GENERAL EMPLOYEES PENSION BOARD

Minutes of
July 22, 2010

Meeting was called to order by Chairperson, Stephen Swank at 1:03 p.m.

Item 1. Roll Call.

Members Present:	Joseph Safford, Stephen Swank and Milena Walinski
Members Absent:	Vincent Dole and Evan Turk
Guests Present:	Jeff Amrose (GRS), Johnie Larkins, Karen Schell and Brian Shutt

Item 2. Review Application for Disability Retirement for Johnie Larkins.

Mr. Swank reiterated one of the disability eligibility requirements was to make sure the Board felt comfortable stating the applicant is totally and permanently disabled; meaning the applicant is unable to do any work for profit on a permanent basis. Previously Dr. Lee completed the evaluations indicating the employee's conditions; however, he is no longer in practice. Dr. Aris Sahagian included in his evaluation letter his opinion that Mr. Larkins is considered unemployable, totally and permanently disabled due to several medical problems. He poses a liability risk to himself, co-workers, and workman's compensation carriers.

Mr. Safford commented the Board previously tried to obtain a specific opinion from Dr. Lee to establish if the employee was fit for any type of work. That could be one of the reasons we haven't had many applicants receive a permanent pension. Mr. Safford indicated there are employees currently working that have medical heart conditions in which it does not preclude them from working for the City in their same position. However they don't have the multiple medical problems Mr. Larkins has.

Mr. Swank stated Mr. Safford makes a valid comment in that there are individuals with these afflictions continuing to work. We need to consider Mr. Larkins ability to be able to do any type of work even desk work that would not cause harm to him physically.

City Attorney, Mr. Shutt indicated the physician received copies of the ordinances. This could be the reasoning why the physician included the language he has in his letter. This physician was hired by the City; he is the expert the Board uses to evaluate the employee. Should the Board not want to grant this disability pension, they would need to find some reason why they felt the physician did not look at all of the records.

After a brief discussion between Board Members, Mr. Safford moved to approve the non-service incurred disability retirement for Mr. Larkins', seconded by Ms. Walinski. Said motion passed unanimously.

Item 3. Discussion of Plan Funding Method.

Mr. Safford started by giving a brief background of the reasoning why this item came before the Board. The City Manager attempting to balance this fiscal year's budget has challenged each pension plan to come up with one million dollars in savings. In the General Employees plan, the actuary, Gabriel Roeder Smith and Company has come up with several different alternatives to changing benefits that would institute savings for the plan assigning dollar amounts to each. Presentations were made by staff members and the actuary, Mr. Amrose to employees. Employees were than requested to select the alternatives they would recommend. During this time, conversation passed between Ms. Walinski and Mr. Amrose relating back to the experience study previously completed. In that experience study it addressed a change in funding method. At that time, the plan was doing phenomenal and the Board felt there was no need to make any changes. This is one item the Board is exploring to save money for this coming fiscal year.

At this time Mr. Amrose reviewed the October 1, 2009 actuarial valuation summarizing the plan provisions/assumptions, city contributions, gain/loss, variability of future contribution rates and the funded ratio. The goal is to save one million dollars in the plan. This may be accomplished by reducing the actual benefits (i.e.: change the retirement date, the multiplier, increasing employee contributions). If the funding method is changed, this would lower the City's required contributions, however it is only extending the timing of the contributions, not saving costs.

Mr. Amrose continued indicating the main difference between the Aggregate funding method and Entry Age Normal funding method, is under the Aggregate method, the contribution is determined by amortizing the difference between the liability and assets over a period of time based on the expected future working lifetime of the active members. (The current funding period is 12 years.) Under the Entry Age Normal funding, gains and losses are separately amortized over a period not to exceed 30 years.

With the Entry Age Normal funding method, the contribution will be comprised of the normal cost and the amortization of the Unfunded Actuarial Accrued Liability (UAAL). The normal cost would remain at a level percent of payroll from year to year unless there were changes to the plan or assumptions. The UAAL could be amortized over a time period not to exceed 30 years; using a payment method of level dollar amount or level percent of payroll.

Mr. Amrose reviewed the graph on the handout illustrating the level dollar versus level percent of pay amortization. The level dollar amount stays at the same level versus the percent of pay increases.

In reviewing the cost savings, there are two different ways of amortizing, the level percent of pay or the level dollar, each over a 15-year, 20-year, 25-year or a 30-year period. A 15-year level dollar amortization would save $51,880 the first year; relatively small. Reason being currently it is amortized over 12 years. Should one amortize at a longer time frame, the savings grow from a 15-year of $51,880 to a 30-year of $216,743 annually. The level percent of pay would have a greater savings; a 15-year savings of $170,939 to a 30-year of $361,983 annually.

Mr. Amrose continued summarizing the pros and cons.

- One of the advantages is the biggest source of contribution volatility is gains and losses. Since gains and losses are amortized over a longer period of time, the Annual Required Contribution will be less volatile.
- Second is large loses will cause less of an increase in the Annual Required Contribution each year.
- Third under the Aggregate funding method more money will be required to be deposited into the fund following periods of poor investment returns. The increase obligation may occur at a time when the City's revenues are at depressed levels.
- The disadvantages are more interest will be paid on the loss bases, since they will be amortized over a longer period of time.
- Second the funded ratio will be higher under the Aggregate funding method since the Annual Required Contribution is higher.
- Third the actuarial gains will cause less of a reduction in the Annual Required Contribution since the gains will be amortized over a longer period of time.

Mr. Safford questioned should the Board convert to the entry age normal and times get better, could the funding method be switched back to the aggregate method?

Mr. Amrose indicated yes, however, the state will not allow the bouncing back and forth based on ones gains and losses.

Mr. Safford stated currently the City's contributions are paid on December 31st; if that was to be moved to October 1st, would there be additional savings of interest?

Mr. Amrose responded this would be minimal.

In response to Mr. Swank's question would this be feasible and would the City be able to do this, Mr. Safford responded yes. It's held off until the end of the first quarter being this is when the City usually receives their first payment from the Property Tax Collector's Office. Money might have to be borrowed or used from the surplus account. Mr. Safford requested Mr. Amrose to calculate this option.

Mr. Amrose commented most pension plans are currently using the Entry Age Normal funding methods. In terms of how many plans amortize at a level dollar versus level percent, it may be 50% using each of those methods; length of the period, there are several plans using 30 years. However; the state is lowering that term to 20-25 years.

Mr. Swank moved to approve a change to entry age normal method using level dollar amortization over a 25 year time amortization period combined with accelerating the City's contribution to October 1st from December 31st, seconded by Ms. Walinski. Said motion passed unanimously.

Motion to Adjourn:

There being no further business, Mr. Safford moved to make a motion for adjournment, seconded by Ms. Walinski. Said motion passed unanimously. The meeting adjourned at approximately 2:13 p.m.

The undersigned is the Finance Director of the City of Delray Beach and the Secretary for the General Employees Pension Board. The information provided herein is the minutes of the City of Delray Beach General Employees Pension Board of July 22, 2010, which minutes were formally approved and adopted by the General Employees Pension Board on August 19, 2010.

Joseph M. Safford, Director of Finance
Secretary, General Employees Pension Board

/kms
cc: General Employees Pension Board Members
David Harden, City Manager
Brian Shutt, City Attorney
Department Heads