

1 **Motion was made by Commissioner Brender to approve Ordinance No. 1523 on**
2 **second reading, seconded by Commissioner Lucarelli and motion carried by roll-**
3 **call vote: Commissioner Brender, Yes; Deputy Mayor Duryea, Yes;**
4 **Commissioner Miller, Yes; Commissioner Lucarelli, Yes; Mayor Meador, Yes.**

5
6 **Motion was made by Commissioner Lucarelli to approve Resolution No. 960,**
7 **seconded by Commissioner Miller and motion carried unanimously.**

8
9 4. Citizen Participation

10
11 No one came forward at this time and citizen participation was closed.

12
13 5. Adjournment

14
15 There being no further business, the special called meeting adjourned at 2:07 P.M.

16

1 MINUTES OF THE CITY COMMISSION WORK SESSION/STRATEGIC PLANNING
2 SESSION held February 26, 2015, 2:05 P.M., Lake Mary City Commission Chambers,
3 100 North Country Club Road, Lake Mary, Florida.

4
5 The Work Session/Strategic Planning Session was called to order by Mayor David
6 Meador at 2:07.

7

8 1. Items for Consideration

9

10 A. General Employee's Pension and 457 Plan option

11

12 Ms. Sova said we are going to present two pension related items this
13 afternoon. The first is an opportunity to provide a voluntary additional
14 option for both the 457 deferred compensation plan for all employees and
15 the 401a General Employee's Pension.

16

17 Ms. Sova said while offering an additional option is at no cost to the City,
18 what it can do is provide the plan participants the opportunity to get
19 improved investment and financial planning advice as well as offering lower
20 cost investment options that could lead to expense savings and improved
21 returns. Investing in these plans is entirely self-directed and all investment
22 risk is born by the employee. Most employees do not have the expertise to
23 monitor their investment options. She believed that we would also be
24 improving our fiduciary responsibilities as a plan sponsor. She was not
25 presenting a request for additional contributions by the City.

26

27 Ms. Sova said we have here today Joe and Aaron Bert of Certified
28 Financial Group of Altamonte Springs to tell us about their firm's services.
29 They are the largest local financial planning firm and also provide their
30 pension services for another local city.

31

32 Joe Bert and Aaron Bert of Certified Financial Group, 1111 Douglas
33 Avenue, Altamonte Springs, Florida, came forward and gave a PowerPoint
34 presentation. Copy attached.

35

36 **It was the consensus of the Commission to allow employees to use**
37 **Certified Financial Group as an option for the General Employee's**
38 **Pension and 457 Plans.**

39

40 B. Police Pension Plan Amendment request

1 Ms. Sova said we currently have three separate pension plans. Police and Fire have a
2 defined benefit (DB) plan while General employees have a defined contribution plan
3 (DC). The primary difference is for defined benefit the City manages the risk and for
4 defined contribution the employee manages the risk.

5
6 Ms. Sova recapped the source and cost of the City's Pension Plans over the past 10
7 years. She showed a 10-year history of pension cost by plan and pension cost in mills
8 on the overhead projector (copies attached).

9
10 Ms. Sova said City contributions are based on a percent of payroll and we can clearly
11 see pension costs have risen 178% in total over the past 10 years. By plan that is
12 204% for Police, 164% for Fire and 160% for General Employees. Because the City
13 manages the risk on defined contribution plans, what is really on the table is how to
14 manage the rising costs. Risks include:

- 15
- 16 • Employer survivor risk – risk the employer fails to adequately fund the plan and
17 enters bankruptcy without a means to make good on its promises
- 18 • Inflation risk – risk that the value of the accrued benefits will be eroded by
19 inflation
- 20 • Investment risk – risk that investments do not produce the dollars required to
21 fund the obligations of the plan
- 22 • Funding risk – risk that the employer does not put away enough money to
23 adequately fund the needs of a group

24 Ms. Sova said what the City needs to balance is:

- 25
- 26 • Costs that are sustainable and affordable
- 27 • A productive and stable workforce
- 28 • Fair benefits for employees and fair controls for taxpayers
- 29 • Plans that are simple, accountable and transparent
- 30 • We need to be sensible about projections and risks

31 Ms. Sova said for the past several years, Legislation has been taking a very hard look at
32 Chapter 175/185 plans. Some pretty strong pension reform bills have been debated,
33 not yet passed, but we know that something is coming. 2013 Legislation created new
34 reporting requirements for DB plans - hello GASB 67 and 68. Additionally, actuarial
35 assumptions and methods were specified such as mortality tables and the assumed
36 rate of return 2% less than the plan's assumed rate of return. 2014 Legislation bills
37 were talking about the use of premium tax revenues and requiring plans to establish DC
38 components. 2015 Legislation is talking the same talk as well as mandating mortality
39 tables and fixing minimum benefit multipliers. We still think that mandates are going to
40 come down.

41
42 Ms. Sova said let's discuss the request by the Police Pension Board to increase
43 benefits. The proposal on the table is:

- 1
2
- Increase the benefit multiplier from 3.2% to 3.32 % for all years of credited service (so past years of service would be included)
 - 3
 - 4 • Member contributions would increase from 5% to 6.9%
 - 5 • The actuarial impact statement that was performed in June of 2013 stated that
 - 6 this proposed benefit increase would be at no additional cost to the City.
 - 7 • The Extra Benefit of \$185,348.66 was used to partially fund this improvement.

8 Ms. Sova said the proposal before us has been on the table since June of 2013. In
9 December we brought in an independent consultant to educate us on pensions. Based
10 on the complexity of the legislative issues, we have been taking the wait-and-see
11 approach. We have also been researching options that could provide the City with
12 choices.

13
14 Ms. Sova said to help guide this discussion, we'll look at the Police Pension plan in
15 more depth. Currently the plan is very healthy.

- 16
- The funded ratio is 101.3% which measures the actuarial value of assets to the
17 actuarial accrued liability.
 - 18 • 100% of required contributions have been made annually.
 - 19 • The fiduciary net position is higher than the total pension liability resulting in a
20 negative pension liability of \$743,636.
 - 21 • If we were to have implemented GASB 68 for FY14, the negative pension
22 liability would have been reported which would have a favorable impact on the
23 City's Net Position.
 - 24

25 Ms. Sova said next we'll take a look at the funding sources of contributions to the Police
26 Pension over the years.

27
28 Ms. Sova said state funding has taken a dive, the employee contributions are not what
29 they used to be, but the City's contribution seems to be growing and growing. We are
30 making up for those shortfalls. She showed the Police Pension Contributions by Source
31 on the overhead (copy attached).

32
33 Ms. Sova said the graph on the overhead reflects the City's contribution as a percent of
34 payroll. The black line is showing the trend. The blue horizontal lines are indicating
35 past benefit increases. (Copy attached.)

36
37 Ms. Sova showed the Excess State Monies that are in reserve on the overhead (copy
38 attached). The bottom line here is that the monies in reserve are to be used to help
39 fund the proposed benefit increase. It should also be noted that since 2009, state
40 contributions have not been sufficient to fund required minimum benefits (which
41 includes the benefit increases in 2006 and 2009). The City has been covering almost
42 \$247,000 of additional monies due to adverse actuarial experience like asset losses.
43 Unless the state money increases, the shortfall will continue.

1
2 Ms. Sova said there are several ways to help reduce the pension liabilities:
3

- 4 1. Modify actuarial assumptions. The plan's last experience study was done
5 in 2007. Current assumptions include:
 - 6 a. Inflation – 3%
 - 7 b. Salary increases – 7%
 - 8 c. Payroll growth – 5%
 - 9 d. Investment rate of return – 7.5%
 - 10 e. Amortization periods
- 11 2. Plan changes
 - 12 a. Increase vesting period
 - 13 b. Reduce benefits to statutory minimums
 - 14 c. Lower the 300 hours of overtime

15 Ms. Sova said next we'll discuss options:
16

- 17 1. Adopt the Proposal
 - 18 • The impact statement stated that at that time, there would be no additional
19 cost to the City
- 20 2. Modify the Proposal
 - 21 • Change the benefit multiplier to apply to future years of service, not to all
22 years of credited service
 - 23 • Someone that may retire in the very near future does not pay anything for
24 that benefit. Everyone else pays for that benefit including future police
25 officers and taxpayers.
- 26 3. Hybrid Plan - commonly known as a share plan
 - 27 • This basically creates a DC plan funded by the excess insurance premium
28 taxes in reserve of \$185,349
 - 29 • This would be in addition to the DB plan in place
 - 30 • You can pick how to create the plan, i.e. design the share criteria, vesting,
31 years of service, when to pay, etc.
 - 32 • This would move the risk from the City to the employee
- 33 4. Combine one of the above options with experience modification changes or plan
34 changes
 - 35 • Look at option 1 and change actuarial assumptions/make plan changes
 - 36 • Look at option 2 and change actuarial assumptions/make plan changes
 - 37 • Look at option 3 and change actuarial assumptions/make plan changes
- 38 5. Do nothing

39
40 A Summary of the Report is attached.
41

1 **It was the consensus of the Commission to direct staff to come back with some**
2 **kind of hybrid or modification plan; City Manager and Finance Director to fine**
3 **tune options; look at other cities with higher multipliers and see what they are**
4 **doing; and provide pension information attachments with next agenda packet.**

5
6 Commissioner Lucarelli left the meeting at this time.

7
8 C. Annexation Overview

9
10 Tom Tomerlin, Economic Development Manager, gave a PowerPoint presentation on
11 annexation (copy attached).

12
13 Ms. Reischmann distributed information on annexation (copy attached).

14
15 **It was the consensus of the Commission to leave options open.**

16
17 D. Vision for parcel at Lake Mary Boulevard and Longwood Lake Mary Road

18
19 Mr. Noto showed an aerial of the Griffin property on the overhead. Types of potential
20 development were discussed. Mr. Noto stated staff was using the PUD concept in order
21 to have better control of what goes on the property.

22
23 **It was the consensus of the Commission to direct staff to present the PUD**
24 **concept to those coming forward to develop the property at Lake Mary Boulevard**
25 **and Longwood/Lake Mary Road and to emphasize it must be high end, quality**
26 **development.**

27
28 Regarding golf courses, currently the golf course in Timacuan has a Future Land Use of
29 Recreation. Additionally, Timacuan is a DRI and PUD with set entitlements and any
30 adjustment would require modification to the DRI, PUD, as well as a Future Land Use
31 Amendment. In turn, numerous public hearings would be required.

32
33 Section 91.75 of the Code of Ordinances deals with property maintenance. Staff is
34 currently monitoring Seminole County's recent code change regarding grass height, as
35 well as Orange County, which is looking into similar maintenance issues.

36
37 Staff was directed to look into improvements on Crystal Lake Avenue to the railroad
38 tracks. Mr. Paster noted they would be adding more lighting.

39
40 Staff was directed to look at the possibility of purchasing the property at the end of
41 Lakeview Avenue by the Fire Department.

42
43 Reduction of Code Enforcement liens was discussed. The applicant must show how
44 much they have in the mortgage and provide financial hardship. This information is to
45 be placed in the commission packets.

1 **It was the consensus of the Commission to cancel the March 5, 2015, City**
2 **Commission meeting.**

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4 There being no further business, the meeting adjourned at 4:55 P.M.
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9 _____
10 David J. Mealor, Mayor

_____ Mary Campbell, Deputy City Clerk

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12
13 ATTEST:

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17 _____
18 Carol A. Foster, City Clerk