SUN ‘N LAKE OF SEBRING IMPROVEMENT DISTRICT
BOARD OF SUPERVISORS
RETIREMENT MEETING COMMITTEE
Tuesday, April 30, 2019
MINUTES

The Retirement Committee meeting of the Board of Supervisors of Sun ‘n Lake of Sebring Improvement District was held Tuesday, April 30, 2019, at the Community Center, 3500 Edgewater Drive, Sebring, FL 33872.

The meeting was called to order at 10:00 a.m. by Omar DeJesus, Finance Director.

SUPERVISORS PRESENT
Mr. William Stegall, Vice-President

The General Manager, Tanya Cannady; Board Secretary, Chrissy Hardman; Finance Director, Omar DeJesus and Lead Operator, Robert Dingle were present, there were approximately 4 people in attendance.

1. Call to order
2. Discussion/Presentation-Omar Dejesus, CPA, Finance Director
    a. Fiduciary Responsibility-Morningstar
    b. New 401a/457 Plan Documents Review
        I. Employee Participation (Mandatory vs. Voluntary)
        II. Employer & Employee Contribution Rates
        III. Vesting Schedule
        IV. Loans Allowed
    c. Plan Fees

    Mr. DeJesus began his presentation with an introduction summarizing the fiduciary responsibility of the District over employee retirement funds.

He explained how Morningstar is considered a co-fiduciary assistance program which will provide quarterly, as well as annual reports and investment recommendations to which operations can either accept (or decline). He asked if there were questions regarding how the program functions, then read verbatim, “Section 5: Morningstar Investment Management decides a fund should be removed from the select list, if a fund is put on the watch list, you will be notified via the quarterly reports. If Morningstar Investment Management decides a fund should be removed from the select list, you will be notified if your plan’s investment menu is impacted. Morningstar Investment Management will provide a recommended replacement fund. The removed fund will be replaced with the recommended replacement fund within a specified period unless you choose another option from the select list”. Mr. DeJesus explained how District employees that are affected will be kept “up to date” and Morningstar will present recommendations via reports and notifications by mail if a fund is “impacted”. They designed this program to function so it is more informative to which Supervisor Stegall said they will do what is necessary (unless representatives are told otherwise) by the employee which he felt is a “good thing”. Mr. DeJesus concurred, elaborating how it will ease some responsibility from the District (concerning changes and monitoring). He asserted that this has been one of the “main objectives” relating to this transition. Mr. DeJesus continued, stating the second exhibit is the formal plan documentation from Nationwide, in which he highlighted specific changes that differed from the current retirement plan. He referenced the committee’s previous discussions concerning employee participation and turned to page four, announcing item 13, “Conditions of Eligibility”. He explained how an employee becomes eligible for retirement 60 days after the employment start date. Employees are also eligible for health insurance and all other benefits.

When that time comes they will give employees the same information to get them signed up to which Ms. Cannady noted with ICMA, it is immediate upon an employee being hired. Mr. DeJesus clarified how an employee is (at present) required to choose options within the first 60 days of their employment, or else they cannot sign up for the plan at all. Mr. Dingle asked for how long, (the following year) to which Mr. DeJesus replied indefinitely. He inquired how it will apply with the new plan to which he answered after 60 days. Mr. Dingle asked if that meant anytime thereafter to which Mr. DeJesus affirmed, adding implementing a bi-annual process will come up for discussion, i.e. open enrollment schedules. Supervisor Stegall agreed that “open enrollment” is the best time to sign up because it is inefficient to have someone responsible for meeting with employees each day to which Mr. Dingle concurred. Mr. DeJesus said it is possible that it will come up every so often; however, open enrollments will offer a chance to address questions and concerns in greater detail. Mr. DeJesus referenced employee participation, stating that based on the discussion which took place in previous committee meetings it was agreed that a mandatory participation would not be the best option, an incentive may be more appropriate via a match (double) on the 1st percentage (i.e. 1% will be matched by 2%). He called out page 10 which offered a scale for the matching percentages, the maximum match 5%. Mr. Dingle asked if the example on page 6 applied to which Mr. DeJesus responded the chart presented the “vesting schedule” that will remain as-is. Supervisor Stegall remarked how it is a “lucrative” vesting schedule to which Ms. Cannady concurred. Mr. DeJesus mentioned in earlier days of the District, there was a 25% vesting schedule to which Ms. Cannady clarified it was 20%. Supervisor Stegall mentioned in previous committee meetings the vestment schedule was a consideration and the District’s is especially beneficial for employees to which Mr. DeJesus agreed. He referenced how those considerations centered on the idea of encouraging long-term employment.

Supervisor Stegall concurred, adding management does not want to make a decision that gives employees a “negative perception” by taking away a benefit. Mr. DeJesus moved onto the financial impact of these changes presenting “Exhibit C”, a financial snapshot. The current budget for District contributions is $63,000. If the operation were to mirror the Financial Reporting Standard that would increase from $63,000 to $143,000 (the standard is 8.26%). The proposal is to do a 6% match, a $10,000 increase on the District’s behalf. The reasoning for this recommendation is because of the board’s approval to switch from MetLife to Florida Blue and remove short-term disability, saving the District $12,000. Operation’s counsel is to implement a greater match for employees on their retirement benefits to give back what they lost with short-term disability. He continued that a benefit for employees to work with the county or any other local government entity is an annual cost-of-living adjustment. He recommended moving forward with having the committee meet each year to consider cost-of-living adjustments. Supervisor Stegall asked for a clarification on the decision to remove short-term disability to which Mr. DeJesus explained how the short-term disability was not a sufficient benefit; therefore, the “sick time policy” was revised from a 400 hour accrual to a 960 (maximum). This in essence covers the amount for short term disability which provides the employee their full pay (rather than only 60%). The District’s policy also permits the transfer of hours from one employee to another should both parties agree to which Ms. Cannady said she has only known a single individual to use short term disability in 8 years. Mr. DeJesus elaborated there was an employee who went on short term disability, and another who decided not to use it because there was available sick time. The final item for consideration was on page 15, loans. At present they permit an employee to take out 5 loans up to 50% of the balance. The proposal is to allow 1 loan up to 50% with refinancing options.

For example, if an employee has a $40,000 balance, and they want to take a $10,000 loan they can. If after a year the same employee needs another $3,000, then the loan can be refinanced to $13,000 to make it a single loan (under the 50% threshold). This means there will only be 1 draft to Nationwide rather than multiple ACH transactions. Accounting wise, it is easier to keep track of to which Mr. Dingle asked how they will address existing loans during the transfer. Mr. DeJesus replied the representative from Nationwide advised that they will transfer the loan and keep the original terms and conditions set by ICMA. Ms. Cannady asked if an employee has three loans and they transfer to Nationwide, will they be merged into one loan to which Mr. DeJesus said that is not the case. The loans will continue as if they never transferred at all with the difference being Nationwide as the recipient. He added until the loans are “cleared out” from ICMA it will be a process to which Mr. Dingle replied but the loan itself will not change. Mr. DeJesus concurred to which Mr. Dingle noted he received notice that by the end of 2019 his existing loan will be paid off. He asked for reassurance that the loan will not increase once the transfer takes place to which Mr. DeJesus affirmed. Mr. Dingle asked if it is possible to pay off a loan with the balance during the transfer to which Supervisor Stegall replied that would cause taxation ramifications. They would not recommend it to which Ms. Cannady concurred, adding there are penalties because they would consider it a withdrawal. Mr. DeJesus said prior to submitting the committee’s recommendations to the board for approval there may need to be a “workshop”; or an opportunity for employees to receive answers to their questions. Mr. Dingle asked how often they can adjust a portfolio to which Mr. DeJesus replied with the “basic service” an employee will have complete flexibility to adjust the lineup, or opt in to the managed service which he estimated to be an extra, “.65 basis points”. Mr. Dingle asked if there is accessibility to which Mr. DeJesus confirmed there will be a better line of communication.

Ms. Cannady added there will be online access to which Mr. DeJesus reassured him an employee would be able to meet with a representative who is scheduled to come to the District quarterly. Mr. DeJesus reviewed the plan fees, “Exhibit D” which delineated the change from ICMA to Nationwide. The fees with ICMA on average are 1.43%, the plan costs an estimated $8,900 in fees (annually). Nationwide in contrast will be at .84% dropping the fees paid to $5,500. This represents fees paid by each participant from their account balance. For example, an employee with a $40,000 account balance would pay $536 in fees a year with ICMA; however, with Nationwide they only pay $332. He reviewed different benefits as mentioned in working with Nationwide and the adjustments between the two institutions to which Supervisor Stegall said he saw no “downside”. Mr. DeJesus agreed to which Ms. Cannady asked when it will be brought to the board. He replied May 24th and recommended emailing staff to address questions and/or concerns. If the board approves the change, they will send a 60 day notice to ICMA to end the plan and Nationwide will begin the transition via an on-site representative. Supervisor Stegall said the only possible downside is if an employee were to have 3 loans at a fixed rate, then by consolidating a loan to 1 they may inadvertently raise that rate. Mr. DeJesus agreed to work with employees to clarify any concerns they may have before the change.

With no further committee or public comment, the Retirement Committee meeting was adjourned.

The meeting was adjourned at 10:21 a.m.