

1 **the Board of Trustees:**

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3 Chairman Chris Nabicht stated there was a meeting a couple of years ago when Mr. Thompson
4 was the City Manager and at that time some issues came up, there were dollars to spend and the
5 Board wanted direction from the Commission on how to move forward. The Commission's
6 direction was to view the Board in an advisory capacity and work through the City Manager's
7 Office to bring Ordinances and changes to the plan forward. In conjunction with talking to the
8 pension plan members there has been some discuss regarding enhancements and an Ordinance was
9 moved through the process which will be explained by the Plan Administrator Lisa Spriggs.

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11 Ms. Spriggs stated the proposed Ordinance revisions include two (2) different retirement options
12 for the members of the pension plan. One revision is a Partial Lump-Sum Option Plan (PLOP)
13 which is not currently in the plan. This allows a member who has reached the normal retirement
14 age to receive a lump sum benefit up front which is determined by the actuary and provides the
15 member a lump sum to start retirement and reduces the monthly amount received through the
16 retirement by the actuarially determined amount. This allows the employee to retire, receive a
17 lump sum out of the pension plan and then the pension plan would continue to pay a monthly
18 amount at a reduced monthly sum. She stated this was recommended to provide the pension plan
19 members flexibility and to mold to different situations and the proposed revision is written to
20 allow a 10%, 15%, or 20% lump sum option.

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22 Ms. Spriggs stated the second proposed revision is to the Deferred Retirement Option Program
23 (DROP). When a member of the pension plan reaches normal retirement age they can chose to
24 stay employed with the City but, would effectively retire from the pension plan and the actuary
25 freezes their benefit at that point. Since during the DROP period the member has effectively
26 retired from the pension plan the City does not make a contribution into the pension plan on behalf
27 of that employee. She stated what is being proposed is to do away with the election window and
28 lengthen the DROP period up to eight (8) years but, that does not mean the employee has to stay
29 in DROP for eight (8) years. Under the current plan, DROP allows the member to stay in the
30 DROP for three (3) years, after the three (3) years the member takes the money with them, and
31 then the member receives a monthly sum for the rest of their retirement. The current provision
32 allows the employee to elect the DROP with a one year window after they reach normal retirement
33 age or they forfeit the right to go into and use that provision.

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35 Bradley Heinrichs with Foster & Foster stated when an actuary says that a proposed Ordinance is
36 a no cost item it does not mean that the actuary guarantees that in any given year that there is not
37 going to be some kind of cost or savings associated with that provision. What the actuary is
38 saying is that the Ordinance does not change the assumptions the actuary is going to make when it
39 develops costs for the program and it does not believe that ultimately its inclusion in the
40 Ordinance will have a long term impact. The new Ordinance does not change assumptions and
41 therefore because it does not change assumptions and the provision does not alter benefits it is a
42 no cost item or it does not change the funding requirements to the pension program. He stated
43 members of the DROP can lock in at a 6% interest rate on the DROP balance but, it has no impact
44 on the pension. If a member is allowed to stay in DROP for eight (8) years and locks in a 6%
45 interest rate, over the life of the fund the member is going to earn 8%, net of investment related
46 expenses. By the DROP balances remaining in the fund and being fully invested the fund, the

1 City, is going to reap a benefit. He stated if earnings are not at 8% or are far less the City's
2 contribution rate would be higher because 6% is guaranteed on a balance that has earned less than
3 that. When a member is in DROP the City does not have to contribute the 14% to 15% of the
4 member's pay into the fund but, the actuary develops what the costs are in dollars and expresses
5 them in percentage of non DROP payroll. He stated as more people enter in DROP there is a
6 higher percentage of people in DROP, the cost as expressed as a percentage of payroll might be
7 higher than other peers in the area but, the dollars per head would not be. If the DROP period is
8 lengthened from three (3) to eight (8) years one other benefit to the pension plan is that the
9 incidence of a DROP could induce more turnovers in the plan which could reduce costs.

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11 Ms. Spriggs stated this plan was adopted where the members accrued 2% a year for their service
12 from fire district service before the City incorporated unless they hit 25 years of service which
13 triggers 3% all the way back. She stated because of the one (1) year election window there are
14 employees who hit their normal retirement before 25 years because of their age. Those employees
15 do not have the benefit of deciding on DROP at all and there are employees who are excluded
16 from taking the one (1) year election window. She stated general employees partake in FRS and
17 the City's required contribution rate has been between 7% and 15% which holds true going into
18 the next fiscal year. Special risk class in FRS is a contribution rate of 21% which is required to be
19 contributed by the actual entity that partakes. She stated general employees in FRS have the
20 option without an election window to partake in DROP.

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22 Mr. Vroman asked if in the DROP in FRS the City would still have to contribute 21% whereas
23 under the 175 Plan there are no contributions and Mr. Christiansen replied "yes".

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25 Mayor Mulder stated staff is preparing information for an Executive Session.

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27 Mr. Nabicht asked Ms. Spriggs to talk about insurance premium tax dollar money, where the
28 money comes from, what the money can be used for, how can be used, and try to get a feel from
29 the Commission.

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31 Ms. Spriggs stated the annual amount of insurance premium tax dollars received is approximately
32 \$385,000 which is a premium tax on insurance policies within the City of Deltona collected at the
33 State and redistributed to the pension plan after it has met certain criteria that the State, the
34 Department of Retirement, and the Division of Retirement look at. She stated because of a law
35 that was enacted back in 1997 only a portion of those dollars can be used within the plan. The
36 money has been received and put into the plan but, it cannot be used when determining the
37 contribution rate. There is approximately \$155,000 a year that can be used so every year what
38 happens with the excess money is it builds up and it is frozen within the plan. State Statutes
39 require that the money be used for enhanced benefits to the members within the plan. She stated
40 the Board has looked at how it can best use those dollars to benefit current members of the plan
41 and therefore enhance benefits without costing the City any additional contributions. She stated
42 the Board will continue to look at this over the next year; it will bring it forward to the City
43 Commission and make recommendations as to what enhancements could be made.

44
45 Mr. Nabicht stated there is a 10 year vesting period and if a member is in the plan for nine (9)
46 years and they leave they only receive their nine (9) years of contributions back and the rest of the

1 money stays in the plan. He stated if that member passes away at nine (9) years and they are not
2 vested their survivor only receives the nine (9) years of contributions back without any ongoing
3 money. He suggested one of the possible enhancements to look at would be some type of life
4 insurance that is paid for by the plan that would cover members and protect them from day one
5 (1).
6

7 Mr. Vroman asked if the premium tax dollars are not allocated and spent what is the process to
8 make sure they are spent or does the State take those dollars away. Mr. Christiansen replied that
9 back in 1999 the State Legislature passed a law affecting the use of State money. Prior to that
10 time State money was being used by the City to fund the current pension plan. The State
11 Legislature stated the amount of money received in 1999 could be used to fund the current plan
12 going forward which is called the "frozen amount". He stated if in the year 2000 instead of
13 receiving \$100,000 it is \$120,000 that is received the City can still use the frozen amount of
14 \$100,000 but, the additional \$20,000 has to be set aside and is ear marked for additional benefits
15 for firefighters. Once a benefit is done the frozen amount would go from \$100,000 to \$120,000
16 from that point forward because a new benefit was done that costs \$20,000. If the money is not
17 used for additional benefits for firefighters the State will write a letter stating if benefit
18 improvements are not made with State money then the City will not receive "any" State money.
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20 **4. CLOSING COMMENTS:**
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22 Mr. Nabicht thanked the City Commission for the opportunity to present the information to them.
23 He stated the Board would be happy to meet with the Commission again and invited the
24 Commission members to attend any of the Firefighter Pension Board meetings. He suggested the
25 Commission attend the Florida sponsored Pension Conference October 19th, 20th, and 21st in
26 Orlando which is free and Scott Christiansen and Bradley Heinrichs will be guest speakers.
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28 Mayor Mulder thanked the Pension Board members for being present.
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30 **5. ADJOURNMENT:**
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32 There being no further business, the meeting adjourned at 5:12 p.m.
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Joyce Kent, DEPUTY CITY CLERK