

City of Fort Myers General Employees' Pension Plan

Minutes: Special Meeting of January 6, 2016

1. Call to Order

Chairperson Donna Lovejoy called a special meeting of the Board of Trustees for the Fort Myers General Employees' Pension Plan to order at 9:00 AM. Ms. Lovejoy called roll.

Trustees

Donna Lovejoy
Eloise Pennington
Joseph Tallarico
Rodolfo Rosso
Saeed Kazemi
Dennis Pearlman

Others

Patrick Donlan, Actuary
Maria Joyner, City of Fort Myers
Thel Whitley, Resource Center
Debra Emerson, City of Fort Myers

Trustees Absent

Richard Griep

2. Public Comment

There were no members of the public that wished to make comments.

3. Plan Valuation Report/Study – Patrick Donlan, Foster & Foster, Inc.

Mr. Donlan explained that at the last meeting the Board wanted a study completed to determine the costs associated with lowering the assumed rate of return at different levels and the use of the required Mortality Table as of October 1, 2016. Mr. Donlan reported that last year the City's required contribution was 37% of payroll based on the 7.75% assumed rate of the return; this year if the assumed rate of return is not lowered the required City contribution would be 35.8% with and Unfunded Actuarial Accrued Liability (UAAL) of \$55,134,364, utilizing the RP 2000 Mortality Projected to Valuation Date with Scale AA mortality table. Mr. Donlan explained that if the assumed rate of return was reduced to 7.65%, the City's required contribution would be 36.5%, which represents in actual dollars \$151,166; this would increase the UAAL to \$56,658,838. Mr. Donlan reported that if the assumed rate of return was reduced to 7.625%, the City's required contribution would be 36.8% which represents an actual dollars \$215,952 and the UAAL to \$58,994,655.

Mr. Donlan reported that the utilization of the required FRS Mortality Multi-generational Table at the current assumed rate of return would have the effect of increasing the City's required contribution to 38.4%, which represents in actual dollars \$561,475 and the UAAL to \$60,136,460. Mr. Donlan continued reporting that if the Board elected to decrease the assumed rate of return to 7.65% and the FRS Multi-generational Table is utilized starting 10/01/16 that the City's required contribution will increase to 39.1%, which represents in dollars \$712,641 and the UAAL of \$61,790,418; which would effect the 2017-2018 fiscal year.

Ms. Pennington inquired about the FRS table and difference of what we are currently utilizing. Mr. Donlan explained that now we use the PR 2000 Mortality Table projected to the date of valuation. The FRS Mortality Table assumes that life expectancy will increase each year with no stopping age.

Mr. Kazimi inquired about the number of cities that are in the FRS vs. a local plans and why no one questioned or lobbied the Legislature to no require utilization of the FRS Mortality Table. Mr. Donlan stated that there are approximately 450 Cities that have local plans (not FRS) and Mr. Donlan reported that he did not know why the League of Cities or individual Cities did not lobby against this legislation. There was Board discussion of the use, impact and realities of the

FRS Multi-generational Table. Ms. Joyner spoke about the increase in the UAAL with and without lowering the assumed rate of the return; acknowledging that many things have been done to decrease the UAAL recently and with the use of FRS Table only and decreasing the assumed rate of the return the UAAL will increase for the short term.

Mr. Pearlman noted that the changes that have been done prior have had a positive effect to the Plan, and if those things were not done, the impact of this FRS Mortality table would have been compounded. There was Board consensus on this issue.

There was general Board discussion of an action in 2007 by the City Council of offering an early buy out to give an incentive for employees to retire, which saved payroll cost but had a negative impact to the UAAL. Ms. Joyner noted that this action was made even more lucrative during a Council meeting which increased the negative impacts to the UAAL.

Mr. Donlan explained that in 2011 the changes to the plan multiplier was reduced and as well as additional contributions for those who wanted to maintain the current multiplier were put into place reducing the UAAL. Mr. Donlan continued in explaining subsequent decreases in the assumed rate of return had an impact on the UAAL.

Ms. Lovejoy noted that she felt the projections that the Board was given today are appropriate and that the Board would be fulfilling its fiduciary responsibility by lowering the assumed rate of return. Ms. Lovejoy continued in saying that the Investment Consultant felt it was a good decision to decrease the assumed rate of return when there was a time, like the present that had a lower burden on the City.

Ms. Joyner inquired as to the effective date of a possible reduction in the assumed rate of return. Mr. Donlan explained that the Board, with information from Ms. Simone indicated that the current Valuation Report for October 1, 2015 can be revised to reflect a reduction in the assumed rate of return, which was the reason for this special meeting to meet the City's timeline for the audit. Ms. Lovejoy noted that due to the City's required contribution level decreasing, that it was fiscally responsible to decrease the assumed rate of return now, in a time that would not cost the City any additional funding from the current year.

Mr. Pearlman noted that he agreed that now was the time to decrease the assumed rate of return, and the question was should it be reduced to 7.65% or 7.625%, knowing that the impact of the mandatory use of the FRS Mortality table is required for the 2017 – 2018 fiscal year. Ms. Lovejoy said she is comfortable moving the 7.65% the current FRS assumed rate of return. Mr. Kazemi inquired as to the financial impact of going to 7.65% vs. 7.625%. Mr. Donlan indicated that if there is no reduction in the assumed rate of return, the City's required percentage of payroll would be 35.8% which would be approximate decrease of \$259,000 from the current year; at 7.65% and at 7.625% there would still be a net savings from the current year.

A motion was made by Mr. Pearlman and seconded by Ms. Pennington to reduce the assumed rate of return to 7.625%. Motion passed 5 to 1 (Mr. Kazemi dissenting)

Under discussion prior to voting; Mr. Tallarico expressed his opinion that lowering the assumed rate of return to 7.65% would be less aggressive, noting the impact of the near future of the FRS Mortality table. Mr. Pearlman noted this will most likely be the last reduction that the Board can make for several years due to the four year smoothing, dropping a very good year and adding the previous year and the addition of the required FRS Mortality Table for 2017-2018 year. Mr. Pearlman noted that by implementing the 7.625% assumed rate of return the overall cost to the Plan will flat to a minimal savings until the 2017-2018 fiscal year. Mr. Kazemi indicated that he can not vote to make a change that will increase the cost and increase the UAAL. Note: Mr.

can not vote to make a change that will increase the cost and increase the UAAL. Note: Mr. Kazemi left the meeting room at 10:10 AM and returned 10:15 AM. There was additional Board discussion regarding the impacts of a reduction of the assumed rate of return.

After the motion was approved, Mr. Donlan indicated that he would have the revised Plan Valuation Report completed so it will meet the timelines of the Finance Department for the audit.

4. Update of J. Collazo Overpayment – Thel Whitley, Resource Centers

Mr. Whitley reported the January 4th status report from Mr. Johnston of Comerica Bank. Mr. Whitley summarized the email by reporting that Mr. Collazo's account at Wells Fargo bank was closed due to being dormant and that it appears that most of the funds are still available. In Mr. Johnston's email he indicated that Comerica's Fraud Investigations area is contacting Wells Fargo's Unclaimed Property Dept in order to determine the process to recover these funds.

There was Board discussion regarding best practices within the industry regarding death searches for retirees. Mr. Whitley was asked to inquire with several other Bank Custodians regarding their practices pertaining to the manner in which they conduct death searches.

There was Board discussion of the issue of utilizing cover letter and the Notarized form provided by Scott Christiansen.

A motion was made by Mr. Pearlman and seconded by Ms. Pennington to send a cover letter with a deadline and the Notarized form to each retiree or survivor/beneficiary receiving pension payments via regular mail. Motion passed 6 to 0.

There was Board discussion regarding whether the revised Plan Valuation Report was formally approved.

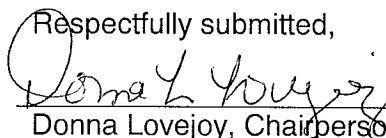
A motion was made by Ms. Pennington and seconded by Mr. Tallarico to approve the revised Plan Valuation Report with the decreased assumed rate of return of 7.625%. Motion passed 6 to 0.

6. Adjournment

A motion was made by Ms. Pennington and seconded by Mr. Rosso to adjourn. Motion passed 6 to 0.

Next Meeting

The Trustees previously set the schedule for the next regular monthly meeting on Wednesday, February 17, 2016 at 9:00 AM.

Respectfully submitted,

Donna Lovejoy, Chairperson