

City of Clearwater

*City Hall
112 S. Osceola Avenue
Clearwater, FL 33756*



Meeting Minutes

Monday, April 17, 2017

1:00 PM

Council Chambers

Pension Trustees

Roll Call

Present 5 - Chair George N. Cretekos, Trustee Doreen Caudell, Trustee Bob Cundiff, Trustee Hoyt Hamilton, and Trustee Bill Jonson

Also Present – William B. Horne – City Manager, Jill Silverboard – Deputy City Manager, Pamela K. Akin – City Attorney, Rosemarie Call – City Clerk, Nicole Sprague – Official Records and Legislative Services Coordinator, and Joe Roseto – Human Resources Director

To provide continuity for research, items are listed in agenda order although not necessarily discussed in that order.

Unapproved

1. Call To Order – Chair Cretekos

The meeting was called to order at 1:08 p.m. at City Hall.

2. Approval of Minutes

- 2.1 Approve the minutes of the March 13, 2017 Pension Trustees Meeting as submitted in written summation by the City Clerk.

Trustee Jonson moved to approve the minutes of the March 13, 2017 Pension Trustees Meeting as submitted in written summation by the City Clerk. The motion was duly seconded and carried unanimously.

3. Citizens to be Heard Regarding Items Not on the Agenda – None.

4. New Business Items

- 4.1 Accept the January 1, 2017 Annual Actuarial Valuation for the Employees' Pension Plan.

Per the actuary report dated January 1, 2017, a minimum city employer contribution of \$8.65 million, or 10.91% of covered payroll, is required for fiscal year 2017. This is a decrease of \$285,000 over the fiscal 2016 required contribution of \$8.93 million, or 11.13% of covered payroll.

The calendar year 2016 investment return was a gain of 6.70%, net of

investment fees, versus the assumed rate of 7.0%. The five-year smoothed investment return based on the actuarial value of the assets was 8.22% versus the assumed rate of 7.0%. During calendar years 2012 through 2016, investment returns were 13.92%, 16.90%, 7.99%, (0.28%), and 6.70%, respectively.

The plan experienced a net actuarial experience gain of \$18.1 million for the year. The gain is primarily due to the actuarial gain from the actuarial investment return of 8.22% versus the assumption of 7.0%.

The Plan's funded ratio at January 1, 2017 was 105.38% (including the credit balance) versus 102.92% for the prior year. The actuarial value of assets exceeds the market value of assets by \$22.4 million as of January 1, 2017.

The plan's credit balance, which reflects actual contributions in excess of actuarially required contributions for prior years, increased from \$15.6 million to \$19.4 million during calendar 2016. This \$3.8 million increase was due to the City's budgeted overfunding of the fiscal 2017 required contribution. The City contributed approximately 15% of salaries, versus the actuarially required 11.13%, to increase the plan's credit balance reserves for future volatility in required contributions.

The Employees' Pension Plan is highly leveraged on investment returns in comparison to most pension plans, which means changes in investment earnings cause significant increases or decreases in required employer contributions. This year-to-year volatility necessitates building reserves, such as the plan's credit balance, during periods of positive investment earnings experience. This provides the City the ability to subsidize increased employer contributions during periods of negative investment earnings experience with contributions from accumulated reserves.

Gabriel Roder Smith Actuary Pete Strong reviewed the actuarial valuation results. The employer contribution requirement decreased from the prior year; from \$8,944,103 for fiscal year 2017 to \$8,659,427 for fiscal year 2018. The actual employer and State contributions during the year ending December 31, 2016 were \$11,729,548, compared to the required contribution of \$8,944,103. The excess contribution of \$2,785,445 was used to increase the credit balance. The credit balance increased from \$15,570,503 to \$19,445,883. The Plan continues to be fully funded. Mr. Strong said the mortality assumption rate was revised, as required by state statute, to match the Florida Retirement System's mortality rate for active members. The revised mortality rate increased the required contribution by 0.11% of covered payroll. The City's Plan had been using a more conservative mortality table which would have required a contribution of 11.21% of covered payroll.

In response to questions, Mr. Strong said the FRS mortality assumption change was effective July 1, 2016. If every year hits the 7% return going forward, the Plan will remain over 100% funded. Unless the contribution requirement is reduced, the credit balance will not need to be used. Mr. Strong said the contribution requirements are expected to remain in the 10-11% of pay range the next couple of years, unless there is a negative experience. The credit balance reserve is to be used when there is a negative experience or an unexpected contribution spike. Once at 110% funded, there is sufficient cushion for the Plan to absorb an average recession. He said most pension plans do not have the luxury to be over 100% funded. The Plan is being conservative in making extra payments but the Plan's mortality experience has been lower than expected; it is always a good idea to make extra contributions. During the past eight years, the Plan's mortality experience has been aggressive as plan participants are living longer.

Staff was directed to include supporting legislation that allows individual municipal retirement plans to choose a more conservative mortality table to the City's 2018 State Legislative Agenda.

Trustee Cundiff moved to accept the January 1, 2017 Annual Actuarial Valuation for the Employees' Pension Plan. The motion was duly seconded and carried unanimously.

4.2 Approve the new hires for acceptance into the Pension Plan as listed.

Name/Job Classification/Department Pension Eligibility Date

Nicholas Pryor, Parks Service Technician I, Parks and Recreation 02/06/2017
 Cory Garakop, Parks Service Technician I, Parks and Recreation 02/06/2017
 Janelle Saylor, Police Communications Operator Trainee, Police 02/06/2017
 Christie Bishop, Police Communications Operator Trainee, Police 02/06/2017
 Chelsea Pruess, Police Communications Operator Trainee, Police 02/06/2017
 Sean Austin, Police Communications Operator Trainee, Police 02/06/2017
 William Kostka, Electronics Technician, Public Utilities 02/06/2017
 Stephen Ross, Water Distribution Operator Trainee, Public Utilities 02/06/2017
 Don Kelly, Parking, Facility, and Security Aide, Library 02/18/2017
 Lisa Alber, Accounting Technician, Engineering 02/21/2017
 Jacob Shaw, Stormwater Technician I, Engineering 02/21/2017
 Ivan Dimitrov, Engineering Specialist II, Engineering 02/21/2017
 Jeremy Brown, Senior Professional Engineer, Engineering 02/21/2017

Jessica Pryor, Customer Service Representative, Gas 02/21/2017
Cleophas Lyons, Network Analyst I, Information Technology 02/21/2017
Eric Verhayden, Network Analyst I, Information Technology 02/21/2017
Hailey Bryant, Accounting Clerk, Solid Waste 02/22/2017

Trustee Hamilton moved to approve the new hires for acceptance into the Pension Plan as listed. The motion was duly seconded and carried unanimously.

- 4.3** Approve the following request of employees Felicia Donnelly, Parks and Recreation Department, Tracey Reed, Library Department and Scott Jordan, Planning and Development Department, to vest their pensions as provided by Section 2.419 of the Employees' Pension Plan.

Felicia Donnelly, Admin Support Manager, Parks and Recreation Department, was employed by the City on April 7, 2003, and began participating in the Pension Plan on that date. Ms. Donnelly terminated from City employment on February 25, 2017.

Tracey Reed, Librarian III, Library Department, was employed by the City on November 14, 2005, and began participating in the Pension Plan on that date. Ms. Reed terminated from City employment on December 3, 2016.

Scotty Jordan, Development Review Tech II, Planning and Development Department, was employed by the City on October 30, 2006, and began participating in the Pension Plan on that date. Mr. Jordan will terminate from City employment on March 18, 2017.

The Employees' Pension Plan provides that should an employee cease to be an employee of the City of Clearwater or change status from full-time to part-time after completing ten or more years of creditable service (pension participation), such employee shall acquire a vested interest in the retirement benefits. Vested pension payments commence on the first of the month following the month in which the employee normally would have been eligible for retirement.

Section 2.416 provides for normal retirement eligibility for non-hazardous duty employees hired prior to the effective date of this reinstatement (January 1, 2013), a member shall be eligible for retirement following the earlier of the date on which a participant has reached the age of fifty-five years and completed twenty years of credited service; the date on which a participant has reached

age sixty-five years and completed ten years of credited service; or the date on which a member has completed thirty years of service regardless of age. For non-hazardous duty employees hired on or after the effective date of this restatement, a member shall be eligible for retirement following the earlier of the date on which a participant has reached the age of sixty years and completed twenty-five years of credited service; or the date on which a participant has reached the age of sixty-five years and completed ten years of credited service. Ms. Donnelly will meet the non-hazardous duty criteria and begin collecting a pension in August 2024. Ms. Reed will meet the non-hazardous duty criteria and begin collecting a pension in April 2026. Mr. Jordan will meet the non-hazardous duty criteria and begin collecting a pension in October 2017.

Section 2.416 provides for normal retirement eligibility for hazardous duty employees, a member shall be eligible for retirement following the earlier of the date on which the participant has completed twenty years of credited service regardless of age, or the date on which the participant has reached fifty-five years and completed ten years of credited service.

Trustee Jonson moved to approve the following request of employees Felicia Donnelly, Parks and Recreation Department, Tracey Reed, Library Department and Scott Jordan, Planning and Development Department, to vest their pensions as provided by Section 2.419 of the Employees' Pension Plan. The motion was duly seconded and carried unanimously.

- 4.4** Approve the following request of employee Donald Thomson, Fire Department, for a regular pension as provided by Sections 2.416 and 2.424 of the Employees' Pension Plan.

Donald Thomson, Firefighter/Driver-Operator, Fire Department, was employed by the City on January 6, 1986, and his pension service credit is effective on that date. His pension will be effective March 1, 2017. Based on an average salary of approximately \$66,720.71 over the past five years, the formula for computing regular pensions and Mr. Thomson's selection of the 100% Joint and Survivor Annuity, this pension benefit will be approximately \$55,762.20 annually.

Section 2.416 provides for normal retirement eligibility for non-hazardous duty employees hired prior to the effective date of this reinstatement (January 1, 2013), a member shall be eligible for retirement following the earlier of the date on which a participant has reached the age of fifty-five years and completed

twenty years of credited service; the date on which a participant has reached age sixty-five years and completed ten years of credited service; or the date on which a member has completed thirty years of service regardless of age. For non-hazardous duty employees hired on or after the effective date of this restatement, a member shall be eligible for retirement following the earlier of the date on which a participant has reached the age of sixty years and completed twenty-five years of credited service; or the date on which a participant has reached the age of sixty-five years and completed ten years of credited service.

Section 2.416 provides for normal retirement eligibility for hazardous duty employees, a member shall be eligible for retirement following the earlier of the date on which the participant has completed twenty years of credited service regardless of age, or the date on which the participant has reached fifty-five years and completed ten years of credited service. Mr. Thomson has met the hazardous duty criteria.

Trustee Caudell moved to approve the following request of employee Donald Thomson, Fire Department, for a regular pension as provided by Sections 2.416 and 2.424 of the Employees' Pension Plan. The motion was duly seconded and carried unanimously.

5. Adjourn

The meeting adjourned at 1:44 p.m.

Attest

City Clerk

Chair
Employees' Pension Plan Trustees