



City of Grand Island

Tuesday, February 12, 2013

Council Session

Item G3

Approving Minutes of February 5, 2013 City Council Special Meeting

Staff Contact: RaNae Edwards

CITY OF GRAND ISLAND, NEBRASKA

MINUTES OF CITY COUNCIL SPECIAL MEETING
February 5, 2013

Pursuant to due call and notice thereof, a Special Meeting of the City Council of the City of Grand Island, Nebraska was conducted in the Council Chambers of City Hall, 100 East First Street, on February 5, 2013. Notice of the meeting was published in the *Grand Island Independent* on February 5, 2013 and posted on the front doors of City Hall, the Grand Island Public Library, the front doors of the Hall County Courthouse and The Independent on February 4, 2013.

Mayor Jay Vavricek called the meeting to order at 7:00 p.m. The following City Council members were present: Vaughn Minton, Mike Paulick, Scott Dugan, Peg Gilbert, Mitch Nickerson, Chuck Haase, Linna Dee Donaldson, and Bob Niemann. Councilmember Julie Hehnke and John Gericke were absent. The following City Officials were present: City Clerk RaNae Edwards, City Attorney Robert Sivick, and Finance Director Jaye Monter.

The PLEDGE OF ALLEGIANCE was said.

Mayor Vavricek introduced Community Youth Council member Danny Gamboa.

Tracy Overstreet reporter with *The Grand Island Independent* objected to the meeting due to lack of reasonable advanced notice for this meeting. Mentioned was that Publisher Don Smith and Managing Editor Jim Faddus had filed a complaint with the Nebraska Attorney General.

RESOLUTIONS:

#2013-26 (A) and #2013-26 (B) – Approving Type of Annuity Quotes for Calculation of Lump Sum Payment to Pre-84 Retirees. Finance Director Jaye Monter reported that two Resolutions were presented to Council to approve the type of annuity quotes for calculating the lump-sum payments to the remaining 7 Pre-84 Police retirees.

The Police Pension Committee met on January 24, 2013 with Pete Kortum and his attorney Jerry Janulewicz and representatives of the City to discuss the specifics of the lump sum option calculation. On January 28, 2013 an updated annuity quote sheet referencing specifications found in Neb. Revised State Statutes was discussed and all parties agreed to obtain quotes on the open market and meet again on February 1, 2013 to review and calculate the lump sum payment.

On January 28, 2013, the City had received six quotes from Mr. Cal Strong of Strong Financial Resources. All six quotes did not meet two of the five required specifications: 1) gender neutral and 2) payment start date of 2/15/13. Mr. Strong explained to City staff that annuity companies issued annuities to individuals based on their gender, male or female and companies preferred a 30 day window to process and complete all paperwork.

City staff contacted Mr. Janulewicz and the Pension Committee representative to explain why the City would not have a quote to submit at the meeting on February 1, 2013. Mr. Janulewicz and the Pension Committee representative communicated to City staff they both had received

quotes from annuity companies quoting “Gender Neutral”. City staff then began an additional search of Neb. Revised State Statutes and the purchase of annuities on the open market.

The following Nebraska Revised Statutes were reviewed:

- §16-1002(1) “if benefits under the retirement system are obtained through the purchase of an annuity contract, the actuarial equivalent of any such form of benefit shall be the amount of pension benefit which can be purchased or otherwise provided by the police officer’s retirement value.”
- §16-1002(10) “[a]nnuity contract means the contract or contracts issued by one or more life insurance companies and purchased by the retirement system in order to provide any of the benefits described in the act. Annuity conversion rates contained in any such contract shall be specified on a sex-neutral basis...”
- §16-1007(2)(c) “[i]f the police officer chooses the single lump-sum payment option, the officer can request that the actuarial equivalent be equal to the average of the cost of three annuity contracts purchased on the open market.”

Reviewed were the summary of quotes received for retiree Pete Kortum provided by Strong Financial Resources. Mr. Strong found one company (Protective) that would give the City a quote using gender neutral mortality tables. The quote was \$818,163.32. Mr. Strong also asked Protective to provide two additional annuity quotes: 1) using gender specific tables for a male and 2) using gender specific tables for a female. The quote for a gender specific female was the same quote provided under Protective’s gender neutral quotes, \$818,163.32.

The question was whether the sex-neutral language applied to annuity contracts purchased on the open market as referenced in 16-1007(2)(c). Out of seven companies, only one company, Protective, was willing to quote a gender neutral annuity.

On February 1, 2013, the Police Pension Committee met to discuss the retirement payment of Mr. Kortum. The Pension Committee voted 4-1 to submit to Council the average of the two quotes dated January 28, 2013, submitted by the Pension Committee and Mr. Janulewicz and the one quote not submitted by the City but obtained in the City staff’s research dated January 30, 2013. The average of the three annuity contracts would result in the City of Grand Island making an additional payment to Mr. Kortum of \$261,511.18.

The following people spoke:

- Jerry Janulewicz, 2315 West Division Street, Attorney representing Pete Kortum
- Joyce Haase, 3024 Colonial Lane
- Pete Kortum, 1204 Country Club Drive, Hastings, NE

City Attorney Robert Sivick commented on provisions within state statutes being confusing. Mr. Sivick explained the differences in annuity based on gender. Mentioned was that an annuity on the open market could not be purchased on a gender neutral basis and the city felt it did not meet the state statutes.

Mentioned was that Mr. Kortum could choose to receive an income stream for the rest of his life equal to 50% of the five consecutive years preceding retirement which produces the highest average salary or he could choose a lump sum payment equal to the average cost of three annuity contracts purchased on the open market.

Ms. Monter stated the goal was to get Mr. Kortum paid.

Motion by Haase, second by Gilbert to approve Resolution #2013-26 (B).

Councilmember Haase handed out and commented on a two page illustration of Police Pension options.

Motion by Haase, second by Gilbert to amend the motion by adding the following:

- a.) Straight Life Annuity
- b.) Age Specific for Pensioner Only
- c.) Gender Specific for Pensioner
- d.) Both the City and the Police Pension Committee to receive at least 2 fully qualified quotes for the purpose of accepting the low quote pursuant to City of Grand Island procurement rules

Discussion was held regarding the amendment as being a fair process going forward. Mentioned was the number of quotes from three different companies and monthly versus annual annuity. Terry Millard representing Smith-Hayes Advisors answered questions regarding the differences in annuities, options, and gender neutral quotes. Ms. Monter stated other first class cities figured their annuities on gender specific basis.

Upon roll call vote of the amendment, Councilmembers Minton, Dugan, Gilbert, Nickerson, Haase, Donaldson, and Niemann voted aye. Councilmember Paulick voted no. Motion adopted.

Several Councilmembers thanked Mr. Kortum for his patience in this process and following the guidelines the City set out for him. Ms. Monter answered questions concerning the quotes the City received from Protective.

Upon roll call vote of the main motion Councilmembers Dugan, Gilbert, Nickerson, Haase, Donaldson, and Niemann voted aye. Councilmembers Minton and Paulick voted no. Motion adopted.

PAYMENT OF CLAIM:

Motion by Dugan, second by Nickerson to deny payment of claim to Wells Fargo Retirement Account for Pete Kortum in the amount of \$261,511.18. Upon roll call vote, Councilmember's Minton, Dugan, Gilbert, Nickerson, Haase, Donaldson, and Niemann voted aye. Councilmember Paulick voted no. Motion adopted.

ADJOURNMENT: The meeting was adjourned at 8:36 p.m.

RaNae Edwards
City Clerk