

**CITY OF THORNTON
CITY MANAGER'S OFFICE**

A G E N D A
Council Update
<https://thorntonco.zoom.us/j/92225207644>
December 15, 2020
5:45 p.m.

- I. CALL TO ORDER AND REVIEW OF UPDATE AGENDA**

- II. REVIEW OF THE FORMAL COUNCIL MEETING AGENDA**

- III. BRIEFINGS**
 - A. COVID-19 Update (Estimated 15 Minutes)

 - B. Firefighters' Old Hire Pension Board Recommendation to Amend the Monthly Retirement Benefit to Retired Members and Beneficiaries (Estimated 15 Minutes)

**Council Update
Agenda Summary
December 15, 2020**

BRIEFINGS:

A. COVID-19 Update

Staff will provide City Council with updates on the COVID-19 pandemic.

B. Firefighters' Old Hire Pension Board Recommendation to Amend the Monthly Retirement Benefit to Retired Members and Beneficiaries

- Kim Newhart, Finance Director

This item is a follow-up to the Firefighters' Old Hire Pension Board (Board) recommendation to provide an ad hoc cost-of-living adjustment (COLA) of \$150 per month, per beneficiary, effective January 1, 2021. As required by State Statute, the Board conducted a vote of the beneficiaries and more than 65% approved the proposed increase. State Statute requires Council to pass a resolution approving the proposed adjustment to the benefit and the resolution must identify the cost of the benefit, who is going to pay for the benefit, and the results of the member election. In addition, the Fire and Police Pension Association (FPPA) requires an opinion by the City Attorney as to whether the Taxpayer Bill of Rights (TABOR) amendment applies to the City's adoption of the Firefighter's Old Hire Pension Plan (Plan) amendment to increase the benefit, and if it does, whether the City's amendment requirements have been established.

Council requested additional information be brought back regarding various alternatives, the budget impact of each alternative, and TABOR implications related to funding the alternatives.

The January 1, 2020 actuarial presented three proposed amendments: a \$100 per month, per beneficiary; a \$150 per month, per beneficiary; and a two percent increase per month, per beneficiary. If Council would like to explore amounts different than those presented a new actuarial will need to be completed before an amendment can be approved.

Each option listed in the actuarial considers two funding alternatives, 1) funding requiring a one-time upfront payment or 2) funding annually by increasing the existing Annual Required Contribution (ARC). This approach likely constitutes a multiple-fiscal year financial obligation, which is prohibited by TABOR unless approved by the voters. Therefore, if Council would like to fund one of these options annually then they will first need to receive voter approval.

COUNCIL UPDATE COMMUNICATION

Meeting Date: December 15, 2020	Agenda Item: A	Agenda Location: N/A	Goal(s):	Legal Review: N/A	<input type="checkbox"/> 1 st Reading <input type="checkbox"/> 2 nd Reading
Subject: COVID-19 Update					
Recommended by: Kevin S. Woods <i>KW</i> Approved by: Kevin S. Woods <i>KW</i>					Ordinance previously introduced by: _____
Presenter(s): Kevin Woods, City Manager					

SYNOPSIS:

Staff will provide City Council with updates on the COVID-19 pandemic.

RECOMMENDATION:

This item is for informational purposes only.

BUDGET/STAFF IMPLICATIONS:

None.

ALTERNATIVES:

This item is for informational purposes only.

BACKGROUND (ANALYSIS/NEXT STEPS/HISTORY): (includes previous City Council action)

Incident Overview

- Case & Hospital Data
- State Vaccine Update

COUNCIL UPDATE COMMUNICATION

Meeting Date: December 15, 2020	Agenda Item: B	Agenda Location: N/A	Goal(s):	Legal Review: N/A	<input type="checkbox"/> 1 st Reading <input type="checkbox"/> 2 nd Reading
Subject: Firefighters' Old Hire Pension Board Recommendation to Amend the Monthly Retirement Benefit to Retired Members and Beneficiaries					
Recommended by: Kim Newhart <i>KN</i>				Approved by: Kevin S. Woods <i>KW</i>	
Presenter(s): Kim Newhart, Finance Director					Ordinance previously introduced by: _____

SYNOPSIS:

This item is a follow-up to the Firefighters' Old Hire Pension Board (Board) recommendation to provide an ad hoc cost-of-living adjustment (COLA) of \$150 per month, per beneficiary, effective January 1, 2021. As required by State Statute, the Board conducted a vote of the beneficiaries and more than 65% approved the proposed increase. State Statute requires Council to pass a resolution approving the proposed adjustment to the benefit and the resolution must identify the cost of the benefit, who is going to pay for the benefit, and the results of the member election. In addition, the Fire and Police Pension Association (FPPA) requires an opinion by the City Attorney as to whether the Taxpayer Bill of Rights (TABOR) amendment applies to the City's adoption of the Firefighter's Old Hire Pension Plan (Plan) amendment to increase the benefit, and if it does, whether the City's amendment requirements have been established.

Council requested additional information be brought back regarding various alternatives, the budget impact of each alternative, and TABOR implications related to funding the alternatives.

The January 1, 2020 actuarial presented three proposed amendments: a \$100 per month, per beneficiary; a \$150 per month, per beneficiary; and a two percent increase per month, per beneficiary. If Council would like to explore amounts different than those presented, a new actuarial will need to be completed before an amendment can be approved.

Each option listed in the actuarial considers two funding alternatives, 1) funding requiring a one-time upfront payment or 2) funding annually by increasing the existing Annual Required Contribution (ARC). This approach likely constitutes a multiple-fiscal year financial obligation, which is prohibited by TABOR unless approved by the voters. Therefore, if Council would like to fund one of these options annually then they will first need to receive voter approval.

RECOMMENDATION:

Staff recommends Alternative No. 1, approve an amendment to the Plan that would use the unappropriated fund balance to fund a future one-time cash payment, effective January 1, 2021, for one of the following options:

- \$100 per month, per beneficiary, requires a one-time payment of \$225,280
- \$150 per month, per beneficiary, requires a one-time payment of \$337,920
- Two percent increase per month, per beneficiary, requires a one-time payment of \$1,455,284

Should Council approve an increase, staff recommends that either Option 1 or 2 be selected as Option 3 is not affordable.

BUDGET/STAFF IMPLICATIONS:

Alternative 1 – One-time cash payment (2021 Budget Implication – not currently budgeted and would come from the unappropriated fund balance):

- Option 1: \$100 per month, per beneficiary, requires a one-time payment of \$225,280
- Option 2: \$150 per month, per beneficiary, requires a one-time payment of \$337,920
- Option 3: Two percent increase per month, per beneficiary, requires one-time payment of \$1,455,284

Alternative 2 – Annual increase in the City's ARC towards the unfunded liability (currently 54% funded) plus the cost to conduct an election to approve this multi-year obligation:

- Option 1: \$100 per month, per beneficiary, increase annual ARC \$23,365
- Option 2: \$150 per month, per beneficiary, increase annual ARC \$35,047
- Option 3: Two percent increase per month, per beneficiary, increase annual ARC \$75,246

ALTERNATIVES:

1. Approve an amendment to the Plan that would use the unappropriated fund balance to fund a future one-time cash payment, effective January 1, 2021, for one of the following options:
 - Option 1: \$100 per month, per beneficiary, requires a one-time payment \$225,280
 - Option 2: \$150 per month, per beneficiary, requires a one-time payment \$337,920
 - Option 3: Two percent increase per month, per beneficiary, requires one-time payment \$1,455,284
2. Approve an amendment to the plan to fund one of the following options after receiving voter approval of a multi-fiscal year financial obligation to fund the benefit over time:
 - Option 1: \$100 per month, per beneficiary, increase of \$23,365 in the current annual ARC (\$359,717 to \$383,082)
 - Option 2: \$150 per month, per beneficiary, increase of \$35,047 in the current annual ARC (\$359,717 to \$394,764)
 - Option 3: Two percent increase per month, per beneficiary, increase of \$75,246 in the current annual ARC (\$359,717 to \$434,963)
3. Do not approve an amendment to fund an increase to the Plan, at this time.

BACKGROUND (ANALYSIS/NEXT STEPS/HISTORY): (includes previous City Council action)

The Plan includes 16 retirees, three beneficiaries, and one disabled member. This defined benefit plan has been closed to new members since May 1978. The Plan is governed by State Statutes and has six Board Members: the Mayor, Finance Director, a citizen appointee – Anthony Unrein, and three retirees. Anthony Unrein was re-appointed to the Board in March 2018 for a four-year term.

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The Plan was not structured to support COLA; however, ad-hoc COLA may be granted if approved by Council. In December 2008, Council approved a \$59.72 COLA per month, per member, increase in their benefits effective January 1, 2008. The Plan was 110% funded on January 1, 2008. The funded ratio has continued to decline since then and as of 2020 is currently at 53.8% with an unfunded liability of \$3,461,330.

In November 2016, Council approved an amendment to the retirement benefit for Plan members who retired before March 2001 to increase their benefit to the maximum allowed for years of service/age under the FPPA. This amendment increased the ongoing monthly benefit of six members and the City paid the one-time cost to pay for this increase totaling \$281,477 in 2017.

At the September 3, 2019 Planning Session, Council considered the recommendation of the Board to provide an ad hoc COLA of \$150 per month, per plan member, effective January 1, 2020. Council requested more information and at the September 10, 2019 Council Update decided to postpone implementing a change to the Plan until receipt of the January 1, 2020 Actuarial Report (Report), as had been requested by the FPPA.

The Board, at their August 2020 meeting, voted 6-0 to recommend an ad hoc COLA of \$150 per month, per plan member, effective January 1, 2021. Pursuant to State Statute, the Board conducted a vote of the members regarding the proposed increase and more than 65% of the members voted in support of the increase.

Thornton Old Hire Fire Pension Plan

Purpose

- Provide follow up information on the Firefighters' Old Hire Fire Pension Board request to amend the monthly retirement benefit to retired members and beneficiaries
- Receive Council direction on whether or not to bring back a resolution at the next Council meeting and if so for what amount

Agenda

- Plan History
- Plan Requirements
- Supplemental Cost-of-Living Adjustment (COLA) Study and Budget Impact
- Action needed by Council

History

- The Firefighters' Old Hire Fire Pension Plan (Plan) is a defined benefit pension plan that covers all full-time firefighters hired prior to April 8, 1978.
- Established in accordance with Colorado Law.
- This plan is overseen by a separate Board consisting of the Mayor, Finance Director, a citizen appointee, and three members elected by the participants.
- The assets are managed by the Fire and Police Pension Association of Colorado (FPPA).
- No actively contributing members in the Plan.

FPPA Plan Amendment Requirements – to Adopt a COLA

1. An actuarial study must be performed to determine the cost of the proposed Plan amendment
2. Must be a vote of the active and retired members covered under the Plan and 65% must vote in favor of the proposed amendment. Certification of the number of eligible voters and total yes/no votes must be provided to FPPA.
3. Governing body must pass a resolution approving the proposed amendment setting forth the exact language of the amendment, identifying the cost of the amendment, who is going to pay for the benefit, and the results of the member election.
4. FPPA requires an opinion by the City Attorney as to whether the TABOR amendment applies to the City's adoption of the Plan amendment and, if it does, whether the City's amendment requirements have been satisfied.
5. FPPA Board of Directors must review the information and determine that all statutory prerequisites for plan amendments have been met.

Cost of ad hoc COLA Adjustment

- Funding
 - Ad hoc COLA adjustment would come out of the unappropriated fund balance.
 - Ad hoc COLA adjustment is in addition to the 2021 annual required contribution of \$359,717, approved and included in the 2021 Budget.
- FPPA's January 1, 2020 Actuarial, options for increases
 - Option 1: \$100 per month per beneficiary
 - Fund one-time payment \$225,280
 - Fund annually (voter approval required) \$23,365
 - Option 2: \$150 per month per beneficiary
 - Fund one-time payment \$337,920
 - Fund annually (voter approval required) \$35,047
 - Option 3: Two percent increase per month per beneficiary
 - Fund one-time payment \$1,455,284
 - Fund annually (voter approval required) \$75,246

Action Needed

- Receive Council direction on whether or not to bring back a resolution to approve an amendment to the Plan to increase the monthly benefit
 - If no, no further action is needed
 - If yes, staff recommends City Council approves an amendment to the Plan to increase the monthly benefit by \$100 or \$150 per month effective January 1, 2021, and that the City pay for this by making a one-time payment of \$225,280 or \$337,920, respectively, from the General Fund

Questions