of return earned. Some employers with these kinds of plans will allow former employees to roll over the balance into an IRA. Again, the key difference here is that you have an assigned cash value versus a guaranteed payout in retirement with a pension.

- **Pension and 401(k) differences.** There are really four key ways 401(k)s, Thrift Savings, and SEP/SIMPLE retirement plans differ from pensions:

Employee contributions are almost always the main source of funds in a 401(k) or similar, while pensions are primarily funded by the employer with more limited (or no) employee contributions. 100% of your contributions belong to you and you can take them with you when you leave, though there may be vesting rules on the employer matching contributions. You make the investing decisions. The choices may be limited based on the investing company running the plan, but you pick from the available choices. You are not guaranteed a specific benefit at retirement, which is the defining characteristic of a pension. These plans are called defined contribution plans since they are based on your contributions, where pensions are based on a defined benefit paid by the employer.

- **If I have a pension, do I need another retirement plan?** Often, the answer is, "yes," but it really depends on whether or not the benefit you will receive, combined with things like Social Security, will meet your income needs in retirement. You also should consider dependents like your spouse and whether he or she would get any benefit if you were to die first. If someone else is depending on that income, you'll want to be sure the person is taken care of. If you are concerned you will have a shortfall in retirement, a Roth or Traditional IRA may be a good way to build up a nest egg of extra income. You can put aside $5,500 per year ($6,500 if you're 50 or above), and when you take distributions in retirement, they're completely tax-free.

3. THREE STATES THAT ABANDONED THEIR PENSIONS -- AND SUFFERED THE CONSEQUENCES: We all know that pensions provide a safe and secure retirement for public employees in a cost-effective way. In many states, though, anti-pension ideologues and politicians try to sell pension "reform" as a way to save money for the state according to truthaboutpensions.org. However, the example of states that have actually switched from a defined benefit pension plan to a defined contribution (401k-style) system shows that these "reforms" are simply snake oil sold by hucksters. Alaska, Michigan, and West Virginia demonstrate the failure of switching to a defined contribution system to provide retirement security for public employees. Recently, the National Institute on Retirement Security released a report in which they examined the consequences for these three states. The report found that costs for the defined benefit plan exploded after it was closed and new employees were moved to a defined contribution system. The reason is simple: without new employees paying into the plan, the pension was not receiving enough of the required contributions to cover its payouts. Pension plans work because current workers are paying into the plan while retired workers are receiving their monthly payments. Without the inflow of new workers, the cash flow for the plan dried up. After Michigan abandoned its pension, the funding status of the pension plan went from 110% to 60%. Furthermore, the workers forced into the defined contribution system discovered that their retirement was much less secure than it would have been in the pension. 401(k) style defined contribution accounts consistently provide lower retirement benefits than defined benefit plans do. In fact, the retirement security crisis for teachers in West Virginia became so severe that the state reopened the pension plan and its funding stabilized with new employees paying into the system. The lesson for other states is clear: closing a pension plan and moving employees into a defined contribution system is a recipe for disaster.

4. TOP GLOBAL PENSION FUND ASSETS EXCEED $15 TRILLION: International Foundation of Employee Benefit Plans reports that total assets of the world's largest 300 pension funds grew by over 3% in 2014 (compared to around 6% in 2013) to reach a new high of over $15 trillion. Ten years ago, total assets at the world's largest pension funds grew by 27% to reach $8.4 trillion and move above the previous high of $6.6 trillion, reached in 2003. Research, conducted showed that by individual region, North America had the highest five-year combined compound growth rate, around 8%, compared to Europe (over 7%) and Asia Pacific (around 4%). The research also shows that the world's top 300 pension funds now represent around 43% of global pension assets. According to the research, defined benefit funds account for 67% of total assets, down from 75% five years ago. During 2014, defined contribution assets grew the most, by almost 5%, followed by DB plans assets (almost 4%) and reserve funds (over 1%), while hybrid plan assets decreased by over 2%. Despite significant asset growth over the past decade, there is a growing feeling that the investment industry has not focused enough on the end beneficiaries' needs or on managing costs in the investment food chain. Instead, it has focused on relative returns over total returns and has allowed excessive risk to build up in portfolios while costs have increased to a level that is far higher than can be justified in aggregate. The top funds are moving to address this and related issues. Given the shift to DC plans, where the end beneficiary comes first, we can expect a very different industry in 10 years' time or sooner. According to the research, the U.S. remains the country with the largest share of pension fund assets, accounting for around 38%, while Japan has the second-largest market share with around 12%. The Netherlands has the third-largest market share with 7%, while Norway and Canada are fourth and fifth largest, respectively, with around 6% share each. The research shows that 25 new funds entered the ranking during the past five years, and on a net basis, the countries that contributed the most new funds were South Korea and the U.K. (two funds), and Australia, France, Peru, Russia, the U.S. and Vietnam (one fund). During the same period, Germany and Japan had a net loss of three funds from the ranking. The U.S. has the largest number of funds in the research (128), followed by the U.K. (27), Canada (19), Australia (16), Japan (15) and the Netherlands (13). The gradual reduction of extraordinary measures from central governments, which has underpinned equity markets since the financial crisis, is now being felt. Without quantitative easing tailwinds, markets are arguably back to functioning normally, which will reinforce many big funds' belief in the value of being well diversified, particularly at times of stress, which we are again seeing. As such, we expect mature funds to accelerate diversification away from equities and into other asset classes as they continue to de-risk their portfolios and focus on total returns. Sovereign pension funds continue to feature strongly in the ranking, with 27 of them accounting for 28% of assets and totaling around $4.2 trillion. The 114 public sector funds in the research had assets of $6.0 trillion in 2014 and account for 39% of the total. Private sector industry funds (60) and corporate funds (99) account for 14% and 19%, respectively, of assets in the research. Many large funds have been making significant changes to the way they invest. This is in line with a single-minded approach of working hard in added-value spaces to find the extra returns that no longer come from the market. In the process, they are increasingly thinking about diversification in the context of all return drivers and adding the necessary governance or outsourcing to ensure success.

Top 20 pension funds (USD millions):

Rank	Fund	Country	Total assets	Defined Benefit	Defined

Contribution

1.	Government Pension Investment	Japan	$1,143,838	$1,143,838	
2.	Government Pension Fund	Norway	$884,031		
3.	National Pension	South Korea	$429,794	$429,794	
4.	Federal Retirement Thrift	U.S.	$422,200	$422,200	
5.	ABP	Netherlands	$418,745	$418,745	
6.	California Public Employees	U.S.	$296,744	$294,951	$1,793
7.	National Social Security	China	$247,361		
8.	Canada Pension	Canada	$228,431	$228,431	
9.	PFZW	Netherlands	$215,006	$215,006	
10.	Central Provident Fund	Singapore	$207,872	$207,872	
11.	Local Government Officials	Japan	$194,696	$194,696	
12.	California State Teachers	U.S.	$186,954	$186,409	$545
13.	Employees Provident Fund	Malaysia	$184,697	$184,697	
14.	New York State Common	U.S.	$178,252	$178,252	
15.	New York City Retirement	U.S.	$158,702	$158,702	
16.	**Florida State Board**	**U.S.**	**$154,657**	**$145,819**	**$8,838**
17.	Ontario Teachers	Canada	$133,282	$133,282	
18.	Texas Teachers	U.S.	$128,933	$128,933	
19.	GEPF	South Africa	$123,204	$123,204	
20.	ATP	Denmark	$122,028	$122,028	

As of March 31, 2015.

5. WHY PENSIONS ARE IMPORTANT: This fact sheet brought to us by Pension Rights Center explains the role pensions play in the overall retirement security of American workers, retirees and their families. Pensions are important to retirement security. Social Security provides only a safety net.

- Average yearly Social Security payment: $16,032. The average monthly Social Security benefit paid to retired workers in 2015 is $1,335.97, or $16,031.64 a year. The average monthly Social Security benefit paid to widows & widowers is $1,282.25, or $15,387.00 per year. And the average monthly Social Security benefit paid to disabled workers is $1,165.18, or $13,982.16 per year.

- Annual minimum-wage salary: $15,080. The federal minimum wage is $7.25 per hour. Assuming that there are 2080 work hours in a year (40 hours per week x 52 weeks per year), a worker making the federal minimum-wage would earn $15,080 in one year.
- Average portion of pay Social Security replaces: 44%. Social Security replaces 44%, slightly more than two-fifths, of the amount that someone retiring at normal retirement age in 2014 (age 66) was earning before retirement.
- Most retirees have little in personal savings. Median total savings of older households: $72,000.
- Median income from savings of older Americans: $1,962. In 2013, half of Americans age 65 and over who had income from financial assets received less than $1,962 a year in income from those assets. In 2013, 48% of Americans age 65 and over received no income at all from financial assets.
- Median income of older Americans: $21,225. In 2013, half of all Americans age 65 and older received less than $21,225 in income from all sources. The median annual income for men 65 and older was $29,327; for women 65 and older, it was $16,301. The median yearly income for older households was $35,611.
- The median income of the four-fifths of people age 65 and older who are fully retired was $17,281.
- Retirees with pensions have greater income security. Median yearly income of retirees with pensions: $33,420. Median income of "aged units" with only Social Security is $15,985. Median income of "aged units" with Social Security and a private pension is $33,420. Median income of "aged units" with both Social Security and a federal government pension is $38,255. Median income of "aged units" with both Social Security and some other type of pension (state or local government, military) is $40,648. An "aged unit" is defined as either a married couple living together in which at least one of the two is 65 or older or a nonmarried person 65 or older.
- Percentage of older Americans with a pension: 30%.
- Why pensions are important to the economy. Pensions are the world's largest source of capital: $16.5 Trillion. This figure includes $8.064 trillion in private pension assets, $4.892 trillion in state and local government pension assets, and $3.559 trillion in

federal government pension assets.

- The cost of pensions in tax subsidies: $71 Billion. The federal tax expenditure for pensions in 2014 is estimated to be $70.9 billion. This figure includes the revenue lost to the U.S. Treasury from employer contributions to both public and private pension plans. This is a combined total from defined benefit plans ($26.0B) and defined contribution plans ($44.9B). It does not include Individual Retirement Accounts and Keogh Plans, which are estimated to cost an additional $23.7 billion in foregone revenue. The total retirement plan tax expenditure is estimated at a total of $94.6 billion for 2014.

6. GROWTH OF TOP DB PLANS ACCELERATES IN 2014: Total assets held within the largest defined benefit funds across the globe grew at a faster rate in 2014 than 2013, according to the annual survey conducted by Pensions & Investments and Towers Watson & Co. The reasons for that growth go beyond funds accumulating assets. Rather, the effects of quantitative easing and plan sponsors' eagerness to clear fund deficits by contributing cash have played a big part as well, industry experts said. DB assets grew by 3.7% in 2014, compared with 2.6% in 2013, to total $9.79 trillion. Total assets of the 300 largest retirement plans in the world were $15.36 trillion, up 3.4% from 2013. Those 300 plans represented 42.6% of total global retirement assets, as measured by Towers Watson's Global Pensions Asset Study -- a slight decrease compared with 2013, when the largest 300 retirement funds accounted for 43.7% of total global assets. One of the great problems facing DB plans is the low discount rate -- that has pushed them into equities and risk assets in general, said Gordon Clark, professor and director of the Smith School of Enterprise and the Environment at the University of Oxford, Oxford, England. The compensation comes in the form of taking a lot more risk. He added that being in equity markets over the past few years has been very rewarding, and I think that is what we see when we see growth in DB assets. With stubbornly low discount rates and interest rates, private plan sponsors are trying to shore up the assets of the DB plan, leading to some having to dig into the coffers to make one-off, significant contributions to bring plans back into solvency, Mr. Clark said. But whatever the reason, it is still a positive sign. This is still accumulation, and the fact assets have doubled in the last 10 years says something about the health of the savings industry and savers, said Chris Ford, Surrey, England-based global head of investment at Towers Watson. Generally speaking, it is a good thing. The challenge, however, is that the numbers are artificial, with policymakers still supporting the capital markets. Mr. Ford warned that things might look rosy, as assets are up, but to a certain extent we have borrowed that money from our kids, because that is what quantitative easing does. Data for the P&I/Towers Watson World 300 are largely as of December 31st, and since then the U.K. and U.S. have pressed pause on financial loosening. We are now starting to see that roll off slightly. The withdrawal of QE means that markets are beginning to function more normally, and so we have seen the return of volatility, Mr. Ford said. Last year saw a continuation of the positive effects of quantitative easing on risk assets, albeit to a lesser degree than in 2013. The Russell 3000 index returned 12.53% in 2014, vs. 33.5% in 2013; and the MSCI All-Country World index gained 4.76% in 2014 in U.S. dollar terms, vs. 23.5% in 2013. Removing the U.S. from the equation results in a drastic change: the MSCI All-Country World index ex-U.S. was down 3.31% in 2014, vs. a 15.97% gain in 2013, in U.S. dollar terms. Slowed growth overall. Despite the buoying effects of quantitative easing on risk assets, growth across the 300 largest retirement funds in the world slowed compared with recent years. Total assets were up 3.4%, compared with 6.2% growth in 2013 and 9.8% in 2012. Outside of DB plans -- which accounted for 66.8% of total assets, basically flat from 66.7% in 2013 -- growth for other types of retirement funds decreased compared with 2013 rates. Defined contribution plans grew 4.7%, to account for 21.2% of total assets, about $3.1 trillion. That compared with 9.4% growth in 2013, but a 21% slice of total assets. The underlying growth relative to DB I do not think is slowing, but you are likely to have higher allocations to equities in DB vs. DC, Mr. Ford said. Mr. Clark acknowledged the slowed growth was a little more of a puzzle, but suggested that the propensity of target-date funds in DC plans could have had an effect. It is possible that for some of the bigger plans, where retirement looms, target-date funds may be contributing, automatically rebalancing away from growth and equities, to other types of assets like gilts and corporate bonds. Because target-date funds are now so significant in many larger plan sponsors, any maturing of the workforce will give an automatic rebalancing away from equities towards bonds. That could lower the rate of increase in DC assets, Mr. Clark said. The effects of currencies hit reserve funds and hybrid funds in particular. Reserve funds, which are set aside by national governments to guarantee retirement payments in the future, grew 1.4% vs. 15% in 2013, accounting for 11.3% of total assets, vs. 11.6% in 2013. Mr. Ford said the low growth was largely because of the fall in assets, in U.S. dollar terms, of the National Wealth Fund of Russia. The ruble depreciated 44% against the dollar in 2014. Spain's Fondo de Reserva Seguridad decreased 32% in U.S. dollar terms, as the Spanish government used part of the reserve fund to pay retirement liabilities. Hybrid retirement plans, which incorporate both DB and DC components, saw assets fall 2.5%, vs. 8.2% growth in 2013. Mr. Ford said currency had again affected the rankings, with four out of the five funds seeing assets decrease in U.S. dollar terms -- despite all five increasing assets in local currency. The only hybrid fund to show an increase in U.S. dollar terms was the Danish Sygeplejersker og Laegesekretaerer, which merged two of the funds it administers in 2014. North America remained the largest region in terms of assets, accounting for 43.2% of total worldwide assets, vs. 41.4% in 2013. Europe came in second, at 28.5% of the total, vs. 29.5% in 2013; and Asia-Pacific fell slightly to account for 24.1% of total assets, compared with 24.7% the year previous. Among the top 20, U.S. retirement plans continued to increase their share, growing to 25.2% of the total $6.06 trillion of assets. Seven of the top 20 retirement plans were U.S. funds, the same seven as in 2013. However, that share remains lower than the pre-crisis level in 2007, when U.S. plans represented 36% of the top 20 assets. We saw good equity returns (in 2014,) and U.S. investors (tend to have) higher equity allocations. But when you have dollar appreciation, which we had, then dollar-denominated funds look like they have got bigger -- but the liabilities have also gone up, so in a sense they have not become fundamentally bigger, Mr. Ford said. All major currencies depreciated against the U.S. dollar in 2014, further buoying assets once converted into dollars for the purposes of Tower Watson's research. Japan's Government Pension Investment Fund, Tokyo, retained its top spot, with $1.14 trillion of assets. However, the yen depreciated 12.08% in 2014 compared with the dollar, skewing local currency asset growth of 8.6% to appear as a 6.4% decline in dollar terms. The second-largest fund remained Norway's Government Pension Fund, Oslo, with $884 billion of assets, a 3% increase in dollar terms, but a 27.6% increase in local currency terms. The Norwegian kroner fell 18.53% vs. the dollar in 2014. There was a change in third place. South Korea's National

Pension Service, Seoul, gained 6% in dollar terms, to $429.8 billion of assets, supplanting Stichting Pensioenfonds ABP, Heerlen, Netherlands, whose assets grew 0.7% to $418.7 billion and slid to fifth place. In fourth was the Federal Retirement Thrift Savings Plan, Washington, which recorded a 12.6% increase in assets to $422.2 billion. The other big change to the top 20 was new entrant ATP, Hilleroed, Denmark, whose assets grew 9.7% to $122 billion. It replaced Japan's Pension Fund Association, Tokyo, whose assets decreased 16.6% to $98.1 billion, and fell to 25th position. The asset allocation for the top 20 retirement funds, on a weighted average basis, showed a preference for equities, alternatives and cash, at the expense of bonds, in 2014. The average allocation was 43.1% equities, 41.2% bonds, and 15.7% alternatives and cash. That compares with 41.2% equities, 44.9% bonds, and 13.9% alternative and cash in 2013. Asset allocation is undergoing a rotation right now, Mr. Ford said. The Asia-Pacific region, which reduced its allocation to bonds to 56.3% in 2014, from more than 65% in 2013, is heavily skewed by Japanese pension funds. They are now being told to sell bonds and buy equities (and risk assets,) Mr. Ford said. There is also a stronger focus on alternatives and cash across regions, he added, noting those classes made up 28.7% of assets in North America, 14% in Europe and "other" markets, and 6.8% in Asia-Pacific. Figures for 2013 were not available. We are seeing a rotation -- we are in a world where people thought equities would go up forever, and that bonds were fine and would produce the returns they needed forever. That is changing, for different reasons, across the globe. Japan has been told to stimulate growth by investing elsewhere; Europe and the U.S. are looking at their large equity allocations (which are not producing the returns they want) and are moving, Mr. Ford said. Mr. Clark noted that: "Japan, through Abenomics, is trying to dig itself out of 20 years of stagnation, and one expression of that is liberalizing the GPIF, giving it more leverage, more scope if you like, in terms of asset allocation and international exposure. We will expect to see GPIF playing an increasing role in traded securities, but particularly offshore, not onshore. Mr. Ford had a few words of warning, in particular for the DC world. The money management industry on a global basis has not really got its head around what being a fiduciary for millions and millions of individuals means, what propositions should look like, and how to manage risk, he said. But the business of money management is also facing change. The largest funds are trying to invest in a much more diverse range of assets, while exercising greater control and reducing costs in their portfolios, Mr. Ford said. There are profound implications for the asset management industry there. If equities and bonds are not a great place to be, nobody wants managers in those spaces. In turn, alternatives managers are looking at the situation and rubbing their hands with glee — but the cost structure (for alternatives) is way out of proportion to the value proposition. Technology has moved on, where there are so many more alternatives, only these more sophisticated, very large plans can invest there. Direct investments in alternatives, as opposed to investing in funds, and control over portfolios will lead to substantial change in the way asset management looks, possibly in the next five, but certainly in the next 10 years, he said. A large plan with 5% to 10% in alternatives may be willing to invest in funds of funds. But for a plan with 20%, 30%, 40% in alternatives, there is no way you would stick it inside a black box with a funds-of-funds manager. The need to have control is great. For the remainder of this year, the debt overhang is Mr. Ford's central concern, since it will constrain growth longer term, and, in turn, constrain returns on assets. As the economy delivers, rather than going to equity holders, it will be used to pay off the debt containing investment and growth. Beyond that, our view remains risk tilted to the downside -- it is not that there is no upside, but it still feels to us that the downside outweighs the upside. For equities, a 5% to 6% return looks more likely in 2015 than 8%. And Mr. Clark thinks turmoil in the markets -- in particular China and emerging markets -- will push investors toward safe-haven investment destinations. (Those elements) are simply going to reinforce what's happening anyway, and that has been an increasing shift by non-U.S. funds towards the U.S. market. He said there are three reasons for this U.S. preference -- the U.S. economy is doing better than most European economies; it is perceived to be relatively safe in terms of protection of investments, but also safe in terms of lower bouts of volatility; but it is also perceived, because of the growth in population, to be a resurgent economy, with long-term economic strength compared with other developed markets around the world. Mr. Clark expects to see the U.S. not just as a favorable destination for non-U.S. retirement plans. He thinks market volatility might also encourage U.S.-based retirement plans to stay at home a bit more than they have in the past" when it comes to investment.

7. ON SECOND THOUGHT...MAYBE THEY WERE WRONG?: The world potential market for copying machines is 5000 at most -- IBM, to the eventual founders of Xerox, saying the photocopier had no market large enough to justify production, 1959.

8. TODAY IN HISTORY: In 1967, Trias Flowers opened their first store in South Florida, and in 2009 was voted best florist in Miami.

9. KEEP THOSE CARDS AND LETTERS COMING: Several readers regularly supply us with suggestions or tips for newsletter items. Please feel free to send us or point us to matters you think would be of interest to our readers. Subject to editorial discretion, we may print them. Rest assured that we will not publish any names as referring sources.

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11. REMEMBER, YOU CAN NEVER OUTLIVE YOUR DEFINED RETIREMENT BENEFIT.

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