Open Work Session
Collective Bargaining
March 15, 2016

Ms. Michele Ennis, Director of Human Resources, Mr. Kevin Karpinski, Esq. and Mr. Marty Fisher, President of Fraternal Order of Police, came before Council. Mr. Cannon said the last time the Collective Bargaining Agreement was before Council the primary issue was the DROP Program. Mr. Davis asked Ms. Ennis if she was able to research the salary information he requested. Ms. Ennis responded that she has a handout that addresses his question, which shows the average salary of a police officer and how it would work with the DROP Program. Mr. Cannon asked Mr. Davis if that is the information he requested, to which Mr. Davis said he would like to know the salary for the rank of a First Sergeant and how that applies to the DROP program. Ms. Ennis explained that the information in the handout shows the average salary of an officer at the Sheriff's Office. Mr. Davis said the average will not be used when someone retires. Ms. Ennis said that she would provide another example. Mr. Kilmer said last time Mr. Fisher made some comments about how the County should give this program a try and see how it goes, which makes a certain amount of sense. Mr. Kilmer further said this is a five-year contract, so after four years or so, they will know who is in the DROP program and will have a good idea of what their payout will be, what the interest earnings are, and if the County is on the hook for the investments. He said this information should be easy for the Human Resources Department to provide to Council. They have been told that there may only be 5 to 10 people in the DROP Program, but if it turns out to be 30 people, Human Resources should be able to easily let Council know there are 30 people in the program and what their DROP payments will be. He said Council does not necessarily have to know their names. Ms. Ennis said that information would be very easy for her Department to provide to Council. Mr. Dodd asked, in looking at the handout, how much is the County putting into retirement for the example of John Q., if he is making $60,000. Ms. Ennis said based on the last actuary evaluation report, he is putting in 5.625% and the percentage of payroll is approximately 3% or 4% of his annual salary. Mr. Dodd said the example states $30,000 for the annual retirement benefit. Ms. Ennis said that is how much the County is funding towards his retirement. She said right now because of the investment on return, it is less on the employer than what the employee is actually contributing. Mr. Dodd clarified that once an officer goes into the DROP program, the $30,000 goes into his DROP account, to which Ms. Ennis responded, yes. Mr. Dodd then confirmed that nothing else would be going towards his retirement. Mr. Ennis explained that once he enters the DROP program, his retirement is frozen. Mr. Dodd clarified that the County would have to continue to pay his retirement otherwise, to which Ms. Ennis said that is correct. Mr. Joe Holloway asked Ms. Ennis if she knows how many officers will go into the DROP program immediately if it gets approved. Ms. Ennis said she has not done that survey. Mr. Fisher said there has not been any discussions yet because the DROP program has not been approved. Mr. Fisher said we need to figure out what the guys at the retirement age are wanting to do. He said he knows some guys who have family out of state, so they are looking to move out of state, but some will stay here, so they will probably join the DROP Program. He does not know what everyone's plans are. He said a lot of people with the state police do not go into the DROP program. He personally only knows of three people, and they benefitted from it. Mr. Fisher said the big issue with DROP is when you offer the COLA.

He said Councilman Kilmer was correct in that a lot of jurisdictions did do away with DROP, but they put the percentage of COLA in the DROP program, such 6.8% or something that was not reasonable with the market. Mr. Fisher said with the market the way it currently is, he thinks the worst case scenario is the County breaks even or makes money, but he said he is not an accountant. He recommends trying the DROP program for five years and see what happens. If it is not feasible when they do negotiations next time, they can do away with it. Mr. Kilmer said he is a little skeptical with a bargaining unit giving up benefits. He said he is not going to oppose the DROP program, but he would like to see a requirement that Council will be able to get some information at four years into the program, so Council has it before the negotiations start. Mr. Hall said he is concerned about the 4% increase compounded annually. He said Mr. Joe Holloway brought up at the last meeting that 4% could be a little excessive with the economy like it is. Mr. Hall said he would much rather see 3% as he thinks that is much more realistic. Mr. Cannon asked, if they are confident with the organization they are investing with, why are they requiring a guarantee from the County. Mr. Cannon said that guarantee should come from whoever the investor is. Mr. Fisher said he does not have his attorneys or accountant at the meeting, but he will speak from common sense, stating why wouldn't all parties benefit from the return. Say the County makes 10% or 9%, why not split it down the middle. He said the officers are investing their retirement money in the program as well. If it is a fruitful program, why doesn't everybody share it? He thinks the County, in this situation, will make money. Mr. Cannon said he does not see why this program is not isolated from the County as a separate investment program. Mr. Kilmer said he understands from the FOP perspective why they would want a guaranteed rate. Mr. Fisher said, if it is a fruitful program, why not offer it to all County employees. He said he does not speak for them, but why not offer it to them if the County is making money as it could help attract and retain quality employees. If the program is not successful, then we all have learned a lesson, but he thinks the program will be successful if you keep the COLA aspect out of it, which he does not like to say because they truly want the COLA involved. Mr. Cannon said it is new to him to see the County guarantee a return on investment. Mr. Karpinski said he is not a financial person, but Ms. Ennis spent a lot of time talking to the County's pension person, and they felt comfortable with the 4% return, or they would not have included it as part of the program. Mr. Karpinski said time will tell if those financial projections are correct. When they were negotiating the terms, the people said this was not going to be a financial hardship for the County. Mr. Fisher said he had to sell a five-year contract to people who are dead set against it. The DROP program gave them something to look at. He said they are not looking for parity with the state police, which they did sign a four-year deal that looks pretty good to him. He said there are some things in the contract that if you were in his shoes, you would not agree with them. This is a five-year contract, but if the Executive or Council calls them back to the table, they would be happy to come in; they will be there. Mr. Cannon then asked Ms. Ennis what would be the worst-case scenario with the 4 %. Ms. Ennis said, as she understands it from the actuaries, if the County is not making 4%, then the County has bigger problems than the DROP program. Ms. Ennis explained that if the trust earns 0%, then in year 1, the pension expense increases by $100, in year 3, the pension expense will increase by $700, and, in year 5, the pension expense will increase by $2,000. Mr. Joe Holloway asked what happens if you go to a negative interest rate. Captain Richardson said one fact that is missing is if someone enters the DROP program, his or her percentage of retirement freezes on that date. If someone were to continue with the Sheriff's Office for 5 years not being in the DROP, they would gain another 10% on their retirement for life. When someone goes into the DROP the fact that their retirement freezes at that point and never ever increases versus them staying for another 5, 7, or 8 years because we do not have a cap on our retirement, that money will be offset more than enough to cover for the DROP. Mr. Kilmer said you get to draw retirement five years earlier, but there is some offset to consider depending on life expectancy. Mr. Fisher said this will allow the agency to plan on future hires. They can get rid of some of the top-heavy employees and bring in some young recruits.

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