Fort Myers General Employees Pension Board

Board Meeting Minutes
February 16, 2011
Fourth Floor Conference Room
2200 Second Street
Fort Myers, Florida

PRESENT: Cecile Mazzio, Chairperson; Leif Lustig, Vice-Chairperson; Donna Lovejoy, Secretary; Barbara Carlson, Board Member; Richard Griep, Board Member; Thomas O'Malley, Board Member; Eloise Pennington, Board Member; Debra Emerson, Pension Manager. Guests: Patrick Donlan, Foster & Foster; Mike Seagle; Sarah Westwood, Moody Aldrich Partners

ABSENT: None

The Fort Myers General Employees Pension Board Meeting was called to order at 9:02 O'clock A.M.

Ms. Emerson stated that representatives from Morgan Stanley Smith Barney are present at the meeting, as it has been requested by Senior Management to review all of the City's pension plans.

Item I – Approval of Minutes

Ms. Carlson motioned to approve the December 15, 2010 meeting minutes, seconded by Ms. Pennington, and unanimously approved by the Board.

Item II – Moody Aldrich Partners Investment Manager ~ Sarah Westwood

Sarah Westwood, Associate Portfolio Manager, provided an informative presentation utilizing documentation titled, *Moody Aldrich Partners Investment Management* about Moody Aldrich Partners' organization, investment philosophy and process, composite structure, and performance.

Ms. Mazzio questioned if the sale of the NY Stock Exchange will affect Fort Myers' pension plan investments. Ms. Westwood stated she believes that the change will not affect investors; the stock exchange should continue to function as usual. Ms. Mazzio questioned if it would be owned by the Country Germany; Ms. Emerson agreed.

Item III – Foster & Foster Explanation of Letter ~ Patrick Donlan

Mr. Donlan stated that Fort Myers received a letter from the Division of Retirement identifying a typographical error in the 2008 Valuation Report. The number, which is located in the section providing normal costs, administrative expenses, and payment of unfunded actuarial accrued liability, was listed as 13.3% and should be 14.4%. He reassured board members that Foster & Foster has improved its process, as the firm now has a checklist that must be signed off by two people to identify possible errors. A retiree from a reputable firm has also been hired to review the report before it is released.

The Division of Retirement agreed to Fort Myers making the correction in the 2011 report. He apologized stating that the City can make up the difference this year or next year. Mr. Griep questioned if a funding shortage was created by the typographical error. Mr. Donlan stated it caused a shortage of 1.1% of payroll. He confirmed that payroll was $27,266,000 therefore 1.1% is $299,933 and the City over contributed $37,000 for a difference of $262,298.

Ms. Emerson indicated that she has yet to notify the City. Mr. Donlan stated that the future funding requirement will be reduced once the City makes the additional contribution and the assets are higher in the pension plan. Ms. Mazzio stated that the Board discussed implementing a fixed contribution rate for the City, which would work out during the good times and bad. Mr. Donlan stated that the concern is the unfunded actuarial accrued liability; the extra contribution will serve to reduce it.

Item IV – Election of Officers

Ms. Emerson confirmed that it is time for the Board to elect officers, a Chairperson, Vice-Chairperson, and Treasurer.

Mr. Griep motioned for the existing officers to remain for another term, seconded by Ms. Pennington, and unanimously approved by the Board.

Mr. Griep stated that Barbara Carlson's term expires on April 30, 2011 and Cecile Mazzio's on April 19, 2011. He confirmed that Ms. Carlson was union appointed and Ms. Mazzio pension board appointed. Ms. Lovejoy questioned if the Board would appoint a new chair if Ms. Mazzio leaves in April; Ms. Emerson agreed. Ms. Mazzio stated that she will remain as long as the Board desires. Ms. Emerson stated that she will not have to address City Council for either position.

Ms. Pennington motioned to retain Ms. Mazzio as a Board member for another two year term, seconded by Mr. Griep, and unanimously approved by the Board.

Item V – Records Management Liaison Officer Letter

Ms. Emerson stated that she received a letter from Scott Christiansen, which was provided to Board members, indicating that the Board must ensure that it has a Records Management Liaison Officer. Ms. Emerson confirmed that Marie Adams is the General Board's Records Management Liaison Officer. The letter indicates that someone other than a pension board member can be named and Ms. Adams is the Officer for the City. Ms. Emerson stated that she will confirm whether the Board needs to file a resolution with the Division of Library and Information Services.

Item VI – Additional Business

Buyback After Termination Ordinance Update

Ms. Emerson stated that she received the Ordinance from Scott Christiansen however the City Manager has instructed her to wait until negotiations are finalized so that all pension related requests are presented to City Council at the same time. Ms. Lovejoy stated this is a conflict of the Board's interest. The Board's function is to preserve the benefits to the employees and ensure equity. The changes that may arise as a result of negotiations are unrelated to the pension board. The trustees may need to write a letter disagreeing with Mr. Mitchell's position because the pension board's duties differ from the duties of the union. Ms. Emerson disagreed stating that this is not the case anymore because the union contract states all changes to the pension plan must be negotiated. Ms. Emerson confirmed that she will obtain Scott Christiansen's legal advice regarding the matter, with Board agreement.

Mr. Donlan stated the general rule is that all pension changes are negotiable in Florida and therefore subject to bargaining. However, as it has occurred often in the past, the City and Union can waive their rights and the Board can proceed to City Council. It appears however that the City currently wants to bargain all pension related issues. Ms. Emerson stated that it is a contract. Ms. Carlson stated that it is more important because the City is already asking to reduce the multiplier in the workshop therefore she believes everything needs to be considered by the members and negotiated.

Ms. Lovejoy questioned the fairness when a large group of the pension participants are not represented and recommended that the Board send a letter requesting Mr. Christiansen's opinion. She is unsure if the benefit should be combined because it will be viewed as a positive change to possibly offset a negative; this was not the original intent. It was intended to be a positive change because of an existing problem. The City is entering into a similar environment as it has been in recent times and the Board is modifying the ordinance to resolve future potential issues. Mr. Donlan stated a buyback is designed so that there is no impact to the City. Ms. Lovejoy stated that the reason for the ordinance is because employees believed it was unclear. They did not know the option existed therefore the ordinance provides for an additional 30 days after termination for the employee to research and comprehend the information.

Ms. Carlson stated that just because employees do not pay dues, they are still covered by the benefits of that contract therefore it does cover all. Mr. Lustig stated that it does not cover for protection but it does with negotiations. Ms. Lovejoy stated that it does not cover for many things; union members have an 18 month call back and non union members only have 12 months. Ms. Carlson stated that it does not stop them from attending and listening. Ms. Mazzio stated that they were turned away the last time. Mr. O'Malley stated he will open the next meeting to everyone. Ms. Mazzio stated that the meetings should be open to all. Mr. O'Malley stated that he believes all employees should have the same information before they vote.

Ms. Pennington questioned if Ms. Emerson will write a letter to Scott Christiansen. Ms. Emerson responded that she can call him. Ms. Pennington stated that a letter is more concrete. Ms. Lovejoy stated that Mr. Christiansen will have to respond in writing and the Board can use this for backup should it decide to request the City Manager to reconsider. Ms. Pennington stated that Mr. Donlan raised a valid point about the union officially waiving the requirement. Mr. O'Malley stated that he can address the issue at March's general membership meeting. Ms. Emerson explained that all items requested for the City Council agenda must be reviewed by the City Manager. Mr. Mitchell indicated that he has no problem with the ordinance he just prefers to address all pension issues at once. Ms. Mazzio stated that the other issue could take months. Ms. Lovejoy stated that it could go to impasse.

Mr. Griep stated the pension board trustees have a fiduciary responsibility to the pension plan and its members. There are two groups of people, exempt and union. It appears that the exempt employees have to submit to the benefits that are negotiated by the union. He questioned if there was ever a time when there were different benefits between union and exempt employees. Ms. Emerson stated that this would require a separate pension plan. Mr. Griep stated that the Board is proposing a change to the pension plan and now it is subject to whether the union is doing it. Ms. Lovejoy agreed stating she is questioning whether the pension board has lost its ability to enact recommendations and changes because of a clause in the union contract and if so, is this fair? Ms. Emerson stated that the other two pension plans are concerned about this as well because the union decides what will occur for the whole.

Mr. Donlan confirmed that there is no financial impact however it is a change in the ordinance. Ms. Lovejoy stated that she is not making this an exempt versus non-exempt issue. Her concern is about the pension board's ability to conduct business as necessary. Ms. Emerson confirmed that the exempt employees were involved in the tier process however they were not in the DROP and PLOP. Ms. Lovejoy questioned if the Board was not required to go through the union last year for the legislative language modifications because it was not requesting a change in benefits.

Mr. Griep confirmed that Ms. Emerson is indicating the Board's abilities have been diminished because of a change in the union contract three years ago; Ms. Emerson agreed. Mr. Donlan stated that the Board never had the ability to adopt an ordinance; Ms. Emerson agreed. Ms. Lovejoy agreed stating that the Board has the ability to make recommendations and bring them forth. Mr. Donlan stated that the Board can still do this. Ms. Lovejoy responded that it cannot unless the union approves it. When both sides waive their rights, it can go directly to the City Council. This has not changed the responsibilities of the pension board.

Mr. Lustig questioned if the change in union bi-laws now requires the Board to bring the proposal to the union for a membership vote. Ms. Emerson stated that the membership has to agree that it wants the change through a vote. Mr. Lustig questioned if the vote would be open to exempt employees. Ms. Emerson stated that it would not. Mr. Donlan stated that this is a problem everywhere. It may be sensible to have two parts to the pension plan or two separate plans for exempt and non-exempt. Ms. Lovejoy stated the other issue is that the average age of union employees is much lower and their priorities may be much different.

Ms. Pennington stated that there are two different types of voting, ratification and voting for officers. Mr. O'Malley confirmed that everyone can vote for ratification of the contract. Ms. Mazzio stated that this excludes those non-association members. Mr. O'Malley stated that he will discuss the issue with his membership at the March 14th meeting. Mr. Lustig stated that he is unclear on the legality of the situation and would like the attorney's opinion. Mr. O'Malley stated that he is willing to proceed with a vote if the issue continues past his March meeting. Mr. Lustig stated he understands that the process has changed however there is no cost to the City; it will benefit employees. Ms. Carlson questioned if there is a way to implement a retroactive date which would cover everyone; Ms. Emerson agreed. This would provide thirty days from when the ordinance was passed. Mr. Griep added, with no impact to the City. Ms. Lovejoy stated that there would be no impact to the employees because it would be retroactive; they would be charged at the rate of the existing cost with no fees.

Ms. Mazzio stated that the union members can approve it however the city manager still has to agree. Ms. Pennington questioned if legally, the union can waive its right. Ms. Lovejoy questioned if the mayor always approved council agenda items prior to the City adopting a city manager form of government. Mr. Donlan stated that long ago he had an issue to be brought forward for the Fire Board. They had to include the information on a Green Sheet, just as required by the current city manager. There was a time when they went around the city manager by bringing the issue before City Council during the public comments section, which allowed for fifteen minutes of speaking. Ms. Emerson stated that once the membership approves it, the Board can inform Mr. Mitchell that the procedure was followed, the membership is ready to move forward with the ordinance, and there is no cost to the City. Ms. Lovejoy stated that she can understand the City Manager's perspective because there is a cost associated with it. They have to do an ordinance which outlines the options, conduct the public hearing, and advertise. She is however unsure if the benefit outweighs the cost. Ms. Pennington stated that timing is important.

Third Party Pension Administrator

Mr. Griep stated that Ms. Emerson is Fort Myers' pension plan administrator however she is also a City of Fort Myers employee who has to answer to the City Manager. He believes that Ms. Emerson was originally hired as the administrator working solely for the Board and later became a City employee. He questioned if the Board may have interest in hiring a third party administrator who would work solely for the pension board, not the City. Cape Coral has two people working for them from a firm out of Boca Raton. He believes they provide services to all three pension plans. There are other third party administrators; he is unsure about the cost or what the benefits would be for having the administrator working directly for the pension board. He questioned if the Board is interested in investigating this type of arrangement.

Ms. Mazzio questioned how the third party administrator would work with the person working for the City as Ms. Emerson does all of the Board's work. Ms. Emerson stated that they would do it all. Mr. Griep stated that they would keep the minutes and records and do all of the work. Ms. Emerson stated that it would involve everything she currently does. Mr. Lustig questioned what would be the benefit to make the change. Mr. Griep stated that Fort Myers would have an administrator independent of the City. He is unsure what the benefit would be; he is just bringing it up for investigation.

Ms. Mazzio stated that if the pension board decided to move forward, the City will be paying for it. She questioned how the Board would get the City to agree. Mr. Griep stated that it would come from the pension funds. Ms. Lovejoy stated that it would be an additional cost to the pension plan because currently Ms. Emerson is performing on behalf of the pension board but paid for by the City. Much like when Ms. Emerson worked for the pension board it was an expense to the pension plan. This would be an expense no different than the fees paid to investors. Mr. Griep stated it would include the cost of having the minutes transcribed. Ms. Mazzio questioned who would oversee the budget; Mr. Griep replied the Board. Ms. Mazzio stated that the Board is never consulted about the budget. Ms. Lovejoy stated that there are two parts to the budget, one is allocated to Ms. Emerson and her pension duties related to the City as established through the City Council. The other portion is allocated toward expenses related to records.

Ms. Emerson stated that Fort Myers would be paying another party to be administrator. Ms. Lovejoy stated that it would be an extra cost shared by all of the beneficiaries. She questioned if this would be a benefit and how much is it worth. Mr. Donlan stated that from the City's perspective, the cost should not be much of a difference because it is paying Ms. Emerson's salary and part of that salary includes administration of the fund.

Mr. Donlan stated that most of the budget is currently allocated toward Ms. Emerson's salary. The new way would be more of a cost to the pension administrative expenses. Ideally, he believes the expenses will not be much different. Ms. Lovejoy stated that the expenses would not be different however the pension plan paying them would be. Mr. Donlan stated that the City pays them anyway. The administrative expenses are included in the normal cost to administrative expenses in the payment of the unfunded. The question is what are the funding requirements to the City. If $50,000 was added to the pension plan's administrative expenses, the cost would increase by approximately one-half of a percent of payroll. Ms. Lovejoy stated that the cost would increase toward the City's contribution therefore this is a direct expense to them.

Mr. Donlan stated that the Police and Fire Boards have appointed administrators. The current Fire pension plan administrator, Greg Pounders, indicated to him that the Fire Board should hire Ms. Emerson because it would benefit the members. She is easily accessible and employees can receive personal attention obtaining answers immediately versus a third party administrator where they cannot. Ms. Mazzio stated that Ms. Emerson knows everyone in the City.

Ms. Emerson stated that as the fund administrator for this pension plan and even working for the City, her focus is on the members. She arrives at work very early spending her day working on the General Employees and if she has to do work for the City it is done in a different timeframe. She ensures that all retirees are being paid and if a problem arises she is available for them. Mr. Griep questioned if Ms. Emerson is administrator for the Police Plan. Ms. Emerson responded that she always attends their meetings however she is not administrator. It is okay to consider other options, however this arrangement is working. The retirees know her; they like the personal contact. Mr. Griep agreed. Ms. Emerson stated that she does not have a loyalty to either entity. She does her job for the pension plan and she does her job for the City; there is no conflict.

Ms. Emerson recommended that future presentations to City Council be provided by a trustee rather than her because it may cause confusion as to the source of the recommendation. Ms. Lovejoy agreed stating she believes there was confusion at last year's workshop because when Ms. Emerson presented the pension alternative, she was viewed as a pension board representative. This is unfortunate because it was not the view of the pension board and the trustees did not have the ability to provide input. She believes that this is the source of Mr. Griep's concern.

Ms. Lovejoy stated that she also understands the other perspective. Ms. Emerson is located at the City and this is positive to the employees who need her. What should occur is that employees must be made to understand what Ms. Emerson's role is specific to the task. Ms. Emerson stated that a trustee from the Board should present when it comes to changing the pension plan. Board members agreed. Ms. Emerson stated that a Board member should be present at employee workshops to communicate that he or she is speaking on behalf of the General Board.

Ms. Mazzio stated that Police and Fire were speaking at one of the City Council meetings and there was not an Employees' Association representative so she spoke as the General Pension Board Chairperson because the General Plan was not represented. Ms. Lovejoy stated that she believes Ms. Mazzio was viewed as a union representative not pension board.

Buyback After Termination Ordinance Update

Ms. Lovejoy was questioned by an employee about what the COLA is on the tiers. Ms. Emerson responded that it is 2.5%. Mr. Donlan stated that it is 2.5% on two of the tiers and the other a $200.00 supplement. Ms. Lovejoy questioned what prompted the multiplier increase from 2.1% to 3.0% in 1998 and was an actuarial study performed to determine the funding requirement. Ms. Emerson stated that the funding requirement was provided to the City. Ms. Mazzio stated that Mayor Grady initiated it because he wanted to change the pension plan to contributory. The multiplier increased in segments first from 2.1% to 2.55% for one year and then to 3.0% at the time of the next year's pay increase.

Ms. Carlson stated that the annual pension statements show the years at 2.1% and 3.0% but not 2.5%. Mr. Donlan stated that the 2.1% was for service before 4/2/98 and the original ordinance states that it is 2.55% because it was after 4/2/98 however it was approved retroactive. Ms. Emerson stated that contributions began in 1998. Employees started by contributing 1.2% toward the 2.5%. Ms. Lovejoy stated it cost 1.2% when the employees started contributing. Ms. Emerson confirmed that she has copies of the ordinance. The multiplier changed in April 1998, one month, from 2.55% to 3.0%. Then in October 1998, the employee's contribution increased from 1.2% to 2.4%. The 2.4% to 3.1% had nothing to do with the multiplier; it decreased the normal retirement age from 65 to 62, the Rule of 90 to the Rule of 80, and other benefits. Ms. Lovejoy stated that the real cost associated with the 3.0% multiplier was 2.4% based on an actuarial study.

Ms. Emerson confirmed stating that other items were changed. The early retirement reduction rate was changed to 4.0% for each year prior to age 62 and the salary definition was changed to include overtime. Mr. Donlan stated that if he performed a study now to reduce the multiplier from 3.0% to 2.1%, it would not change by exactly the same amount because the Board changed from an 8.0%

to 8.5% investment assumption at the same time. When this change was made, it reduced the cost and the members contributed an additional amount. This brought it to the 3.0% benefit rate. Ms. Emerson stated that in 2001 Fort Myers went from 2.4% to 3.1%.

Ms. Lovejoy questioned if it costs 2.5% to purchase a .9% multiplier over an actuarial 30 year period. She stated that the employees who approached her believe that if the contribution is proven to be paid for with the .9%, then it should be added back to the new reduced multiplier since the employees paid for it. For example, if the proposed budget is at 1.6%, the reality is that it should be 2.5%; this is not a horrible reduction. Ms. Emerson stated that the other issue is employees have not contributed enough to fund that 3.0% because it is over the life of the plan. Ms. Lovejoy disagreed stating that an actuarial study was done; it would go to retirement.

Mr. Donlan stated that the City is in its current position as a result of the investment return. Ms. Lovejoy stated that there are peaks and valleys over the course of any pension plan; at times it was very low because the return was extremely favorable. The status of the pension fund cannot be viewed during a window, it must be considered over the long term. Ms. Emerson recommended that the Board consider what City Council would think. Ms. Lovejoy stated that it is the pension board's responsibility to make them aware. Ms. Emerson acknowledged Ms. Lovejoy's perspective however she stated that they were not looking at a 30 year period when the impact statements were done.

Mr. Donlan stated that it increased from 2.1% to 2.55% and the total required contribution increased from 10.8% to 13.2%. Therefore the 2.1% to 2.55% was 2.4% of payroll. Apparently, the City and members split the cost because the members went to from 0% to 1.2%. Ms. Lovejoy confirmed that the City also contributed an extra portion toward the increased benefit; Mr. Donlan agreed. Ms. Lovejoy stated that she was unaware of this. Mr. Donlan stated that the total cost was 2.4% of payroll to increase from 2.1% to 2.55%. Ms. Emerson stated that this is not for 30 years. Mr. Donlan stated that it is for the long term. Ms. Lovejoy stated that a member can retire one year after however he/she will not get the benefit of that for more than one year. Mr. Donlan stated that the 2.4% of payroll cost to increase from 2.1% to 2.55% is expected because a .1% increase in the multiplier usually costs approximately 1% of payroll. This is still true to this day.

Mr. Donlan stated that he believes if a study was conducted to go from 2.55% to 2.1%, the savings would be approximately 2.4% of payroll; it is a long term impact. The next increase from 2.55% to 3.0% cost another 2.4% of payroll because the total required went from 13.2% to 15.6%. Ms. Lovejoy questioned if it was related to the increase or the investment return. Mr. Donlan stated that it increased from 2.55% to 3.0% costing 2.4% of payroll and again the members and the City split the cost. The members increased from 1.2% to 2.4% and the City increased from 12% to 13.2%. Ms. Lovejoy confirmed that the employee increase was for the enhanced benefit to the 3.0% multiplier. When it increased from 2.4% to 3.1%, employees paid .7% for the change in the calculation of the benefit. Mr. Donlan stated that when the multiplier increased from 2.1% to 2.55%, members increased 1.2% and the City increased 1.2%. It then increased from a 2.55% to 3.0% multiplier and both the members and the City increased 1.2%. They are almost identical.

Mr. Donlan stated that the third change is more complicated because it involves the following modifications:

- The retirement age was changed from 65 to 62
- The Rule of 90 was reduced to Rule of 80
- Normal retirement at 30 years of service and out was added
- The early retirement reduction rate was reduced to 4% for each year prior to age 62
- The definition of salary was changed to include overtime

Ms. Lovejoy stated that it is being questioned whether this was paid for by the .9%. Mr. Donlan stated that it was mostly paid for by the change in the investment assumption from 8.0% to 8.5%. However, the member contribution did increase from 2.4% to 3.1%. Ms. Lovejoy stated that the multiplier is shared.

Ms. Mazzio questioned if the City is considering a reduction in the multiplier to 1.6%. Ms. Emerson agreed stating that it has been included in the budget because the Florida Retirement System (FRS) is at 1.6%. Ms. Lovejoy stated that it depends on the portion; there are many components to it. It can be 1.6%, 1.7%. Ms. Emerson stated that the majority of the population is at 1.6%. Ms. Lovejoy stated that FRS retirees receive an automatic cost of living adjustment. Ms. Emerson agreed stating that they do not contribute toward this. Ms. Lovejoy stated that retirees also receive a reduced cost for medical. The FRS' pension plan and the City of Fort Myers' plan however are not equal for comparison.

Ms. Mazzio stated that if the multiplier is reduced to 1.6%, all of the money that was contributed will be lost. Mr. Donlan stated that the change would be in effect moving forward. Employees will receive 2.1% for service before 4/2/98, 3.0% for service from 4/2/98 through the date of change, and 1.6% from that date forward. Ms. Mazzio stated that members paid for it and are not receiving the same benefit that they originally paid for; this is her issue. Ms. Mazzio questioned if the City is asking for changes in addition to the multiplier. Ms. Lovejoy confirmed that the City is proposing to take away the total W-2 pay. Mr. Griep stated that this is based on a percentage. Ms. Emerson stated that the benefit was provided as a result of reducing the assumption. Ms. Lovejoy questioned if the cost was 2.4% to 3.1%. Ms. Mazzio stated that it was not with the W-2. Ms. Emerson stated that the W-2 was implemented later. Ms. Mazzio stated that the overtime inclusion was a benefit that the Police and Fire had in their pension plans. She discussed the issue in negotiations and it was denied so the union brought it to City Council. Once it was communicated that 66% of other cities include overtime in the calculation, the mayor agreed.

Ms. Lovejoy questioned if the annual report identifies the cost for the employees who took advantage of the early out. Ms. Emerson agreed. Mr. Donlan stated that it is under benefit improvements. If a benefit improvement study was conducted right now it would provide the normal cost of the pension plan and the unfunded accrued liability. Ms. Lovejoy questioned if that is directly attributable to the early out members receiving the .9% for all of the years they worked. Ms. Emerson agreed. Mr. Donlan stated that it does not provide the increase in normal costs; it provides the unfunded actuarial accrued liability.

Ms. Emerson questioned if the City's required payment is based on the unfunded actuarial accrued liability; Mr. Donlan agreed stating there are two pieces to the funding requirement, the normal cost to the pension plan and the unfunded actuarial accrued liability. An unfunded actuarial accrued liability was created when the early retirement incentive occurred. Ms. Lovejoy questioned if Mr. Donlan can identify the related contribution as a percentage and/or dollar figure. Mr. Donlan stated that he can include an approximate current impact for the incentive in the report. Ms. Lovejoy stated that this would be helpful. It has been said repeatedly in City Council meetings that the early out saved the City money. She believes the portion that is not included is the cost to the pension plan, which in turn is a cost to the City. Now employees are being asked to bear the brunt of an incentive that the City gave to a select group of people.

Ms. Pennington stated that the City saved money. Ms. Lovejoy agreed stating that the money saved should be placed in the pension plan to pay for benefits given to the early out retirees. The existing employees should not be penalized as a result. Ms. Emerson stated that the City of Fort Myers offered incentives in 1994, 1999, and 2008. Ms. Pennington questioned if the unfunded liability, which affects the pension plan, was presented to City Council; Ms. Emerson replied that it was. She believes the consensus was that the City thought it would be long-term.

Ms. Lovejoy stated that if it really did save money, it may be a good time to discuss another early incentive. Ms. Emerson stated that the money was saved in the *numbers.* Ms. Lovejoy questioned Mr. Donlan about how the pension board can obtain this number. Mr. Donlan stated that he will compose a letter describing the current cost associated with the last two incentives with the impact on the normal cost and unfunded liability. Ms. Lovejoy agreed that the Board needs the current and long-term figures.

Mr. Donlan stated that the Board discussed the fact that the members made the additional contributions. In 1998 during the first change, 2.1% to 2.55%, the City's cost at that time was 10.8% of payroll and it increased to 12%. Now the cost is 28.2% of payroll. This is the City's argument. However, the Board is articulating that some of the 28.2% contribution is a result of the early retirement incentives. Ms. Lovejoy questioned how much of that 28.2% is due to the IRS rulings and State changes including the reduction in amortization from thirty years to ten. This is another component unrelated to the employees' pension; it is a legislative change in which the Board has no control. Mr. Donlan stated that he will provide the information requested.

Ms. Emerson stated that the City is requesting for Foster & Foster to calculate the cost since 2001 for the multiplier increase from 2.1% to 3.0%. The Board must approve the request and the City will pay for the report. Ms. Lovejoy stated that it should also provide the employee contribution. Ms. Emerson agreed. Mr. Donlan stated that all of the past service was still at 2.1%. It is slightly less expensive with a benefit improvement and only affects future service. The City is considering changing future service again. The cost is approximately 4.8% of payroll to go from 2.1% to 3.0%. The members and City split the cost at 2.4%. He believes it is unnecessary to perform a study in that regard. The reason why the City's cost has increased is the investment return and the early retirement incentive.

Ms. Lovejoy questioned if Foster & Foster can provide Fort Myers with the growth in percentage of contributions over the past 20 years. In the 1990's it was approximately 10% and now it is up to 28%. The history should show a cycle. Mr. Donlan stated that in 1997 the City had a 2.1% benefit rate and it was on base compensation. All costs dramatically decreased for cities in the 1990's and they implemented benefit improvements. Ms. Lovejoy stated that it could be charted and the benefit improvements could be identified. The reality is that the assumptions in the actuarial report may cost more today however it should even out over the course of the plan. It is currently an unfavorable time; conditions should improve. Next year however will be worse due to the loss of the 15% in the four year smoothing calculation. The first quarter of this year has been favorable.

Mr. Donlan stated that he will compose a letter providing the approximate impact on the funding requirement right now as a result of the two recent incentives. He will also provide the City's contribution over the past 20 years.

Ms. Emerson confirmed that the City will have a workshop about the proposed changes to the pension plan. Ms. Mazzio recommended that the trustees attend to hear the discussion. She questioned if input is acceptable. Ms. Lovejoy responded that audience members can only speak if requested by Council; therefore if Ms. Mazzio would like to have input, she should meet individually with the Councilmembers prior to the workshop.

Mr. O'Malley stated that in the past, employees added to the contribution to increase the multiplier. He questioned if the City takes more, whether the contribution goes back to the former rate. Mr. Donlan stated that this is the concern being discussed. Members paid to increase the multiplier however the City is going to reduce it. The City could make the reduction to 1.4% going forward and if members want to make their 3.1% member contribution, it will increase to 1.6%. There are ways around it; the members have valid concerns. The City also has valid concerns however since it was previously contributing 10% of payroll and now it is contributing 28%. This is an 18% increase therefore the City needs to cut benefits to reduce the contribution rate.

There being no other business to discuss, the meeting adjourned at 11:00 O'clock A.M.