

GINA A. JENNINGS, MBA, MPA
FINANCE DIRECTOR

(302) 855-7741 T
(302) 855-7749 F
gjennings@sussexcountyde.gov



Sussex County

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PENSION FUND COMMITTEE

Minutes of Meeting

October 13, 2016

The Sussex County Pension Fund Committee held a meeting on October 13, 2016, at 10:00 a.m. in the County Council Chambers, Georgetown, Delaware. Those in attendance included members: Gina Jennings, Karen Brewington, David Baker, and Kathleen Ryan. J. Everett Moore, Jr., the County's Attorney, was also in attendance. Committee members Todd Lawson, Kathy Roth, and Hugh Leahy were unable to attend.

The Public Hearing Notice for today's meeting was advertised in the Delaware State News and News Journal on Thursday, September 29, 2016; the Agenda was posted on September 16, 2016 in the County's locked bulletin board, which is located in the lobby of the County's Administrative Office Building. Committee members were presented with today's agenda, as well as a copy of the draft Ordinance.

Mr. Moore explained that today's meeting would include two separate Committee meetings, the Sussex County Personnel Board Advisory Committee and the Sussex County Pension Fund Committee (formally known as the Advisory Retirement Board); each meeting would be called to order separately. The Personnel Board Advisory Committee meeting would be called to order first, approve their agenda, and have the election of a chair. At that point, the Sussex County Pension Fund Committee meeting will be called to order and approve their agenda. Mr. Moore noted that a Public Hearing would then be held ("AN ORDINANCE TO AMEND CHAPTER 26 OF THE CODE OF SUSSEX COUNTY REVISING COMPUTATION OF PENSION BENEFITS FOR SUSSEX COUNTY EMPLOYEES"), which would include a presentation by Ms. Jennings to both Committees. Each Committee would make and vote on all motions separately, as well as adjourn individually. (Note: meeting minutes for each Committee will also be prepared separately)

Ms. Jennings called to order the meeting of the Pension Fund Committee.

A Motion was made by Ms. Ryan, seconded by Ms. Brewington, to approve the agenda as presented. Motion Adopted by Voice Vote.

A Joint Public Hearing was held on "AN ORDINANCE TO AMEND CHAPTER 26 OF THE CODE OF SUSSEX COUNTY REVISING COMPUTATION OF PENSION BENEFITS FOR SUSSEX COUNTY EMPLOYEES."

Ms. Jennings presented the following PowerPoint presentation, which reviewed the proposed pension calculation changes:

Steps:

1. Draft Ordinance has been prepared and shared with the Pension Committee



2. Intent of changes and draft ordinance has been shared with County Council
3. Email sent to all employees about the process with a copy of the ordinance
4. Public Hearing process with the Personnel Board and Pension Committee will be held on October 13 at 10:00 a.m.
5. Boards will make recommendation to County Administrator
6. Draft Ordinance will go to County Council for their consideration through a public hearing process before the proposed effective date of January 1, 2017

Proposed Changes

Change the annual salary calculation from 40 hours to 41 hours for 12-hour employees

- 12-hour employees work an average of 42 hours by working weeks with 4 days on/4 days off
- Hourly rate stays the same
 - \$19/hr. used to equate to \$39,520
 - \$19/hr. would now equate to \$41,496
- This does not affect annual pay in the budget; it effects
 - Pension calculation
 - Moves salary closer to maximum through pay range

Adds 5 additional years for the calculation of pension for employees whose hire date is after July 1, 2000

- Currently pension is capped at 25 years for 12-hour employees
- Currently pension is capped at 30 years for all other employees hired after July 1, 2000
- Employees will have an incentive to work longer
- By delaying the retirement, the County holds off paying for a new employee while also paying a new pension

40 to 42 HOURS

Cost of Annual Salary Based on 42 Hours (Instead of 40 Hours)		
	Baseline	Plan Change - 42 Hours
Expected Actuarial Liability at July 1, 2016	\$ 93,917,000	\$ 93,917,000
Change in Actuarial Liability (Due to Plan Change)	0	772,000
New Actuarial Liability at July 1, 2016	\$ 93,917,000	\$ 94,689,000
Unfunded Actuarial Liability	\$ 14,607,000	\$ 15,379,000
Funded Ratio (%)	84.4%	83.8%
Employer Contribution Estimate for FY 2017		
Employer Normal Cost	\$ 1,780,000	\$ 1,809,000
Amortization Payment	1,364,000	1,436,000
Administrative Expenses	85,000	85,000
Total Contribution	\$ 3,229,000	\$ 3,330,000
Estimated Increase in Contribution		\$ 101,000

If the proposed changes are approved, the pension fund ratio would be 83.3 percent, instead of 84.4 percent, due to a new liability of \$772,000. This liability would equate to an increased contribution of \$101,000.

**25 TO 30
YEARS**

	Cost of Benefit up to 30 Years of Service (Instead of 25 Years)			
	Baseline	Plan Change - 30 Years of Service		
		100% Retirement	50% Retirement	25% Retirement
Expected Actuarial Liability at July 1, 2016	\$ 93,917,000	\$ 93,917,000	\$ 93,917,000	\$ 93,917,000
Change in Actuarial Liability (Due to Plan Change)	0	266,000	(54,000)	(253,000)
New Actuarial Liability at July 1, 2016	\$ 93,917,000	\$ 94,183,000	\$ 93,863,000	\$ 93,664,000
Unfunded Actuarial Liability	\$ 14,607,000	\$ 14,873,000	\$ 14,553,000	\$ 14,354,000
Funded Ratio (%)	84.4%	84.2%	84.5%	84.7%
Employer Contribution Estimate for FY 2017				
Employer Normal Cost	\$ 1,780,000	\$ 1,801,000	\$ 1,798,000	\$ 1,792,000
Amortization Payment	1,364,000	1,389,000	1,359,000	1,341,000
Administrative Expenses	85,000	85,000	85,000	85,000
Total Contribution	\$ 3,229,000	\$ 3,275,000	\$ 3,242,000	\$ 3,218,000
Estimated Increase in Contribution		\$ 46,000	\$ 13,000	\$ (11,000)

Ms. Jennings explained that the proposed changes for 12-hour employees would, most likely, be cost neutral; the actuary is recommending an increased annual contribution of \$13,000.

Ms. Jennings also reviewed some Frequently Asked Questions.

Mr. Baker presented a question regarding § 26-7, A., “For those covered employees who retire after December 31, 2016, the number of years of covered employment factored into the calculations of benefits, will be a maximum of 30 or 35 in determining benefits”. More specifically, he stated that there were employees who started prior to July 1, 2000 that are not currently subject to a cap; he wanted to make sure those employees would not be subject to a cap of 30 or 35 years. Ms. Jennings noted that this was not the intent and clarification can be added that employees hired prior to July 1, 2000 are not capped at 30 or 35 years of service. Mr. Moore explained that this clarification/recommendation would be added at the time a motion is made.

No one in attendance made public comment.

The Public Hearing was closed.

A Motion was made by Mr. Baker, seconded by Ms. Brewington, that the Pension Committee recommends that the County Administrator recommend to the County Council to adopt the ‘ORDINANCE TO AMEND CHAPTER 26 OF THE CODE OF SUSSEX COUNTY REVISING COMPUTATION OF PENSION BENEFITS FOR SUSSEX COUNTY EMPLOYEES’, which changes the annual salary calculation from 40 to 42 hours for 12-hour employees and extends the service cap 5 years for all employees hired after July 1, 2000 to be effective January 1, 2017, subject to legal review to verify that the cap does not apply to County employees hired prior to July 1, 2000.

Motion Adopted: 4 Yeas.

Vote by Roll Call: Mr. Baker, Yea; Ms. Ryan, Yea; Ms. Brewington, Yea;
Ms. Jennings, Yea

At 10:23 a.m., a Motion was made by Ms. Brewington, seconded by Ms. Ryan, to adjourn the meeting of the Pension Fund Committee. Motion Adopted by Voice Vote.

Respectfully submitted,

Nancy J. Cordrey
Administrative Secretary