

Rec 10-26-15

**MINUTES OF THE BOYNTON BEACH FIREFIGHTERS' PENSION FUND
~~ORDINARY~~ MEETING HELD ON THURSDAY, AUGUST 5, 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
Matthew Petty
Jonathan Raybuck
Helen "Ginger" Bush

Barbara LaDue, Pension Administrator
Adam Levinson, Board Counsel

ABSENT:

Bob Taylor

I. CALL TO ORDER – Luke Henderson, Chairman

Chair Henderson called the meeting to order at 9:14 a.m.

II. AGENDA APPROVAL -

Barbara LaDue, Pension Administrator, added Item 3, Deputy Chief Gregory Hoggart, Decision on How to Proceed to VI. Old Business. She distributed a handout on the item.

Motion

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

**III. APPROVAL OF MINUTES – Quarterly Meeting 02-25-2015
Quarterly Meeting 05-06-2015**

Motion

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

Chair Henderson noted Commissioner Fitzpatrick was in attendance.

IV. FINANCIAL REPORTS:

A) Bogdahn Consulting – Dave West, Consultant

1) Investment Performance Review for Quarter June 30, 2015

Dave West, Bogdahn Consulting, reported the second quarter was lackluster. The big surprise was how much could be lost in investment grade fixed income securities. All the fixed income, bond-related securities generated a negative total return. This was due to the Federal Reserve saying they would increase fund rates in September/October. Unemployment was down 3%. The economy was healthy. The economy would be self-sustaining and not dependent on stimulus. There were concerns about China and their corrections to their market. Greece was also a concern.

The MSCI EAFE for developed foreign countries earned .6%. The dollar was weak during this period which reversed and helped generate a positive return. The S&P 500 was up 3/10ths of a percent, but the midcap index was hurt. The Barclays US Aggregate total return was down 1.7% and Barclays Corporate Bonds were down 3.2%. Corporates were down more due to quality concerns and interest rate sensitivity to the benchmark.

Net, the total fund had a positive rate of return due to manager outperformance and alternative allocations. Fiscal year-to-date, the fund was in good shape earning 5.82%. The passive policy benchmark was 4.96% just under the policy. The one-year period annualized was at 4.62%. Mr. Bogdahn just received the FRS portfolio earnings and they were up 3.56% for their fiscal year. He noted the Boynton plan outperformed FRS.

For the three-year period, the fund annualized at 11.35% ahead of the benchmark and at 10.6% for the five-year period slightly behind the benchmark. Grossed and compared to the peer group universe, fiscal year-to-date, the portfolio was in the top 11th percentile. For the three-year period, the portfolio ranked in the top 18th percentile and for five years was in the 43rd percentile.

The Anchor All Cap Value Manager was struggling. Since interest rates went up during the quarter, interest rate stocks did not perform well. Real estate, utilities and financials struggled. Anchor was conservatively invested and was down. The Vanguard S&P 500 index fund did fairly well at 6.27% fiscal year-to-date. DSW, the large cap growth manager was ahead of the benchmark for the quarter, and fiscal year-to-date was at 15.4% versus 8.9%. The mid cap index on a fiscal year-to-date basis was still one of the best performing allocations at 9.75%. On the international side, WCM was in line with the benchmark and they were just funded in April. The American Euro Pacific Fund was also up 1.12%.

The Schroder Fixed Income portfolio was down 8.4%. Their policy was down 6.7% and the index was down 1.7%. Now they were using a shorter term, less interest-rate sensitive benchmark which worked well. Fiscal year-to-date, they were ahead of the benchmark.

The Treasury Inflated Protection Securities (TIPS) portfolio was down .28%. Fiscal year-to-date, they did not net anything, but they had minimized the allocation to it.

Global Bond Funds were down and the PIMCO Diversified Income Fund was down less than the global credit benchmark which was down 2%. Fiscal year-to-date, they did well and for the longer term, they were capturing some of the prior underperformance.

Mr. West explained the Securities Exchange Commission (SEC) served PIMCO with a Wells Notice. A Wells Notice means the SEC had issues or concerns with the firm. In 2012, PIMCO created an Exchange Traded Fund (ETF) security to mimic the PIMCO total return bond fund that Bill Gross managed. The first six months outperformed by 3% which raised flags. The pricing practices used by PIMCO at that time, suggested they were bringing in odd lot or small sized amounts of securities at a cheaper price. When they were priced in the portfolio they were priced on large amount offerings at a higher price. There were trading profits that made up that differential. The SEC was questioning if fraud occurred or if the method was inappropriate for investors. A Wells Notice gives the opportunity to dispute the issue and PIMCO will make their case it was fair. The Boynton Plan is not and never was in the fund, but the Board should be aware of it.

The Diversified Income Fund the Board is in was up 1.5%, ahead of the benchmark and for the three-year period was up 5.21%. The strategy was working. The Templeton Global Bond Fund has very little interest rate sensitivity and the fund declined .24% versus the bond index which was down 1.55%. There was great outperformance from the fund and the allocation to real estate helped. Intercontinental was up 3.37% for the quarter. ASB was up 5.19% for the quarter. Fiscal year-to-date, ASB was up 9.9% and 12% respectively. The core bond portfolio was up 2%. Mr. West reviewed Intercontinental earned 14%, 13.75% for the three and five-year periods respectively. Real estate was a great investment for the fund and it weathered the quarter well.

Attorney Levinson noted there was a time the Board stopped investing in commodities and asked what the result would have been had they maintained the position. Mr. West responded managed futures finally had a substantial run and the two funds they were in had significant numbers. They captured energy, shorting various commodities, resulting in a good sized return. Mr. West thought the Board made the right decision to exit due to volatility which was eroding the portfolio's principal amount. Even with the recovery, the Board had such a small amount of money invested with them, they would not really benefit from the recovery.

Since LBC Credit Partners III and Credit Direct Lending Levered Fund were private offerings with a closed investment period, they had to use a different calculation. For these funds, they calculate an internal rate of return, which reviews capital calls and when the life of the investment is finished, they calculate an internal rate of return for the total experience. Other investments use a monthly compounded calculating methodology. For the quarter tracking the evolving internal rate of return, Crescent Direct was up .23% and on a one-year basis, the non-core combined return was 5.6%. Since inception it was at 6.28%. Crescent Direct showed a -.44 on the J-curve and the fees were coming out more than the benefit of the investments. Since LBC had a

different fund structure, the internal rate of return was at 10.46%. This was a good investment.

The portfolio opened the quarter with \$84,932,441. Net transfers were reviewed and \$429,968 was used to fund the capital call for LBC and \$207,167 for Crescent Direct. Contributions into the portfolio were \$274,967. Benefit payments were \$1,246,771. Investment management fees as invoiced and paid by the custodian were \$16,889. Other administrative expenses were \$8,234. The return on investments which aggregated all the income earned, was \$275,050. The fund on June 30th had \$84,210,565. Mr. West thought the portfolio had a blasé quarter but they had good manager outperformance.

Mr. West reviewed the portfolio's running asset allocation was slightly overweight in domestic equity. The City's contribution will be made in October and the Trustees needed to address how the monies will be invested. Attorney Levinson noted the City's contribution is more than \$4 million and they could immediately invest those monies. Mr. West suggested continuing to let the allocations stand and if they invested the contribution to the policy targets, it would likely allocate all the funds to the investment-grade fixed income.

Motion

Mr. Petty moved to invest to policy targets for the City's contribution. Mr. Raybuck seconded the motion that unanimously passed.

C) Attorney Report – Adam Levinson (*Heard out of order*)

- 1) Reminder Pending State Deadlines dated 7-8-2015 also additional requirements

Attorney Levinson noted the July 8th memo included in the meeting backup and advised Ms. LaDue had ensured the information was forwarded to the City to be included on the City's website.

Attorney Levinson advised Senate Bill 534 was adopted two years ago, but it took time for the State to make the regulations. The 112.664 Compliance Report, based on SB 534, describing what must done by the actuary is due 60 days after the valuation is approved and posted on the Plan sponsor's website. The legislation has detailed requirements. Pete Strong, GRS Plan Actuary, had sent a copy of the report on June 26th. Attorney Levinson advised the actuary will review hypothetical, arbitrary calculations that do not reflect any laws, only reporting requirements. They have to show how long, based on current assets without member or City contributions or State money, the assets would continue to pay for benefits. Attorney Levinson noted the City has to make contributions under Florida Law; however, using the assumption the State requires them to use, the Plan would run out of money in 15.9 years. Using a different set of assumptions or a different rate of return would also change the run out date. The

actuary added the disclaimer, as required by 112.664; the calculations do not include contributions from the employer, employee or State, which is contrary to Florida Statutes. Attorney Levinson advised the life blood of a defined benefit plan is the member and City contributions. Ignoring those funds coming in was senseless, but they had to be included on the City's website.

Attorney Levinson advised Mr. West had to compile information on the Plan's investment history which also has to be posted on the City's website. They must give a side-by-side comparison for the last six years showing the investment returns and their assumed rate, which during the short term makes the Plan look more expensive, although it would capture investment gains over the long term. The information has to be prepared by the investment consultants annually. It must not only show the return compared to the assumptions, but also show what stocks, bonds, alternatives and cash were in the portfolio during each of those years. The next item was the actuarial valuation needed to be posted. Attorney Levinson explained this valuation was only required to be done once every three years; however, they have an annual valuation done each year so the City can stay on top of their contributions. The Plan's audited financials now have to be posted.

Attorney Levinson advised a fact sheet by the Division of Retirement has to be included as a link on the Plan sponsor's website. The Division of Retirement will update the fact sheet, based on the run-out dates. He asked the Trustees to consider if they wanted to post an overview memo on the website to dampen any concerns.

Senate Bill 172 applied to Police and Fire Plans and required them to have a detailed accounting report which was no different than the audited financials. They already post the audited financial reports on the website so they already complied with this provision.

Attorney Levinson advised Ms. LaDue had compiled a four-year comparison from 2011 through 2014 of what was spent on administrative expenses because they have to now have a formal administrative expense budget prior to October 1. Unless a special meeting was held, they would have to approve the administrative expense budget. This would not have to be posted, but it was the most efficient way to get the information available to the membership.

Mr. West inquired if the provision included investment manager fees. Attorney Levinson explained it is an administrative expense budget, but Statute 172 defines it as including all consultants. Attorney Levinson believed consultants would be included in the administrative budget, but investment managers would not.

Attorney Levinson recommended the Board review prior year expenses. He pointed out the actuarial expenses could increase as much as 100% due to the new requirement. Attorney Levinson recommended creating a budget and having more of a cushion. Some Boards added a Miscellaneous line item to capture unforeseen circumstances. Attorney Levinson recommended including an unspecified miscellaneous budget because if they exceeded what was budgeted, they would have to amend the budget

and make it available to the City and the members again. They also have to let the City know of any budget amendments.

Mr. West noted Salem Trust was on a basis point fee and asked if they should project what their fee would be next year assuming assets appreciated 10%. Attorney Levinson thought they could be included, but they would not have to include Salem in the administrative expense budget because they are not investment consultants.

Mr. West asked if the expenses listed were actually paid as opposed to annualized fees for the services. Ms. LaDue responded it was what was actually paid during the Plan year.

Commissioner Fitzpatrick understood there were three pension components which was the portion discussed, the COLA and the medical. He asked if they would they have to be posted on the website and learned they did. The law is for defined benefit plans and the COLAs are captured. Health insurance is not covered as part of the Plan as it was a Union issue.

Senate Bill 172 only applied to police and fire defined benefit plans. A 457 Plan is another version of a defined benefit plan. It would apply to the COLA because they administer the COLA. Commissioner Fitzpatrick thought there needed to be direction given to the City and learned Ms. LaDue had issued a letter to the City. Attorney Levinson pointed out the Trustees are fiduciaries, and they only pay a bill after they ensure the amounts were reasonable and appropriate.

Ms. LaDue pointed out they were migrating to a new system manager so those costs had to be added. They were also adding a new pension administrator and that fee should be doubled. Attorney Levinson emphasized just because monies are budgeted, they do not have to be spent. They would only approve costs that were reasonable and appropriate.

The Trustees reviewed the list of expenses and decided on the fees as follows:

- Actuary fees - \$60,000
- Administrator fees - \$60,000
- Audit fees - \$15,000
- Bank charges - \$500
- Computer supplies - \$10,000
- Custodial fees - deleted as they would be contained in Administrative Expenses
- Liability insurance - \$12,000
- DROP administration - \$3,000
- Dues and subscriptions - \$1,000
- Legal fees - \$30,000
- Office expenses - \$1,500
- Office rent - \$10,000
- Pension program - \$5,000

- Performance monitor - \$40,000
- Seminars and trainings - \$24,000
- Miscellaneous category- \$10,000 (which could include Awards reception)

Attorney Levinson commented 1% for administrative expenses was good. Boynton's plan was at .16% which was excellent. Compared to other plans with full-time people administering their plans, the Boynton Beach Trustees run a tight ship.

Motion

Mr. Petty moved to form the budget as discussed. Mr. Raybuck seconded the motion that unanimously passed.

a) Detailed Accounting Report for SPD

The Summary Plan Description was done by the actuary. Attorney Levinson recommended, since they have to make the information available to the membership, they incorporate it into the Summary Plan Description when GRS does their next update.

b) Administrative Expense Budget with administrative expenses for years 2011, 2012, 2013 and 2014 for reference

This item was addressed earlier in the meeting and would be sent to the City. It would say copies of the expense budget and the detailed accounting report are available and may be posted on the City's website.

2) Intercontinental – Seventeenth Amendment dated 7-1-2015

Attorney Levinson reviewed the amendment to the contract and spoke with Intercontinental Legal Counsel. Intercontinental wants to reserve the right how money comes into the fund. When buying a building, instead of Intercontinental just accepting cash, they can accept the actual property. As long as it was within SEC guidelines, it was fine. Mr. West had no objections to the amendment. It was a tool for the real estate manager to use, and the Board did not need to take formal action on it. There were no objections.

3) DROP loan provision – memo of 7-2-2015 by interested DROP participant.

At the last meeting, the Board reviewed the Police Drop Loan Program and Attorney Levinson was asked if Fire could institute the same program. He distributed a copy of the current DROP Plan and explained the Firefighters' plan does not give specific rulemaking authority for DROP Loans. He thought it would be unwise to get into a detailed DROP program without specific authority to do so. Attorney Levinson recommended amending the Ordinance either by incorporating specific DROP loan

language or adding language saying the Board has rulemaking authority in a new paragraph N. It could detail the specifics of the DROP loan program.

Chair Henderson asked if the Board was in agreement this would be good for the Fund and the DROP members and there was consensus it was. Chair Henderson commented he would forward the information to the Union who negotiates with the City for benefit changes that were forthcoming. Mr. Petty advised he and Ms. LaDue discussed the current company offers a DROP loan program. Chair Henderson had contacted Alerus and was told Alerus cannot administer a loan program unless it was in their Ordinance. Several companies can administer the program with a minimal cost. Chair Henderson pointed out the program was no cost to the fund as any administrative costs would be borne by the participant taking the loan. Alerus strictly does record keeping and can only implement the program if Ms. LaDue authorized it and had the proper paperwork. To address the letter from former Deputy Chief Jim Ness about the program, he will be informed it was brought forward at a special meeting, they researched the matter, and since it involves an Ordinance change, it will be given to the Union. He will be informed the Trustees will be happy to implement it if given the direction to do so.

B) Gabriel, Roeder, Smith & Co – Pete Strong, Actuary

- 1) Letter of 7-8-2015 by Mayor Taylor for the City to engage GRS for various pension projections.

Chair Henderson received a letter from Mayor Taylor to the Board requesting the Board allow the City to use GRS for upcoming pension changes. GRS requested they receive a letter from the Board this was permissible because they did not want to be terminated by the Police and Fire Plans. The Police approved the request with restrictions to use GRS strictly for projections.

Attorney Levinson commented it was all public information and whatever GRS was doing at the City's request was something the Plan was entitled to see. They have to work collaboratively with all the parties. The same held true for the Union since the Union engaged GRS as well. Chair Henderson understood from the Union Executive Board they will develop a list of changes to present to GRS.

Chair Henderson requested a motion to give the Mayor and City Commission the okay to use GRS as their actuary.

Motion

Mr. Petty so moved. Ms. Bush seconded the motion. Attorney Levinson will look at the draft and add the Board authorized the actuary to work with the City and that the Board be copied on any reports GRS provides to the City. Mr. Petty advised they had discussed this previously and they deferred the matter.

- 2) New Compliance & Reporting - Revised Chapter 112.664 dated 6-26-2015

This item was addressed earlier in the meeting.

- 3) Required Reports/Disclosures for City Web Site

This item was addressed earlier in the meeting.

- 4) Discussion on Mortality Tables –RP 2014 with various State orders, etc

Attorney Levinson referenced the June 12th memo about House Bill 1309. The actuary had to calculate the cost and include it in the October 2016 valuation. He advised they were not increasing the benefit. It was a matter of paying more now as opposed to paying more later. It is the benefits that determine the cost of the Plan, but this was a way of prefunding it by assuming that people live longer.

The Division of Retirement circulated a Q & A sheet and would hold three webinars. He thought it was a good idea for Union or City representatives to attend the webinar.

- 5) Extra Payments for Unfunded Liability dated 7-2-2015

Chair Henderson advised Pete Strong, Plan Actuary, sent a letter to the Board about the cost to pay down unfunded liabilities which was briefly discussed at their Special Board Meeting. He recalled the discussion was to use some of the 175 monies, but pointed out it would not offset the City's cost. The letter discusses where to pay it. Attorney Levinson pointed out that over time, it would dramatically impact the contribution. He thought Mr. Strong should discuss the letter, but the letter provided a brief on what the City's cost would be.

V. CORRESPONDENCE –

- 1) Tim Conway – New Head of Convergenx Recapture Services

Chair Henderson noted this item was for information only.

VI. OLD BUSINESS –

- 1) Fact Sheet to counter misinformation on Pension Funding – Dave West & Pete Strong – Update

Chair Henderson explained the fact sheet would clarify the misinformation regarding pension funding. Ms. LaDue advised Attorney Levinson had indicated he would draft a cover page for the website. Mr. West thought one of the elements that should be incorporated was the case work that was done because the spreadsheet provided was

helpful in understanding the City's budget and percent of contribution. He noted there are two liabilities.

Mr. West reviewed everyone must come to terms with the reality that if one was to roll back benefits from today going forward, it would have a negligible effect on the cost of the Plan. All plans were impacted by the 2008 market crisis and this was due to not having a funding policy in place. If the City had made up the shortfall during that period of time or had level funding in place, the Board would be in a much better position. Mr. West commented the Collins Institute and other studies painted an inaccurate a picture. He agreed there is a pension problem, but the problem was paying the benefits that are currently paid and the City sponsors that have not paid that bill.

Chair Henderson advised Mr. West put a presentation together and they would discuss and assemble a fact sheet to post on the City's website with the pension plan that shows where the costs are. A generic template fact sheet was reviewed. They can summarize how the portfolio is diversified and how the City has to make its contribution. They would cite the Florida Constitution, Chapter 112 and other provisions regarding pension plans. Attorney Levinson advised he just reviewed the valuation and they were sitting on unrecognized gains.

- 2) Debra Dypold – Restart benefit payments 8-1-15 – lump sum retro benefits since Nov 2013.

Chair Henderson advised Ms. Dypold had not sent back her Alive and Well Statement for two years and they stopped payment. It was finally sent in, but they were unsure about the taxes. Ms. LaDue had paid the August 1, 2015 benefit, but Ms. Dypold is owed 21 months past benefit payments. Ms. LaDue advised she would pay the monthly benefit payments in a lump sum for \$58,000 plus the normal taxes that would have been deducted on a monthly basis. Attorney Levinson explained as long as Ms. Dypold was given the option to change her withholding options, it was fine to pay her in that manner.

Ms. LaDue distributed a handout regarding Deputy Chief Hoggart, who was erroneously put in the General Employees' Pension Fund. They were in the process of moving him to the Firefighters' Pension Fund, but he will have to pay back contributions for the next two years because general employees contribute 7% of their salary, and firefighters contribute 12%. Attorney Levinson needed to send letter to Tim Howard, Finance Director, requesting the transfer and inquiring how they would collect the back payments. Chair Henderson suggested they expedite the matter. Ms. LaDue noted Deputy Chief Hoggart would need to make either a lump sum contribution or payroll deduction. Mr. Petty recalled he was given the option to repay it in a lump sum or over a two or three-year period.

Attorney Levinson will request the final calculations and payment from the General Employees' Plan to the Firefighters' Plan and Chair Henderson and Ms. LaDue will set up a payment plan not to exceed three years.

VII. NEW BUSINESS:

A. Invoices for review and approval:

1. Schroder Fixed Income Mgt – Qtry fee 09-30-2015 -
2. DSM Capital Partners LLC – Qtry fee 09-30-2015 - \$23,315.41
3. Bogdahn Group – Qtry fee 06-30-2015 - \$8,375
4. Klausner, Kaufman, Jensen & Levinson – Service Jun 2015 - \$2,880
5. Anchor Capital Advisors – Quarterly fee – 06-30-2015 - \$
6. GRS - Service June 2015 - \$4,680
7. Alerus – Qtry DROP Admin Fee - \$500
8. Salem Trust Custodial Fee 6-30-15 - \$8,126.17 **charged to account.**
9. Intercontinental- Management Quarterly fee 12-31-2014 - **\$8,616.81 withheld from dividend reinvestment plan.**
10. ASB Real Estate Fund – Quarterly Fee 6-30-2015 **withheld - \$8,271.74**

Chair Henderson noted they were missing the invoices from Schroder and Anchor. Ms. LaDue advised the invoices should be about \$7,300 and \$16,000 respectively, which were their normal fees.

Motion

Ms. Bush moved to approve the bills. Mr. Petty seconded the motion that unanimously passed.

VIII. PENSION ADMINISTRATOR'S REPORT:

1. Benefits as of 08-01-2015.
2. Schedule of 2016 Quarterly Board Meetings

The members reviewed the 2016 meeting schedule. Ms. LaDue provided the meeting dates for inclusion in the City's calendar.

Mr. Petty noted they had previously discussed Ms. LaDue's retirement. Messrs. Petty and Raybuck inquired at a conference about the next step to take. He inquired if they should contact the Chair of the Police Pension Board or start bringing in potential candidates. Chair Henderson thought they should issue an RFP and go from there.

Attorney Levinson commented in the past, the administrator was a City employee that worked in Finance, but the Board moved away from that model. The next model was using Ms. LaDue as a dedicated administrator just for the Boynton Beach Police and Fire Pension Plans. A third model is an outside independent third-party administrator

who works for 20 to 50 other plans and is not dedicated just to the Plan. There are advantages and disadvantages. His understanding was to continue to have a dedicated person. Attorney Levinson suggested the Board consider that it would take time for a new administrator to be brought up to speed and be trained or if they would provide back-office support for a third-party administrator. The Pension Resource Center handles many plans and was already working with Ms. LaDue.

The Board should consider the scope of services they want. Mr. Raybuck inquired how many responses would be received if they issued an RFP. Attorney Levinson advised if they want a dedicated person, it would be a much smaller group. They would also have to build more into the budget for administrator fees because that person would work with Ms. LaDue for a period of time before she retired. Mr. Raybuck wanted a few options for the next meeting.

The members discussed the Firefighters' Plan was not tied to the Police Plan. The Police Plan wants a dedicated administrator. Mr. West asked if they would retain Ms. LaDue's office if they used an outside third party vendor and learned they would not.

Ms. LaDue explained she is very busy and a third party administrator would not be able to devote the time and be as fast to react. It was noted much of the pension work would be done online.

Ms. Bush believed the personal touch would be lost if using a third party administrator and they had a more complicated situation due to Police. Mr. Petty did not know if it would be beneficial to have one person just for the Fire Department. Mr. Raybuck commented they could issue the RFP on behalf of Fire and Police and see if they agree with it and then jointly meet. Mr. West suggested posting the dedicated administrator position in some of the trade magazines. Attorney Levinson had referred someone from Hollywood who is from Palm Beach County. Ms. LaDue had received her resume and forwarded it and a survey of South Florida Administrator salaries to Chair Henderson. Background checks will be included in the RFP. Mr. Petty agreed to convey this to Toby Athol, Chair of the Police Pension Plan.

Ms. Bush believed there was already a decision they want a dedicated person and Mr. Petty disagreed. He wanted all the information to see what is out there. If they have a single administrator, if something should happen, they are stuck. Ms. LaDue advised the system manager is the Resource Center so they will have the entire setup including setting up the website for the members to access and they handle the General Employees' Plan. Chair Henderson thought they should contact the Police Plan and go from there. They would look at both models.

Mr. Petty would contact the Chair of the Police Plan and a question arose if they want to start meeting with the RFP Respondents at the next meeting, with just the Fire Trustees or with the Police Trustees or meet with interested individuals after the meeting. Chair Henderson suggested issuing the RFP to set a date and have a special meeting. Ms. LaDue could compile questions for the interview.

On a different matter, Chair Henderson did not think some members were happy with Salem Trust's presentation at a prior meeting. He wanted to discuss this at the next meeting. Attorney Levinson advised Salem should have received their audit so the Board may want to consider if they would want to use another custodian.

IX. PUBLIC COMMENTS:

Commissioner Fitzpatrick explained he was the lead on pensions for the City Commission. He was contemplating the pension issue and asked if the Plan was 100% funded, if the City's contribution would be zero and learned it would not. The City would still have to pay the normal cost of the accrual of a new benefit for the new year. The largest component of City's cost is the unfunded liability. The closer the fund is to being 100% funded, the less the payment.

Commissioner Fitzpatrick inquired about the breakeven point. Mr. West explained the definition of being fully funded means the actuary is assuming investments make 7.5%, the members contribute 12%, State money represents x% and what the City contribution is going to be. A fully funded plan assumes each of those components would be contributed on an annual basis. With those assumptions, there will always be a City contribution. It is a projection. Attorney Levinson explained although the City may be paying \$4 million, they still need to fund future benefits for active firefighters.

Commissioner Fitzpatrick understood that after retirement, a member cannot have reduced benefits. He asked if they could increase benefits. Attorney Levinson responded as a general rule, they would not see increases in benefits using a defined benefit formula. With respect to retirees, share plans and State monies, there could be a way of increasing benefits for retirees, but generally benefits are not increased because the Union no longer represents retirees. Under certain circumstances, it is possible to increase benefits to retirees. If funding improved in the future they could increase benefits most likely as a COLA. It could be like a 13th check or ad hoc benefit.

Commissioner Fitzpatrick noted the Firefighters' plan has a 3% multiplier. The law changed. City plans would not continue to receive 175 monies if the multiplier dropped below 2.75% and last year the minimum was 2%. Chair Henderson commented city plans gave up additional 175 monies through negotiation for the higher multiplier. Additionally, if a plan pooled the 175 monies and did not allocate those funds for a benefit, they had to have an agreement with the City on the remainder and it was a complicated matter. Delray Beach gave up \$8 million. Attorney Levinson explained the multiplier which is 3% cannot go below 2.75%, and if it was lowered to 2.75%, it could only be for future service because they cannot take away a benefit.

Mr. Fitzpatrick inquired if members having seven years with a 3% multiplier and 13 years with 2.75% would change the City's contribution and help the Plan get closer to being 100% funded. He asked if the Board had a plan to be 100% funded. Chair Henderson explained the Board's investment policy and all the actions taken by the

Board were to increase the funding ratio to get to 100%. Mr. West explained the State requires the Plan be funded to 100% over a 30-year period. When the actuary provides the valuation report, they make projections and calculate contribution requirements so in 30 years, the Plan would be 100% funded. This is legally required in Florida.

Commissioner Fitzpatrick inquired where in the 30-year period the Plan was and learned it was in year one of a rolling 30-year period. It was like a mortgage. Mr. West explained because the benefits accrued to date, paid and unpaid, have not been paid, there is a mortgage the City has to pay which is the unfunded liability. Attorney Levinson noted the Plan could be 100% before the 30-year period. Commissioner Fitzpatrick agreed the goal should be to become 100% funded in 10 or 15 years. Chair Henderson noted if that were done, the City's costs would triple. Commissioner Fitzpatrick explained those were the kinds of scenarios they should run. He suggested if the Plan is to be fully funded in 10 to 15 years, they should drop the multiplier to 2.75%, become fully funded, and when that is achieved, they replace it so when people retire they could increase their multiplier to 3%.

Chair Henderson explained the Union has met with GRS and was looking at the cost of benefits and reviewing how to reduce the City's costs which is by a reduction of benefits. They are doing an entire model that will be presented to the City. The Union initiated this action and this had been discussed at the Special Meeting. The Plan took a hit and the State hit it again with new mortality tables. Commissioner Fitzpatrick thought the problem with having a 30-year period was the picture keeps changing.

Attorney Levinson pointed out there are other components of the benefit structure that affect the cost, but the majority is the unfunded liability, and another component was delayed retirement and member contributions. Mr. Petty understood unless they paid down the already accrued unfunded liability for firefighters currently receiving benefits, they would not get anywhere because the interest on that debt is high. They are paying down current debt. Commissioner Fitzpatrick asked if there was another way to achieve this and Mr. Petty explained that was what GRS, the Union and the City were sitting down to figure out. Chair Henderson noted the Trustees gave direction to the Union where they think there could be savings, basically on benefits and they are looking at everything. Commissioner Fitzpatrick thought it would be helpful to take the 175 funds and pay it down.

Attorney Levinson explained with health insurance, the focus is on when retirees do not need to pay for health insurance when they become Social Security and Medicare eligible. Some Boards pay a higher benefit to age 65 or 67 and when Social Security or Medicare kicks in they lose some of the additional income, which was something else the Union and City would discuss through negotiations. Chair Henderson explained some of the 175 money is in the pot for the future and some of it is disbursed. It is an ad hoc payment that could go away through negotiations, and it was being reviewed. If the cities and Union agree, it could be changed, not if the Pension Board agreed.

Commissioner Fitzpatrick's impression was no one wants to give bad news and he commented there might come a point the Board may want the City Commission to impose something so the Board would not have to.

Attorney Levinson recommended at the next meeting they move Commissioner Fitzpatrick to the top of the agenda

X. ADJOURNMENT:

Motion

There being no further business to discuss, Ms. Bush moved to adjourn. Mr. Raybuck seconded the motion that unanimously passed. The meeting was adjourned at 11:42 a.m.



Catherine Cherry
Minutes Specialist
102015