

City of Boynton Beach Municipal Firefighters Pension Trust Fund

MINUTES

November 4, 2020

9:00 A.M.

Chairman Raybuck called to Order a remote meeting¹ of the Board of Trustees of the City of Boynton Beach Municipal Firefighters' Pension Trust Fund, on August 5, 2020, at 9:02 AM.

TRUSTEES PRESENT:

Mr. Jon Raybuck – Chairman; Mr. Stan Cale – Board Secretary; Mr. Robert Taylor – Trustee; Mr. Conner Flechaus – Trustee. Also, in attendance was Mr. Ray Carter – Fire Chief, Ex-Officio.

ABSENT:

Ms. Desirae Watler – Trustee.

OTHERS PRESENT:

Mr. Shawn Weeks; Mr. Luke Henderson; Mr. Joseph Senseman; Mr. Adam Turey; Mr. Kevin Reddoch; Mr. Ryan Galarneau; Mr. Georgio Salame; Mr. David West – AndCo Consulting; Mr. Pete Strong, Board Actuary, GRS Consulting; Mr. Adam Levinson, Board Attorney – Klausner, Kaufman, Jensen and Levinson; Mr. Dave Williams, Plan Administrator; Mr. Michael Williams, Administrative Plan Assistant.

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

PUBLIC DISCUSSION:

No comments or questions were received from the public and/or participants in attendance. Mr. Williams noted on the public meeting notice the following language was posted: “Any member of the public may submit questions or comments to be read during the public comment section of the meeting to mikew@ppafl.com by November 3, 2020”.

Without opposition, Mr. Raybuck moved to Attorney's Report & New Business

ATTORNEY'S REPORT:

Mr. Levinson reviewed city ordinance 20-030 that provides authority for the Board to meet remotely. Mr. Levinson complimented the city commission for their keen insight to protect all members of the Board and public attendees.

NEW BUSINESS:

a: Benefit Cap – Mr. Levinson reflected that there was a question raised regarding the benefit cap that was negotiated between the City of Boynton Beach and the Union. The benefits negotiated were passed and accepted by the membership. The change(s) approved were subsequently adopted by city ordinance(s)².

¹ Pursuant to the City of Boynton Beach Ordinance 20-030. Affirmed by Board Counsel.

² City Ordinance 19-009 and City Ordinance 20-003.

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Mr. Levinson read into the record section 18-180 of City Ordinance as amended³.

Sec. 18-180. Monthly retirement income.

- (a) The amount of monthly retirement income payable to a firefighter who retires on or after the firefighter's normal retirement date shall be an amount equal to the number of the firefighter's years of credited service multiplied by 3% of such firefighter's average final compensation. Effective October 1, 2018 the maximum normal retirement benefit shall be capped at ninety-five thousand dollars (\$95,000) (hereinafter the "maximum benefit cap"). The maximum benefit cap will be increased annually beginning on the first day of October ~~2023~~ 2020 (and on each October 1 thereafter) by one and a half percent (1.5%). The maximum benefit cap shall also apply to early retirement, deferred vested retirement and disability retirement. In the case of early retirement and deferred vested retirement, the maximum benefit cap shall be applied to the normal retirement benefit before reflecting any reductions for early retirement. At all times, the plan shall comply with the maximum benefit limitations of IRS Code Section 415(d) and all applicable Treasury Regulations.

Mr. Raybuck stated that the Board is not part or party to negotiations. He stated it is important to review the construction and the background of the matter. He further stated that members came to a prior meeting⁴ asked questions under public discussion. Based on the verbal responses provided by counsel, they drew their own conclusions. Those members are now concerned based on how the ordinance is being interpreted and this is why they are here today seeking clarity.

Mr. Levinson outlined the mechanics of how the benefits are calculated. He stated that the standard form⁵ calculated is the basis of how all optional forms are derived. The optional forms are all actuarially equivalent.

An example was then given by Mr. Levinson simply for illustration purposes.

If a member has a standard benefit that was calculated at \$100,000.00 per year, the actuary will cap that benefit at \$95,000.00.⁶ Once that is completed, the optional forms of retirement would then be calculated. If the life only annuity is selected, the benefit amount could exceed the cap, as it is being actuarially adjusted.

Mr. Reddoch asked about the actuarial factors and life only cap. Mr. Reddoch was under the impression that the cap did not apply to the life only option.

Mr. Strong explained that all benefit options are equal based on the factors applied. The basis of all options is the standard form – ten year certain. The cap is applied to the standard form, then the options are determined. Another example was provided by Mr. Strong, in which he said hypothetically a standard form of benefit is valued at one million dollars over a member's life. That one million dollars is then used to determine the other optional forms available to the member. But in any case, no matter the option elected, the value of the benefit is actuarially adjusted based on one million dollars.

³ City Ordinance 20-003.

⁴ http://www.bbfp.org/docs/minutes/minutes_20190206_signed.pdf#zoom=100

⁵ Ten Year Certain – Is the Standard Form.

⁶ Or the prevailing cap rate at the time of retirement/drop.

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Mr. Levinson repeated his prior illustration. He advised that the ordinance is based on what was negotiated within the collective bargaining agreement. That it is up to the Board to interpret the plain language of the ordinance. To look at the intent of the negotiating parties.⁷

Mr. Levinson suggested that the matter be returned to the negotiating parties to provide direction of intent.

Mr. Weeks went on the record by stating that the union had no part in the drafting of the ordinance. Anyone who states otherwise is wrong. Mr. Weeks advised that the pension attorney, the city attorney, and the former Chairman of the Board⁸ constructed the ordinance. Further Mr. Weeks advised that optional forms were not discussed during negotiations.

Mr. Raybuck affirmed that the former Chairman was involved in the drafting of the ordinance. Mr. Raybuck sought reassurances from Mr. Weeks about the union's participation. Mr. Weeks reaffirmed his prior statement.

Mr. Weeks stated that how Mr. Levinson explained the cap today is how he understood that the cap would be applied and how a member could exceed the cap (based on the actuarial adjustment).

Mr. Levinson offered clarity that the union did not draft the ordinance, only the collective bargaining agreement.

Mr. Levinson repeated his option to the Board to return the matter to the city/union for clarification. Another alternative was to allow the members the opportunity for a Hearing and rule accordingly.

Mr. Galarneau informed all present that he has a strong disagreement with how the cap is being applied. He went on to say he received a recent recalculation that resulted in a lower benefit. Mr. Strong replied that he was asked to review Mr. Galarneau's benefit calculation by the Plan Administrator.⁹ When he did the review, it was determined that the cap was NOT applied to Mr. Galarneau's original benefit calculation. As such the Actuary had a duty to correct it and did so. Mr. Strong apologized for the oversight and reflected that it was a new offset that was not originally identified.

Mr. Galarneau repeated Mr. Reddoch's claim about how he understood the cap could be exceeded if the life annuity were elected.

Mr. Raybuck sought insight on how the ordinance was drafted. He asked Mr. Levinson who he communicated with. Mr. Levinson stated he could not recall but could certainly research the matter if requested. Mr. Raybuck asked if Mr. Levinson's billing was a matter of public record. Mr. Levinson confirmed the bills are public record.

Mr. Weeks interjected that at the conclusion of the collective bargaining process, Mr. Levinson and the city attorney worked on the ordinance. Mr. Weeks reinforced that there was no intent by the city or the union when it came to retirement options as they were not discussed. Mr. Weeks also cautioned the Board about sending the matter back to the city.

⁷ Of the collective bargaining agreement. Viewed at: <http://www.bbfp.org/docs/cba/2019%20-%202022%20Ratified%20.pdf#zoom=100>

⁸ Mr. Matt Petty

⁹ Mr. Galarneau recently contacted the plan administrator and asserted his benefit calculation was wrong. As a result, the actuary was contacted to review the original benefit calculation.

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Mr. Raybuck asked Mr. Weeks who would be the best party to look at intent? Mr. Weeks said it would not be the city or the union as there were no discussions. Mr. Weeks offered the summation that everyone at the February 2019 meeting knew the cap could be exceeded based on how Mr. Levinson explained again today.

Mr. Raybuck felt the process of how the ordinance was passed circumvented the Board. He felt the entire Board should be party to an ordinance change, not just the Chairman.

Mr. Cale then opined that after considering the totality of the circumstances, that the cap should be applied to the standard form, but not the life annuity.

Mr. Strong could appreciate Mr. Cale's input, but reflected such a process would deviate from accepted actuarial processes and would be completely unorthodox.

Mr. Henderson (former chairman) asked to be heard. Being granted permission, Mr. Henderson said it was the Board's fiduciary duty to correct any error, like in the case of Mr. Galarneau. The Board must do the right thing for the Plan.

Mr. Levinson appreciated the comments of Mr. Henderson and echoed the Board must fix errors. Mr. Galarneau understood the Board's fiduciary duty.

Mr. Levinson raised the issue of airtime bought and not used as a result of the cap. Mr. Levinson cited the February 2019 minutes wherein it is noted that a refund would be in order if the time could not be used.

Mr. Raybuck asked about providing interest with the airtime refund to those affected. Mr. Strong and Mr. Levinson agreed reasonable interest is appropriate on a refund.

The topic turned to the meeting of February 2019 by Mr. Reddoch. He stated he posed a question about exceeding the cap and his interpretation of the response provided by Mr. Levinson. Based on that verbal response Mr. Reddoch made a life decision and retired. Mr. Levinson explained that he would remain neutral. Mr. Levinson repeated his explanation of February 2019.

Mr. Raybuck asked Mr. Strong about other alternatives. Mr. Strong replied any other approach would not be the normal way to value a benefit. Mr. Strong then outlined the valuation process.

It was asked if the life annuity was cheaper to the Plan when a firefighter dies, as the benefit stops. Mr. Strong repeated the benefits are all equal in cost as there is an actuarial adjustment applied.

A question was posed about the impact to the Plan of carving out a handful of members from the cap. Mr. Strong loosely estimated \$200,000.00 for 25 years.

Mr. Raybuck asked Mr. Strong about the likelihood of the cap impacting members in the future. Mr. Strong cited annual increase to the cap should resolve that matter.

Mr. Levinson then repeated the benefit calculation process. He explained how the cap is applied to the standard form and then how the optional forms are derived based on actuarial equivalent adjustments.

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Mr. Taylor offered a motion for the city and the union to confer on the matter.

Without a second to the motion, Mr. Cale disagreed and deferred to the chief's insight on the matter. Mr. Carter reflected that it would be beneficial to determine the intent. Mr. Carter was not opposed to bring all the parties together (union/city) and seek their intent.

With that statement, Mr. Weeks stated the intent in terms of optional forms was never discussed, just the cap limitation.

Mr. Raybuck asked if Mr. Levinson could write a letter to the city and the union outlining the issues at hand. Mr. Levinson affirmed that he could.

Mr. Turey asked when airtime is bought does it negatively impact the Plan. Mr. Strong stated using airtime to exceed the cap would impact the Plan.

Mr. Taylor restated his motion to write a letter to the city and the union outlining the issue(s) and asking them to confer on the matter. Mr. Cale seconded the motion. All Trustees voted yes, and the motion was passed 4-0.

Mr. Galarneau posed a question to Mr. Strong: Can the cap be exceeded by selecting the life annuity. Mr. Strong answered yes and once again provided the example of an actuarial equivalent, which makes the option's impact neutral to the Plan.

Mr. Weeks asked about the intent of the letter. Mr. Levinson responded that the purpose of the letter was to inform all parties of the issues at hand and seek input.

Board went to recess from 11:18 A.M. to 11:36 A.M.¹⁰

CONSENT AGENDA:

APPROVAL OF THE MINUTES:

Mr. Raybuck asked Mr. Levinson if he was prepared to discuss the proposed disability policy. Mr. Levinson replied the policy was still in process. The Board of Trustees reviewed the minutes for the August 5, 2020 meeting. A Motion was made by Mr. Taylor to approve the minutes. The Motion was seconded by Mr. Cale. All Trustees voted yes, and the motion was passed 3-0. Trustee Flechaus off the dais.

APPROVAL OF THE WARRANTS:

Warrants 312 through 315 were presented to the Board for approval. After review & consideration a motion was made by Mr. Taylor to approve Warrants as presented. The Motion was seconded by Mr. Cale. All Trustees voted yes, and the motion was passed 3-0. Trustee Flechaus off the dais.

¹⁰ Mr. Flechaus was called to service when the meeting reconvened.

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ACTUARIAL PRESENTATION

Mr. Strong detailed the purpose of the Assumption Study and Experience Investigation for the Seven Years Ended September 30, 2019 for the City of Boynton Beach Municipal Firefighters' Pension Trust Fund.¹¹

The purpose of this Report is to evaluate the assumptions and methods used for the October 1, 2019 and subsequent years' Actuarial Valuations, and to describe the financial effect of the recommended assumption and method changes based on our findings. The calculations are based upon the Plan provisions as summarized in the October 1, 2019 Actuarial Valuation Report.

Mr. Strong cited the following recommendations and detailed each to the Board of Trustees.

- **Update the future salary increase assumption to reflect somewhat higher overall observed salary increases, on average, than expected.**

Estimated First Year Impact on Annual Contribution Requirement	Estimated First Year Impact on Funded Ratio
+ \$180,190 or 1.36% of covered payroll	+0.0%

- **Update assumed rates of future retirement to reflect higher observed normal retirement experience and lower observed early retirement experience than expected.**

Estimated First Year Impact on Annual Contribution Requirement	Estimated First Year Impact on Funded Ratio
+ \$150,938 or 1.28% of covered payroll	(0.5%)

- **Update the mortality assumption to the latest Florida Retirement System (FRS) mortality assumption used in the July 1, 2019 FRS actuarial valuation. Florida Statutes Chapter 112.63(1)(f) mandates the use of the mortality tables used in either of the two most recently published actuarial valuation reports of FRS.**

Estimated First Year Impact on Annual Contribution Requirement	Estimated First Year Impact on Funded Ratio
(\$285,367) or (2.42%) of covered payroll	+1.7%

- **Update assumed rates of future separation from employment based on actual experience.**

Estimated First Year Impact on Annual Contribution Requirement	Estimated First Year Impact on Funded Ratio
+ \$15,330 or 0.13% of covered payroll	(0.2%)

- **Combined effect of all of the above assumption changes (salary increase rates, retirement rates, mortality rates, and rates of separation from employment).**

¹¹ In a spirit of transparency, this entire report may be viewed on-line at: [NEED FROM KEN](#)

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Estimated First Year Impact on Annual Contribution Requirement	Estimated First Year Impact on Funded Ratio
+ \$54,749 or 0.30% of covered payroll	+0.9%

- **Combined effect of all assumption changes noted above PLUS a change in the investment return assumption from 7.50% to 7.25%, net of investment expenses.**

Estimated First Year Impact on Annual Contribution Requirement	Estimated First Year Impact on Funded Ratio
+ \$489,059 or 3.97% of covered payroll	(1.1%)

- **Combined effect of all assumption changes noted above PLUS a change in the investment return assumption from 7.50% to 7.00%, net of investment expenses.**

Estimated First Year Impact on Annual Contribution Requirement	Estimated First Year Impact on Funded Ratio
+ \$941,119 or 7.79% of covered payroll	(3.0%)

- **Combined effect of all assumption changes noted above PLUS a change in the investment return assumption from 7.50% to 6.50%, net of investment expenses.**

Estimated First Year Impact on Annual Contribution Requirement*	Estimated First Year Impact on Funded Ratio*
+ \$2,073,637 or 17.36% of covered payroll	(7.4%)

At the conclusion of the detailed presentation, Mr. Taylor asked Mr. Strong about the compliance with minimum standards. Mr. Strong advised it is up to the State of Florida Division of Retirement to address the issue(s). Mr. Strong said the assumptions just need to be reasonable. Mr. Taylor felt a phased in approach would be acceptable to him. Mr. Taylor suggested a smoothing approach within a reasonable range. Mr. Strong concurred.

A discussion followed about the timing in the reduction of the assumed rate of return. Mr. Raybuck felt with the COVID impact of city finances, this is the worse time to be making changes.

On the change in the assumption rate, a motion was made by Mr. Taylor to reduce the assumption rate by 15 bps, contingent on Mr. Carter and the City Manager coming to terms. If not, then reduce the assumption rate by 10 bps. The motion was seconded by Mr. Cale. All Trustees voted yes, and the motion was passed 4-0.¹²

¹² Mr. Flechus returned at 12:10 P.M. during the presentation of the report.

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On the balance of the assumption changes presented. A motion was made by Mr. Taylor to accept the changes as presented. Motion was seconded by Mr. Cale. All Trustees voted yes, and the motion was passed 4-0.

Mr. Strong went on the record and stated he was in agreement with the phased in approach for the investment assumption with the recommendation to continue with future reductions.

INVESTMENT MONITOR'S REPORT:

Mr. West advised that on September 30, 2020 the Fund's value was \$136,896,914.00, from a balance of \$129,670,265.00 from June 30, 2020.

Market review provided by Mr. West:

Broad asset class returns were positive in the 3rd quarter continuing their rebound from the 2nd quarter. In general, US monetary policy remains supportive as the Federal Reserve Bank (Fed) continues to hold interest rates near zero with the goal of providing the markets with liquidity. Importantly, the Fed indicated that interest rates in the US would remain low for an extended period as GDP growth and business activity remains subdued as the COVID-19 pandemic lingers. The Fed also commented that it was comfortable allowing inflation to exceed its 2% target in the near-term with the goal of averaging its target over the long-term. The final reading of US GDP growth in the 2nd quarter showed the economy contracted by -31.4%. While expectations for growth in the 3rd quarter vary widely, the general outlook is for a strong positive reading. Within domestic equity markets, we saw a reversal during the quarter with large cap stocks outperforming small cap stocks with the S&P 500 returning 8.9% compared to 4.9% for the Russell 2000 Index. Over the trailing 1-year period, large cap stocks significantly outperformed both small and mid-cap stocks with the S&P 500 returning 15.1% while small and mid-cap stocks returned 0.4% and 4.6%, respectively.

Mr. West reported to the Board the following investment report for the portfolio:

	QTR		FYTD		1 YR		3 YR		5 YR		Inception		Inception Date
Total Fund (Net)	5.88	(24)	11.31	(14)	11.31	(14)	8.68	(9)	10.16	(4)	6.11	(54)	01/01/2002
Total Fund Policy	5.59	(35)	10.05	(30)	10.05	(30)	7.77	(26)	9.21	(18)	6.26	(44)	
Difference	0.29		1.26		1.26		0.91		0.95		-0.15		
All Public Plans-Total Fund Median	5.31		8.47		8.47		6.83		8.24		6.14		

Mr. West reflected the portfolio return for the fiscal year to date is in the Top 14 percentile of the investment universe. Mr. West noted the median return for public funds were at 8.47%. On a three-year & five-year basis, the portfolio was respectively in the Top 9 percentile & 4 percentile.

Mr. West outlined how five stocks control the S7P 500 index. He felt it would be prudent to trim 4 million dollars from the Vanguard 500 Index Fund and reallocate those funds to the Anchor All Cap Value portfolio. After review and discussion, Mr. Taylor made a motion to accept the recommendation of Mr. West and to liquidate 4 million dollars from the Vanguard 500 Index Fund and reallocate those funds to the Anchor All Cap Value portfolio. Motion was seconded by Mr. Cale. All Trustees voted yes, and the motion was passed 4-0.

Mr. West also reviewed a proposed investment policy change for the Schroder Core Fixed Income Account. Mr. West felt it would be prudent to change from the intermediate 1-10 year, to the complete maturity spectrum. After review and discussion, Mr. Taylor made a motion to accept the recommendation of Mr. West as outlined. Motion was seconded by Mr. Cale. All Trustees voted yes, and the motion was passed 4-0.

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This concluded Mr. West's report.

In a continued spirit of transparency, the Board of Trustees have posted the entire investment review on-line at:

<http://www.bbfp.org/docs/investments/2020-09-30%20Boynton%20Beach%20Firefighters%20Quarterly%20Report.pdf#zoom=100>

PLAN ADMINISTRATOR:

Item b under New Business was discussed at this juncture.

TRUSTEE NOMINATION - UPDATE: Mr. Williams cited the open nomination process held from October 5, 2020 to October 12, 2020. At the close of nominations, Mr. Flechaus went unopposed. As such, election was not warranted, and Mr. Flechaus retains his seat until 2024. Mr. Williams congratulated Mr. Flechaus.

Public Notice of Nomination Process:

<http://www.bbfp.org/docs/announcements/Trustee%20Nomination%20Notice%2010-01-2020.pdf#zoom=100>

Public Notice of Nomination Results:

http://www.bbfp.org/docs/announcements/TrusteeNominationResults_20201012.pdf#zoom=100

2021 MEETING DATES: Mr. Williams provided the 2021 meeting dates, which may be viewed on-line at:

<http://www.bbfp.org/docs/boardMeetings/2021%20Boynton%20Fire%20Meeting%20Dates.pdf#zoom=100>

OPEN DISCUSSION

Mr. Taylor departed the meeting at 1:06 P.M.

Mr. Levinson departed the meeting at 1:29 P.M. But before doing so instructed Trustees to avoid any outside conversations about the cap.

Mr. Galarneau raised his concern(s) about his benefit calculations. Mr. Galarneau cited that he received several calculations as a result of his DROP Entry¹³ and wanted assurances that the latest calculation was in fact correct.

Mr. Williams and Mr. Strong explained their process. Mr. Williams said preliminary calculations were requested. Usually the preliminary calculations are marked as such. Preliminary calculations are not final until confirmed by the Board Actuary. Mr. Strong finalized the benefit calculation as in all cases.

Mr. Galarneau stated he went to the Finance Department last week and met with Daisy Peguero, Payroll Administrator. Mr. Galarneau asked Ms. Peguero to run the dates the actuary provided to determine his best three years of service. When that was provided, the amount(s) were higher than the actuary cited. Mr. Williams advised that when he learned of Mr. Galarneau's assertion he immediately contacted Ms. Peguero to obtain a copy of the report that she ran. A complete "line by line" analysis was made, comparing the city report to the data contained in our pension system. In the end, it was determined the report that Ms. Peguero ran had overlapping periods and exceeded 26 pay periods. As such the calculation by Mr. Galarneau's was overstated. In summary, Mr. Williams said that the pension payroll data matched to the city payroll report that Ms. Peguero provided.

¹³ Mr. Galarneau entered the DROP on September 30, 2019.

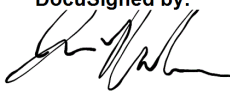
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There was an exception noted due to Mr. Galarneau reaching and then exceeding the overtime cap¹⁴. There was one other payroll where a shoe allowance differed from the pension payroll data as it was non-pensionable. Finally, one payroll was actually higher in the pension database from 2016. That benefited Mr. Galarneau. Mr. Williams said this was all reaffirmed by Ms. Peguero.

In the end Mr. Williams was confident the data provided to the actuary was correct. Mr. Williams said this Board wants the entire payroll history to be provided to the actuary, who makes the final benefit calculation. Mr. Williams thanked Mr. Galarneau for raising the concerns. In the end, Mr. Galarneau asked for a review and one was indeed provided. As a result, during the actuarial review requested by Mr. Galarneau it was determined the cap was breached. Mr. Galarneau's benefit was adjusted accordingly.

ADJOURN

Meeting adjourned at 1:50 P.M.

DocuSigned by:

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FOR THE BOARD

¹⁴ Therefore, salary was non-pensionable.