# MINUTES OF THE CITY OF MIRAMAR
# COMMISSION WORKSHOP

| September 21, 2021 | 4:00 P.M. |
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A workshop of the Miramar City Commission to discuss the Pension Plan Merger of the General Employees Pension Plan and Management Pension Plan was called to order by Mayor Messam on September 21, 2021, at 4:05 p.m. in the City Commission Chambers, Town Center, 2300 Civic Center Place, Miramar, Florida.

Upon call of the roll, the following members of the City Commission were present:

Mayor Wayne M. Messam
Vice Mayor Yvette Colbourne (Remote)
Commissioner Winston F. Barnes (Remote)
Commissioner Maxwell B. Chambers (Remote)
Commissioner Alexandra P. Davis (Remote)

Members of staff were present in the Commission Chambers:

City Manager Vernon E. Hargray
Human Resources Director Randy Cross
City Attorney Norman Powell
City Clerk Denise A. Gibbs

CITY MANAGER HARGRAY: Good Afternoon, Mayor, Commissioners. At this time, I will be turning this over to Randy Cross to discuss the General Employees & Management Pension Plan.

Human Resources Director Randy Cross gave a PowerPoint presentation on the pension plan merger of the General Employees (GE) and Management, as detailed in the backup, highlighting the following:

- The subject merger was passed by both the GE and the Management Pension Boards to consider merging the two

- The Commission's approval authorizing staff to proceed would result in the same ordinance both pension boards approved and would move to the City Commission for consideration
- At no point would the process changes any benefits employees received in either plan; the changes were related to the mechanics of the plan
- The merger was aimed at providing a level playing field for all employees that were nonsworn
- The City pension was traditional, defined benefits, and was very common in the public sector for government employees; it consisted of a formula driven by years of service, a multiplier, and the average final compensation; this formula was used to create a benefit employees would receive when they retired
- The City and the employee contributed to the pension plan on the employee's behalf; the GE plan had a contribution rate of 9.5 percent; a Management plan employee put in 13.51 percent; the amount the City put into each plan changed from year to year, with the most recent figures being 26 percent on behalf of the City for general employees, and 24.53 percent for management employees
- The rights and benefits achieved by an employee was protected under Florida Constitution
- Once an employee became vested, that is, they fulfilled the requirements and time detailed in the code driving the particular pension, they satisfied the requirements to meet the minimum, so the benefits they achieved at that point was theirs
- The City offered four pension plans for City employees: the GE Plan, comprised of employees in the bargaining union; sworn police officers and sergeants; sworn firefighters; and management; participation in one of the four pension plans was based on job classification; each plan was set up by an ordinance that detailed its requirements for participation
- The GE Pension Plan was open to all nonsworn, civil service covered employees; its members were comprised of all employees in the General Association of Miramar Employees (G.A.M.E.) union, about 80 percent of the members in the City's pension plan; the remaining were unrepresented or non-represented employees; the plan was updated in 2018, and whenever there was an update to the plan, it required bargaining with the G.A.M.E. union; the plan was updated to increase the multiplier to 3.75 for up to 20 years, and three percent for each year after; a 100-percent cap of earnings was put in place on the plan; the multiplier was increased from 7.36 to 9.5 percent; there were two ways to achieve normal retirement in the GE Plan: 1) 20 years of service; 2) at the age of 65 years of age with seven years of service
- The Management Pension Plan began in the City in 2002, when the City Commission adopted an ordinance to that effect; it was originally put in place for only employees in senior management; it was currently opened to all nonsworn, noncivil service, FLSA exempt, so members were salaried and unrepresented employees; it had a contribution rate of 13.5 percent, and the multiplier was staggered, as the plan was designed for a ten-year window, with the multiplier increasing each year of employment up to ten years, and at ten years it was at four percent, and every year after that it dropped down to 2.75 percent, with a maximum

cap of 80 percent; this plan had the 20 years of service, or retirement at 62 years of age with five years of service, along with a 55-year retirement age with ten years of service; the design was to provide senior management employees with benefit option, as they tended to come to the City at an older age compared with younger, entry-level employees working their way up through the City; this was the reason the plan was more expensive on the contribution rate

- Pension plans could be found in Chapter 15 of the City Code; each one was put in place by an ordinance; the ordinance set up the makeup of a board; each pension plan was governed by a board of trustees; the makeup of the board usually ranged from members who paid into the plan, sometimes someone from the public, a retiree, and some plan boards had the Mayor and the City Manager; pension boards were subject to public records and public meeting laws, and they hired professionals to help them manage the funds
- Pension board members were fiduciary positions; the Management Pension Fund was valued at just under $54 million; the GE Fund was valued at around $119 million; both plans had an assumed rate of return of seven percent
- Per State statute, the City was obligated to shore the fund year over year to make sure it was meeting its solvency requirements
- The pension boards' contract with consultants, money managers, attorneys, actuaries to perform administrative and fiduciary, financial serves; the pension administrators handled the day-to-day operations of the pensions, issued checks, were the contact persons retirees spoke with about their benefit; the auditor prepared the annual audit; the actuary calculated all the liabilities and did all the reporting; the professional services for the pension plans included investment consultants, money manager, custodians, etc.; professionals and consultants were hired by the pension boards and their services were paid for out of the funds
- In 2002, the City adopted the Senior Management Pension Plan; it was created and established as a recruitment tool and a benefit for employees that were in senior management; the latter did not, traditionally, stay with the organization for very long periods of time, so the plan was designed around this outcome; certain milestones had to be achieved; the vesting period for an individual of 62 years of age could retire after five years of service, and an individual of 55 years could retire after ten years of service; in 2005, the City Commission adopted an ordinance that expanded the plan, and this set in motion a series of events over the last 18 years that led to the current status; the City Commission, over the years, sought to take steps to be more inclusive, providing a defined benefit option for employees in the non-represented group that made up; about a quarter of the workforce had no options to access a defined benefit plan; requirements to get into the plan were reduced to allow more employees to become members; as this increased, the City had to make changes to the plan's design, such as dual enrollment; when changes were made to try to cover a group of employees with some sort of grievance, it created a situation of haves and have nots and other unintended consequences
- When the above consequences occurred, separate actions of the Commission were required, a special consideration requested of the Commission; this challenge was encountered as employees moved up in the organization; for

example, as an employee moved up from a general employee's position, possibly into a management position, depending on the timeline of the subject discussion, might become a dual member, or leave one plan and join another, and this came with different considerations, since the plans had different contribution rate, benefits, etc.

- The two subject pension boards met jointly, as they had the same attorney, actuary, many of the same money managers; most of the decisions the plans made were done in a joint effort, as there was so much overlap between employees in one plan, or had time in both plans
- In 2019, after numerous joint meetings and conversations with employees either turning down promotional opportunities due to not wishing to move from the GE Plan to the Management Plan, or other reasons, staff thought it made more sense for the City, as the practitioners, to simplify the process but go all the way, rather than take incremental steps, and just move to a single plan in which all employees would participate; from those discussions, it was found there were many savings to be had with a merger, as administrative services could be reduced by having one contract with the administrative providers
- The merger created efficiencies between the plans; the primary reason for the merger was to simplify and create a level playing field for benefits for all nonsworn employees; combining the two pension boards meant having one audit, one set of financial statements, all the professional services would be refined down to just one board; a simplified structure, and new management employees would become members of the GE Plan; employees already in the GE Plan who were promoted into a management position would remain in the GE Plan if the merger was approved and took effect; the Management Plan would become a closed plan with no new entries; none of the benefits would change for current members of that plan, and they would eventually retire out of that plan
- Merging the plan would require the establishment of a new board; the Mayor and the City Manager sat on the two existing board; on the GE Pension Board, there were two trustees that were active members, along with a Miramar resident selected by the board; the Mayor and the City Manager sat on the Management Pension Board, along with three other members. With the new board, because the majority of the employees that would be in the combined plan would be general employees, the Mayor and the City Manager would still be members, three trustees elected by the GE employees, two trustees elected by the management employees, a resident would still be selected by the board, and staff thought it important to add a retiree as a member from either plan selected by the board
- Other advantages to merging the plans: There were competitive price breaks, as merging all the investments created the potential to leverage better competitive market value and increased dollar value; adding the retiree seat on the board to add the perspective of a retiree already benefiting from the plan; there would be a uniform pension plan for all nonsworn employees
- Administrative expenses: The two plans combined paid about $300,000.00 a year for all the abovementioned professional services; in discussions with the actuary and the board, it appeared there would be about 20 percent in savings or

$60,000.00 a year, and over a 30-year period, this was about $2.2 million, if it was assumed the cost for professional services increased at an average of about 1.5 percent per year; in today's dollars, that was about $890,000.00

- Larger savings came from stopping entry into the Management Plan, as it was a richer plan: it had a bit richer benefits, and it was a little more expensive; over the 30-year period, the savings were about $13 million by phasing out the Management Plan versus everyone being under the GE Plan, and this was about $4 million in today's dollars
- Steps thus far: Discussions began in 2019, so it was not a rushed process; both plans had HR, the attorney, and the actuary at five or six workshops with the City employee members over two years, along with refreshers that were presentations similar to the present one, with more specific discussion on benefits in order to reassure employees there would be no change to their benefits, no intended changes, transfer changes, and the merger made the pension plan stronger by combining the resources and assets; there would be a level benefits structure
- The GE Pension Board had members who served on the union board; the union board members agreed and after going through all the efforts staff did to reach out to employees and speak with them, they were comfortable moving forward with the merger; there was a unanimous vote of the pension board members two previous meetings ago to move the matter forward to a workshop presentation to the City Commission to get feedback.

MAYOR MESSAM: Thank you for the presentation. Let the record reflect that Vice Mayor Colbourne is present at the meeting, and I'll just go down the line and ask each elected official for any comments or any questions, starting with Vice Mayor Colbourne. Any questions or comments, Vice Mayor?

VICE MAYOR COLBOURNE: Appreciate the presentation. A lot of information, and certainly want to go over that information, and go back over it with staff. I did hear staff say that this was not being rushed, is that correctly; if they can just go ahead, and let me know what kind of timeline is expected on this, because I do want to -- I do want to sit with them, perhaps, after the budget and -- and get a better understanding of it.

MAYOR MESSAM: Okay, thank you.

VICE MAYOR COLBOURNE: That's it.

MAYOR MESSAM: Was there anything else?

VICE MAYOR COLBOURNE: No, that's it. If I could just -- just have staff respond to that, I appreciate it.

MAYOR MESSAM: Okay.

MR. CROSS: Good afternoon, Vice Mayor. Our hope was to do just that; get through the budget process, present you with the information now, and give you a chance to absorb it, and then, hopefully, be able to discuss that through October, and then bring an item -- if -- if there's consensus, bring an item to the Commission in November for consideration. It would be two readings; it would be an ordinance change.

VICE MAYOR COLBOURNE: Thank you.

MAYOR MESSAM: All right. Thank you. Commissioner Barnes, you're recognized.

COMMISSIONER BARNES: Just a couple of observations, and Randy can say yeah or nay. Explain again for us the importance of having a retiree as a board member.

MR. CROSS: So the -- the intent there is to provide the perspective that, you know, you may not have by having active members there, because, you know, we're looking to reach that goal of retirement, and we're concerned with what that benefit's going to be when we get there, but there's another side of it. Once you've reached that goal, you want to make sure that decisions are made that are financially secure decisions, so we -- having a retiree there that can speak to that, speak from that perspective as someone who's achieved retirement and is enjoying that benefit now, they might have a different perspective than that of a current employee.

COMMISSIONER BARNES: And -- and I'm also getting the impression from you, as you and others have said, a lot of information to exchange. But the feeling I'm getting here is that with less confusing markers we're making for the savings that way?

MR. CROSS: That's correct.

COMMISSIONER BARNES: And -- and -- and something else that -- that I -- I like about this is that even before today's workshop, the -- the unions have come here understanding why this standardization works for them.

MR. CROSS: Correct.

COMMISSIONER BARNES: Okay. Did we not know that these savings were possible, or is just that we examined it and -- and -- and thought that, hey, maybe if we realigned all of this, this kind of savings would -- would eventuate?

MR. CROSS: I think those became realized once we started talking about what the makeup would look like, because that could -- those savings could change based on what the final makeup of the pension plan looks like. So as we started honing on what that ordinance was going to look like through the meetings with the boards, the pension boards, Jeff was able to, then, make some actuarial assessments and -- and calculations on those savings.

COMMISSIONER BARNES: Thanks, Randy. Good work as usual, thanks.

MAYOR MESSAM: Commissioner Chambers.

COMMISSIONER CHAMBERS: Thank you, Mayor. Thank you, Mr. Randy Cross, for this wonderful presentation. As usual, you're always on point, and it's very detailed. I -- I did have some concern at the last Commission Meeting, where I expressed as to some of our employees that have been hurt by the nine or the 13.5 percent that they have to pay into the pension. And we were trying to find a way, so we can mitigate that and make it less painful, so they can continue to -- to -- to -- to live comfortable based on the cost-of-living increase. And I'm wondering -- that's something we really need to take a look at. Do we give these employees a raise, or do we find a way for them to contribute less into the pension plan? That -- that's something that we need to look at moving forward before we enter into this new merging plan with both pension plans together. And -- and I know you've mentioned one employee's issue that you've mentioned earlier; that -- that's a concern also, but I -- I hope we could find a way to make sure all of our employees can have a decent way of living and paying their bills, and not being hurt by -- we want them to save, but if they can contribute less at some point, and then later on when they're in a better situation, they can contribute more. I hope that we can take a look at this, as far as I'm concerned. And -- and I'm not -- just not saying this. It's been expressed to me by some of our employees, and -- and not just the G.A.M.E. Union, but even some of our police officers are not able to -- comfortable with their earning once the 13.5 percent. So, with that said, I -- I do appreciate you guys bringing this forward, and I hope next week when I get back in town, we can have a time to sit down and take a look at it. Thank you so much.

MAYOR MESSAM: Thank you, Commissioner. Commissioner Davis.

COMMISSIONER DAVIS: Thank you. Thank you to staff for the presentation, Randy, and his team. I, too, would like to be able to sit down and go over in more detail what has been said to us. What I would like to see is a side-by-side comparison, the pros and cons of each plan, so that would be helpful, rather than having to go from slide to slide to switch around, so a side-by-side would be helpful. And I -- I want to get a better understanding of the unrepresented group, because there was talk that there's unrepresented in G.A.M.E. already, and there's unrepresented in the Management Plan. So, I mean, what types of unrepresented do we have? Maybe that's something that could be answered now. And the -- again, just a side-by-side, I'd like to see that, and then be able to speak more with -- with staff on -- on the presentation.

MR. CROSS: Commissioner Davis. So, regarding the makeup of -- of the plans, the GE Plan has employees in it that are -- the majority of them, about 80 percent of the members in the GE Plan, active members, are G.A.M.E. It's 100 percent of G.A.M.E. There's more employees in the Man -- in the GE Plan than there are -- from the bargaining unit, because there are employees that are non-represented employees that started in the GE Plan, then over the course of their career got promoted. But when they got promoted, they got promoted at a time when they were either not required to move into the Management Plan, or they're dual members. And -- so because of that, there's about 20 percent of the GE Plan that has non-represented employees in it, and 80 percent of the plan is made up of G.A.M.E. employees. There are no active G.A.M.E. employees in the Management Plan; the Management Plan is exclusively non-represented employees.

COMMISSIONER DAVIS: All right. So, yeah, thanks for that clarification. So there's already folks who are unrepresented in Management in the GE Plan?

MR. CROSS: Correct.

COMMISSIONER DAVIS: So, that -- yeah. That would seem unfair to some others who -- who are management, and don't get the opportunity to be in the GE Plan. The other thing is, for those who are in the Management Plan, they have to remain, or can they switch out?

MR. CROSS: As of right now, there -- there is no option to switch out. We have discussed presenting that as a possible solution to Commissioner Chambers's question, and we would have to cost that out. So as we move past the workshop and meet one-on-one, we would do -- we could take some of that back, and do the -- do the analysis, so we can present that to the Commission.

MAYOR MESSAM: Any other comments or questions, Commissioner Davis?

COMMISSIONER DAVIS: Okay. Yeah, I mean I -- once we make one-on-one, then I'll be able to -- to go over some other questions or concerns I may have, so I look forward to that. Thank you.

MAYOR MESSAM: Okay. I'd like to thank -- thank staff for the presentation, and the -- for the benefit of the public, in terms of the process, the Management and General Employee Plans are all -- are all managed by trustees for each respective plan, as was presented in the presentation. In the course of responding to member inquiries, and also in an ongoing effort by each plan to ensure that the plans are running efficiently for the benefit of the members, oftentimes, changes are -- are requested. Because of the evolution of providing pension benefits to employees for the City of Miramar, and responding to different either grievances or requests or plights, each plan have gradually morphed to where they are today. And -- and -- and it presents a -- a situation where there are opportunities, as it relates to the City, to see how the efficiencies can be resolved. So to make these changes, it requires approval by the Commission. It also would be changed through the vehicle of an ordinance, which would require two readings. Each respective board has looked at this issue and have made requests, have come to the agreement to merge the plans. The process has taken at least two years to get to this point.  There have been many board meetings, trustee meetings, meetings with the general employees, as well as with the management staff that are represented in the Management Plan, to the point where it is now proposing a merger, which has to be approved the City Commission.  Where we are today is the initial workshop to inform the public and the Commission on the recommended merger of the two plans that was approved by both Management and General Employees Plans.  Now that the workshop has been presented, City Commission will continue to meet with -- with -- with staff.  The consultants, pension plan attorneys, pension plan actuary, are available for that.  The City Commission can and will decide whether to accept this proposal, or make changes based on the information provided.  As guidance for the Commission, as it was guidance for each respective plan, whatever the plan design is, it's prudent to get the actuarial fiscal impact of the implementation of what is being proposed, because it will have a -- a short-term and long-term impact on the -- not just the -- the -- the plan themselves, or if it is merged, the plan or the future plan, but it also will have ramifications on the beneficiaries, meaning those who have retired and are relying on their pension benefit.  So before we conclude, I -- I would like to provide an opportunity for the plan attorney, Mr. Levinson, to raise a couple of -- or to bring greetings, as well as provide additional points that may need to be included in this workshop.

MR. LEVINSON: Thank you, Mr. Mayor.  So, first, that was an excellent presentation by the HR director.  I suspect he could have given that without looking at the PowerPoint, because he's so familiar over the last two years, and before the two years, going through this material.  I also want to reiterate that this is a -- a deliberative process, where there's no such thing as a bad question; I say this all the time at pension board meetings, so, you know, by all means, it's -- and it's important that there is no rush, to make sure everybody understands it.  And I'll also make the point, and I wasn't planning on really speaking tonight unless there were questions, but I think by way of review or an overview, and I'll be quick; a couple of points are worth making.  So one of which is, what do you call the new plan; because it's not a new plan, it's a new plan board, but the benefits do not change for existing employees, and that's a point I wanted to make for the union.  And I wanted to thank the union, because they had some concerns initially, you know.  Is -- is the City or anybody else trying to pull a fast one here?  And there was a lot of work that was done behind the scenes to make sure that the general employees understood, particularly in the context of other cities making cutbacks, and who knows what else could go on, that this was not an effort to pull the wool over anyone's eyes.  And I'll point out to you that I was involved in the process years ago at the other city hall, and when the -- when the Management Plan was born, and that this is an effort in good faith to really create what the objectives were that you heard, which is to rationalize or simplify.  And another point, which I -- I think is useful to make, is that when you look across the State of Florida, and we work with pension plans all across the map, that it's very rare that you see a city with a management plan and a GE plan that are separated.  And we've now reached the size -- and you're hearing the advantages of combining the two plans together, and this brings me back to the other point; what do you want to call it.  So the general employees may still want to call it the G.A.M.E. Plan, and that's fine, right.  Some may just want to call it the City Plan, because it's for City employees who aren't police or for fire, right. And in other capacities, people may want to call it the new merge plan. So, ultimately, the ordinance is going to have a name for it, but that's something we could talk about. And the key is that the general employees who are in the plan are not losing anything. The Management Plan employees who are in the new plan, whatever we want to call it, aren't going to be losing anything. The big change happens to the composition of the board; and the other big change is that future employees aren't going to get the management benefit structure. Future employees are going to get the existing general employee benefit structure. I'll point out to you that the actuary is your number cruncher for any of the council members who are relative new. The number cruncher can go onto exhausting detail, and have those questions with the actuary, because that's what the actuary is here to do. But I'm happy to take any questions; it's been a pleasure to work. And I should also point out, because it was mentioned the -- that the -- the voluntary or the retirement incentive program that was put together, there was a lot of work behind the scenes, and I want to throw out a thanks to HR staff who put in a lot of time and effort to make sure that went smoothly, so thank you to that HR staff. And, again, if there are any questions; but it -- it's a pleasure working with you. Thank you very much.

MAYOR MESSAM: Thank you, Mr. Levinson. On that note, I look forward to everyone setting up their respective meetings with staff, so it will eventually come to City Commission for discussion, and decision.

## **ADJOURNMENT**

MAYOR MESSAM: On that note, this workshop is adjourned. God bless, and have a good evening.

The meeting was adjourned at 4:53 p.m.

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Denise A. Gibbs, CMC
City Clerk
DG/cp