

City of Boynton Beach Municipal Firefighters Pension Trust Fund

MINUTES

May 03, 2023

9:00 A.M.

Chairman Raybuck called to Order the meeting of the Board of Trustees of the City of Boynton Beach Municipal Firefighters' Pension Trust Fund, on May 03, 2023, at 9:00 A.M.

TRUSTEES PRESENT:

Mr. Jon Raybuck – Chairman; Mr. Stan Cale – Board Secretary; Mrs. Desirae Patterson, Trustee; Mr. Conner Flechaus – Trustee; Mr. Robert Taylor, Trustee & Chief Hugh Bruder.

OTHERS PRESENT:

Mr. Kevin Reddoch, Active Member; Mr. Pete Strong, GRS Consulting; Mr. David West – AndCo Consulting; Mr. Adam Levinson, Board Attorney – Klausner, Kaufman, Jensen and Levinson; Mr. Dave Williams, Plan Administrator.

It should be noted that there was a quorum for the Board to have an official meeting.

PUBLIC DISCUSSION:

Mr. Raybuck opened the meeting to public comments. No comments were provided, and this item was closed.

CONSENT AGENDA:

APPROVAL OF THE MINUTES:

Mr. Cale asked if everyone had an opportunity to review the minutes of February 01, 2023. A Motion was made by Mrs. Patterson to approve the minutes. The Motion was seconded by Mr. Cale. Motion passed 4-0¹.

APPROVAL OF THE WARRANTS:

Warrants 546 through 574 were presented with all the supporting back-up to the Board for approval. After review & consideration a motion was made by Mr. Cale to approve the Warrants as presented. The Motion was seconded by Mrs. Patterson. Motion passed 4-0².

ACTUARY'S REPORT:

Mr. Pete Strong presented the results of the October 1, 2022 Annual Actuarial Valuation of the City of Boynton Beach Municipal Firefighters' Pension Trust Fund are presented in this report.

This report was prepared at the request of the Board and is intended for use by the Retirement System and those designated or approved by the Board. This report may be provided to parties other than the System only in its entirety and only with the permission of the Board. GRS is not responsible for unauthorized use of this report.

The purposes of the valuation are to measure the System's funding progress, to determine the employer contribution rate for the fiscal year ending September 30, 2024, and to determine the actuarial information

¹ Mr. Raybuck off the dais.

² Mr. Raybuck off the dais.

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for Governmental Accounting Standards Board (GASB) Statement No. 67. This report also includes estimated GASB Statement No. 67 information for the fiscal year ending September 30, 2023. This report should not be relied on for any purpose other than the purpose described herein. Determinations of financial results associated with the benefits described in this report, for purposes other than those identified above may be significantly different.

The contribution rate in this report is determined using the actuarial assumptions and methods disclosed in this report. This report includes risk metrics but does not include a robust assessment of the risks of future experience not meeting the actuarial assumptions. A robust assessment of risks was outside the scope of this assignment.

This valuation assumed the continuing ability of the plan sponsor to make the contributions necessary to fund this plan. A determination regarding whether or not the plan sponsor is actually able to do so is outside our scope of expertise and was not performed. The findings in this report are based on data and other information through September 30, 2022. The valuation was based upon information furnished by the Plan Administrator concerning Retirement System benefits, financial transactions, plan provisions and active members, terminated members, retirees and beneficiaries. We checked for internal reasonability and year-to-year consistency but did not audit the data. We are not responsible for the accuracy or completeness of the information provided by the Plan Administrator. This report was prepared using certain assumptions approved by the Board and prescribed by the Florida Statutes as described in the section of this report entitled Actuarial Assumptions and Cost Methods. The prescribed assumptions are the assumed mortality rates detailed in the Actuarial Assumptions and Cost.

Methods section in accordance with Florida Statutes Chapter 112.63. All actuarial assumptions used in this report are reasonable for purposes of this valuation.

This report was prepared using our proprietary valuation model and related software which in our professional judgment has the capability to provide results that are consistent with the purposes of the valuation and has no material limitations or known weaknesses. We performed tests to ensure that the model reasonably represents that which is intended to be modeled.

This report has been prepared by actuaries who have substantial experience valuing public employee retirement systems. To the best of our knowledge the information contained in this report is accurate and fairly presents the actuarial position of the City of Boynton Beach Municipal Firefighters' Pension Trust Fund as of the valuation date. All calculations have been made in conformity with generally accepted actuarial principles and practices, with the Actuarial Standards of Practice issued by the Actuarial Standards Board and with applicable statutes.

Mr. Peter N. Strong and Mr. Jeffrey Amrose actuaries are members of the American Academy of Actuaries. These actuaries meet the Academy's Qualification Standards to render the actuarial opinions contained herein. The signing actuaries are independent of the plan sponsor. This actuarial valuation and/or cost determination was prepared and completed by us or under our direct supervision, and we acknowledge responsibility for the results. To the best of our knowledge, the results are complete and accurate. In our opinion, the techniques and assumptions used are reasonable, meet the requirements and intent of Part VII, Chapter 112, Florida Statutes, and are based on generally accepted actuarial principles and practices. There is no benefit or expense to be provided by the plan and/or paid from the plan's assets for which liabilities or current costs have not been established or otherwise taken into account in the valuation.

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All known events or trends which may require a material increase in plan costs or required contribution rates have been taken into account in the valuation.

A comparison of the required employer contribution developed in this and the last actuarial valuation is shown below. The required contribution dollar amounts shown below are estimates only. The contribution policy of the City is to contribute the dollar amount determined by multiplying the required percentage of payroll determined as of the valuation date by the projected pensionable payroll for the year.

	For FYE 9/30/24 Based on 10/1/2022 Valuation if contributed on 10/1/2023	For FYE 9/30/23 Based on 10/1/2021 Valuation if contributed on 10/1/2022	Increase (Decrease)
Required Employer/State Contribution	\$ 7,164,753	\$ 6,647,312	\$ 517,441
As % of Covered Payroll	54.14 %	55.38 %	(1.24) %
State Contribution Allocated (Including Amounts from State contribution reserve)	\$ 943,466	\$ 943,466	\$ 0
As % of Covered Payroll	7.13 %	7.86 %	(0.73) %
Net Required Employer (City) Contribution	\$ 6,221,287	\$ 5,703,846	\$ 517,441
As % of Covered Payroll	47.01 %	47.52 %	(0.51) %

The required employer contribution has been computed under the assumption that the amount to be allocated from current and prior excess State money this year and next year will be \$943,466, based on a re-evaluated cost of the COLA from benefit changes as described below.

The employer contribution listed above is for the City's fiscal year ending September 30, 2024 and has been calculated as though payment is made in a single lump sum on October 1, 2023. The total minimum required employer contribution for the fiscal year ending September 30, 2022 was \$6,607,751. The actual employer contribution during the fiscal year ending September 30, 2022 was \$6,613,664, including the use of excess State contribution reserves of \$11,771.

There have been the following benefit revisions in benefits since the previous valuation:

- Effective October 1, 2023, the maximum period of DROP participation is the earlier of 8 years of participation in the DROP or 33 years of employment. DROP participants electing to remain in the DROP longer than five years shall resume making employee “pick-up” contributions during years 6 through 8 at the rate of 6% of Compensation, with 5% of Compensation allocated toward funding the COLA and the remaining 1% applied toward the unfunded liabilities in the Pension Trust Fund.
- Effective October 1, 2023, annual COLA increases will commence beginning on the October 1st following the later of (i) five years after retirement, or (ii) the date of separation from service (for DROP participants who elect to extend their DROP participation period longer than five years).

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- Section 18-194(b) on the “Consolidated Deferred Retirement Option Plan” for members hired on or after January 1, 2020 is eliminated. For pension deposits into the DROP during years one through five, interest will be credited under one of the following three options elected by the member at retirement: (1) Gain or loss at the same rate earned by the Plan; (2) Guaranteed rate of 7%; or (3) The rate earned by a self-directed account utilizing mutual funds selected by the Board.
- Effective October 1, 2023, for DROP participants electing to remain in the DROP longer than five years, pension deposits into the DROP during years 6 through 8 will be credited with interest at the same annual rate of return earned by investments in the Plan, net of investment expenses, but no less than 0% and no more than 8% per year.

The impact of the above revisions in benefits was measured in the Actuarial Impact Statement dated June 10, 2022 and reflected a decrease in the total actuarially determined employer contribution (ADEC) for the fiscal year ending September 30, 2023. Since the benefit change responsible for this decrease is associated exclusively with the cost of the COLA, which is borne by 5% Plan member contributions and allocations from annual Chapter 175 State money, the cost reduction reduces the amount of annual Chapter 175 State money needed to fund the COLA by \$124,832 (from \$1,068,298 to \$943,466) beginning in fiscal year 2023. The prior valuation results (as of October 1, 2021) shown in this valuation report reflect these changes.

There have been no other changes in benefits since the prior valuation.

Revisions in Actuarial Assumptions or Methods:

- There have been no changes in actuarial assumptions or methods since the prior valuation.

Actuarial Experience:

- There was a net actuarial experience loss of \$3,621,631 for the year, which means that overall actual experience was less favorable than expected. The actuarial loss is primarily due to lower than expected investment returns on the actuarial value of assets. The net investment return on the actuarial value of assets was 5.24% versus an assumed return of 7.15%. The net investment return on the market value of assets was -15.66%. There were also losses due to higher than expected salary increases (10.0% actual versus 7.5% expected). These losses were offset somewhat by fewer retirements than expected (2 actual versus 3 expected), although this had a much smaller impact.
- The net actuarial loss for the year caused an increase in the annual required employer contribution of 1.82% of covered payroll, or about \$241,000.

Funded Ratio:

- The funded ratio was 74.6% this year compared to 74.9% last year. The funded ratio is equal to the actuarial value of assets divided by the actuarial accrued liability.
- Analysis of Change in Employer Contribution:

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The components of change in the required employer contribution are as follows:

Contribution Rate Last Year	47.52 %
Revision in Benefits	0.00
Experience (Gains) or Losses	1.82
Revision in Assumptions/Methods	0.00
Amortization Payment on UAAL	(2.23)
Normal Cost Rate	(0.49)
Administrative Expense	(0.34)
State Contribution	<u>0.73</u>
Contribution Rate This Year	47.01 %

- Covered payroll as of October 1, 2022 was \$12,910,978 versus \$11,710,333 last year, an increase of 10.25%. Amortization payments on the unfunded liability are scheduled to increase by 2.50% per year. When covered payroll increases more than 2.50%, the amortization payment as a percentage of covered payroll will decrease. The 10.25% increase in covered payroll caused the Amortization Payment on the UAAL (expressed as a percentage of pay) to decrease by approximately 2.23% of covered payroll.

Relationship to Market Value:

- If Market Value had been the basis for the valuation, the City contribution rate would have been 55.82% (a dollar amount of \$7,387,181) and the funded ratio would have been 64.6%. The funded ratio on a market value basis was 84.9% last year.

13th Check Provision:

- The Plan provides for a 13th check if there is a net actuarial gain for the previous year. The Plan experienced a loss during the prior plan year and the cumulative balance of actuarial gains and losses is negative (a net loss), so no funds are available to provide 13th checks in 2022.

Conclusion:

- The funded ratio is 74.6% this year, whereas it was over 100% in the year 2000. Steps have been taken in recent years to address this issue, such as strengthening the actuarial assumptions, including lowering the investment return assumption from 8.5% to 7.15% over time, applying an additional \$1,150,000 towards the unfunded liability, and reducing the amortization period in the amortization of the unfunded liability to a maximum of 25 years.

The remainder of this Report includes detailed actuarial valuation results, financial information, miscellaneous information and statistics, and a summary of plan provisions. In a spirit of transparency, the entire report may be viewed on-line at the following link:

http://bbffp.org/docs_state/ActuarialValuation/2022_BBFF_ValuationReport.pdf#zoom=100

After review and discussion, Mr. Flechaus made a motion to accept the report as presented, seconded by Mr. Taylor. Motion passed 5-0.

At this point, after discussing the assumed rate of return with Mr. Strong and Mr. West, Mr. Flechaus made a motion to keep 7.15% as the assumed rate of return for the short, mid and long term. Mr. Taylor seconded the motion. Motion passed 5-0.

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PLAN ADMINISTRATOR:

- Recalculation of Benefit or Restatement of DROP Date: Mr. Williams reminded the Trustees about the issue at hand. In short, due to a payroll import error there were six active drop members whose benefit was overstated and was corrected. Mr. Williams met with the affected membership, along with Mr. Klausner, Mr. Levinson and Mr. Raybuck. As a result of the meeting the personnel essentially requested their benefit remain the same by adjusting their drop entry date, thus gaining additional service.

All members were provided with the updated calculations and to date no further action has been taken.

Mr. Levinson reflected that the Board is obligated to correct this matter. Mr. Levinson read into the record FSS 175.071. Mr. Levinson discussed the ability of the members to purchase airtime in lieu of changing their respective drop entry dates. Mr. Strong opined that would be permissible. Mr. Levinson wants to be fair and flexible, but reminded the Board that they have a fiduciary duty.

The following are options for the affected membership as Mr. Levinson sees it.

- Revoke the DROP.
- Change the DROP Date.
- Purchase Airtime.

Mr. Bruder stated that if an airtime calculation could be created for each member, he would approach the city to consider absorbing the cost for this small group. As a result, Mr. Strong was directed to prepare airtime reports for the affected personnel.

Mr. Reddoch was present and advised the Board this is a hard pill to swallow. He did not want to delay his drop date as he would have to work an additional 5 months.

- Cyber - Update: It was determined by forensic IT research that only one member was exposed by the e-mail breach. That affected member was being notified and proper protections were being provided by our cyber insurance provider.
- Notice to City for 8-year Drop: Letters were provided to the Board where Mr. Williams notified the city about the contribution requirement and the payroll deduction. Mr. Raybuck advised that payroll is working on setting up accordingly.
- Codification of the Ordinance: Posted on-line.
<http://bbffp.org/docs/ordinance/Sec.%2018%20BBFF%20Firefighters%20Pension%20Ordinance%2004-25-2023.pdf>
- Mr. Williams asked the Board to consider retaining the professional services of a bookkeeper. The position is standard in most plans and with the vast array of the investments of the Plan, the bookkeeper would streamline and assist the auditing of the Plan. Mr. Levinson and Mr. Strong both agreed with Mr. Williams' proposal. The Board by consensus asked Mr. Williams to bring forth a written proposal for their consideration at the next meeting.

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ATTORNEY'S REPORT:

Mr. Levinson reviewed House Bill 3 and the reporting issues.

<http://bbffp.org/docs/announcements/HB3%2005-04-2023.pdf#zoom=100>

Mr. Levinson reminded the members to file the Form 1 by July 1, 2023.

INVESTMENT MONITOR:

Quarterly Investment Report: Mr. West advised that on March 31, 2023 the Fund's value was \$154,558,624.00, which was an increase from \$150,180,877.00 for the quarter ending December 31, 2022.

Mr. West provided the following report about the economy:

- US GDP growth is expected to wane in the coming quarters as the impact from higher interest rates continues to spread through the broader economy. The final measure of 1st quarter GDP was revised downward to 1.7%. Global GDP growth also remains challenged with higher energy prices continuing to act as a headwind, especially in Europe. China has fully reopened after almost three years of COVID-19 restrictions, which boosted estimates and performance for the region.
- The US Federal Reserve Bank (the Fed) continued to increase interest rates during the quarter with two successive 0.25% increases in the Fed Funds rate in January and February. While the Fed's policy remains hawkish on fighting high inflation, the press release from the February meeting took on a more dovish tone.
- The US labor market continues to show its resiliency, adding roughly 236 thousand jobs during the 1st quarter. As a result, the unemployment rate fell to 3.5% in March. Noticeably, the labor market is showing signs of declining growth which could soon signal an inflection point in economic output and the fight against inflation.
- The global banking sector came under duress in the 1st quarter of 2023, triggered by the second and third-largest regional bank failures in US history. The combination of aggressive Fed rate hikes and questionable capital deployment by Silicon Valley Bank led to a flurry of depositor withdrawals and rocked general confidence in the overall banking system.

The entire investment report may be viewed at:

<http://bbffp.org/docs/investments/2023-03-31%20Boynton%20Beach%20Firefighters%20Quarterly%20Report.pdf#zoom=100>

Mr. West proposed the following investment recommendation for the Board to consider. Mr. West felt 6 million dollars should be withdrawn from the S&P 500 Fund and deposited into a VSBIX Fund³. After consideration, Mr. Cale placed the foregoing recommendation in the form of a motion. This was seconded by Mr. Taylor.

Mr. West is preparing a search for private equity and niche real estate for a future meeting.

³ Vanguard Short-Term Treasury Index Fund Institutional Shares.

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NEW/UNFINISHED BUSINESS

- Chapter 175 – Contract Cities: It was reported this matter was still pending.
- Retiree Banquet: Tabled.
- Change of Meeting Time: Mr. Raybuck advised that no action is required. Matter closed.

OPEN DISCUSSION:

Mr. Cale advised that he would be out of town for the next meeting.

ADJOURN:

Meeting adjourned at 11:52 A.M.

Next next regular meeting is August 02, 2023 at 9:00 A.M.

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Jon Raybuck
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FOR THE BOARD

DocuSigned by:
Stan Cale
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