

Rec
9-16-15

**MINUTES OF THE BOYNTON BEACH FIREFIGHTERS' PENSION FUND
SPECIAL MEETING HELD ON THURSDAY, JUNE 18, 2015, AT
9:00 A.M. AT RENAISSANCE COMMONS EXECUTIVE SUITES, CONFERENCE
ROOM 1, 1500 GATEWAY BLVD, SUITE 220, BOYNTON BEACH, FLORIDA**

PRESENT:

Luke Henderson, Chair
Jonathan Raybuck
Matthew Petty

Barbara LaDue, Pension Administrator
Adam Levinson, Board Counsel
Pete Strong, GRS Actuary

ABSENT:

Helen "Ginger" Bush
Bob Taylor

I. CALL TO ORDER – Luke Henderson, Chairman

Chair Henderson called the meeting to order at 9:13 a.m.

II. AGENDA APPROVAL -

Ms. LaDue added a Klausner memo dated June 12, 2015, to New Business, and discussion of Gregory Hoggart to New Business, Item A.

Motion

Mr. Petty moved to approve the agenda. Mr. Raybuck seconded the motion that unanimously passed.

III. APPROVAL OF MINUTES – N/A

IV. FINANCIAL REPORTS – N/A

V. CORRESPONDENCE – N/A

VI. OLD BUSINESS – N/A

VII. NEW BUSINESS:

A. Senate Bill 172 (SB 172) – 175 Chapter updates –Review and discussion

1) Klausner Kaufman Jensen & Levinson – Memo of 5-27-2015

Adam Levinson, Board Attorney, explained they will discuss the new statutes and how they will impact the Plan. He advised the City and Union will be having the same conversation. Senate Bill 1309 pertained to using new mortality tables. It requires all

plans to use the FRS mortality tables and he pointed out FRS uses a blend of tables which were more expensive. The bill becomes effective January 1, 2016, but it was unclear if it applied to the October 1, 2016 or October 1, 2015 valuation. He anticipated it would apply to the October 1, 2016 valuation which means the City has two years to implement the change.

Pete Strong, GRS Plan Actuary, also opined it would apply to the October 1, 2016 valuation, but would receive formal guidance from the State. The question was if the Board had the option to adopt the FRS tables for the October 1, 2015 valuation early. He commented different plans were using different tables. The Firefighters' Pension Board phased in changes in the investment assumption from 8% to 7.5% over five years.

The next issue was the Board was mandated to switch from the 1983 mortality tables to the FRS mortality tables. Attorney Levinson pointed out the older the table, the less expensive and there will be an impact. Mr. Strong explained the Plan had to use the RP2000 Fully Generational Table with Scale BB with a Blue Collar Adjustment for special risk. He pointed out there was no Blue Collar Adjustment for females because female special risk members live commensurate to the general population. The males carry a 90% Blue Collar Adjustment. When GRS presents the valuation next February, he could present it with two options: with the 1983 mortality table or the new table and the Board can decide to early implement or not at that time.

Mr. Strong explained Scale BB was a more conservative projection scale than Scale AA, but the 90% Blue Collar Adjustment for males offset the majority of the conservatism. It was commensurate with the effect of using the RP2000 Scale AA with no Blue Collar Adjustment. This cost has been disclosed which was an increase of about \$570,000. Mr. Strong commented the best thing to do was to phase in 2% this year and 100% next year. The COLA was already included in the valuation calculations.

Attorney Levinson explained the Division of Retirement has to give some guidance on the next bill and Statewide, the Unions were trying to understand the details of it. The League of Cities has been holding educational events to help the Cities understand the legislation. The intent of Bill 172 was for the parties to sit down and talk, to give flexibility in the use premium tax monies and to encourage the parties to understand the goal of the Bill. If the parties cannot come to an agreement on the use of the tax monies, there is a default. The bill would be effective July 1st. Attorney Levinson pointed out half the bill deals with the premium taxes and the other half deals with administrative requirements which will impact Ms. LaDue. He pointed out this item will be on the August agenda. There must be an Administrative Expense budget. He pointed out for Boards that meet quarterly, the operational budget must be in effect prior to October 1st. Attorney Levinson emphasized the need to have a detailed accounting report and Administrative Expense Budget.

Attorney Levinson reviewed the detailed accounting report and explained the report has to be posted on the City's website and the Firefighters' Pension Plan website, if

available, with the audited financial statements. When they update the Summary Plan Description, they could amend it to reflect the documents are available on request and on the website.

The Plan never had an Administrative Expense budget because when the actuary prepares the valuation, he advises what the City contribution would be and the administrative expenses are listed. Ms. LaDue pointed out the information is outlined in the financial reports. Additionally, she has tracked the expenses month-by-month and year-by-year. They know what the budget is for those expenses. The detailed accounting report is the prior report audited financials, and that report with the Administrative Expense Budget is the prospective budget for the next year.

Attorney Levinson recommended doubling the actuarial costs for this budget because the administrative expense language dictates that if they have to exceed the budget, they will have to promulgate another budget that has to be made available to the City and members. To avoid that, the recommendation was to double the amount to give flexibility. Attorney Levinson commented just because the Board budgets the money does not mean it had to be spent. Mr. Strong noted because the budget is published, it could appear the Plan is expensive if they overestimate too much. Plan expenses should be 50% more. Mr. Strong thought 50% more for auditing expenses and a 25% margin for legal expenses may be appropriate. Attorney Levinson agreed, especially in the first year because of the unknown factors.

Attorney Levinson also pointed out some plans request the administrator review disability claims or litigation expenses over the last three years from the audited financial statements, and look at the supplemental schedule over the last three years to determine a range.

The operational expense budget is just the administrative budget which includes salaries, training, education, rent, service providers, and others. Attorneys Levinson and Jensen will provide samples of budgets they have seen. It will be very close in format to the supplemental schedule the auditor prepares each year of administrative expenses as opposed to investment expenses. Mr. Strong agreed the Trustees should use the average of the last three years actuarial fees and add a 50% margin as a precaution. He thought it would be an overestimate, but it would cover any additional work.

Mr. Petty inquired if they would have to create a second budget if the Plan exceeded its overall budget and not each item. Mr. Strong concurred. Attorney Levinson advised he created a list of questions and suggested creating a miscellaneous category which could be used for disability claim costs, attorney fees, or broken equipment. The budget could be used as needed instead of making amendments. They are still awaiting an answer from the State whether they can transfer funds from one line item to another without amending the entire budget.

Mike Smollen, Retiree, inquired if leftover funds could be put in an account to self-insure against unforeseen circumstances if the Plan came in under budget. Attorney Levinson responded the Trustees have to budget for what they think expenses may be and savings for one year may not necessarily be used for future years. He agreed to ask the State that question as a follow-up question. It was noted administrative expenses were less than 1% so it could be increased by 50%. Ms. LaDue agreed to circulate a draft budget. Mr. Strong also noted he conducted an experience study a year and a half ago, so those fees could be removed when estimating.

Attorney Levinson commented the budget is new and he would provide further information which must be approved prior to the fiscal year. Ms. LaDue spoke to the City's webmaster and advised they need the entire valuation from last year, plus the entire financial statement from the auditor and the link to the report GRS just did on the web. She will also obtain information from Dave West, Bogdahn Consulting.

Attorney Levinson pointed out Senate Bill 534 that passed two years ago requires the investment consultant to provide a minimum five-year side-by-side comparison of the returns each year, the assumed rate of return and how the portfolio was diversified. Ms. LaDue circulated information drafted by Mr. West which Attorney Levinson reviewed. He agreed to contact Mr. West because more detail was needed.

The cost of the website could be a line item on the budget. Ms. LaDue will obtain what the costs will be for the coming year from the Resource Center. Ms. LaDue agreed to include the budget for the services provided by the Resource Center under a technology/data line item.

Attorney Levinson announced the City or Union can never lower the multiplier below 2.75% and commented the current plan multiplier was higher. He also reviewed the requirement to create a Share Plan, also known as a Supplemental Defined Contribution Plan either by Ordinance or by administrative rule, pending comment from Tallahassee. He clarified a Share Plan uses premium tax monies divided by the number of members and when the member retires, there is a balance, similar to a defined contribution or 457 Plan. It is a lump sum retirees would receive when they retire from service. Attorney Levinson pointed out the Trustees have to have a Share Plan, but do not have to fund it. The Trustees could decide to use the funds to increase the multiplier or not use any funds. It will be up to the City and Union to negotiate how to use the premium monies, but they must have the mechanism in place.

The ad hoc benefit was not a true Share Plan. Mr. Raybuck understood it was acceptable because it was doing what they intended. Attorney Levinson commented it would depend on how Tallahassee interpreted the matter. He did not think it would be difficult to create a Share Plan that was unfunded or institute a Share Plan. He noted if there was a Share Plan in place prior to 2000 it was grandfathered. The ad hoc benefit was created by Ordinance 10-016, after the deadline. The Trustees will need an interpretation if the ad hoc benefit is considered a Share Plan. If not, they will create one by the next contract, but not fund it.

Mr. Raybuck commented when they created the ad hoc, they were not permitted by the State to call it a Share Plan, but the Trustees called it a Share Plan. He inquired why they could not call it an Ad Hoc Share Plan. Attorney Levinson did not know when the State would provide the clarification. He reiterated there was no harm to creating a Share Plan, even if unfunded. It could provide for possible future flexibility. Mr. Raybuck noted half of the excess money would have to fund the Share Plan and asked what happens to the funds used for the ad hoc benefit.

Attorney Levinson commented the State wants all Police and Fire plans to have a Share Plan bucket in place as it relates to the default. The bill specified if the parties could not reach an agreement, they should use the funds from the 2012 calendar year that were received in 2013 (\$897,000) as the baseline. The growth over this amount is split 50/50 between the cities and unions. Attorney Levinson commented this would eliminate the issues contained in the Naples letter and gives the parties, by mutual consent, the ability to do what they want as long as they do not go under the minimum.

The ad hoc variable benefit was not a reserve. They are committed funds. As to paragraph D from Chapter 175.351, it discussed uncommitted reserves. Attorney Levinson's opinion was the Ordinance dedicated the money to this benefit. The City allocated the funds via the Ordinance.

Dean Kinser, Firefighters' Union President, pointed out when the benefit was put in place, it was mutually agreed on by the Pension Board, the Union and the City.

Attorney Levinson commented there are five questions all plans should be aware of:

1. Does the Plan have unallocated accumulations? No. The Boynton Beach Plan dedicated monies via Ordinance.
2. Does the Plan have an existing Share Plan? The Boynton Beach Plan did not, and a Share Plan could be created as long as it was unfunded.
3. Was the Plan amended in reliance with the Naples letter? The Boynton Beach Plan was not.
4. How much premium tax monies from 2012 were received in 2013? Premium tax monies were \$897,536.
5. When does the current Union contract expire? September 30, 2015.

Attorney Levinson emphasized the Bill wants all parties to discuss and have a meaningful conversation so the parties (the City and Union) understand the provisions. Attorney Levinson offered he was available, as was GRS, to assist in the discussion and it would be appropriate for the Board to assist the parties understanding the requirements.

Mr. Strong pointed out they have to re-evaluate the COLA, which is done every three years. Mr. Raybuck asked if he thought the excess could kill the ad hoc benefit.

Mr. Strong responded it was a matter of going straight to default or how to negotiate using the funds.

2) Gabriel Roeder Smith & Co – Pete Strong – Disclosures & Report under new State requirements, dated 6-28-2015

Mr. Strong reviewed it took the Division of Retirement over a year to develop the rules and they issued final rules in April. They then gave 60 days from that date to comply. He advised the information will be filed with the State by June 29th, and they have prepared the reports to be posted on the website. He commented he did not feel the requirements meant anything because they are using assumptions that were not true. Rather, they would be using the mandated assumptions of the RP2000 Fully Generational Table, less the 200 basis point interest rate requirements and 200 basis points above the assumption on the website for full comparison purposes.

He reviewed the actual GASBY 67 requirements, the RP2000 Fully Generational Table changes which showed the net pension liability increased from \$37 million to \$43 million. He reviewed the same mortality using 2% less and 2% more. The run-out calculations were added and reviewed. He noted the language in bold regarding the run-out date was inappropriate because it contemplates only investment returns and assets received, compared to benefit payments to show how long it would take to run out of money. The GASBY 67 requirement does not show a run-out date. Attorney Levinson explained the cover memo should be on the website, because the report is an artificial report.

Mr. Strong reviewed his handout regarding interest rates and commented he did not feel the report was representative of the state of the pension plan. It was created for compliance. Attorney Levinson inquired if the members wanted to use the memo from the last meeting to mention the Plan had unrecognized actuarial gains, or mention the way the Plan was diversified and discussion followed they could attach the memo to the website. The Division of Retirement will take all the reports and create a fact sheet, showing the run-out date. Chair Henderson commented they called the meeting to address all the new legislative changes with the attorney and actuary because there is a lot of concern regarding benefit changes.

B. Benefit Changes – Discussion

The executive Board Members had a meeting with the City Manager who was given direction from the City Commission on pension reform, but did not know to what level of change. Mr. Kinser wanted to use the Board members and their knowledge to provide information on what benefits can be changed to reduce City costs for pensions. Chair Henderson had no objections to doing so since they have been trying to reduce costs all along, but they cannot control the market or payroll. Mr. Strong could provide guidance on what benefits could be adjusted to save the City money or any long-term changes. With the legislative changes there may be other avenues to pursue. There would be no

action taken on any of the information, rather they will try to give guidance on where to look.

The City Manager and Chair Henderson had discussed changes would only affect new members going into the Plan and this information would be given to the Union. The City requested permission to use GRS because they have information on all the three pension plans and the Police Trustees gave their consent.

Mr. Kinser advised the City proposed, in the upcoming Collective Bargaining agreement, an opener article to discuss pension reform. The Union was looking to the Board for guidance so when negotiations take place, the action would not impact the pension in a way that it would be unable to recover. The pension was discussed at the Strategic Plan with a broad range of ideas. One consistent component discussed was any reform would affect new employees and result in a reduction of cost.

1) DROP Loan program –

A letter from retiree Kevin Quinn indicated the Boynton Beach Police Department has a DROP loan program. They can borrow up to 50% from ones DROP account, once separated from service, with a cap of \$50K and pay back a percentage each month at the prime interest rate through a deduction from their pension payments. As those payments are made, they are re-deposited into their DROP account. Chair Henderson spoke to several retirees who favored the provision. It was a non-cost issue, and any administrative costs would be paid for by the DROP member. He commented this benefit change could be pushed forward. It would benefit the retirees. Chair Henderson requested the members review the matter.

Mr. Smollen was representing other retirees and they were in favor of the program. He inquired if the program would qualify as a benefit because the member was borrowing their own money, although there would be a tax consequence. Mr. Kinser asked if the program could be adopted through an administrative rule as opposed to an Ordinance. Attorney Levinson agreed to review it, but thought they could and would bring it to the August meeting. If there is a DROP loan program, it must be properly administered, and Ms. LaDue advised if they have the capability to administer the program, it was fine.

Chair Henderson thought a motion should be made for Attorney Levinson to draft the program and bring it to the August Quarterly Board meeting for a vote. She noted there are 10 members taking advantage of the program from the Police Department. Ms. LaDue would contact the Pension Resource Center to determine the cost to administer the loans.

Chair Henderson commented the State pension changes will affect every benefit. The State raised the minimum multiplier to 2.75%. When Chair Henderson started with the City, the multiplier was to 2.6%. He asked if they could allocate overages of 175 funds to increase the multiplier to 3%. Mr. Strong commented if the multiplier was changed prior to March 12, 1999 that was when they kept track of the base amount. Discussion

followed Chapter 175 and 185 funds designated to the Police and Fire Departments were to create benefits better than General Employees. Mr. Strong thought it would be rare for General Employees to have better benefits than the Police and Fire Departments. Most General Employee plans have a later retirement date.

Chair Henderson also commented the average payroll growth rate will need to be used instead of the 4% causing an increase in the employer contribution rate. Mr. Strong explained the difference between the 2004 payroll to the 2014 payroll was still above 4%. Using the trailing 10-year payroll average was a State mandate and Chair Henderson expressed the City was being penalized for the lack of payroll growth because the City was being fiscally sound. He asked if there was a way to readjust the payroll because the department was restructured and manpower was reduced. Mr. Strong reviewed the compound average from 2005 through 2015 and advised they could use one-tenth a year. Chair Henderson noted there was nothing to offset the increase and he thought it was counterproductive.

Mr. Strong reviewed it is a common practice to try to target amortization payments being a level percentage of payroll over time. If they were to pay off the unfunded liability like a mortgage, as a flat dollar, that would be the green line. This Plan is paying on a curve, starting on a lower curve. The State allows this, but they cannot use a payroll growth assumption above the 10-year historical average. When the 10-year historical average levels out, they would be paying a flat amount for the whole period instead of an increasing amount and the initial amount had to increase. It would reduce the amount to be paid in the future, but it creates a level dollar amortization instead of a sloping amortization payment.

Chair Henderson was concerned about the staffing levels. Attorney Levinson explained the City will have an increased cost because of the new mortality table and potentially have the cost of losing the ability to show future payroll growth because of the 10-year average. He asked what the sources of unrecognized gains were and what the pressures were that would result in the Plan heading in the opposite direction. Mr. Strong responded as long as the market values continue to perform, gains are stored.

They will recognize nearly a \$1 million gain next year on the actuarial value of assets and a \$1.9 million gain the year after. Mr. Strong thought the Board may want to recognize part of the mortality tables this year and the rest when they were required. They could try to come up with a percentage of implementation of the mortality table that would offset the gain that would be phased in. Attorney Levinson mentioned the benefits are funded over 30 years on an amortized basis. He queried whether anything was coming in or dropping off in the next few years. Mr. Strong did not think anything would drop off. There would be gains from the actuarial value of assets, but some increases in liability from the mortality tables.

Mr. Petty inquired what the proposed changes were that would increase the minimum amount of time a person had to work. Mr. Strong responded since employees would be working longer, the average payroll would increase.

Discussion followed about plans with 20 years and out provisions or 22 or 25 for DROP and how it would impact payroll assumptions. If it were extended, there would be a near term increase in covered payroll, and working longer, earning a higher benefit. Mr. Strong explained they do not reflect future, unemployed new hires in the report, except when they do modeling for open group projections over a 20 to 30-year period.

Jim Ness, Retiree, commented quantitative easing has been phased out and interest rates will increase. He asked how it will affect the Plan and pointed out these things will change down the road. Mr. Strong responded Dave West, Bogdahn Consulting, had repeatedly said the assumption was 7.5% over a long time period and it was achievable.

Mr. Smollen commented before DROP was added to the Plan, very few people retired after 20 years. If paying for benefits they are not using, they should reconsider the benefit. He inquired since the DROP, how many individuals use the DROP and learned 85% enter at year 20 and another 5% after. Mr. Strong clarified the experience study showed it was contingent on age.

Mr. Petty inquired, if looking to make positive changes for long-term savings for new hires, what the general category was to effect savings. He asked if they should work longer or change the multiplier.

Mr. Strong mentioned the accumulated sick and vacation time on the books as of September 30, 2013 could be cashed in and used as pensionable earnings. Anything after that could not. New hires with a zero load would reduce the average cost per employee. He thought the most influential item on the cost was the multiplier and the COLA. Mr. Petty commented if the COLA cost was borne by members, even with the 175 funds, it would not save the City money, leaving the multiplier to be reviewed. Attorney Levinson commented the Miramar Police Department was the first plan to institute a second tier and they had to fight with the Division of Retirement to institute it. The Miramar Police Department, over time, put in place a COLA and removed the COLA from the second tier, but left the same contribution in place. He pointed out FRS also took away the COLA and added the member contribution.

Mr. Strong explained changing the normal retirement date by five years does not change the cost significantly because there is a higher benefit over a shorter period of time. There would be no significant savings and they could see an increase in covered payroll.

Attorney Levinson pointed out if a decision was made for the new hires, if they kept the member contribution the same at 12%, and reduced the COLA, it was an extra 5% in contributions. If they reduced the COLA to 1% for new hires, but keep the contributions the same, it frees up money. If they had a 2% COLA and deferred 10% instead of 5%, there would be a savings. The COLA was no cost to the City. Mr. Strong commented they would have to re-evaluate the new cost of the COLA with the mortality tables.

Mr. Petty asked what would occur if there was a dollar cap combined with the same multiplier and Chair Henderson inquired what would occur if the multiplier ended at year 20 in a 25 year length of service and then enter the DROP. This would offset the 20-year employee because he would leave at a higher rate of pay, but the multiplier stopped at 20 years. Attorney Levinson commented the career average still had to average to 2.75% per year. He asked what would occur if the pension were capped at a certain percentage and years of service were added. Mr. Strong commented they could use a 2% or 2.5% multiplier after year 20 as long as they were at 2.75% over all. It would encourage leaving at 20 years. That would work for a 25-year employee. Anyone working more than 25 years would drop below 2.75% a year, and again, the discussion would pertain to new employees.

Discussion followed that with the new mortality tables, the new assumed rates and payroll assumptions there was a \$1 million increase the City would have to pay, offset by gains of the assets.

Attorney Levinson queried what the difference was in the impact of having growth of salary with increases in the member contribution, or no raises and savings from the raises being less than the assumptions used for raises and learned if salary increases were less than expected, there would be an experience gain that is amortized. For every \$15 dollar in experience gain, it is a one dollar effect in the contribution. If there is a million dollar gain in salary increases, it would affect the City's contribution by \$150,000 compared to salary increases and members contributing more. Mr. Strong explained for every 1% increase in member contribution, it would be another \$100,000. Chair Henderson asked what would occur if they took the additional Chapter money and paid down the unfunded liability. Mr. Strong noted the question pertained to learning how much money there would be to work with after they recalculate the current affect of the COLA. Currently, the total revenue was over \$1 million last year. The money was to keep the membership contributions at the current rate. The COLA benefits were paid through the Chapter 175 funds. It was an ad hoc benefit and not a guaranteed benefit.

Chair Henderson preferred to take a certain dollar amount and pay it directly toward unfunded liabilities. Attorney Levinson summarized if they used the reserve money to pay down the unfunded liability instead of for the ad hoc benefit, it would save money because there was less interest. Mr. Strong explained about 60% of the City's cost is going to the unfunded liability. Chair Henderson suggested they could agree to take \$200,000 to pay down the unfunded liability each year, not offset the City's contribution to protect the fund as a long-term plan.

Mr. Strong pointed out they could choose which basis to pay down and focus on the older basis with the higher payments. If \$284,000 was used to pay off the first base with eight years, it would eliminate a \$39,000 future payment going first. It was likened to paying off the highest interest credit card first.

Chair Henderson noted when the City approached them, it was for new members only, but that would not take effect for years. When the ad hoc benefit was instituted, it was

recognized as a benefit that could go away. The question was do they want to use the money to pay down the unfunded liability. He emphasized he was not suggesting they get rid of the benefit, rather they look at the funds as a tool to pay it off. It was pointed out with the State mandates of lowering the assumed rate and using the new mortality tables, the savings would be huge.

Mr. Smollen liked the idea and thought it was a good negotiating tool. It also showed a responsible position.

Mr. Petty requested clarification of applying the payment. He understood if applying \$284,000 it would eliminate a base, so the \$39,000 would go away and it would save the City that amount. Mr. Strong explained it would eliminate \$39,000 a year for eight years. It would be higher savings each year. If done for 10 years, it would pay down \$2 million in unfunded liabilities plus interest.

Chair Henderson noted next year would be positive as seven employees leave the DROP, being replaced by new hires. Three years after that, another five employees are leaving, which would remove higher salaried employees, and bring in new hires with zero sick and vacation. There would be big changes down the road. He commented the City would determine the projection period. Mr. Kinser also thought much of what would occur would be recommended by the Board to the Union. Chair Henderson commented that would be revealed through studies done by the actuary.

Attorney Levinson advised it was appropriate for the actuary to share resources and ideas with the City and the Union. It was not the Board taking action; it was the Union and the City. He pointed out the Plan provisions in the report as it would relate to new hires or a second tier. He pointed out FRS uses a five-year average final earnings instead of three years. Another component was overtime, which did not have to be pensionable in the future. He recommended studying other municipalities. It was acknowledged they would want to stay at least competitive with FRS.

Chair Henderson inquired as a combination of benefit changes, what they should narrow the search to. Mr. Kinser advised they have some components and information they worked on a few years ago and that should be incorporated in with the discussions. They had factored mortality tables in those calculations and they used worst-case scenarios. They want to ensure they were on the same page as the City regarding mutually consenting to some of the ideas. Mr. Petty queried what kind of decision would need to be made by the Pension Board and learned it would authorize the actuary to work with the City because it was more cost efficient to do so. Attorney Levinson clarified the actions of the Board were contingent on what action would be taken. If it involved the ad hoc benefit, which was created via Ordinance, Section 18-184.2 (C) states that the City delegates to the Pension Board the ability to adopt administrative rules. Ad hoc changes could be implemented by administrative rule. If they are changes that relate to benefit structure, that requires an ordinance change. It should be clear to the Division of Retirement that there is mutual consent of the Collective Bargaining Unit.

Chair Henderson commented the City will receive 50% of 175 overages. Mr. Kinser explained they already consented to, and they were not in the 50 percentile. They have not created a defined contribution component of a Share Plan. The Board administers the fund. If the Union agrees to certain changes, the Board receives direction and it is voted on. He pointed out the ad hoc was created to protect future benefits and if not, to protect the fund. Mr. Kinser agreed they need ideas to bring to the table and thought it would be a two-tiered system. It would be a great component to the long-term sustainability.

Chair Henderson inquired what compromises local funds implemented to meet reform. Attorney Levinson responded in one city, the union negotiated and agreed to give the City all the premium taxes. This helps the City contribution, but it does not help the unfunded portion of the problem. He has seen aggregate caps instituted, raising retirement ages, and blending items together. There could be changes to final average compensation, or have dollar caps on the second tier for the aggregate benefit or a percentage could be used or have fluctuating multipliers. On the COLA component, if they eliminate the COLA for the second tier, it would not help the City because they do not pay for the COLA, but they would have the extra 5% of pay for the COLA on the second tier, which employees currently pay to fund.

Attorney Levinson commented if the City wants a study it keeps to itself, the City pays for it. If the Board pays for it, it is public information. Mr. Kinser explained a letter will be sent from the City and he requested during the drafting of the letter, they ensure there is consent between both parties regarding GRS and the components that would be brought forward. It should not be a free for all with the actuary. The Union agreed to work with the City, but he did not want the Pension Plan slaughtered. They would mutually progress and there would be some consent items which will be addressed in the letter to the Pension Board. He was unsure a motion was needed right now. The Board contemplates there will be full cooperation with the actuary for the City and the Union. Mr. Kinser commented he would keep the Board apprised.

Attorney Levinson reminded the members the Form 1 Disclosures were due to the County Supervisor of Elections.

Mr. Strong reviewed his handouts which will be presented at the FPPTA Conference. There will be an hour and a half long panel discussion from 1:30 to 3 p.m. A few case studies would be reviewed, including Boynton Beach. Mr. Strong would review what occurred over the last 15 years; why they are in the current situation; they would provide graphical presentations showing all of the inflows into the Plan for the last 15 years and how it fluctuated. Another slide would show what it would have looked like if investment returns had met the expectation each year. The funded ratio would have been in the 95th percentile during the 15-year period if investment earnings met the assumed rate.

C. Invoices for review and approval:

1. Klausner, Kaufman, Jensen & Levinson – Service May 2015 - \$2,855.25

Motion

Mr. Petty moved to pay the bill. Mr. Raybuck seconded the motion that unanimously passed.

Chair Henderson advised this item was put on the agenda because Deputy Chief Hoggart was being moved from the General Employees' Pension Fund into the Firefighters' Pension Fund as required by Chapter 175. The calculations were made by Finance to move the money over.

Attorney Levinson inquired if they should request the City pay it all at once as a check paid to the Plan, or if it should be captured in the valuation as an experienced loss. Mr. Strong thought the amount of money was minor. The liability would be more like \$60,000 to \$70,000 or more, once Deputy Chief Hoggart is recognized with three years of historical service. His payments would not come close to covering his liability in the Plan. Attorney Levinson asked if they were prepared to capture the three years of liability as an impact that is captured in the next valuation, or ask the City for a check for the impact all at once. It was thought if the General Employees had a liability it should be transferred. Mr. Petty thought it would be appropriate. The cost of his benefit in the General Employees Plan would have been less and it likely would not cover the value of the benefit in the Firefighters' Plan. Chair Henderson requested Mr. Strong determine the amount to forward.

Ms. LaDue explained the City needs some direction to transfer the funds from the General Employees' Plan to the Firefighters' Plan. Mr. Strong responded he would need his pay from October 1, 2014 to September 30, 2015, to calculate the liability as of October 1, 2015.

Attorney Levinson advised the motion should be that Deputy Chief Hoggart be treated as a member of the Firefighters' Plan effective as soon as payroll could add his member contributions into the Firefighters' Plan and the actuary do the calculations and forward that bill to the City.

Motion

Mr. Petty moved to start the process and direct all costs to the City and the City pay the tab. Mr. Raybuck seconded the motion that unanimously passed.

Mr. Petty noted Deputy Chief Hoggart would be responsible for his portion and discussion followed if there should be a one, two or three-year payment plan. Mr. Strong explained they charge interest at the valuation rate when a buy back is spread out over time. Ms. LaDue provided the repayment amounts per pay period, and after further brief dialogue, the options presented to Deputy Chief Hoggart would be to repay the amount in a lump sum, or over a one, two or three-year period.

Attorney Levinson commented if the City pays the buy-back cost, it would be a credit for the General Employees' Plan because they were contributing into that Plan. It removed liability from that Plan as well. Mr. Strong will calculate that amount.


VIII. PENSION ADMINISTRATOR'S REPORT – N/A

IX. PUBLIC COMMENTS:

X. ADJOURNMENT:

Motion

There being no further business to discuss, Mr. Petty moved to adjourn. Mr. Raybuck seconded the motion that unanimously passed. The meeting was adjourned at 12:11 p.m.


Catherine Cherry
Minutes Specialist
072115