

SPECIAL COMMISSION WORKSHOP
May 22, 2001
9:30 a.m.

The purpose of this special workshop meeting was to publicly receive the Public Safety Employees Retirement Study prepared by the employees of the Police and Fire Departments and the Personnel Director.

It is noted that Commissioner Ellsworth was absent from this meeting.

The City Manager made opening comments regarding the City's pension program and the Study.

The Personnel Director explained the purpose of the Study and noted the common interest of the community and the Police and Fire Departments to have and provide quality service to the City.

The Personnel Director explained the history of the city's pension plan.

He indicated that the Study looks at three types of plans, the 401A Plan, which is the plan the City currently has, the 175/185 State directed plans and the Florida Retirement System.

A Fiscal Year 2001-02 Revised Cost Estimate for Fire and Police Retirement Options, a copy which is attached hereto and made a part of these Notes was presented and discussed.

The Personnel Director discussed the necessity to hire and keep quality employees.

Mr. Rick Feinberg, outgoing Executive Director of the International Association of Firefighters made a presentation on behalf of the firefighters. He explained that the firefighters basically want anything but a 401 plan. He indicated that the Fire Union would support and work toward any changes to get away from the 401 Plan.

Mr. William Laubach, Executive Director of the Police Benevolent Association, made a presentation on behalf of the Police Department employees and indicated that the majority of the City's police employees favor the Florida Retirement System.

The City Manager expressed his appreciation to the police officers and firefighters for their contributions to the study.

The City Manager presented a position paper entitled *Police/Fire Pension Program*, a copy of which is made a part of these Notes. The following issues were discussed:

- Perceptions and Problems
- Pension Options
- City of Treasure Island Facts
- Pension Issues to Consider
- Matrix of Pension Options vs. Pension Issues as Analyzed from the Employer Perspective
- Conclusions

The City Manager indicated that the City of Treasure Island has underfunded its pension program for a long time and upgrading is needed.

In conclusion, the City Manager requested that the Police and Fire employees look at the matrix and rework it as they see fit and reconsider options A-E as set forth on page 4 of the City Manager's handout.

Commissioner Maloof asked why the City never wanted to participate in the Florida Retirement System previously and the City Manager indicated that he didn't know.

The Mayor stated that the City is on a move forward and thanked the Police and Fire employees for their efforts to move the City forward with employee benefits. He stated that he feels the Commission needs to thoroughly review the Study and handouts and come back to a future meeting to discuss the issue.

Commissioner Lavino agreed that the City has moved forward and indicated that more dangerous situations exist today than in years past and agreed that the Commission needs to digest the information and consider upgrading the pension benefits.

Commissioner Maloof indicated that the City needs to "beautify" things for the employees as it has for the residents.

Commissioner Blush voiced agreement and indicated that she always hears compliments about the police and fire services and how the people want to keep them.

Police and Fire representatives voiced willingness to work with the City on the pension issue for another 30/45 days.

Officer David Dejure asked what the millage equates to in dollars and the City Manager indicated that we have not yet received that information from the County. The City Manager explained how millage works and indicated that the Finance Director would provide the millage formula during the budget review.

FY 2001-02 Revised Cost Estimate for Fire & Police Retirement Options

Mode	Employer Contribution	Fire	Police	Both	Cost Increase
Current 401	5% (F); 7% (P)	\$26,200	\$60,200	\$86,400	
175/185 Chapter(3%)	32.4%(F); 30.7%(P)	\$169,776	\$264,020	\$433,796	\$347,396
175/185 Chapter (2%)	20.39%(F); 19.4%(P)	\$166,840	\$106,372	\$273,212	\$186,812
FRS*	18.44%	\$96,625	\$158,584	\$255,209	\$168,809

***NOTE:** FRS employer contribution rates to be effective 7/1/01 published on website 5/21/01

Special Risk Employees: 18.44%
 Regular Employees: 7.30%
 Elected City Officials 12.40%

Data for Cost Estimates		01-02 Budgeted Salaries	1% of Salary
Police (PBA Covered)		\$860,000	\$8,600
Fire		\$524,000	\$5,240
Total		\$1,384,000	\$13,840

Police/Fire Pension Program

I. Perceptions and Problems (Hard to tell the difference)

- Treasure Island is only local employer w/401 Plan
- Our pension (defined contribution) is inferior to competition
- Public Safety employees prefer guaranteed benefit rather than self directed accounts (bird in hand vs. 2 in bush)
- Better pension will encourage long term employment
- Disability insurance is inadequate for public safety employees

II. Pension Options (Funds Report)

- 401A Plan (defined contribution plan)
*Funding level can vary
- 175/185 State directed plans (defined benefit)
- Florida Retirement System (defined benefits)

III. City of Treasure Island Facts

- a. City budget is 80% personnel - we are a service organization.
(what ever you do will have a financial impact)
- b. Of the 17 cities surveyed the average contributions are:
Employee 4.2%; employer 9.9%; total 14.1%
- c. Good work environment has 4 basic qualities
 - a) Leaders & co-workers good
 - b) Buildings and equipment improving/good
 - c) Learning and training good/average
 - d) Salary & benefits average/fair
- d. Treasure Island has under funded its pension benefits for years (2% till 1997, 5% now)
(average employer contribution is 10%)

IV. Pension Issues to Consider

- Cost
- Benefit levels
- Ease or complexity of administration
- (Un) certainty of contribution levels
- Portability
- Recruitment attraction
- Retention

IV. Matrix of Pension Options vs. Pension Issues as analyzed from the employer perspective.

- * It would be interesting to see how the employees might create this chart.
- * Scale is + good, 0 average, - bad.

	<u>401</u>	<u>FRS</u>	<u>175/185</u>
Cost	+	-	-
Cost certainty	+	-	-
Benefit Level	+/0	+	+
Administration	+	+	-
Portability	+	0	-
Recruitment	0/-	+	+/-0
Retention	-	+/-	+

V. Conclusions

1. 175/185 is very expensive and cumbersome
 - 5 times more than current or \$350,000
 - Requires double benefits to current members (penalty for previous withdrawal)
 - Instills a significant administrative burden on the city (money mgr., actuary, attorney, plan advisor, benefits coordinator)
 - Its primary benefit of encouraging employee retention and longevity does so by leverage and coercion --- employees are trapped.
2. Whatever we do w/Police and Fire will have an impact on all general government employees: we should be prepared to otherwise improve GG benefits package or have a sound justification for our action w/Police and Fire employees.
3. Don't forget the disability insurance factor. It is a high cost issue, not generally available on the open market and it is what separates PS from GG employees.
4. There is a reason that Treasure Island has been able to maintain the second lowest mill levy in Pinellas County over the years.
 - a) good management
 - b) tight financial firsts and policies (w/budget 80% employ -- salaries & benefits rate only average to fair, staffing levels are okay but not great)

5. FRS is more attractive than I originally thought
 - 3 times more expensive at \$169,000
 - Cost could be covered by a small mill levy increase
 - Imposes no administrative burden on city
 - Provides the high risk insurance that is an issue and cannot be readily provided anywhere else.

6. 401A Defined Contribution Plan gets a bad reputation; it takes the beating for past city failures in pension, benefits and salaries. It too is currently under funded.....
 - * This is an inherited problem that the current administration must deal with.
 - * Defined Contribution plans are sound and are the wave of the future ... they offer many benefits to both the employees and the employers.

7. Treasure Island public safety employees want guaranteed pension-right or wrong/better or worse (401A not popular w/PS) (401A is very popular w/professionals and department heads seeking careers)

8. We have overlooked the do nothing option – what are the end results of this option:
 - a. lose some employees
 - b. keep same mill levy
 - c. 5 years and out retention program

VI. Suggestions for Your Consideration (too early for City Manager Recommendation)

1. Forget 175/185 (too expensive)
2. Forget the “do nothing” option (ostrich)
3. Ask the PS employees to do the pension matrix from their perspective (continue our work together)
4. Both sides ponder options below for 30/45 days.
? What is the best way to spend our S
(0.1 mill equates for \$75,000)
 - A. Improve PS pensions w/in the 401 Plan to 5/10 – cost \$52,000
(equates roughly to 0.7 mill)
0.7
 - B. Improve PS pensions w/in the 401 Plan to 5/10 plus improve all employee disability insurance program and set salaries at second ~~quintile~~ *quartile*. Cost is \$74,000. (equates roughly to 0.1 mill).
 - C. Adopt FRS for PS employees ... with it comes high risk insurance cost is \$169,000. (equates roughly to 0.225 mills).
 - D. Adopt FRS for all city classified employees. Cost is \$211,000. (roughly equates to 0.28 mills)
 - E. Improve the 401A pension plan for all city employees to 5% employee and 10% employer plus improve the disability insurance program. Cost is \$192,000 (roughly equates to 0.26 mills)