

MINUTES

POLICE OFFICERS-/FIREFIGHTERS- PENSION WORKSHOP
KEY BISCAWAYNE, FLORIDA

WEDNESDAY, MAY 17, 2006

COUNCIL CHAMBER
560 CRANDON BOULEVARD

The meeting was called to order by the Mayor at 7:00 p.m. Present were Councilmembers Enrique Garcia, Steve Liedman, Jorge E. Mendia, Thomas Thornton, Patricia Weinman, Vice Mayor Robert L. Vernon and Mayor Robert Oldakowski. Also present were Village Manager Jacqueline R. Menendez and Village Attorney Stephen P. Helfman.

The following staff was also present: Fire Rescue Chief, John C. Gilbert; Police Chief, Charles Press; Deputy Chief of Police Brett Capone and Mayor Rene Landa.

The Mayor welcomed the public to the Police Officers-/Firefighters- Pension Workshop.

Mr. Robert Klausner with Klausner and Kaufman and Leon F. (Rocky) Joyner, Jr. with the Segal Company, Actuary for the Village addressed the Council regarding the following analysis and recommendations to the Village Council on funding of the Police and Fire Retirement Program.

Valuation Purposes: Develop annual employer contribution requirement; monitor funding progress; ensure State of Florida funding standards are met and provide disclosure information to the Village and its auditors.

Valuation Objectives: Maintain employer contribution requirement rates as a relatively level percent of pay; improve funded percentage over time; equitably allocate required pension contributions to generations of taxpayers and periodically review assumptions to assure they are in line with plan experience.

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Assumptions: The valuation currently uses a 9% investment return assumption; 9% is higher than is typically used for public sector actuarial valuations; 8% is the median assumption in use as indicated by recent NASRA surveys of public sector pension plans and by a recent survey by the Division of Retirement for Florida plans; we note that over the history of the plan only once was the 9% achieved (that is also the only time 8% was achieved); in light of these facts as well as expected future investment experience we recommend changing the investment return assumption to 8%; the salary assumption is a flat 6% per year. We suggest this be compared to actual salary patterns; other assumptions include retirement, mortality, disability and termination rates. These should be periodically compared to actual plan experience.

Funding Methods: The basic funding method used to value the plan is the Aggregate method (AGG); this method is most often used with a closed group or a group which has only employee contributions; AGG is usually more conservative than the other most commonly used methods, Entry Age Normal (EAN) or Frozen Initial Liability (FIL); under AGG all plan liabilities are effectively amortized over the future working lifetime of the active employees as the plan's normal cost. (Typically 10 to 15 years); under either EAN or FIL a normal cost is developed which essentially amortizes a portion of expected plan liabilities over the future working lifetime of the active employees and the plan's normal cost. In addition an actuarial accrued liability (AAL) is developed which is offset by plan assets resulting in an Unfunded AAL (UAAL). This UAAL is then amortized over a set number of years. Under Florida law and GASB rules this can be no more than 30 years; the amortization of the UAAL can be developed as either a level dollar or a level percent of pay; in public sector plan assets are usually smoothed over a period of years so that fluctuations in market value are not fully recognized in the year they occur and for the plan, differences between actual and expected returns are recognized over a five year period.

Current Valuation Results: As of October 1, 2004, the required Village contribution rate was 13.15%. Employees are required to contribute 10.5%; this assumes \$158,000 out of about \$266,000 is used to offset Village contributions; the State has indicated that about \$125,000 could be used to offset Village contributions if the employee contribution rate were set at 10.5%; additionally the State minimum benefit requirements appear to have been adopted into the plan. Benefits in excess of these have also been adopted. Therefore it appears to us that all State money may be available to offset Village contributions; this should be reviewed with Fund Counsel and considered by the Board and Village for action.

Possible Change in the Funding Method: If the EAN funding method had been used in the October 1, 2004 valuation, we estimate that the required Village contribution would have been reduced by about 4.8% of pay; we made this estimate by using certain numbers available in the October 1, 2004 valuation.

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Estimated Impact of 8%: We also developed an estimate on Plan liabilities and costs if the investment return assumptions was changed from 9% to 8% and we estimate that this would increase Village contributions by about 4% of pay.

Estimate of Combined Changes: We estimate that the combination of all the above suggestions would result in the following required Village contribution rate: 1.) Current Village rate = 13.15%; 2.) Change due to additional State money = (2.13)%; 3.) Change due to EAN = (4.83)%; 4.) Change due to 8% = 3.98% and 4.) Estimated Village with all changes = 10.17%; please note that the above are estimates based on numbers from the October 1, 2004 valuation and by applying estimated averages to approximate the impact of the various changes. We have not gathered data to actually duplicate the plan actuary's work and also note that changing to EAN and 8% is likely to have a smoothing impact on future Village contribution rates.

Mr. Steve Palmquist with Gabriel, Roeder, Smith & Company, Consultant and Actuaries for the Pension Board addressed the Council regarding the Plan.

Fire Captain Michael Haring, Chairman of the Pension Board; Dr. Robert Maggs, Council appointed Member to the Pension Board; Camille Guething, 260 Seaview Drive; Marcos Osorio, President of the Key Biscayne Professional Firefighters Association and Adonis Garcia, President of the Miami Beach Professional Firefighters Association addressed the Council.

There was extensive discussion from Council regarding the different ways to fund the plan.

The meeting was adjourned at 9:05 p.m.

Respectfully submitted:

Conchita H. Alvarez, CMC
Village Clerk

Approved this 13th day of June, 2006:

Robert Oldakowski
Mayor

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IF A PERSON DECIDES TO APPEAL ANY DECISION MADE BY THE VILLAGE COUNCIL WITH RESPECT TO ANY MATTER CONSIDERED AT A MEETING OR HEARING, THAT PERSON WILL NEED A RECORD OF THE PROCEEDINGS AND, FOR SUCH PURPOSE, MAY NEED TO ENSURE THAT A VERBATIM RECORD OF THE PROCEEDINGS IS MADE, WHICH RECORD INCLUDES THE TESTIMONY AND EVIDENCE UPON WHICH THE APPEAL IS TO BE BASED.