

**CITY OF FORT PIERCE RETIREMENT AND BENEFIT SYSTEM  
MINUTES OF MEETING HELD  
March 15, 2018**

Summarized Minutes of the regular meeting of the City of Fort Pierce Retirement and Benefit System March 15, 2018 2:00 p.m., in the 2<sup>nd</sup> Floor Conference Room at City Hall.

Present:

Keith Stephens, Vice -Chairperson	U.A. General Member
Johnna Morris	Director of Finance
Brian Avilla	Police Officer Member
Nina Penick	U.A. Board Appointee
Caleta Scott	General Member

Attorney Jim Walker	Attorney for the Retirement Board, Advisory
Christina Paz	Retirement Clerk

Guests:

Brad Armstrong	Gabriel Roeder Smith & Company
Carlton Fulwood	City Employee

Absent:

Commissioner Tom Perona, Chairperson	City Commission Member
Commissioner Reginald Sessions	City Commission Member

Recording:

Queen Thompkins	Executive Assistant to the Director of Finance
-----------------	--

**ITEM NO. 1 & 2 ~ ROLL CALL**

**Mr. Keith Stephens** called the meeting to order at 2:01 p.m., the first item on the agenda being the “*Roll Call*”.

**ITEM NO. 3 ~ COMMENTS FROM THE PUBLIC**

**Mr. Stephens**, the next item on the agenda was comments from the public.

**CITY OF FORT PIERCE RETIREMENT AND BENEFIT SYSTEM  
MINUTES OF MEETING HELD  
March 15, 2018**

**Mr. Carlton Fulwood** said he has enjoyed working and taking care of the City of Fort Pierce. He looks forward to his five remaining years in the DROP Program, leading to his retirement.

**A motion was made by Ms. Johnna Morris and seconded by Ms. Caleta Scott to approve the comments made by Mr. Carlton Fulwood.**

**All those in favor of the motion signified by saying aye. A poll was done of each Board member. There was no opposition and the motion was carried unanimously.**

**ITEM NO. 4 ~ APPROVAL OF SUMMARIZED MINUTES OF FEBRUARY 15, 2018**

**Mr. Stephens**, the next item was the approval of the summarized minutes of February 15, 2018, and asked if there was a motion to approve the minutes. **A motion was made by Ms. Nina Penick and seconded by Ms. Caleta Scott to approve the summarized minutes of February 15, 2018.**

**All those in favor of the motion signified by saying aye. A poll was done of each Board member. There was no opposition and the motion was carried unanimously.**

**ITEM NO. 5 ~ ATTORNEY'S REPORT**

**Attorney Jim Walker** said there was no legal news of interest to report and asked whether there were any questions or concerns. I would like to raise a matter set out in my written report of August 14, 2017, on that year's Annual NAPPA Educational Conference. If the Board members recall that the IRS used to offer periodic review of public plan eligibility for favorable tax treatment. The IRA ran those reviews in five year cycles. A plan, such as the local retirement system for Fort Pierce, could submit a request for an IRS Letter of Determination, confirming that the plan remains up to date in terms of intervening legislative requirements and IRS rulings. But as the Board was advised in the, the IRS no longer offers such determinations. It ended them pursuant to IRS Announcement 2015-19, effective 1/1/17. Now, pursuant to Revenue Procedure 2016-37, applications for determination letters are accepted only for initial plan qualification or plan termination. Instead, the IRS will publish annually a "requirement amendments list and operational compliance list". Plans may thus determine for themselves whether they remain in compliance, be matching their current plan document against the latest list of required amendments. I suggest, perhaps, that the Board might want to consider creating a new rule, providing for periodic plan review, whereby counsel would provide a report, in lieu of a formal letter of determination, on plan compliance. Although the matter was raised simply for heads-up purposes, I will be sending something for inclusion in next month's agenda packet on the subject.

**ITEM NO. 6 ~ PUBLIC HEARINGS ON BENEFIT APPLICATIONS**

**Mr. Stephens** opened up the public hearing for comments on the request for Retirement from Carlton D. Fulwood with 15 and 5 months of service with the City of Fort Pierce (DROP Program). He asked if there was anyone here who would like to publicly comment on this request. Seeing

**CITY OF FORT PIERCE RETIREMENT AND BENEFIT SYSTEM  
MINUTES OF MEETING HELD  
March 15, 2018**

none, Mr. Stephens closed the public hearing. Mr. Stephens opened up the matter for the Board. **A motion was made Ms. Johnna Morris and seconded by Ms. Caleta Scott to approve the request for retirement from Carlton Fulwood.** Mr. Stephens 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. A poll was done of each Board member. There was no opposition and the motion was carried unanimously.**

**Mr. Stephens** opened up the public hearing for comments on the request for Deferred Retirement from Norman L. Shaw with 12 and 5 months of service with the City of Fort Pierce. He asked if there was anyone here who would like to publicly comment on this request. Seeing none, Mr. Stephens closed the public hearing. Mr. Stephens opened up the matter for the Board. **A motion was made Ms. Caleta Scott and seconded by Ms. Johnna Morris to approve the request for deferred retirement from Norman L. Shaw.** Mr. Stephens 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. A poll was done of each Board member. There was no opposition and the motion was carried unanimously.**

**ITEM NO. 7 ~ OLD BUSINESS**

**a. SECOND READING OF BOARD RULE 17(d) UNDER CODE SEC. 13-33**

**Mr. Walker** said at the last meeting, the Board approved Board Rule 17(d). Rule 17(d) was implemented for the purpose of adopting actuarial recommendations of Brad Armstrong.

**Mr. Stephens** asked if that covered everything.

**Mr. Walker** said yes, absent any questions.

**Mr. Stephens** said since this is the second reading, did we vote at the beginning of this and then we had to read it twice, or we vote after the second reading?

**Mr. Walker** said the practice is that the Board votes twice; once at two consecutive meetings.

**Mr. Stephens** asked if there were any comments on the second reading of Board Rule 17(d) under Code Se. 13-33. There being none, he asked for a motion. **A motion was made Ms. Nina Penick and seconded by Ms. Johnna Morris to approve the second reading of Board Rule 17(d) under Code Sec. 13-33. All those in favor of the motion signified by saying aye. A poll was done of each Board member. There was no opposition and the motion was carried unanimously.**

**b. UPDATE ON THE CHANGING OF THE VESTING REQUIREMENT**

**Mr. Stephen** said he had hoped Comm. Perona had been here on the update on the changing of the vesting requirement. I know we all had a discussion on this when it was brought up and I

**CITY OF FORT PIERCE RETIREMENT AND BENEFIT SYSTEM  
MINUTES OF MEETING HELD  
March 15, 2018**

understand it was brought up at the Strategic Planning. Mr. Stephen asked Ms. Morris if she had anything to add to this.

**Ms. Morris** said at the last meeting Comm. Perona and the Board wanted to know a monetary value before he was going to poll Commission, which he did, and he is not here to give his assessment. He wanted to know the cost that would be associated with it. I did speak Brad and the cost is going to be roughly about \$2,000 and that's the beginning of where we would start at.

**Mr. Brad Armstrong** said that would be the valuation of your proposed change, which we would put in the format as if it was a back statement such that you wouldn't have to get something reformatted between the first and second reading, if it makes it that far.

**Mr. Stephens** said his understanding is we would pay you \$2,000, roughly; you would do an impact statement and we would see what the impact would be if we did implement it. I know there were some other discussions; should we look at different years.

**Ms. Morris** said that was one of the recommendations. I did not want to say I wanted Comm. Perona give his own assessments.

**Mr. Stephens** said he does watch all the meetings, so that's why I'm asking what the Board think. I'm asking anybody to please speak up.

**Ms. Morris** said at the direction of the Commission, they want to know what the cost was and one of the considerations was we do it at impact as to what it would be going back to the five and eight.

**Mr. Stephens** said the good thing is it's roughly \$2,000 for us if we act on this. We would vote on whether to do it and then we would find out the actual cost; then it would be presented.

**Mr. Armstrong** said you should have something in about a month.

**Mr. Stephens** asked the Board members if they had any more input on subject.

**Ms. Scott** said as an employee who is not vested, I've spoken to a number of employees who are vested and some who aren't and it's really important to consider the cost of losing employees when 10 years is a long way to go. I just want to keep making sure you don't forget about those of us who are not yet vested. There're other opportunities out there and people who have worked here and love the City such as myself don't want to leave. But, for people who are 25 and 26 years old who are starting their families; that's a big deal.

**Mr. Stephens** said he does understand that. I have been with FPUA for 15 years and I have never seen this many jobs listed at the same time; trying to fill them. Utility jobs just don't stay posted, so that tells you there's competition that we are dealing with against the private sector. The newer millennial want their payback now and they look at the dollar amount; they don't look at the

**CITY OF FORT PIERCE RETIREMENT AND BENEFIT SYSTEM**  
**MINUTES OF MEETING HELD**  
**March 15, 2018**

benefits. We do have great benefits. I don't think any of us would argue that, or we wouldn't be where we are now. Mr. Stephens asked Mr. Avilla if he was having problems in the Police Department.

**Mr. Avilla** said yes. Right now we have 12 openings as we speak. Our young cops are hunting every day. Some are chasing pay, but some would probably stick around if they knew they were going to be vested in the near future. We know we are going to have a huge retirement in the next 8 months. It's going to be the largest 18-month period probably from October of last year to March of next year. In that time frame we are going to lose more police officers and higher ranking officials than you can imagine.

**Mr. Stephens** asked what has the turnover been like.

**Mr. Avilla** said since I've been in recruiting, since March of 2006, we have hired 168 police officers in a timeframe; we have 124-man department. We've lost over 180; so we've lost more than we've brought in. Some years, I've brought in 20-21; some years I've brought in 5 or 10.

**Mr. Stephens** asked when did the vesting period get change.

**Ms. Morris** said it was 2012.

**Mr. Stephens** said I think we have the best retirement plan and we are very lucky. I think we are going to see a lot of growth in the City in the next five years.

**Mr. Avilla** said that's where you guys are lucky. That's not where we're lucky because on every law enforcement side across the State of Florida has the same multiplier that we have. So, we don't have that opportunity to present that to them and say look how good our pension is. We are competing at a total different avenue. For the civilian side it's a gold mine. For me, it's steady across the board. We have to have our guys to put in that extra percentage to get the better multiplier.

**Mr. Stephens** said I think we've all went back to our individual organizations, and we know where the leaders are and we know where the employees are and we will count on our leaders. We will find out what the numbers are and let's be honest, it goes back to numbers. Mr. Stephens asked if anyone had further comments.

**Mr. Walker** asked Mr. Armstrong if he had sufficient direction with respect to any proposed effective date for the amendment. Is that anything that requires discussion for your purpose?

**Mr. Stephens** asked if he wanted it to be fiscal if there was a change.

**Ms. Morris** said it would definitely be in October.

**CITY OF FORT PIERCE RETIREMENT AND BENEFIT SYSTEM  
MINUTES OF MEETING HELD  
March 15, 2018**

**Mr. Walker** asked if this would apply only to people coming into employment after the effective date or is it retroactive.

**Mr. Armstrong** said it would be retroactive.

**ITEM NO. 8 ~ NEW BUSINESS**

**a. ACTUARIAL REPORT OF FISCAL YEAR ENDING SEPTEMBER 30, 2017 –  
BRAD ARMSTRONG OF GRABIEL ROEDER SMITH & COMPANY**

**Mr. Armstrong** said the compliance has gotten to the point where there are a vast number of reports; there's reporting with the State; there's electronic filing with the State that are new this year, and there's GASB Statements No. 67 and 68 financial reporting reports. Today I will be talking about the most important that you get from the Actuary, which is the determination of the contribution rates. I'm only going to be covering a few pages. This is actually an extraordinary year in that its year-over-year, pretty stable. That doesn't happen very often. Last year they adopted FRS Mandated Mortality Table; a significant assumption change that increases the rate. Year-over-year things look pretty good. They actually looked like everything we set up operates well, because we are trying to stabilize contribution rates from one fiscal year to the next. If you would go to A-2, which is the Observed Experience; this may not match Weston's numbers for your investment consultant; we estimate you had a 10.59% return but we're only recognizing one quarter (1/4) of the investment experience above or below our assumed 7.75%. So, 2015 was kind of a bad year. When I say how extraordinary it was in terms of us meeting expectations, if you would look at the bar chart at the bottom of Page A-2, the second smallest bar is 2012; 2017 can hardly be seen. It's about 1/10 of 1.0% of liability. We met expectations on the whole very closely. The word "deviations", the pay, depending on the groups; Utilities Authority pay was pretty much as expected year-over-year. The Police Department had a little bit higher pays for full year employees than we assumed; about 1.0% and the general employees actually on an average had pay increase almost 1.5% above expectations. That's the first bullet broken out by generally, the Utilities Authority and the Police Department. The second bullet at the top of Page A-2; Lower than expected retiree mortality experience. Interestingly; probably interesting to an Actuary and a few academic people, but very view Board of Trustees, the head count was very close to what we expected. We expected about 13 people to be deceased in 2017. That's actually how many people stop receiving benefits, but the reason this is showing as unfavorable is because it's not only the head count but the benefits. If you had a young individual; you had a retiree with a life annuity who had a \$57,000 a year benefit and a couple of years in their early sixties, they pass away, that would be unexpected in terms of the size and magnitude of that single individual, whereas an 89 year old who may be a beneficiary of a long ago retiree and they have a \$5,000 a year benefit, they're far more likely to pass away. Nonetheless, the release of liability for future benefits is fairly small because we weren't expecting to have to pay them much longer.

**Mr. Stephens** asked there is an age they become omega, what is that number?

**CITY OF FORT PIERCE RETIREMENT AND BENEFIT SYSTEM  
MINUTES OF MEETING HELD  
March 15, 2018**

**Mr. Armstrong** said it depends on the mortality team. It used to be 115 but the newest mortality table is effectively 120.

**Mr. Stephens** asked how old the age of the person or they come off the books; meaning like you said, 89 years old. Is it really 115 years old?

**Ms. Morris** said yes.

**Mr. Armstrong** said the chances are tiny. You get to the point where there is a 50% chance that they are going to die in the next year and a 50%-50% chance; you multiply those together and there's like an 87% chance they are going to die in the next few years. In some respects, so that we can stop calculating, we could calculate that there's a probability we'll owe somebody a penny a hundred years from today, but you discount that back and it's immaterial. Specifically, in the case of retirement benefit system last fiscal year; although 13 people died and we expect people to conform to our assumptions, they only took \$150,000 in benefits. Let's say annual benefits were \$150,000, whereas the demographic age of benefit characteristics, we would expect a \$250,000, so essentially there's a \$100,000 still in a pay status. That's what generates a lost because there's \$100,000 still pay status. As far as head counts go, over time that will average out because if there are 13 people that pass away every year, sooner or later there are going to be people with higher benefits. The third bullet, the 10-year average payroll growths were less than the 4.0% assumed, it really only affected the Utilities Authority. In order to comply with the Florida Statutes, the development of the rate for determining organization payment for unfunded actual accrued liabilities is based on a 10-year average. The 10-year average was 1.1% last year and 2% this year. That's not intended to be representative of where we are projecting a total payroll for Utilities Authority's goal, but think in term of if something is growing at 1%, a rate applied to that is going to give you more dollars in each subsequent year because it will give you 1.1% more dollars for the same rate. If you push it down to .2% effectively at 0%, that same payroll stream, as far as the technical application of Florida Statutes is going to give you a little bit fewer dollars. Therefore, you have to increase the rate a little bit so that you pay off the unfunded liability, because the unfunded liability is a dollar amount; it's not a rate. On Page A-3, you have the percent-of-payroll and the upper chart is this report. So, if you adopt this report in effect, these rates will become an invoice to the employers as far as what the employers would have to put in; 16.99% for General, 18.1% for Utilities Authority, and 12% for Police. If you look year-over-year, the rate for General; if you look down to the bottom chart; 17.35% last year, compared to illustrative \$1.6 million this year, the rates are a little bit lower; the illustrative dollars is about the same; it's slightly lower. The payroll growth was just 1.45 for the total in general. Utilities Authority had, likewise, minus payroll growth, but their rate went up so the illustrative dollars wen up a little bit from \$2.439 million to \$2.5 million. For Police, the rate is about the same and yet the illustrative dollars went up substantially. Earlier I said year-over-year on an average the police officers had higher pay increases and expected it; specifically they had about 7.2% higher pay. As far as total payroll, it was up 12.5%. If the total payroll goes up 12.5% and the rates stays the same, illustrative dollar figures goes up 12.5% and that accounts for everything. That takes you from \$800,000 to \$900,000; just payroll growth. The fringe benefit cost didn't really change, just has more payroll. The head count for non-DROP active members; briefly, if you go to Page C-13 for Police, the

**CITY OF FORT PIERCE RETIREMENT AND BENEFIT SYSTEM  
MINUTES OF MEETING HELD  
March 15, 2018**

active non-DROP members this year are 110 verses last year, 100. The head count is 10% bigger. If you go back to Page B-4, B-4 is the asset valuation; remember I said you had you had a double digit of market value return but we didn't recognize all that, this is the development of funding value of retirement. What's important is F-5 under 2017; we recognize a gain of \$500,000. It's certainly a slight positive but was offset by a few other things like the retiree benefits being greater than we expected a year ago. The year 2018 is the opposite based on what we know right now; ignoring first quarter of your fiscal year. The first quarter of your fiscal year undoubtedly was pretty good. You are off to a good start, but possibly the best piece of advice I could give you is you don't rely on your actuary for investment advice. But, 2018, there's a little bit of ahead win; hopefully we'll add a gain that will more or less offset that. Now, 2019 will have fully recognized the short fall relative to our expected experience in 2015. That gets completely recognized next year. So, 2019 and 2020 are both significantly positive deferred gains. You can consider that a rainy day fund if you wanted to. It puts you in a good position for contribution rates stability or even a bias towards contributions declining a little bit, as long as you are relatively close on investment return to 7.75% over that period. Finally, on Page B-6; I know this Board is always interested in the funded ratios and how you compare; this compares you to yourself year-over-year. The funded ratio for General numbers list stable but these are all quite high. Utilities Authority is up almost 1%; 86.7% this year versus 85.5% last year. The Police is roughly the same; at 95%. As far as compared to your peers. National Conference for Public Employee Retirement Systems is a national public sector organization and in their most recent survey for 2017 showing directly comparable figure, the average across the country is 72.9%. So, 72.9% is considerably below all three of the groups for the Retirement Benefit System. Even though based on expectations, you start out by saying everything is kind of status quo, looks like everything is close to what we expected. The objective is still 100%. Nothing we do should lead us to be satisfied sitting at 86%. That is it for this year with no surprises.

**Mr. Stephens** asked if there were any recommendations.

**Mr. Armstrong** said he has no recommendations.

**Ms. Penick** had a question for Mr. Armstrong. I was confused with this in the past and I have to ask; we do the actuarial assumptions; say that we are assuming a 7.75% annual investment rated return; that's what I have stuck in my brain. The GASB 67-68 report says 8%.

**Mr. Armstrong** said it's because the schedule is for prior fiscal years. The 2017 employer rates that were determined for fiscal year 2017 were determined as of the valuation in 2015.

**Mr. Stephens** asked if there were any comments on the Actuarial Report of Fiscal Year Ending September 30, 2017. There being none, he asked for a motion. **A motion was made Ms. Nina Penick and seconded by Ms. Johnna Morris to approve the Actuarial Report. All those in favor of the motion signified by saying aye. A poll was done of each Board member. There was no opposition and the motion was carried unanimously.**

**ITEM NO. 9 ~ CONSENT AGENDA**

**CITY OF FORT PIERCE RETIREMENT AND BENEFIT SYSTEM  
MINUTES OF MEETING HELD  
March 15, 2018**

**Mr. Stephens** said the next item is the Consent Agenda. **A motion was made by Ms. Morris and seconded by Ms. Scott to approve the refund of member contributions.**

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

**ITEM NO. 10 ~ CONSIDERATION OF ABSENCES**

**Mr. Stephens** acknowledged the excused of Comm. Tom Perona. **A motion was made by Ms. Morris and seconded by Ms. Scott to approve the excused absence of Comm. Perona.**

**Mr. Stephens** asked if Comm. Sessions had called to say he wasn't going to be at the Board meeting. It was said that he did not call.

**ITEM NO. 10 ~ BOARD MEMBER COMMENTS**

**Ms. Penick** said she will not be at the May 17<sup>th</sup> Retirement Board Meeting.

**Mr. Avilla** said he will not be at the April 19<sup>th</sup> Retirement Board Meeting.

**Ms. Morris** said just to give an update on our Milliman Program for our retirees, we are very close. We are now testing the system and once it's up and running before we deploy it out, we will give the Board a preview of what it is. I think it's going to make our retired employees very happy.

**ITEM NO. 12 ~ ADJOURNMENT**

The next item was next month's meeting. The next meeting is scheduled for April 19, 2018 at 2:00 p.m.

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

The meeting was adjourned the meeting at 2:44 p.m.

ATTEST:

  
  

---

---

**CITY OF FORT PIERCE RETIREMENT AND BENEFIT SYSTEM  
MINUTES OF MEETING HELD  
March 15, 2018**

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.