

CITY OF FORT PIERCE RETIREMENT AND BENEFIT SYSTEM

BOARD AGENDA

Retirement Board Regular Meeting - Thursday, October 15, 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**
5. **REPORT FROM BOARD ATTORNEY**
6. **PUBLIC HEARINGS ON BENEFIT APPLICATIONS**
 - a. Request for Retirement from Joseph Massimino with 25 years of service with the Fort Pierce Utilities Authority
 - b. Request for Retirement from Glyndon E. Moberly with 25 years and 6 months of service with the Fort Pierce Utilities Authority
 - c. Request for Retirement from Paul C. Godsil with 15 years and 6 months of service with the Fort Pierce Utilities Authority
7. **OLD BUSINESS**
 - a. Second Reading of Ordinance Amending Section 13 of the Code-Disability Retirement
8. **NEW BUSINESS**
 - a. Appoint Chairperson and Vice-Chairperson for FY 2016
 - b. Discussion on Future Legal Representation

9. **CONSENT AGENDA**
 - a. Approve Member Refunds
10. **CONSIDERATION OF ABSENCES**
11. BOARD MEMBER COMMENTS
12. **ADJOURNMENT**
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: 10/15/2015

Re: Approval of the summarized minutes of September 17, 2015

Information

SUBJECT:

CONSIDERATION OF MINUTES

Attachments

[9/17/15 Minutes](#)

Form Review

Form Started By: Queen Thompkins

Started On: 10/12/2015 03:04 PM

Final Approval Date: 10/12/2015

**CITY OF FORT PIERCE RETIREMENT AND BENEFIT SYSTEM
MINUTES OF MEETING HELD
SEPTEMBER 17, 2015**

Summarized Minutes of the regular meeting of the City of Fort Pierce Retirement and Benefit System, September 17, 2015 at 2:03 p.m., in the 2nd Floor Conference Room at City Hall.

Present:

Commissioner Tom Perona, Chair
Gloria J. Johnson
Stanley Fidge, Vice Chair
Nina Hurtubise
Keith Stephens

City Commission Member
Secretary/Treasurer
General Member
U.A. Board Appointee
U.A. General Member

Attorney Jim Walker
Christina Paz

Assistant City Attorney, Advisory
Retirement Clerk

Absent:

Commissioner Reginald Sessions
Rodney Nieves

City Commission Member
Police Officer Member

Recording:

Johnna Morris

Chief Accountant

ITEM NO. 1 & 2 ~ ROLL CALL

Chairperson, Commissioner Tom Perona called the meeting to order at 2:03 p.m., the first item on the agenda being the “*Roll Call*”.

ITEM NO. 3 ~ COMMENTS FROM THE PUBLIC

**CITY OF FORT PIERCE RETIREMENT AND BENEFIT SYSTEM
MINUTES OF MEETING HELD
SEPTEMBER 17, 2015**

Comm. Perona, the next item on the agenda was comments from the public. There were no comments from the public.

ITEM NO. 4 ~ APPROVAL OF SUMMARIZED MINUTES OF AUGUST 20, 2015.

Comm. Perona, the next item was the approval of the summarized minutes of August 20, 2015 and asked if there was a motion to approve the minutes.

A motion was made by Ms. Gloria Johnson and seconded by Ms. Nina Hurtubise to approve the summarized minutes of August 20, 2015.

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 stated the agenda shows, as part of the report presentation, a draft of a proposed amendment to disability retirement. Mr. Walker said it would be his suggestion to have recommendation that this agenda item be presented instead by Ms. Gloria Johnson in her capacity of chair of the Disability Committee since this now comes to the Board as a recommendation of the Committee. Mr. Walker said, other than this, he has no business to present to the Board and would be happy to answer any questions or entertain any comments. It is understood that the second vote is scheduled on the Rule 17 is in another part of the agenda.

Comm. Perona turned it over to Ms. Gloria Johnson.

Ms. Gloria Johnson stated the Disability Committee has been meeting. In the meeting they have been going over disability ordinance as far as awarding disability to individuals that are part of the system. She said in doing so, she is aware that in the past the Board has been looking at this issue as well; thinking about making some revisions, since our ordinances are very much outdated or need some adjustments to them. In doing so, the Committee made a few changes in Section 13-16. Definitions were added for in-line of duty. Ms. Johnson asked the Board if they had read the changes. The definition was added as to what in-line of duty means. The other change that was done as far as the definition, the Committee is using the provisions of Workmen's Comp, Chapter 440; they are also used as far as awarding our disabilities to our retirees. Also in that definition, it also says, "disabilities arising from drugs or alcohol abuse or use of tobacco products should not be considered in the line of duty. These are some things that were added that would prohibit us from awarding disability. Ms. Johnson said the other thing

**CITY OF FORT PIERCE RETIREMENT AND BENEFIT SYSTEM
MINUTES OF MEETING HELD
SEPTEMBER 17, 2015**

that was added was the definition of administration, which is just the finance director. There was a major change on Page 2 under C. "A". It more or less puts the burden on the person who applied for disability. It's not like they are totally disabled; that they should be able to find some type of employment. We are trying to make sure that they look for some type of employment before we consider any type of disability award. In doing so, the employee must be incapable of performing any gainful sedentary type work on a constant basis or paid within a 50 mile radius. This means they have to look for work within that 50 mile radius to see if there is something they can do.

Ms. Johnson stated that the best thing listed is under No. 7. We have two physicians that are looking at retiree disability. We have our physician and their physician. We receive this suggest from Mr. Walker. Under 7."A" it says, "in the line of duty" the illness must be a major contributing force, as far as the "in the line of duty," request and must be more than 50% responsible. On Page 3 there should be 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; both shall report to the Retirement Board on the member's physical limitations on a form typed by the Board, certifying that the limitations are permanent. Now they don't certify that they are disabled. They have to tell us what their limitations are instead of saying they are permanently disabled. When they let us know, this is what we will use as criteria to determine if we would consider them to be eligible for duty disability. This is the most significant change in this entire Ordinance. Once the employee is sent to the doctor, it would be very difficult for that doctor to say this employee is totally disabled. It now puts it in the hands of the Board to decide. When the applicant gives their physical limitations, it will be decided if the information given is enough to be considered for duty disability.

Comm. Perona said in the past, the Board has reviewed more information to be able to make that decision.

Ms. Johnson stated, also added to the Ordinance, is that there is some reduction that can be done as far as the benefits and if there are certain situations, we may demand that they actually apply for social security disability. We will be able to adjust what is being paid to the applicant. This information is located on Page 5 of the Ordinance.

Comm. Perona stated that the discussion about the changes came up because of the reviews that the Committee and people on the Committee have had to deal with over the last few years. Because of that, these are the corrective ways that will help facilitate the process and expedite the process.

Ms. Johnson said if the Board approves these changes, it will have to go to the Unions.

The Committee voted and it was a 3 to 1 vote; 3 for and 1 against.

**CITY OF FORT PIERCE RETIREMENT AND BENEFIT SYSTEM
MINUTES OF MEETING HELD
SEPTEMBER 17, 2015**

Comm. Perona said the 50-mile radius is his concern. If you have a disabled person driving an hour to work and an hour back from work and it may be a menial job that doesn't coincide with the activities the employee had before, it put them out of the County.

Comm. Perona said he doesn't understand why the 50-mile radius was chosen.

Ms. Johnson said these are things that can be discussed by the Board.

Comm. Perona said he would hope the employee would be able to find gainful employment within the County.

Mr. Walker commented that the 50-mile radius is taken from the Workmen's Compensation Act. This is what Workmen's Compensation uses for accessing entitlement to permanent total disability. Mr. Walker pointed out that there are several people who commute to work out of the County. The 50-mile radius was used to give a balance.

Comm. Perona said this is true; he just doesn't want to promote finding jobs outside of the County; As long as it doesn't put any hardship on a disabled person who is trying to follow the rules and regulation.

Ms. Johnson said this is just the first presentation and she doesn't know if everyone has had a chance to go over the changes.

Comm. Perona said this is excellent work from the Committee and a lot of consideration was put into it. He said if there wasn't any problem, should the Board bring the discussion of the changes back in the next Board Meeting.

Mr. Walker stated to Comm. Perona it would just be a matter of adoption. If the Board wishes to do so, it would be forward to the Commissioners for a recommendation of approval. The Commission would look it over and the turn it over to a Bargaining Committee to get approval.

Comm. Perona asked that this be put on the next agenda as an Ordinance Amendment.

ITEM NO. 6 ~ PUBLIC HEARING ON BENEFITS APPLICATIONS

None.

ITEM NO. 7 ~ SECOND READING OF BOARD RULE 17-BENEFIT ADMINISTRATION

**CITY OF FORT PIERCE RETIREMENT AND BENEFIT SYSTEM
MINUTES OF MEETING HELD
SEPTEMBER 17, 2015**

Mr. Walker said this is a proposed draft of a rule memorializing and formalizing a process of follow up with benefit recipients to verify their continued entitlement to benefits; making sure they have not deceased and also that they are paying the right people.

Comm. Perona asked if there were any questions or comments. There being no questions or comments, Comm. Perona entertained a motion concerning second reading of Board Rule 17 – Benefit Administration.

A motion was made by Mr. Stanley Fidge for the approval of Board Rule 17-Benefit Administration and second by Ms. Gloria Johnson. All those in favor of the motion signified by say aye. There were no opposition and the motion was carried unanimously.

ITEM NO.8 ~ FY 2015/16 BUDGET

Comm. Perona said the next item is New Business, the 2015/16 Budget.

Ms. Johnson said the 2015/16 Budget projected expenditures is \$14,925,000 and the revenues are projected to be \$6,312,243. The revenues do not include investment income. The investment income stays in the bank with the fund. There is going to be a shortfall of \$8,612,757 and recommend that transfers be made; requesting the money managers send us the money during the year to make up the shortfall on the budget. She requested a motion be made to approve the 2015/16 Budget if there aren't any questions.

Comm. Perona said the shortfall was not a true shortfall because it did not include the investment income.

Ms. Johnson said that was true. She said this is the money that would actually go into the bank next year. When the money managers invest the money, it stays with the fund.

Comm. Perona asked about the million dollar contingency.

Ms. Johnson said that contingency is anything that is needed that is not budgeted. She said they will come back to the Board if it is needed. It was not needed last year; it is put there just in case something comes up.

Comm. Perona asked Ms. Johnson for some ideas that could happen.

Ms. Johnson said sometimes we may have to pay more retirees than was anticipated.

**CITY OF FORT PIERCE RETIREMENT AND BENEFIT SYSTEM
MINUTES OF MEETING HELD
SEPTEMBER 17, 2015**

Comm. Perona stated when you have a budget of \$14-\$15 million dollars and you have a contingency that is a million dollars, it draws a flag, so you need an explanation to go with it. When you start talking about retirement and what's going to happen in a given year, it is a series of educated guesses. He asked Ms. Johnson if she didn't budget the million dollars; this has happened in the past, what would be done as far as the Board movement?

Ms. Johnson said they would have to come back to the Board and amend the Budget. She said this avoids amending the Budget.

Mr. Fidge said he remembers the Board making the approval in advance. It stays in flux for each approval that is done. He asked Ms. Johnson if it was like running a cash balance plan.

Ms. Johnson said no, it is a Budget and it is incorporated in the \$8 million they have on top. If it is not needed, it will not be sent for.

Comm. Perona said it is earned income if it is not needed. He asked what investment do you pull from.

Ms. Johnson said they don't decide; Callen does; it is based on the investment policy and the percentage they have.

A motion was made by Ms. Johnson and seconded by Mr. Stephens to approve the Budget.

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

ITEM NO. 9 ~ CONSENT OF AGENDA

None.

ITEM NO. 10 ~ CONSIDERATION OF ABSENCES

None.

ITEM NO. 11 ~ BOARD MEMBER COMMENTS

Comm. Perona asked for comments from the board.

**CITY OF FORT PIERCE RETIREMENT AND BENEFIT SYSTEM
MINUTES OF MEETING HELD
SEPTEMBER 17, 2015**

Mr. Fidge commented that he is signed up for the conference and is looking forward to attending.

Ms. Johnna Morris asked if there were some problems with getting hotel rooms.

Ms. Christina Paz said when she tried, 100 rooms had already been taken. The rooms are being taken in large quantities. She said she was told to keep calling back because most likely there will be cancellation.

Mr. Keith Stephens spoke with someone and was told the rooms are booked one to three years in advance. Mr. Stephens also apologized for being late.

Ms. Nina Hurtubise said the information provided on the financial report was a little disturbing in terms of the income from the investments this year versus last year. She said this time last year there was over \$19 million dollars income and there is only a little over \$7 million this year is this something to be aware of.

Ms. Johnson stated that it said estimated but we still have a few more months that are not there.

Mr. Stephens said he did hear there still could be some volatility between now and the end of the calendar year. There are things going on in China and Japan that may have some effect.

Ms. Johnson extended her thanks to everyone for working with her and she enjoyed working on the Board with everyone. She asked the Board to keep it going because she definitely wants her check every month. She also commented that this is a dynamic Board.

Comm. Perona complimented Ms. Johnson on the institutional knowledge she brought to the Board and she is leaving them in good hands. He said when the money managers come in and tell him the Board is the best of the best nationally; it makes him feel good to hear this. With that being said, Comm. Perona presented Ms. Johnson with a plaque for her years of outstanding service and dedication to the City of Fort Pierce Retirement Board.

ITEM NO. 12 ~ NEXT MEETING

Comm. Perona said that the next item was next month's meeting. The next meeting was scheduled for October 15, 2015 at 2:00 p.m.

**CITY OF FORT PIERCE RETIREMENT AND BENEFIT SYSTEM
MINUTES OF MEETING HELD
SEPTEMBER 17, 2015**

ITEM NO. 13 ~ ADJOURNMENT

Seeing that there were no further questions or comments, Comm. Perona adjourned the meeting at 2:37p.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: 10/15/2015

Re: Request for Retirement from Joseph Massimino

Information

SUBJECT:

Request for Retirement from Joseph Massimino with 25 years of service with the Fort Pierce Utilities Authority

Attachments

Form Review

Form Started By: Johnna Morris
Final Approval Date: 10/12/2015

Started On: 10/12/2015 11:51 AM

Retirement Board

Meeting Date: 10/15/2015

Re: Request for Retirement from Glyndon E. Moberly

Information

SUBJECT:

Request for Retirement from Glyndon E. Moberly with 25 years and 6 months of service with the Fort Pierce Utilities Authority

Attachments

Form Review

Form Started By: Johnna Morris
Final Approval Date: 10/12/2015

Started On: 10/12/2015 11:53 AM

Retirement Board

Meeting Date: 10/15/2015

Re: Request for Retirement from Paul C. Godsil

Information

SUBJECT:

Request for Retirement from Paul C. Godsil with 15 years and 6 months of service with the Fort Pierce Utilities Authority

Attachments

Form Review

Form Started By: Johnna Morris
Final Approval Date: 10/12/2015

Started On: 10/12/2015 11:59 AM

Retirement Board

Meeting Date: 10/15/2015

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

Information

SUBJECT:

Second Reading of Ordinance Amending Section 13 of the Code-Disability Retirement

Attachments

Disability Code Amendment

Form Review

Form Started By: Johnna Morris
Final Approval Date: 10/12/2015

Started On: 10/12/2015 12:01 PM

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) 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.

(f) 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.

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.

Linda Hudson, Mayor

ATTEST:

Linda Cox, City Clerk

APPROVED AS TO FORM AND CORRECTNESS:

Robert V. Schwerer, Esq.
City Attorney

Retirement Board

Meeting Date: 10/15/2015

Re: Approve Member Refunds

Information

SUBJECT:

Approve Member Refunds

Attachments

[Consent Agenda](#)

Form Review

Form Started By: Johnna Morris

Final Approval Date: 10/12/2015

Started On: 10/12/2015 12:07 PM

**CONSENT AGENDA
REFUND OF MEMBER CONTRIBUTIONS
OCTOBER 15, 2015
BOARD
MEETING**

| <u>CITY</u> | <u>AGENCY</u> | <u>PERIOD</u> | <u>DATE OF TERMINATION</u> | <u>DATE OF REFUND</u> | <u>TOTAL AMOUNT OF REFUND</u> | <u>TAX DEBIT</u> | | <u>NET AMOUNT</u> | <u>CHECK NUMBER</u> |
|--------------------|---------------|---------------|----------------------------|-----------------------|-------------------------------|------------------|---|-------------------|---------------------|
| ERIC TRAUGHBER | CITY | 11 | 7/6/2015 | 08/07/15 | 1,598.71 | 319.74 | | 1,278.97 | 253856 |
| MICHELLE S. SIROIS | CITY | 11 | 7/24/2015 | 08/21/15 | 6,193.12 | | - | 6,193.12 | 254091 |
| BILLIE BORLAND | CITY | 12 | 8/13/2015 | 09/25/15 | 15,121.01 | 3,024.20 | | 12,096.81 | 254423 |
| | | | | | 22,912.84 | 3,343.94 | - | 19,568.90 | |

| <u>POLICE</u> | <u>AGENCY</u> | <u>PERIOD</u> | <u>DATE OF TERMINATION</u> | <u>DATE OF REFUND</u> | <u>TOTAL AMOUNT OF REFUND</u> | <u>TAX DEBIT</u> | | <u>NET AMOUNT</u> | <u>CHECK NUMBER</u> |
|-----------------|---------------|---------------|----------------------------|-----------------------|-------------------------------|------------------|---|-------------------|---------------------|
| TARYN DOUKAS | POLICE | 12 | 8/12/2015 | 09/04/15 | 2,298.58 | - | | 2,298.58 | 254195 |
| DANIEL MARTINEZ | POLICE | 12 | 8/11/2015 | 09/04/15 | 13,459.42 | - | - | 13,459.42 | 254196 |
| | | | | | 15,758.00 | - | - | 15,758.00 | |

| <u>U.A.</u> | <u>AGENCY</u> | <u>PERIOD</u> | <u>DATE OF TERMINATION</u> | <u>DATE OF REFUND</u> | <u>TOTAL AMOUNT OF REFUND</u> | <u>TAX DEBIT</u> | | <u>NET AMOUNT</u> | <u>CHECK NUMBER</u> |
|-----------------|---------------|---------------|----------------------------|-----------------------|-------------------------------|------------------|---|-------------------|---------------------|
| | | | | | | - | | - | |
| BRANDI M. YANCY | U.A. | 12 | 5/18/2012 | 09/18/15 | 6,789.34 | 1,357.87 | | 5,431.47 | 254281 |
| SAMUEL D. MCKOY | U.A. | 12 | 8/20/2015 | 09/25/15 | 800.89 | 160.18 | | 640.71 | 254432 |
| | | | | | 7,590.23 | 1,518.05 | - | 6,072.18 | |

TOTAL: \$ 46,261.07 \$ 4,861.99 \$ - \$ 41,399.08

Retirement Board

Meeting Date: 10/15/2015

Re: Misc. Information

Information

SUBJECT:

MISCELLANEOUS INFORMATION

Attachments

Monthly Financial Report-Sept.

Cpyen 10-1-15

Cypen 10-8-15

Form Review

Form Started By: Johnna Morris

Final Approval Date: 10/12/2015

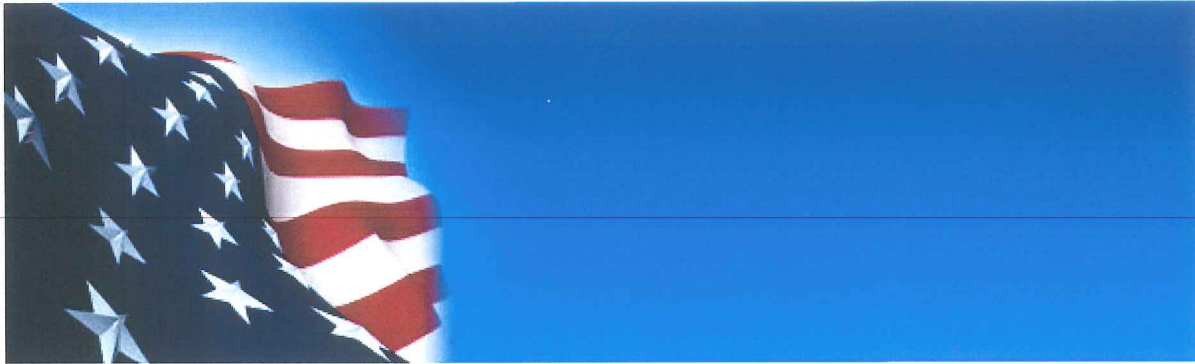
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**CITY OF FORT PIERCE
RETIREMENT AND BENEFIT SYSTEM
FINANCIAL REPORT
SEPTEMBER 30, 2015**

| | SEPTEMBER 30, 2014 PRELIMINARY | SEPTEMBER 30, 2015 PRELIMINARY |
|---------------------------------|-----------------------------------|-----------------------------------|
| Beginning Market Balance | 168,762,698 | 179,120,149 * |
| Plus Income: | | |
| Investments Earnings | 14,510,914 | 9,280,055 |
| Unrealized Gains on Investments | 5,171,741 | -1,412,347 |
| Total Investments | 19,682,655 | 7,867,708 |
| Employer Contributions | 4,284,411 | 4,119,964 |
| Employee Contributions | 1,496,219 | 1,486,584 |
| Total Contributions | 5,780,630 | 5,606,549 |
| Total Receipts | 25,463,285 | 13,474,257 |
| Less Expenses: | | |
| Investment Expenses | 461,762 | 544,640 |
| Professional Fees | 113,565 | 83,358 |
| Administrative Expenses | 151,933 | 151,928 |
| Member Refunds | 307,835 | 287,469 |
| Retiree Benefits | 11,877,048 | 12,528,070 |
| Total Expenses | 12,912,144 | 13,595,466 |
| Ending Market Balance | 181,313,840 | 178,998,940 |

*Adjusted for year
end audited
financials

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CYPEN & CYPEN NEWSLETTER for OCTOBER 1, 2015

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Stephen H. Cypen, Esq., Founding Editor

Adam Levinson, Esq., Contributing Editor

Never Forget September 11, 2001

and

Always Remember May 2, 2011

1. SOCIAL SECURITY KNOWLEDGE GAP: Research from plansponsor.com indicates that close to 100% of Americans could lack critical information about how to get the most from their Social Security benefits. According to “Social Security Planning in 2015 & Beyond: Perspectives of Future Beneficiaries and Financial Planners” just 9% of consumers consider themselves very knowledgeable about how Social Security benefits are determined and 1% of Certified Financial Planners say their clients are very knowledgeable on the subject. The key takeaway is that education is critical. Even consumers who claimed to be somewhat knowledgeable on the topic comprised just 38% of the responding group. For families and individuals looking to claim their Social Security benefits soon, this survey shows that far too many face a claiming knowledge gap potentially leaving thousands of dollars on the table. Social Security in retirement requires more than just retiring and collecting a monthly

check from the government. There are many nuances to Social Security and ways to maximize benefits. Respondents, ages 45 through 64 and unretired, indeed recognized the value of exploiting Social Security: 77% called maximizing benefits very important. However, the reality, was that 83% of consumers overestimate or underestimate how much they would receive if they defer claiming Social Security until they reach 70 -- the maximum age to do so; 67% underestimate and 16% overestimate the hardship they would incur in waiting that long. Additional findings are

- Fewer than four in 10 consumers (39%) believe Social Security will make up at least half of their income even though Americans increasingly rely on Social Security as they age, for upwards of 50% of their income by age 80. In fact, over four in 10 planners (42%) predicted that Social Security will be a major source of income in retirement for their clients.
- Eighty percent of married or formerly married men are unaware that they should claim their own benefits at 70 to maximize survivor (or widow) benefits, should they die first, with 69% incorrectly believing they could maximize survivor benefits by claiming before age 70, and 11% incorrectly believing they could do so by claiming after that.

2. SUMMARY OF THE QUARTERLY SURVEY OF PUBLIC PENSIONS FOR 2015:Q2: The United States Census Bureau has released the Summary of the Quarterly Survey of Public Pensions for the Second Quarter of 2015. For the 100 largest public-employee pension systems in the country, cash and security holdings totaled \$3,369.0 billion in the second quarter of 2015, a decrease of 1.0% percent from the first quarter total of \$3,401.5 billion. Compared to the same quarter in 2014, assets for these major public pension systems were steady with the previous year's same-quarter total of \$3,369.6 billion. Earnings in the second quarter totaled \$32.0 billion, a decrease of 59.2% from \$78.3 billion in the previous quarter. Corporate stocks had a quarter-to-quarter decrease of 4.1%, from \$1,262.0 billion to \$1,211.0 billion in the second quarter of 2015. Corporate stocks experienced a year-to-year increase of 4.0% from \$1,163.6 billion in the second quarter of 2014. Corporate stocks comprised about a third (35.9%) of the total cash and security holdings of major public pension systems for the current quarter. Corporate bonds had a quarter-to-quarter decrease of 2.5%, from

\$430.7 billion to \$420.1 billion in the second quarter of 2015. Corporate bonds year-to-year increased 13.2% from \$371.0 billion in the second quarter of 2014. Corporate bonds comprised an eighth (12.5%) of the total cash and security holdings of major public pension systems for the current quarter. International securities had a quarter-to-quarter increase of 0.9%, from \$612.7 billion to \$618.3 billion in the second quarter of 2015. International securities year-to-year decreased 6.7% from \$662.4 billion in the second quarter of 2014. International securities comprised less than a fifth (18.4%) of total cash and security holdings of major public pension systems for the current quarter. Federal government securities had a quarter-to-quarter increase of 1.4%, from \$257.2 billion to \$260.8 billion in the second quarter of 2015. Federal government securities year-to-year decreased 14.1% from \$303.7 billion in the second quarter of 2014. Federal government securities comprised 7.7% of the total cash and security holdings of major public pension systems for the current quarter. Government contributions had a quarter-to-quarter increase of 5.8%, from \$24.9 billion to \$26.3 billion in the second quarter of 2015, and a year-to-year increase of 10.0% from \$23.9 billion in the second quarter of 2014. Employee contributions had a quarter-to-quarter increase of 12.3%, from \$10.5 billion to \$11.8 billion in the second quarter of 2015, and a year-to-year increase of 5.6% from \$11.2 billion in the second quarter of 2014. Government contributions to employee contributions had a 2.2 to 1 ratio this quarter -- government contributions comprised 69.0% and employee contributions comprised 31.0% of total contributions. Total payments totaled \$68.3 billion, increasing 9.5% from \$62.4 billion last quarter, with a year-to-year increase of 7.1% from \$63.8 billion in the second quarter of 2014.

3. IRS ANNOUNCES SPECIAL PER DIEM RATES FOR TRAVEL AWAY FROM HOME ON OR AFTER OCTOBER 1, 2015: EBIA.com writes that the Internal Revenue Service has announced the special per diem rates that can be used to substantiate the amount of business expenses incurred for travel away from home on or after October 1, 2015. Employers using these rates to set per diem allowances can treat the amount of certain categories of travel expenses as substantiated without requiring that employees prove the actual amount they spent. (Employees must still substantiate the time, place, and business purpose of their travel expenses.) The amount

deemed substantiated, however, will only be the lesser of the allowance actually paid or the applicable per diem rate for the same set of expenses. This notice announces rates for use under the optional high-low substantiation method, special rates for transportation industry employers, and the rate for taxpayers taking a deduction only for incidental expenses. General guidance issued in 2011 regarding the use of per diems remains in effect. For travel within the continental United States, the optional high-low method designates one per diem rate for all high-cost locations and another for all other locations. Employers can use the high-low method for substantiating lodging, meals, and incidental expenses, or for substantiating meal and incidental expenses only. Beginning October 1, 2015, the high-low per diem rates that can be used for lodging, meals, and incidental expenses will increase to \$275 for travel to high-cost locations and \$185 for travel to other locations. The high-low rates have increased to \$68 for travel to high-cost locations and \$57 for travel to other locations. Six locations have been added to the list of high-cost locations, eleven have been removed, and several that remain on the list are now considered high-cost for a different portion of the calendar year. While they cannot use the high-low method, self-employed persons and employees who are not reimbursed can use other per diem rates to compute the amount of their business expense deduction for business meals and incidental expenses (but not lodging), or for incidental expenses alone. The special rate for the incidental expenses deduction that applies beginning October 1, 2015 is unchanged at \$5 per day.

4. UNBELIEVABLE THINGS JOB CANDIDATES HAVE DONE:

When interviewing for a new job, tension can be high. Typical ways candidates show their nerves are through averted eye contact or fidgeting with jewelry. Careerbuilder surveyed close to 2,200 hiring managers, and created a list of the most bizarre behavior they have seen during job interviews:

- Someone brought 50 pens to the interview and spread them out on the table.
- A candidate brought a duffel bag with him and kept fidgeting and repositioning it. There was a dog inside the bag.
- "You can call me Tigger," a candidate said after offering his real name. "That is the nickname I gave myself."

- Asked about diversity, a candidate mentioned something about "off the boat."
- The husband of an employee was interviewing for a job at the same company. He asked if his wife was cheating on him.
- Would you ask how much money everyone else made? One person did.
- A candidate sat in a yoga pose throughout the interview.
- When asked a question, one person tried to Google the answer.
- A candidate asked if it was necessary to like children -- to work in a pediatrician's office.
- Having spit a wad of gum into his hand and not seeing a place to throw it away, this man returned the gum to his mouth and chewed it throughout the interview.

5. RETIREMENT PLAN LIMITS PROBABLY WILL NOT INCREASE FOR 2016: Tax law places limits on the dollar amount of contributions to retirement plans and IRAs. IRC Section 415 requires these limits to be adjusted annually for cost-of-living increases. IRS generally announces any CPI increase around the third week of October. Based on current CPI information, 401khelpcenter.com does not expect any increase in the 2016 contribution limits.

6. WOULD YOU DEFER RETIREMENT TO PAY FOR COLLEGE?: Nearly one-third of Americans would be willing to put off their retirements to help their children or grandchildren pay for college educations, according to LIMRA Secure Retirement Institute. College is so important, one third of consumers say they have reduced or would be willing to reduce the amount they are saving for retirement in order to help pay for their children's or grandchildren's college educations. The percentage of Americans who say they would be willing to do so decreases as people get older, with Millennials most likely to agree. Four in 10 consumers (with children or grandchildren) feel an obligation to foot the college bill, which has consequences in other areas of their lives where money is concerned. In addition to eroding retirement confidence, these loans are causing Americans to reduce their discretionary spending. The report also confirmed what previous research has found: those saving for retirement are also the most likely to save for purposes other than retirement.

7. FEDERAL ACTION COULD HELP STATE EFFORTS TO

EXPAND PRIVATE SECTOR COVERAGE: About half of private sector workers in the United States -- especially those who are low-income or employed by small firms -- lack coverage from a workplace retirement savings program primarily because they do not have access. According to GAO's analysis of 2012 Survey of Income and Program Participation data, about 45% of private sector U.S. workers participated in a workplace retirement savings program -- an estimate that is consistent with prior GAO work and other research. Using tax data to correct for under-reporting raised the share of workers participating to 54%, but still indicates many workers lack coverage. Among those not participating, the vast majority -- 84% lacked access because they either worked for employers that did not offer programs or were not eligible for the programs that were offered, for example, because they were new employees or in specific jobs that were excluded from the program. In particular, lower-income workers and those employed by smaller firms were much less likely to have access to programs. However, among those who had access, the majority of these workers participated. Key strategies to expand private sector coverage identified in the states and countries GAO reviewed include encouraging or requiring workplace access, automatic enrollment, financial incentives, and program simplification. For example, pending implementation, programs in two of the states GAO studied -- California and Illinois -- would require certain employers to automatically enroll workers in a state-run program, though workers could choose to opt-out. In the countries GAO studied, combining workplace access with automatic enrollment and financial incentives -- tax preferences or employer contributions -- has helped increase participation. Moreover, states and countries have tried to simplify program designs to (1) limit the responsibility and cost for employers and (2) reduce complexity, cost, and risk for workers. For example, some states intend to not only reduce burdens for employers by selecting and monitoring providers, but also reduce complexity for workers by limiting the number of investment options. State and national stakeholders reported potential challenges with uncertainty created by the Employee Retirement Income Security Act of 1974 and agency regulations that could delay or deter state efforts to expand coverage. Generally, ERISA preempts, or invalidates, any state law relating to "employee benefit plans" for private sector workers, but different areas of uncertainty arise based on the details of each state effort. For example, four of the six states GAO reviewed intend to

create payroll deduction individual retirement account programs that would not be considered employee benefit plans. However, due to uncertainty created by ERISA, it is unclear whether a state can offer such programs or whether some of the program features would lead a court to find that they are, or relate to, employee benefit plans. Stakeholders also noted uncertainty caused by regulations from the Departments of Labor and the Treasury meant to assist workers and employers. For example, DOL's regulation on payroll deduction IRAs was written before these state efforts were proposed and omits detail that, if included, could help reduce uncertainty. Given these uncertainties, states may face litigation and stakeholders noted that state programs could lose tax preferences if they were ruled preempted by ERISA.

8. R.I.P. DETERMINATION LETTER PROGRAM: Seyfarth Shaw discusses the end of the determination letter program, as we know it. With Announcement 2015-19, the Internal Revenue Service has effectively ended the determination letter program for individually designed qualified plans as of January 1, 2017 ([See C & C Newsletter for July 23, 2015, Item 1](#)). Individually designed plans can still obtain determination letters for the current cycle, ending January 31, 2016, for Cycle A, which begins February 1, 2016 and ends in January 2017. As a result, all individually designed plans should be able to receive at least a Pension Protection Act determination letter if they choose. However, except in the case of a plan's initial qualification or termination, the IRS will no longer issue determination letters to individually designed plans. Keep in mind that an amendment to a plan adopted now, or even adopted in the last few years that was not part of the plan's last determination letter filing, will not fall within the protection of a determination letter for a plan in cycles B, C and D. Accordingly, the five-year cycle program that plan sponsors and their advisors have come to know and love is over. IRS has stated that the program needed to end because it could not devote sufficient resources to reviewing the plans and was accordingly providing letters to plans without proper review. The IRS will continue to issue opinion letters and advisory letters to prototype and volume submitter plans. Hate to say I told you so.

9. DOES AGE-RELATED DECLINE IN ABILITY CORRESPOND WITH RETIREMENT AGE?: Center for Retirement Research at

Boston College writes that while declines in physical and mental performance are inevitable as workers age, they are not uniform across the various systems of the body -- some physical and cognitive abilities decline much earlier than others. The variance implies that workers in occupations that rely on skills that decline early may be unable to work until late ages, even as policy changes like increases in the Full Retirement Age encourage them to. Researchers often estimate models of early retirement that include a control for whether a worker in a blue-collar job, basically assuming that less physical white-collar work allows longer careers. But this assumption ignores the fact that even workers in white-collar occupations may find themselves relying on skills that have declined. A paper from CRRC, instead, reviews the literature on aging, and constructs a Susceptibility Index meant to reflect how susceptible an occupation is to declines in ability, regardless of whether the occupation relies on physical abilities (as blue-collar occupations do) or cognitive ones. Other findings are that:

- A variety of white-collar occupations, such as police detective and designer, are just as susceptible to declines in the abilities required for work as are blue-collar occupations.
- The Susceptibility Index is a significant predictor of early retirement; for example, workers in occupations in the 90th percentile of the Index are 5.7 percentage points more likely to retire by age 65 than workers in the 10th percentile.
- When controlling for the Susceptibility Index, the commonly used categorization of blue-or white-collar has no additional explanatory power in a model of early retirement.

The policy implications are that blue-collar occupations are especially susceptible to early ability declines, so workers in these occupations are less likely to be able to work to the full retirement age as it increases to 67. In addition, some workers in white-collar occupations may have similar difficulty responding to full retirement age increases, a possibility that has been largely ignored to date.

10. FIRE COMPANY CHARGED WITH AGE DISCRIMINATION: The U.S. Equal Employment Opportunity Commission alleges that the Glenwood Fire Company, along with several towns and villages in Long Island, New York, have discriminated against older firefighters from accruing credits toward a pension-like plan. Plansponsor.com

reports that the length of service award program (LOSAP), similar to a retirement pension, was created by the towns of North Hempstead and Oyster Bay and the villages of Old Brookville and Roslyn Harbor. The plan unlawfully prohibits volunteer firefighters from accruing service credits after they turn 55. EEOC argues that the Glenwood LOSAP violates the Age Discrimination in Employment Act, a federal law that protects workers ages 40 or older from age discrimination. EEOC filed suit after first attempting to reach a pre-litigation settlement through its conciliation process with the municipalities and the fire company. The suit seeks to fix the LOSAP, award all service credit earned regardless of age, and pay the affected firefighters or their beneficiaries all retroactive and future benefits earned. Other fire districts in New York have previously settled similar charges with the EEOC.

11. AMENDMENTS TO FLORIDA MUNICIPAL PENSION TRUST FUND DEFINED BENEFIT PLAN DOCUMENT: Amendments to the FMPTF Defined Benefit Document was approved by the FMPTF Board of Trustees, and is effective October 1, 2015. Links to the amended FMPTF Defined Benefit Plan document as well as the redlined revisions are: <http://goo.gl/AHcZLW> and <http://goo.gl/nUOhuU>

State law now requires each Chapter 175 (fire) or 185 (police), Florida Statutes, pension plan to include a “defined contribution plan component” (referred to as a “share” plan). Share plan operates to provide retirement benefits in addition to defined benefit pension benefits. Under state law, if the plan sponsor (city) and plan members’ representative (either union or plan members themselves) fail to mutually consent on the use of insurance premium tax revenues for retirement purposes, various funds could flow to the share plan under operation of law. The amendment provides for a share plan unless a different share plan has been created and is operational through an Adoption Agreement, in which case the provisions of the share plan under the Adoption Agreement prevail.

The next amendment clarifies that if a plan provides for a “Deferred Retirement Option Program” or DROP, employees in the DROP cannot self-direct the investment of DROP proceeds. Tax counsel has advised the IRS has raised concerns with employees self-directing the

investment of DROP proceeds, and recommended removing this provision from the plan. No FMPTF member has authorized employee self-directed investment of DROP proceeds.

12. HOW STATE PENSIONS SHORTCHANGE TEACHERS: Urban Institute has released “Negative Returns: How State Pensions Shortchange Teachers.” Teachers count on their pensions for a stable, secure retirement. They contribute to a plan during their time in the classroom, the state takes care of the investments, and the end result is a generous, guaranteed stream of income throughout their retirement years. Or, at least, that is the story most often told about pensions. What is left unsaid is that most teachers either will not qualify for a pension at all, or will qualify for one so meager that it will be worth less than their own contributions. Although the debate on public pensions concentrates on employees with 30 years of service, most public school teachers have much shorter careers. According to the latest national data, three in 10 new teachers leave within five years. Other teachers cross state lines to teach elsewhere in subsequent years, splitting their careers across multiple state pension plans. Those who leave subsidize benefits for teachers who stay in one state or school district for an entire career. State pension plans provide little retirement income security to most teachers with shorter tenures, even many who spend as long as 20 or 25 years teaching in one state. Virtually every plan requires participants to contribute toward the cost of their retirement benefits, and employees must work many years before their future benefits exceed the value of their required contributions. Those who leave before reaching that milestone do not receive any employer-financed retirement benefits, despite their often-lengthy careers. The brief calculates, for each state, how long teachers hired at age 25 must remain teaching in the same state to earn any employer-financed pension benefits from their state’s pension plan. The analysis identifies the break-even point in each state plan, the time when teachers could leave public employment with promised future pension payments worth more than their own contributions. The findings identify two problems that systematically disadvantage teachers:

- First, in the median state, teachers must serve at least 25 years to receive a pension worth more than their own contributions. Teachers with shorter careers get no school-financed retirement

benefit despite their many years of service. They may be better off taking back their own contributions when they quit rather than waiting to collect a pension.

- Second, the authors estimate that more than three-quarters of new teachers will earn less in pension benefits than they contributed to the plan. Instead of benefiting from their pension plans, most teachers are net contributors. Recent pension reforms, focused mainly on cutting costs, generally make this situation worse and force new teachers to work even longer before they benefit from their pension plans.

In Florida, for teachers hired on or after July 1, 2011, the break-even point is 24 years. The percentage of teachers who will break even is 15 and the percent of teachers who will not break even is 85. Is this a great country or what?

13. QUESTIONABLE BUSINESS PRACTICES AND THE FEDERAL RESPONSE: In a June 2014 report, GAO identified at least 38 companies that offered individuals lump-sum payments or “advances” in exchange for receiving part or all of their pension payment streams. The 38 companies used multistep pension advance processes that included various other parties. At least 21 of the 38 companies were affiliated with each other in ways that were not apparent to consumers. Some companies targeted financially vulnerable consumers with poor or bad credit nationwide. Parties Involved in the Multistep Pension Advance Processes That GAO Reviewed GAO undercover investigators received offers from 6 out of 19 pension advance companies. These offers did not compare favorably with other financial products or offerings, such as loans and lump-sum options through pension plans. For example, the effective interest rates on pension advances offered to GAO’s investigators typically ranged from approximately 27% to 46%, which were at times close to two to three times higher than the legal limits set by the related states on the interest rates assessed for various types of personal credit. GAO identified questionable elements of pension advance transactions, including lack of disclosure of some rates or fees, and certain unfavorable terms of agreements. GAO recommended that the Bureau of Consumer Financial Protection and Federal Trade Commission -- the two agencies with oversight responsibility over certain acts and practices that may harm consumers -- provide

consumer education about these products, and that CFPB take appropriate action regarding identified questionable practices. Since the time of GAO's review, CFPB has investigated pension advance companies that GAO referred to the agency and disseminated additional consumer-education materials on pension advances. Similarly, FTC posted consumer education on pension advances on its website, and FTC officials report that they have reviewed consumer complaints related to pension advances, pension advance advertising, and the pension advance industry overall. CFPB's and FTC's actions are a positive step toward strengthening federal oversight or enforcement of pension advance products.

14. FPPTA FALL TRUSTEES SCHOOL: The Florida Public Pension Trustees Association's Fall Trustee School will take place on October 4 through October 7, 2015 at the Naples Grande Beach Resort, Naples. A link on FPPTA's web site, www.fppta.org, will take you to the Naples Grande Beach Resort site to make your room reservations. You may access information and updates about the Conference at FPPTA's website. All police officer and firefighter plan participants, board of trustee members, plan sponsors and anyone interested in the administration and operation of Chapters 175 and 185 pension plans should take advantage of this conference.

15. ON SECOND THOUGHT...MAYBE THEY WERE WRONG?: Televisions will not last because people will get tired of staring at a plywood box every night. Darryl Zanuck, movie producer, 20th Century Fox, 1946.

16. TODAY IN HISTORY: In 1926, an oil field accident cost aviator Wiley Post his left eye, but he used the settlement money to buy his first aircraft.

17. 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.

18. 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>.

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

* * * * *

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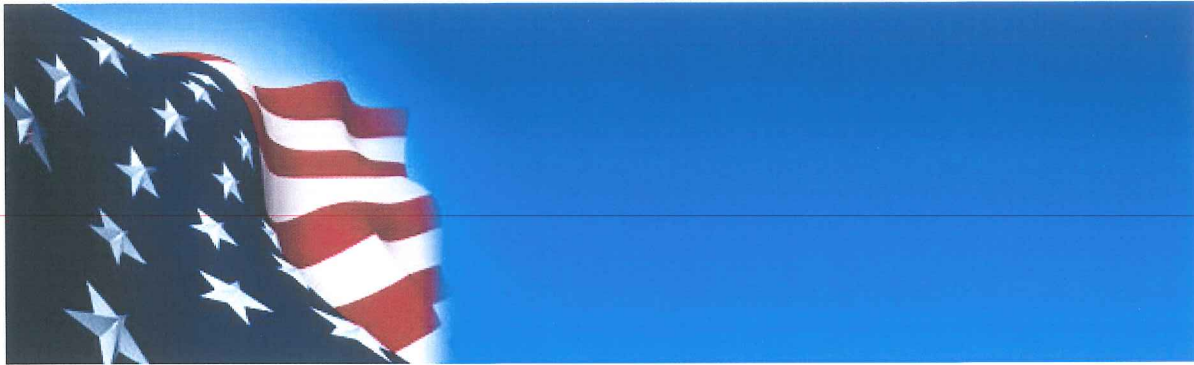
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CYPEN & CYPEN NEWSLETTER for OCTOBER 8, 2015

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Adam Levinson, Esq., Contributing Editor

Never Forget September 11, 2001

and

Always Remember May 2, 2011

1. IT'S SLEAZY, IT'S ILLEGAL, AND YET IT COULD BECOME THE FUTURE OF RETIREMENT: Those are the provocative words of Jeff Guo, a staff writer for StoryLine. Over 100 years ago in America -- before Social Security, before IRAs, corporate pensions and 401(k)s - - there was a ludicrously popular (and somewhat sleazy) retirement scheme called the tontine. At their peak, around the turn of the century, tontines represented nearly two-thirds of the American insurance market, holding about 7.5% of national wealth. It is estimated that by 1905, there were 9 million tontine policies active in a nation of only 18 million households. Tontines became so popular that historians credit them for single-handedly underwriting the ascendance of the American insurance industry. The downfall of the tontine was equally dramatic. Not long after 1900, a spectacular set of scandals wiped the tontine from the nation's consciousness. To this day, tontines remain outlawed, and their name is synonymous with

greed and corruption. Their memory lives on mostly in fiction, where they invariably propel some murderous plot. Tontines, you see, operate on a morbid principle: you buy into a tontine alongside many other investors. The entire group is paid at regular intervals. The key twist: as your fellow investors die, their share of the payout gets redistributed to the remaining survivors. In a tontine, the longer you live, the larger your profits -- but you are profiting precisely off other people's deaths. Even in their heyday, tontines were regarded as somewhat repugnant for this reason. Now, a growing chorus of economists and lawyers is wondering if the world was not too hasty in turning its back on tontines. These financial arrangements, they say, have aspects that make a lot of sense, despite their history of disrepute. Some academics even argue that with a few new upgrades, a modern tontine would be particularly suited to soothing the frustrations of 21st-century retirement. It could help people properly finance their final years of life, a time that is often wracked with terribly irrational choices. Tontines could even be a cheaper, less risky way for companies to resurrect the pension. Read the rest of this fascinating article at: <http://www.washingtonpost.com/news/wonkblog/wp/2015/09/28/this-sleazy-and-totally-illegal-savings-scheme-may-be-the-future-of-retirement/>.

2. DEATH BONDS APPARENTLY DID NOT COME ALIVE: When we came across the article on tontines (see Item 1 above), it sparked the memory in our mind about death bonds, being Wall Street's most macabre investment scheme...to date. So, we thought why not rerun the item, after all, it has been eight years!:

The cover story on a recent BusinessWeek deals with "Death Bonds" and profiting from mortality. Death Bond is shorthand for a gentler term the industry prefers: life settlement-backed security. Whatever the name, it is as macabre an investing concept as Wall Street has ever cooked up. Some 90 million Americans own life insurance, but many of them find the premiums too expensive; others would simply prefer to cash in early. "Life settlements" are arrangements that offer people the chance to sell their policies to investors, who keep paying the premiums until the sellers die and collect the payout. For the investors it is a ghoulish actuarial gamble: the quicker the death, the more profit is reaped. Most of the transactions are done by small local

firms called life settlement providers, which in the past have typically sold policies to hedge funds. Now, Wall Street sees huge profits in buying policies, throwing them into a pool, dividing the pool into bonds and selling the bonds to pension funds, college endowments and other professional investors. If the market develops as Wall Street expects, ordinary mutual funds will soon be able to get in on the action, too. But the investment banks are wading into murky waters. The life settlements industry increasingly finds itself in a grip of dubious characters devising audacious and in some cases illegal schemes to make money. Many are targeting elderly people with deceptive sales pitches, so many that the [Financial Industry Regulatory Authority, Inc.] has issued a warning about abusive practices. Others are promising investors unrealistic returns or misleading them about the risks. Some are doing both. Here is how a life insurance policy becomes a death bond:

The Seller. A person, typically 70 or older, who wants to cash out a life insurance policy hires a “life settlement” broker to find prospective buyers. Buyers keep paying the premiums until the Seller dies, and then they collect. The up-front payout to the Seller varies widely, from 20% of the death benefit to 40%.

The Broker. A person paid to link Buyers and Sellers, this player typically seeks three bids from specialty finance firms called life settlement providers, which are often financed by hedge funds and investment banks. Commissions, paid by the Seller, usually range from 5% to 6%.

The Provider. The life settlement provider resells the insurance policy to a hedge fund or investment bank, which warehouses it in order to build a big pool of policies.

The Investment Bank/Hedge Fund. After a bank or hedge fund collects a sufficient number of policies, typically 200, it turns them into asset-backed securities called death bonds to sell to investors. The pitch: Death bonds will produce steady returns (around 8%) and are not correlated with stocks, bonds, commodities or other investments. [Duh!]

The Investor. Hedge funds and other big investors are already

buying up death bonds in Europe and expect a big bond issue in the U.S. soon. Institutional investors are especially attracted to uncorrelated assets, which make their portfolios less volatile.

The Bond Rater. Big debt-rating agencies such as Moody's Investors Service and Fitch Ratings are soon expected to start issuing ratings on death bonds in the U.S., opening the market to other big investors including mutual funds. Moody's has already rated at least one death bond issue, although it subsequently pulled the rating when the provider was charged with fraud.

Now who said there are a lot of creeps on Wall Street? ([See C & C Newsletter for August 9, 2007, Item 5.](#))

3. PREPARING FOR RETIREMENT: AN AMERICAN CRISIS: American workers are facing a retirement crisis, and many do not even know it is coming, let alone how to prepare for it. The retirement landscape has changed so dramatically and so rapidly over the past 30 years that multiple generations are woefully underprepared for retirement according to [metrowestdailynews.com](#). Today's workforce simply does not have a firm understanding of their future financial needs during retirement and therefore cannot adequately prepare. A 2012 study by the Employee Benefit Research Institute found that only a third of retirees planned for retirement before age 40, and 30% of approaching retirees have less than \$1,000 in savings and investments. Even though the retirement crisis we face is drastic and severe, it is solvable through education. Unfortunately, the swift change in the American retirement landscape was not coupled with a robust public education campaign preparing employees to build retirement security with this alternate set of tools -- leaving generations of workers unprepared for their retirement futures. Generations of Americans who are already retired or are currently retiring relied heavily on pension plans and Social Security to secure their retirement futures. These generations merely dabbled in IRAs, 401(k) accounts and brokerage accounts to supplement their retirement nest eggs. Future retirees will not have that luxury. Instead, they will need to build nest eggs with a combination of self-directed investment vehicles, like traditional and Roth IRAs, 401(k) accounts, personal savings and brokerage accounts. In addition, those retirees will need to map out a retirement income stream that draws from, or

converts those investment vehicles into, retirement income. This is a huge responsibility. Compounding this problem is the fact that sources of retirement income have significantly shifted over the past 30 years. In 1985, over 90% of Fortune 1000 companies offered defined benefit pension plans to salaried workers. Today, that number has plummeted to just 11%. Conversely, in 1985, 10% of those companies offered only a defined contribution plan, like a 401(k), to salaried workers; today that figure is 70%. This is a seismic shift in the retirement landscape, and while each plan structure has advantages and disadvantages, what is beyond debate is the impact on retirement planning caused by this rapid shift from pension plans to 401(k) plans. These new retirement vehicles are truly maximized by investing early, making it critical that employees start using them early in their careers. Furthermore, employees should continue saving throughout their working lives in order to secure a stable retirement. Unfortunately, as a society we do not formally educate students in finance or investing unless their college major requires it. Financial education is not happening at home either, according to a recent study that found less than one-third of parents discuss finances, investments and retirement preparation with their children. Even for the third of the parents that have discussed finances with their children, the drastic change in the retirement landscape probably makes much of their advice obsolete or not applicable to the retirement future their children will face. We have a collective responsibility to inform the working public about the need for proper retirement planning. Not only is it in all of our own self-interest to be ready, it is also critical that each subsequent generation is ready for life after full-time work. Otherwise the burden will fall on all of us.

4. NYC HISPANIC GEN-XERS AND BOOMERS FINANCIALLY STRESSED: AARP survey shows that one-third of New York City's Hispanic Gen-Xers and Baby Boomers say they do not think they will ever be able to stop working for money, saying high debt, housing affordability and healthcare are hampering their ability to save. The survey also found that Hispanics will be a large part of a looming "Gen-Xodus," with a staggering 71% of Hispanic Gen-X voters saying they are at least somewhat likely to move out of New York in retirement along with 48% of Hispanic Baby Boomers -- that is, if they even have enough money to retire. In comparison 66% of the total population of Gen-Xers, and 56% of Boomers, say they may flee the

city. As Gen-Xers started turning 50 this year, AARP conducted its first city survey of the generation, High Anxiety: NYC Gen-X and Boomers Struggle with Stress, Savings and Security. AARP then created a supplemental report, High Anxiety: NYC Hispanic Gen-X and Boomers Struggle with Stress, Savings and Security, to take a deeper look at what is driving the financial stress of Hispanics in the city. The poll, split between Gen-Xers and Baby Boomers, found that while financial anxiety is high among Gen-Xers and Boomers of all races and ethnicities, Hispanics in those age cohorts are feeling financial insecurities more widely. Compared to the total Gen-X and Boomer voters in New York City, Hispanic voters are more likely to experience obstacles to saving, particularly due to health care needs (60% Hispanic vs. 46% total), family caregiving (50% vs. 36%) and paying debt (56% vs. 44%). Hispanics also report lower rates of retirement savings accounts (48% vs. 62%); and larger shares among them are extremely to very concerned about affordable housing (52% vs. 36%).

5. CAREGIVING EXPENSES CAN DO YOU IN: Advisors would be wise to factor in potential long-term caregiving responsibilities when crafting retirement plans for clients, according to insurancenewsnet.com. Financial bumps can arise if clients who are caregivers start plucking money out of savings and retirement accounts in order to help pay expenses of a loved one who is receiving care. Similar problems arise if caregivers cut back on work hours or quit work altogether to make more time available for care. Advisors of those clients are going to see funds in the affected savings and retirement accounts decrease, and that can derail previously established retirement plans. Caregivers who help provide financial assistance for the care of loved ones estimate that they pay, on average, about \$10,000 a year out of their own pockets to help support the care recipient. They are shelling out money for everything from household expenses, personal items and transportation services, to payment for informal caregivers and care facilities. Where do these caregiving souls find the money? A lot of the time, they tap their retirement accounts. For example, more than half -- 62% -- said they paid for care with their savings and retirement funds. In addition, 38% reported that they reduced their contributions to their savings and retirement programs. So, they are spending from their nest eggs as well as not adding to their accounts. This plan is not likely to have

been the one they set up with their advisor. Some said they cut back on personal spending, too, with 45% saying they have reduced their base quality of living. Some cut back on hours of employment as well. Three-fourths (77%) said they had missed work in order to provide care. Approximately one-third said they provide 30 or more hours of care per week, and half of those individuals estimated that they lost around one-third of their income. Over a period of three years, which is widely considered the caregiving period, that is potentially a full year's, worth of income lost in the course of a single long-term care event. Then there is the personal toll. For instance, some caregivers report having experienced problems with personal health and well-being (44%); negative feelings like depression (43%); family issues (35%); and extremely high stress levels (33%). What the study did not say, but is implicit, is that those personal developments have a financial cost, too, assuming the caregiver makes the time to obtain professional care.

6. "I LOVE MY JOB, BUT I AM LEAVING": Nearly one out of two employees who said they are very satisfied with their organizations and their jobs (45% and 42%, respectively) are also looking to leave, according to Mercer. The survey also found that 37% of all workers -- regardless of their satisfaction level -- are seriously considering leaving their organizations, up from 33% of the workforce who were considering leaving in 2011. The findings are more pronounced for various demographic groups within the workforce. For example, 63% of senior managers surveyed are seriously considering leaving their current roles, compared to 39% of management-level employees and 32% of non-management workers. Older workers who face an array of family and financial commitments, say they are less likely to be looking. Only 29% of workers ages 50–64 are seriously considering leaving at the present time. But it is a different story with younger generations of workers, particularly Millennials, who bring a "here and now" philosophy to their careers. As a group, they seem to value accelerated career paths and diversity (in the workplace and the work itself) over job security and tenure. The new survey reflects these trends, noting that 44% of workers age 18–34 are seriously considering leaving their organization, compared to 37% for the overall US workforce, despite the fact that they are generally more positive about many aspects of work.

7. FUNDED FACTOIDS: Connecticut has a pension shortage that is larger than forty-seven other states, even though it has the highest wealth *per capita* in the United States (\$64,864). Here are the top ten states, ranked by pension funded status:

| State | Pension obligations funded | Funded rank |
|------------------|----------------------------|-------------|
| • South Dakota | 100.0% | 1 |
| • Wisconsin | 99.9% | 2 |
| • Washington | 98.7% | 3 |
| • North Carolina | 96.0% | 4 |
| • Oregon | 95.9% | 5 |
| • Tennessee | 93.6% | 6 |
| • Idaho | 92.7% | 7 |
| • Delaware | 92.3% | 8 |
| • New York | 88.3% | 9 |
| • Florida | 86.6% | 10 |

8. 45TH ANNUAL POLICE OFFICERS' AND FIREFIGHTERS' PENSION TRUSTEES' CONFERENCE: The 45th Annual Police Officers' and Firefighters' Pension Trustees' Conference will be held on November 17-19, 2015. You may access information and updates about the Conference, including area maps, a copy of the program when completed and links to register at the Radisson in Celebration, Florida. Please continue to check the FRS website for updates regarding the program at www.myflorida.com/frs/mpf. All police officer and firefighter plan participants, board of trustee members, plan sponsors and anyone interested in the administration and operation of the Chapters 175 and 185 pension plans should take advantage of this unique, insightful and informative program.

9. ON SECOND THOUGHT...MAYBE THEY WERE WRONG?: There will never be a bigger plane built -- a Boing engineer, after the first flight of the 247, a twin engine plane that held ten people.

10. TODAY IN HISTORY: In 1958, U.S. performs nuclear test at Nevada Test Site.

11. 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.

12. 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>.

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

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