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MINUTES OF THE BOYNTON BEACH FIREFIGHTERS' PENSION FUND QUARTERLY BOARD MEETING HELD ON WEDNESDAY, NOVEMBER 4, 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
Helen "Ginger" Bush
Matthew Petty
Jonathan Raybuck *(arrived 9:18 a.m.)*
Bob Taylor
Chief Ray Carter, Ex-Officio member

Barbara LaDue, Pension Administrator
Adam Levinson, Board Counsel

Also Present:

Mike Smollen

I. CALL TO ORDER

Chair Henderson called the meeting to order at 9:17 a.m.

II. AGENDA APPROVAL

Barbara LaDue, Pension Administrator, added to IV., Financial Reports - Item C, Attorney Report, No. 4 Request RFP for Third-Party Administrator, and IIV., New Business - Item C, Backup Material for Custodial Services to the agenda.

(Jonathan Raybuck arrived 9:18 a.m.)

Attorney Levinson pointed out his office sent a letter dated October 5th to Human Resources Director, Julie Oldbury and Firefighters' Union President Dean Kinser. A letter to Tim Howard, Director of Financial Services, dated August 10th, and a one page question and answer sheet from the State Division of Retirement was included in the meeting backup.

Motion

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

III. APPROVAL OF MINUTES – Special Meeting of 06-18-2015
Quarterly Meeting 08-05-2015

Ms. LaDue noted two changes: on page six of the June 18th meeting, GASB~~Y~~ 67, and the August 5, 2015, meeting was a Quarterly meeting, not a Special meeting.

Motion

Mr. Raybuck moved to approve the minutes as amended. Ms. Bush seconded the motion that unanimously passed.

IV. FINANCIAL REPORTS:

A) Bogdahn Consulting – Dave West, Consultant

1) Investment Performance Review for Quarter and PYE end September 30, 2015

Dave West, Bogdahn Consulting, advised markets were crushed and they had a slightly negative return for the September quarter. Equity and international equity markets corrected, but were still negative despite the Board's asset allocation efforts. Averaged in, the Plan did not earn the actuarial required rate of return; however, earnings in October recouped all that was lost. The Plan was off to an awesome start this fiscal year. From an actuarial standpoint with five-year smoothing, the five-year average will be 8% and the return would not impact the City's contribution.

Attorney Levinson requested Mr. West compare the Fund's performance to other plans across the State. Mr. West commented for the quarter, net, the total Fund was down 5%. For the fiscal year, net of investment manager fees, the Fund was at .75%. The Fund outperformed the passive policy benchmark. Gross, the Fund in the public fund peer group was in the top 14th percentile. The median for all public funds showed the average pension system across the country lost .50%.

Mr. West explained most of the damage was from value stocks. High income dividend stocks and financials did not perform well. Anchor was not able to provide an offset, and they did not have good quarter. For the year, they were down 7%. The only manager standing out was Anchor who was put on an internal notice. They were disappointed by the results and the Bogdahn team was researching why this occurred.

The S&P 500 Index was down half a point for the year. DSM, the large cap growth manager did well and was in-line for the quarter. Fiscal year-to-date, it was up 8.5% versus the growth benchmark of 3%, ranking in the top 7th percentile of its peer group rankings.

The mid cap fund was upside for the year; however, Mr. West pointed out they picked up 2% by having the mid cap orientation.

WCM had an excellent quarter and was down less than the benchmark resulting in principal preservation. The American and Euro Pacific Funds declined less than the markets. The new equity team with WCM more than doubled the return of the benchmark and the Euro Pacific Fund provided substantial downside protection and outperformance.

The Schroders Fixed-Income Fund, fiscal year-to-date, earned 3.5%, and was in the top 8th percentile of their peer group

Treasury Inflated Protection Securities (TIPS) did not do anything, but they were underweight in the allocation. The local bond portfolio was impacted by the sell-off of equities and credit. The PIMCO Diversified Income Fund had heavy exposure to non-governmental agency credit. With the credit market selling off, they struggled. For the year, they were down 1.1%, but it is still a strong performing fund.

Templeton had poor returns for the quarter. Mr. Petty inquired about Templeton's performance. Mr. West explained their long-term numbers were impacted negatively primarily by two quarters. Mr. Petty inquired if there was a reversal, why the benchmark was up and they were down and learned this fund is managed by Templeton's Investment Policy, which mandates the interest rate duration is 1.5 years. The Board was looking for funds with minimal exposure to changes in interest rates, and most of the return was coming from an active currency position, which was also unlike the index.

The best performer was real estate. For the year, Intercontinental earned 14% and ASB earned 15% which helped stabilize the Fund.

Middle market debt investments were a portfolio of loans to mainstream corporate America and to companies too small to be bond rated. These investments were not subject to fluctuations and not publicly traded. For the year, Crescent Direct Lending earned 1.55% and was a new fund. LBC Credit Partners were up 8.35% and exceeded the investment grade returns. Together, they earned 5.67% and the allocations worked well. Mr. West anticipated these investments should work well next year.

The Fund opened the year with $78,184,621. Contributions totaled $6,384,156; distributions for pension benefits were $4,763,804; investment manager fees as invoiced and paid by the custodian were $252,292; and other administrative expenses for Plan operations were $163,866. When Mr. West combined all the income from real estate, operating distributions, bond coupons and stock dividends with the appreciation and depreciation, the Fund netted $933,552. The total Fund was $80,322,367.

From an asset allocation standpoint, Mr. West thought they would be overweight with equity, but suggested they let the allocation remain. The contribution to rebalance to policy targets was evenly distributed to the asset allocation structure and no actions were necessary. He recommended continuing to have a substantial allocation to real estate and a slight overweight in equities.

With the rebound in October, Mr. West thought real estate would add another 2.75% or 3%. He was unsure about bonds, but thought there would be a positive return. Equities were up 8% and foreign equities were performing well. He thought 3% may have already been recouped. Mr. West thought the Fund was optimally positioned going forward.

B. Gabriel, Roeder, Smith & Co –

1) Memo 10-14-2015 authorization from Board to work directly with City to Comply with the GASB 68 disclosure requirement.

Chair Henderson reviewed this item. Attorney Levinson clarified an email dated October 14th in the meeting backup, indicates Mr. Strong did not remember whether the Board authorized him to work with the City regarding the GASB 68 requirements. Mr. Strong would do the work if authorized.

Motion

Mr. Taylor moved to authorize GRS work with the City regarding the GASB 68 requirements. Mr. Raybuck seconded the motion that unanimously passed.

2) Senate Bill 172 – Default Treatment of Future 175 Money – letter 10-13-15

Attorney Levinson referred the members to the letter from his office dated October 5th to Human Resources Director Julie Oldbury and Dean Kinser, Union President, as well as a letter from GRS dated October 13th. Attorney Levinson explained the October 5th letter pertained to Senate Bill (SB) 172, regarding a mutual consent agreement proposed by the City. They also received a letter from the Firefighters' Union Local 1891. Both parties put something on the table. Chair Henderson explained the purpose of the letter was to assist the parties with SB 172, which would pertain to next year's premium taxes.

The Firefighters' Pension Board receives a check from Tallahassee for about $963,000. If the Union and the City do not agree on how to use the premium taxes, the default is split 50/50. Attorney Levinson read his letter which summarized how the Ad Hoc Supplemental Benefit would work, adopted by Ordinance 10-16. The Plan also has a Cost of Living Adjustment (COLA). The members pay 5% for the COLA and 7% regular funding for the Plan for a total of a 12% member contribution. Because the cost of the COLA could increase, they would use those monies for it. The money is dedicated for a supplemental benefit. The Board had discussed taking the money and dedicating it to pay down the unfunded liability which does not reduce the City's contribution. They want to be funded higher than 60% and there are benefits to paying down the unfunded liability. The City would pay less interest.

Chair Henderson explained there are a lot of questions between the City and Union and the State is not giving answers. When they look at the Boynton Beach Ad Hoc benefit and last year's distribution, the Board needed to know if the State counts that benefit as a share plan and if they set a base amount because the Union was asking Chair

Henderson what it was. While the letter from the State explained it, it was not perfectly clear and they asked the State for further clarification. The City Manager said they had to save the City money for pension costs and a special meeting was held, but the amount was not yet determined. The Pension Board allowed the City to work with GRS, and the Union and GRS were looking at the numbers to create packages that reduce costs. Chair Henderson commented SB 172 put a halt to the negotiations. The Board was trying to give some direction and answers on where they are with SB 172 and thought they were getting close to an answer.

Attorney Levinson noted GRS has seen pension reform and could make suggestions. If the City had a dollar amount they wanted to save, the actuary and Board could play a role to create those savings. A pension is based on a formula with a 3% multiplier. After 20 years, the employee accumulates a 60% benefit. The benefit is based on compensation excluding incentive pay or bonuses. Some cities give other benefits during a particular contract period as opposed to wage increases. There are many levers that can be used. This year's premium taxes would not be impacted, but they could still agree to earmark some of the funds if there was mutual agreement to pay down the unfunded liability.

B) Attorney Report – Adam Levinson

1) Client Conference March 6 – 9, 2016

Attorney Levinson announced his office holds a conference each year and it was scheduled for March 6th to the 9th. He pointed out the Division of Retirement has their Trustee School November 17th to the 19th. The Division was supposed to hold a webinar, but it was postponed. He hoped they would give more guidance on the current issues and thought it would be a worthwhile conference to attend.

2) DROP loan provision – status

Attorney Levinson explained the Board was asked to look into implementing the DROP Loan program used by the Police. Firefighters retire into DROP, lock in benefits and instead of leaving, the money that would have been paid to the employee is paid to the DROP account. The IRS allows employees to borrow against their DROP accounts in accordance with IRS provisions. The Police Plan adheres to those regulations. A Firefighters' DROP Loan program would need an Ordinance change. One way to effect this change was to give the Board the authority to implement a DROP Loan program through the Collective Bargaining Agreement and the Ordinance would be adopted. Another way to implement the program if the parties did not want to negotiate was to waive bargaining on the DROP Loan provisions and if the City was agreeable, the City could adopt the provisions. The DROP Loan program is paid for by the member making the loan and it was a no cost item to the City.

Mike Smollen, former Board member, commented the loan participant was paying back the loan at 3.5% while foregoing the 7% they would have made on the same amount of money. Ms. LaDue explained they were returning the principal and interest and as each payment is made, they earn 7% on the payment. Mr. Smollen did not favor it being a negotiated item. Attorney Levinson pointed out the City and Union have the right to bargain for it, and the City may not want to make concessions. He asked how the Police ensure the program is cost neutral. Ms. LaDue explained she does not charge anything additional to administer the program and she maintains the DROP account balances. It is set up where they automatically have the payment made from their pension benefit check. In the end, the principal is paid plus the earnings and it is not taxed. It is a fairly automatic process and this Board would ask for the same thing. It would require an Ordinance change. Chair Henderson thought it would probably be lumped in the package for pension reform and the Board did not need to take action on it right now.

Chief Carter inquired if the Board would be supportive of the DROP Loan program and learned they would.

3) NCPERS Code of Conduct packet for review and discussion

Attorney Levinson explained the National Conference of Public Employee Retirement Systems (NCPERS) put together a Code of Conduct for providers of public pension plans and he referenced the October 14th memo in the meeting backup. Attorney Levinson noted there are large institutions around the country that are quite hostile to governmental pension plans and routinely make recommendations to replace Defined Benefit plans with Defined Contribution plans. NCPERS was attempting to not hire any money managers, consultants or institutions making donations to these groups that are openly hostile to Defined Benefit plans. Three options were listed:

- Adopt the NCEPRS Code and ask providers to endorse the Code;
- Incorporate the NCPERS Code of Conduct as part of their service provider searches. The Board could ask if the providers supported any organizations they think are hostile to public pensions; and
- Notify NCPERS of the Board's decision to adopt the Code of Conduct, but not enforce the Code by holding providers accountable.

As fiduciaries, the members have to look out for the best interests of their members and beneficiaries and it is not in their best interest to have pension fees going to managers or those that want to undermine or close public pension retirement systems. There has been a lot of negative press.

Mr. Taylor commented, philosophically, if they adopt anything, it should have teeth. He favored recommendation two. Mr. Raybuck asked why the Leroy Collins Institute was not on the list. Attorney Levinson explained the Leroy Collins Institute was a Florida based institution and the list changes. Leroy Collins may eventually be on the list and he noted there was an effort being made by the FPPTA to reach out to the Leroy Collins Institute to ensure they paint a broader perspective. Florida has a law its cities have to actuarially fund their plans over a 30-year period. In some states, the legislature or governor take the valuation and ignore it. They only contribute what they want. New Jersey had an egregious failure to fund their plan. In Florida, the problem was not the failure to fund; it was bad performance in 2008 and 2010, changing their assumptions which in the long term lowers the funded ratio, but then would later increase.

Mr. West cautioned they would need to review their current providers. Many larger custodian entities were supportive of Defined Contribution plans and were contributors. They have a custodian search and the providers that responded would not make the list. If the Code was adopted, they must be careful how they proceed and not reduce the universe they work within. They could encounter unexpected situations.

Mr. Smollen commented the idea was to change their behavior and there was a business cost. It could be a deciding factor in selecting firms the Plan deals with. Chair Henderson suggested this item be added to the next agenda. Mr. West pointed out this was outside of his research, but he would get the list and go from there. Many firms may not know they are contributing to the perception. Attorney Levinson advised the Code could be adopted prospectively, but it should not be the primary driver of who the Board hires.

4) Joint Request for Proposal for Administrative Services

Mr. Petty explained he used a sample RFP for Administrative Services Attorney Levinson's office used in the past and modified it. He explained there are two RFPs; a joint request created by Attorney Bonni Jensen using the same model they have with a dedicated individual in the office providing services for the Police and Fire Department personnel and an RFP for a Third-Party Administrator to provide what the Fire Department needed. It would have to be reviewed by legal and it was culled from other pension plan RFPs. He favored issuing both RFPs to see what comes back. Chair Henderson commented it was all contingent on when Ms. LaDue wanted to retire. Mr. Petty thought the RFPs should be issued which would allow interested parties to respond by the next meeting in February. They could shortlist the respondents and contact the Police Plan for their shortlist.

Chair Henderson thought there may be significant disparities in the cost, and they would all do the same job. They could also rule one out and a decision did not have to be made in February Mr. Petty agreed, but wanted the responses for the next meeting. They can have a special meeting before the May meeting to interview the parties and select one, but in his timeframe he thought the search process should be finished by the May meeting. The new person could attend and then Ms. LaDue could spend time with him/her and retire at her convenience. Ms. LaDue explained she was planning to retire in December 2016, but would stay as long as was needed to ensure the transition was smooth.

Mr. Taylor wanted to ensure the scope of services was accurately addressed in the document and legally ensure the language in the RFP was correct. He thought this could be addressed in six months and then make the transition. He thought the RFP was well done, he was just unsure it encompassed all the needed duties. Mr. Petty explained he had consulted with Ms. LaDue and used Attorney Jensen's RFP. He also included other duties as needed as a catch-all.

Attorney Levinson advised he would label one RFP a Third-party Administrator and the other as an In-House Administrator. Ms. LaDue reminded the members the Resource Center was already on board in case something happened to her and the Pension Resource Center was setting up the website. Attorney Levinson commented they could have a hybrid plan and require a pension firm to dedicate one individual to be available at specific times. Mr. Petty pointed out he discussed this at the last Florida Pension Plan Trustee Association (FPPTA) Conference and they said tell us what you want and we will tell you what it costs. Mr. Taylor thought it would be very complex to evaluate each proposal if they designed an RFP to capture all the scenarios. It was important the RFP be clear and ask them to describe their service model. The Board had to lay out what the Board's expectation was. Mr. Petty's intention with the Third-Party Administrator was in case something happened, but noted they have the Pension Resource Center.

Chief Carter pointed out whatever they request will dictate what proposals would be received. Each time Chief Carter calls West Palm Beach regarding his pension, he is asked what plan he belongs to and each time, he speaks with the same person. The same person does all the work for the West Palm Beach Firefighters' Pension.

Attorney Levinson explained they know who the providers are. The Pension Resource Center is the largest pension service provider, and they can advertise the position on the City's website. They can send it to usual the candidates, reach out to the FPPTA and send it via email. The difficult part was advertising it to administrators who would leave their jobs to administer the Firefighters' Plan.

Mr. Taylor inquired what the prevailing practice in the industry was. If it was to have a dedicated person with access to another resource base or just use a Third-Party Administrator. If so, it was not necessary to look at something other than what the Board already has. Attorney Levinson explained it was a function of how large the plan is and how much they want to spend. He advised the City of Miami has four to six employees dedicated to the plan because of the number of employees. The Boynton Plan was not a small or overly large plan so they were caught in the middle. Mr. Taylor commented Bethesda Hospital has a huge plan operated by a Third-Party Administrator for years. There was no dedicated in-house staff other than one individual who could answer basic questions. Everything else goes to the Third-Party Administrator. Attorney Levinson thought there may be people in Finance or Human Resources that may have skills that would be useful, that could be sent an RFP. The City may or may not be willing to continue this relationship. Mr. Taylor suggested the decision be made before the RFP is issued.

Chair Henderson clarified the Firefighters' Pension Plan is issuing an RFP for a Third Party Administrator and the Police Pension Board was issuing an RFP for an In-House

Administrator. The two will meet and decide. Attorney Levinson advised he could provide candidates. Benefits USA was another large pension administration firm. Mr. Taylor favored mailing the RFPs by certified mail, return receipt requested. Mr. West commented they could obtain names from the FPPTA vendors list, but it will be a challenge to assess capacity in terms of what they want.

A suggestion was made to give tentative dates to the Police Pension Board for a joint meeting. Attorney Levinson would work with Mr. Petty to tailor the RFP and advised a motion to send out the RFP was needed.

Motion

Mr. Taylor so moved. Mr. Raybuck seconded the motion that unanimously passed.

Discussion followed the responses would be due January 31st. The members also thought they should include the dates they were contemplating holding interviews or to give a time frame in March in the RFP. Attorney Levinson thought including the dates would help manage conflicts. Mr. Taylor also suggested the individual who has direct oversight of day-to-day operations be available for the meeting.

Ms. LaDue explained when the Police receive their responses, they want the Firefighters' input. Chair Henderson thought each Board could attend the other's meetings and it was decided there would be a meeting just dedicated to this item on Wednesday, March 16th at 9 a.m.

5) Deputy Chief Hoggart – Transfer of contributions- status

Attorney Levinson reviewed his letter dated August 10th that was sent to the Finance Director, Tim Howard. After receiving the letter, Mr. Howard moved the Deputy Chief into the Plan and they were receiving contributions into the Plan through payroll deductions. The actuary still had to calculate what the Deputy Chief would owe due to the General Employees having a 7% contribution and the Firefighters' Plan having a 12% contribution. He had to pay the 5% difference for the last three years. Attorney Levinson explained the process that would be followed.

V. CORRESPONDENCE –

1) Salem Trust – Recent Audit – June 2015 SSAE 16 available for review

Mr. West reviewed the follow up audit was fine and Salem worked through all of their issues. The auditor had also confirmed everything was correct.

VI. OLD BUSINESS –

1) Scheduled 2016 Quarterly Board Meetings – Change February 2016 meeting date to Wednesday, February 10, 2016 @ 9:00 AM.

Ms. LaDue wanted to change the next meeting from February 3rd to February 10th because that was when the auditors appear to give the Firefighters' Audit Report and February 9th was a Police Pension audit meeting. After discussion, the member's left the date February 3rd, plus the Special meeting March 16th 9 a.m.

VII. NEW BUSINESS:

A. Invoices for review and approval:

1. Schroder Fixed Income Mgt – Quarterly fee -12-31-2015 - $
2. DSM Capital Partners LLC – Quarterly fee 12-31-2015 - $
3. Klausner, Kaufman, Jensen & Levinson – Service July, August & September 2015 - $8,190.
4. Bogdahn Group – Consulting Fee 9-30-2015 **withdrawn R&D Account $8,375**
5. Anchor Capital Advisors – Quarterly fee – 09-30-2015 - $
6. GRS - Service Sep 2015 - $2,968
7. Alerus – Quarterly DROP Administration Fee - $500
8. Salem Trust Custodial Fee 6-30-15 - $8,126.17 **charged to account**
9. Intercontinental- Management Quarterly fee 2nd Quarterly 2015 - **$8,812.79 withheld from dividend reinvestment plan**
10. ASB Real Estate Fund – Quarterly Fee 9-30-2015 **withheld - $8,674.91**

Chair Henderson noted some invoices were not received. He requested a motion to pay them as long as they were in within the normal range.

Motion

Mr. Taylor so moved. Ms. Bush seconded the motion that unanimously passed.

B) Retirement Benefit Verification:

1) Michael Besosa – DROP Retirement

Chair Henderson reviewed Mr. Besosa's benefit, which was reviewed by the actuary. He advised this was for information only.

C) Custodial Services:

Chair Henderson commented many Board members were unhappy with Salem Trust over the last year. After Salem representatives met with the Board, Ms. LaDue has had nothing but problems with them. Chair Henderson gave her direction to issue an RFP to see who else could perform the service and Ms. LaDue vetted the responses as follows:

1) Fiduciary Trust International – Amed Avila, CPPT, VP
2) Fifth Third – Kimberly Kutlenios
3) Regions Bank & Trust – Dave Smeltzer

Ms. LaDue reviewed Salem Trust and their costs. She also reviewed the costs associated with the three respondents.

Mr. West opined Fifth Third used an unsupported older system which may be why their costs were less, and they found working with Fifth Third was cumbersome in getting things done and the amount of paperwork needed to rebalance and move money. Regions Bank provides outstanding service. Their wild card was they were competitive and a top provider. Mr. West noted the head of their custodial services recently transferred to another area of the bank. Mindy Johnson, a top notch service provider, was also recently hired by Salem Trust. The replacements they were working with were fine and Bogdahn had no issues with them. They were going through a service personnel transition.

Ms. LaDue contacted Fiduciary Trust and they reduced the $10 benefit payment fee to $5. The members thought Fiduciary Trust was expensive.

Mr. Taylor favored Regions Bank and thought they could negotiate a rate with them with the understanding the Board would stay with the custodian for a certain time period. Mr. West agreed, and they could also reduce the basis points. There was discussion the best time to transition was while Ms. LaDue was still administering the Plan. Mr. West suggested transferring the custodian when the fiscal year was finished and all the auditing was finished.

Motion

Mr. Petty moved to terminate Salem Trust as custodian. Mr. Taylor seconded the motion that unanimously passed.

Chair Henderson requested a motion to use Region's Bank as custodian.

Motion

Mr. Taylor moved to approve and try to negotiate a lower rate if possible. Ms. Bush seconded the motion that unanimously passed.

Attorney Levinson explained there are advantages of having a new custodian start January 1st and pointed out if done then, retirees would not receive two 1099s.

Mr. Taylor asked who would negotiate a lower rate with Regions Bank. Attorney Levinson agreed to negotiate and if they did not lower the cost, they should ask for a breakpoint as the fund was continuing to grow.

VIII. PENSION ADMINISTRATOR'S REPORT:

1. Benefits as of PYE 09-30-2015.

This item was for information only.

Chair Henderson was looking through the bills and noted one firefighter had calculations run. The Board pays the bill, but the firefighter was supposed to start his payroll deductions in August, but did not. Mr. Raybuck noted the firefighter had some life changes. Chair Henderson requested they send him a bill.

IX. PUBLIC AUDIENCE COMMENTS:
(Limited to three (3) Minutes)

Mike Fitzpatrick, City Commissioner was concerned if the unfunded liability is not fixed, there will be a lot of pressure to go to a Defined Contribution Plan for current members in the next recession. He wanted to see things move a lot quicker and did not see much movement at all. He noted Dean Kinser walked out of CBA negotiations. Commissioner Fitzpatrick came up with his own suggestions how to start paying it down. Beginning in 2016, he proposed $750,000 in Chapter monies and the $2.7 million worth of accrued Chapter 175 monies be used towards the unfunded liability, and to keep using $350,000 in Chapter 175 monies thereafter. By paying $750,000 at least $200,000 less would be paid by the City and the $200,000 savings would also be used to pay down the unfunded liability.

Commissioner Fitzpatrick noted Chapter 175 affects retirees. To make things equitable, he believed the defined benefit multiplier should be reduced to 2.75%, but the City would keep paying in as if there were a 3% multiplier. If the multiplier were lowered to 2.75%, it would save about 2% of payroll or $200,000. When added up, there would be $750,000 plus the initial $2.7 million to pay the amount down. Commissioner Fitzpatrick calculated it would take 21 years to pay it off. He wrote up his ideas which were included in the meeting backup.

Mr. Raybuck was also concerned about unfunded liability. In 2004, there were buyouts and the last one created a $4.3 million unfunded liability which has now risen to $5.1 million. The current unfunded liability attributed to the buyouts was about $15 million. Mr. Raybuck commented cutting benefits based on the unfunded liability is similar to private sector problems, where they borrow from pension plans and declare bankruptcy. He agreed something needed to be done, but before they cut benefits they need to look at funding the portion created by the early buyouts.

Commissioner Fitzpatrick inquired how that would be accomplished, and suggested using his recommendations as a starting point. Chair Henderson clarified the Trustees do not sit in negotiations. Chair Henderson pointed out, some of Commissioner Fitzpatrick's suggestions, based on what he heard, were suggestions the Board had already made to reduce costs and the Board and Union were looking at ways to reduce costs and pay down unfunded liability, but the early buyouts caused the problems and according to the actuary, the $15 million worth of unfunded liability. Chair Henderson suggested letting it play out and see what happens. There are things the City can do, which they gave to the Union which are funding policies. Minimum funding policies only cover the minimum. Chair Henderson thought the comment made about the Union president walking out should be made to the City Manager, not the Pension Board.

Chair Henderson was aware Commissioner Fitzpatrick had spoken with the actuary and City Manager. Commissioner Fitzpatrick asked a question, the actuary responded and Commissioner Fitzpatrick did not like the answer. Commissioner Fitzpatrick agreed and explained he disagreed because the answer was based on the current Ordinance. He explained it only takes two more votes to change the Ordinance. The other way to change things was if the Union wanted a different outcome, they change its position when bargaining. Commissioner Fitzpatrick was present to let everyone know he favored taking the Chapter 175 money to pay down the unfunded liability created by the early buyouts.

Attorney Levinson thanked Commissioner Fitzpatrick for taking an active interest in the Plan. He thought it would be beneficial to take what they have in writing and share it with the Union and the City. He agreed the Board does not negotiate, but they assist the parties and they had previously given them the authority for the actuary to do studies.

X. ADJOURNMENT:

Motion

Mr. Taylor moved to adjourn. Mr. Raybuck seconded the motion that unanimously passed. The meeting was adjourned at 11:45 a.m.

Catherine Cherry

Catherine Cherry
Minutes Specialist
110615