

City of Boynton Beach Municipal Firefighters Pension Trust Fund

MINUTES

March 17, 2021

1:00 P.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 February 3, 2021, at 9:02 AM.

TRUSTEES PRESENT:

Mr. Jon Raybuck – Chairman; Mr. Stan Cale – Board Secretary; Ms. Desirae Watler – Trustee; Mr. Conner Flechaus – Trustee. Also, in attendance was Mr. Jim Stables – Fire Chief, Ex-Officio.

ABSENT:

Ms. Christopher Simmons, Board Trustee

OTHERS PRESENT:

Mr. Pete Strong – Board Actuary, GRS Consulting; David West – AndCo Consulting; Mr. Adam Levinson, Board Attorney – Klausner, Kaufman, Jensen and Levinson; Mr. Dave Williams, Plan Administrator; Mr. Michael Williams, Administrative Plan Assistant.

The following plan members were also in attendance: Mr. Kevin Reddoch, Mr. Adam Turey, Mr. Georgio Salame. Finally, Mr. Matt McQue².

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

PUBLIC DISCUSSION:

Mr. Raybuck called upon each member present who wanted to speak.

Airtime: Mr. Turey reinforced his position that his airtime was purchased well before the cap was conceived. As such he should receive the full benefit in which he was charged and paid for.

Airtime: Mr. Reddock extended his appreciation to the Board for having a special meeting to address this matter.

CONSENT AGENDA:

APPROVAL OF THE MINUTES:

Mr. Raybuck asked if everyone had an opportunity to review the minutes of February 3, 2021 and if there were any changes required. A Motion was made by Mr. Cale to approve the minutes as presented. The Motion was seconded by Mr. Flechaus. The Motion passed 4-0.

APPROVAL OF THE WARRANTS:

Warrants 355 through 360 were presented to the Board for approval. After review & consideration a motion was made by Ms. Watler to approve Warrants as presented. The Motion was seconded by Mr. Cale. The Motion passed 4-0.

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

² FIN News.

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PRESENTATION – ACTUARIAL VALUATION, GRS CONSULTING

Mr. Pete Strong, Board Actuary – GRS Consulting appeared before the Board to present the City of Boynton Beach Municipal Firefighters' Pension Trust Fund Actuarial Valuation as of October 1, 2020.

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, 2022, 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, 2021. 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 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, 2020. 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.

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

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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.

	For FYE 9/30/22 Based on 10/1/2020 Valuation if contributed on 10/1/2021	For FYE 9/30/21 Based on 10/1/2019 Valuation if contributed on 10/1/2020	Increase (Decrease)
Required Employer/State Contribution	\$ 6,541,174	\$ 6,400,723	\$ 140,451
As % of Covered Payroll	55.02 %	54.28 %	0.74 %
State Contribution Allocated (Including Amounts from State contribution reserve)	\$ 1,062,385 *	\$ 1,062,385	\$ 0
As % of Covered Payroll	8.94 %	9.01 %	(0.07) %
Prepaid Contribution Allocated	\$ 0	\$ 122,975	\$ (122,975)
As % of Covered Payroll	0.00 %	1.04 %	(1.04) %
Net Required Employer (City) Contribution	\$ 5,478,789 *	\$ 5,215,363	\$ 263,426
As % of Covered Payroll	46.08 %	44.23 %	1.85 %

*To be updated after completion of the 2022 COLA Cost Reevaluation Study.

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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 \$1,062,385. Please note that the actual amount of State money to be used towards the FY 2022 contribution will be updated in the 2022 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 \$1,735,276 as of October 1, 2020).

The employer contribution listed above is for the City's fiscal year ending September 30, 2022 and has been calculated as though payment is made in a single lump sum on October 1, 2021. The total minimum required employer contribution for the fiscal year ending September 30, 2020 was \$5,969,275. The actual employer contribution during the fiscal year ending September 30, 2020 was \$5,969,275, including the use of a prepaid City contribution of \$172,045 and excess State contribution reserves of \$180,622.

Revisions in Actuarial Assumptions or Methods

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 the Florida Retirement System (FRS). The FRS updated its mortality assumption in the July 1, 2019 Actuarial Valuation. The previous FRS mortality tables for Special Risk Class members were the RP-2000 Combined Healthy Participant Mortality Table (for pre-retirement mortality) and the RP-2000 Mortality Table for Annuitants (for postretirement mortality), with mortality improvements projected to all future years after 2000 using Scale BB. For males, the base mortality rates included a 90% blue collar adjustment and a 10% white collar adjustment. For females, the base mortality rates included a 100% white collar adjustment. The current FRS mortality table for Special Risk Class members is the Pub-2010 Headcount-Weighted Mortality Tables for Safety Participants, with ages set forward 1 year and mortality improvements projected to all future years after 2010 using Scale MP-2018. For males, the mortality tables are based on the Below-Median versions of the given table.

Based on the Assumption Study and Experience Review for the Seven Years Ended September 30, 2019, dated October 29, 2020, the following assumption changes are adopted:

- Change in the assumed rates of salary increases reflecting somewhat higher overall observed salary increases, on average, over the seven-year period ending September 30, 2019;
- Changes in the assumed rates of retirement reflecting higher observed normal retirement experience and lower observed early retirement over the seven-year period ending September 30, 2019; and,
- Change in the assumed rates of separation from active membership (withdrawal) reflecting actual experience observed over the seven-year period ending September 30, 2019.

Lastly, the assumed investment return assumption has been reduced by 0.15% from 7.5% per annum to 7.35% per annum, compounded annually and net of investment expenses.

The net impact of all the above assumption changes caused an increase in the annual required employer contribution of 2.46% of covered payroll, or \$310,698.

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Actuarial Experience

There was a net actuarial experience gain of \$4,312,931 for the year, which means that overall actual experience was more favorable than expected. The actuarial gain is primarily due to higher than expected investment returns on the actuarial value of assets. The net investment return on the actuarial value of assets was 9.86% versus an assumed return of 7.50%. The net investment return on the market value of assets was 12.69%. There were also gains from average salary increases that were lower than expected (2.5% actual versus 7.1% expected) and higher turnover than expected (5 actual terminations of employment versus 2 expected). These gains were offset somewhat by net experience losses from more retirements than expected (2 actual versus 1 expected), more disability retirements than expected (2 actual versus 0 expected), and more vested active deaths than expected (1 actual versus 0 expected).

The net actuarial gain for the year caused a decrease in the annual required employer contribution of 2.49% of covered payroll, or about \$295,000.

Additional Payments Toward Unfunded Actuarial Liability

The City of Boynton Beach and the Firefighters' Union have mutually consented to use \$150,000 of the Accumulated Excess State Contribution reserve to reduce the Plan's Unfunded Actuarial Liability (UAL). This is being done in two annual increments with the first increment (\$75,000) previously occurring on October 1, 2019. The second increment (\$75,000) is applied as of October 1, 2020. The use of \$75,000 as of October 1, 2020 was used to reduce the UAL amortization bases created on October 1, 1996 and October 1, 1997. The net effect was a decrease in the annual required employer contribution of 0.27% of covered payroll, or \$32,099.

Funded Ratio

The funded ratio was 71.8% this year compared to 67.8% last year. The funded ratio would have been 72.0% this year prior to recognizing the assumption changes and the additional payment toward the UAL from the Excess State Reserve. The funded ratio is equal to the actuarial value of assets divided by the actuarial accrued liability.

Analysis of Change in Employer Contribution

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

Contribution Rate Last Year	44.23 %
Revision in Benefits	0.00
Experience (Gains) or Losses	(2.49)
Revision in Assumptions/Methods	2.46
Additional UAAL Payment from State Reserve	(0.27)
Amortization Payment on UAAL	0.95
Normal Cost Rate	(0.25)
Administrative Expense	0.37
State Contribution	0.04
Change in Allocated Prepaid Contribution	<u>1.04</u>
Contribution Rate This Year	46.08 %

Covered payroll as of October 1, 2020 was \$11,558,511 (before assumption changes) versus \$11,504,436 last year, an increase of 0.47%. Amortization payments on the unfunded liability are scheduled to increase by 2.50% per year. When covered payroll increases less than 2.50%, the amortization payment as a

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percentage of covered payroll will increase. The 0.47% increase in covered payroll caused the Amortization Payment on the UAAL (expressed as a percentage of pay) to increase by approximately 0.95% of covered payroll.

The funded ratio is 71.8% this year, which is the highest funding level since 2004. 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 7.35% 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.

Mr. Strong spoke to the 2022 COLA Study and suggested an assumption study as well.

The Board paused on further action at this point, pending the following issue.

NEW / UNFINISHED BUSINESS

Benefit Cap & Airtime Purchase

Mr. Strong provided the following list of members who purchased airtime.

- Michael Agocs (3 years)
- Gary Blocker (5 years)
- Ian Finlayson (3 years)
- Charles Myers (5 years)
- Kevin Reddoch (2 years)
- Nicole Ruth Roberts (4.333 years)
- Joseph Senseman (4.29 years)
- Adam Turey (3 years)
- Michael Villmarin (3.667 years)

Mr. Levinson asked if there was anyone present that was aware of any other members that may not be on the list provided. No response/reply was received.

Mr. Levinson cited 18.190³ of the city ordinance quoting how the member “paid to the Pension Fund the actuarial cost of the service purchased, as determined by the actuary for the Plan”.

³ 18-190. Purchase of Military/Fire Service Credit/Permissive Service Credit.

Upon entry into the Plan, members shall be permitted to purchase up to an additional five (5) years of credited service based upon (i) service as a full-time firefighter employed by a city, county, state, federal or other public agency or (ii) military service in the Armed Forces of the United States. Temporary, auxiliary, reserve, volunteer or private agency service shall not apply. Members who do not have any prior firefighter service or military service shall be permitted to purchase up to five (5) years of permissive service credit, as permitted by the Pension Protection Act of 2006. For each year purchased, benefits shall be calculated based on an enhanced multiplier of an additional three percent (3%) per year, resulting in a total multiplier of six percent (6%) for each year purchased. Service credit purchased under the provisions of this section shall not count for vesting purposes. Prior service shall not be granted until the member has paid to the Pension Fund the actuarial cost of the service purchased, as determined by the actuary for the Plan. Members purchasing service credit shall provide the Board of Trustees with proof of prior service with honorable separation. No service credit may be purchased if the member is receiving or will receive any other retirement benefit based on this service. The Board shall establish a uniform rule for the implementation of this provision. The contribution by the member of the actuarially determined cost of the buyback may be made in one lump sum or may be made by payroll deductions in installments for a period not to exceed five (5) years. A member electing to make installment payments shall be charged interest based on the actuarially assumed rate of return for the Plan. A member making installment payments shall complete all required payments prior to payment of any benefit under this section. A member who terminates service prior to vesting in the Plan shall be entitled to a refund, without interest, of all money paid to buyback prior military or fire service. (Ord. No. 01-46, § 1, 8-7-01; Ord. No. 08-009, § 2, 5-6-08)

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Mr. Levinson and Mr. Strong both strongly agreed that the Board could interrupt airtime credit as a carve-out from the normal retirement benefit in which the cap applies. This carve-out would grandfather those members cited, as the transaction/contract pre-dates the ordinance relating to the cap.

Mr. Raybuck opined that he feels the entire Board was not part of the process (was circumvented) when this benefit was negotiated. As such the cap was implemented without considering airtime.

Mr. Levinson advised that based on prior responses^{4,5} from the union and the city, neither were interested in addressing this issue, leaving up to the Board to remedy.

AIRTIME PURCHASE PRE-CAP: After a round robin session with the Trustees, a consensus was reached. A motion was made by Mr. Flechaus to grandfather the affected members in who purchased airtime prior to February 5, 2019, by excluding said airtime from the cap, as the time was purchased prior to the implementation of the cap and therefore is not subject thereto. The motion was seconded by Ms. Watler. The Motion passed 4-0. Mr. Strong will modify the valuation accordingly.

The issue of handling members who purchase airtime after February 5, 2019 was now addressed by the Board. Mr. Strong indicated that no members are affected at this juncture. Mr. Raybuck stated that any member wishing to explore airtime will have to be duly noticed that the cap may affect the impact of the airtime. If a member buys airtime and cannot use it due to the cap, the Board felt it would be reasonable to refund the payment along with an interest payment as the Plan was investing those funds for a period of years. Mr. Levinson and Mr. Strong agreed with an interest payment for members who breach the cap, and it was suggested the Board consider a refund based on the rate of return received minus 2% (but not less than 0%).

AIRTIME PURCHASE POST-CAP: After a round robin session with the Trustees, a consensus was reached. A motion was made by Mr. Flechaus for members who purchase airtime after February 5, 2019, who breached the cap and cannot use their airtime, to refund the amount paid by the members with an interest payment based on the rate of return received by the plan minus 2% (but not less than 0%). The motion was seconded by Ms. Watler. The Motion passed 4-0. Mr. Levinson will create a new form to provide notice of the cap issue.

PRESENTATION – ACTUARIAL VALUATION, GRS CONSULTING

The Board revisited the report presented by Mr. Strong prior in this meeting. Based on the airtime action taken, the report will be updated. Motion to approve the City of Boynton Beach Municipal Firefighters' Pension Trust Fund Actuarial Valuation as of October 1, 2020, as revised, by Ms. Watler. The motion was seconded by Mr. Cale. The Motion passed 4-0⁶.

Recessed at 2:27 PM Reconvened at 2:35 PM.

⁴ <http://bbffp.org/docs/announcements/City%20Response%20to%20Levinson%20Letter%20-%202020-11-19.pdf#zoom=100>

⁵ http://bbffp.org/docs/announcements/Pension%20File%20No_%20900334%20response.pdf#zoom=100

⁶ This action also affirms the rate of return assumption as reported.

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INVESTMENT MONITOR'S REPORT:

Mr. West appeared before the Board to request a fee adjustment. Mr. West cited he has served the City of Boynton Beach Firefighters' Retirement System since January of 2010. Through our open and ongoing communication and reporting, we have assisted the Board in prudently reviewing and restructuring the portfolio. We would like to highlight a few of the accomplishments of the investment program as of December 2020:

- Consistent results: The Total Plan's rolling 3-year return has consistently outperformed the policy benchmark and ranked in the top decile of the applicable public fund universe.
- Strong performance: The Plan's cumulative growth of investable assets has increased by a factor of over 4X, increasing from \$33M to \$153.8M since we began tracking this data in January of 2002, and since our engagement in 2010.
- Exceeding target rate of returns: the Plan's assumed rate of return for 7 of the last 10 years. Plan investments performed well in weak and stressed markets preserving capital in the 3 underperforming periods.

Major Historical Plan Level Changes and Achievements:

- Provided sound and opportunistic investment advice through the COVID crisis ultimately resulting in a 14.4% return for a calendar year full of uncertainty and investor duress.
- Recommended cycle aware and opportunistic rebalancing strategies to preserve gains and optimize the allocation of investment capital.
- Provided investment recommendations focused to the unique needs and objectives of the Boynton Beach Fire Retirement Plan.

The fee adjustment proposed was going from \$40,000.00 per year to \$50,000.00 per year effective October 1, 2020⁷.

Input was sought from Mr. Levinson and Mr. Williams who conveyed positive accolades about Mr. West and his associates.

Motion by Mr. Cale to adjust AndCo Fee adjustment proposed from \$40,000.00 per year to \$50,000.00 per year effective October 1, 2020⁸. Motion seconded by Ms. Watler. The Motion passed 4-0.

ATTORNEY'S REPORT:

- Mr. Levinson outlined the E-Verify Provisions. It was noted that Mr. Williams notified all service providers⁹ with the assistance of Mr. West to include all investment professionals.

⁷ Fee Rate Guarantee for 3 years.

⁸ Fee Rate Guarantee for 3 years.

⁹ <http://bbffp.org/docs/announcements/BBFF%20E-Verify%20Notice%20to%20All%20Service%20Providers%2001-14-2021.pdf#zoom=100>

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PLAN ADMINISTRATOR:

No formal report provided.

OPEN DISCUSSION:

Mr. Raybuck raised the matter of the replacement of Mr. Robert Taylor from the Board of Trustees, by the city commission. Mr. Taylor's 21 plus years tenure on the Board serving as a Trustee has certainly created a void. As such Mr. Raybuck asked Mr. Levinson if a voluntary position could be created and offered to Mr. Taylor. Mr. Levinson responded in the affirmative as long as it is a non-paid voluntary position and that his position would be ex-officio (non-voting). Mr. Williams did speak to Mr. Taylor and confirmed his interest to remain on the Board. After the Trustees provided their input a consensus was reached. Motion to extend an invitation to Mr. Robert Taylor, to be a Senior Advisor to the Board of Trustees as non-paid voluntary position and ex-officio (non-voting member) by Mr. Raybuck, seconded by Ms. Watler. The Motion passed 4-0.

Ms. Watler asked if the next meeting could be moved to a start time of 3:00 PM. Mr. Raybuck asked Mr. Williams to e-mail all parties involved and will move if possible.

ADJOURN:

Meeting adjourned at 3:22 P.M.

DocuSigned by:

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FOR THE BOARD