

City of Boynton Beach Municipal Firefighters Pension Trust Fund

MINUTES

May 01, 2024

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 9:16 A.M.

TRUSTEES PRESENT:

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

OTHERS PRESENT:

Mr. Georgio Salame; Mr. Kurt Lewis; Mr. Chuck Myers; Mr. Paul Phillips; Mr. Vance Carpenter; Mr. Chris MacAlpine; Mr. Jonathan McMahon; 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. MacAlpine discussed the recent ordinance that passed relative to drop members making a pension contribution during the first three years in drop status. Mr. MacAlpine felt the union was not transparent in this matter. Mr. MacAlpine advised that he was not staying three years in the drop and as such, would not benefit from the enhanced cola negotiated. Mr. MacAlpine further stated making a 6% contribution would be a financial burden upon him. Mr. MacAlpine felt he was being forced to pay for a benefit he cannot enjoy.

Mr. Levinson responded to Mr. MacAlpine and cited the tax code that requires uniform application of the benefits on a pre-tax basis. Mr. Levinson advised that the IRS does not allow people to pick and choose. Mr. Levinson pick up contributions are mandatory deductions that are made in a uniform manner. It must be done this way for the Plan to retain its tax qualification.

Mr. Salame explained the exhaustive efforts undertaken by the union to release all the information about the ordinance change and the meetings held and the offer to meet with all members individually prior to passage.

Mr. Bruder reflected that members situated like Mr. MacAlpine receive a refund of the contributions made, but perhaps interest should be included.

Mr. Strong opined that the value of the cola benefit is 10 times more valuable than the 6% contribution being made. Mr. Strong would have no objection to a refund with reasonable interest, as it would have no impact on the Plan.

Mr. Levinson stated that a refund, even with interest, would in fact be a savings to the Plan.

After discussion among all parties, Mr. Taylor made a motion to direct the Board Attorney to create an Administrative Rule for cola refunds.

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To apply 5% interest to the contributions made to the Plan as part of the refund process. Finally, to place this item on the next agenda for formal approval of the Policy. The foregoing was seconded by Mr. Flechaus. Motion passed 4-0.

CONSENT AGENDA:

APPROVAL OF THE MINUTES:

Mr. Raybuck asked if everyone had an opportunity to review the minutes of February 07, 2024. A Motion was made by Mr. Cale to approve the minutes. The Motion was seconded by Mr. Flechaus. Motion passed 4-0.

APPROVAL OF THE WARRANTS:

Warrants 638 through 669 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 Mr. Flechaus. Motion passed 4-0.

ACTUARY'S REPORT:

Mr. Pete Strong presented the results of the October 1, 2023 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, 2025, and to determine the actuarial information 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, 2024. 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, 2023. 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.

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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.

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.

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	For FYE 9/30/25 Based on 10/1/2023 Valuation if contributed on 10/1/2024	For FYE 9/30/24 Based on 10/1/2022 Valuation if contributed on 10/1/2023	Increase (Decrease)
Required Employer/State Contribution	\$ 7,801,534	\$ 7,164,753	\$ 636,781
As % of Covered Payroll	53.21 %	54.14 %	(0.93) %
State Contribution Allocated (Including Amounts from State contribution reserve)	\$ 943,466 *	\$ 943,466	\$ 0
As % of Covered Payroll	6.43 %	7.13 %	(0.70) %
Net Required Employer (City) Contribution	\$ 6,858,068	\$ 6,221,287	\$ 636,781
As % of Covered Payroll	46.78 %	47.01 %	(0.23) %

*To be updated after completion of the 2025 COLA Cost Reevaluation Study.

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. Please note that the actual amount of State money to be used towards the FY 2025 contribution will be updated in the 2025 COLA Cost Reevaluation Study. If the actual amount received by the State is lower than this amount, the shortfall may be made up by using the Accumulated Excess Premium Tax Revenue currently being held in reserve (this amount is \$2,350,665 as of October 1, 2023).

The employer contribution listed above is for the City's fiscal year ending September 30, 2025 and has been calculated as though payment is made in a single lump sum on October 1, 2024. The total minimum required employer contribution for the fiscal year ending September 30, 2023 was \$6,647,312. The actual employer contribution during the fiscal year ending September 30, 2023 was \$6,647,312.

Revisions in Benefits:

There have been no 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 \$5,087,936 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 5.38% versus an assumed return of 7.15%. The net investment return on the market value of assets was 9.25%, but the average return over the past 5 years was 5.4%. There were also losses due to higher than expected salary increases (10.1% actual versus 7.6% expected), slightly more retirements than expected (10 actual versus 9 expected), fewer terminations than expected (1 actual versus 2 expected), better longevity among retirees/beneficiaries than anticipated by the mortality assumption (2 actual deaths with an annual retiree payroll reduction of \$79,739 versus an expected reduction in retiree payroll of \$109,275) and data adjustments for service purchases with deferred payment schedules.

The net actuarial loss for the year caused an increase in the annual required employer contribution of 2.30% of covered payroll, or about \$337,000.

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Funded Ratio:

The funded ratio was 73.7% this year compared to 74.6% 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:

Analysis of Change in Employer Contribution

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

Contribution Rate Last Year	47.01 %
Revision in Benefits	0.00
Experience (Gains) or Losses	2.30
Revision in Assumptions/Methods	0.00
Amortization Payment on UAAL	(1.97)
Normal Cost Rate	(1.14)
Administrative Expense	(0.12)
State Contribution	<u>0.70</u>
Contribution Rate This Year	46.78 %

Covered payroll as of October 1, 2023 was \$14,304,178 versus \$12,910,978 last year, an increase of 10.79%. 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 10.79% increase in covered payroll caused the Amortization Payment on the UAAL (expressed as a percentage of pay) to decrease by approximately 1.97% of covered payroll.

Required Contributions in Later Years:

The current calculated City contribution requirement is 46.78% of payroll starting October 1, 2024. Under the asset smoothing method, market value gains and losses are recognized over five years. As of October 1, 2023, the actuarial value of assets exceeded the market value by \$13,014,747. Once all the gains and losses through September 30, 2023 have been fully recognized in the actuarial value of assets, the employer contribution rate will increase by roughly 5.89% of payroll unless there are offsetting gains.

Relationship to Market Value:

If Market Value had been the basis for the valuation, the City contribution rate would have been 52.67% (a dollar amount of \$7,721,647) and the funded ratio would have been 66.6%. The funded ratio on a market value basis was 64.6% 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 2023.

Conclusion:

The funded ratio is 73.7% this year (66.6% on a market value basis), 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.

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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/modules/stateDocs/index.asp>

The Board discussed the investment assumption of 7.15% with Mr. Strong and Mr. West. Mr. Strong felt that assumption was on the upper end of reasonableness based on capital market assumptions, but he felt was still reasonable. Mr. West concurred that the current assumption rate was reasonable. Mr. Strong that at some point when the opportunity presents itself, the Board may wish to take a phase in approach to reduce the assumption to 7%. Mr. Strong suggested baby steps to reach the goal¹.

After review and discussion, Mr. Flechaus made a motion to accept the report as presented, seconded by Mr. Taylor. Motion passed 4-0.

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 4-0.

PLAN ADMINISTRATOR:

Mr. Williams included the impact statement for the Board of Trustees to review as a result of the ordinance cited prior in the meeting.

Mr. Williams also provided the Bookkeeper report for informational purposes.

ATTORNEY'S REPORT:

Mr. Levinson reflected that he just sent Mr. Williams a memo from his firm outlining the IRS requirements on disability payments. Going forward, the requirement will be included within the Board Final Order.

Mr. Levinson reminded Board members to complete their required annual filing of Form 1 on-line. Mr. Williams advised that a link for the required filing has been placed on the Board of Trustees page of the website.

INVESTMENT MONITOR:

Quarterly Investment Report: Mr. West advised that on March 31, 2024 the Fund's value was \$177,219,993.00, which was a stellar increase from \$168,562,224.00 for the quarter ending December 31, 2023.

Mr. West's report includes data relative to the economy and may be viewed on-line at:

<http://bbffp.org/docs/investments/2024-03-31%20Boynton%20Beach%20Firefighters%20Quarterly%20Report.pdf#zoom=100>

Mr. West proposed the following investment recommendations for the Board to consider.

- SELL \$5,000,000 Fidelity Large Cap Growth Index Fund.
- BUY \$3,000,000 Vanguard Short-Term Treasury Index Fund.
- Transfer \$2,000,000 to BBFD R & D
- SELL \$3,000,000 EuroPacific Growth Fund.
- Transfer \$3,000,000 to BBFD R & D

¹ Mr. Strong indicated that based on the morality assumptions set by FRS, there may be an opportunity to offset those potential gains with an adjustment to the investment assumption.

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After review and discussion Mr. Taylor placed the foregoing recommendation in the form of a motion. This was seconded by Mr. Flechaus. Motion passed 4-0.

NEW/UNFINISHED BUSINESS

- Recalculation of benefits or Restatement of DROP Date – Update Mr. Levinson.

Mr. Levinson was asked by the Chair to follow-up “in writing” with the city attorney regarding the recalculation matter due to the payroll provided by the city to the Plan. Mr. Raybuck cited the city attorney wants the request in writing outlining the issue and providing supporting documents for consideration.

- Ordinance Change: Discussed under open discussion.

OPEN DISCUSSION:

Mr. Raybuck advised that the annual fishing tournament was a success and the support by all was appreciated.

ADJOURN:

Meeting adjourned at 11:08 A.M.

Next next regular meeting is August 07, 2024 at 9:00 A.M.

FOR THE BOARD