

**WORKSHOP MEETING OF THE CITY COUNCIL
PLANTATION, FLORIDA**

JULY 28, 2009

The meeting was called to order by Councilwoman Bendekovic, President of the City Council.

1. Roll call by the City Clerk:

Councilmember:	Diane Veltri Bendekovic Jerry Fadgen Robert A. Levy Peter S. Tingom Sharon Moody Uria
Mayor:	Rae Carole Armstrong
City Attorney:	Donald J. Lunny, Jr.

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2. The invocation was offered by Councilwoman Bendekovic.

There was a moment of silence in honor of Jeffrey Siegel.

The Pledge of Allegiance followed.

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DISCUSSION CONCERNING EMPLOYEE PENSION PLANS.

Councilwoman Bendekovic explained this is a fact finding meeting with regard to future pension plans. The current pension plan will not be impacted if and when any changes are made. Employees will have the privilege of opting in or out of the plan in the future. Any changes or decisions made will give ample opportunity for discussion by employees.

Mayor Armstrong indicated that she wants to be sure that the very best opportunities and programming are put in place for all of the employees. Pension plans are creating a strain on all municipalities. Fortunately, Plantation has been able to position itself in a much better position than some of their sister municipalities; however, we are working extremely hard to sustain and get through this very difficult time. Elected officials would not be responsible if they did not take the opportunity to try to understand, review and evaluate to be sure the very best thing is being done for our City and employees. Most of the information being presented is being heard for the first time and there will be many opportunities to discuss these topics as employees and as members of the Pension Boards. Any changes will go through several public hearings before being put into place. The intent is not to do away with Plantation's pension plans in any way, shape or form, but to provide an opportunity to build

and make it stronger so that we can depend on it as we go forward as well as to be certain that we have an opportunity to review and consider any alternatives available that might provide better opportunities.

Mayor Armstrong acknowledged Dan Keefe, Assistant to the Mayor, and Margie Moale, Human Resources Director, who have worked these topics for the City. She also acknowledged Steve Palmquist and Jeff Ambrose, with GRS, actuaries for our pension systems, and Jeff Petrone, a consultant with Sageview.

Mr. Keefe introduced Sandra Carr with the Florida Retirement System and Bill Dowd with Sageview. The presentation was divided into three sections. The Fire plan was not reviewed since that is funded through the Chapter 185 monies; however, the General and Police programs were reviewed. The issues discussed will be the FRS; Florida Retirement System, a two-tiered Defined Benefit Plan and a 401A Confined Distribution Plan.

Florida Retirement System

Pros:

Current employee not vested could vest if they choose to roll over their current pension funds and purchase additional services years with FRS.

Portable to other cities with the FRS.

FRS handles all customer services and plan administration.

COLA of 3% for retirees.

No employee contribution required.

Defined contribution alternative available at the election of the employee.

Six-year vesting schedule for pension/one-year vesting for defined contribution plan.

Cons:

Must include part-time employees working over six months per year.

All monies paid to an employee count as compensable calculations (ie – overtime, longevity, vacation payout, sick leave payout).

Loss of Chapter 185 monies if Police were switched over, approximately 5% payroll.

Savings not reflected for 10 to 15 years.

Methodology of funding for current general pension plan must change once plan is “closed” thereby incurring significant employer contributions of approximately \$500,000 for general and \$800,000 for police pension annually above current contributions.

Mandatory employer contributions set by the State are likely to increase in the near future.

Irrevocable once City joins FRS, can not terminate FRS contract.

Does not allow for flexibility of plan design or investment considerations.

In response to Councilman Fadgen, Mr. Palmquist advised that the City picks up additional employer contributions when pension plans are closed because with the two plans, the General Employees and the Police plans including future new hires, etc., the unfunded liability being paid off is 11% of payroll. If the plan is closed to new hires, you can no longer anticipate that the covered payroll will be increasing; therefore, the methodology must be changed, which will be a leveled dollar amount, which by itself, will raise the annual cost of the plan at the offset. There is a large increase in dollars in the earlier years and in the later years the dollars would not be as much. The time frame to cross lines is approximately 10 to 15 years. These projects have been done for about a half dozen other cities and there are three things against the City as follows:

1. FRS Pension will pay on all pay.
2. How unfunded liability must be paid off.
3. Loss of Chapter 185 monies.

Mr. Palmquist indicated there are no immediate savings.

In response to Councilman Fadgen, Mr. Palmquist noted that the Miramar Police put in a second tier of benefits for new hires.

Councilman Fadgen questioned whether it would be possible to have the attributes of our General and Police plans compared with the attributes of the FRS as far as multipliers.

Councilman Tingom commented that the FRS plan is at a 1.6 multiplier for General employees. With insurance there are immediate benefits and with FRS you have to pay a huge amount of money up front in order to join and the benefits are not realized for 12 to 15 years. He questioned whether the new hires will reap the same benefits or whether the benefits will be close to the ones currently offered to the City.

Mr. Palmquist explained that the multiplier is like the engine within the plan that determines all the benefits. The multiplier in the General Employee's plan is 3% if you have over 15 years of service and 2.75% if you have less than 15 years of service. The City's multiplier is much higher than the FRS. There are two very important items in the other direction; FRS does not require the employees to contribute; therefore, the employees would have 8.5% more in their pocket if going from the present plan to the FRS plan, and the other item is the COLA. FRS has a 3% COLA, which is an extraordinarily valuable benefit that the General Employees plan does not have.

Councilwoman Bendekovic noted the General Employee plan has ten years vesture and FRS has six years vesture. She referenced the DC program and noted it was determined not to be beneficial because of the fluctuations. With FRS you get the same amount every month.

Councilman Fadgen questioned if Council opted for new employees to go to the FRS whether there could be a dual plan for savings.

Mr. Keefe advised that no contributions can be made to FRS; however, the City does have in place a 457 Deferred Comp Plan. Since the employees will not be making the 8.5% contribution, perhaps a portion of that could be put into the 457 Deferred Comp Plan.

In response to Councilman Fadgen, Ms. Moale indicated that the City's contribution for Police is 40.1% and 14.76% for General Employees.

Councilwoman Bendekovic noted that one of the cons for the FRS was that the mandatory employee contribution set by the State is likely to increase in the near future. She questioned whether there is a ceiling on how much the contributions can increase. She also questioned when the FRS had their last increase.

Mr. Keefe advised the increases are set by the State Legislature. The FRS sets their rates for July 1st of the following year and the House and Senate approved the new rates for this year. The current FRS number for General Employees is 9.85% and the rate for July 1, 2010 is 9.65%. The Police Special Risk is currently 20.92% and the rate for July 1, 2010 is 22.11%.

Mayor Armstrong checked numbers back as far as 1986 and as far as the contribution to the General Fund, as far as a percent of payroll is concerned; it comes out to about 8.9%. There were times when we had to put nothing or very little into the Fund. Where we are today in terms of a percent of payroll is better than where we would have been if we were with FRS over that same period of time. The same is true with the Police; the average over that same period of 24 years is 14%. Even though the percentage is higher, the number associated with the FRS rate is probably close to that.

In response to Mayor Armstrong, Mr. Palmquist advised that the current FRS rate as a percent of payroll is 20.92% for Police going up to 22%. Every year when the Legislature declares the new rate for the next year they actually declare it for two years but once they get to the next year they will change it again. He guaranteed the numbers will be larger than what was just mentioned. The numbers starting in July 2010 will be re-estimated somewhere around 4% or more of payroll higher than where they are now.

Mayor Armstrong advised that is close to the analysis done in 2005. At that time the projection was, at this point and time, that they would be 23% of payroll, which is significantly greater than where we are today with our General Fund.

In response to Councilwoman Uria, Mr. Palmquist indicated that cities all over the State are gathering information; however, very few have taken any action.

In response to Councilman Tingom, Mr. Palmquist advised that several entities opted out of FRS a few years ago. He noted that at that time FRS was thought about very negatively and their costs were higher than local plans. In the 1990's FRS held their excess, which was approximately \$10 billion dollars, aside in a reserve instead of using it to immediately reduce the contributions. They gradually released the money in the next several years as the market was tacking between 2000 and 2002; therefore, they were able to keep their contributions steady while other cities had their costs going up. With regard to making up the Chapter 185 monies, the same amount of funding would be required to keep the plans funded properly and to the extent you do not get the \$600,000 or \$700,000 from the State, the City would have to make up the difference.

Second Tier for New Hires and Current Employees that wish to opt into lower cost plan:

General employee:

Vesting after six years.

Employee contribution estimated to be 2.5% - 4.25% (as actuarial determination).

Formula multiplier of 1.75%.

Normal retirement age of 62.

Average final compensation of five years.

Early retirement 55 with 5% reduction per year.

Supplemental benefits removed.

Simplified pre-retirement death benefit.

Three-year DROP.

60% line of duty disability.

Retirement benefit not to exceed 70%.

Eliminate lump sum considerations.

Market gains reduce City contributions.

Mr. Keefe indicated if the City went with a plan like the Second Tier it would be recommended that this type of pension plan be shown as a side by side comparison with the existing employees, as some employees may choose to go into this plan. Choosing this plan would be voluntary and a study would have to be done so that a comparison could be made. Employees would not lose current benefits.

Police:

Currently the actuary is conducting studies and will provide a recommendation to staff.

Pros:

Lower employee contribution.

Lower employer contribution.

City maintains control of pension plan locally.

Potential savings if current employees voluntarily opt in to reduced benefits, reduced contributions plan.

Cons:

Questionable if State will allow second tier within same department (Police).

Future employees who elected tier 2 may push for benefit improvements.

Dollar savings are long term relative to new hires, not immediate savings.

In response to Councilwoman Bendekovic, Mr. Keefe advised that the same Board would manage Tier 2.

In response to Councilman Fadgen, Mr. Palmquist commented that Chapter 185 funds would still come in for Tier 2 Police. He noted there would not be a reduced amount on the funds; it is all or nothing. The State revenue would be combined between the plans, it would not be segregated.

Councilman Tingom questioned whether a tier 2 would reduce our ability to attract or recruit new hires.

Ms. Moale advised that employees appear to prefer a pension plan as a defined benefit plan as opposed to other types of retirement programming. Other cities are also struggling with this issue and information from surveys show that a lot of cities will be putting in second tiers for their General Employees so we would remain competitive.

In response to Councilman Tingom, Mr. Keefe indicated that the recommendation for retirement age would be to increase to age 62 if going to another tier, which would increase the normal retirement date.

Mayor Armstrong questioned whether there is a number associated with the listed benefits collectively or individually that would provide an idea as to what the savings would be going forward. She also questioned how this list was compiled.

Mr. Palmquist advised nothing was done as far as values. It was believed this would be a good program but not as generous as the current plan. Changing the retirement age would be a significant savings; however, no savings would be seen until new employees come in.

In response to Councilwoman Bendekovic, Ms. Moale indicated this is not a closed plan unless we were to go to the FRS or 401A; it remains as an open plan with two tiers.

In response to Councilman Levy, Mr. Palmquist explained that anyone accruing vesting under the current plan and voluntarily opted into FRS would have the ability to purchase years of service that could count towards the vesting requirements under FRS. The cost would be expensive for the employee. A review would have to be done as to whether the City can get involved in putting up money to assist the employee in getting vested. If an employee rolled their pension plan into the FRS and passed away, the vested accrued benefits would basically fall to the plan document language as far as distributions are paid.

Councilman Tingom advised when entering retirement with the FRS system there are four options;

Option 1 – you get the defined benefit for as long as you live; when you pass away it ends.

Option 2 – it runs for ten years certain; if you pass away prior to that ten years whoever is defined as the beneficiary will get that money for up to ten years. If you are in DROP for three to five years that counts as part of the ten years.

Option 3 – you get the least amount of money but as long as you and/or your spouse are alive you get the same amount of money as long as either is alive.

Option 4 – you get about a third more but when you or your spouse pass away it drops by about a third.

When you retire you must choose one of the options and they cannot be changed.

There is also a survivor's benefit where if a person is vested and they pass away they do get some type of benefit. The way it is currently set up, only the employee can purchase additional years of service. Generally speaking, the employer does not contribute to the employee purchasing those years.

Ms. Moale advised that the current General Employees and Police also have the same options of 100% survivorship, the higher rate, and the ten year certain in life thereafter. There are actually 33 options.

In response to Councilman Levy, Mr. Palmquist believed that the City's current plan for General Employees is more generous to the employees regarding survivorship than the FRS plan but he was not positive whether it was true for Police.

Councilman Tingom questioned how the performance of the FRS over the last ten years compares with the three pension funds that the City of Plantation has managed. He also questioned the administrative costs taken out by the FRS compared to the administrative costs that the City is paying people to manage the funds.

Mr. Palmquist advised that with respect to the investment returns he was not prepared to answer this question. This comparison was made with two other pension funds in Miami Beach and over the past ten years those plans and FRS had very similar returns and very low numbers like 1% or 2% per year average. The administrative costs for FRS who has a \$100 billion dollars in assets and as a percent it is a small percent; about 18 basis points. In other words, .18% of their assets are the costs for running their program. With the City of Plantation's two plans he believed the number would be around 60 or 70 basis points.

Councilwoman Bendekovic indicated she has been asking questions throughout the week and the average return on the General Employees has been 8% and over the last 33 years it averaged 9.5%. She did not know what the number is for the FRS in order to compare.

Mr. Palmquist advised there is a website that shows the FRS numbers; it is the State Board of Administration website. Within the next few days the June 30th quarter will be posted.

401A Defined Contribution Plan

Pros:

Could be designed to mirror the FRS plan design.
City elects the contribution amount and whether the employee must make contributions.
Market fluctuations do not impact the City; costs would be consistent.
New, younger employees might find this an attractive alternative.
Flexibility of investment offering.

Cons:

May have low participation from current employees if they were offered a choice.
Market fluctuations will be born by the employees.
Future recruitments may be more difficult.

In response to Councilwoman Bendekovic, Mayor Armstrong advised that a brief study of the DC Plan was done in 2000. Consideration was given at that time and it was collectively agreed that that time that this was not the appropriate way to go for different reasons such as; 1) The cost that it took to close out the DB Plan and 2) The understanding that there were features that really provided us with a better competitive edge in the market plan by maintaining the DB and looking long term with and for our employees. The study was discussed by City Council.

Councilman Fadgen commented that the model of government, at all levels, is changing. He would like as little change as possible affecting each of the current plans. He noted that some changes will be necessary and it appears that closing the plans would not be an option; however, a two tiered plan might be possible, which would be a change in the future, hopefully affecting only new employees.

Councilwoman Bendekovic questioned whether tweaking the current plan by changing the retirement age for new hires would save money.

Ms. Moale indicated that the age and multiplier make the difference; there are a number of very significant cost factors to a defined pension plan. When reviewed no actuarial studies were requested. There are various examples of things that can change that can alter and save the plan money. They were attempting to come up with something on a conceptual basis that would allow the employee contribution to be reduced but yet pay for the plan benefits itself with the similar reduction in what the City would be contributing towards that benefit.

Mr. Palmquist advised that three options were presented and this is the fourth option, which would affect the present employees. From previous discussion it sounded like you did not want to change anything for present employees. If you do want to make changes for present employees there are additional things that can be done; for example with respect to future service, not what has already been earned, the multiplier will be 2% per year instead of 3%, which would produce immediate savings.

Councilwoman Bendekovic requested a consensus of moving forward and noted that we still need to hear from employees and pension board members prior to making a final decision.

Councilman Levy questioned whether the retirement age could be changed for new employees only and left the same for current employees.

Mr. Keefe commented that one consideration reviewed was for future savings if the plan design is changed. As the plan design is changed the costs will be reduced both the City and employee. The other consideration was to determine whether there are current employees who might want to opt out of the Defined Benefit Plan because of the reduction in the costs they are paying. That would be immediate savings to the employees and to the plan.

Councilman Levy does not want to make such a change that the employee who has been loyal to this City for so long loses a possibility of benefits because of making a wrong decision.

Councilwoman Uria believed we should have an actuarial statement on all of the options. She questioned if no changes were made to the current plan whether the same problem would occur next year. Historically, the benefits have increased and she would rather pay more salary and perhaps make some changes to the benefits. She referenced tier two and suggested an enticement such as putting more money in employees' pockets. She would like to review the statements of all of the plans in depth with FRS least on the list.

Councilman Fadgen commented that he would like to have a spreadsheet.

It was the consensus that all of the Council members would like a comparison.

Councilman Tingom suggested maintaining a long term view and shying away from the FRS plan. All of our plans are solvent at this time. He believed the number of retirement options should be reduced for employees and noted it may reduce administrative costs. He also suggested reviewing a FICA tax savings plan and believed there should be a defined contribution option available for employees.

Councilman Fadgen noted that in terms of the second tier for new hires for both the Police and General Employees, he would like to have increments as to what the normal retirement should be and the different multipliers. The other two options are to review increments going from normal retirement in two or three-year increments to see the impact on the existing plan and review different scenarios for multipliers from 2.85% and 2.70%.

Councilman Levy's concern with FRS was that the City will lose total control. In essence, you are allowing an absentee group of people determine your life. He believed that FRS was not the best option. He does not want to lose control and ability to make decisions. He liked tier two and noted that perhaps some things can be done better.

Councilwoman Bendekovic referenced tier two and would like to see the cost factor and how much an employee would save. Perhaps tier two could be tweaked so it would be more simplified.

Mayor Armstrong indicated that a spreadsheet would be done so we can see the points for discussion. If she understands correctly, there is a sense that FRS is not going to be one of the options that will work for the City of Plantation; therefore, she suggested not including it. As far as the list of benefits, she suggested that both pension boards review the list and provide input. Administration needs to quantify the costs associated with gathering this information which will be done. She wants to be certain that the options are placed on the agenda so the boards have an opportunity to discuss the items on the list. In looking at any of the options the one that appears to be most viable or of interest would be to do a tiered system within our current DB Plan. She is definitively committed to the Defined Benefit Plan and what it is that is currently in place for the employees.

Councilwoman Bendekovic advised the employees that they would be noticed once the item was placed on the agenda.

Councilman Levy did not want to give employees the misconception that they would be losing an 8.5% raise with the FRS plan because any money put aside is their money and stays with them. The employees do not lose the money; they eventually get it back once they are vested.

Ms. Moale indicated they appreciated the opportunity to bring this information forward. She thanked the consultants and employees who came to listen. The City of Plantation will do whatever is possible to make sure the employees get the best possible benefits program.

In response to Councilwoman Uria, Mayor Armstrong advised that a time frame will be determined as to how long it will take to get the information. She would also like the pension boards have an opportunity to have this topic on their agendas.

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Meeting adjourned at 7:30 p.m.

Diane Veltri Bendekovic, President
City Council

ATTEST:

Susan Slattery
City Clerk

RECORD ENTRY:

I HEREBY CERTIFY that the Original of the foregoing signed document was received by the Office of the City Clerk and entered into the Public Record this _____ day of _____, 2009.

Susan Slattery, City Clerk