CITY OF RIVIERA BEACH
PALM BEACH COUNTY, FLORIDA
CITY COUNCIL WORKSHOP MINUTES
MONDAY, AUGUST 5, 2013 AT 5:30 P.M.

(The following may contain inaudible or misunderstood words due to the recording quality.)

CHAIRPERSON THOMAS: We're gonna go ahead and call this 5:30 meeting to order. Seeing that the clerk is not here I'll -- oh, wait a minute. She just walked in. Madam Clerk, would you please call the roll?

DEPUTY CITY CLERK ANTHONY: Mayor Thomas Masters? Chairperson Cedrick Thomas?

CHAIRPERSON THOMAS: Here.

DEPUTY CITY CLERK ANTHONY: Chairperson Pro Tem Dawn Pardo?

CHAIR PRO TEM PARDO: Present.

DEPUTY CITY CLERK ANTHONY: Councilperson Bruce Guyton? Councilperson Judy Davis? Councilperson Terence Davis?

COUNCILPERSON T. DAVIS: Here.

DEPUTY CITY CLERK ANTHONY: City Manager Ruth Jones?

CITY MANAGER JONES: Present.

DEPUTY CITY CLERK ANTHONY: Deputy City Clerk Claudene Anthony is present. City Attorney Pamala Ryan.

CHAIRPERSON THOMAS: We do have a quorum, so we're gonna go ahead and stand for a moment of silence, followed by the Pledge led by Miss Jones, please. (Everyone stood for a Moment of Silence, with the Pledge of Allegiance led by City Manager Jones.)

CHAIRPERSON THOMAS: Okay. We're gonna move down to, uh, discussion by the City Manager. We're gonna ask the record to reflect that Councilman Guyton is in the chambers at this time. We're gonna move to discussion by City Manager.

CITY MANAGER JONES: Thank you, Mr. Chair. Tonight we are holding a pension workshop --

CHAIRPERSON THOMAS: Miss Jones, would you hold on for one second? We're also going to announce that Miss Davis is also in the chambers at this time. Go ahead, Miss Jones.

CITY MANAGER JONES: Yes. You may recall that in April we had a workshop on the defined contribution plan. At the conclusion of that workshop, at the suggestion of Councilman Guyton, it was suggested that we invite individuals from the State to come provide us with information about pension plans and answer any questions you may -- you, as members of Council, may have. We are pleased today to have with us Raymond

Edmondson, Jr. He is the Chief Executive Officer of the Florida Public Pension Trust Association.

COUNCILPERSON GUYTON: And founder.

CITY MANAGER JONES: And found -- oh, I didn't know about the founder. But we are pleased to have him and his colleagues here with us tonight. What we wanted to do tonight was to get additional information about pension plans, answer any questions that you may have. They have an agenda that you have in front of you. However, at the end we also have discussion, so if you have any questions for the members of the public that would like to speak, we are encouraging them to fill out comment cards if they would like to speak on any of the items to that. So without further ado I would like to introduce Mr. Raymond Edmondson, Jr., the Chief Executive Officer of the Florida Public Pension Trustee Association.

RAYMOND EDMONDSON: It works. First, I would like to thank you on behalf of the organization for inviting us here. I want to thank Councilman Bruce Guytner -- Guyton for requesting this meeting and Dorothy -- Dorthea -- Doretha. I've been calling you the wrong name all this time. You never corrected me. Doretha Perry for all the effort she put forth; Ruth Jones and your Mayor Masters, Thomas Masters, for all -- for inviting us and allowing us to attend this workshop meeting.

The Florida Public Pension Trustees Association is a 501c3 Florida Educational Corporation. It was founded in 1984 and, uh, at that time, it was founded to -- we worked tirelessly with the -- the State legislature to get minimum standards for all pension funds. At one time there were no standards for the pension funds. They were all just individual insurance policies and 401(k) type plans, and we fought to get minimum standards and have standardized rules and regulations for all pension systems and to have them be autonomous boards and stand on their own and have fiduciary responsibility over the funds.

The organization grew out of that because of the fact that the State and some of the local cities and the -- didn't want to relinquish the funds they had in their general budget, or their general, yeah, budget that they were paying these plans out of, these benefits out of, and the League of Cities fought us tooth and nail. But we did win and that has been 30 years ago this organization was founded. Then in 1992 we had a little problem and the organization went basically bankrupt because of improper operation internally in the organization.

I retired at that time from the Fort Lauderdale Police Department, after 23 years, and I was their first union president and I set up their first self-insurance plan. And they -- they asked me to take over the organization, which I was a director of, and turn it into an educational association, which we have.

So now this June we are celebrating our 30th anniversary, and I will be stepping down as Executive Director of the organization, and my daughter, Kimberly Ryals will be taking over the corporate organization and I will be taking over the outreach program such as this, and electronic education, and things like that. But I will have nothing more to do with the budgets, thank God, and all that stuff.

So that's basically where we're at now. We run two schools a year and we have one conference a year. We put -- we have a certification program that is nationally recognized and is nationally registered and numerous other states have copied our certification program. I just returned from the Illinois meeting, which Illinois is so messed up they actually have their meetings in Wisconsin. And so my wife and I went to Wisconsin and we met with them, and they're -- they're about maybe two or three years behind us, but they're coming along real good with their educational programs.

We have just created a new electronic educational program which is the Public Pension Institute. It's for -- started out, we've always had the problem we could never get past the trustees and never get past the administrators to the workers because they're -- they're either -- their names are being withheld and addresses, and we couldn't get to them and all this. And they were reluctant to release their e-mails to us. So we had a problem getting the message out to the people that really needed it. And not only them, the local legislators such as yourself, and the local and the state legislators.

So we formed this -- come up with this idea of getting a -- creating another website, which is the Public Pension Institute. That's www.publicpensioninstitute.org. That is strictly designed, you know, like you say, like basic Pensions 101, because we also receive complaints from the people going through our basic class that it's not basic enough for them, 'cause they had no -- they had no experience with institutional management and investing up until then, and all of a sudden we're hitting them with this stuff that we think is basic, but it's -- it's really not -- has to be a little bit less than what we're giving them. And so now we've developed this program, the Public Pension Institute, to reach out to state legislators and to legislation -- local legislators to educate them as to what their responsibilities are and what and how they should be handling their pension systems and the different things, nuances that they could put in their plans, or take out of their plans, and stuff like that.

We do not negotiate benefits. We do not support candidates. We do not lobby. We go and we put our names in to try to educate the state employees, the state lobbyists. We did lobby -- we did go and speak numerous times to Keep FRS, because FRS is not a member of ours, but we truly believe that retirement security is something that is very essential to the Florida communities, the local communities, because 70 percent of the people that retire from Florida public pensions -- public industries, stay in Florida. We don't know of anybody that retires and moved to Hoboken, New Jersey. They all stay right here because this is paradise, and most people come here that have retired. So we want to maintain that.

In order to maintain that you have to have a constant steady income, flow of income coming in, which is a defined benefit plan. So that is another one of the things that we defend, is defined benefit plans. Fred Nesbitt will follow up, and he'll give you a little bit more on -- on plan design and construction and stuff like that.

Now, let's go to your packets. In your packets you have an agenda, obviously. You have a tickler over here with the capital on it. That will show you -- this is all stuff that you can take home and just read at your leisure. We don't expect to have any questions or anything on that here. We didn't kind of, you know, dump on you with something to read here. So they have that. This we use to get us in the door of the state legislators and some local legislators, also. It explains a little bit the pension plans, and it, uh, explains -- shows graphics as to where the money's going and how much money should be spent in the different areas to afford retirement security.

The first thing I have in mine is called the covenant. The covenant is written by a name probably familiar from, uh, you people. It's Robert Sugarman, Attorney Sugarman from Miami. He wrote this and he made a class out of this, or spoke in a session that we had at one of our schools. And I was so impressed with this, I asked him if I could copy it and re-publish it, and he did. And I give him credit for it, but I put -- expanded a few things there. It kind of explains a covenant between public employees and the public employers that, you know, you have your responsibilities to the public employees, and the public employees furnish the responsibilities to you.

The public employees in the State of Florida are that thin membrane between, uh, a civil society and chaos. So they -- when their houses -- when your houses, God forbid, catch on fire, you call them. They come. They put out the fire, save your animals, save the humans, work, do everything tirelessly to, uh -- to help you, and all they're expecting back is a retirement security and a living wage and no insurance benefits, which is normal for anybody. So it kinda touches on the moral and ethical values of both employees and employers. And you, as employers, also have a responsibility to your employees, to the taxpayers, to get the best service you possibly can, have the best educated employees you possibly can to service them at a -- a normal cost.

Another thing in there is the history of pensions. I did that. That's to explain where pensions come from. And you have another piece in there, 401(k) plan. That -- Fred Nesbitt wrote that. And on our website, both on the FPPTA site, which is basically a membership site, and a lot of information for memberships signing up for different classes and stuff like that, and the PPI, the Public Pension Institute site, there's -- there's hundreds of articles and there's readings, research papers by Boston College, by National Institute of Retirement Security, by Harvard University. Everything that you could use for research is on there. It's all free. You can take it, print it out, send it out. We don't have any copyrights on it. You can use anything you want. You don't have to call and say, "Can we distribute this to our employees?" or to whoever. You certainly can. We have videos on there, learning videos that -- that you will have, you know, explain the difference between Social Security and pensions and how pensions were designed and all this kind of stuff. It's a very, very helpful tool for you to do your job.

Now, people say, You know what? What do you -- what does it take to be a pension trustee, and should they have prior requirements and everything? Well, it's basically like yourself or like a person that just got elected to the House of Representatives. They turn around and they think, Oh, my God, I just got elected. What am I gonna do now? You know? So you have so many things that come before you, but the public expects you to be an expert in everything. So this is why we have set up these schools for these trustees.

And I have to guarantee you this: your trustees are the most educated and the best qualified they are in the entire United States of America. Florida is -- has the best standard, the most regulated pension laws than any other state in the Union. The problem we have with Florida is that the State legislature keeps making unfunded liabilities on you. If they want to run your pension plan, I think they ought to fund the things they tell you to do. And once we get past that, I think we're going to be doing quite well.

We find that many places it's the unions and the commissioners have worked to save their defined benefit plans. Very, very few have not. I don't know of any that haven't. I mean, they've -- all the employees know that everything's in a bind, so now's the time to not kill the goose that lays -- lays the golden egg. And there's some little minor things that you can do that doesn't hurt anybody. You know? Maybe just the operation or something like that.

This is -- you have Fred Nesbitt sitting right here and Chad Little is sitting over here. We call him "Notso," because you'll understand when he stands up. So he's a principal in Freiman & Little. He was gonna call it Little Freiman, but he thought, no, I better not do that, so he made -- made it Freiman & Little, and he's our actuary, the FPPTA actuary. And I want now to turn it over to --

First of all, do you have any questions of me before I sit down? I'll have the -- I want to let you know and let the audience know that I am legally blind. I cannot see you up there, so if anything happens that, what -- during this that you ask me a question, and I answer it and you don't like it, you can use an obscene finger gesture if you want. I -- it doesn't make any difference to me 'cause I can't see you. Okay?

CHAIRPERSON THOMAS: I get you.

RAY EDMONDSON: Now, I want to introduce Dr. Fred Nesbitt.

CHAIRPERSON THOMAS: Okay. I don't think we have any questions of you, sir. That was a very detailed resume and, you know, we just appreciate you being here to provide further educational benefit to us.

RAYMOND EDMONDSON: Yes, and it's not just this meeting. Anything else you ever need, you just let us know and we'll supply it to you.

CHAIRPERSON THOMAS: Okay.

RAYMOND EDMONDSON: Thank you.

CHAIRPERSON THOMAS: Are you really kind of legally blind here?

RAYMOND EDMONDSON: Yeah, I'm very legally blind, not really.

CHAIRPERSON THOMAS: All right. One of -- one of our staff, help him to his chair. I don't want any lawsuits going on.

RAYMOND EDMONDSON: No, I can find that. I can find that.

CHAIRPERSON THOMAS: Okay. All right. No problem. No problem. Thank you, sir.

RAYMOND EDMONDSON: Sometimes I have problems doing it.

CHAIRPERSON THOMAS: Just don't have any of those problems today we'll be good.

RAYMOND EDMONDSON: No, and I'm not driving, believe me.

CHAIRPERSON THOMAS: Oh, yeah. Thank you. Thank you. I appreciate it.

FRED NESBITT: Good evening. My name is Fred Nesbitt. I should probably give you a disclaimer, and that is I was a public employee. I retired. I receive a defined benefit. I moved to Florida because I love the weather, I love the ocean, and I talked so many years in my career about retirement that I thought I would give it a try. And I found it's -- it works very well. I like it very much.

But I've also been doing work with the FPPTA and also doing some work with the Fort Lauderdale Police and Fire Retirement System. Sorry, Chad. I just turned your computer on. But I just wanna talk this evening a couple minutes about pension plans in general. Ray and I and Chad and some other people have been traveling over the State of Florida. We've had a number of similar meetings. We've heard from city commissioners. We've heard from city managers. We've heard from finance directors. We've talked to pension trustees about what's going on in the State of Florida, and I wanted to share a little bit about that with you.

When you look at public pension plans, they really date back about 150 years. They pre-date the federal government pension plan. It pre-dates Social Security and pre-dates almost all private sector plans when you really look at the -- at our plans in that sense. And these plans are 90 percent of which are really defined benefit plans across the country. And the plans evolved over time, and by 1970 most of the plans had kind of evolved into a benefit, a guaranteed life benefit that was based on age, based on length of service, and based on compensation, as opposed to an insurance annuity or some kind of other factor that had previously been used.

And really, when you think about the defined benefit plan, you really need to realize that it's more than just a retirement plan. You know, you have a defined benefit retirement plan here for your police officers, for your firefighters, and for your city employees. But incorporated into that plan is also a disability plan, because there's a disability benefit in case one of these individuals that work for you becomes disabled on the job or non-job related and can no longer perform their duties, and it's also a death benefit for the survivors for -- in case the city employee would be killed or died in the line of duty. So it's more than just a retirement plan. It encompasses retirement, it encompasses disability, and it encompasses death benefits.

CHAIRPERSON THOMAS: Excuse me, sir.

FRED NESBITT: Yes.

CHAIRPERSON THOMAS: I just want to make sure I heard you correctly. You said that that death benefit is only if they die in the line of duty on the -- did I hear you say that correctly?

FRED NESBITT: Yes. Yeah. In other words, if -- for example, if, uh, a police officer, firefighter, city employee was killed while working there would be provided a death benefit. Also, almost all plans provide a -- if it's non-job related, also, a death benefit.

CHAIRPERSON THOMAS: So it doesn't have to be in the line of duty.

FRED NESBITT: No, it does not have to be in the line of duty.

CHAIRPERSON THOMAS: Oh, okay. I just wanted to make sure that I --

FRED NESBITT: Right.

CHAIRPERSON THOMAS: Okay.

FRED NESBITT: Usually we talk about it in terms of line of duty, but it doesn't have to -- and again, it's however the plan is structured. Most of them are not structured --

CHAIRPERSON THOMAS: Okay.

FRED NESBITT: Right.

CHAIRPERSON THOMAS: Okay. I just wanted to make sure that I didn't --

FRED NESBITT: Okay. Thank you. And really, when you look at these plans, they operate very effectively, very efficiently, and very successfully except -- and I'm sure you've heard on the national news at night about some plans that are in big trouble. You know, you've heard probably about New Jersey, where we have a long history of providing benefits without paying for them, allowing spiking, which means an employee at the end of their career can boost their benefit up substantially. You've probably heard about Illinois and what's going on in that state. You've got to realize that in Illinois the State, as the employer, has not made a full pension contribution to the pension plan since 1970. They've given them IOUs saying that when you need the money, we'll come up with it. Well, today they need the money, and guess what? The State doesn't have the money to come up with it in this particular sense. And you saw the same thing in California, where benefits were provided to employees but they were not funded, and Chad, as an actuary, will be the first one to tell you, you can't give benefits without pre-funding them. That's sort of the basis of our plan.

Now, we've heard some things about defined benefit plans and public plans, particularly --

COUNCILPERSON GUYTON: Uh, excuse me.

FRED NESBITT: -- in the media, we've heard that they're unsustainable.

COUNCILPERSON GUYTON: Excuse me.

CHAIRPERSON THOMAS: Excuse me one second, sir.

FRED NESBITT: Oh, I'm sorry.

CHAIRPERSON THOMAS: Mr. Guyton?

COUNCILPERSON GUYTON: Mr. Nesbitt, you called a few states, um, but you didn't address Detroit. What -- what is exactly the problem in Detroit?

FRED NESBITT: Okay. Detroit, of course -- first of all, I -- I have a little problem just understanding how a city can really go bankrupt. You know, if a corporation goes bankrupt, the assets are gone, the corporation disappears, and five years from now there's nothing there. But there will always be -- and my argument would be there will always be a City of Detroit. There's a land area. There's a population. There's a tax base and so on and so forth. Um, Detroit is somewhat like Florida in the sense that the pension benefits of the firefighters, the police officers, and the city employees in Detroit are guaranteed and protected by the Constitution. So there is a legal question of whether or not these benefits can be diminished or not.

And most of the stories I've read is the -- the pensions and the auto industry, the downfall of the auto industry, are not the cause of Detroit's financial problems or their bankruptcy, but it has been a long history of flight out of the city, of misspending, mismanagement, corrupt politics, and no building of the city or encouraging industry or labor to come into the city and build in the particular city. And you also have a situation where there's about 9,300 retires drawing benefits from the City of Detroit right now, and there's about, I think about 3,100 people contributing to the system. So it's a much older system, so you have more -- more money going out.

But again, if -- if you -- you're actuary, you made your full contribution and it's planned for, you -- you know that's going to happen and it's pre-funded, and you know what's going to happen. It will be interesting to see what happens in Detroit when -- what the court says regarding the pension benefits.

COUNCILPERSON GUYTON: Okay. All right.

FRED NESBITT: Um, so we -- we've heard, for example, across the State of Florida that our -- that our public plans are unsustainable, that they're really bankrupting the cities, and they have huge unfunded liabilities. But what we need to really do is understand what's happened in the last few years here in Florida, as it has across the United States.

And that is, we've seen a downturn in the economy. We've seen a downturn in housing prices. And we've also seen a downturn in the stock market, sort of a perfect storm. And I -- I don't have to tell you if you're tax rate stays the same, but your property values decline, what happens to your city revenue? It obviously declines. And as your city revenue's declining, at the same time with the downturn in the stock market, the City's required contribution is going to increase. So just as your revenues are going down, the actuary says you have to contribute more to the pension plan. Now, as the stock market goes up, your pension contribution will go down. It floats up and down based on the value of the stock market and the return on the investments.

And we've seen some cities here in Florida, if you look back several years ago, they -- when the stock market was booming in the 19 -- late 1990s and other later time periods, some of the cities were making very small contributions or no contributions because the actuary said the plan is funded. There's no requirement for the city to make a contribution. Uh, the employees will make a contribution but the city doesn't have to make a contribution. Those are good years. Unfortunately, you're sitting on the City Commission right now when we're in the time when tax revenues are down and pension contributions have gone up. But we know that wages, we know that pension benefits, and we know that benefits in general of employees are not the cause of the budget problems you're facing, or we face in Fort Lauderdale, where I'm from, or anyplace else we've traveled across the State of Florida.

And when we're looking at, you know, pension plans, we really need to be looking out 50 years, because we are long-term investors. You know, so many times we see someone says, Well, wow, look at the last five years. What's happened? Well, if you take a very thin slice of a five-year period, we've had a very bad stock market, yeah. If you increase that to 10, it looks better. If you increase it to 15, it looks better. If you increase it to 20, it looks even better. Because we are really long-term investors from that point of view.

So all across Florida we've been confronted with declining property values, which most places now are starting to turn back. We've been faced with increased demand for services. You know, if we were a private company and the economy went down, we'd have a tough time selling our product. Demand for our product would be decreasing, decreasing, decreasing, and if it got too low we would go out of business. But governments are just the opposite. When the economy goes down, the demand for city services goes up, and the cost of your city services is going up, some of which you can control, some of which you can't really control. So it's kind of ironic how that -- that happens in that particular sense, because sometimes we're compared to the private sector, and they say we should be more like the private sector, but I know -- I know of very few private sector companies when the economy basically goes down, that their sales will go up from -- from that point of view.

When we take a look at our plans, really we're talking about plan design. How is your plan designed? What ideas are there that could be changed in the plan to retain a defined benefit but perhaps make adjustments in the plan? That's the issue that many cities across Florida have faced. They also realize that their defined benefit plan is what they use to recruit officers, city employees, what they use to retain officers and city employees.

They also realized, for example, in Fort Lauderdale -- and I don't know what your number is -- but we -- we estimate in Fort Lauderdale that the cost to recruit, train, and put on the street a firefighter or a police officer is $250,000, by the time they're up to speed and really peak of efficiency and operating great on the street. And if we bring somebody -- we recruit a new police officer or a new firefighter in the City of Fort Lauderdale, they come here and they work three years and then they go to another city, we bring somebody else in, spend $250,000 to train them, three years later they go to another city, and we become kind of the feeder system. You know, we might as will write a check to that other city for $250,000, because in essence that's what we've done. We're giving them an officer with $250,000 worth of training and experience, and they're getting an experienced officer and not putting out the $250,000.

So as you look at revisions to your pension plan, we realize we've got to be competitive. We've got to be competitive with our neighbors. We've got to be competitive with other cities, and we don't want to be a -- a system that simply trains, recruits, trains, they stay two or three years and then they move on and we become a feeder to some other city and keep writing checks for $250,000 to all of those cities. So competition is very important.

We know that 401(k) accounts are not retirement plans. We've had a long discussion of that. Even now, even the media is beginning to realize that they're not retirement plans and most people who are in a 401(k) will never have enough money to retire because of the way they invest, because of investments, because of the amount of money they put in. So what we're left with is either a defined benefit plan for people who work for the city, or no pension, which raises a whole other issue. You know, it -- it becomes very scary when you look at some of the numbers across the country, the number of people who don't have a pension in the private sector, the number of people whose only source of income is Social Security, and you know, we're looking perhaps down the road to almost a whole generation without pension benefits.

So I know from -- from your point of view as -- as commissioners, it's -- it's a difficult decision. It's a -- it's a big investment. It's a big factor in your city. You have police officers, you have firefighters, you have general employees who are dependent upon pension benefits and counting on benefits. And as those people retire you'll be recruiting more people, recruiting replacements for them, so there's a lot of factors that -- that -- that come -- come into play on that issue. And we're here to get -- offer some advice. Not -- we're not experts in trying to tell you what to do. We just want to share with you our experience across the State of Florida. And I'm gonna turn it over to Chad Little in a minute, if you don't have any more questions --

CHAIRPERSON THOMAS: I -- I do.

FRED NESBITT: -- who will share more information with you.

CHAIRPERSON THOMAS: I -- I do, 'cause I -- I didn't really hear you actually cover the difference between the defined benefit and the defined contribution.

FRED NESBITT: Okay.

CHAIRPERSON THOMAS: Which I was -- I mean, that's pretty much why we are here, to -- to find out those two things, and the effect on how they are.

FRED NESBITT: Okay. I -- when I teach a class to pension trustees I always tell them, the key is defined benefit really defines the benefit that you will receive in the future, so that Day One, when you're hired in this city as a police officer, a firefighter, city employee, you know that X-number of years times age, times length of service, times some compensation calculation that you're going to be able to retire and you're gonna get a benefit that's guaranteed for life. And you also know that you have a disability protection and you also have death protection for your spouse and for your children. So all of that is combined in there.

Where defined contribution really defines the contribution you make to a plan, and that contribution can be made by the employee, it can be made by the employer, or it can be made by a combination of the two. And so what you have is an individual account where that money goes into. You direct the investments, and when you are ready to retire you then have a pot of money from which you can withdraw during your retirement years to live on.

Now, the great fear is, you know, what if you outlive that pot of money? What if you retire just as the stock market fell by 40 percent and you had a million dollars in your account, and now you have $600,000 in your account? Let me just share something with you. When I was thinking about retiring, I was about four years away, living in Washington, D.C., and I thought, you know, all these great calculators. I have a -- I have a defined benefit plan from my government employer. I have a pension from a union I worked for, which is a defined benefit. And I have my 457 plan. I have a small 401(k). And I thought, Okay, I got all these things. And I've been reading on the computer about all these great retirement planning packages they have. So I thought, I'm gonna try this out.

So I got all my paper and all my statements and got everything collected and have everything gathered around me and got my computer out and I thought -- you know, get -- get everything I need. You know, all my bank statements, all my retirement statements, even my certificate that I kissed the Blarney Stone, 'cause you never know. It could be important. I go to my computer. I plug it in, click in. Okay. Question 1, How long do you expect to live? I -- I was stuck. I was I (sound effect) I don't know. You know, I thought, I've got a hundred thousand in my 457. If I'm only gonna live a week, whew, I'm gonna have a heck of a week. Now, if I'm gonna live a hundred weeks, it will be a little tighter. If I live a thousand weeks, it's gonna be tough. So I thought, Well, I'll go on to Question 2. I push to Question 2. They say, You cannot go to Question 2 till you answer Question 1. So I thought, well, now what am I gonna do?

I mean, that's one of the problems with a defined contribution account. You end up with a pot of money that may look big. It may be a million dollars. You think, wow, that's a lot of money. But then you realize that that million dollars will be affected by the stock market while you have it, and as you begin to pull that money out, you know, what if you pull it out at a certain rate and then there's no more left and you're still living? So that becomes one of the problems.

CHAIRPERSON THOMAS: Okay. I --

FRED NESBITT: So I never did figure out my dilemma.

CHAIRPERSON THOMAS: Yeah.

FRED NESBITT: I'm just winging it.

CHAIRPERSON THOMAS: As -- as I can hear you, you're probably not a fan of the defined contribution, but what I would like to know is, are there any benefits to it? I mean, if -- if it's invested by the stock market, can -- would that not be able to -- would you -- would you not be able to maybe make more money than you would have had before?

FRED NESBITT: In a 401(k), what we find in most cases, when people do their own investing --

CHAIRPERSON THOMAS: Is the 401(k) the defined benefit -- I mean, the defined contribution?

FRED NESBITT: It's the defined contribution.

CHAIRPERSON THOMAS: Is that a 401(k)?

FRED NESBITT: That's the 401(k), right.

CHAIRPERSON THOMAS: Okay. Okay.

FRED NESBITT: Yes. It's oftentimes referred to as a 401(k) because that's the section of the tax code.

CHAIRPERSON THOMAS: Okay.

FRED NESBITT: Right. Defined contribution account, an individual account.

CHAIRPERSON THOMAS: Okay.

FRED NESBITT: What happens so many times when people have an account like that as their only source of income, they do a couple of things. One, usually they're very conservative in their investments, because most people don't understand investments. So they're either very conservative or they kinda go wild and say, you know, I'm young. I can invest in, you know, gold, and anything, and I'll make a big return. So that -- that's one problem. And they don't rebalance. They don't -- they don't have good advice, so they -- they tend to not look at their account for two, three, four, five years at a time. So -- so that's one of the problems with -- with a 401(k).

Secondly, most 401(k)s allow you to take a withdrawal from it prior to retirement, a loan, so to speak, and usually you can take a loan up to 50 percent of the value. You can -- you have up to five years to repay it. You pay interest on it. You pay it back into your account. But if you don't, then the IRS says, Well, that's taxable income and we're gonna tax it immediately. So a lot of people do that. And then when people change jobs you either roll it over to your new employer or you take it. And how many people, you know, at some stage in their life decide, I really need that money.

CHAIRPERSON THOMAS: Okay. Let me -- let me go to Miss Pardo first.

CHAIR PRO TEM PARDO: Okay. Well, the first thing I'd like to say is, you know, speaking about 401(k)s, I've been in a 401 (k) my entire career, and if you're working for a reputable company, the company will have an investment advisor or two --

CITY MANAGER JONES: Uh-huh.

COUNCILPERSON J. DAVIS: Yeah, exactly.

CHAIR PRO TEM PARDO: -- that come in and provide investment advice to each individual on an individual basis. And the investment advisor looks at their age, looks at when they're looking to retire, look -- looking to retire. They look at their entire picture. And -- and I agree not everyone is, you know, savvy when it comes to the stock market, but like I said, there are investment advisors out there to help you.

And the other thing I just wanna mention, you were talking about the stock market and how bad the stock market is doing. You know, in 2009 the stock market bottomed out just shy of 8,000, and the market now is trading at 1,550. So if you were lucky enough to be in the market, okay, and you had a 401(k) invested, you're doing pretty damn well.

FRED NESBITT: Yeah. My --

CHAIR PRO TEM PARDO: So, um --

FRED NESBITT: I -- I think the word I would -- would focus on in your comment is "lucky." If you're invested in the right -- in the right -- in the right stocks --

CHAIR PRO TEM PARDO: Okay. So at what point, so should government be responsible for investing their employees' monies?

FRED NESBITT: Under defined --

CHAIR PRO TEM PARDO: And that is something that, you know, that I just -- I question.

FRED NESBITT: Okay. Under defined --

CHAIR PRO TEM PARDO: Should they be responsible for it? Now, I -- you know, you really don't have to answer it, because based on the presentation so far, for the past, you know, 40 minutes, it is very obvious, you know, where you guys are going, and that's fine. That is fine. But you know, you need to -- you know, you're talking about the stock market. You just have to make it clear. The stock market isn't going down, down, down. People are making money in the stock market. And if you have a 401(k), you should rely on your investment advisor, or two. So that's all I'm saying.

CHAIRPERSON THOMAS: Mr. -- Mr. -- Mr. --

FRED NESBITT: That's what a defined benefit plan does, because they have professional --

CHAIRPERSON THOMAS: Mr. -- Mr. --

FRED NESBITT: -- advisors.

CHAIRPERSON THOMAS: Mr. Nesbitt, first of all we want to say we appreciate you being here. But we want to make sure that we're able to take something away from this, and we -- we want to know the difference. And we know that you're the expert, but the presentation thus far has been very much in support of the defined benefit, which we understand. But we do want to know the other side of it, so we can make an informed, you know, decision.

Um, I do want to ask this. Is this the same plan -- because I hear some of the state employees, uh, some of the sheriff departments, and some of the other people in the state department, they have a choice of -- I believe it's Florida Retirement System -- that they have -- they have a choice of whether they want to have a -- I think it's -- I think it's all three. I think they can have a choice of -- of all three. Um, is -- would that still be considered a defined contribution? Like, if they want to choose an investment source, is that a form of --

FRED NESBITT: Yes. Right. The --

CHAIRPERSON THOMAS: And -- and I just need to know this just for my own knowledge. Is it true that the trend is rising for the people in the Florida Retirement System, is it -- is it true that the trend is that they're going to the investments versus the -- the defined contribution?

FRED NESBITT: They're -- the -- first of all, in the Florida Retirement System people have a choice. They can go either --

CHAIRPERSON THOMAS: Right.

FRED NESBITT: -- stay with the traditional defined benefit plan, or they can go to a defined contribution plan.

CHAIRPERSON THOMAS: Okay.

COUNCILPERSON J. DAVIS: Mr. Chair?

FRED NESBITT: Most -- most employees have stayed with the defined benefit plan.

CHAIRPERSON THOMAS: Okay. One second. Go -- go -- go ahead. I'm gonna let you finish before --

FRED NESBITT: Yeah, most employees have stayed with the defined benefit plan. The -- the -- the ones who have tended more towards the defined contribution plan have been higher income, like higher educated people, like college professors who may have more mobility or feel that they can do a better investment, but the -- the downturn in the stock market put a real chill on people going from defined -- picking defined contribution over defined benefit.

CHAIRPERSON THOMAS: Okay. Okay.

FRED NESBITT: So the preference is still very heavily for a defined benefit plan, both in FRS and also when employees are surveyed.

CHAIRPERSON THOMAS: Okay. Miss Davis?

COUNCILPERSON J. DAVIS: Yes, sir. Something that you said really kinda made me think about some things and the -- in addition to the defined benefit plan at this point in time there are some employees who also contribute to a -- a defined contribution plan. Okay? And -- or what do you call it? A --

FRED NESBITT: 457, right.

COUNCILPERSON J. DAVIS: Right. 457.

CITY MANAGER JONES: Deferred comp.

COUNCILPERSON J. DAVIS: Deferred compensation plan. And the City doesn't make any contributions to that. Just the employee makes contributions to that in order to, I guess, you know, kinda pad their retirement savings. Now, and the City, or other cities and employers make sure that reputable companies, you know, come in and they can choose whichever one that they wanna go with.

So as Miss Pardo was saying, and Mr. Thomas was saying, you know, it's very clear where you're coming from, but you know, I thought that this was going to be more about, you know, telling us about the differences and -- and that type of thing. Because one of the things that I was interested in seeing from a meeting that we had last week, some information that I wanted to see rather is -- you know, we talked about new employees coming on October 1 who would be contributing to a defined contribution plan. But, um, I wanted to see more information as to how then would the current plan, if we went to a defined contribution plan October 1, how, then, come October 1, using -- looking at the current plan, how that was going to remain stable and funded, but also to show how it was going to end. You -- you see what I'm saying? So --

FRED NESBITT: Uh-huh.

COUNCILPERSON J. DAVIS: I --

COUNCILPERSON GUYTON: That's a actuary question.

COUNCILPERSON J. DAVIS: -- I understand that that's an actuary question. But this is the information that I thought was being brought forward.

COUNCILPERSON GUYTON: Okay.

CHAIRPERSON THOMAS: It is (inaudible).

FRED NESBITT: Yeah, and -- and I -- and Chad -- and -- and the person who follows me, Chad, who is the actuary, will actually address that issue.

CHAIRPERSON THOMAS: Okay.

COUNCILPERSON GUYTON: All right. Great.

FRED NESBITT: Yeah. And -- and -- and -- and I -- I don't want to leave -- leave the impression that defined contribution plans are bad, because they're not. I mean, I --

CHAIR PRO TEM PARDO: They're not.

FRED NESBITT: I think our philosophy is that all employees should have a defined benefit plan, a guaranteed retirement income, a disability benefit, a death benefit that they can count on, and then they should also have the option of a defined contribution plan, like a 457, where they can do additional savings to supplement their retirement in their retirement years.

COUNCILPERSON J. DAVIS: Okay. But you said something about -- I'm sorry. Mr. Chair?

CHAIRPERSON THOMAS: No, no, no. Miss Davis, go right ahead.

COUNCILPERSON J. DAVIS: Okay. You said something about, you know, okay, they would be able to borrow on it and all this kind of stuff, but there are only about, what, four or five different things, or reasons that allow them to touch that money.

FRED NESBITT: Right.

COUNCILPERSON J. DAVIS: Okay? And then one of them is like a hardship, if you wanna buy a house, or something like that. But otherwise, you can't touch that money until you're age 59 and a half.

FRED NESBITT: Right.

COUNCILPERSON J. DAVIS: Okay.

FRED NESBITT: And -- and -- and again, the way that the 401(k) or the 457 is designed determines whether an employee can borrow, how they can use the money prior to retirement, because they're -- they're written in different ways.

CHAIRPERSON THOMAS: Okay. I -- I do wanna know this before you finish your -- your presentation. And once again, I just wanna tell you that we definitely appreciate you being here. Um, but, um, the -- if you are already in one pension, and we start an additional pension, do you have the choice of leaving that pension or -- you can obviously stay in that pension, but do you have a choice of leaving that pension, going to another pension, or you know, how is that? Because I -- I see the -- the room filled with individuals that are probably already in the pension, and I'm pretty sure they're trying to figure out how this is gonna affect them. And I would like to know, you know, how it's going to affect them, as well.

FRED NESBITT: Okay. I'm -- I'm gonna let Chad answer that question.

CHAIRPERSON THOMAS: Is that another actuary question?

FRED NESBITT: Because -- because as an actuary, he can speak with authority. I'm not an actuary. So --

CHAIRPERSON THOMAS: Okay. No problem.

FRED NESBITT: Okay.

CHAIRPERSON THOMAS: Mr. Nesbitt, we do appreciate --

FRED NESBITT: Okay.

CHAIRPERSON THOMAS: -- appreciate you.

FRED NESBITT: And again, I appreciate the opportunity. I -- I -- again, I appreciate and understand the issues you're grappling with. They're no different than all the other cities across the State of Florida, actually across the United States, and I applaud you for trying to get information and -- and learn more about it, rather than just making an irrational decision like --

CHAIRPERSON THOMAS: Right.

FRED NESBITT: -- some places have.

CHAIRPERSON THOMAS: Right.

FRED NESBITT: Thank you very much.

CHAIRPERSON THOMAS: Thank you. Thank you once again, sir.

COUNCILPERSON GUYTON: As -- as -- as he's coming, Mr. Chair, may I make a quick comment?

CHAIRPERSON THOMAS: Mr. Guyton?

COUNCILPERSON GUYTON: There's been some back and forth, um, on a preliminary basis tonight about the defined contribution and the defined benefit, and the options associated thereto. As -- as I consider and deliberate here, as I understand it, the City is proposing a second tier, not as an option, as a requirement. Therein becomes the problem with me. If we're going to offer two plans, let's do like other governmental entities do, offer it as an option, not a requirement. If we decide to make it a requirement -- and the actuary can address this -- as the defined benefit plan and people begin to exit and there are no other people coming into that plan, it becomes an issue of who's going to be funding the existing employees to pay those who are remaining. And that is something that we need to consider if we decide to go that way.

As these people exit out of the defined benefit, who is going to fund the plan to contribute and pay for the benefits of the people remaining? So as Chad comes, I would like for us to keep an open mind because, one, the defined contribution is not as good of a recruitment tool as going to someone to tell them that you can get a benefit for life if you come to us. If you go to another area, you may get a pool of money, and there's no telling how long that may last.

We're talking about investors can help. They help in a defined benefit, as well. But investors cannot guarantee anything. So if they give you bad advice, even though they have a track record of doing well, then those employees are left out there in the cold.

So I don't want people to think that somehow the defined benefit is not as good as the contribution -- a defined contribution or vice-versa. But as we select investment managers, as we in the City provide investment advisors to the defined contribution plan, and that doesn't work out, then -- I mean, we as a City are sitting here saying that this is what we're offering you, and we can potentially be responsible. Thank you.

CHAIRPERSON THOMAS: Okay. Mr. Little, thank you for being here. I do want to give you a disclaimer, that Mr. Guyton is a certified pension --

COUNCILPERSON GUYTON: Public Pension Trustee.

CHAIRPERSON THOMAS: -- Public Pension Trustee.

COUNCILPERSON GUYTON: And I proudly went through --

CHAIRPERSON THOMAS: Mr. Guyton? Mr. Guyton?

COUNCILPERSON GUYTON: -- the FTPTA [sic] --

CHAIRPERSON THOMAS: Mr. Guyton, can you let me finish, please?

COUNCILPERSON GUYTON: Oh, okay.

CHAIRPERSON THOMAS: Mr. Guyton is a Certified Pension --

COUNCILPERSON GUYTON: Public Pension --

CHAIRPERSON THOMAS: -- Public Pension Trustee.

COUNCILPERSON GUYTON: -- Trustee.

CHAIRPERSON THOMAS: Got it. And, um, it's important. He has a wealth of knowledge. I actually mentioned this to some of the pension plans that all of the councilpeople who are going to be making these type of decisions need to have as much --

COUNCILPERSON GUYTON: Sure.

CHAIRPERSON THOMAS: -- information as Mr. Guyton, because I knew a time like this would come. However, we're going to do that. Now, that's going to be an option for us to be able to get that done, and I'm pretty sure that most of us would, you know, probably go through your -- your organization. But what I would like for you to do when you're giving these actuary numbers is, first of all, understand that not all of us have that type of -- of -- of education about it.

Secondly, there's gonna be a vote taken -- not tonight, of course -- but there's going to be a vote taken that's going to require all of us to make a decision on this. So if you can, you know, start like at the beginning, not a long time, because we -- we don't -- you know, we don't want to be --

CHAD LITTLE: Sure.

CHAIRPERSON THOMAS: -- here forever. But if you can just give it to us in a simplistic format and allow us to answer questions back and forth with you, that would help us. I know that he -- he said a lot then, and you know, he was showing off his education a little bit, but we all -- we all don't have that, so I don't want you to be thinking you can speak at a high level and -- you know. We're gonna make a good decision, you know, but we just wanna make sure that we have all of the -- the information. So in your presentation, you know, if you wanna do that, we can, but I'm pretty sure we're just gonna fire a few questions at you, just to make sure.

CHAD LITTLE: No problem. And -- and so when I go through this, I -- I do everything graphically. I do it with pictures. So what -- what I'm gonna do is, uh -- hopefully, is paint for you the picture on how all this works. I'll talk about defined benefit, defined contribution. I'll talk about how the costs for your defined benefit plan is determined. The cost for the defined contribution is easy. I'll -- I'll show you that as well.

But we'll -- I want to walk you through the basics on that. When you get to the point where you're making --

CHAIRPERSON THOMAS: Can -- can you either --

CHAD LITTLE: Yeah, yeah. Sorry about that.

CHAIRPERSON THOMAS: Thank you. Thank you very much.

CHAD LITTLE: So when -- when I go through, what I'm gonna do is paint the picture for you on how it works. When you get to the point of actually making a decision, be it setting up a second tier as a -- that's a defined benefit, a second tier that's defined contribution, or some combination of the two, before it's done -- so the way things work in the state, your -- whatever agreement is reached between the parties, you'll get an ordinance put before you. Between first reading and second reading an impact statement has to be filed from the State. So you're actuary, who is Gabriel, Roeder, Smith, will provide you a -- a cost, so that you as a commission can look at it before you read it the second time that says, Okay, if we do this, here's what it's gonna cost. Okay? I'm gonna give you the background on where that cost comes from. And then depending on what sort of options you're looking at when you get to that point, the -- your -- your plan's actuary will provide you with actual cost numbers on -- on -- to the dollar, what these things are going to be estimated to cost. Okay?

So I'm gonna paint that picture for you. And please, it's -- it's good, the discussion you've already had, because I know sort of where the questions are. And so I'm gonna walk through this. That's not as bright as I had hoped in here, so I do apologize for that. But I'll try to walk -- walk you through this as best I can and hopefully you can see what I've got up there.

COUNCILPERSON J. DAVIS: (Inaudible).

CHAD LITTLE: You -- you see it so far?

COUNCILPERSON J. DAVIS: (Inaudible).

CHAD LITTLE: Barely? So --

CHAIRPERSON THOMAS: That's really -- I got to be honest with you.

CHAD LITTLE: Yeah, I apologize for the background.

CHAIRPERSON THOMAS: I mean, the blue --

COUNCILPERSON J. DAVIS: Can you change the background?

CHAIRPERSON THOMAS: -- on the blue is probably not the best --

CHAD LITTLE: Yeah, I -- I --

CHAIRPERSON THOMAS: -- combination of colors.

COUNCILPERSON J. DAVIS: Can you make the background white?

CHAD LITTLE: I -- I can't do it from here, but I will --

CHAIRPERSON THOMAS: We can try it. Can somebody back there -- we got enough police officers in here, we can cut the lights off.

CHAD LITTLE: You know what? I -- I've got a quick way.

COUNCILPERSON J. DAVIS: Just change the background.

CHAD LITTLE: I can cheat. I can cheat real quick.

CHAIRPERSON THOMAS: Go -- go ahead. You wanna put it back up really quick, see if the --

CHAD LITTLE: No, I got -- I -- I -- I got this.

COUNCILPERSON J. DAVIS: That's better.

CHAD LITTLE: I brought two versions. So let's see. There it is. All right. So just for -- is that much brighter? That's better.

COUNCILPERSON J. DAVIS: That's better.

CHAD LITTLE: All right. So here's the deal. So I -- I -- I have a longer presentation on the -- on the other one that deals with this, and I'll change back over to it in a minute. But here's the basic concept. This is true of any pension plan, whether it's a -- a -- or any retirement plan or whatever you want. Whether it's defined benefit, defined contribution, doesn't matter. This is the -- this is the balance equation that's ultimately true. And basically what it says is that everything that goes into the plan will equal everything that comes out.

Now, in a defined benefit plan, on a right -- well, first let me talk about what goes in and what comes out. So what goes into the plan? Investment return and contributions. Now, the left-hand side of this is somewhat drawn to scale because the vast majority of the money that's in there is investment return. All right? You gotta -- over the long haul of 20, 25, 30 year career, the vast majority of the money that's put in the plan is made up of investment return. You got to have money to make money, but it's the -- so you gotta put those contributions in, but the investment return's always the largest over a long term, uh, investment such as a defined benefit plan.

The right-hand side of the equation, what comes out, benefit payments and expenses. Now, that's not drawn to scale, because it would depend on what type of plan you have. You have the defined contribution plan, the expenses are higher, because you're using, you know, individual money managers. And you can have your, um, investment consultants provide this type information to you on the three plans, but -- and -- and this is one of the reasons right now that nationally we're seeing a big push towards defined contribution is because you're pension plans, those trustees will go out and seek bids and get investment -- get money managers, using their investment consultant, that have expense rates that are 70 basis points, 40. Sometimes they index them and they're down in the teens, 15.

And when I say basis point, what that means is if I say it's a -- a 50 basis point expense on your investments, that's .5 percent. If you do it through a defined contribution plan, then you're going to be paying, you know, 1.2 percent --

CHAIRPERSON THOMAS: Why?

CHAD LITTLE: -- 1.5, 2 percent --

CHAIRPERSON THOMAS: Why?

CHAD LITTLE: -- depending on who you invest --

CHAIRPERSON THOMAS: Why?

CHAD LITTLE: -- it through.

CHAIRPERSON THOMAS: Why?

CHAD LITTLE: That's the payment that you make to the mutual fund to invest your money.

CHAIRPERSON THOMAS: But why -- why is it one -- why is one payment different from one thing to the other?

CHAD LITTLE: Because of the purchasing power of the trust fund. Because the trust fund is going to go out and find somebody to invest $20 million. The individual has $50,000, and they are limited to only investing, either picking stocks themselves, usually, depending on how you set it up, or mutual funds. Mutual funds have what are called 5B1 charge -- they have advertising charges and all that in there. So you -- they -- the -- the industry -- I'll call it Wall Street for lack of a better term -- gets a larger piece of the money that goes in there. Okay? Because it is done at an individual level. You get purchasing power when you pool this with everybody else and you have one big pension fund.

CHAIRPERSON THOMAS: So are -- are you saying that the -- there -- there still couldn't be some type of group that invests the defined contributions at all?

CHAD LITTLE: What you would end up doing is if -- let's -- let's say that you have -- you -- and 457's a good example. And you have a 457 in place now, so you -- you -- there's a bunch of people already putting money into your 457. There's a decent amount of money to be invested there, and I'm sure that that's bid out. I'm sure that one of your providers is like ICMA or some -- so you have these different companies that are gonna bid on that. But even in those situations, the rate that they charge you per dollar that you invest every year is going to be higher than what you're paying on your -- on your defined benefit pension plan. The -- even being able to negotiate it out and bargain with, you know, how -- whatever the purchasing power of your 457 is. That -- you're still gonna end up paying a higher rate.

And that's one of the reasons we're getting a big push for defined contribution. And Fred's talked about this at some other places that, you know, 300 trillion dollars is the amount of money that's being invested right now on behalf of defined benefit plans.

You can bet that the Wall Street industry would much rather move that over to a higher rate, so that they can get a higher payment out of it, to be able to invest that money. But as a pension plan, the pension plan has a bigger, uh, stake in it, and they're able to negotiate to much lower rates than your individual would be.

CHAIRPERSON THOMAS: Okay.

CHAD LITTLE: Okay? All right. So that's the basic concept, benefit payments and expenses, contributions and investment return. So that being said, let's talk about both defined benefit and defined contribution. If this is a defined benefit plan then -- and by the way, this is much slicker on my other presentation. I hate that it didn't show up so well. The benefit side is essentially fixed. We're gonna lock the red block there, and we're gonna freeze that amount, because we know it's X-percent times final average salary times years of service. We can figure out about what we're going to be ending up paying out as a benefit.

What happens is the investment return piece, over a long period of time, is being more or less than we expected. That's what happens throughout over time. As it does, as that block gets larger or smaller, to make the two blocks the same size we adjust by going to the contribution piece. So imagine the recent history we've gone through as an actuary, and it includes this year, for the last 12 to 13 years I haven't delivered good news. Right? Because you have a five year smooth. You're smoothing in that loss. We had the one we had back in 2000/2001, you know, the -- the tech bubble burst. And so we smoothed that in. We finally get it smoothed in. There was another downturn in '05, I believe. Then you had the big one in '08, so it's been a long -- it's been a rough -- the calendar decade between 2000/2010 was the worst calendar decade in the stock market in history.

CHAIRPERSON THOMAS: Okay. Mr. Little, would you define please smoothing?

CHAD LITTLE: Smoothing. All right. So here's the way it works. Let's say that it -- it -- I'll use this year as an example. And when I say this year, I mean September 30th, 2012. Your plans probably had a return -- and I -- and I've looked at them. I don't remember them off the top of my head. I think one of them was pushing 19. Some of them -- most plans were between 16 and 19. We did see some that were above a 20 percent return for the year.

I'm going to use 20 in my example just to make the math easier on me.

CHAIRPERSON THOMAS: Which I think is pretty good.

CHAD LITTLE: Which is a great return. Yeah, last year was a spectacular year. It was coming off the heels of the previous year, which was a rough year. Okay? The -- September of the prior year was a bad September, so we started lower, but we had a good year, made up for it. I say we, but pension funds in general made up for it and had a very good year.

So for smoothing, let's say that in that particular year you had a 20 percent return, and the actuary's assuming, hey, your actuaries are not assuming any -- there's two -- I know there's two different rates, and one of them's a declining rate, but you're -- you're under eight on all the years now. Um, but let's say you're assuming eight. You made

20 in the market, so you made 12 percent more than what the actuary was assuming you were going to make.

So just as an example, let's say we did a three-year smooth. What that would mean is instead of getting all 12 percent of that return right now -- and I'm gonna show you in a minute how it comes into your contribution rate -- instead of getting all of that right now, we're only gonna take a third of it. All right? We're only gonna take four percent of it. And the next year we'll take another four, and the next year we'll take another four. Then we move to the next year, if we had a bad year -- we're still getting the good four from the previous year, and if we had a bad year, hopefully those will help offset each other.

So what smoothing does, what -- what happens is -- and I'll show you this in a minute -- when we determine how much you need to put in the plan, how much the city's get -- the check the city has to write every year to fund the plan, it is based on an instant in time. 4:30 on September 30th of whatever year. That's when the stock market closes. Whatever the value was then, we take a snapshot and we say, All right, this determines how much money you need to put in. But that's not necessarily realistic. And going back to two years ago, that September if the year had closed a week before or a week after, it would have been a substantially different number. The market was all over the place right at the end of the year. So by using the smoothing technique, you get a more gradual movement in the returns over time, because you're essentially averaging them with other periods. Okay? That's what smoothing does.

CHAIRPERSON THOMAS: So I mean, is -- is that just a technique that the actuary is using?

CHAD LITTLE: It is the -- it is a tech -- because -- and here's why. Because you're getting taxpayer dollars in to invest in the pension plan. And if you want to take that taxpayer money and make it more productive, you go out and invest it in the -- in the market. And I say you. I mean the Pension Board. They take that money and invest it in the market. The trade off for putting more money in the market is you get more volatility. The thing moves all over the place from one year to the next. So this is a technique to help smooth out that volatility because we're gonna be here for a long time.

This is something only done in defined benefit. It's not done in defined contribution because imagine if you were, you know, thinking you were going to retire in 2008, and you had 60 percent of your assets in the market, and it took that huge downturn, you can't smooth that out. And what you've got is what you've got. And you either retire based on that or you just keep working or you retire and you go greet at Walmart. You know, you -- you have to make up for the difference because you don't have that opportunity to spread it out. In a defined benefit plan we can smooth it out. Okay?

CHAIRPERSON THOMAS: Okay.

CHAD LITTLE: Did that help on the smoothing?

CHAIRPERSON THOMAS: A little bit. I must say, in all honesty, I'm just not really hearing a real detailed conversation about both of these. Everything that I've heard tonight has been just about the defined benefit. I'm really trying to understand the other side of it.

CHAD LITTLE: Yep. So -- so right here on this graph, the next step I wanna talk about, is the defined contribution version of the exact same thing. So where I was saying on defined benefit we lock in the benefit, and it's the city that has to -- as the -- or the taxpayer ultimately as the contribution moves around to make up the difference, if this were a defined contribution plan, we fix the contribution piece on the bottom left. All right? As investment returns move around and are what they are, to balance this equation, to make the two equal, we move over to the right-hand side and we adjust the benefit up or down. That's what a defined contribution plan does.

So going back to my other presentation here, and I'll get to where it is more readable -- that did not work -- no, that didn't work too well. Oh, it's changed the screen on me. All right. I'll just do it from the old PowerPoint style.

So, um, ultimately the -- it boils down to risk. All right? In a defined benefit plan, the risk of good things or bad things happening are borne by the sponsor, all right, by the employer. If things go well, the City's contribution rate goes down. Things go poorly, City's contribution rate goes up. In a defined contribution plan all the risk is borne by the participant. If things go well, the participant gets a much bigger benefit. If things go poorly, the participant ends up with a lower benefit.

The reason we do defined benefit is -- here -- here -- here's a -- here's a good statistic for you. From the -- over your entire life, from the time you're born there is -- you have a higher probability of living to 100 than you do of having your house burn down, but we all have fire insurance. But we don't have insurance against living to 100 in the private sector, because we don't have these defined benefits anymore. What we are doing is you're pooling your risk with other individuals.

And what's gonna happen in a defined benefit is -- and you have anecdotal evidence of it, I'm sure -- some people are gonna retire and be dead within a year. Some people are gonna live to be a hundred. But everybody is going to be taken care of for the rest of their lives. That's what the defined benefit does.

CHAIRPERSON THOMAS: So are there defined benefits in other corporate businesses, or is this just in municipalities?

CHAD LITTLE: They -- they used to exist more in the corporate world, and what happened is when we got into a -- a -- when the 401(k) came out -- essentially, I mean, in -- in the big scheme of things, it's just a saving account. Right? But with -- with 401(k), which is essentially an IRS tax code, it allowed you to contribute to the savings account, um, using pre-tax dollars. That's what it boiled down to. So it was a little gimmick in the tax law, but still just a savings account.

And in the '80s what was happening is people were very mobile in the corporate world. They'd work three years here, four years there. They were bouncing all over in the corporate world, from one job to another. And when you hire a new employee and you tell them, Look, you put up to six percent of pay into this plan and I'll double it as soon as you put it in, all right, to that young employee, that's great. I'm doubling my money right away. But you ask the same person who's about three years away from retirement, Would you rather have whatever you happened to build up here or $2,000 a month for the rest of your life, or $5,000 a month for the rest of your life? There have been studies that have shown that people that approach retirement would much rather have the security of knowing they're going to be able to pay their monthly bills for the rest of their life.

CHAIRPERSON THOMAS: I -- I understand. I -- I was just asking, with all respect, are -- are there defined benefit plans --

CHAD LITTLE: In the corporate world.

CHAIRPERSON THOMAS: -- anywhere other -- other than municipalities?

CHAD LITTLE: Yes, there are, but there are very few left. It's -- say that again?

FRED NESBITT: About 38 or 40.

CHAD LITTLE: About 38 or 40 percent of --

CHAIRPERSON THOMAS: That's -- I mean, that's almost half. But why -- why -- why are they -- why are they dwindling like that? What -- what is the issue?

CHAD LITTLE: Well, we have two different -- we're in two different worlds. The public sector and the private sector are two different worlds. In the private sector, companies go out of business all the time. Okay? And ultimately, for -- for example, and when, you know, markets go down or whatever, and through this funding mechanism that I'll show you in a minute, it would require a larger contribution to a defined benefit plan, well, that's right when the company's not -- doesn't have any money coming in. Right? So it makes it more daunting for them to be able to fund it. And because businesses go out of, uh -- out of business on a regular basis, they have to fund things over a shorter period of time. We're a government entity. We're going to be here for the next thousand years, so we can spread things over 20, 30 years and have a long term, you know, hundred year investment horizon.

CHAIRPERSON THOMAS: How -- how many governments do you kind of oversee or do you understand in the Florida market?

CHAD LITTLE: Just personally for clients, I have 15, roughly, pension plans that I work for.

CHAIRPERSON THOMAS: And of those 15 pension plans, how many are defined contributions?

CHAD LITTLE: None of them, because you do not need an actuary for a defined contribution plan. 'Cause what an actuary deals with is retirement security, making sure that there's enough money to take care of the -- to pay the person's promised benefit. In a defined contribution plan you just tell them to put the money in a savings account and whatever it turns into is whatever they get. So you don't have an actuary involved in that process.

CHAIRPERSON THOMAS: Okay. So let me make sure I'm understanding this. A defined contribution, there is no investments done with that or anything. You're just putting that into a --

CHAD LITTLE: There -- there are. And -- and what -- what you are essentially doing in a defined contribution plan, your 457 -- if -- if -- if you were to establish some sort of --

you know, if you go replacement -- we'll talk more about that in a minute -- but if you were to establish a companion defined contribution plan, you'd probably use some of the vendors you already have on hand to do your 457 plan. Each of the members get to choose how to invest their money and you -- you -- whoever oversees it, the plan sponsor, has a fiduciary responsibility to provide good choices, you know, that cover a wide range of investment options. But then it's up to the member to invest it, and the -- the, um, employer washes their hands of it.

COUNCILPERSON GUYTON: Mr. Chair?

CHAIRPERSON THOMAS: Mr. Guyton?

COUNCILPERSON GUYTON: And to add to what Chad just say, essentially an actuary help us predict how long a person is gonna live. So --

CHAD LITTLE: Yes.

COUNCILPERSON GUYTON: So -- so they help determine how long we're gonna need funds to pay for them over the course of their life.

CHAIRPERSON THOMAS: And how do they do that? I mean, 'cause I'd like to know. You know, I mean, uh --

COUNCILPERSON GUYTON: There -- there is a mortality rate that is used in the actuary calculations.

CHAIRPERSON THOMAS: Oh.

COUNCILPERSON GUYTON: In the contribution plan, there's no consideration of how long you're gonna live. Your -- your money is what it is, and if it only lasts two years, that's up to you.

CHAD LITTLE: Right.

CHAIRPERSON THOMAS: I -- I -- I understand that part. I'm just trying to understand --

CHAD LITTLE: And -- and ultimately when you get to --

CHAIRPERSON THOMAS: -- the other side of this.

CHAD LITTLE: -- when you get to the end of your career, you'll have some lump sum amount of money. At that point, there -- there will be a broker waiting at your door that will help you figure out what to do with that money. And what they tend to do is they use -- they use the actuarial tables. They use things produced by the Society of Actuaries to figure out how long a person might live. They'll come up with an average age and they'll say, All right. You've developed $100,000. If we invest it this way we'll be able to spit off so much per month assuming on average you're gonna live to be 82 years old. That's on average. I mean, half the people are gonna die before that and the other half are gonna be broke when the money runs out. That's where --

CHAIRPERSON THOMAS: The other half is gonna be broke when the money runs out?

CHAD LITTLE: If you are in a defined contribution plan. If you're spitting out monthly amounts until the age you thought you were gonna die, which is usually the average

age at death, then that average, half of them -- it's -- it's -- it's the median. Half of the people are gonna die before that, half of them are gonna die after it. And the half that die after that, their -- their savings accounts run out by then. And then they will be living off of Social Security and whatever else.

COUNCILPERSON J. DAVIS: Mr. -- Mr. Chair?

CHAIRPERSON THOMAS: Miss Davis.

COUNCILPERSON J. DAVIS: That's a lot of assumptions. I mean, are you saying really that -- even now people have to live within their means. Are you saying that, you know, if you go to a defined contribution plan you tell your investment person, Hey, I want to be able to retire with this amount of money. Okay? By the same token, couldn't they, um, have -- you know, get that same information about an average of how long they think they'll live?

CHAD LITTLE: Correct.

COUNCILPERSON J. DAVIS: You know? And -- and -- and -- and go forward with that? I mean, there are so many assumptions here that, you know, they can be used just the same way with a defined contribution plan.

CHAD LITTLE: They --

COUNCILPERSON J. DAVIS: And this is the information that I was looking for, you know, with the two plans side by side, as the new plan grows, or the defined contribution plan grows, to also show how the current plan diminishes or is impacted and, you know, look at that -- that, uh, determining -- that -- that -- what did you call it where you can determine how long a person is gonna live? You know, use that same information, you know, but tell me also how this fund, this current pension fund is going to remain stable until every person is gone, you know.

CHAD LITTLE: All right. So -- so I can -- let me speak to that. I can tell you that real quick on -- on -- in general, how that works. There's -- let's say --

COUNCILPERSON J. DAVIS: I mean, I -- I know you can talk about it. I'd like to see it.

CHAD LITTLE: See the numbers.

COUNCILPERSON J. DAVIS: How it works.

CHAD LITTLE: To -- to get the numbers themselves?

COUNCILPERSON J. DAVIS: Yes, and see how -- how the City is going to maintain that --

CHAD LITTLE: The --

COUNCILPERSON J. DAVIS: -- that pension plan.

CHAD LITTLE: If -- if you go in the direction of -- there's -- there's three options, close, freeze, and terminate your current defined benefit system, if that's the direction --

CHAIRPERSON THOMAS: Close, freeze --

CHAD LITTLE: -- you're headed.

CHAIRPERSON THOMAS: -- and terminate?

CHAD LITTLE: And terminate. Close --

CHAIRPERSON THOMAS: Uh-huh.

CHAD LITTLE: -- means that we are closed to new entrants, and everybody that's here gets the benefit they're gonna get. They're still gonna accrue benefits, et cetera, et cetera.

COUNCILPERSON J. DAVIS: That's the one I wanna look at.

CHAIRPERSON THOMAS: Okay.

CHAD LITTLE: Everybody after that is on --

COUNCILPERSON J. DAVIS: Uh-huh.

CHAD LITTLE: -- something else.

CHAIRPERSON THOMAS: Okay.

CHAD LITTLE: Freeze, means that everybody who's here has what they've gotten as of today. Starting tomorrow you're getting a benefit through something else. All right?

COUNCILPERSON J. DAVIS: No, no, I don't want that.

CHAD LITTLE: That's -- that's -- okay. So you're not interested in that one. And the last one is terminate, and terminate, you just can't do.

CHAIRPERSON THOMAS: Oh, okay.

CHAD LITTLE: That's just shut the whole thing down.

CHAIRPERSON THOMAS: So now that's probably why everybody here, because --

COUNCILPERSON J. DAVIS: Yeah.

CHAIRPERSON THOMAS: -- they wanna make sure you're not freezing --

COUNCILPERSON J. DAVIS: Right.

CHAIRPERSON THOMAS: -- you know --

CITY MANAGER JONES: Or terminating.

CHAIRPERSON THOMAS: -- what's going on.

CHAD LITTLE: All right.

CHAIRPERSON THOMAS: Okay. Now -- now we starting to understand.

CHAD LITTLE: All right. So -- so here -- here -- let -- let me -- and -- and I -- you'll need to get the actuaries for the plans to run these numbers for you. If you are looking at closing a plan, here is the tough part. All right? Well, there's a lot of tough parts to it, but basically right now the way your plan is funded -- and I can go into how the contributions are determined -- but your -- you -- you spread things over a long period of time.

CHAIRPERSON THOMAS: Uh-huh.

CHAD LITTLE: Right? If you have a bad year in the market, it's smoothed out and then you pay for it over some range between 20 and 30 years, depending on which one the plan -- which plan it's in. So you have an unfunded liability.

Well, let me just -- I'm gonna show you this real quick. Let me -- let me just show you how we come at that contribution real quick, 'cause it will help me explain this. This right here represents the present value of everything you'll ever have to pay in the plan based on who's in it right now. If you have this much money in the bank, you wouldn't need to put another dime in, because it will -- and if they earn -- if it earns eight percent and they die when we think they will, then everything's perfect. You don't have this much money because it means as soon as you hire an employee you fully fund their retirement the day they walk in the door.

I can take that liability, everything you're ever gonna have to pay, and break it into two time periods: everything that's already happened and everything that's still gonna happen in the future. Because remember, you've got active employees still building service. At the same time we've been building this liability --

CHAIRPERSON THOMAS: What you said -- but if it's closed, how would you have employees at that point? It would still be a smaller number, right?

CHAD LITTLE: Yes. I'll show you that in just a second.

CHAIRPERSON THOMAS: Okay.

CHAD LITTLE: So what happens is when I compare the assets we've built up so far to the liabilities we've built up so far, the difference between the two is what's called the unfunded actual accrued liability.

Now, in the newspaper it's usually called underfunded, but that's not what it is. It's just a variance between the liability that's been built up so far and the assets that have been built up so far. You have to make, essentially, a mortgage payment on that. All right?

Right now, and it's in my other presentation, depending on which plan, that mortgage payment is a third to a half of your overall required contribution for the City. And that's because liabilities kept growing like you would have expected -- and I haven't gone back through the history to see if there were other changes that have been made along the way, but the assets weren't growing. You know, for the last long period of time it's been a tough period of time, so that gap got bigger, and the mortgage payment got bigger, but you take that mortgage payment and you spread it over whatever, 20 to 30 years.

If you close the plan you can't spread it over 20 or 30 years. You got to have that paid off by the time the last person retires. Even if it's the same amount of money, it's a substantially higher contribution to get it paid off by the time the last person retires. Does that make sense?

CHAIRPERSON THOMAS: Well, I get what --

COUNCILPERSON J. DAVIS: But --

CHAIRPERSON THOMAS: -- you saying, sorta.

CITY MANAGER JONES: I do, yeah.

CHAIRPERSON THOMAS: Don't quite understand it, but I get it. So you saying if the last person that retires in year 2060, and they decide to live until 2090, you still gotta make that particular contribution.

CHAD LITTLE: You gotta have it paid off by 2060. You gotta have it paid off by the time that person goes into retirement.

CHAIRPERSON THOMAS: Okay. But we still have to do that except for it's never ending. You just always have to make sure that that --

CHAD LITTLE: You get to spread it over a longer period of time, brings the contribution rate -- and -- and the reason being, it provides what's called intergenerational equity amongst taxpayers. One group of taxpayers is not paying substantially more, and the next group gets a break. Or vice-versa, one group's not putting in enough, the next group's gotta pay for everything. So you spread it over a longer period of time to come up with a smoother contribution rate.

COUNCILPERSON J. DAVIS: Mr. Chair?

CHAIRPERSON THOMAS: Yes, ma'am, Miss Davis.

COUNCILPERSON J. DAVIS: Would there -- would there be savings on the other side, though?

CHAD LITTLE: If you were to go to a defined contribution --

COUNCILPERSON J. DAVIS: Uh-huh.

CHAD LITTLE: -- when you ask an actuary a question there's usually two answers you get: either yes, no, or it depends. Right? So -- and then -- and then I go into some long explanation.

CHAIRPERSON THOMAS: Some of that, too, yeah.

CHAD LITTLE: But it depends. And the answer is probably yes, over the long haul.

COUNCILPERSON J. DAVIS: Uh-huh.

CHAD LITTLE: And the reason being because in order to provide a benefit like you have right now --

COUNCILPERSON J. DAVIS: Uh-huh.

CHAD LITTLE: -- three percent times final years of salary times, you know, whatever service, that costs money. Right?

COUNCILPERSON J. DAVIS: Uh-huh.

CHAD LITTLE: You gotta contribute money to build it up throughout the career to be able to pay that out. You don't have to do that. You can just say the member doesn't get anything. Your contribution's zero, and they're on their own. So, yeah, there's a savings.

COUNCILPERSON J. DAVIS: Uh-huh.

CHAD LITTLE: We still have to pay this plan off.

COUNCILPERSON J. DAVIS: Uh-huh.

CHAD LITTLE: But in the future there would be no retirement for any of the employees, and that --

CHAIRPERSON THOMAS: But is there --

CHAD LITTLE: -- wouldn't cost anything.

CHAIRPERSON THOMAS: -- an immediate savings?

CHAIR PRO TEM PARDO: No.

CHAD LITTLE: No, there would not --

CITY MANAGER JONES: No, there's never immediate --

CHAD LITTLE: -- be an immediate savings to close a plan.

CHAIRPERSON THOMAS: When do -- when --

CHAD LITTLE: In my opinion, there would not be.

CHAIRPERSON THOMAS: Okay. But when do you foresee -- and Miss -- Miss Davis, you still got the floor. I just want to make sure that while he was on this. When do you see a savings happening?

CHAD LITTLE: It would be -- it depends.

COUNCILPERSON J. DAVIS: There's not gonna be --

CHAD LITTLE: And -- and it's different for each plan, so you have to figure out what is the period --

CHAIRPERSON THOMAS: For this plan.

CHAD LITTLE: -- of time --

CHAIRPERSON THOMAS: For -- for our plan here just say.

CHAD LITTLE: Well, you have Police, Fire, and General.

CHAIRPERSON THOMAS: Right.

CHAD LITTLE: And each one is on a --

CHAIRPERSON THOMAS: And we gonna get to those, too --

CHAD LITTLE: -- different system.

CHAIRPERSON THOMAS: -- because we got some questions on the three of them.

CHAD LITTLE: Okay.

CHAIRPERSON THOMAS: But when would you -- if -- if we decided to go to a defined contribution, when would you see savings starting to happen? Year one, year two, year 30 --

CHAD LITTLE: No.

CHAIRPERSON THOMAS: -- year 40? You know, when? When?

CHAD LITTLE: No, you -- you would not start saving money until you have paid off the unfunded liability. Okay? So let's say, for example --

CITY MANAGER JONES: Explain that.

CHAD LITTLE: -- your average employee has, you know, fifteen -- has ten years of service, your average. And they're not gonna retire until 20. Well, then, for the next ten years you have a much higher mortgage payment to pay it off, and then you'll experience those savings. All right? That's for the current population. For the guy you hire tomorrow, you're saving money off the bat for him.

CITY MANAGER JONES: There you go.

COUNCILPERSON J. DAVIS: That's --

CITY MANAGER JONES: There you go.

CHAD LITTLE: Because you're not gonna provide a retirement for him.

CITY MANAGER JONES: There you are.

CHAIR PRO TEM PARDO: Yeah, right. So (inaudible) you're saving.

COUNCILPERSON J. DAVIS: That's -- that's what I was trying to -- you know.

CHAIRPERSON THOMAS: Okay.

COUNCILPERSON J. DAVIS: The savings is on the defined contribution side. Okay?

CHAIRPERSON THOMAS: But it's on -- it's on any new employee.

COUNCILPERSON J. DAVIS: But -- but -- that's true. But you're not adding to the --

CHAIRPERSON THOMAS: Right.

COUNCILPERSON J. DAVIS: -- defined benefit plan, so there you have --

CITY MANAGER JONES: Yeah.

COUNCILPERSON J. DAVIS: -- the savings.

CITY MANAGER JONES: You're not --

COUNCILPERSON J. DAVIS: You know?

CHAIRPERSON THOMAS: So you say you're saving on both sides.

CITY MANAGER JONES: Yeah, you're not (inaudible) --

CHAD LITTLE: No.

COUNCILPERSON J. DAVIS: So -- no.

CHAD LITTLE: No.

COUNCILPERSON J. DAVIS: No.

CHAD LITTLE: You're not saving on both sides.

CHAIRPERSON THOMAS: Okay. Hold on. Let me -- I'm trying to --

COUNCILPERSON J. DAVIS: No. As -- as the defined -- okay. Say, for instance, if you -- if we have 12 employees that retire this year.

CHAIRPERSON THOMAS: Right.

COUNCILPERSON J. DAVIS: Okay? From the current defined benefit plan.

CHAIRPERSON THOMAS: Right.

COUNCILPERSON J. DAVIS: Then that means you would have 12 less -- 12 fewer employees in that plan that we don't have to make a contribution --

CHAIRPERSON THOMAS: Right.

COUNCILPERSON J. DAVIS: -- for. We have to make the pension payment, but not the contribution. But on the defined contribution plan, you know, that plan is going to continue to grow, where the defined benefit plan is going to start decreasing.

CHAD LITTLE: But --

CHAIRPERSON THOMAS: But I think that's gonna take --

CHAD LITTLE: But you -- the -- the annual contribution --

CHAIRPERSON THOMAS: -- a -- a decade. I -- I mean, a century. I mean, that --

COUNCILPERSON J. DAVIS: I know it's not gonna be right off the bat, but --

CHAD LITTLE: It's -- it's gonna be a long time.

COUNCILPERSON J. DAVIS: Yeah. Yeah.

CHAD LITTLE: It's gonna be until the last person retires --

COUNCILPERSON J. DAVIS: Uh-huh.

CHAD LITTLE: -- who's currently in the plan.

CHAIRPERSON THOMAS: Okay.

COUNCILPERSON J. DAVIS: But that's why I -- I want to see each three and -- and -- and show them side by side with the defined contribution, uh, and how --

CHAD LITTLE: What -- what I -- and -- and this --

COUNCILPERSON J. DAVIS: -- how it's going to --

CHAD LITTLE: -- is what I would do. And -- and I -- and I promise you the number is massive. And it's massive for a couple of reasons. It's massive because it is a shorter period of time to pay off the unfunded that you have right now. Your general employee's plan, uh, it's in my other presentation. I can't remember what the funded percentage is.

CHAIRPERSON THOMAS: Are you an --

CHAD LITTLE: Sixty something?

CHAIRPERSON THOMAS: -- actuary for any of our plans?

CHAD LITTLE: No.

CHAIRPERSON THOMAS: Okay.

CHAD LITTLE: No, we're an independent outside -- we're working on behalf of the FPPTA.

CHAIRPERSON THOMAS: Okay.

CHAD LITTLE: So I have your valuations here. I was able to get copies of those and see what --

CHAIRPERSON THOMAS: So you can't speak to them.

CHAD LITTLE: I can speak to what they have, the results that are in here. I don't attest to those results or whatever.

CHAIRPERSON THOMAS: Okay. Okay.

CHAD LITTLE: But I'll be happy to discuss them. So if you're 60-something percent funded, the other 30 percent, that gap, this gap between assets and liabilities that have built up so far, that's still gotta be paid off.

COUNCILPERSON J. DAVIS: Uh-huh.

CHAD LITTLE: And instead of having what you currently have, which is 20-something years to pay it off, it's gonna be shrunk down to a shorter period of time. When it's shrunk down to that shorter period of time -- imagine if your mortgage, instead of being a 20-year mortgage is a 10-year mortgage. The payments are twice, at least. And your contribution right now -- for general employees I believe your mortgage payment is almost half of the total contribution. Okay?

COUNCILPERSON J. DAVIS: It's more than that.

CHAD LITTLE: So it's gonna increase substantially for the next decade to get this paid. And I'm using "decade" as an example, because I don't know the averages in here and whatever. But it would be -- it would take more money over a shorter period of time to pay it off. Then after that the defined contribution -- defined contributions that would may -- be made, the -- again, it goes back to that first example where I showed you the benefit level. If you don't want to provide --

CHAIRPERSON THOMAS: Okay.

CHAD LITTLE: -- any benefit, you don't have --

CHAIRPERSON THOMAS: So you -- so you saying --

CHAD LITTLE: -- to pay any money.

CHAIRPERSON THOMAS: -- it's gonna be painful, it's gonna get worse for a few years in terms of that.

CHAD LITTLE: Absolutely.

CHAIRPERSON THOMAS: But after those years, then you'll start --

CITY MANAGER JONES: Yes.

CHAIRPERSON THOMAS: -- to save. Okay. Mr. Guyton, you want to say something?

UNIDENTIFIED SPEAKER: A lot of years.

CHAD LITTLE: A lot of years.

UNIDENTIFIED SPEAKER: A lot of years.

COUNCILPERSON GUYTON: Yes. I -- I think Miss -- Miss Davis brought up a good point about understanding the actuarially -- the actuary -- the actuary impact of going to a second tier. And I think, as opposed to asking our visitors, our staff who is suggesting that to us should have those numbers for us.

CHAD LITTLE: Now -- now, let me toss one thing in there real quick. When you say second tier --

CITY MANAGER JONES: Yeah, what do you mean by that?

CHAD LITTLE: -- in our world second tier means current employees are at three percent. Everybody hired tomorrow's at two percent. Okay? A second -- second tier means that within the same plan -- so I don't have to pay this off over 10 years, I'm still gonna spread --

COUNCILPERSON GUYTON: Okay. Let me back up.

CHAD LITTLE: -- it over 30, I'm just gonna offer a lower benefit level.

COUNCILPERSON GUYTON: Okay. Let me back up, because I don't speak for staff. Staff, they're the proposal on the table. What are you recommending, so that I can speak intelligently about what is being proposed?

CITY MANAGER JONES: Right now there is no proposal on the table. We brought defined contribution and it was voted down, so unless -- so then our consideration was for a second tier of the defined benefit plan. That has not been presented to you yet, but that's the next option, since the defined contribution plan was voted down.

COUNCILPERSON GUYTON: Okay.

CHAD LITTLE: The -- the second tier version would be currently everybody's at three percent.

COUNCILPERSON GUYTON: Within the defined benefit.

CITY MANAGER JONES: Within the defined benefit.

CHAD LITTLE: And -- and you don't have to deal with this paying off the unfunded over a short period of time.

COUNCILPERSON GUYTON: Okay.

COUNCILPERSON J. DAVIS: I didn't think that was (inaudible).

CHAIRPERSON THOMAS: That's the first I've -- I've heard of this.

COUNCILPERSON GUYTON: Well, well, that's why we getting some clarity, but --

CHAD LITTLE: And -- and -- and I --

COUNCILPERSON GUYTON: Uh, wait, wait, Chad.

CHAD LITTLE: It -- go ahead.

COUNCILPERSON GUYTON: Sorry.

CITY MANAGER JONES: Yeah, and that -- we have not brought that --

COUNCILPERSON GUYTON: Well --

CITY MANAGER JONES: -- officially to you --

COUNCILPERSON GUYTON: Well, in my documents I did --

CITY MANAGER JONES: -- for actions.

COUNCILPERSON GUYTON: -- read -- in my budget documents, I read where there was a proposal for a second tier. That was in the documents. That's where I get that from.

CITY MANAGER JONES: Oh, yeah. We're pulling it together. We haven't --

COUNCILPERSON GUYTON: Yeah.

CITY MANAGER JONES: -- brought it forward.

COUNCILPERSON GUYTON: Haven't brought the official plan.

CITY MANAGER JONES: Yeah, yeah.

COUNCILPERSON GUYTON: But I did read there was a proposal --

CITY MANAGER JONES: Right.

COUNCILPERSON GUYTON: -- forthcoming.

CHAIR PRO TEM PARDO: Mr. Chair?

CHAIRPERSON THOMAS: Uh, Miss Pardo.

CHAIR PRO TEM PARDO: Just for clarity, so defined contribution is off the table.

CHAIRPERSON THOMAS: Okay. Whosever phone that is, please cut it off. Thank you. Go ahead.

CHAIR PRO TEM PARDO: So is defined contribution off the table?

CITY MANAGER JONES: Staff made the recommendation to go to a defined contribution plan for new hires as of October, and that was voted down at that pension workshop, 4 to 1 --

CHAIR PRO TEM PARDO: That's what --

COUNCILPERSON J. DAVIS: Was that a vote?

CITY MANAGER JONES: -- I think.

CHAIRPERSON THOMAS: I don't think it was a vote.

CHAIR PRO TEM PARDO: No. I think it was --

CHAIRPERSON THOMAS: I just think it wasn't a consensus.

CHAIR PRO TEM PARDO: -- consensus.

COUNCILPERSON J. DAVIS: Yeah. It wasn't a vote.

CHAIR PRO TEM PARDO: Consensus.

CHAIRPERSON THOMAS: It -- it -- it wasn't a vote. It was --

COUNCILPERSON J. DAVIS: No.

CHAIRPERSON THOMAS: -- definitely consensus.

CHAIR PRO TEM PARDO: Well, I would --

CITY MANAGER JONES: Consensus of 4 to 1 that -- yeah.

CHAIR PRO TEM PARDO: Okay. Okay. Well, I would just say, if it's going to come back to us for a formal vote -- since it was done in a workshop, it was a -- a consensus. It wasn't a -- a vote. I would suggest that, you know -- since this is very biased, I would suggest that we get an investment advisor to come in here --

CITY MANAGER JONES: And do both.

CHAIR PRO TEM PARDO: -- and go through -- exactly. And go through the --

COUNCILPERSON J. DAVIS: This is a waste of time.

CHAIR PRO TEM PARDO: -- pros and cons of a -- of a defined contribution.

CHAIRPERSON THOMAS: Well, Miss Pardo --

CHAIR PRO TEM PARDO: You know, just to be fair.

COUNCILPERSON J. DAVIS: I agree.

COUNCILPERSON GUYTON: Mr. Chair?

CHAIRPERSON THOMAS: Hold on.

CHAIR PRO TEM PARDO: Just put it all on the table and then we can -- you know, then --

CHAIRPERSON THOMAS: Well, Miss -- Miss --

CHAIR PRO TEM PARDO: -- we know both sides.

CHAIRPERSON THOMAS: Miss Pardo, you work in this field. Would you mind bringing somebody in or --

CHAIR PRO TEM PARDO: Most definitely.

CHAIRPERSON THOMAS: Okay.

CHAIR PRO TEM PARDO: Tell me when you want them.

CHAIRPERSON THOMAS: Well, we're gonna have --

COUNCILPERSON GUYTON: Mr. Chair?

CHAIRPERSON THOMAS: -- to do it soon. Hold on one second. We're gonna have to definitely do it soon if we wanna --

COUNCILPERSON J. DAVIS: Wait a minute. Would they be paid?

UNIDENTIFIED SPEAKER: (Inaudible).

COUNCILPERSON J. DAVIS: No, that's -- um, Mr. Chair?

COUNCILPERSON GUYTON: Mr. Chair?

COUNCILPERSON J. DAVIS: I mean --

CHAIRPERSON THOMAS: Mr. -- Mr. -- Mr. -- okay.

COUNCILPERSON J. DAVIS: Mr. Chair.

CHAIRPERSON THOMAS: Miss Pardo -- Miss, uh, Davis.

COUNCILPERSON J. DAVIS: I know Miss Pardo is -- works in the field, but I don't want there to be any kind of, you know, so I -- I would -- I'm not --

CHAIR PRO TEM PARDO: I'm just --

COUNCILPERSON J. DAVIS: Not -- nothing against you, Miss Pardo, but I --

CHAIR PRO TEM PARDO: That's fine.

COUNCILPERSON J. DAVIS: -- think that the staff should handle it.

CHAIRPERSON THOMAS: No -- no problem. No problem.

CHAIR PRO TEM PARDO: I have no problem with that.

CHAIRPERSON THOMAS: I -- I'm just saying that I know we allowed Mr. Guyton to invite these individuals.

CHAIR PRO TEM PARDO: Exactly.

CHAIRPERSON THOMAS: And I just wanted to make sure that if there was another member, any member, it could be --

COUNCILPERSON J. DAVIS: But these people would probably be paid. The -- I mean, not -- this group, but -- but the investment advisor.

CHAIRPERSON THOMAS: We pay these people?

CHAD LITTLE: No, and the -- and the -- and the other group --

CHAIR PRO TEM PARDO: No, no, no, no. He just --

CHAIRPERSON THOMAS: Man, I was --

COUNCILPERSON J. DAVIS: The investment advisor we wouldn't have to pay?

CHAIR PRO TEM PARDO: Absolutely not. That person would just come in here --

COUNCILPERSON J. DAVIS: Okay.

CHAIR PRO TEM PARDO: -- to --

COUNCILPERSON J. DAVIS: Well, that's fine, then.

CHAIR PRO TEM PARDO: -- educate everyone.

COUNCILPERSON J. DAVIS: That's fine.

CHAIR PRO TEM PARDO: Oh, no salary, no nothing.

CHAD LITTLE: And one thing that I would suggest is, because that's gonna give you the -- the view from an investment consultant on how much, you know, what benefits will be if you contribute this much money and whatever else. Make sure -- in my opinion, at the same time, you should have the actuaries for the three plans tell you what the cost would -- are we talking all three or one plan here? I don't even know what you're dealing with here.

CHAIRPERSON THOMAS: No, all three.

CHAD LITTLE: All three.

CHAIRPERSON THOMAS: And I -- I -- I think what should have happened here is we should have had them both here at the same time, because obviously you really only work with defined --

CHAD LITTLE: Benefit plans.

CHAIRPERSON THOMAS: -- the benefits.

CHAD LITTLE: Correct.

CHAIRPERSON THOMAS: So it's -- it feels like and it sounds like it's kinda --

CHAIR PRO TEM PARDO: Biased.

CHAIRPERSON THOMAS: -- you know, one sided, because that's what you work for. That's what you do.

CHAD LITTLE: Oh, absolutely. And -- and -- and in all fairness, I -- because I'm an actuary, I only work for defined benefit plans, and that's where my check comes from.

CHAIRPERSON THOMAS: Right.

CHAD LITTLE: I mean, if they -- without defined benefits, I don't --

COUNCILPERSON J. DAVIS: Same thing.

CHAD LITTLE: -- have a job.

CHAIRPERSON THOMAS: I --

CHAD LITTLE: That being said, I'm also a taxpayer, and I --

CHAIRPERSON THOMAS: Right.

CHAD LITTLE: -- and I'm -- not here, but --

CHAIRPERSON THOMAS: You live in Riviera?

CHAD LITTLE: No, I'm up in Brevard County, but --

CHAIRPERSON THOMAS: Okay. All right.

CHAD LITTLE: You know, in -- in my opinion, I don't want to -- you know, an employee and the employer have an exchange. This is what the accounting field deals with all the time. I work for you. You give me something in return. What you give me in return is a -- a salary and a promise for something in the future, which is this retirement benefit. Ultimately, I, as a taxpayer, I'm paying for a piece of that. Right? That retirement benefit. I don't like the concept of me investing in that as a taxpayer.

Throughout the person's career, they get to the end of their career, they got a quarter million dollars or whatever they happen to have. They get a new boat and a truck to pull it with and get back in line.

COUNCILPERSON J. DAVIS: Oh.

CHAD LITTLE: We pay for that benefit throughout their career to -- because they give us service throughout that career. They -- they work for us as -- as public servants. Then we give them a retirement benefit and they retire on out. Their retirement should be paid for during their career. Not -- I shouldn't have my children pay for it.

UNIDENTIFIED SPEAKER: Right.

CHAD LITTLE: You see what I'm saying? So I have a bias towards defined benefit in general. My preference? If it were Day One, and you didn't have any of this going on, I would suggest you have both. I would suggest you have some sort of defined benefit plan -- figure out what you're going to be getting from Social Security, have a defined benefit that gives you some guaranteed amount to help you maintain a certain standard of living with that. And then set up a companion defined contribution plan so that the member has some opportunity to bear in some of that risk of their own retirement. That's the perfect world. But we don't -- it -- it always tends to be an all or none.

CHAIRPERSON THOMAS: Right. Well, I get it. You know, my thing, when -- when I see a chamber full of employees, current employees that have been here that are in one plan, they're here because they feel like something is going to affect them. And I had not heard what that was, but it's obviously something that they feel that's going to affect them. Hopefully, we'll find it out with some of these comment cards. But it doesn't look like that's going to quite happen.

But what we're gonna do, sir, if you can, if you can just stand by, let me take these comment cards.

CHAD LITTLE: Okay.

CHAIRPERSON THOMAS: And would you just please stand there in case -- I mean, please sit, but would you stand by --

CHAD LITTLE: Sure.

CHAIRPERSON THOMAS: -- just in case we have any other questions that we may need to --

CHAD LITTLE: Sure. I -- I just wanna say one more thing --

CHAIRPERSON THOMAS: Yes, sir.

CHAD LITTLE: -- that I -- just the last thing I wanted to mention on the idea of closing the plan. You -- you also have the issue on Police and Fire that if your tier two is a defined contribution, you lose the State money.

UNIDENTIFIED SPEAKER: Right.

CHAD LITTLE: If your tier two is a lower multiplier, you keep getting the State money in. Okay? So just think about that on the money you're gonna give up.

CITY ATTORNEY RYAN: You're looking at the multiplier.

CHAIRPERSON THOMAS: Wait a minute. Hold on. Don't -- you just can't say that and then --

CHAD LITTLE: I just did.

CITY MANAGER JONES: Come on. That is not --

CHAIRPERSON THOMAS: No, you -- you, say -- repeat that one more time, please.

CHAD LITTLE: All right. So -- so Fire, one of them gets close to a hundred thousand, the other one gets over $200,000 a year --

CHAIRPERSON THOMAS: Okay.

CHAD LITTLE: -- from the State. This is money paid by taxpayers in Riviera Beach.

CHAIRPERSON THOMAS: Uh-huh.

CHAD LITTLE: That money is collected. It's sent to the State.

CHAIRPERSON THOMAS: Uh-huh.

CHAD LITTLE: And if you jump through all the hoops the State wants you to jump through, they'll send you money back just to put in your pension plan.

CHAIRPERSON THOMAS: Okay.

CHAD LITTLE: Okay? If all of your employees are not in that plan, they quit sending you the checks. Okay? The -- it doesn't mean the taxpayers aren't charged that anymore, because that just means the State is gonna keep it, use it for something else.

CITY MANAGER JONES: Yeah.

CHAIRPERSON THOMAS: Okay. But you said if they're not in at the same level.

CHAD LITTLE: If they're not in the -- all of your -- for Police and Fire, all of your certified firefighters, all of your sworn officers, must be in the plan except for some options for chiefs to opt out, all must be in the plan in order to continue to get the State money.

CHAIRPERSON THOMAS: Okay.

CHAD LITTLE: In the defined benefit plan.

COUNCILPERSON J. DAVIS: Just for multiplier.

CHAIRPERSON THOMAS: Okay. Put a -- put a -- put a pin in that.

CHAD LITTLE: Put a pin in it. All right.

CHAIRPERSON THOMAS: We -- we coming back to discuss that.

CHAD LITTLE: All right. I'll be right over here.

CHAIRPERSON THOMAS: Let me take a few comment cards. We gonna have -- we don't have any -- any -- anybody else want to speak on something that has not put a comment card in? Going once, seeing none. Okay. We gonna close it with the comment cards we have. We're gonna take Mr. Bobbie Brooks, Jr. Good evening, Mr. Brooks. You have three minutes to make your comments.

BOBBIE BROOKS, JR.: I'll do so. The last time we had a Pension Board workshop like this what I noticed was the presentation, at least by the young man behind me here was presenting the defined contribution. There's no -- not much mention of defined benefit, and I didn't hear much from some board members, much complaint about that. It seems as if there's already a mindset we've made up our mind what we're gonna do, so when we hear things like (inaudible) what we want to do, we're okay if it's just limited to that. But now tonight we had some presentations on defined benefits, and there seemed to be some just underpinnings like, I don't care for this. You're not giving us a balanced point of view, but it was a concern the last pension meeting.

So it's important that we -- if you're gonna make a decision, at least try to come with an open mind, not saying this is the one to do. Let's hear what was shared before. Let's hear what's shared tonight, and look at both of these, but don't -- no one came down to (inaudible) for that for last time, so let's make sure we're kind of fair and balanced when we do that.

And it's my understanding that the consultant's been with the City for a while, the one for defined contributions. I think one of my (inaudible) here one time, he's been here for -- for over a year you guys have had discussions with this? Okay. So the discussion's been about three or four years for defined contribution, so it's not as if the City is not aware of defined contribution. At this point, after three or four years, if you've been doing it for that long, you should have some knowledge about defined contribution.

CITY MANAGER JONES: We kinda switched the Council a little bit, so we have to --

BOBBIE BROOKS, JR.: Okay.

CHAIRPERSON THOMAS: Yeah.

CITY MANAGER JONES: -- start educating over again.

CHAIRPERSON THOMAS: Miss -- Miss -- Miss Jones --

BOBBIE BROOKS, JR.: Okay. So educating all over again.

CITY MANAGER JONES: Yeah.

CHAIRPERSON THOMAS: Miss Jones, I just want him to finish his comment.

BOBBIE BROOKS, JR.: Okay. So it -- it's important that, you know -- I guess I'm feeling tonight that we didn't -- weren't aware, maybe it wasn't asked for FPPTA to share defined benefit and defined contribution. Maybe it wasn't clear what we're looking for or the Council's looking for. I'm not quite sure what was shared with them. But it just seems we've heard some things on defined contribution. Tonight we could have a little more open mind by hearing about defined benefit and weigh both of them out. Maybe it's a good suggestion, as been said before, about having someone come in to share both plans, defined contribution, defined benefit, and look at both of them.

I do believe probably one of the best considerations to have would be the two tier plan, where you may have lower benefits for those coming in after October 1. And then, see, you still keep the benefits of Chapter 175, Chapter 185, you can keep those, uh, not be at risk of losing those, and still have some degree of savings. The City wouldn't have to have so much contributions towards that, their lower benefits for those coming in in the second tier. So hopefully we are moving forward with considering that as another option to look at.

And then I think it's good to also have the numbers themselves, because we're doing a lot of talking in generalities here tonight, but we have no clear-cut numbers. So maybe we can have our actuaries in our different plans to look at the numbers, bring them in so the board can look at things between going from a defined benefit to a defined contribution, or maybe the two level tiers of defined benefits, and see how the numbers work out, what's in the best interests of the City.

CHAIRPERSON THOMAS: All right. Thank you for your comments, Mr. Brooks. I do feel that this board is very open minded or we wouldn't be taking the time to try to learn both sides of this. You know, once again, you are a Certified Pension Trustee. We're not. So this is the way we have to understand this. So everybody's being open-minded. This is -- this is not about that. We wanted to hear about both plans, and we thought that this is what this group would offer. You know? So that's why we've already said that we will probably, um, have another one where we have them both here.

Next up will be Chuck Lupo. Good evening, Mr. Lupo. You have three minutes to make your comments.

FIRE CHIEF CHUCK LUPO: Good evening --

COUNCILPERSON J. DAVIS: Good evening.

FIRE CHIEF CHUCK LUPO: -- Mr. Chair and Council. Seeing some of you sitting up there, I know quite a few of you. I've been knowing you for quite some time now, unfortunately, or fortunately, I guess you could say. But I'm almost positive that there are several of you that have defined benefits and receiving a defined benefit. Some are in a defined contribution or a 401(k). Your members deserve whatever possible benefit you could give them and their family members. You know, it's a shame that we've come to the table a couple times now to discuss this issue and we haven't been back in a long time. What you're proposing as far as a two tier system we tried in Tequesta and the State wouldn't allow us to do it because they're a 175 fund. We offered to do that.

In addition to that, I'd look a little bit to the south in a little bit of an island over here called Palm Beach, and what they did to their employees by closing their plan, actually terminating and going to a Bucket A/Bucket B, and their turnover rate right now, which we think down in Palm Beach they wouldn't have a turn -- turn -- turnover rate problem, but they're gonna lose six employees in the next 30 days. That's on top of the 26 they're already missing.

You can't afford that. You can't afford to be a training ground. You want sustainability of your employees. You want an employee like myself, 30 years with one department, and have another three and a half to go, and enjoying every bit of it. And I'm gonna have a defined benefit and, um, hopefully pass that on to my wife when I live my ten years life expectancy once I leave.

So all I'm saying is just look at things, look at the commitment of your employees, and not only the people sitting here in the room today, but those of in the future. Remember, they're gonna be picking our nursing homes. They're gonna be picking out where we live and where we finish our lives, and the ones coming out to respond on us.

I know the School Board took care of Mrs. Davis, because obviously she's an FRS participant.

COUNCILPERSON J. DAVIS: Yes, I'm that person --

FIRE CHIEF CHUCK LUPO: Okay.

COUNCILPERSON J. DAVIS: -- who gets a defined benefit.

FIRE CHIEF CHUCK LUPO: So -- and I think that's -- you deserve that. You deserve it. So do we. So we thank you for -- the other thing, like I said, we -- we did try the two tier system in Tequesta and the State would not allow it because it lowered it below the -- the levels of the 175.

CHAIRPERSON THOMAS: Okay. Thank you, Chief. Now, this is -- this is an -- this is an issue that -- this is an issue that becomes a problem in this city. The majority of us did not even know that that was being considered, and just because staff discuss something at staff level does not mean that it gets to the Council level. So to my shock, when I pull up, I'm like, Something must be wrong. This is a whole lot of people here for an educational event. So somebody's heard something that this Commission has not. This Commission has not directed anybody to look at anything. All we've asked for is clarity on what was being proposed.

So to -- you know, to -- to say, you know, that those are some things that we're considering, we're not considering anything because we haven't gotten anything formal, you know, about that. Tonight was the first time that I think myself, as well as several members, have even heard of a two tier or anything, you know, about that. So you know, I don't know where this stuff comes from or how it gets there, but that's not at this level, you know, right now. And you know, once that get to this level, then we'll decide whether we want to entertain that or not. But at this point none of that was being considered, and I just want to make sure that everybody, you know, understands that. Staff and Council, they -- they deal with things at their level and they decide what they want to present to us. That has not been presented to us at this point.

Fred Angelo?

COUNCILPERSON GUYTON: And, Mr. Chair, as --

CHAIRPERSON THOMAS: Yes, sir. Mr. Guyton?

COUNCILPERSON GUYTON: -- he come, I have a question for staff. As it relates to the negotiations, have we reached out or when are we going to reach out to all of the unions to ask them to come to the table so we can discuss some of these issues, or you all can discuss some of these issues and bring them to us?

HUMAN RESOURCES DIRECTOR DORETHA PERRY: Doretha Perry, Human Resources Department. We have been in contact with our labor attorneys, both of them. We're at the point now where we have some meetings or -- yeah, have a meeting scheduled with Miss Jones to tell her where we are at the table and then we will have a closed executive session with the City Council to let you know just where we are with the unions, and then we'll start setting up some meetings with the unions. But we have been to the table and because we have a new council, we were waiting to speak with the Manager where we are, then we have a closed executive session so you all can see where we are with the articles that we currently are -- have placed on the table.

COUNCILPERSON GUYTON: Okay. What -- what time frame do you anticipate that we're gonna get to the unions to say, Let's come to the table and talk?

HUMAN RESOURCES DIRECTOR DORETHA PERRY: PMSA and Firefighters, we have a meeting with Mrs. Jones scheduled for the 8th of this month. After that, then we will call a session with the City Council so that we can tell you where we are with the -- with the proposals. I do have a call or an e-mail to the labor attorney for the police and general employees. We -- we have two separate attorneys. We have one attorney for -- Mr. McLean. He's the attorney for the City to negotiate with the Police and the SEIU, the general employees. Then we have Glen Trasevia [phonetic] & Company, uh, for the PMSA and the Firefighters.

COUNCILPERSON GUYTON: Okay. Well, what -- just for the record, I would like, as one councilperson, staff to know that I would like to see us back to the table talking to all of the unions, because, one, we can't do anything in this upcoming budget until we have some discussions with them. So if there are any plans for this upcoming budget, it's gonna be real tight. And it probably won't make October 1, but I would like to see staff at the table talking to all of the unions and coming back to us with some type of proposals to try to get out of this impasse that seem to been going on for -- for a while now.

CHAIRPERSON THOMAS: All right. Thank you, Miss Perry. Mr. D'Angelo. I mean, Mr. Angelo. Good evening. Good evening. You have three minutes to make your comments.

FRED ANGELO: Good evening. I'm not sure I remember you, either. Fred Angelo, Firefighters. Thanks for having the -- the discussion tonight. I just wanted to -- the Chief touched on some of the things as far as, you know, what could be allowed and what not allowed. One suggestion I have right off the bat, you can bring all of the consultants on the defined benefit you want, defined contribution, you only need one consultant here. You need to bring in one or two pension attorneys and they'll tell you what you can do and can't do, because two tier, that's great, but you're gonna lose a bunch of money, State may not even allow it to happen. We've negotiated contracts from Boca to Jupiter, all west, the whole deal. We're happy to try to help where we can, but if the State says no, it's no.

And I can tell you right now, Palm Beach spent $99 million coming due, I believe, later this year, 99 million, to close -- terminate their funds. So if you guys want to step up with 99 million, then -- then we have something on the table there.

As far as defined benefit, defined contribution; defined benefit in simple terms, shared liability. Everybody in the plan, including the citizens here, share the liability of that plan. That means when I retire, the market drops 40 percent, the liability of that drop is shared by everybody. In a defined contribution, the liability is sold by the one individual. So when he looks and says, Hey, I can't leave, and he's 65 years old, and he's gonna go chasing a criminal down the street, we're all gonna bear that liability. So we gotta -- we gotta be cognizant.

Right now in the U.S. -- this is right off the pension investments -- the average 64-year-old in a 401(k) has $88,000 with the great stock market, and it has been great since

2009. But where are they gonna go with $88,000? So we can continue to kick the can down the road, as the people say, and if we do that, yeah, we're gonna save some money here, but we're gonna spend a lot more money helping these people in the streets with social services.

The 401(k) was never meant as a pension, but if we're gonna switch to that, the investment model is really the problem for government workers, because we don't have profit sharing and stuff and you're gonna have to come up with some way in order to do that. The reason they're going away from it in the private market is because they need shareholder profits so they can give those big bonuses, CEO pay, and it looks attractive for somebody to get their hands on the money.

Eighty to one hundred percent of the retirement payment from the defined benefit comes from investment earnings. Okay? So we're -- we're not paying for that. It's coming from the investment earnings. A good indicator for performance -- and this is the good way for the Council to recognize if the plans are doing well or not -- is to trend your pension fund with the stock market. So if we've had a great market since 2009 and it's gone like this, so should our pension plans be going like that. And if I may, for one more second -- and if it's not going like that, then we need to make changes. But if it is, we can look at 100 years of the stock market. It's gone up 10.3 percent and our pensions will return and we'll have good times again. Thank you.

CHAIRPERSON THOMAS: Thank you for your comments. Next up will be Hycinthia Becton.

COUNCILPERSON GUYTON: And Mr. Chair, as she comes, I would like to also kick it back on something that --

CHAIRPERSON THOMAS: Okay. Let me --

COUNCILPERSON GUYTON: Okay.

CHAIRPERSON THOMAS: -- take you after Miss Becton.

COUNCILPERSON GUYTON: Miss Becton.

CINTHIA BECTON: Yes, yes.

CHAIRPERSON THOMAS: Good -- good evening, Miss Becton.

CINTHIA BECTON: Good evening.

CHAIRPERSON THOMAS: You have three minutes to make your comments.

CINTHIA BECTON: Thank you. You know, I can only stand so long.

CHAIRPERSON THOMAS: I understand.

CINTHIA BECTON: And Bruce's questions are entirely too long. Good evening. Cinthia Becton. I appreciate you allowing me to say a word, and, oh, and really appreciate you having this workshop. Thank you so much. But I really want to make sure that you don't leave out the general employees, especially the grass roots in general employees. Somehow that group gets lost in the shuffle, and I'm really concerned that that's happening here.

When we talk about defined contributions versus defined benefits, and you talk about spreading the wealth, you're really talking about grass roots. And think about your grass roots employees. They're not gonna cut it with defined contribution because there's a need to pool that money, take it and say based on this pool of money, I can guarantee retirement; I can guarantee that if something happens to me on this job, I have disability; and I can guarantee that if, by chance, I should die, my family is provided for. I've got those guarantees. That's that grassroots employee.

The other thing I want to tell you is, we didn't deal with this excess benefit plan, but we're having to -- we're really having to pay for it. And that excess benefit plan is costing the general employee pension plan big time. So I would please, please ask you, don't burden us with that anymore. Let us get past this. We're almost there. Let us get past that, and don't give us anymore with that excess benefit plan, because if you don't give us anymore --

COUNCILPERSON J. DAVIS: What is excess benefit plan?

CINTHIA BECTON: -- with that, we actually can see the light. We have a couple of other things that we need to deal with with the general employee pension plan, where I can assure you that we're moving forward. Of the seven, in terms of being certified, we are almost there with 100 percent certification. Now, that in itself is an achievement. I want to remind you, just keep thinking grass roots. Just don't leave that out, and that will -- that will take you defined benefit. Thank you.

CHAIRPERSON THOMAS: Thank you very much for your comments. It's going -- going to be real quick with this.

COUNCILPERSON GUYTON: Right. You can go ahead. Just go ahead with --

COUNCILPERSON J. DAVIS: Mr. --

CHAIRPERSON THOMAS: Miss Davis?

COUNCILPERSON J. DAVIS: What is defined -- what is an excess benefit plan? Miss Jones or --

CINTHIA BECTON: Oh, you -- I'll --

CHAIRPERSON THOMAS: No, no, no, no, no. We're gonna take one of the staff members.

CINTHIA BECTON: Okay. I'll be -- I'll be happy to --

CHAIRPERSON THOMAS: Can some -- can somebody tell us what Miss Becton is speaking about?

COUNCILPERSON GUYTON: But what she don't know is (inaudible), I mean, I know she (inaudible) --

CITY MANAGER JONES: I haven't the slightest idea.

CHAIRPERSON THOMAS: All right. Miss Becton, I'm gonna call you back up for another 60 seconds.

COUNCILPERSON GUYTON: Miss Becton?

CINTHIA BECTON: Oh, okay.

CITY MANAGER JONES: Because I don't -- I don't know of anything we've --

CHAIRPERSON THOMAS: Sixty seconds, Miss Becton, 60 seconds.

CITY MANAGER JONES: -- imposed.

CHAIRPERSON THOMAS: Can you tell us in 60 seconds or less what --

CINTHIA BECTON: Yes. No, I can tell you.

CHAIRPERSON THOMAS: -- this excess plan is?

CINTHIA BECTON: Yeah. The City Council has -- we have -- you have -- employees have retired in the general employee, and they are at such a high income level that we have to give them excess benefits, and that is because of some things that you've negotiated. I want you to really take a look at it, because it's killing us.

CHAIRPERSON THOMAS: Okay. Well, we don't --

COUNCILPERSON J. DAVIS: That -- that -- that didn't answer my question.

CHAIRPERSON THOMAS: -- we don't actually know what it is.

COUNCILPERSON J. DAVIS: I still don't know.

CINTHIA BECTON: Yeah, but, um --

CHAIRPERSON THOMAS: Okay. I got it. I got it.

CINTHIA BECTON: I don't wanna name names.

CHAIRPERSON THOMAS: I get you. I understand.

CINTHIA BECTON: Okay.

CHAIRPERSON THOMAS: I understand.

COUNCILPERSON J. DAVIS: I don't know what --

CHAIRPERSON THOMAS: Miss Jones, immediately find out what that is. Once again, it seems like it's something else that we don't really know.

CITY MANAGER JONES: No, I think I know when she said it that way.

CHAIRPERSON THOMAS: Okay.

CITY MANAGER JONES: But it wasn't something that you created.

CHAIRPERSON THOMAS: Okay. Well, we get the --

COUNCILPERSON J. DAVIS: Who created it?

CHAIRPERSON THOMAS: We get the blame all the time. You just heard her say City Council did it. We --

COUNCILPERSON J. DAVIS: Who did?

CHAIRPERSON THOMAS: Yeah. Well, we didn't do it. Who -- you know who --

CINTHIA BECTON: They did, but it was before this Council.

CITY MANAGER JONES: Yeah, it wasn't something --

CHAIRPERSON THOMAS: Oh, okay.

COUNCILPERSON J. DAVIS: Oh, talking about the -- **CHAIRPERSON**

CHAIRPERSON THOMAS: No problem.

COUNCILPERSON J. DAVIS: -- increase in salary --

CITY MANAGER JONES: Longevity and all that (inaudible) --

CHAIRPERSON THOMAS: We -- we used to taking the blame. Yeah, we get the blame.

CHAIR PRO TEM PARDO: We get the blame for everything.

CHAIRPERSON THOMAS: I'm assuming that means -- we are talking about longevity pay? Is that what we --

CITY MANAGER JONES: That's --

COUNCILPERSON J. DAVIS: Yeah.

CHAIRPERSON THOMAS: Okay.

COUNCILPERSON J. DAVIS: Yeah.

CITY MANAGER JONES: It contributes to the formula.

CHAIRPERSON THOMAS: Okay.

COUNCILPERSON J. DAVIS: Uh-huh.

CHAIRPERSON THOMAS: Okay. Okay. No problem. Um, I really want to know deeper about this excess benefits. This -- this workshop --

COUNCILPERSON J. DAVIS: Me, too.

CHAIRPERSON THOMAS: -- is becoming more education than I ever knew. Next up we gonna have Mr. Juan Atkins. Good evening, Mr. Atkins. You have three minutes to make your comments.

COUNCILPERSON J. DAVIS: (Inaudible).

CHAIRPERSON THOMAS: Good evening, Mr. Atkins. You have three minutes to make your comments.

COUNCILPERSON J. DAVIS: Uh-huh. I need to stand up and say it right now.

CITY MANAGER JONES: (Inaudible).

JUAN ATKINS: Mr. Chair, Council, all of our guests, and all the participants and board members who are here, I just want to respond very quickly. I can understand how it may appear that perhaps there was some sort of negative information that was put out there that caused this response of people who are interested in hearing what's going on in this workshop, but I would offer to you that in my case, I received a letter from the Human Resources Department -- and I would imagine that every single board member received that letter -- inviting us to come to listen to the workshop.

I didn't expect there to be any opportunity for public comment, but I'm glad there is, and I thank you for that. I just wanted to also reiterate at the last workshop one of the suggestions I made was to get the maker of that study that you commissioned, the actuary, Brad, to do the study -- it's subject to varied interpretation. I read it much differently than some others on your staff and others who I spoke to, and I thought it would be very beneficial if the maker of that study was here to present it to you in a way that you will understand exactly, you know, how the costs are laid out. You know, that all those time horizons, I think there was a lot of confusion with respect to that. And I just wanted to make that point tonight.

I think it's very important that you have the actuary who actually wrote that study here to present it to you and -- and that that would eliminate some of the varied interpretation, and you'll make a better informed decision. Thank you.

CHAIRPERSON THOMAS: Thank you very much for your comments. Our last comment card will be Rick King. Good evening, Mr. King. You have three minutes to make your comments.

RICK KING: Good evening. How are you?

CHAIRPERSON THOMAS: I'm great.

RICK KING: Rick King from the PBA. As I'm last, it's -- a lot of the thunder has been stolen and hats off to the Fire guys for their explanation and understanding of the pension system and defined benefits. I think what happened is -- my understanding is, just coming in late in this, is that this -- this crew that you brought in, they are a defined benefit. That's what they do. And to expect them to come in and tell you something different, I think was really kind of off the wall.

However, they did bring something that I thought was very, very poignant, which is the covenant. You hired these police officers, these employees, with a promise of a defined benefit. You brought them in with that -- with that promise. They promised to leave their houses, to chase criminals, to put out fires, to do what they do for the City, to keep the water running, and in turn, that promise was for that, we'll give you this benefit. You also mentioned -- and I think it was this gentleman here -- mentioned about paying other agencies the 250,000 it takes to train these officers and for your agency, your -- your City, to be a training ground for other agencies and departments. That's what's been going on.

You have a dedicated group of officers, firefighters, who were here, showing up, and they expect for what they do for you to be compensated, and they -- part of that expectation is that benefit. But what, instead, has been happening is you have people that come here for a couple of years and then they go someplace else to -- to finish out their careers. If you want to attract the best, and you want to hire the best, and retain the best, and give your citizens the -- the service that -- then you got to give them that promise that you started with, that defined benefit.

Additionally -- and I -- and I think they covered it, but I just want to make sure that the Council understands. If you shut down the plan, you've got to pay for it. Once you shut it down, you gotta pay for it, so there is no really shutting it down and starting a 401 tomorrow, because ultimately you've got to pay that bill. That bill's gonna come reckoning, and it's gonna be yours. Do what you promised for these officers and your City. Thank you.

CHAIR PRO TEM PARDO: Mr. -- Mr. Chair?

CHAIRPERSON THOMAS: Thank you for your comments, sir. Uh, Miss Pardo?

CHAIR PRO TEM PARDO: All right. I think we need to make it clear to Mr. King and -- and everyone else in the audience that what we're doing up here tonight is we're learning, and we have never said that we were going to do anything to jeopardize the pension of our existing employees.

COUNCILPERSON J. DAVIS: Exactly.

CHAIR PRO TEM PARDO: So I just want to make that clear. All right? We're not going after anyone who is in the plan. Thank you.

COUNCILPERSON J. DAVIS: Mr. -- Mr. Chair?

CHAIRPERSON THOMAS: Yes, Miss Davis?

COUNCILPERSON J. DAVIS: And thank you for that, Miss Pardo, because I keep hearing the -- the -- the term "shut down." And I think that's very different than what we're -- we're actually talking about. The City of Palm Beach, if I read and remember correctly, totally shut down their plan and switched over to the FRS. Am I correct? Or they -- am I correct in that?

CHAIRPERSON THOMAS: I don't know.

COUNCILPERSON J. DAVIS: Okay. Well, I know they did -- they -- they -- they totally did away with their plan, and it cost so much money. But that's not exactly what we're trying to do, is it?

CITY MANAGER JONES: No.

COUNCILPERSON J. DAVIS: What we're trying to do is -- the main thing is keep the current plan sound. Okay? We want to keep the plan and make sure that we keep it sound. Okay? We're trying to create a new plan.

But the other thing that I just wanted to say, and I'm -- I'm being funny, guys, so don't take it the wrong way. You know, I -- I think it was the Chief that brought up my retirement benefit, and yes, I did retire from the Palm Beach County School District and I do receive a retirement benefit. At the time that I was working for the school district the second plan, choice, was introduced, but I had been there for so long at that period of time that, you know, I didn't see the point. But I also covered myself with a tax shelter annuity that I contributed to on my own.

And you know, I'm not looking to harm any current employee. I want to make sure that the plan is kept sound. That's why -- that's my job. I want the information that shows me exactly how we can do that. So I know I'm pretty popular with you guys, you know, but -- my name always keeps coming up, but I'm not here trying to do you any harm. I'm simply trying to gather information.

CHAIRPERSON THOMAS: I -- I definitely understand that and I know Mr. King is the representative of the new union that are -- that's here. At no time now or in the future do we plan to have issues with any union, so there's no need for any hostile exchange. We're being real about this. We're trying to understand what's going on about this. Nobody's trying to break a promise. I worked at that same police department with most of those same officers that are there. We understand that. But here we have to look at and learn before we make a decision, and that's all we're trying to do.

So whatever happened years ago, that's not happening here. We support all of our employees, and we want to make sure that they have the necessary things to have a good living. So any exchange that you want that's positive and wholesome, we welcome that, you know. When it gets to our level, we'll make those decisions, but at this point we're just learning about it.

So I'm glad that all the officers are here. I'm glad that all the firefighters and regular employees, general employees are here, but this is education. And if we don't ask questions, then we won't know. So that's how it is.

Now, whatever letter you got, whatever information goes out, obviously it goes out before we get it. We can't -- we can't validate that. You know? And you know, I'm -- I'm -- I'm -- I'm directing this to, you know, my colleagues that this is an issue that corrodes the trust in our city when everybody feels like the City Council, who ultimately makes these decisions understand everything that's going on. You know? We don't do that. I don't know how that information gets out. I don't know where it comes from. But when it comes here is when we make those decisions.

And you can best believe that there's not one person up here that wants to do anything to harm our employees. The majority of us are doing whatever we can to raise the pay, to raise the benefits, to do everything that we can. So that's not the kind of situation or atmosphere that we're trying to create here.

Now, I would hope that when you go to the table that all of these things are discussed, but I also would hope that, you know, you go there understanding that it's going to be a professional exchange. We're not expecting to be bullied, you know, and we -- we really just won't be bullied. You know? So we're gonna give you a fair exchange, and you give us a fair exchange, and then we'll -- you know, we'll make the decision then.

So I mean, I'm just -- I just don't -- I just don't want those type of exchanges to be here. We're here in support of the unions. We're glad they're here. You know, we're -- we're -- we're good, and we're going to negotiate in good faith with that. Mr. Guyton, you wanted to say something before we go to City Council comments?

COUNCILPERSON GUYTON: I can wait until City Council comments.

CHAIRPERSON THOMAS: Okay. City Council Comments. We're gonna go ahead and start with -- we were gonna start with Mr. Davis.

COUNCILPERSON T. DAVIS: I don't have anything.

CHAIRPERSON THOMAS: Miss Davis?

COUNCILPERSON J. DAVIS: I'm sorry.

CHAIRPERSON THOMAS: Do you -- anything --

COUNCILPERSON J. DAVIS: I don't have anything, no.

CHAIRPERSON THOMAS: Miss Pardo?

CHAIR PRO TEM PARDO: Yes. I don't have anything. Thank you.

CHAIRPERSON THOMAS: I think Mr. Guyton's gonna have some. Did you have something you want to say, Miss Jones?

CITY MANAGER JONES: No. As you're closing out, I just wanted to say thank you.

CHAIRPERSON THOMAS: Yeah.

CITY MANAGER JONES: And to reiterate what each of you has said. This was strictly for education. I don't know what you -- others heard and what they were communicated with, but this was strictly for education. And I want to thank you for your time this evening, as well as I want to say the current employees can count on the fact that I will not be bringing a recommendation to Council that changes what you currently get.

COUNCILPERSON J. DAVIS: No.

CITY MANAGER JONES: So let's make that real clear.

CHAIRPERSON THOMAS: Thank you. Mr. Guyton?

COUNCILPERSON GUYTON: Thank you, Mr. Chair. Let me just say quickly, I want to thank the FPPTA, Kim, Ray, Chad, Mr. Nesbitt. He -- as a matter of fact, he's a Ph.D., aren't you? Don't you have your Ph.D.?

FRED NESBITT: Yes.

COUNCILPERSON GUYTON: Yeah. And -- and I -- I'd like to also not only thank you for coming, but thank you for -- but thank you for educating me as you have, and I continue to go, even as an elected official. I -- I would hope that maybe, Kim, you'll consider incorporating an elected officials portion, so that, you know, we can come as elected officials and better understand not just defined benefit, but when I went through my training, there was discussion about defined contributions, and not in a negative manner. And it got this perception and overtone today that it's just about defined benefit. My training was very comprehensive and inclusive, and it allowed me to have the skills to go and do my own research, as I did today to better understand the issues.

So I'd like to thank the FPPTA. You're doing a marvelous job. And as Ray indicated, the Florida Pension Board's members that go through that program are considered some of the best educated in the country on pensions. And that's not an exaggeration.

And -- and let me just say about the boards here in Riviera Beach. This Council, before I got here, instituted a requirement to be certified. That was one of the best things that you all could have done, and I really appreciate staff and the Council members that were here doing and supporting that. And Miss Becton indicated that they are almost at a hundred percent. On the Police Pension Board I know they are at a hundred percent. And Fire, I think they are very close to it. So the board members in this City take their responsibility very seriously and they all just want not anything over and beyond what is deserving, but what the rank and file work so hard for.

And lastly, let me just say that as our other Council members indicated, the existing employees, there is no consideration, no discussion about changing anything. For the new employees that's coming in, as the economic downturn took place and the real estate market bottomed out, the lion's share of our revenue come from property taxes. We have to be realistic about the revenue that we have to work with, so we can't give any promises that we can't uphold. So therein lies the discussion of how do we prepare before a crisis hit.

So that's the only thing that we're doing now, but let me just say that I think the defined benefit plan is probably the most attractive recruiting tools that a municipality could have because with others going to the defined contribution, our city, with the image that we have, need to be able to offer them something better than what our competitors are offering. So if we don't want a high turnaround, either we're gonna pay up front or we're gonna pay at the end. So I'd rather we understand that eventually we're gonna pay, and we might as well decide how that's gonna happen and we can do that by making sure that our employees have a reason to stay here for 20 and 30 years, and the defined benefit plan would do that.

And thank you, Mr. Chair.

CHAIRPERSON THOMAS: Okay. I'm gonna make my comments very quickly. I do at some point want to discuss the different plans. I know that our General Employees plans -- uh, pension plan is not performing at the same level as the Fire and the Police. I do at some point want to get information on that and how we're able to do whatever we need to do to make sure that that plan is performing as high as the other ones. Whatever's going on, I wanna make sure we have some continuity between all of those. Other than that, we're adjourning.

(CONCLUSION OF WORKSHOP)

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