

Fort Myers General Employees Pension Board

Board Meeting Minutes
July 20, 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

ABSENT: None

The Fort Myers General Employees Pension Board Meeting was called to order at 9:00 O'clock A.M.

Item I – Approval of Minutes

Mr. Lustig stated that the 8.5% actuarial assumption should be changed to 8.4% on the June 15, 2011 meeting minutes page five of twenty, paragraph four.

Ms. Pennington motioned to approve the June 15, 2011 meeting minutes as corrected, seconded by Ms. Carlson, and unanimously approved by the Board.

Item II – Plan Administrator RFP Discussion

Mr. Mazzio stated that the meeting packet provided to board members included the Plan Administrator Request For Proposal responses as well as a letter of resignation from Ms. Emerson. Ms. Emerson acknowledged her resignation. Ms. Mazzio questioned if the resignation will affect Ms. Emerson's position with the City; can she be terminated. Ms. Emerson responded that she is unsure. Ms. Mazzio stated that she would be sorry for this to happen. Ms. Lovejoy agreed stating that she did not expect a resignation. She was also surprised to have received the RFP responses because she thought the Board was going to review and discuss the RFP once drafted by Scott Christiansen.

Ms. Mazzio stated that the previous minutes indicate the Board can decline the

proposals and retain Ms. Emerson as administrator after going through the process however if she resigns, she will have to make the decision at that time. Ms. Emerson agreed. Ms. Lovejoy questioned if Ms. Emerson resigned because the Board approved doing an RFP to determine what is available. Ms. Emerson stated that she believes it is time. Ms. Mazzio stated that she feels badly about the resignation because she has worked closely with Ms. Emerson for many years and she has done a great job.

Ms. Lovejoy stated she is unsure that outsourcing is the right decision. Having a person in house for employees to ask questions is an important aspect. If Fort Myers decides to outsource, it must ensure that the person is available because pension in general is very hard for employees to understand; having a person in the City to help is a comfort to them. Ms. Mazzio stated that it helps to have someone they know because there is a level of trust. Ms. Emerson has been with the City for a long time, she has conducted the employee meetings; they know her. She believes outsourcing would make it difficult for the employees.

Ms. Pennington questioned if Fort Myers has to accept Ms. Emerson's resignation and on whose authority is it being submitted--the City Manager, Director of Human Resources, or Ms. Emerson. Ms. Emerson responded that she tendered her resignation because the prospect of doing an RFP was presented and the entire board supported it. This made her feel, not that she is unimportant or not doing a good job but that the Board needed more. She has felt as though she has been attacked because of her position working for both the General Board and the City; she does not want to continue to work this way. When certain information is communicated to the Board, it is coming from the source, not her directly. She does not want to be in a position where she has to be cautious about how she communicates in order to avoid offending the Board or the City; it is not a good position to be in.

Ms. Pennington questioned how she can receive the resignation when Ms. Emerson is still there as an employee. Ms. Lovejoy questioned if the letter was presented to anyone else other than the Board because Human Resources knew nothing about it. She is struggling because she requested the job description and with the exception of "serves as liaison between the City Manager and the three pension plans," she does not see anything that is related to the administration of the pension plan. She is struggling, like Ms. Pennington whether Ms. Emerson formally tendered her resignation to the City.

Ms. Pennington stated that she cannot accept the resignation because Ms. Emerson is still an employee of the City. Human Resources has not informed the Board that she will no longer be working for the trustees. Ms. Emerson stated that the Board is independent from the City and can decide who its plan administrator will be; what she does should not affect the Board. The City manager will decide what her position will be. Ms. Pennington questioned if this should occur first. Ms. Emerson stated that the Board decided it wanted a new

plan administrator. Ms. Lovejoy stated that the Board decided to look at the options. Ms. Emerson stated that what happens to her is not an issue. Ms. Lovejoy stated that it is an issue because Ms. Emerson is the pension plan administrator.

Ms. Carlson stated that she voted yes to doing an RFP because the subject has been raised repeatedly not because she feels Ms. Emerson is doing an inadequate job. The RFP will satisfy those who continually bring up the subject that Fort Myers already has the best of the other world. This is why she voted yes. She is very firm in her belief that Ms. Emerson has done a spectacular job. She is also firm about not wanting to go to a stranger to find out what is going on with her pension because employees will not be able to pick up the phone and ask questions as they do with Ms. Emerson. This can satisfy the Board's curiosity by taking a look at everything Ms. Emerson does versus what is offered by the proposals and the cost to the plan.

Ms. Pennington stated the June 15, 2011 minutes reflect that she said the Board will take a look to see what is out there. When she read the proposals she became aware of software and other tools that the companies offer. As a result, she was thinking that Fort Myers should provide these tools to its plan administrator. She saw it as an opportunity however the resignation letter offset that. She is not challenging Ms. Emerson however she is questioning on what authority. She does not accept the resignation at this time.

Mr. Griep stated that the Board should respect Ms. Emerson's feelings. It appears to him in the last years that there has been conflict within Debra with respect to her job as administrator and City employee. It seems she is involved with two entities that are in opposition. There are issues she is aware of between her and the City Manager but then she is the plan administrator. Ms. Mazzio stated that this places her in a difficult position. Ms. Emerson worked solely for the Board in the beginning. Mr. Griep stated that it has been a good relationship for the City, Board, and pension members because it has been less of a cost to the plan. At the same time Ms. Emerson has not been a full time administrator because she is an employee doing other work for the City Manager and Human Resources. This is the reason why he proposed considering an independent full time administrator. It was not his intention to do this without discussion however he believes it is something the board should consider.

Ms. Lovejoy stated that she is concerned about the cost. She spoke with the Police Plan's chairperson and realized that the General Plan's cost will be much higher because it has a larger group of members. Fort Myers' job is to preserve the money in the fund to ensure it is there to pay out when employees retire. She questioned if it is in the best interest of the pension plan to outsource the function that is currently being performed at a much lower cost or would it be prudent to utilize some of the options available that would provide the tools to the plan administrator and save costs. Does the Board have the right to say that it wants to

continue with a pension administrator provided by the City? In that case, since Ms. Emerson has resigned, will this put her job in jeopardy? She would not like to see this happen; Board members agreed. Mr. Griep stated that the resignation is premature however the Board does not know what Ms. Emerson has negotiated with the City however at first appearance it seems premature. Ms. Emerson confirmed that she is not administrator for the Police and Fire pension plans.

Ms. Pennington stated that maybe it is an HR function for the Board to learn more about Ms. Emerson's job description. Ms. Emerson clarified that she has no problem working for both the City and the Pension Board however she believes many trustees do. Ms. Lovejoy stated that there have been conflicts of interest. At times the Board has asked questions that Ms. Emerson has likely been directed not to discuss. Ms. Lovejoy suggested that Ms. Emerson respond in the future with, "I'm not at liberty to say" rather than attempting to make everyone happy. When the board pressured Ms. Emerson for information she believes it did so because the information was important and impacted the pension plan. She takes her job seriously to preserve the plan for the members and ensure that they get the best they can. Her feeling is that this is being taken away from the Board. Maybe it is not the Board's responsibility and clarification is needed.

Mr. Griep stated that the Board has a fiduciary responsibility to protect the pension plan assets. Mr. Christiansen stated that the union contract indicates they are the sole negotiators for the pension. The General Board just has a fiduciary responsibility to the assets ensuring that the money managers are doing what they should. Ms. Emerson stated that pension is a term and condition of employment therefore it is a part of negotiations. Mr. Lustig stated that traditionally the pension board had more of a direct say however it is going back to the way it is meant to be. The pension board is in place to manage the plan as delivered.

Ms. Lovejoy stated that a limited number of people are represented by a pension that covers a tremendous amount of employees. Ms. Emerson stated that this is the case in most cities. Ms. Lovejoy stated that a lot of different unions negotiate a component. Ms. Emerson stated Scott Christiansen has informed the Board that a lot of cities similar to Fort Myers have their non-bargaining unit employees subject to the bargaining unit's decisions.

Ms. Carlson stated that it has been this way since she has been with the City. When the union got a pay increase everyone did and when they took cuts, everyone took cuts. Had this pension not been part of the union contract, the multiplier would have been changed to 1.6% last year because employees would have had no say; it would have been City Council's decision. Ms. Lovejoy should realize that the union is working hard for all of the people, attempting to be fair across the board. Ms. Pennington stated that Sherry Leonard insisted that pension be added to the contract; she agreed with it because it was planning for the future. The City accepted it. Ms. Emerson agreed stating that it is a term and condition of employment. Mr. Lustig stated that prior it was a gray area subject to City

Council and now it is not; this is a better place for it to be.

Ms. Lovejoy stated that the Board would have to accept Ms. Emerson's resignation and she does not. Mr. O'Malley questioned if the Board does not accept any of the proposals would the Board ask the City to hire another individual. From a union perspective, there is much value in employees being able to have that personal touch in contacting Ms. Emerson and being able to get an immediate answer. Approximately only 10% of the General Employees somewhat understand the pension. There is no way to place a price on the value of being able to have a direct person answer questions in a timely manner rather than being transferred to many different people, going through an automated system, or making a long distance phone call.

Mr. Lustig agreed however stating although there is much appreciation for a job well done, he believes that Ms. Emerson is being pulled in different directions and it is the Board's fiduciary responsibility to look outside. Ms. Pennington stated that the Board would then evaluate the results. Mr. Lustig stated that Fort Myers may not want any of the companies and if so it will have to decide from that point. He believes it is responsible for the Board to look. Mr. Griep agreed stating Ms. Emerson has done a good job however she has other responsibilities more than when she was originally hired as the Board's administrator. He believes the Board should consider seeking a full-time administrator.

Ms. Lovejoy stated that Ms. Emerson is the only person with the proper accreditation and she thought this was a stipulation of the Board. Board members were encouraged not to seek the designation because the terms are so limited. Mr. Griep stated the certification is not a requirement in the ordinance; Ms. Emerson agreed. Ms. Mazzio stated that Ms. Emerson was not always certified. Obtaining the certification is costly and it is not in the City's best interest to certify the board members because they can change frequently. Mr. Griep stated that the RFP organizations are certified. Ms. Lovejoy stated it is not a requirement.

Ms. Pennington stated she would like to go on record that she does not accept Ms. Emerson's resignation. Ms. Mazzio stated that the Board cannot tell Ms. Emerson she may not resign. Ms. Pennington is stating that she does not accept it because Ms. Emerson is still working; she has not resigned as a City employee. Ms. Mazzio stated that the Board cannot make Ms. Emerson do the job if she does not want to do it. Ms. Pennington responded that Ms. Emerson is still working. Ms. Mazzio stated that she is there to help with the transition. Ms. Emerson confirmed that she has not resigned as an employee. Ms. Pennington stated that in this case she does not accept that Ms. Emerson resigned from the pension board. She questioned if the Board should get clarification from Human Resources.

Ms. Lovejoy stated her concern is that if the Board accepts the resignation, should this terminate Ms. Emerson's employment where she will not be able to help the

Board administer the pension plan. Mr. Lustig stated that this is the City's choice. Ms. Lovejoy stated that the Board will have no one. Mr. Lustig stated that the Board has Ms. Emerson as long as she remains an employee of the City. Ms. Emerson agreed. Mr. Lustig stated that this could happen at any time and the Board would be in the same position; there is no difference.

Mr. Donlan stated that he reviewed the RFP responses from The Resource Centers, Public Pension Solutions, LLC, and Benefits USA and Foster & Foster works well with all three companies; although they work well with Ms. Emerson too.

Mr. Griep questioned if Mr. Donlan has worked with Jennifer Kerr. It has come to his attention that her experience may have been misstated. It appears from her response that she was administrator for more pension plans than Lakeland. Mr. Donlan stated he believes she has only worked for Lakeland however he does not know for a fact. Mr. Griep stated he was told that she was an employee of the firms she listed and not a manager or administrator. Mr. Donlan responded he does not know the answer to this however she did work for Lakeland like Ms. Emerson does for Fort Myers. He dealt with her for all pension related matters.

Ms. Emerson stated that she provided Board members with a revised fee schedule for The Resource Centers for clarification.

Ms. Lovejoy recommended that the Board give Ms. Mazzio time to review the RFP responses and discuss them at the next meeting; Mr. Griep agreed.

Mr. Lustig stated that Scott Christiansen sent out eleven letters and only three responded. He questioned if the Board should relax the deadline to possibly get more responses. Ms. Emerson stated that he sent it out on June 20th. She questioned if she should contact Scott Christiansen. Ms. Pennington stated that the companies were subject to a deadline and had time to respond. Ms. Emerson stated that they likely believe it is too late to respond because of the deadline. Mr. Lustig stated that the choices are limited; two of the responders are going to basically be the same because the primary person who did all of the work is listed in one company but she left to start her own company for which she submitted an RFP response. Mr. Griep stated that Scott Christiansen told him to specifically look at that. Fort Myers has three viable options. She is not the same as the company she worked for; she was just an employee. Mr. Lustig stated that she does not work for the company however she is the employee with the most background and is listed in the brand new submittal provided to Fort Myers.

Board Composition Changes

Mr. Griep stated that Monday night's City Council agenda had three items one of which was to change the pension plan ordinance to eliminate one of the council appointee positions and replace with the City Manager or designee. This brought to light that some of the information the Board has on term dates and who

appointed them is incorrect. His research shows that Ms. Mazzio is a council appointed member and her term expired at the end of March 2011. Therefore she has not been an approved council appointed member since then. Ms. Mazzio stated if this is a problem she can step down. Mr. Lustig responded that it is not a problem. He has a memo showing him and Mr. Griep in the council appointed positions. Mr. Griep stated that the memo is incorrect as he spoke with Marie Adams. Ms. Emerson stated that she is unsure if Ms. Adams' information is correct because her office called to request the minutes showing the members from 2006; she has to do some research.

Mr. Griep stated he is a council appointed member however there is nowhere in the council minutes that he is an appointee. In 2008, he was appointed by the board to replace Nora Burkholder; this should appear in the General Board's minutes. He was reappointed in 2009 as a council appointee. The error in information that was presented in January was related to who he and Ms. Mazzio represent. Ms. Mazzio stated she is sure that she is a council appointed member because she remembers when Ms. Emerson requested permission for her to be on the pension board. Ms. Lovejoy questioned which vacant position was being referred to on the green sheet. Ms. Emerson stated any council appointee. It was vacant because they were stating that Ms. Mazzio's position expired. Ms. Mazzio stated that she stepped down as the president but then she got the other seat.

Ms. Emerson stated she was unaware of this issue until 2:30 p.m. on Monday when she read the agenda. She called Mr. Mitchell and involved the City Attorney to explain that there is a process to go through, especially with the Police and Fire because their contracts state all ordinances must go through the union; this is why they were pulled. Mr. Donlan stated that Scott Christiansen has indicated a board member is a member until replaced.

Ms. Lovejoy stated her disappointment with the ordinance's permission to advertise because several months ago when the board requested an amendment it was told to wait because more items were going to be negotiated. It appears that the Board's needs were not being considered. Ms. Emerson stated that she believes Mr. Mitchell was focusing on the change in the law and not the other steps that must take place. She is not stating that he is right or wrong; it was done incorrectly. However he likely thought since the law was changed he could do it immediately without taking into consideration that other items are waiting to be brought to council.

Mr. Griep stated that the law only applies to 175 and 185 pension plans. Ms. Emerson stated it refers to all local plans. Mr. Griep stated that he spoke with Scott Christiansen and in the minutes he indicated that 1128 refers to 175 and 185 pension plans. It is still a city ordinance and the City is allowed to negotiate changes with the union; the Board has no say. The Board members can voice their opinions and talk to the City however they are not involved in the negotiations.

Ms. Lovejoy stated the Board knows that Ms. Emerson requested the changes and was told that the Board would have to wait; however she is sure it was an oversight. She can support a senior management level position being a voting member on the board because she believes that the investment rate is too high and a city designee would have argued against an 8.5% rate, which has since been lowered to 8.4%. She can see from a financial perspective that there is a need although she struggles with how it is being done.

Ms. Mazzio questioned if one of the current board members will have to give up their position. Mr. Griep stated that this is being proposed; he believes the board is not limited to seven members. Ms. Emerson stated that it can go to eight members. Ms. Mazzio questioned if this would skew the vote. Ms. Emerson stated that there would likely have to be a majority of five. A quorum of at least four would be necessary. Ms. Mazzio stated that years ago the Finance Director, Cathy Curtis was on the board as a non-voting member. Ms. Lovejoy stated that Debra Reed took over for Cathy Curtis. When the ordinance was changed with the change in departments, the Finance Director position was changed to OMB Manager/Director.

Mr. Lustig stated that the Board must research whether it can add another member and correct who is the council appointed member. Mr. Griep stated that the Board can make a recommendation for a member to be added rather than replaced. Ms. Emerson stated that the Board can request Scott Christiansen to prepare the ordinance to be presented to the membership. Mr. Lustig agreed. Ms. Lovejoy questioned if the Board should research the limitations; she believes that eight is not a good number because it could result in a tie. Mr. Lustig stated that Mr. Christiansen can do this. Ms. Lovejoy stated that the requirement will be in the administrative rules. Mr. Lustig confirmed that the Board composition includes two union members.

Ms. Lovejoy stated that she would like for the Board to research and determine whether Marie Adams' records are accurate. Ms. Emerson stated that Phyllis Hughes is checking this now; she has requested Ms. Emerson to go back to the General Plan minutes so that she can document correctly who is on the board and when they were appointed. Global share lists all of the board members, their personal information, and termination dates. It showed that the terms of Ms. Mazzio and Ms. Carlson had both expired and not been updated. She remembered in the April meeting that Ms. Mazzio was a pension appointee and the Board made a motion to appoint her. Then Ms. Mazzio was elected president by the Board. The Board may have made a mistake or Marie Adams' records are incorrect. Mr. Griep stated that this occurred in the February meeting and was talked about in the March meeting. Scott Christiansen requested clarification about Barb Carlson's term because it was not stated in the minutes that it was a three year term. Mr. Lustig stated that this does not need to be a portion of the motion. The plan administrator can research and correct this to ensure that the City Clerk's records and the Board's records match and that all the Board

members are current.

Ms. Lovejoy stated that Marie Adams indicated to her that hers are the true records. Mr. Griep agreed stating that Ms. Adams is the records officer. Ms. Lovejoy stated that Marie Adams should be updating her records with the minutes. Ms. Emerson stated that she does not receive copies of the minutes. Ms. Lovejoy questioned how the City Clerk's Office would know about the motion. Mr. Griep stated that Marie Adams told him the Board is supposed to be sending her copies of the minutes. Ms. Emerson stated that this was never requested. Ms. Lovejoy stated she questioned Ms. Adams about whether City Council knew when Ms. Mazzio's term was up and she responded that the City Clerk's Office sends a letter automatically 90 days prior to termination. Ms. Lovejoy questioned why they would not have contacted Ms. Emerson to start the process in selecting an incumbent. Mr. Lustig stated it appears that there is a disconnect.

Mr. Lustig confirmed that his motion is to have Scott Christiansen determine whether one or two positions would be more feasible and the Board would authorize any communication between the Board attorney and the Union. Ms. Lovejoy questioned if there is a time constraint; if the Board does not direct them to provide that information to the union will it be timely enough to make a difference. Mr. Griep stated that it is at least two weeks. Ms. Emerson stated that it will likely be longer because the three unions have to agree.

Mr. Lustig stated that the added one or two positions should be board appointed rather than council appointed as the proposed is for replacement of one of two existing council appointed positions. There are currently two positions designated by City Council and one will change to the City Manager or designee. The Board is looking to replace that position with a board appointed position. The question is whether to replace one position or two. Mr. Griep stated that the City does have two council appointed positions and he believes the senate bill created the catalyst for this because the City Manager wants a representative on the pension board. Mr. Lustig stated that this is a good thing. Ms. Lovejoy questioned if Mr. Lustig believes it should be the council appointed position. Mr. Lustig stated that by their determination based on the law, they had the ability to take that position; he believes this is what they will do. Ms. Emerson stated that this is what he is doing, taking the council appointed position.

Mr. Griep stated that this is between the city and the union; the Board can only make suggestions. The Board should get clarification from Scott Christiansen on what would be the most beneficial for the pension plan. Ms. Lovejoy stated that the Board's current composition includes: a union designee, union appointed, non-union appointed, two council appointed, and two pension board appointed. Ms. Lovejoy suggested adding another non-union appointed position. Ms. Mazzio and Mr. Lustig agreed.

Ms. Lovejoy stated she is concerned with taking away the council appointed position because this can bring diversity to the group. They can appoint a non-

city member, which the board will likely not. Mr. Lustig stated that he believes the board does not have a say in this; one of the two council appointed positions will be replaced. Ms. Lovejoy responded that this may not necessarily happen unless the union approves it. Mr. Griep stated that he does not believe that the City Manager's intent was to take anything away from the pension board. Ms. Lovejoy stated he just wants to have representation, which the City should because it pays for it. Mr. Lustig stated that the other option is to wait and see what happens. Ms. Pennington stated she likes the idea of Mr. Christiansen doing the research. Mr. Griep stated that he likes the idea of two non-union members with two union representatives, two council appointed, two pension appointed; and two city appointed; it evens it out; Board members agreed.

Ms. Lovejoy questioned whether the Board wishes to address the concern with the buyback of time. This involves the same ordinance; it is just a different part. If they are going to go through the process of advertising and getting the ordinance adopted, the buyback issue should be included. Ms. Emerson stated that she will meet with Mr. Mitchell and remind him that there is a pending ordinance and ask him if it could be included. If he agrees Scott Christiansen can draft the ordinance with both items included.

Ms. Mazzio questioned what would happen if her position is changed and would she have to be approved again. Ms. Lovejoy stated that based on previous discussion, Ms. Mazzio would remain a member until a replacement is found therefore nothing would have to change right now. Ms. Adams also told her that members must be sworn in again every time they serve another term. Mr. Griep stated the last time Ms. Adams updated her list was in December 2009. Ms. Emerson stated that the Board can ensure that the Clerk's Office receives copies of the minutes.

Mr. Lustig stated that if the City Council agenda went through, Ms. Mazzio's position would have been eliminated. He questioned what the Board should do now. Ms. Lovejoy questioned if the Board requests City Council to appoint Ms. Mazzio, is the Board going against the City's intentions. Mr. Lustig agreed. Ms. Emerson stated that everything would have to remain status quo. Mr. Lustig questioned if Ms. Mazzio is interested in continuing to serve on the Board. Ms. Mazzio stated that she will continue to serve as long as the Board needs her. Mr. Lustig stated that Ms. Mazzio could be reinstated if the Board has another board-appointed decision. Ms. Emerson stated that Ms. Mazzio is still a pension board member. Mr. Lustig agreed however stating that changes are approaching. Ms. Mazzio questioned if the Board would like for her to stay. Mr. Lustig and Mr. Griep agreed. Mr. Griep stated that the Board does want her to stay; they voted her in as president in February. Ms. Lovejoy stated that Ms. Mazzio brings in a different perspective and she has the ability to speak her mind. Ms. Mazzio stated that she has been on the Board for 7 to 8 years and a lot of changes have occurred over the years.

Mr. Griep stated that the Board does not have the authority to tell the City what it can or cannot do. He questioned if Mr. Lustig's motion is to request Scott Christiansen to research the possibility of increasing the Board membership and that he does it in conjunction with the union to best serve the pension. Mr. Lustig stated that the Board is attempting to avoid loss of a seat. Mr. Griep stated that Scott Christiansen needs to do this with the union and they need to see the need for it. Ms. Emerson stated that the pension board should make a recommendation about how it believes the structure should be.

Ms. Lovejoy questioned if the ordinance goes forward to City Council, can the council members change portions of the ordinance. Ms. Emerson stated that Scott Christiansen would incorporate the other changes. Ms. Lovejoy questioned if City Council could open up the ordinance to change the multiplier or make other changes. Mr. Donlan stated City Council cannot because all of the ordinances are negotiable now. Ms. Emerson stated that the union can request review of a pension ordinance at any time. Typically if more than one item is recommended for change Scott Christiansen combines it into one ordinance. Ms. Emerson confirmed that City Council does not have the ability to make additional changes. Any change in the ordinance must be in writing at the time.

Mr. Lustig questioned if the Board supports adding a city manager designee seat rather than a board appointed or non-union appointed seat. Ms. Lovejoy and Ms. Pennington expressed their support. Mr. Lustig stated that the Board will not lose a seat; it will gain an additional seat.

Mr. Lustig motioned for the Board to recommend that Scott Christiansen and the Employees' Association negotiate an ordinance with the City of Fort Myers to add the City Manager as an additional seat and if necessary, add an additional non-union appointee seat to maintain voting/quorum, seconded by Mr. Griep, and unanimously approved by the Board.

Item III – GRS Report Review ~ Foster & Foster

Mr. Donlan reviewed the GRS Report titled *Replication of the October 1, 2010 Actuarial Valuation Report for the City of Fort Myers General Employees' Retirement Plan*, which was provided to Board members. He stated that the City hired GRS to review the 30 year impact of changing the benefits. It starts out with a baseline valuation, matching valuation, and the studies. The matching valuation is slightly different from Foster & Foster's. The total present value of benefits is not much different however the total value of the benefits and the assets are used to calculate an annual payment to cover the benefits. There are different ways to allocate between normal costs and accrued liability. GRS calculated a lower accrued liability than Foster & Foster and a higher normal cost. As a result, their expected City contribution is quite a bit lower than Foster & Foster's. Ms. Emerson stated that there is a difference because of the years; the

22.8% is from last year therefore they are using the valuation from 2010.

Mr. Donlan stated that the differing assumptions could have been the reason the numbers do not match. Assumptions are made when employees terminate vested such as when they will draw their retirement benefit. Ms. Lovejoy questioned if it is a coincidence that the 22.8% was last years' number. Mr. Donlan stated that there was a difference in accrued liability. Normal costs are calculated by projecting the benefit at retirement and if the same percentage of payroll level is used from the time they hire until the time they fire, there will be enough to pay benefits. This is easy to do for normal retirement however it is not for disability and/or early retirement.

There are many different ways to calculate normal costs. GRS had a higher normal cost which means it is allocating more to the future in the normal cost and less to the past therefore the past service liability, unfunded actuarial accrued liability, must be amortized. This is set up as 10 year mortgages on gains and losses, 20 year mortgages on assumption changes, and 30 year mortgages on benefit changes. GRS has this difference in accrued liability so it decided to use a 10 year amortization on that "gain" because it has a lower actuarial accrued liability. If a 20 year amortization was used, which he believes is more appropriate, the result would have been negative 25.4% of payroll.

The recommendation was that Foster & Foster change to the new software, which was already the intention. Their system has been audited and reviewed even in Fort Myers and they never had this trouble. Ms. Lovejoy questioned if the number will be lower with the new software. Mr. Donlan stated that it will be nowhere near that number however it may have a different allocation with respect to normal costs and liability, which would change it slightly. This would be incorporated into the 10/01/2011 valuation. Ms. Lovejoy stated that the number can change by using a different methodology. This could save the City money however in the long run it will not because a liability is a liability.

Mr. Donlan stated that GRS refers to the 8.4% investment return assumption however the difference between their number and Foster & Foster's is the amortization of the unfunded accrued liability. The Board has discretion on the number of years for amortization. The State of Florida recommends 10 years however statutorily up to 30 years can be used. GRS chose 10 years for this description, which aggravates the difference. Foster & Foster utilized a combination of 10, 20, and 30 years. The return would be 22.8% of payroll if 30 years across the board was used and the State of Florida would not accept it at an 8.4% assumption. Ms. Lovejoy stated that by keeping the assumption lower, while it costs more, it ensures that the money is there when employees are ready to retire.

Ms. Mazzio questioned if the City is attempting to get the lowest amount possible; Ms. Emerson responded not anymore. Ms. Lovejoy stated that some out-of-state

municipalities and counties are failing because they chose not to contribute the necessary dollars to fund their plans. Ms. Mazzio stated she believes this is not the City's intention. Mr. Lustig stated that the City is attempting to cut costs; Ms. Emerson agreed. Mr. Lustig stated the City is reviewing the pension plans to ensure that it is getting the best deal. Ms. Lovejoy stated that the City of Fort Myers is doing its employees a favor by agreeing to contribute the higher amount because the funds will be there when employees retire.

Ms. Mazzio stated that the pension board has done all of this research. The City is hiring firms to go against the General Board. Ms. Lovejoy stated that the investment rate is still very high. The Board discussed reducing it but then decided to retain it at 8.4% because of the City's financial constraints. Now there is pressure from the State of Florida because their actuaries believe it is too high. Mr. Lustig stated that the Board can see reducing the investment rate however there is a cost involved. Ms. Lovejoy stated that the Board previously reduced it when gains occurred in other areas so that the cost would be offset. The Board was attempting to ensure that the City had the least impact.

Mr. Griep stated that the City may be negotiating pension with the union in an attempt to bring the investment rate down however it is also looking at what occurred in 1998 when the investment rate was brought to 8.0%. In 1998 Fort Myers was at a 2.1% multiplier with no contributions. Ms. Emerson stated that employees started making contributions in 1998. Mr. Griep stated that the multiplier increased from 2.1% to 2.55% to 3.0% and then the employees were asked to contribute 3.1%. There was no cost to the pension plan. He believes the City is attempting to do something similar to this. Ms. Emerson agreed. Mr. Lustig stated this is why he believes it will be advantageous to have a member of the City Manager's office on the Board.

Ms. Lovejoy stated she is unsure that the City is attempting to dictate the rate however the State is pressuring each municipality to value its pension plan using a 7.5% rate for comparability. Organizations are not being forced to use it; currently it is only to be done on paper for comparison with other municipalities in the State of Florida. Ms. Emerson stated that this is forthcoming; it may not be 7.5% however a reduction in the assumption will be required. This helps the pension plan in the long run because the assumption will be met more often. Mr. Griep stated that the Board previously discussed implementing a floor which would be helpful in balancing out the unfavorable years. Ms. Lovejoy stated she believes that the changes to the pension force this; it is her understanding that the City still has to contribute a set amount regardless of the return. She questioned if Mr. Donlan is aware of a stipulation in the new legislation.

Mr. Donlan stated that there is a normal cost of the pension plan and the payment required to amortize the unfunded. If the plan is overfunded, the amount would be negative in the payment required to amortize the unfunded. The new legislation requires a contribution of at least the normal cost, even if overfunded.

Ms. Lovejoy stated that the floor is being included by default; this is a positive change. Mr. Griep stated that another change related to the rate of return is that the actuary now has to present all of the costs at 7.75% no matter the rate in its reporting to the State of Florida. Ms. Emerson confirmed that the comparisons will not be equal because the pension plans have differing benefits and assumptions.

Mr. Donlan stated that Foster & Foster calculated the long term costs of the pension plan at 11.6% of payroll and GRS calculated 12.6%. The GRS report indicates no changes on page thirteen. The final result is 7.3% of payroll for the City. This is calculated by taking the 11.6% normal cost plus administrative expenses minus member contributions. Long term the City is only at 7.3% even under the current scenario.

Mr. Lustig questioned if future pay increases are calculated into the figures; Mr. Donlan agreed. Mr. O'Malley questioned if the 10% concessions have been taken into consideration. Mr. Donlan agreed that the cost will be lower in the 10/01/11 valuation if the employees receive less of an increase than the assumption. Mr. Donlan confirmed that the 2011 actual numbers will be reflected in the 2012/2013 report with respect to calculating required contributions. Mr. Griep stated that Foster & Foster will be considering the 10% pay decrease in wages and the decrease in contributions for the 2010/2011 report. Ms. Emerson responded if there is a decrease. Mr. Griep stated that normally Foster & Foster would assume increases in pay however this year he will have to assume a pay decrease which also relates to a decrease in the employees' 3.1% contribution.

Ms. Lovejoy referred to pages 13 and 14 of the report. She stated that page 14 brings in the proposed change to wages leaving the investment rate the same. She questioned why the percentage is higher. Mr. Donlan stated that it relates to the unfunded actuarial accrued liability, which is reflected in the mortgage payment. Ms. Emerson stated that the percentage is higher however the dollar amount is lower. Mr. Donlan agreed stating that next year's percentage of payroll will be higher however the dollar amount will be lower. Ms. Emerson stated that the State of Florida requires the percentage of payroll to be reported. Mr. Donlan stated that this is good in a sense because the City's required contribution for next year is only 28.2%. The City contributes less if employees experience pay cuts. Mr. Lustig requested that the dollar amount be included right next to the percentage in the report so that the direct comparison can be seen. Mr. Donlan stated that the dollar amount is not the requirement.

Ms. Lovejoy stated that the General Employee contribution was lower in dollars last year than the previous year. Ms. Pennington stated that there were less employees. Ms. Lovejoy stated that the salaries were lower therefore even though the percentage was higher the dollar amount was lower. When the City went from the budget workshop to the preliminary hearing money was taken out of the pension fund. Mr. Donlan stated that the City is attempting to reduce benefits

because of the unfunded actuarial accrued liability, which is the result of a highly unfavorable investment experience, the early retirement incentive, and salary increases that were higher than expected up until the last few years. The positive perspective is the long term projection. Even under the current scenario, the thirty year projection is 7.3% of payroll.

Ms. Lovejoy stated that there is not much of a benefit from reducing the payment as a percentage of salary until after five or six years. Ms. Emerson stated that option 1-c on page sixteen shows a difference in the 7.3% and 5.6%; the dollars are significantly different. Ms. Emerson confirmed that the City is requesting over \$1 million in pension concessions from the General Employees. Ms. Lovejoy stated that it is \$1.2 million; Ms. Emerson agreed.

Mr. Donlan referred to page 16 stating Foster & Foster's interpretation of the new statute is that the City has to contribute at least its normal cost of 12.6% or 11.6% in every year. Ms. Lovejoy stated that they are overfunding in the early years. Ms. Emerson stated that it is not overfunding, just funding sooner. Mr. Lustig questioned how the normal cost is determined. Mr. Donlan responded that a level percentage of payroll is developed that could be contributed during the time an employee is hired through retirement while considering all assumptions are met. It does not take any gains or losses into account. Foster & Foster had 11.6% of payroll for the normal cost and GRS had 12.6%. Ms. Lovejoy stated that the City offered an early incentive program with a premium cost, which is now being paid for by the current employees. Ms. Mazzio stated that the City should have considered this before offering the incentive program.

Ms. Pennington questioned if another actuary were hired, would the firm's numbers differ from Foster & Foster's. Mr. Donlan responded that this is likely. Mr. Griep stated that the difference would not be significant; the assumptions will determine the outcome. The same number will be calculated if the actuary uses the same assumptions. Ms. Pennington stated the assumption is the variable; Mr. Donlan agreed. Mr. Griep confirmed that the normal cost is the projected contribution from hire to retire with no changes to assumptions, benefits, and gains/losses; Mr. Donlan agreed.

Ms. Lovejoy stated that the best scenario is on page fifteen. Ms. Emerson stated the best is option c. Ms. Lovejoy stated that the best from the City's perspective with the lowest contribution is option 1-a. Ms. Emerson stated that option 1-a is salary only, 1-b is 1.6%. Ms. Lovejoy stated that page fifteen reads, "projection of required City contribution based on proposed plan change 1-a with no change in investment." Ms. Emerson confirmed that option 1-a is not the salary definition according to the law; it refers to base compensation only. She stated that pages four and five provide applicability: option 1-a is lowering the multiplier, 1B is changing the compensation definition, and 1-c is a combination of both.

Ms. Lovejoy questioned if this is approved automatically by law. Mr. Donlan stated that there are two differences; currently Fort Myers' salary is defined as total compensation. The new law allows for including overtime up to 300 hours. option 1-a is base pay only. Ms. Emerson agreed. Ms. Lovejoy confirmed that 1-a is the multiplier with no change in the salary definition, 1-b is the revised salary definition for base salary only, and 1-c is a combination of both not according to the salary definition law. Ms. Emerson stated that it reads "you may" not "you have to." Ms. Lovejoy stated that Scott Christiansen indicated at the last meeting that the change had to be made with the signing of the union contract. Mr. Donlan stated that a limitation is placed on the maximum however there is no limitation on the minimum in the salary definition. Many pension plans currently have their salary definition at base pay. Fort Myers' includes all overtime and this will change automatically.

Ms. Lovejoy questioned if it would be prudent to request the same scenario including the 300 hours. Mr. Donlan confirmed that Ms. Lovejoy is referring to the Senate Bill; Ms. Lovejoy agreed. Mr. Donlan stated that by the time the 2011 valuation is done Foster & Foster will be able to do an impact statement for the changes. Currently the issue is that lump sum sick and vacation time cannot be included attributable to service after the effective date. If the effective date is July 1st and an employee has 300 hours of accumulated sick and vacation at a \$10.00 per hour pay rate this provides for a certain dollar amount. The question is whether to use the dollar amount or the number of hours accrued. Ms. Lovejoy stated that it is currently based on the number of hours at the existing salary however the outcome could be very different, much lower or much higher, depending on what occurs. Mr. Donlan questioned what if employees use sick or vacation time between the effective date and retirement. There are many issues; at some point Foster & Foster will be providing Fort Myers with the impact of the new Senate bill.

Mr. O'Malley stated that the employees are already paying .7% for overtime to be included in the calculation regardless of the law. Therefore if no longer able to receive the overtime, the employees will take that back and negotiate from there. Employees also pay .3% of pay to have the vacation and sick time included in the salary definition. A combination of the two adds up to one whole percent. Ms. Emerson stated that employees are not paying for sick and vacation to be included. A portion of the .7% is paid toward overtime; it would not be the entire amount. Mr. Donlan stated that the extra member contributions paid for the normal retirement date, early retirement reduction, and definition of salary to include overtime. Ms. Emerson stated that the lump sum was not included in this. Mr. Donlan responded that a later ordinance provided for the lump sum to be included in the salary definition.

There is nothing wrong with the current system however Foster & Foster is attempting to convert all of its pension plans to the new system, which does

provide for more output for projections. The normal costs may be allocated differently which could generate a gain on the 2011 valuation.

Mr. Donlan stated that Foster & Foster is making some minor fee adjustments for all of its clients as a result of the new legislation. Retirement benefit calculations will increase to \$200.00 from \$150.00. The calculation is going to be more complex due to the stored sick and vacation time as of the effective date and maximum of 300 hours overtime per year. Buy back calculations have been kept at \$100.00 for a long time because the member has to pay it however this calculation is more complicated than the retirement calculation.

Ms. Lovejoy questioned if there is software available for Fort Myers to purchase so that it can provide the calculations at no charge. Mr. Donlan stated that he can provide Fort Myers with a grid that will estimate costs based on a member's age and service. Mr. O'Malley recommended including a disclaimer that the exact number can be obtained for a \$200.00 fee. Ms. Pennington questioned if the requested rate changes are outside of the existing contract between Foster & Foster and Fort Myers. Mr. Donlan stated that that Foster & Foster has not made any changes to the contract rates in more than three years and the contract indicates that the fees are guaranteed for three years. Ms. Pennington questioned if the entire contract is up for negotiation; Mr. Donlan agreed.

Ms. Lovejoy questioned if the Board is subject to the City's rules; does the Board have to go out for a competitive bid for these types of services. Ms. Emerson stated that this is not in the pension rules. Ms. Pennington questioned if Foster & Foster's contract is expired. Mr. Donlan stated that the contract guarantees not to increase the fees for three years and Foster & Foster is now asking to revise the contract from \$150.00 to \$200.00 for benefit calculations. GRS charges \$300.00 per benefit calculation. Foster & Foster has always been at the lower end for benefit calculation costs. They have wanted to increase the benefit calculation cost for a long time and thought this would be an appropriate time as a result of the new law and its effect on the complexity of the calculation.

Ms. Lovejoy questioned the dollar impact of the increase. Ms. Emerson stated that employees get a final statement at termination. Mr. Donlan stated that Fort Myers has 584 members. Thirty terminated vested and twelve retired therefore 42 people likely had benefit calculations. Ms. Emerson stated that this does not include the early out. She confirmed that the pension plan pays for the calculations, not employees; only the buyback calculation is charged to the employee. Ms. Lovejoy stated that the impact is approximately \$2,000. Mr. Donlan stated that GRS charges \$400.00 for the buyback. Mr. O'Malley stated that the employees pay the fee whether or not they retire. Mr. Donlan stated that the grid will be helpful in providing an estimate. Ms. Pennington stated that she likes the grid.

Ms. Lovejoy questioned Mr. Donlan about the "calculation of liability using the

FRS rate” and its cost of 10% of the valuation fee. Mr. Donlan responded that the State of Florida is doing a database comparing all of the pension plans. Fort Myers has to report its liabilities using the FRS assumptions. As a result, Foster & Foster will have to add additional pages to the valuation report and disclose the liabilities at the new rate. Ms. Lovejoy questioned the cost. Mr. Donlan confirmed that the cost would be approximately \$1,200. Mr. Griep questioned if the proposed fee increase will have a three year guarantee. Mr. Donlan agreed stating he will let the Board know if Brad is not in agreement. Ms. Emerson recommended that the Board request Scott Christiansen to update the contract.

Ms. Lovejoy motioned for Scott Christiansen to amend the contract with Foster & Foster to reflect the new rates, seconded by Mr. Lustig, and unanimously approved by the Board.

Item IV – Records Retention Officer – Marie Adams

Ms. Emerson stated that Scott Christiansen previously indicated Fort Myers should ensure that Ms. Adams is on record as the pension plan’s Records Retention Officer. Ms. Adams has informed her that she is the General Employees’ Pension Plan Records Retention Officer.

Item V – Additional Business

Morgan Stanley

Ms. Emerson stated that Morgan Stanley contacted Mayor Henderson requesting to evaluate all three pension plans because the firm believes it can benefit the plans. Mayor Henderson went to the City Manager who allowed Morgan Stanley to conduct the review. The City has not requested the Board to go out for an RFP. Tim Nash has been traveling and has not had an opportunity to provide his response to the Morgan Stanley report. She will get the response to the Board as soon as she receives it. Ms. Lovejoy stated that the Board should delay in discussing the issue because Tim Nash’s response has not been received. She believes that Morgan Stanley eliminated its firm from eligibility if Fort Myers does an RFP because a presentation was made and the comments that they made during the meeting were inappropriate and unacceptable.

Mr. Griep stated that he would like to have an August meeting; he believes that Bogdahn will be ready to present a response. Ms. Emerson stated that Bogdahn also attends the September quarterly meeting. She questioned if the Board would like for Bogdahn to attend both meetings. Mr. Lustig stated that it does not have to be in August. Ms. Lovejoy stated that the August meeting would be a good time for discussion.

Ms. Lovejoy departed the meeting.

Ms. Mazzio stated that the Board will discuss the Plan Administrator RFP responses at the next meeting. Ms. Pennington questioned if the Board would like to have Scott Christiansen attend the August meeting. Mr. Griep stated that he is not needed to discuss the Plan Administrator RFP. The Board can call to ask him questions. Ms. Pennington agreed stating that Mr. Christiansen is not needed at the August meeting.

Barbara Carlson Appointment

Mr. Griep stated that according to the March meeting minutes, Barbara Carlson was not properly brought on the board therefore it must be clarified that she was voted in for a three three-year term. He believes it was in February. Mr. O'Malley stated he recalls that Ms. Carlson was asked to serve for three years. Mr. Griep stated that Ms. Carlson was appointed by Mr. O'Malley however Scott Christiansen indicated that her term needed to be stated on record.

Mr. O'Malley requested that Barbara Carlson remain as the union appointee on the City of Fort Myers General Employees' Pension Board for a three year term. Ms. Emerson stated that Ms. Carlson will have to be sworn in.

There being no other business to discuss, the meeting adjourned at 11:04 O'clock A.M.