

**CITY OF BROOKSVILLE
PENSION WORKSHOP
COUNCIL CHAMBERS
201 HOWELL AVENUE
BROOKSVILLE, FL 34601**

AGENDA

March 9, 2015

3:00 P.M.

Brooksville City Council met in workshop session with Mayor Frankie Burnett and Council Members, Robert Battista, Betty Erhard and Natalie Kahler. Vice-Mayor Johnston was absent. Also present was Clifford Taylor, City Attorney; T. Jennene Norman-Vacha, City Manager; Janice L. Peters, City Clerk; Jim Delach, Assistant Finance Director; Mike Walker, Director of Parks/Facilities and Recreation; Richard Radacky, Director of Public Works; Telina Dowdell, Human Resources Specialist, and Tim Mossgrove, Fire Chief.

The meeting was called to order by Mayor Burnett, followed by an invocation and the Pledge of Allegiance.

PRESENTATION AND UPDATE OF INFORMATION BY GABRIEL ROEDER SMITH & COMPANY (GRS) REGARDING THE FIRE PENSION.

City Manager Norman-Vacha introduced Peters Strong, Actuary for GRS.

Peter Strong, introduced himself to new Council and reviewed the state of pension plans at this time and the two sources of funding, contributions and investment returns. For the benefit of new Council he covered what has been done to date, beginning with analysis of assumptions followed by proposals, which included three reduction in benefit options..

He advised that 70% of liabilities for this plan are for inactive members, which can't be touched because they are already receiving a pension or a deferred pension. This process will only affect about 30% of liabilities, or active duty members. He explained the process of paying down unfunded liability over a 20-30 year period, plus keeping up with current year liabilities. The main source of unfunded liability comes from lagging asset performances over the last 10 years. The average investment return is well under the 7.75% assumption currently in place. In the current studies, a 6.5% investment return assumption was used. The long-term salary increase assumption has been figured at 4% because of interest rates and inflation being low.

He advised direction from Council was to look at applying benefit changes only to new entrants and those with less than 5 years of service. As of October 1, 2013, there were four firefighters hired between late 2010 and mid 2013. With less than five years of service, they are not vested. Report number four reflects these assumptions.

PENSION WORKSHOP MINUTES - MARCH 9, 2015

Report #4

Page 9

Mr. Strong reviewed the contribution projections #2 - #5 over the next 15-20 years, which showed immediate savings with Projection #3. This includes the new assumptions and 4% salary increases, 2.75 multiplier, 2% COLA instead of 3%, and the change in the retirement date for all current employees. After 15-20 years with projection #3 new entrants will be all there is in the plan because all current employees will be retired.

In changing benefits for either employees with less than 5 years of service or all new entrants only there is a very small difference. There is a slight initial savings in applying it to people with less than 5 years, less than \$10,000.

Over the next 15-20 years the same changes will cause the projections to merge because at that point the same changes are being applied to all new members. By setting up a second tier the City would be saving \$70 - \$80,000 a year long-term.

Mr. Strong reviewed returns for the past year ending September 30, 2014, under the current assumptions. The plan gained \$300,000, reducing the unfunded liability of the plan due to return on assets for the year being greater than 7.75%.

Page 10

Mr. Strong reviewed two projected benefit illustrations using the four Firefighters with less than 5 years of service with a 3-year inflation assumption instead of the 4% salary increase, to project pay from the current time until retirement.

City Manager Norman-Vacha reviewed the projections as related to the city's contributions, which over time will result in \$60-\$100,000 less per year.

Mr. Strong advised making proactive changes now for the long term. He further reviewed the Variable Benefit Design, which adjusts each year based upon actual investment performance and will help mitigate the city's costs.

Council Member Kahler asked if the County Firefighters currently require 20 years for retirement. She was advised that they participate in the Florida State Retirement (FRS).

In wrapping up, Mr. Strong advised the following:

- 52/25 or 55/10 would be the minimum for retirement
- No COLA is required but Brooksville has historically provided 3% for ages 55-65
- Multiplier 3.1 is above average, but pay is lower than average
- Benefits under the proposed package is still better than what FRS provides

Vice Mayor Johnston asked if GRS is supposed to just supply statistics or can they give advice as to the best way for Council to proceed. Mr. Strong advised GRS' general position is to provide analyzed information only. For legal reasons they do not make recommendations on which projections would be better for the city. The ultimate decision is up to the City.

PENSION WORKSHOP MINUTES - MARCH 9, 2015

Council Member Battista asked, of the 27 other municipalities he represents, how many have proceeded in this way. Mr. Strong advised that since the wave of pension reform started about half of his clients have undergone pension reform.

Council Member Battista preferred Projection #5.

Vice-Mayor Johnston preferred Projection #4 because it is limited to the 5 employees with less than 5 years and preserves the commitment to current employees. Council Member Erhard agreed.

Council Member Erhard asked about current staff and turnover. City Manager Norman-Vacha advised that historically, staff has stayed. Currently, as things improve and wages rise in other areas of the County, the pricing difference is \$4-5,000 starting salary, which is taking a bit of a toll. A lot of current staff is very loyal and has been here many years.

Council Member Battista felt the City's plan to be somewhat better than Hernando County's and FRS'. The salaries may not match up but the plan is better.

Council Member Kahler felt the draw of increased salary is big for young families. The cost of recruiting and training should be weighed against the initial loss. She preferred Projection #4.

Mayor Burnett favored Projection #5 but went with the majority of Council in choosing Projection #4.

Council consensus was to go with Projection #4.

City Manager Norman-Vacha advised she will meet with the legal team, advising this will be part of collective bargaining negotiations with the Union. In review she indicated it will not impact current employees, only new hires. She reviewed changes to be a 2.75 multiplier and a 2% COLA, only to new employees. She advised there will be an Ordinance change to reflect these changes, advising it probably won't impact this or next year's budget, but will impact future budgets significantly.

Council Member Battista requested a review of the Police Pension. Mr. Strong advised it will be much less involved to follow the proposed fire projection. Council consensus was for GRS to proceed with review of the Police Pension. City Manager Norman-Vacha advised staff will come back with costs associated with this process.

Vice-Mayor Johnston advised the reasoning for doing the Fire Pension first was that the unfunded liability of the Fire Pension has more of an impact on the budget than the Police Pension, which is fully funded.

City Manager Norman-Vacha advised that historically the City contributed nothing to the Police Pension. Now a minimum amount, the same as for regular employees of the FRS, is contributed annually to the Police Pension. Many years ago there was a lot of turnover, resulting in employees not becoming vested in the program. Current Police staff has been stable with minimal turnover.

PENSION WORKSHOP MINUTES - MARCH 9, 2015

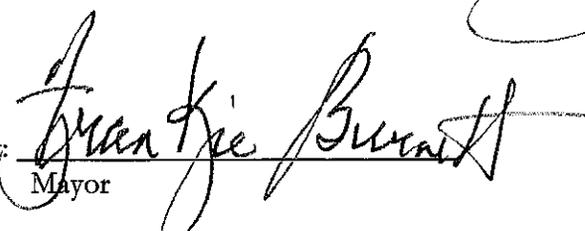
Mr. Strong stated the years of non-funding of over-funded Police Pensions was the norm throughout the state, not just in the City of Brooksville. Senate Bill 1128 now requires, even with full-funding, that the normal costs be contributed annually.

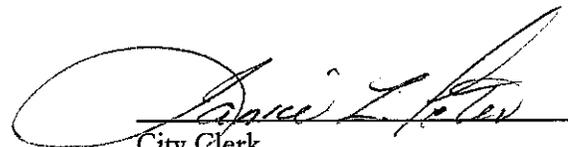
Mayor Burnett indicated he would have preferred to speak with employees in the plan but the Union prohibits it. He wished a Happy Birthday to Vice-Mayor Johnston.

Mayor Burnett asked for council consensus to continue with the 3:00 p.m. workshops. Vice-Mayor Johnston advised that on certain issues it may be better to hold them in the evening when more of the general public would be able to attend. Council consensus was to take it case-by-case.

ADJOURNMENT

There being no further business to bring before Council, the meeting adjourned at 4:04 p.m.

Attest: 
Mayor


City Clerk