

**MINUTES OF THE MEETING OF COMMITTEE #2
OF THE BOARD OF TRUSTEES
OF THE
TAMPA FIREFIGHTERS & POLICE OFFICERS PENSION BOARD
3001 North Boulevard
Tampa, FL 33603 (813) 274-8550
Tuesday, March 20, 2007 1:00 p.m.**

Committee #2 of the Board of Trustees of the City Pension Fund for Firefighters and Police Officers in the City of Tampa met in the Pension Office Conference Room on Tuesday, March 20, 2007 at 1:00 p.m. regarding brainstorming potential pension benefit enhancements and potential pension contract rewrite between Committee #2 and the fire and police unions, with the following members present:

Tracy Walker, Chair
Patrick Lynch – participated telephonically
Sharon Fox

Also in attendance were Mr. Mark Lenker, CPA, Mr. Ron Cohen, General Board Counsel, who participated telephonically, Mr. Larry Parker, President of IAFF Local 754, and Mr. Kevin Durkin, President of the West Central Florida PBA.

Mr. Walker advised that one pension benefit enhancement that he would like to see for the members would be establishing a fixed rate alternative to the DROP so that members could elect a fixed rate of return instead of the market return to protect them from a downturn in the market, if they so choose. Ms. Campbell noted that this addition would require a plan change, including collective bargaining and agreement between the city and unions, ratification vote of the union membership, an actuarial impact statement, submitting a local bill to the local delegation, and enactment of legislation in Tallahassee. Mr. Cohen concurred that a plan change would be required. Mr. Lenker related the historical evolution of this plan's DROP in 1997 and 1998, which included involvement of the unions, pension board and board professionals, and the primary purpose was to keep the DROP cost neutral and simple—hence once per year statements and distributions, fund return, and DROP administrative fee. Mr. Walker advised that he is under the impression that so long as a fixed rate, if offered on the DROP, was below the actuarially assumed rate of return of the fund that there would be no cost to the fund. Mr. Lenker discussed the potential of moving DROP funds to Government Insured Contracts (GICs) for stability and a fixed rate of return rather than leaving the DROP funds invested in the total fund pool of assets. Mr. Lenker recommended that if a fixed rate were added to the DROP, that the opportunity to make that election be offered only once per year in October, effective October 1 prospectively, with which Ms. Campbell and Mr. Cohen concurred. Ms. Fox suggested that a DROP participant elect either the fund return or a fixed rate at DROP entry, which would be irrevocable. Ms. Campbell related her perception of the issue—at the beginning of the DROP participation period, a member may prefer the fund return as the DROP balance is relatively low and growing; however in the last one or two years of DROP, a member may wish to switch to a fixed return to protect the accumulated DROP balance rather than face potential losses while the balance is at its highest.

Mr. Walker asked the two union presidents if a fixed rate option for the DROP would be something that they would consider bargaining for the members, and both advised that they would consider it; however, Mr. Durkin advised that further discussion would be premature at this time.

Mr. Durkin asked if the fund surplus could be paid as a supplement to retirees. Ms. Campbell explained that the fund surplus is an actuarial calculation and concept, noting that the funded status varies from year

to year (generally between 80-120% funded being considered a good funded status) depending upon investment performance, and all other sources of actuarial gains and losses, not necessarily hard dollars sitting in an account doing nothing. Ms. Campbell recommended that if the unions are considering a supplement for retirees, that they consider a longevity-type or seniority-type based supplement such as \$10 per month for each full year of credited service that could be used as the member saw fit, similar to the health insurance subsidy (HIS) offered by FRS, noting that contributions are extremely low right now at 2.05% of pay. Ms. Campbell recommended against labeling such a benefit “health insurance” due to the recent accounting change called OPEB (other post-employment benefits) which requires advanced funding, noting that Trish Shoemaker also recommends against a “health insurance” label.

Mr. Lynch asked if the PRAA could be used to pay for retiree health insurance, or a loan taken from the PRAA to act as seed money for a health insurance fund. Mr. Cohen, Mr. Lenker and Ms. Campbell advised that the PRAA could not be used in that manner. Mr. Cohen advised that there are substantial legal concerns and strongly recommended against any further consideration or discussion of using the PRAA in this manner. Mr. Cohen advised that there are numerous methods by which to provide health insurance benefits and tax savings, such as HSAs (health savings accounts), FSAs (flexible spending accounts), and VEBAs (voluntary employee benefit associations). Mr. Cohen noted that HSAs could be self-funded with mustering out pay, and advised that he likes Ms. Campbell’s idea of providing a fixed monthly amount, which could be guaranteed by being backed with employee and employer contributions. Ms. Campbell suggested consideration of an ad hoc COLA (one-time) across the board.

Mr. Walker advised that he would not be opposed to restructuring the 13th check again so that it is backed with contributions and could be more consistently paid instead of relying on market returns to help retirees with health insurance. Mr. Walker asked what the impact of lowering the actuarially assumed rate of return from 10% to 8% would be and lowering the threshold for the 13th check to 8%, and Mr. Lenker advised that the assumed rate of return is a long term assumption and would require substantial structural change of the fund to do so. Ms. Campbell reminded the group that the actuary had done a 20 year asset/liability modeling study within the past two years, part of which was looking at combining the fund and adopting an 8% assumed rate of return, which the study showed was likely not feasible in the near future. Ms. Campbell also reminded the group of the relationship between the assumed rate of return and contribution rates—if the assumed rate of return is lowered, contributions increase.

There was discussion regarding rewriting the pension contract in plain, easily understandable language that a layperson could understand and to resolve ambiguities and circular references. When asked if the unions would support such an endeavor, Mr. Durkin advised that they would be supportive but would not be willing to pay for it, and Mr. Parker concurred. Ms. Fox advised that she didn’t believe that it should be the board’s responsibility to pay for it either.

The meeting was adjourned at 2:30 p.m.

Notice

Any person who desires to appeal any decision of the Board of Trustees with respect to any matter considered at this Board meeting will need a record of the proceedings and for this purpose, may need to ensure that a verbatim record of the proceedings is made which includes testimony and evidence upon which the appeal is based.