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CATEGORY OF RECORD: MINUTES

CITY DEPARTMENT: ADMINISTRATIVE SERVICES

YEAR: 1985

M E M O R A N D U M

DATE: December 26, 1985
TO: Mark Achen, City Manager
FROM: Claudia Hazelhurst, Personnel Director
SUBJECT: Follow-up to November 21, 1985 Fire Pension Board Meeting

At the November 21, 1985 Fire Pension Board meeting, several concerns were expressed by Board members present relative to alleged promises which were made to them over the course of the past several years.

In response to their concern relative to contribution rates to the old fire pension plan, from 1970 to 1972, employee contributions were at 5.2%. 1973 through 1977 required an employee contribution of 5.85%. In 1978, employee contributions were raised to 6%. With the installation of the new pension plan, and the requirement to adopt a formal funding vehicle for the old pension plan, "old plan" participants contributed 8% toward their pension plan in 1979 and 10% in 1980.

Following is a recap of events which transpired during the 1978 to 1979 period as reflected in pension board minutes.

09/29/78...."John Tasker introduced the actuarial information which had been compiled by A.S. Hansen...John explained the increased funding from the City, employees and State which would be necessary to bring the fire pension fund up to an actuarial sound level. He proposed a recommendation that employees' contribution be raised to 8% with the City's contribution being raised to 50.647% of payroll. The Fire Dept. members of the Board were instructed to take this information to the Fire Dept. personnel for feedback and subsequent approval. John stated that within two years, employee contributions are recommended to be raised to a 10% level."

10/11/78...."John Tasker moved to accept the proposal of increasing the employee contribution into the fire pension fund to 8% in 1979 and to 10% in 1980, subject to change if state law so requires. The motion was seconded by Mike Petersen and carried unanimously."

10/30/78...."John Tasker distributed a memo to the Fire Pension Board which informed the members that City Council had decided to take the 'hardship route' until such time as the formal State contribution rate had been established."

12/20/78...."Mike Petersen expressed concern over the fact that the Council authorized Fire Department employees to contribute 8% of their salary while the City opted to take the 'hardship route'. He stated that he thought the Fire Pension Board members agreed to contribute 8% based on a false assumption that the City would also contribute maximum dollars."

I spoke with John Tasker on 12/18/85, concerning the history of contributions and "promises" relative to the fire pension. John indicated that contributions

for 1979 could have gone to 6% but that as he recalls, it was recommended to make up half of the maximum contribution or set contributions at 8%. Tasker recalls telling the Fire Pension Board that it was in their best interest to contribute maximum dollars in order to address the unfunded liability problem as expeditiously as possible. It is his recollection that the firefighters on the Pension Board knew that the Council would be opting for "hardship" given the financial impact of doing otherwise. I find no other mention of the Council's intention to use the hardship clause in any of the Board minutes.

Pension Board members also expressed concern over a guarantee which they believe they were given relative to rank escalation. They stated they were told that if they contributed 10% toward their pension that the escalator would be guaranteed. I can't find any reference in the Pension Board minutes to substantiate this claim.

Pension Board members also said their participation in the supplemental retirement plan was solicited at the time of its installation and that, when their contributions were raised to the 8% level in 1979, the City's contribution toward their supplemental retirement was reduced. I can find no mention of the Fire Department's participation in supplemental retirement being solicited. However, with regard to a reduction in the City's contribution toward supplemental retirement, this did occur in 1979. According to Fire Pension Board minutes, the following was found.

09/29/78...."Gary Tharp questioned whether the Fire Department supplemental retirement contributions being made by the City would be reduced in order to meet the increase in City funding on the pension fund. John stated that this is presently not being considered but does remain an option of the Council.

12/20/78...."John Tasker introduced a memo which clarified one which he had previously distributed. The most recent memo stated that, for Fire Pension participants, the City would contribute a total of 1.3% for the initial 3% of employee contribution and that any employee contributions beyond the required 3% would not be matched in part or in full by the City."

I spoke with Don Mazanec concerning your inquiry relative to reducing employee contributions toward fire pension. Mazanec stated that, after speaking with the FPPA attorney, reduction in employee contributions can occur however the employer must pick up any reduction in employee contribution in order that the total contribution remain the same. Finally, Fire Pension Plan members were of the opinion that the City of Grand Junction was the only municipality requiring 10% contribution by their employees. Don Mazanec has researched this matter and reports that Colorado Springs also contributes the 10%.

Should you require further information concerning any of these issues, please let me know.

CH:dd
file/fr/pen