

Fort Myers General Employees Pension Board

Board Meeting Minutes
October 19, 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: Aurelio Gongora; Mike Seagle

ABSENT: None

The Fort Myers General Employees Pension Board Meeting was called to order at 9:03 O'clock A.M.

Item I – Approval of Minutes

Mr. Lustig motioned to approve the September 21, 2011 meeting minutes, seconded by Ms. Carlson, and unanimously approved by the Board.

Item II – Plan Administrator Presentations

Mr. Griep stated that the Fire Plan recently retained Pension Resource Center as its administrator. The Payroll Department has been working with the company to transfer information and set up the systems therefore if hired by the General Board the transition should be smooth. He met Scott Baur while attending the fire pension meetings and believes the General Plan will benefit greatly if hired because the firm is already familiar with the City; there would be more cohesiveness.

Ms. Emerson stated that the Police Plan does not have an administrator. Denise Egolf is the secretary and she does most of the day-to-day administrative work. Fiduciary Trust is the custodian. Ms. Lovejoy stated that the Police Plan is smaller than the General Plan. Mr. Griep stated that many pension plans administer their own. Mr. O'Malley stated that having an outsourced administrator will limit the availability for employees to receive information in a timely manner.

Ms. Pennington stated that she is impressed with Jennifer Kerr's background and credentials. She has experience with different cities and their problems; this might be good for Fort Myers. Mr. Griep stated that Fort Myers would be hiring the firm too, not just her. Ms. Pennington stated that she would bring her experience to the firm. Mr. Griep responded, if she stays. Ms. Pennington stated she is disappointed that Pete Prior from Benefits USA is not present. Mr. Griep stated that Jennifer Kerr attempted to start up her own firm and then returned to Pension Solutions. She was there for approximately six months after Lakeland, left to start her own business, and now she is back. Mr. Griep confirmed that Ms. Kerr indicated she can attend monthly meetings for employee availability, similar to ICMA. Ms. Mazzio stated that Ms. Kerr would attend Board meetings and hold special meetings for employees. She could also come to new employee orientations to personally speak with new hires.

Ms. Lovejoy stated that Benefits USA's fee is \$3,500.00 per month. She questioned if Fort Myers has researched the fee history to determine if they start out low and increase after the first year; she has had experience with this occurring. Ms. Pennington stated that Pension Resource Center charges \$4,375.00 per month. Ms. Mazzio stated she believes they offer only six months of meetings. Mr. Lustig confirmed that additional meetings are \$350.00 above the six per plan therefore attendance would be every other month. Mr. Griep stated that Pension Resource Center will draft the meeting agendas and transcribe minutes.

Mr. Griep confirmed that Pension Resource Center's fee is \$10,000 more per year than Benefits USA. They have Cape Coral office, which has been provided by the City of Cape Coral. Ms. Pennington questioned if the employees work five days per week in the office. Mr. Griep agreed stating he believes they have two employees. Ms. Lovejoy questioned if the price includes an employee in Fort Myers. Mr. Griep responded that he believes they would not hire another person for Fort Myers. Mr. O'Malley stated he is concerned about the personal contact; it all comes down to the cost.

Pension Resource Center Presentation ~ Scott Baur/Linda Runkle

Mr. Baur stated that the Board has the responsibility to administer the pension plan solely based on the interest of the participants and beneficiaries while defraying the normal reasonable costs. Pension Resource Center is employed by and acts as an extension of the Board. Their job is to work for the trustees as well as for all members/participants of the pension plan.

Pension plan administration incorporates activities for the Board with respect to operation of the pension plan and service to the members. The information side includes maintenance of financials, data, and records used to determine benefits on behalf of the members. The people side starts with the members as those administered by the Board of Trustees. Each component goes from a pension

plan level to a member level. On the plan level, the people side includes the Board and individual members. On the information side, issues occur globally at the plan level in terms of maintenance of data and records on behalf of the pension plan down to the level of the member where benefits must be determined and eventually paid. Fort Myers has a very mature pension plan where approximately two-thirds is retirees/beneficiaries and one-third active members.

Ms. Runkle stated that the administrator coordinates the daily operations of the pension plan. Pension Benefit Resource works with the trustees, advising and educating through constant telephone and email contact. They act as liaison between the trustees and service providers including: money managers, attorneys, accountants, actuaries, and custodians. In addition, personal services are provided to the pension plan participants including meeting with members to discuss timing and options available in preparation for retirement.

Pension Resource Center provides the following services to trustees:

- Schedule all meetings and coordinate/prepare public meeting notices, agenda, and meeting minutes.
- Review, organize, and file all money manager, monitor, attorney, and custodial statements/documents.
- Serve as the Public Records Liaison Manager maintaining the records and beneficiary designations while providing access to public records and responding to public records requests in compliance with the Public Records Act.
- Prepare correspondence, respond to information requests from trustees, service providers, and the public.
- Schedule trustees for training sessions and/or conferences
- Provide workshops for members.
- Pay service provider invoices.
- Assist with coordinating presentations to the Board and prepare requests for proposals.
- Prepare the annual application for fiduciary liability insurance coverage providing quotes in advance to trustees for review and determination.

Mr. Baur stated that Pension Resource Center has the ability to shift the operational responsibility from the City during a time when budgets and staffing are limited. Jennifer Kerr worked for him and does a very good job. As a newly established business owner her experience is limited on the administration side. She has brought in her father who is experienced; together they should be a formidable combination however their abilities may not be as strong on the back office side. Pension Resource Center on the other hand has the capability to maintain all of the information while assisting members in determining their benefits. They still believe in checks and balances, therefore Foster & Foster should review/certify pension benefit calculations as part of the process before payment is made to members. A lot of interaction at the front end should be

accessible and handled through their office.

The transition with the Fire Pension has gone more slowly than he expected as they are still in the process of gathering information from the City. Pension Resource Center is slightly more information intensive, which will work to the advantage of the members. Once all of the information is obtained, it will be accessible on the website, including the ability to make real-time benefit calculations based on actual payroll earned up until that date. This is one of the areas where Pension Benefit Resource is most distinct. A significant amount of investment is placed in both their staff and systems to enhance services. Their web-based systems, which were developed and written in-house, can securely be made accessible to the trustees and/or members. Currently members are allowed to do real-time benefit calculations with a limited ability to manipulate the assumptions, which avoids the feasibility of unreasonable perception.

Pension plan administration is their only function; the staff is extremely competent, including two attorneys. They are currently associated with an accounting firm, which allows for the ability of Pension Resource Center to take over maintenance of the interim pension plan financials. This function is included in the proposal. The City will be able to reallocate its internal resources as more functions in the operation of the pension plan are taken over.

Although their fee schedule is higher than the other proposals, Pension Resource Center has the capability to exceed what is typically handled only at the board or pension plan level. Fort Myers has a fairly complex benefit structure. Approximately two-thirds is weighted to retired members and beneficiaries with approximately 350 active members. The pension plan includes a change in multiplier from 2.1% to 3.0% in 1999 and an optional type benefit plan structured as a four-tier benefit and contribution system where the optional fourth tier involves a \$200.00 medical supplement and 2.5% COLA combined.

Pension Resource Center has administered all of these through similar pension plan designs, which have included partial refunds/contributions and members withdrawing from optional tiers due to a lack of comprehension or a change in circumstances. Even if decisions are irrevocable there have always been allowances for the Board to consider in making these kinds of determinations. Fort Myers' Pension Plan also offers a DROP program. Pension Resource Center could do the statements or Foster & Foster could continue doing the work. Fort Myers has a seven member board including the union president, union appointee, non-union appointee, two City trustees, and two trustees appointed by the others.

Having reviewed all of the components it is likely that Fort Myers has an active pension plan. It was not studied arbitrarily however he wanted to be sure that his price was not too far from the other typical fee proposals. Mr. Baur stated that he would really like to work for Fort Myers. Pension Resource Center has an office in Cape Coral and works for Fort Myers' Fire Pension Plan and three Cape Coral

Plans. It makes sense in terms of the geographic cluster to be able to do it. He is better equipped to offer local service to members particularly based on proximity. The trustees must now decide which administrator will be the best fit for the General Employees' Pension Plan. As he struggled with the fee schedule because he knew this would be the most significant consideration, his justification for the higher fee is that Pension Resource Center can provide for the consolidation of jobs currently being performed in a fragmented way between Human Resources, Finance, and the current administration. The operation would be more centralized into the plan administration rather than in the City.

Mr. Baur stated he considered offering some concession on the two year \$4,375.00 fee proposal however he does not believe he can go that far. He considered whether and how far he could or should lower the fee because if lowered too far for what they do he will end up absorbing the cost. If spread too thin, it takes away from service and they would not be as available to the Board and members. It is important to be careful in setting a price that will allow for efficient services leading to a long term relationship with the Board and pension plan members.

He considered with a lot of thought the possibly of lowering the fee to \$4,075.00 however the final result was not a substantial difference. The three year contract would start at \$4,075.00 for the first year with a modest 3% increase for the subsequent two years, which would bring the price to approximately the same place as the two year guarantee on the original fee proposal of \$4,375.00. Within that he did not consider nor did he feel that he had too much margin for error in how he was looking at the pension plan overall.

Mr. Baur stated that he deviated substantially from his typical presentation because he thought it would be more useful to have a relative conversation about what Pension Resource Center does and how and why he arrived at the proposal. He encouraged Board members to go onto the website. The plan calculators are not up yet for the Fire Pension however he believes that the transition time would be less for the General Employees' Plan.

All of the information they have on behalf of the plan belongs to the pension plan, belongs to the Board. Pension Resource Center functions as administrator. Should Fort Myers choose to do something different in the future with its pension plan administration essentially the Board would have all of the information it needs to track members and determine/produce benefits. The continuity is very important because ultimately the trustees, members, and City staff change over time. There is a lot of value added by having an administrator.

Ms. Pennington questioned what types of activity occur in the Cape Coral Office and are employees able to walk in or make an appointment for assistance. Ms. Runkle stated that the Cape Coral office is open daily from 9:30 a.m. to 2:30 p.m. There are two employees in the office. Her hours fluctuate as a result of traveling

to meetings however her coworker Bob is always there. He is good at running numbers and meeting with people individually. Mr. Baur confirmed that initially both he and Ms. Runkle will attend the monthly board meetings and eventually only one of them would attend. The two primary contacts are he and Ms. Runkle. The reason for having multiple people working with the Board is that it provides for greater continuity; both of them would be aware of all activity.

The firm employs sixteen people. Eight are plan administrators, those who work directly with the trustees and members. The other employees make pension payments; a substantial volume of payments are processed out of their office. Fort Myers' custodian currently makes its benefit payments and he is not necessarily stating that Pension Resource Center should do this however their firm does understand the process and everything it entails. The firm has a dedicated payment staff, a couple of employees dedicated strictly to plan accounting. This generates considerable overhead for the firm versus other administrators. Finally, the staff includes a small but highly robust I.T. team. Substantial investment has been placed in technology and systems to the point where they can market their systems instead of their services. Their systems are complex and a lot can be done with them since moving to a web-based platform. It allows for more opportunities with respect to interaction using plan information, with security a key consideration.

Mr. Griep questioned if Pension Resource Center would replace some work currently being performed by Comerica with respect to planned financials, checking account, and accounts payable. Mr. Baur stated that they can however they do not have to. Typically Comerica would continue to pay benefits unless there is a reason not to such as a substantial cost savings. He is unaware how payment of benefits is wrapped into the custodial agreement. Pension Resource Center does have a similar procedure for reviewing/approving invoice payments and securely cutting checks or it can communicate the information to the custodian who could then generate the checks. In either case, it would be desirable for Pension Resource Center to deal with the maintenance of the plan financials. This would be slightly different. They will start this on October 1st on a fiscal-type basis for the Fire Plan. The same would be done for the General Plan if hired to allow for continuity. Maintaining the financials for the plan as opposed to City staff will allow the City more internal resources during a time when staffing is limited.

Ms. Mazzio stated the proposal indicates that Pension Resource Center will attend six monthly meetings in one year and additional charges will be incurred for added meetings. Fort Myers schedules monthly meetings however sometimes it is not necessary to hold one; typically there are at least nine meetings per year. Mr. Baur stated if monthly meetings are already being held he will modify the proposal to accommodate twelve meetings per year and include a couple of extra at no charge. However he would charge if activity increases and there is a need for sixteen to eighteen meetings. Ms. Mazzio stated that there would be times

when Pension Resource Center will be required to attend City Council meetings; Mr. Baur acknowledged. Mr. Griep stated that this occurs once per year. Ms. Lovejoy stated that the normal course of business could be handled by the trustees if needed with respect to agenda items. She does not know whether this would be an administrator function; Mr. Griep agreed. Ms. Lovejoy stated that more responsibility will be brought onto the trustees by outsourcing the administrator function.

Ms. Mazzio stated on occasion members apply for disability pension. She questioned if Pension Resource Center would handle the related work. Mr. Baur stated that they would however Nora in Christiansen & Dehner's office processes most of the medical related information. It is a fairly intensive process and she does a great job. He may or may not have pulled that out of the proposal. They would not necessarily charge extra or differently for a disability. Many of the pension plans they work for use Christiansen & Dehner because they are the only office that process disabilities to that extent. Gathering the medical records for a disability pension could be intense and time consuming particularly in getting responses from medical providers and others. He is not trying to duplicate what Christiansen & Dehner does. They would attend any meetings whether or not they are disability hearings. If he had a charge for medical records type requests in the proposal it would not apply to the work performed by Nora in Christiansen & Dehner's office.

Mr. Griep questioned if Pension Resource Center would assist the trustees in filing their State of Florida forms. Mr. Baur stated that both Pension Resource Center and Christiansen & Dehner will remind the trustees to ensure compliance. Ms. Runkle stated that she provides an electronic or paper copy of the form to trustees and encourages them to get a filed stamp copy because the papers can get lost. Mr. Baur stated that the disclosure forms are brief and do not require much assistance. Pension Resource Center would forward the paperwork and remind trustees to file their initial and final financial disclosure forms in addition to the regular annual filing.

Mr. Griep questioned if Pension Resource Center will follow up with members to ensure that their beneficiary information is current. Ms. Runkle stated that other pension plans typically remind employees annually. The reminder email is sent to all employees providing information on how to access the forms on the Pension Resource Center website. Smaller pension plans gather their employees together to complete the forms. Mr. Baur stated that they also bring the forms to workshops and remind employees to keep their information updated.

He is attempting to persuade Scott Christiansen to accept forms and applications electronically because he believes ultimately this is what will occur in the future and they have the capability to do it now. The two most sensitive forms are beneficiary designations and DROP withdrawal. These are the two situations where a disgruntled family member or ex-spouse may try to manipulate

information. There are however security measures and procedures in place. He encourages the trustees to accept electronic filings such as applications, not as a replacement for human interaction but as an additional avenue for communication and interaction. Having the online accessibility allows members to gather information at their own pace and once ready they can speak to an office employee. The firm also offers video conferencing. It has not been used yet likely because the current age demographic of those retiring is between 55 and 60 however he expects that its use will increase in the near future.

Mr. Baur and Ms. Runkle concluded their presentation and were dismissed from the meeting.

Mr. Lustig stated that the presentation was impressive. Mr. Griep stated it was very professional. He noticed that Mr. Baur referred to the whole company in his presentation where Ms. Kerr referred only to herself. Ms. Mazzio stated that she is concerned about Pension Resource Center's cost. Mr. Griep stated that the fee is higher however the services are greater. Mr. Lustig stated that Pension Resource Center has a lot more experience. Mr. O'Malley stated he likes that the company is local for employees. Ms. Carlson stated that Mr. Baur is forward thinking; he looks out for what is beneficial to the employees and trustees. Mr. O'Malley stated the fee is 5% higher than the other administrators. He questioned how the Fire Plan justifies paying the higher fee. Mr. Griep stated they pay a lot less because their pension plan is smaller.

Mr. Griep stated that he likes Pension Resource Center because the firm has the ability to take over Comerica's responsibilities in the future. They could be paying all of the benefits. Mr. Baur's knowledge is amazing. Mr. O'Malley questioned if the Board desires to have one firm handle everything or would it be better to have different entities for a system of checks and balances. Mr. Seagle stated that Pension Resource Center sends the Finance Department invoices to be paid to Fiduciary Trust for the firefighters and to date he has had a good relationship with the firm. Mr. Griep stated he heard that Mr. Baur is communicating with the Payroll Department and they are providing information for the Fire Plan; the transition will be a lot shorter with the General Plan. Mr. Griep confirmed that Pension Resource Center has been working with the Fire Plan since July.

Ms. Lovejoy stated that there are many unknowns because of the extra charges such as the \$100.00 setup fee and \$50.00 for running different reports. She questioned the total cost. Mr. O'Malley stated that currently Foster & Foster provides the reports. Mr. Griep stated that the benefit process includes medical records; this would not be an issue because Christiansen & Dehner performs that work. He did want to ask about the setup fee for retirement disability. Ms. Lovejoy stated she believes that the retirement and disability setup fee refers to the actual dollar amount to be paid upon retirement, which is currently provided by Foster & Foster; Ms. Emerson agreed. Ms. Lovejoy stated that it may be the

same cost or it may not. Mr. Griep stated that it currently costs \$100.00 for employees to receive their retirement numbers and with Pension Resource Center they would be able to obtain this information online.

Ms. Lovejoy questioned Pension Resource Center's cost to process retirement or disability applications and how many are requested per year. Ms. Emerson stated that there are not many; this would be the \$100.00 fee. The number of employees retiring is currently low because of the buyout. Mr. Griep questioned the number between active and retirees. Ms. Emerson stated that the City has 560 active employees and nearly 400 retirees.

Mr. Baur re-entered the meeting.

Mr. Griep requested clarification on the retirement disability application fee. Mr. Baur stated that the \$50.00 per medical request would not apply; this work is done by Christiansen & Dehner's Office. The \$100.00 cost is charged when an employee retires. It usually does not equate to a substantial amount in years time under ordinary circumstances. That would be for a disability or retiree. They tend to spend a lot of individual time with people while going through the retirement process. When there is not much activity, the charge is separate rather than built in entirely into the retainer, which is more of an activity based fee. The only time this has become substantial is when the City of Cape Coral had a buyout and approximately one-third of the staff, 200 people, retired at once. He had two people working and another on overtime to meet with the members. The fees basically covered their overhead. Fort Myers may have one retiree per month with 350 active members.

Ms. Pennington stated that Fort Myers' has more than 350 active members. Ms. Emerson stated that it is approximately 560. Mr. Baur stated that he used Foster & Foster's valuation breakdown to obtain the numbers. He considered the DROP members as retirees however there were only approximately twenty. Ms. Pennington stated perhaps the non-vested members were excluded. Mr. Baur agreed stating he could have excluded them. Regardless, the price is based upon the overall number of members in the pension plan because their time involvement is more reflected in the total number of people and the interaction with them. This is the starting point in determining the fee proposal. Adjustments are then made for benefits, provisions, and other situations that could arise.

Mr. Baur stated that the City currently maintains the general ledger transactions. Pension Resource Center would relatively be able to take over that function. It is best to have one general ledger, which would become the basis for the audit. Pension Resource Center would need the trial balance and chart of accounts as of October 1st to take over the maintenance. Mr. Seagle questioned if Pension Resource Center would prepare the financial statements related to the pension for the City's Comprehensive Annual Financial Report (CAFR). Mr. Baur agreed stating that Pension Resource Center's audit will become the basis for the CAFR.

His office would become a little more intensive in the process and work with the City's schedule to ensure that the pension information does not delay completion of the CAFR.

Mr. Baur exited the meeting.

Ms. Lovejoy questioned how outsourcing will impact the employees. They are accustomed to coming into a City office at any time for assistance. Ms. Mazzio stated that Pension Resource Center has limited hours. Mr. Griep confirmed that they are open until 2:30 p.m. Mr. O'Malley stated that their office is out of the city limits. Ms. Lovejoy stated that it would likely be impossible for employees with a 30 minute lunch hour to go their office. Mr. Griep questioned how often Ms. Emerson is visited by the members. Ms. Emerson stated that she is contacted at least once per day either personally or by telephone. Ms. Carlson stated that members would have the online access; this is direction that many are going. Mr. Griep stated that many questions could be answered online. Ms. Carlson stated that Ms. Runkle indicated her schedule is flexible. Mr. Griep stated a workshop could be held every month or quarter. Ms. Pennington stated it could even be held once per year to bring the members up to speed and answer questions.

Ms. Pennington stated that she likes Pension Resource Center. Mr. Baur was very prepared. He was knowledgeable about the facts and figures except for the one fact about the number of members. She would feel confident with him as her plan administrator personally and as a board member. Ms. Lovejoy stated that the Board was going to wait six months before making a decision. Mr. Griep stated that he is ready now to make a decision.

Mr. Griep motioned to hire Pension Resource Center as the Fort Myers General Employees' Pension Plan Administrator, seconded by Mr. O'Malley, motion carried with a five to two vote, Ms. Mazzio and Ms. Lovejoy dissenting.

Ms. Emerson stated that she will inform Mr. Christiansen. Ms. Mazzio questioned if Mr. Baur is going to modify the proposal to include all of the meetings. Ms. Carlson responded that he said he would. Ms. Mazzio stated that Mr. Baur said the cost would be \$4,075.00 instead of \$4,375.00. She questioned if this will be the cost. Mr. Griep stated that he did not hear this. Ms. Carlson clarified that the lower cost would be for a three year contract and Mr. Baur indicated this would be the same as the two year guarantee. Mr. Lustig stated that the fee is less expensive and recommended that the Board request Mr. Baur to honor the verbal proposal. Mr. Griep stated that Mr. Baur indicated he thought about reducing it to \$4075.00 with a 3% multiplier however the result was the same so he was not going to do that. He did state however that he would modify the meeting attendance to twelve per year.

Mr. Griep stated that his motion was to hire Pension Resource Center at a fee of \$4,375.00 with twelve months of meeting attendance per year. Ms. Lovejoy

stated that this is not what she heard. Mr. Lustig stated he heard it was less expensive. Ms. Mazzio stated that he talked about it and never gave a definitive answer about the fee. Ms. Lovejoy questioned how Mr. Baur knew he was underbid. Mr. Griep stated he likely suspected it. Ms. Carlson stated that Mr. Baur has been in business long enough to know. Ms. Pennington questioned if Fort Myers wants a two year or three year contract. Mr. Griep responded that a two year contract is fine. Mr. Lustig stated the way Mr. Baur initially proposed it verbally, Fort Myers was getting it cheaper, even cheaper on the third year than his original proposal.

Ms. Emerson confirmed that the Board would like for Scott Christiansen to contact Mr. Baur to finalize the contract and forward it for approval. Ms. Emerson questioned how the Board will notify the membership about the change. Mr. O'Malley recommended it be done through the Payroll Department.

Item III – Additional Business

Addendum to Florida State Statute 1128

Ms. Lovejoy questioned if an employee currently has 160 hours on the books, would it be included in his/her benefit calculation. Ms. Emerson agreed stating the provisions in the addendum will impact benefits as of the effective date. Ms. Lovejoy questioned if this requirement must be adhered to. Ms. Lovejoy read from Scott Christiansen's memorandum, "The State has now indicated that it is permissible but not mandatory to set the amount of sick or annual leave accrued on the effective date as the maximum amount." She stated that the other option would be to use up some of the sick or vacation time and it would be the lesser amount. This does not make sense because employees accrue every hour. Ms. Emerson stated that there would have to be a window.

Ms. Lovejoy stated if she has 160 hours now and takes two weeks off in three months, the balance would decrease to 120 however approximately 20 more hours would have accrued over that time. She questioned if the amount of hours would decrease to 120 from 160 after the vacation time is taken. Ms. Emerson stated that it would because it was used after the effective date. Mr. Lustig stated that employees can use and accrue time however they will not get any more than that amount after the effective date. Mr. Griep stated that employees will be paid out whatever they accrue however it will not be included in their pension calculation. Mr. Lustig stated that the cap is being placed for any hours accrued as of the effective date. This amount will vary per employee. Ms. Pennington confirmed that this is for benefit calculation purposes only. Mr. Lustig stated that employees get nothing toward their benefit at retirement if they use all of their accrued time.

Ms. Carlson stated if an employee has 100 hours as of the contract ratification, that 100 hours is calculated and used toward the pension benefit calculation; it is still the employee's to use. Mr. Griep agreed stating this is the employee's cap.

Ms. Mazzio stated if employees have 100 hours as of contract ratification they will keep the time however if used after that date they will lose it as time counted toward the benefit calculation at retirement. Ms. Lovejoy stated the only difference is that employees cannot continue to build up their vacation and sick accrual balances past the cap amount for pension benefit calculation purposes.

Replacement Candidates for Atalanta Sosnoff

Ms. Emerson stated per the Board's request, Bogdahn has made its recommendation for three candidates to be considered for replacement of Large Cap Growth Manager Atalanta Sosnoff. Board members were provided with background information on five managers as well as a memorandum dated October 19, 2011, with Bogdahn's recommendation to interview Brown, Winslow, and Wells Heritage. Ms. Emerson requested that the board members inform her by email which three candidates they desire to interview at the November meeting. Ms. Lovejoy stated that the Board previously interviewed Winslow and Brown. She believes that Wells Heritage is new. Ms. Mazzio stated that she will go with Bogdahn's recommendation; board members agreed.

Ms. Lovejoy motioned to interview Large Cap Growth Managers Brown, Winslow, and Wells Heritage as recommended by Bogdahn, seconded by Mr. Griep, and unanimously approved by the Board.

Ms. Emerson stated that she will inform Mr. Nash to schedule the interviews for the November meeting.

Ms. Emerson confirmed that the plan administrator will be coordinator for all of the providers. Ms. Mazzio stated that she is uncomfortable with this. She believes that an outsourced administrator will not be able to provide the same services as Ms. Emerson has as an employee; it has been comfortable with the way it is and she believes it will be a lot different. The Board will have to coordinate with City Council; the trustees have never done this before. Ms. Lovejoy stated that she is leery about how the meetings will be run; however she has to give it a chance. Another issue is that outsourcing will involve an added cost that has not existed; Ms. Mazzio agreed.

Ms. Emerson stated that the General Plan has a lot of idiosyncrasies; she hopes that Pension Resource Center can work through them, especially with the retirees. She has retirees come in frequently; they just want to talk. A lot of people change their banks frequently as well. The Board is unaware of some issues that occur. Hopefully Pension Resource Center is aware of those issues and can handle them. Ms. Emerson stated that she will work with Mr. Baur and Ms. Runkle to transfer the physical pension files to their office. Mr. Griep stated that Pension Resource Center has to be designated as the Records Management Liaison. Ms. Emerson stated that Scott Christiansen will have to prepare the paperwork. Ms. Pennington stated that it has been this way for a long time and now it is time for a change.

City Council Discussion to Add City Manager as Voting Pension Board Member

Ms. Lovejoy stated that the ordinance change requesting to add the City Manager or his designee as a voting pension board member was postponed for the Police and Fire Plans however it was approved for advertisement for the General Plan. She questioned why it would go to advertisement if there was no change other than City Council appointing the City Manager to fill a vacant seat. In addition, she sees no vacant seat. Ms. Carlson stated maybe it has to go through negotiations. Ms. Lovejoy responded that it has not. Ms. Emerson stated she was not there and/or involved in the issue. Ms. Lovejoy stated that Article 12 of the Employees' Association Contract states that any change to the General Employees' Pension Ordinance has to be approved by the Union. As a result, the trustees should attend the meeting where City Council will discuss proceeding with the change to inform them that it is a violation of the contract. Ms. Emerson recommended that the Board send a letter to the City Manager.

Ms. Lovejoy stated that the Board previously requested pension plan enhancements and were told by the City Manager to wait until the union changes were presented to City Council. She believes that the Board should address this because the changes were not entertained with the recent ordinance request. Ms. Pennington stated that one of the changes allowed members to buy time if terminated. Ms. Emerson stated that the Board has shifted the responsibility for implementing benefits to the Union. Mr. Griep stated that the union contract shifted it; the Board never had that responsibility. Ms. Emerson stated that the Board assumed that responsibility at one point however now it does not. Mr. Griep stated Scott Christiansen informed the Board that it never had the responsibility to improve benefits. Ms. Emerson stated that it was always done through the Board. Ms. Pennington stated that the provision was included in the contract only two years ago. Ms. Lovejoy stated that she believes no one cares about the change; Ms. Pennington responded that she does.

Ms. Lovejoy stated there was discussion about the General Board having two vacant seats. Ms. Emerson stated Marie Adams has indicated that only Ms. Mazzio's seat is vacant. Mr. Lustig's term has not concluded. Ms. Lovejoy questioned why the ordinance language would have to be changed if City Council is appointing the City Manager as its representative. The reason they decided to move forward with the General Plan is because Grant Alley did not commit to stating whether they could or could not. He did state that there were two City Council appointees on the General Board, which is different from Police and Fire because they specifically have the Mayor on their boards. The General Plan was different therefore they could have appointed the City Manager however instead they chose to change the ordinance in which case they are in breach of their contract with the Union. Mr. Griep stated that since they chose to advertise a change in the ordinance, Mr. O'Malley can inform them that if they proceed it will be a breach of contract.

Ms. Lovejoy stated Mr. Christiansen informed the Board that Ms. Mazzio could remain in her position until a replacement is appointed. She believes that the City

Manager will not attend himself; he likely will appoint a designee. The meetings have always been open to anyone who would like to attend; the Board would be happy to have them. Ms. Emerson recommended that a letter be drafted informing the City that they will be in violation of the contract should they proceed.

Bogdahn Group's Response to Morgan Stanley Smith Barney's Report

Ms. Pennington questioned if the Board still desires for copies of Bogdahn's response to be sent to the Mayor's Office, City Manager, and City Council as indicated in the September 21, 2011 meeting minutes, page fifteen, paragraph five. Ms. Mazzio agreed stating they need to be made aware that the information provided by Morgan Stanley Smith Barney is inaccurate. Ms. Emerson confirmed that she has yet to send the report.

Employee Request to Increase Individual Contribution Rate

Ms. Carlson stated that several employees have questioned if they can increase their contributions individually to 6%, 7% or 8%. The goal is to increase their benefit at retirement because they know the more paid into pension, the more favorable the benefit. Ms. Emerson stated this is true in the long term. Ms. Lovejoy stated that the pension rules would have to change to allow it. Ms. Emerson stated that a provision exists; the Union can present items related to the pension plan.

Ms. Emerson stated that the City and Union have been discussing pension reform. Currently the pension plan has four tiers and it may be increased to eight to allow for the new changes. Ms. Pennington stated that the City wants to lower the multiplier to 1.6% therefore in order to increase it back to 3.0% the members must have the choice, which will be provided by the different tier options. Mr. O'Malley stated that not everyone is going to have the same multiplier; Ms. Emerson agreed stating the members will have the option to contribute more for the enhanced benefits.

Ms. Emerson confirmed that Tier 1, Tier 2, Tier 3 and Tier 4 currently provide for a: 3.0% multiplier, \$200.00 supplement, 2.5% COLA, and combination of \$200.00 and 2.5% COLA respectively. Ms. Lovejoy questioned if the City will have to open the tiers, as the elections were said to be irrevocable. Ms. Emerson stated that they will have to be opened; everyone will have the opportunity to change their tier. Members can also change every three years when the tiers are re-evaluated. Ms. Lovejoy questioned if a member would be able to wait until three years prior to retirement to move into the higher tier. Ms. Emerson responded that it is not retroactive. The employee would only contribute for three years and the actuary would calculate the cost to receive that benefit for the rest of the retiree's life. Mr. Lustig stated members currently pay a set percentage. Foster & Foster can calculate it and the employee would have to pay more however right now the pension plan is not set up for this.

Ms. Emerson stated that Patrick Donlan provided an example. Two members are

in the pension plan with one contributing 10% and the other 7%. The member paying 10% is not truly paying the full 10% because it is offset depending on the number of members and length of time in the tier. If the person contributing 7% leaves that tier, the full 10% will become the responsibility of the one remaining. Ms. Mazzio stated that this is why the member elections were irrevocable because they believed it would become a problem. Ms. Emerson agreed stating however that there is no choice based on the recent changes.

Ms. Lovejoy questioned why the tiers must be opened every three years. Ms. Emerson responded that the Union made this request. New hires employed after contract ratification will remain at a 1.6% multiplier; they will not have the option of contributing toward the 3%. In addition, those employed as of the effective date will have the option to make a higher contribution toward the 3.0% at a later date. This will not be retroactive; the 3.0% multiplier will count only toward the years that the member contributed.

Mr. Lustig questioned why the option to contribute toward a 3.0% multiplier will not be offered to new hires. Ms. Emerson stated that the City made this stipulation to reduce costs. Mr. Lustig responded that the cost is the member's responsibility. Ms. Emerson stated that some are still absorbed by the employer; the City is incurring less of a savings by allowing the current members to contribute more. Mr. O'Malley stated that he requested the additional tiers and ability to opt into the tiers every three years. This will help employees build toward their future as a result of the City's drastic changes to the pension plan. Without these options employees who are still working in the next 20 years will endure a 31% decrease in their pension benefit.

Mr. Lustig questioned if this passes, will the amount be re-calculated when the three-year window is opened; Ms. Emerson stated that it would. Mr. Lustig stated if members join the tier three years prior to retirement, it will reduce the calculation for everyone in the tier. Ms. Lovejoy questioned what would be the financial benefit for members to be in the tier all along. Even if the member pays a higher percentage in the last three years, it is still less than paying for ten years. She believes this should be re-evaluated.

Ms. Carlson stated originally the tiers were irrevocable because it was recognized that those who have been in the tier from the beginning would endure the burden. She questioned what will happen to those in the existing tiers. Mr. Lustig responded that they will pay more over time. If 50% drop out, the remaining 50% will have to pay the difference. Ms. Lovejoy stated that members who have the option to enter into the tier three years before retirement will receive the benefits but only pay for three years. Ms. Carlson stated that she entered into the tier for the three years, went into the DROP, and has already recovered the cost because she knew the timeframe for her age and going in the DROP. If employees know that they have ten years to work until they are 62, they will opt into a tier three years prior. At age 62 they can enter into the DROP and reap all of the benefits

unless they stagger it and calculate based on the current tier. Ms. Emerson responded that they have to. Ms. Mazzio stated that she understands changing it however she believes it should be a one-time irrevocable option. Ms. Carlson stated that it could become a significant administrative issue.

Mr. Lustig stated that the Board would have to request a cost analysis from Foster & Foster regarding Ms. Carlson's question about employees increasing their contribution. This is similar to investing more in a deferred compensation account. It is the employee's money and would not affect the City. Ms. Emerson stated that the only avenue to do this would be through the tiers. Employees could not automatically contribute more. Ms. Carlson stated that she talked about the 457 Plan to the employees however they requested that she bring the issue to the Board. Ms. Emerson stated that employees feel better about the City investing their dollars rather than them doing it as an individual.

Ms. Pennington stated that another issue being negotiated is the definition of salary to include base pay, not W-2 wages. Cafeteria benefit and seniority bonuses would not be included. The Board fought for this benefit five to six years ago. Ms. Lovejoy questioned if this is a result of the change in legislation. Ms. Emerson responded, not the base pay. Mr. Griep stated that this definition will affect the pension calculation; Board members agreed. Ms. Lovejoy questioned how much savings this generates and should it be put toward the 10% reduction in salary. This was clearly pointed out in the City Council pension workshop.

Ms. Pennington stated that she added the request allowing employees the opportunity to buy airtime within 30 days of termination to Mr. O'Malley's negotiation items. Ms. Mazzio questioned if overtime would be included in the pension calculation. Ms. Pennington stated that employees can have up to 300 overtime hours included. Ms. Mazzio questioned about vacation pay. Ms. Emerson stated that only the capped hours would be included for sick and vacation time. Ms. Emerson stated that overtime usage is spread out. It equates to approximately \$1.2 million. Ms. Emerson stated that not many exceed 300 hours however some employees do in the Water/Wastewater Departments.

There being no other business to discuss, the meeting adjourned at 11:10 O'clock A.M.