

**CITY OF FORT PIERCE RETIREMENT AND BENEFIT SYSTEM
MINUTES OF MEETING HELD
March 16, 2023**

Summarized Minutes of the regular meeting of the City of Fort Pierce Retirement and Benefit System March 16, 2023, 2:00 p.m., in the Commission Chambers at City Hall

Present:

Barbara Mika	U.A. Board Appointed Member, Chair
Comm. Michael Broderick	City Commission Member
Wendy Rydzewski	City of Fort Pierce General Member, Vice-Chair
Keith Stephens	U.A. General Member
Johnna Morris	Secretary/Treasurer
Kyle McCarthy	Police Officer Member

Guest by Conference Call:

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

Comm. Arnold Gaines	City Commission Member
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Recording:

Junelly Sebastiano	Executive Assistant to Director of Finance
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ITEM NO. 1 & 2~ ROLL CALL

Mrs. Barbara Mika called the meeting to order at 2:00 pm on Thursday March 16, 2023, the first item on the agenda being the “Roll Call”.

ITEM NO. 3 ~ COMMENTS FROM THE PUBLIC

Mrs. Mika said next, we will move on to comments from the public? Seeing no public, we will move on to the consideration of minutes.

ITEM NO. 4 ~ CONSIDERATION OF MINUTES

Mrs. Mika said consideration of minutes, any discussion?

A motion was made by Mrs. Johnna Morris and seconded by Mrs. Wendy Rydzewski. 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

Mrs. Mika said Next, we move on to a report from the board attorney. Mr. Walker?

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Mr. Jim Walker said thank you madam chair, I am pleased to advice that there have been no legal concerns that have arisen to my attention in the last month. I am happy to entertain in questions, comments, or concerns.

ITEM NO.6 ~ PUBLIC HEARING ON BENEFITS APPLICATIONS

Mrs. Mika said we'll move on to public hearings on benefit applications. We will open the public hearing for the request for Non-Duty Disability retirement from Thomas Parker with 12 years of service with the Fort Pierce Utility Authority. Seeing no public, we will close the public hearing and open it for discussion.

Mrs. Morris said for discussion purposes and to familiarize Comm. Broderick with the process; Whenever we get a disability retirement request, it is a very lengthy process document wise. A few years ago, the board decided that prior to coming to the board for approval, there would be a disability review committee. It is made up from individuals from the City and UA to eliminate the process of the board having to go through all the documents. We go through and make sure that they have met all the requirements for disability.

Comm. Michael Broderick said understood.

A motion was made by Mrs. Morris and seconded by Mrs. Rydzewski. All those in favor of the motion signified by saying aye. There was no opposition and the motion carried unanimously.

Mrs. Mika said We will open the public hearing for the request for Non-Duty Disability retirement from Doyle Jones with 15 years and 8 months of service with the City of Fort Pierce. Seeing no public, we will close the public hearing and open it for discussion.

A motion was made by Mrs. Morris and seconded by Mr. Keith Stephens. All those in favor of the motion signified by saying aye. There was no opposition and the motion carried unanimously.

ITEM NO. 7 ~ OLD BUSINESS

None

ITEM NO. 8 ~ NEW BUSINESS

Mrs. Mika said next, we will move on to new business. We will have an actuarial report for our Fiscal Year ending September 30, 2022, from Brad Armstrong.

Mr. Brad Armstrong said we appreciate working with you, as always. I am here to present the Annual Actuarial Valuation Report as of September 30, 2022. You

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probably recall that the investment markets were all down significantly in the Fiscal Year ended September 30, 2022, and it certainly affected the results of the Retirement Benefit System valuation. I'll go through the executive summary briefly, the Annual Valuation measures the relationship between the retirement and benefits system's obligations and determines the contribution rates for the ensuing fiscal year beginning October 1, 2023. The results you are hearing from me and potentially approving if you adopt the report, will be put into place for Fiscal year 23/24. Progress indicators were smoothing the market value of assets to mitigate the contribution volatility, somewhat. The funded ratio last year was 90%, the objective is to trend towards 100% but we fell to 86% in this report. It is far most dramatic in a market value basis, if were using market value we would have dropped from 96% all the way to 75%. That would have caused considerable spikes in employer contribution rates. Unfortunately, the experience was unfavorable, but it is a compelling reason to use the Asset Valuation Method that we are using so that you do not have as dramatic changes in the contribution rates year over year. There were no assumption changes in this report, last year we reduced the return assumption from 7 ½ to 7 ¼. Although I am not qualified to give you any investment advice, the year ended September 30, 2022 is a good indication of how difficult it is to predict with any sort of precision. If you had assumed a far more conservative investment rate of return, that still wouldn't have made a lot of difference if you have a -10% market return. It is still a very dramatic displacement from what occurred. On to the observative experience: the members on average had 9.7% increases, which includes promotions considering the rates of inflation in the last transient. The retiree mortality: there were more deaths than expected. There were fewer than expected terminations for police, hopefully, that is a good sign for the police force. The ten-year average payroll growth assumption is a statutory requirement in the state of Florida under Chapter 1:12, it was less than the 4% assumed. The state of Florida is basically saying we are going to incrementally increase the contribution rate to account for the lack of payroll growth that you've had historically. You had a market value return of -16% over the 12 months, which is the most significant factor with respect to the increase in the contribution requirement year over year. If you adopt this report the employee rate for the City of Fort Pierce general group is increasing from 17.13% to 17.56%. The payroll was up substantially, that is over \$300 thousand dollars year over year. The contribution rate for Utilities Authority last year was 17.96% and this year it is 20.89%. Even though the rate is up almost three percent, the payroll for Utilities Authority didn't increase, they saw a decline in total payroll. The general payroll was up 14.8%, UA was down 4.4% and police was up 16.1%. UA had 244 members in the 21 valuation and only 225 in the 22. The police department went from 99 members to 108, and general employees went from 212 to 226. The police contribution went from 14.62% to 16.93%, not only did they have a significant increase in their group size, but they also had significance pay increases and low turnover. Those are the primary reasons that contributed to the increases in the contribution requirement. We talked about a variety of different COLA options, and I didn't put together anything financial with respects to COLA because it didn't seem like an opportune time given that rates are going up across the board for al lot of the groups.

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Comm. Broderick said if I am reading this table correctly, the COLA deficiency is \$52 million?

Mr. Armstrong said yes sir. 13th checks became very popular in the 80s and 90s. Generally speaking, the majority of the years in the 90s were favorable so you'd have a positive investment return. If you were assuming 7% and you earned 10%, they were paying out a 13th check based on the excess investment return above 7%. Let's just say that's \$10 million, you have 3% excess return. In theory, if you have \$10 million dollars invested, they paid \$300 thousand dollars. Then in a subsequent year if you have a 4% return, where you lost 3% relative to your assumed rate of return, nothing happened. It was extremely biased in favor of higher contributions. The actuary at the Division of retirement in Tallahassee said, you can only pay out a 13th check to the extent that you have cumulative gains since the inception of the 13th check provision. That is why we are maintaining the balance of \$52 million Dollar short fall, that's the second test. If you have a year where invest returns exceeds expectations, you still must eliminate the \$52 million dollars.

Comm. Broderick said are you suggesting that the \$52-million-dollar deficiency needs to be made up before any cost-of-living adjustments can be paid out.

Mr. Armstrong said yes, last fall the discussion was adapting a guaranteed COLA of some sort. That would be a different benefit provision, it would be funded separately, and it would not be impacted by the \$52 million dollars. The different type of COLA's is basically limitless.

Mr. Stephens said if we had made a recommendation to our city commission, they could still vote for a one-time 13th check?

Mr. Armstrong said yes absolutely, that is an AD HOC COLA. The retirement and Benefit system would have the ability to set the period over which that COLA is funded. It would be calculated at a moment in time. It could be a onetime payment, or it can be a permanent increase. If you did a 1% for everyone who has been in pay status for 5 or more years, that would create an increase of liability of \$1.7 million. If you just had a one-time payment of 2% and it doesn't change anyone's pension benefits, that would be about \$325 thousand. That can be funded over a period of years at the decision of the board. The amortization policy helps keep the employer contribution rates more stable and less volatile. We're recognizing deviations from our assumed rate return over a four-year period. The -16% relative to 7.25% that we were assuming, that's about a 23% shortfall. In that single period, which was about a \$55 million deviation but we're recognizing that in four pieces. If you divide the \$55 million by four, it's \$13,802,000. If you look diagonally, you see that we're recognizing that over this year, 2023, 2024 and 2025. Last year we had a positive, the \$5.978 million helped mitigate the loss a little bit but, unfortunately in 2019 there was a little bit of shortfall that we're still recognizing the fourth piece of. Ultimately, we recognized \$9 million in this year but in the absence of investment experience or gains from other sources, next year we're going to recognize close to \$7 million. That's going to mean that we

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probably won't have an improvement on the funded ratio next year and the contribution rates are likely to increase again in the 23 reports in the absence of gains during this plan era that we're in right now.

Mr. Walker asked Brad do you have a sense of how this compares along a percentile range in context with similar plans?

Mr. Armstrong said I think as far as funded ratio, contribution rates and level of benefits within the state of Florida, you are upper quartile if not upper third. Your contribution rates are lower than other funds covering similar employees in the state of Florida. Your funded ratio is still quite strong, our objective is to get to 100% but you are still doing quite well compared to your peers. No one had a good 2022, there was not anybody that discovered how to protect their assets. It affected everybody, everybody shifted downwards but nonetheless you were in great shape to begin with.

Mr. Stephens said the utilities contribution went from the 16% to the 20% range recommended. A lot of that seems to be because of our employment, we are down 16%. If those 16% of employees had been employed, our recommended employer contribution would have been less?

Mr. Armstrong said the unfunded portion of the contribution requirement is a dollar amount. If you have less payroll the rate rises to account, the amortization payment of the unfunded dollar amount. Your fringe benefits cost would go down if you are able to fill those positions.

Mrs. Mika said do we have a motion to accept the valuation report?

A motion was made by Mrs. Rydzewski and seconded by Mrs. Morris. All those in favor of the motion signified by saying aye. There was no opposition, and the motion was carried unanimously.

ITEM NO. 9 ~ CONSENT AGENDA

Mrs. Mika said next, we will move on to the consent agenda.

A motion was made by Mrs. Morris and seconded by Mrs. Rydzewski. 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

Mrs. Mika said next, consideration of absences.

Mrs. Morris said Commissioner Gaines made us aware that he would not be in attendance today.

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A motion was made by Mr. Stephens and seconded by Mr. Kyle McCarthy All those in favor of the motion signified by saying aye. There was no opposition, and the motion was carried unanimously.

ITEM NO. 11 ~ BOARD MEMBER COMMENTS

Mrs. Mika said are there any board members comments?

ITEM NO. 13 ~ ADJOURMENT

Seeing that there were no further questions or comments. Mrs. Mika adjourned the meeting at 2.42 pm.

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.