

City of Clearwater

*Main Library - Council Chambers
100 N. Osceola Avenue
Clearwater, FL 33755*



Meeting Minutes

Monday, August 17, 2020

9:00 AM

Main Library - Council Chambers

Pension Trustees

To ensure public safety and comply with the Governor's Safer at Home order in response to the COVID-19 virus, the Clearwater Pension Trustees will hold a public meeting on Monday August 17, 2020 at 9:00 a.m. using communications media technology.

Pursuant to Executive Order No. 20-69, issued by the Office of Governor Ron DeSantis on March 20, 2020, municipalities may conduct meetings of their governing boards without having a quorum of its members present physically or at any specific location, and utilizing communications media technology such as telephonic or video conferencing, as provided by Section 120.54(5)(b)2, Florida Statutes.

Roll Call

Present 5 - Chair Frank Hibbard, Trustee David Allbritton, Trustee Hoyt Hamilton, Trustee Kathleen Beckman, and Trustee Mark Bunker

Also Present – William B. Horne II – City Manager, Micah Maxwell – Assistant City Manager, Michael Delk – Assistant City Manager, Pamela K. Akin – City Attorney, Rosemarie Call – City Clerk, Nicole Sprague – Official Records and Legislative Services Coordinator and Jennifer Poirrier – 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 Hibbard

The meeting was called to order at 9:00 a.m. via communications media technology.

2. Approval of Minutes

- 2.1** Approve the June 15, 2020 Pension Trustees Meeting Minutes as submitted in written summation by the City Clerk.

Trustee Hamilton moved to approve the June 15, 2020 Pension Trustees Meeting Minutes 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, 2020 Annual Actuarial Valuation for the Employees' Pension Plan.

Per the actuarial valuation report dated January 1, 2020, a minimum city employer contribution of \$11.52 million, or 12.72% of covered payroll, is required for fiscal year 2021. This is an increase of approximately \$1.81 million over the fiscal 2020 required contribution of \$9.71 million, which represented 11.48% of covered payroll.

In prior years, the actuary has simply calculated a single average employer contribution rate for all employees in the plan. Due to recently negotiated enhancements to pension benefits for Police participants, it was necessary to engage the actuary to calculate separate employer contributions for police officers, firefighters, and non-public safety participants.

Per this calculation, the required employer contributions by group are as follows:

Police	\$ 4,872,378	23.55%
Fire	\$ 3,115,146	18.64%
Non-public safety	\$ 3,534,489	6.64%
Total	<u>\$11,522,013</u>	<u>12.72%</u>

The calendar year 2019 investment return was 20.20%, versus an assumed rate of 6.75% for 2019. The five-year smoothed actuarial investment rate of return was 7.39% versus the 6.75% assumption. Calendar 2015 through 2019 investment returns were (-0.28%), 6.70%, 16.01%, (-2.48%), and 20.20%, respectively.

As previously approved by the Trustees, the assumed rate of return was lowered to 6.65% as of January 1, 2020. This change increased the Fiscal Year 2021 employer contribution by \$411,325, which represented 0.45% of covered payroll. The assumed rate of return is scheduled to be lowered in two additional increments - to 6.55% in 2021, and to 6.50% effective January 1, 2022.

The plan experienced a net actuarial experience gain of \$1.19 million for the year. The gain was primarily due to investment returns, partially offset by higher than expected salary increases (8.84% versus 4.35% expected) and a lower than expected mortality rate.

The plan's funded ratio at January 1, 2020 was 102.60% (including the credit balance in the assets) versus 104.09% for the prior year. The actuarial value of assets exceeds the market value of assets by \$76.7 million as of January 1, 2020.

The plan's credit balance, which reflects actual contributions in excess of actuarially required contributions in prior years, increased from \$26.61 million to \$28.96 million during calendar 2019, primarily due to interest earned on the credit balance. This credit balance is available as a "rainy day" fund to subsidize volatile required employer contributions during investment market downturns.

The Plan is highly leveraged on investment returns in comparison to most pension plans, which means changes in investment earnings can cause significant increases in required employer contributions. This year-to-year

volatility is offset by setting aside excess earnings in the credit balance during periods of positive investment returns.

Actuary Pete Strong provided a PowerPoint presentation.

In response to questions, Mr. Strong said the rolling 5-year smoothing period is a normal smoothing method. The State of Florida allows smoothing and 99% of the pension plans smooth out the volatility in the market. The maximum smoothing period in the state of Florida is 5 years. The City's pension plan is tied for the best in Florida; most pension plans are funded in the 70% to 90% range. Mr. Strong said the City's plan is 100% funded and ranks in the top 10% nationwide. The non investment administrative cash flow on page C3 is the sum of all contributions from the City and employees minus all benefit payments that went out.

Trustee Hamilton moved to accept the January 1, 2020 Annual Actuarial Valuation for the Employees' Pension Plan. The motion was duly seconded and carried unanimously.

- 4.2** Determine Trustees' expected rate of return for pension plan investments for the current year, each of the next several years, and for the long term thereafter, in accordance with Florida Statutes 112.661(9).

Florida Statutes 112.661(9) requires filing of an annual determination of expected rates of return for the pension plan with the Florida Department of Management Services, with the plan's sponsor, and with the consulting actuary.

Staff is recommending the currently adopted plan investment rate of return assumptions including 6.65%, net of investment-related fees, as the expected annual rate of return for the current year; 6.55% for the next year; and 6.50% for all years thereafter.

Trustee Hamilton moved to determine Trustees' expected rate of return for pension plan investments for the current year, each of the next several years, and for the long term thereafter, in accordance with Florida Statutes 112.661(9). The motion was duly seconded and carried unanimously.

- 4.3** Appoint Sheldon Goldberg to the Pension Investment Committee with a term to expire August 31, 2022.

APPOINTMENT WORKSHEET

BOARD: Pension Investment Committee

TERM: 2 years

APPOINTED BY: City Council (Pension Trustees)

RESIDENCY REQUIREMENT: City of Clearwater

CONTACT: Jay Ravins, Finance Dir.

APPTS. NEEDED: 1

THE FOLLOWING PENSION INVESTMENT COMMITTEE MEMBER HAD A TERM THAT EXPIRED AND NOW REQUIRES REPLACEMENT BY A NEW APPOINTEE:

1. Nino Accetta - 2717 Via Cipriani, 33764 - Banking

Original Appointment: 6/12/17

Interest in reappointment: No

(term expired 6/30/19)

THE NAME BELOW IS BEING SUBMITTED FOR CONSIDERATION TO FILL THE ABOVE VACANCY:

1. Sheldon Goldberg - 2060 Marilyn St., #215, 33765 - Real Estate Broker
(application on file for PAC)

Trustee Hamilton moved to appoint Sheldon Goldberg to the Pension Investment Committee with a term to expire August 31, 2022. The motion was duly seconded and carried unanimously.

5. Director's Report – None.

6. Adjourn

The meeting adjourned at 9:32 a.m.

Chair
Employees' Pension Plan Trustees

Attest

City Clerk