

**CITY OF FORT PIERCE RETIREMENT AND BENEFIT SYSTEM
MINUTES OF MEETING HELD
MARCH 17, 2022**

Summarized Minutes of the regular meeting of the City of Fort Pierce Retirement and Benefit System March 17, 2022, 2:01p.m., in the Commission Chambers at City Hall

Present:

Brian Avilla	Vice-Chairperson
Comm. Tom Perona	City Commission Member
Comm. Arnold Gaines	City Commission Member
Keith Stephens	U.A. General Member
Barbara Mika	U.A. Board Appointed Member
Wendy Rydzewski	City of Fort Pierce General Member
Johnna Morris	Secretary/Treasurer

Attorney Jim Walker	Attorney for the Retirement Board, Advisory
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Guest:

Brad Armstrong	GRS Consulting
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Members Absent:

Attorney Jim Walker	Attorney for the Retirement Board, Advisory
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Recording:

Teresa Miller	Executive Assistant to Director of Finance
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ITEM NO. 1 & 2~ ROLL CALL

Mr. Avilla called the meeting to order at 2:02 pm, the first item on the agenda being the “Roll Call”.

ITEM NO. 3 ~ COMMENTS FROM THE PUBLIC

Mr. Avilla said the next item on the agenda was comments from the public. Anyone from the public wishing to speak please come up to the microphone and the podium up front. You have four minutes to speak. Just please state your name for the record.

Frank Amandro, retired City of Fort Pierce police officer retired back in 2019 after 25 years of service. I can tell you it's a great retirement system. Everyone thank you for the work on our retirement system. It is truly a great system. Check

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comes in every month right on schedule. The reason why I am here today this evening. It seems The Retirement Board made a change to the retirement system not too long ago that really benefits the upper echelon people on our retirement system. We have to start thinking about what we have done for our retirees that retired in the 80s or 90s or 2000s. I am not talking about Police Department because the Police Department retires pretty well. But I am talking also about our sanitation people that retired back in the 80s and 90s. They are living off virtually nothing, they're making \$800.00 to \$1000 month off our retirement system. I have been with the city since 1994 and I cannot recall a time when the Retirement Board has paid out a COLA to any of our retirees. Again, I am not here asking for a COLA for myself, because I recently retired, and I do not need that. But I know that our retirees across the city, not just the Police Department, are in need, in desperate need of some kind adjustment. I know that there is a way that we can do it. I sit on the 185 Retirement Board. I have seen plans from other cities where they do a thirteenth check or a COLA. They do something known as a hybrid for those that have retired in the 80s or 90s, where you put some kind of time limit on it, so they are taken care of. They have actually paved the way for us, and we have sort of forgotten about them. I think it is everyone's duty and responsibility to remember those that have retired way back when they were making \$1,000 a month on their retirement system. We get caught up in our lives and what not but if you are going to make an adjustment for those on the upper echelon that make more money than the average line personnel do, we have to be able to take care of them as well. That is all I am asking for is really take a strong look in your hearts to really take care of those individuals that retired so long ago. They paved the way for us. Let us not forget about them. I keep tabs on the retirement system. We have one of the strongest retirement systems in the state. We are always in the upper 10% and like I said, I know that some retirement systems that are not as funded as well as we are that do those things, whether it's a 13th check or whatever, but we have to do something. If you can do it for the upper let us, remember, our sanitation people, our public works people, our code enforcement officers, our animal safety officers, something must be done. So again, I just asked for us to take a strong look at that. You know, they paved our way, and we have to remember them so thank you for your time and consideration.

Mr. Avilla said thank you so much. Is there anyone else from the public? Wishing to come up and speak? Please come up to the podium state your name and you will have four minutes once you begin speaking.

Eddie Reed said Frank was talking about me. I am retired and I started with the Police Department in 1972 and retired in 1998. And when I retired in 1998 all the things that Frank said it was great. Here I am retiring at this age and the retirement was good. But I look at the rate of inflation now you know, they say conservatively 3% a year and I have been retired now since 1998, which is 24 years, so you figure now I am making actually 72% less than what I was when I

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retired. So, all I can do now is thank social security is kind of supplementing it. Granted, it is our fault because we lived so long. Just like Frank was saying even if they said you do not get COLA till after 10 years. I mean that would only be like 30%, that would be something. Like Frank said we have not had a retirement increase since I retired. Twenty-four years which is a long time, to maintain the same as you look at the rate of inflation as it is today. I am just asking if there is something you can do. I am sure there is a lot of people in the City of Fort Pierce that would appreciate it may be even you someday. You know what I mean? Thank you.

Mr. Avilla said thank you, sir. Okay, is there anyone else from the public wishing to speak today? If you are please come on up to the podium. State your name for the record, and you will have four minutes to begin speaking.

Greg Kirk said hi, my name is Greg Kirk. I retired from the Fort Pierce police department after 33 years of service in 2014. I was not prepared to speak but I will just go off the cuff then. Ultimately, friends like my buddy Eddie Reed have been retired for many, many years. He has yet to receive an increase in his retirement which obviously is well below the level of poverty almost in order for somebody to survive off of it. I just would like to encourage the community to consider the possibility of a COLA so that people can survive off of their retirement. You know, we sacrifice and serve with honor and integrity and with the goal obviously, to retire and try to live our golden years with some comfort. I just encourage you to move forward with that. Thank you.

Mr. Avilla said thank you so much. Okay, is there anyone else in the public wishing to speak today? Going once, nobody? Okay.

ITEM NO. 4 ~ CONSIDERATION OF MINUTES

Mr. Avilla said we will move on. Consideration of minutes from the last meeting for approval. **A motion was made by Johnna Morris and seconded by Comm. Gaines. 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

Mr. Avilla said we will move on to report from the Board Attorney. I do not see Mr. Walker at this time. So maybe he will sneak in before the conclusion of the meeting.

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ITEM NO.6 ~ PUBLIC HEARING ON BENEFITS APPLICATIONS

None.

ITEM NO. 7 ~ OLD BUSINESS

None.

**ITEM NO. 8 ~ NEW BUSINESS – Actuarial Report of Fiscal Year
Ending September 30, 2021 – Brad Armstrong of Gabriel Roeder Smith &
Company**

Mr. Avilla said we will move on our new business. We have a Brad Armstrong here from Gabriel Roeder Smith & Company for a fiscal year report. Brad, welcome sir.

Mr. Armstrong said thank you very much.

Mr. Avilla said if I may interrupt really quick if you would, please just introduce yourself. We have a bunch of new members here. If you could just let them know what you do for us that would be great.

Mr. Armstrong said Well first of all, my name is Brad Armstrong. The company I work for Gabriel Reuter Smith & Company has an office in Fort Lauderdale, but I am in fact from our office in southeastern Michigan. The actuary is the person that determines a premium when you pay for your car insurance or homeowners' insurance, renters' insurance, or life insurance. When you pay a premium for any of those types of policies an actuary, somebody with my background is the person behind the scenes who calculated the amount that you owe based on all sorts of statistics. If it is car insurance, it is the probability what kind of car you drive, what it cost to fix it, how far you drive to work on a daily basis. There are two probabilities, the probability to get into an accident. If you get into the accident, what is the distribution of the severity of the accident? Think in terms of life insurance, life insurance transactions, typically the individuals paying monthly payments to an insurance company and then upon death, the face value of the policy is paid. It is just monthly transactions in a standard policy and in the case of an annuity that the retirement benefits system provides to your retirees and beneficiaries is a monthly transaction. It is not your members who are making the monthly payments and while they are retired, they make the member contributions while they are active. But once they retire, the transaction is basically the same math, the probability that the person survives. If they do, we owe them a monthly benefit and you iterate and there is something at the end of mortality tables called omega. That is basically saying, we are assuming nobody is going to live beyond 115 or 120.

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Even though if somebody is 120 or 121. Obviously, it is kind of like a weather prediction of the high today was expected to be 82 degrees and it is 85 outdoors; you would have to adjust your expectations. But with respect to say, the calculations that the actuary performs. We look at somebody during their career, what is the probability that they might withdraw, refund their benefits, defer their benefits if they are vested, become disabled or die in an act of service or ultimately retire and project salaries. We put them in the pay status and then basically, we are looking at each month throughout the remainder of their lifetime, and what the transactions might be that this retirement system becomes responsible for. And then when we reach that omega age of, let us say, 120, then we stop and we sum everything up, and that produces the liabilities. So, most of your advisors are giving you advice on money. Arguably most parents would say you know, if you have a choice, you want to be on the money side, you know, that is the better side. For all of your money managers, your investment consultant, the actuary as a sole personal or entity responsible for your liability. Your balance sheet, you focus a lot on the assets and those are the most interesting and probably the most understandable for most people. The actuary has a tremendous amount of responsibility because 100% of your liabilities are our responsibility. This report that I will be presenting today is to determine the funding requirement to the City of Fort Pierce for the police officers their general place and their Utilities Authority and to look at the funded status and the actual position as of September 30, 2021, compared to September 30, 2020. To give you at least a broad overview of an explanation as to how it was, we got from 2020 to 2021. We also provide information for Governmental Accounting Standards Board reporting under statements 67 and 68 for the Retirement and Benefits System. We are also engaged by the city of Fort Pierce to provide GASB 74 and 75 information on other post-employment benefits for the police officers and the general employees. Finally, we work with the finance department when somebody leaves and there is a benefit determination the city has software that we provided that allows them to perform preliminary calculations and they submit that information to us and we review the information. This is our big opportunity to test whether we know what the heck is going on. A 25-year-old police officer is just a theory, we do not know how long they are going to work, how many times they could be promoted and what ultimately, the benefit would be they go into pay status ultimately when might they pass away or if they left a beneficiary when might that person pass away. All of that is speculation but this is our big moment. We get to see whether all this theory and our wonderful programs are worth anything. We're able to review the pay history and we can compare what has been submitted on a regular basis to us annually and say, okay, this looks like the right person, same date of birth this is consistent. There is a collaboration and consistency of approach and application so that we calculate the benefits and the optional forms of payments so that when a member files an application for commencement of their benefits they will have something that has been checked by no less than four people. Somebody at the city and by three people at Gabriel, Roeder Smith & Company so it's gives everyone

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hopefully a little bit of confidence, using that same word again, consistency, I mean that not only is it fair and equitable, but it is consistent. There are nuances to everything you know and mounting rules if somebody works 25 years and eight days, what does that mean? Do they get credit for eight days or do you truncate it? Let us just say that is 25 years and one month, if and only if they have 15 or more days in that month. All of those rules are applied consistently and fairly to all the members that come through the retirement office and file for benefits. It really is, for us the best opportunity to understand whether or not all these assumptions we have been making throughout the person's career, whether it still make sense. Periodically, we do adjust assumptions. There is a fair number of new trustees I believe since the last time I was here to going over everything. It is highly important for us to be able to communicate to you enough so you can make informed decisions on the basis of the information we provide. Hopefully everybody has a copy of the 2021 report for the Retirement Benefit System. I am going to spend my time in Section A, which is essentially, an executive summary. The funding objective specifically, is to not defer costs. We are paying the cost for the current year on a kind of service rendered by the act of participants, that is called the normal costs. If we contribute the normal cost, and our assumptions are reasonable, if we contribute the normal costs during somebody's career for 25 straight years, for that particular individual they will bring no unfunded liability when their service to the citizens of this community is over. The payments that fund their retirement benefit will all be available and pooled with the other investments in the Retirement Benefit System. So, you might well ask where unfunded liabilities come from if we always pay the normal costs and we still have unfunded liabilities, what happens? Well, near financial collapse happens, a war in Ukraine happens and so the position of your assets changes and can change in ways that create unfunded liabilities. The assumptions can change, and that can create on unfunded liabilities. Lastly, benefit provisions can change. In this report you are going to see a benefit provision change and an assumption change both of us created a small amount of additional unfunded liabilities. Nonetheless, the process is to consistently pay, it is my favorite word today. I will try to stop at saying that three times. We pay the normal cost throughout their career, so we are not deliberately defying any costs on the part of that individual to the extent that there is an unfunded liability. We amortize that in a manner which it will be paid off and all of the existing unfunded liabilities are being amortized over close basis. So, all of them will be paid off. On the schedules, depending on when they were created. So, the annual valuation measures the relationship between the retirement benefits system obligations, liabilities, which is what the actuary calculates the assets and determines contribution rates for the ensuing year for the three groups that are covered by the system. The funding progress indicators for the last 12 months ended September 30, 2021, was quite a wonderful outcome for assets. And yet the funded ratio was 90% as of 2020, and 90% again, as of 2021. We have moved to a more conservative assumption for future investment returns. That slowed, what otherwise would have been finally progress as well as the change in

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benefit provisions that impacted the maximum benefit for members hired before October 1, 2012. The market value basis the funded ratio improved substantially from 90 to 96%. I am going to wait to talk about why market value is not used essentially. It is a method that most actuaries and retirement systems use to moderate employer contribution rate changes. In terms of the markets, let us think about February 20, 2020. If you were using market value of assets, and February 28, 2020, was a measurement date. Everything probably would have been pretty good for you financially. And then when the pandemic became apparent around March 15th the markets declined precipitously for at least six weeks and then M & A's got hammered. If you had the misfortune, I believe it would have included March 31 and April 30th. So, fiscal year end 2020, well that was your moment in time where you had to value your assets. Then you would have told your local employer well, we just we just lost 20% of our assets. Even if we amortize that over 20 years, let us say and then with no interest, your contribution requirement would immediately go up by one million dollars. From a budgetary point of view, there is not that kind of elasticity, and then it can go down a million dollars. It can't easily go up a million dollars in a single period. You can think of it as a budgeting tool. We look at the last four years over which we measure performance, so that we can cut off some of the peaks and valleys and keep that outside of the budgeting process. So, you do not have a budget crisis one year and potentially a budget surplus the following year. It's worth noting, however, 20 years ago, employers were actually allowed to make contributions less than normal cost. In fact, some, as they call them contribution holidays, that is no longer allowed in our Florida Statutes. At least, we do not have to worry about the city not contributing or the Utilities Authority as well not contributing anything. The minimum contribution requirement is to contribute the normal cost and the administrative expenses. So that is whether you like more of the legislation in Tallahassee, and I think that was a really good piece of legislation when they pass that. Now moving on to page A2 we have kind of alluded to the fact that there were some benefit changes. From my point of view that specific to September 30, 2021, fiscal year ends, but the calendar year 2021 was kind of a once in a generation opportunity. What I mean by that is, if you want to make your investment return assumption a little more conservative if you do not have any offsetting gains any reduction, in the return is going to be a direct increase to the employer. This valuation presented itself and to put things in context NASRA the National Association of State Retirement Administrators do a lot of surveys, and they cover the largest systems in the United States, mostly statewide systems but also the county systems in California. They are as big as a lot of state systems, but FRS is included. Everybody has been moving the rate of return assumption down the last few years and a year ago, we were assuming 7-1/2 %. That was basically at the upper edge of what we believe is reasonable. This was an opportunity to move away from that upper edge a little bit. But going back to FRS and NASRA and all their surveys, they just announced this week in fact, that the median rate of return assumption for the live systems in United States is below 7% now. It is our opinion that being

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closer to seven is as a really good idea, given the opportunity with the financial performance that you achieved in fiscal year 2021. You can interrupt and ask questions along the way if you want. Benefit changes, we have talked about a couple of times; they are verbally expressed on page A2. The ordinance has removed the \$100,000 maximum pension payment for members hired before October 1, 2012. This actually is a reversal of a change that happened 8 to 10 years ago. It is not as new a benefit for them, changes that may appear it is just a reversal for those individuals. It probably was around a while because what often happens is you and I am not an attorney, so don't take anything I say as legal advice. When you apply to work under the Retirement Benefit System it part of your employment contract. If the benefit provisions are changed, after your hire date and in this case, it was a reduction. That was to some extent, a change in the employment contract for the individuals that were affected by the cap. However, somebody hired after that date they knew the benefit provisions under the system. They were clearly stipulated, you know, when they first became applied. It was not considered the same and I do not make those decisions. I am not sure, Comm. Perona may have opinion. Most of the decisions are made by the Commissioners, if not 100%.

Comm. Perona said I looked at it again before coming in today, I think it was 21067. In fact, the second reading was in January of this year. The whole thought process was that in around that 2012. You know, with the financial condition of the City of Fort Pierce as much of America, we all looked at pension reform as one of the ways to save money. We changed vesting periods and anything that we saw that we could throw out make a little bit of headway, we did that. In doing so, we ended up undoing some of the commitments that we made prior to the employment so somebody that was employed before 2012 had the option to be able to go over that \$100,000 mark. We took that away from them and found out that the impact to bottom line was, I do not want to say it was insignificant because Mr. Armstrong throws a lot of commas in numbers that have no significance, but it was in the grand scheme of things. Probably the fair way to put up with it so I think commission had a real bit of a difficulty, I think understanding exactly what we were doing but at the end of the day, they did understand and knew that it was the fair and appropriate way to do that.

Mr. Armstrong said thank you. The assumption change increased the employer contributions in the aggregate for all three groups covered by the Retirement Benefit System by \$640,000. The benefit changes increased the contribution requirement by \$221,000 I commend the city in particular for the statutes and the guidelines issued by the Division of Retirement. The employer can, even though the change I brought it with me too; the change was made after the start of this fiscal year. Not only once the ordinance was finalized the city of Fort Pierce began making contributions immediately, but they actually are retro actively making contributions back. to it. The Utilities Authority is functioning in the same way. So

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that is very commendable. That is my new favorite word, commend. If we go to page A3 now our observed experience based on this is not intended to match your investment consultants' numbers for performance. We do a relatively simplistic calculation, but our calculation resulted in a market value return of 18.87%. We are comparing to 7-1/2% one last time because in fact, that year that was our assumption 7-1/2 it is only becomes 7-1/4 if the Board adopts this report from October 1, 2021, forward and then this averaging over the last four years but the recognize return down to 10.15. Quite a considerable gain, nonetheless. The bullets that you see there is a 5% average pay increase across all the divisions was 5.1 expected. It is kind of a stretch that it is favorable. I mean, those are awfully close, but since your benefits and therefore your future liabilities, actives are based on projected levels of pay at retirement. If somebody gets higher pay increases, then we assume liabilities ultimately are projected to be higher or vice versa if the salary increases are lower. Our liabilities are a little bit lower than we would have expected. That is why that is favorable, less than expected retiree mortality experience. That is unfavorable in terms of it retains liabilities for retirees for as we live longer.

Mr. Stephens said they live.

Mr. Armstrong said what is that?

Mr. Stephens asked they live longer?

Mr. Armstrong said yes, they live longer. It is favorable and was favorable for the retirees for sure. If everybody became immortal that would harm the final ratio of the Retirement Benefit System. It is somewhat ironic because I, I really, truly struggled with the D word, kids may know this. I say, stepping aside as an alternate.

Mr. Stephens said I don't have a problem with it.

Mr. Armstrong said this third one is quite a curiosity. This dates all the way back to Charles Slavin the state actuary, in the 80s and 90s. He has not been around for probably 20 years now, but this was one of his legacy changes. When you contribute on a rate basis and you are expecting payroll to grow, and we are assuming your payroll is going to go 4%. But what was happening in the first 10 years of the century, wages were not increasing. If you are trying to pay down existing unfunded liability, with real dollars you need to fund and so if the rate that you are using assumes that payroll is going to increase and payroll does not increase, then you will not get the appropriate level of funding. Basically, it is kind of like sending your mortgage company 90% of your monthly mortgage payment and hoping they will not notice. It cascades and all sorts of problems, if you are not paying it down on a consistent basis. The state requires you look at the last 10

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years, if you have not achieved this assumption, if the real world for the last 10 years hasn't matched that assumption, then you are going to have to put in additional funding to make to make sure that you do not end up with a shortfall.

Mr. Stephens said and for the new people I just wanted to add this is a discussion we had several years ago when we were given zero raises and when we were given 2% and you can see it's 4%. Well, when we did start, we were given 2% it just kept compounding and that is the reason we are at 30, whatever it is million was part of the reason.

Mr. Armstrong said your Police group and Utilities Authority both had decreases both in participation of active members and total payroll year over year, just that last year from 20.

Mr. Stephens said we were not filling vacant positions for I do not know how many years it was , Barbara it was three or four right? We had to justify that. We brought that up I think that was several years ago. We talked about that Brad one year.

Mr. Armstrong said this resulted in a \$5 million gain. The chart that you see on the bottom half of A3 has gains and losses. You expect there to be gains and losses on both sides. We are pretty well unbalanced and over the last eight or nine years. We waited very nicely you know, towards gains. Nobody knows what the future holds. We have not recognized all the investment gains yet. Not only will those help mitigate shortfalls or losses in the next couple of years with regard to contribution requirements. It will help keep your retirement benefit system funded at this at the level you know that you have seen in the last few reports. Page A4 this is the most important page as you can think of these rates for the employer. It has been 15 years or more since bargaining then and then bargaining had different rates. We still have them separated out in case of arise a circumstance where those rates are different again. For now, you can basically ignore bargaining and non-bargaining everybody who is an active member has a fixed contribution rate. The 17.3% is for general members, 17.96% for Utilities Authority and 14.62% for the police would be the contribution rates that would commence the first payroll period in fiscal year 2023. First payroll period after October 1, 2022, those would be the rates and how these compare year over year. The rates are a little bit difficult to compare because we are expecting payoffs to increase whether you agree with the magnitude of that assumption. Bear in mind it is a long-time assumption. Nonetheless you have heard today from the public that retirees are being impacted by inflation and so are active members. The expectation especially when you are reading about 7% year over year inflation, and nobody is using temporary or transient anymore. The Fed Reserve Chair spoke yesterday, and he is not saying it is short term anymore. We do not know. The expectation and certain all the indication as payroll is going to grow. So, the same rate this year verses

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next year is expected to be a larger dollar amount. The dollar amount went up about 3% year over year for general, 4% Utilities Authority, and 6% for the police. Bear in mind our expectations is 4%. It was actually really across the board very close to our expectations. If we go to the next page, you do have a 13th check provision, and it did pay out a couple of times over 20 years ago. It was very unfortunate in terms of it was adopted just ahead of the .com bubble bursting. That bear market lasted from March of 2000 to March of 2003. It was like three years of bad markets, and the most diversified pension funds lost 35% or 40% of their assets over that period. The state of Florida has stipulation that a 13th check provision has to have accumulated gains back to inception. We had some accumulated gains in 89, strike that I hope these are not verbatim minutes, I hope. 1999, 2000, 2001 basically we used up the gains, we had some excess investment return up to 3%. Those gains were paid out in the form of a 13th check to the existing retiree population at that time and then we went into a buzzsaw basically, so we immediately went on to a very large deficit and we have not recovered. The 13th check provision is effectively dead, to the extent that anybody would want to consider a cost-of-living allowance. It would it have to be through a different type of benefit version that would require upfront funding. My job is. unless asked, to tell you the circumstances of your existing benefits. I am going to leave that for now and then there is just two more pages, and I will conclude B as in boy 4 . We have talked about this a couple of times, this is a development of the funding value of retirement and benefits system assets. We recognize \$5.6 million dollars in investment gains that is row F5 but on average we have 5-1/2, somewhere between 5-1/2, \$575 million to recognize over the next three years so that places us in great position to mitigate any shortfalls we have seen the markets pull back most of the first quarter. I think, this year though, there were various reasons and I have about as much investment advice or expertise as I do legal advice and expertise, so I am not going to pretend to give you any market overviews. Since you have an investment consultant who is very well positioned to do that. This is a really great circumstance to be in these numbers are not all positive and this large very often. This is kind of that once in a generation. If you think back when I was first talking about the circumstances that led to the production of this report this year. We are in a very good spot. Maybe we did not get the full effect of the investment game this year. We had very minor changes from our point of view to contribution requirements, certainly reasonable changes, and contribution requirements. We increased benefit provisions and we made our investment return assumption more conservative and so you will not have to position yourself taking on as much risk with respect to your investment portfolio. You are not trying to get 7-1/2 anymore, you are trying to get 7-1/4. You are with the majority of other systems, especially throughout the state of Florida. You are not moving away, you are moving towards when you go from 7-1/2 to 7-1/4 assumed investment return that is moving toward the majority of your peers, which generally is a good thing. Again, I am wandering outside my area of expertise, but you have a fiduciary responsibility when you sit here and one of the things you would prefer as a fiduciary is to avoid

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is being an outlier. For unforeseen reasons you become subject to a lot of external attention, and you are almost always going to be better off doing things similarly to the other boys throughout the state. Occasionally I am getting nods that is good. The eyes are all open. I used to have some more lemonade to throw in, but I do not have anything today the other than an Irishman left the bar. This does not really make any sense. This used to be a question from the board. Pretty consistently we do not realize this. Really, I just I wanted to show you the funding ratios. When we say 90% funded that is a weighted average. This shows you the final ratio for the Police and Utilities Authority and general members. If they are calculated independently and in fact, they are. They are separately accounted for, and their contributions are determined on the basis of their funded ratio. So, the Utilities Authority and general members have a little bit further to go to achieve a 100% funded status. With that those are my prepared comments and I really appreciate it and you are very patient with me today. I appreciate it very much.

Mr. Avilla asked does anyone have any questions?

Mr. Stephens responded I do, Mr. Chairman. Okay, Brad, at the last FPPTA conference that we talked to each other. One of the things that was brought up, and it is in line with what the gentleman brought up, with the COLA, one of the biggest obstacles we have is our unfunded liability. Based off the existing charter that we have to go on. You said that there are several, I think you said several you might just said a couple, but I thought you said there is options to help reduce that, that do not necessarily negatively impact the fund greatly. I may be putting words in your mouth. I remember and I said that I think I mentioned to you I said, you know, I will probably be asking you about that when you do our actuarial report, I do not know if you remember us having that conversation.

Mr. Armstrong said Well, I definitely remember speaking to you I am trying to.

Mr. Stephens responded we were not drinking. We were in the hallway, remember? I believe you said several or you said there are two or three different things that you can do. Now, if they significantly negatively impact the fund, ten that is a whole different ballgame. You said there are options that some funds have used to help reduce that at a faster pace because like right now, it is kind of disheartening when you see in here in your report, and I understand it, foreseeable future.

Mr. Armstrong said I suppose that is my handwriting so to speak. The curated that is the word I was trying to get out of my head. I curated those words, I guess, but the most significant I mean is the pension obligation bond, but that is a very complicated financial instrument. You can issue those and as far as the retirement and benefits system is concerned, you could achieve 100% funded status that way upon receipt of the proceeds of the bond. In terms of the overall financial

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circumstances of the City, and the Utilities Authority, it really would not change a whole lot. People who sell pension obligation bonds will tell you that it is some type of arbitrage. If you are assuming 7-1/4 and you can issue a pension obligation bond with 4 or 5% coupons or something like that then it is a winning situation, but it unravels very quickly if you have losses early on. In this sequence of events, right after you issue the pension obligation bond, you have more assets exposed to investment markets, and you witness a market decline. Now you have a new unfunded liability, you still have to meet your obligations on the bond. You can shorten the amortization periods. Let us just look at Utilities Authority I guess, since.

Mr. Stephens said we are all together.

Mr. Armstrong said the Utilities Authority is the source of the question and on the floor. Sources of financing unfunded liability for Utilities Authority, B as in boy Adhere is an awful lot of different layers. You can think of this as Jay Leno's car payments. I don't know if anybody has ever seen Jay Leno in his garage. He has a lot of cars, and so all of these were created at different points in time. Really what is going on here is you have 1 million at the bottom, towards the lower right you have \$1,132,431 dollars, excuse me that is amortization payment picked the wrong column on that unfunded liability is \$14,015,717. If you are trying to eliminate that one of one of the ways to do that would be to accelerate that on any one of the large positive basis you could shorten the years remaining cut them in half or something like. Essentially, that would be like refinancing your house. You have a 30-year mortgage and you have owned your house for two years, so you have 28 years remaining on your existing mortgage and you refinance over 15 years. It is a higher, you cannot escape the debt, but you can pay it down a lot more quickly and with typically with less interest because the debt is outstanding the longer it is exposed to interest accruals.

Mr. Stephens said from my understanding I think I know the answer to this question. I just want to make sure. With the unfunded liability the way you pay it down, yeah, we had a great year, but we are also making an assumption change which is a perfect. I believe the word was generational opportunity.

Mr. Armstrong said I definitely do not believe it is once in a lifetime because every time the pundit is tossed something is not going to happen it does.

Mr. Stephens said the reason we did that, it is a good time to do that. Because I remember it was not too many years ago. Tom, it was eight?

Comm. Perona responded yes it was eight.

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Mr. Stephens said then you talked us to 7.75 and went right to 7.5, and now we are at 7.25. If we accept it, and I understand why but if we had not made the change, let us say 7.25 with more of the unfunded and we stayed at 7.5, I am just asking, will there be a bigger chunk that it went toward the unfunded liability or no, or is there more to it than that then I am not seeing.

Mr. Armstrong said you are describing the circumstances.

Mr. Stephens responded I get phone calls this time of year also, from the from retirees. It is the same three or four people and I understand the fund we got to protect the fund. Like you said we are stewards, and we have to do our responsibility. Sometimes, for use of a better term, there is different ways to skin that cat.

Comm. Perona said I have a question if I may? It is on the same line too, and we get it because we have a first commitment promise to the employees that we have that they contribute, we contribute at the end of that period of time. There will be a retirement that will be afforded to them, and they can count on that. That is number one. The COLA issue is one that was addressed back when we first started all this in 1999 and when we started adopting all these different safeguards in there. It was envisioned that a COLA will exist and only be paid when we can afford to do so. Well then, we ended up with a bunch of financial disasters right in a row that basically removed COLA. We have it in here, you write it, you report on it every year. But in the indefinite future it is probably never ever going to happen, right? If you had to guess.

Mr. Stephens said foreseeable future.

Comm Perona said about my future.

Mr. Armstrong said I would suggest that to give you all a better answer, because I do not actually know the answer to this, but you might be able to fresh start the 13th check.

Mr. Stephens said which is what Dell said.

Comm. Perona responded that is where I am going with this right now. If you follow the thought process this is a benefit that City of Fort Pierce wants to afford its employees okay. That benefit when you retire is a great benefit. Everything happens much like social security and everything else but social security keeps up, tries to keep up with the times a little bit. Ours fades away to where it is, it does not cover, the taxes, the lights and everything else that you thought it would when you first started out, so I get that. Still our obligation is there, are promise is there and we are standing strong exactly on what we promised. It just seems to be

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something that I believe the city needs to take a look at. As you say restart, if that is possible and know what the impact is to our current system, or is there a way that we can implement that going forward in some way with the employees that already exist?

Mr. Stephens said on top of what he just said Mr. Chairman, one thing I do have a question . We are not the only plan you are involved with or have knowledge of. Is there such a thing as a 13th check for and I am just throwing this out there; I do not know how this would play. Employees that have been retired for 20 years or more, or 15 I do not know what that number is. Once they get to there, we could do that to help. I do not know and because if we did that, and let us say we said 20 years, that would be something that somebody with your expertise could tell us what that risk would be and what financial obligation would be. I am just throwing that out there it just popped into my head. I do not know if that is even something the City Commission, they may not like that.

Mr. Armstrong said just one point of caution, but I mean, you are right. You are absolutely right. If that is the cheapest, suppose like a zero-entry pool you know is going to go back the furthest but, in most cases, I would recommend you want to you want to consider their service with local employers as well. In other words, if somebody had 10 years of service, are you going to give them the same COLA as somebody who had a full career of 25 years? Are beneficiaries going to be treated the same as members? I guess those open-ended questions, but the people who have been retired the longest are the first out there closest to omega on the mortality table.

Comm. Perona asked is stepping aside that same thing?

Mr. Armstrong that would be one of the least costly approaches and in fact, I mean, it is possible if you said it might be worth considering in terms of affordability maybe going back 20 years.

Mr. Stephens asked even if they are 10-year retirees, and they have been retired for 20 years, that takes care of itself in the calculation, because they are only getting so much.

Mr. Armstrong responded okay.

Mr. Stephens responded you said that, but they are only getting 30%.

Mr. Armstrong responded yes.

Mr. Stephens said if they were 3% and it has been 20 years, I do not know, I know it was 2.5 when I first got here. What was it 20 years ago? It was still 2.5.

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There you go. You see what I am saying? So that will all take care of itself. And like I said, I am not recommending this at this point. I am just trying for us to put it in our minds if it is even possible with the plan because we got to protect the plan. I think everybody agrees we all know that is our responsibility. How many people would that be and how much money would it be because of omega.

Comm Perona said Mr. Chair I think that is a good point. You know, I look here. The years that I got on here was 2009, all the worst years that is when I got here. We learned that we needed to save the plan as much as we possibly can. We got dangerously close to the edge of the cliff and when you do that you stay away from the cliff all you can. So, I understand that, but I really believe that we need to approach this on an annual basis is to have a full discussion about what we can do to help those long-term employees, those long-term retirees rather than get to this point in this discussion. Figure we already did it and then just move on because that's what we've done for the last 12 years that have been here, but I really think that we need to have a full discussion on it. Make a full decision and an advisory decision that sends it to the Commission for their consideration, especially before budget time hits.

Mr. Armstrong said it might be worth looking at C7 in the actuarial report. If you go back 20 years, so 9/30/2001, the average benefit for those members who are still on pay status is \$17,000 versus \$28,000 last year. It is not just a matter of the erosion from the inflation level, the level of benefit itself is considerably lower. I guess that is what we are discussing.

Mr. Stephens said last year I did their presentation for the Utility to their board. It was amazing to me when I did the presentation. I think last year we still had somebody over 90 years old. They have reached omega since then. We still had somebody on there. They must have retired pretty quick after the retirement system, or they were older when they retired, or they were a beneficiary or something. I noticed that there was on there and I was thinking how much they were making; it was really small. Annually I want to say it was \$6,000. It was some small amount. I say it was less than \$10,000 if I recall it right. We are talking, you know, the ones that are additions are 20 years. I don't know if that is the number, but whatever it ends up being obviously it is going to, I hate to use the word negative but, on the numbers, it would be a deduction. I am not sure what that amount would be sort of like when, like you said, back in 2012 when all the decisions were made, we went wow and we did it. Then we realized 10-year vesting or 5-year vesting. Even the 2012 with the \$100,000 but you know all that in a few more years that is going to take care of itself because the only people that are going to be left are the people who started after 2012.

Comm. Perona said Mr. Chair, So, Brad, if we want to look at and consider this on an annual basis. I cannot even tell you what options are available. I know you

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rattle through some of them, but I really like to get into the woods on that and figure out exactly what may be something the city adopt. What are the impacts? What are the costs? These are things that I think this board here should consider. Is that something that we do through your office? Or would you have any other recommendations on how we could get that information.

Mr. Armstrong responded we are in the best position to perform that. We have the data; we have the program set up already to value everything. If an external source made a recommendation, ultimately the same would still have to go through the retirement system and us.

Comm. Perona said you are intimate with everything that is going on. I did not know if it is something that your company would do, then that is who I would recommend; I really believe this board should adopt that. Find out what the costs on getting that study in there for and move this to an annual basis. That we can take a look at this at least and see how we can affect it because a benefit system and what we do is just not manage our investments. We actually take a look and see how that benefit is benefiting not only the folks that are employed right now, but those that have that have already given their service to the city

Comm. Gaines said Mr. Chair I want to second Comm. Perona, until we see the numbers. We are just sitting here spinning our heads and we can talk about it until the cows come home. But as a board, I am understanding that our first priority is to protect the account. If we are talking about, we use your number 20. It cannot be a lot of, I do not know, but it could be a lot of people, but I am not imagining that there is a lot of people out there with over 20 years of retirement from Fort Pierce.

Mr. Stevens said more than you think we have 500, is a 1240, I did not look at that. I know last year it was somewhere around there.

Mr. Gaines said even if that it is 500 let your numbers today.

Mr. Stephens said well that is the total number.

Comm. Gaines okay, but if you start with 20 years, we have Brad do the numbers. Those numbers can make us say yes or no.

Mr. Armstrong responded I will move it out, wherever.

Comm. Gaines responded but until we until we act upon it and make the numbers, see the numbers, then we can decide and then I guess you guys will kick that decision up to the commission.

Mr. Stephens said I thought you was heading that way.

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Comm. Gaines said yes, I think we should do that. I really think we should do that.

Comm. Perona responded it should be done on an annual basis. Take a look at it and see what our options are. We have never done it before I mean we got to that point, and we have what three requirements and two sometimes hit it, one does not and we throw it out and done, move on.

Mr. Stephens said Well mainly because like what Mr. Armstrong said. He said an unfunded liability that is going to take a while. Even if we have a lot of good years.

Mr. Armstrong said you banked a lot of it. Just hoping the markets recover. I know more about June 30 plans right now than September 30 plans, but I know how PERS I think was down around 7-1/2%. I am guessing that their first quarter was okay and probably their second quarter too. The big drag is the last three months and the gains that we have not recognized yet maybe needed right away for the 2022 valuation it should not derail any of the other discussions.

Mrs. Mika said I think to add something, it is all relative in that 2001. The average was \$17,000. And in 2021 was \$28,000 almost \$29,000 and 2031 it is going to be \$38,000 or \$40,000 average. So, it is all growth, and it is going to keep growing. You are going to have to keep funding.

Mrs. Morris said right.

Comm. Gaines said I just feel that we as a board. We have an obligation to look at these numbers because you know it is the ones that gave service to the city. And the idea of the little check that they are getting does not mean the same thing three years ago. If unless we look at these numbers and see, we can sit here and guess all we want to. Unless we get a study done to say hey, this is what it is going to cost us; this is what it is going to do, we just spit in our hands here. I feel we ought to do it for the people who have given us their service, working for the city. We just need to do it. We need to do it and see once we get the number. We will all see the numbers and then we can say yay or nay or who knows; okay, we can do this or not. I am just saying whatever we need to do as a board to get the ball rolling, because I do not want to come next month, and we are talking about the same thing. We need to get the ball rolling. Let us just get the ball rolling and see what we can do to get some numbers and then go from there. Like Comm. Perona said, the budget is just around the corner. So, now is the time if we if we are going to ask my other hat if we are going to ask for some money. The budget is coming up.

Mrs. Morris said I just want to be clear as to what we are asking Brad to consider. Is it a onetime check? Is it a COLA at a certain point in time because if we do then

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we are changing what is in our system already because it is currently in the system that we must have a return over our assumption which we have. We cannot have that unfunded liability, which we have that \$38 million, which we know right now we cannot fund we are \$38 million short. As Brad was speaking, he said that the COLA would require upfront funding. We know we are going to have to whatever the amount is, and if it is small, you know, we could see that number, but we are going to have to take money out of the system to fund that. Right now, our pension, we are taking money out of our assets right now. We do not take in enough money to even fund our payments we have to remove from our assets. I am getting about now about \$10 million annually from our investments to fund our current payments which are the current retirees that are in system right now?

Mr. Stephens asked how much are you paying out a year for that?

Mrs. Morris responded it is about \$500 almost \$600,000 a month that we pay to fund our current retiree checks. We are not taking in that amount from our current employees to fund that as payments in, so we have to pull from our assets every year. Right now, I am pulling about \$8 to \$10 million dollars out annually.

Mr. Stephens said we are looking at this annually to start with. I think the main thing we were looking was, I think he said 20 years is a good number and we were going to look at a 13th check.

Mrs. Morris said okay a onetime check.

Mr. Stephens said okay, so you know, it would be a 13th check,

Mrs. Morris asked how much is that 13th Check going to be? Whatever their monthly pension is. If they get \$5,000 monthly, they get a \$5,000 check.

Mr. Stephens responded there you go. I think that is the simplest. I am getting nods, so I think we are all good. That would be a good starting point for anything. That would be something that it would be on an annual basis. I do not know how that would work with the charter but when we get to that point, I am sure that could be an annual every year. It would have to come to the board every year and then we would have to know what the number would be every single year. We do not know if 20 is going to be the year but that is just a good start.

Comm. Perona said but it could get shut down at commission level.

Mr. Stephens said that is right, immediately.

Comm. Perona said I think this board has a responsibility to take a look at it. You know we are not only representing employees, but we also represent retirees, and

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we need to make sure that we are doing both. We can set that if we have it backed by information from our auditor and say this is a reasonable thing to have this benefit that really is a benefit, a growing benefit. This is our recommendation, and you know, when it gets to the commission level those guys are looking at a lot of competing financial issues and they could say, hey, that is just not going to work this year; we are not going to do it. I think it is our responsibility to make sure that we educate everybody to what we have. We have folks from the community that are asking us to do so. I think it is our responsibility to be able to look at and make an advisement. That advisement can go to commission level and at that point in time it either becomes a reality or not. See what I am giving you Arnold?

Comm. Gaines responded you know I am about the comeback. I love how you say those guys. It is not that time yet you still time you are still with us. My only point is this, to answer your question is yes, answer the question with the checks, right? My only my only point is this until we know; until we do something, and we know what the money is and what we can do. You cannot bring it to the commission because you bring it to the commission now; we want to do this I can tell you now, they are going to look at us and we are going to look at you guys like wait a minute what! This year, we want to give this amount of money to retirees for 20 years plus this is how you break it down. We think it is deserved because of inflation it and we spread it out. I see it. I do not want to talk for the commissioners. But I think it would be a hard sell for us to say no that that knowing that these individuals have given all this time. They could say no, you know, based on circumstances, but until this board gets us the numbers. At least we know we are trying to help the people in the audience and the people that is out there that need to help. At least we are saying, hey, we hear you. We understand your plight, and we are trying to do what we can do. I hate to use this word, kick the bucket to the commission to us and then it is on my shoulders again to come in and say hey, God, this is what is going on. Let us not sit here and just keep pushing it down. Let us just get a number, see if it is workable, if it is not workable, at least our next meeting whenever numbers come back, we can have a public comment and we can say hey, this is the numbers we got back is not workable. They hear it, we hear it we have done what we are supposed to as a board.

Mrs. Morris asked is it for all retirees or is there a certain cut off point?

Mr. Stephens responded it is for all retirees. Remember we talked about if they are 10-year, or 5-year vested. The numbers will work out. It will not be that much money for the ones that only have 5,10,15 years' service. Certainly, the numbers are going to take care of itself.

Mrs. Morris said all I see is numbers. When I see a big negative number even though we are talking about, but we are going to do it.

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Mr. Stephens said we do not know the number and that is good. That may take care of it right there when we see what that number is. Maybe then we look at 25, you know, whatever that is.

Comm. Gaines said once we see that number, we will be like, okay, we did not expect that number or we could say, oh, that is a doable number. We do not know until we see the number. Once we see the number then we will look at you say hey, you are the numbers person. What can we do with it? We get your expertise. What can we do it and we can go from there? That is all I am saying?

Mr. Avilla said so I guess we have to move back at some point to decide about the actuarial report whether we are going to accept the report or not at this point.

Mrs. Morris said we have to vote.

Mr. Avilla said we have to vote.

Comm. Perona said I move for the approval.

Mr. Stephens seconded the motion.

Mr. Avilla said we have a motion to second any discussion? **A motion was made by Comm. Perona and seconded by Mr. Stephens to move forward on 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 carried unanimously.**

Mrs. Morris said I just want us to be clear that we are accepting the decrease from 7.50 to 7.25 as well. That is in line with what Weston mentioned last month.

Mr. Avilla said absolutely. You guys understand that?

Everyone said yes.

Comm Perona said I have one question for you. What is the norm for the rate of return right now, what is the norm for it? You said it is south of 7%, right?

Mr. Armstrong said it just went below a seven.

Comm. Perona said so it is in that range?

Mr. Armstrong said for all intents and purposes it is a seven.

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Mr. Avilla said alright, we have a motion and a second call roll, please. **A motion was made by Comm. Perona and seconded by Mr. Stephens to move forward on 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 carried unanimously.**

Mr. Avilla asked are we going to make any type of motion for what we just discussed for half an hour?

Comm. Perona responded I do not think we need one. If I may Chairman.

Mr. Avilla said yes, please. It is germane if Mr. Walker was here to tell us if we could or could not do it. I think we have heard the comments that we made that it may be important to bring that back. I do not think we can catch anything this year to tell you the truth. We have too many things going on. In that consideration it is going to take some time to vet. I am guessing it would be something that would be done in the next year.

Mr. Stephens said you know; it would just be administrative.

Mrs. Morris said it would be administrative.

Mr. Stephens okay, hold this report and then we could like you say take the next agenda. See where that is?

Comm. Perona said I mean, there was a consensus here to get that done. I think that was good.

Mr. Avilla said I do not think it requires a vote or anything like that. Okay, next, we will move on to the consent agenda.

Comm. Perona asked Brad do you have to get ready to catch plane or something?

Mr. Armstrong said he was good to go.

Mr. Avilla asked so anybody with the consent agenda. **A motion was made by Johnna Morris and seconded by Keith Stephens**

Mr. Avilla said we have a motion and a second. Any discussion? Call roll, please. **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 carried unanimously.**

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ITEM NO. 9 ~ CONSENT AGENDA

Mr. Avilla said next, we will move on to the consent agenda. **A motion was made by Johnna Morris and seconded by Keith Stevens. All those in favor of the motion signified by saying aye. There was no opposition, and the motion was carried unanimously.**

ITEM NO. 10 ~ CONSIDERATION OF ABSENCES

None.

ITEM NO. 11 ~ BOARD MEMBER COMMENTS

Mr. Avilla asked any comments from the Board.

Comm. Perona responded I have one yes. Just again, for clarification we heard from the public today. They were comparing what we did on January 3, on second reading to compensate all those employees that were hired before 2012. We did speak to that, and we are comparing it to those older employees that have been retired a long period of time. There is no comparison between the two. One was one was part of the original charter when we put it together and we changed it and then we changed it back. The other one did not. It has the provisions for COLA that takes the three requirements to make it happen. They are asking for us to not pay attention to those three things, which is COLA anyway. I just want the record to show that that they are not similar. They really were not well informed.

ITEM NO. 13 ~ ADJOURMENT

Seeing that there were no further questions or comments. Mr. Avilla adjourned the meeting at 3.30 pm.

ATTEST:

Secretary/Treasurer

Chairperson

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