

ST. LUCIE COUNTY FIRE DISTRICT FIREFIGHTERS' RETIREMENT FUND

ST. LUCIE COUNTY FIRE DISTRICT GENERAL EMPLOYEES' RETIREMENT FUND



Minutes of Combined Meeting Held August 6, 2014

Chairman Ronald Parrish called the Fire Pension meeting to order at 2:15 PM.

Chairman Kenneth Crooks called the General Employees' Pension meeting to order at 2:15 PM.

Those persons present included:

FIRE TRUSTEES PRESENT

*Ronald Parrish
George (Buddy) Emerson
Anthony (Tony) Napolitano
Ignatius (Nate) Spera
Paul Raymond*

GE TRUSTEES PRESENT

*Kenneth Crooks
Carl Trabulsy
April Maya
Allison Roy*

TRUSTEES ABSENT

Linda Gaskill (GE)

OTHERS PRESENT

*Scott Baur & Denise McNeill; Resource Centers
Bonni Jensen; Law Office Bonni Jensen
Doug Lozen; Foster & Foster
Karen Russell; Director of Finance
Members of the Plan*

PUBLIC COMMENTARY

There were no public comments at this time.

ACTUARIAL VALUATION REPORT 2013

Doug Lozen of Foster & Foster appeared before the Board to present the 2013 Actuarial Valuation Report. Bonni Jensen passed out communication received from Buddy Emerson regarding questions related to the valuation report. It was noted this communication had not been included in the meeting packets since the administrator had not been copied on the communication. Mr. Lozen addressed the questions posed to the actuary in the email communication explaining the typical time frame of completing their valuation report is sixty days from the date of receipt of the payroll data. Discussion followed regarding the problems with the data reporting and the timing of the delays in sending the data to the actuary for the 2013 reporting. Mr. Baur explained that the programming glitch initially caught by April Maya has been rectified and the reporting appears to be capturing all employees at this time. He further explained the delays stemmed around the project of adding the payroll data for the missing members to the Plans historical data files, then re-processing fiscal year end 2011, 2012 and 2013 data into the needed format. Mr. Baur explained he does not expect such delays in the future. Mr. Lozen then addressed the earnings in the valuation report versus the earnings in the consultant's report. He explained the actuarial value of assets is much less than the consultant's report due to the methodology assumed from the prior actuary for the asset smoothing. It appears the smoothing methodology was carried over from the Fort Pierce Plan. Mr. Lozen then addressed the next inquiry related to investment

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gains and losses. He explained the asset corridor noting the prior actuary was taking the market value of assets and comparing to the actuarial value of assets. Mr. Lozen advised the Plan losses of 2009 and 2010 would have been recognized either way; it is just the method of how they are being recognized that is different than what Foster would normally use. He confirmed that such methods vary from one actuary to another. He reported the methodology is now changed prospectively; however they are still carrying part of the prior process. Mr. Lozen explained the reconciliation of the difference between the actual market value versus the actuarial market value is the difference in the methodology. Mr. Lozen explained he is unsure if another method would have resulted in better numbers in the latest report; however in the long term, the results are not materially different. Mr. Lozen went on to review the next question explaining some of the assumptions being used do not meet the Plan's actual experience and at some point, the Boards should consider changing their assumptions to be more in line with the Plans. He recommended showing the current assumptions, then reflecting the difference if future experience alters the results higher or lower. Mr. Lozen advised that using the current methodology of paying down the unfunded liability; with the current assumptions, the unfunded liability will not decrease until 2028. Discussion followed regarding the Fire payroll assumptions. Mr. Lozen explained the long term assumption and ten year average for the Fire Plan is 4.8% and they are currently using 4.5% in the Fire calculation. He noted there is a statutory requirement that the payroll assumption cannot be higher than the ten year average and if they change the assumption, the short term impact will be an increased cost to the required contributions. Mr. Lozen explained the payroll assumption for the General Employees Plan is 3.2%. Mr. Lozen addressed the next question advising the accrued liability is expected to increase each year as costs increase and in the latest report, the increase mainly resulted in the increase of retired participants from 2012 to 2013. Mr. Lozen then addressed DROP members and their inclusion in payroll. Lengthy discussion followed regarding the employees contribution increase of 2% effective October 1, 2014. Chief Parrish explained the September 30, 2014 salary base was used to give a 3.25% COLA and 2% of the new salary is to be contributed to the pension plan for all Fire members. He advised 0.5% is based on payroll while the 2% is based on "base pay". Jeff Lee was present and confirmed Chief Parrish's explanation of the contributions. Lengthy discussion followed regarding interpretation of the language. The Trustees inquired how the Fire District can acquire the actuary's opinion of the CBA language and Mrs. Jensen recommended the matter go before the Pension Board instead of having the actuary respond directly to the Fire District. Mr. Lozen explained he would interpret the language as 2% on the new total base pay. Mr. Lozen then addressed the next question regarding the intention of DROP members to contribute. Bonni Jensen referred to pages 39 and 42 of the agreement and explained the Resolution update dated July reflected members in the DROP would contribute 2% which will be used to pay down unfunded liability. Mr. Lozen confirmed the 2% from the DROP members would help pay down the unfunded liability in the Plan which will, over time, reduce the Fire District's funding. Mr. Lozen explained the DROP payroll is included for reporting but not for funding purposes; therefore he would need to segregate DROP payroll member contributions and adjust the expected budget calculation. It was noted that, the Fire District being a supplemental plan, the Fire Pension Plan does not have to comply with the maximum 300 hours; however that maximum does apply to the General Employees Plan.

Doug Lozen went on to review the valuation reports; beginning with the Fire Report. He explained there had been no turnover and lower than expected mortality. He reported the loss of 2009 had not been fully recognized and \$7MM remains to be recognized for 2010. Mr. Lozen advised for fiscal years ending 2014, 2015 and 2016; he expects to see actuarial gains as there is still \$10MM to \$11MM of actuarial gain to recognize. Mr. Lozen explained he cannot confirm how the pending asset gain is expected to affect future costs since it depends upon other assumptions and actual experience of each year. Mr. Lozen noted the low employee turnover is normal for Fire Plans. Discussion followed regarding mortality.

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Mr. Lozen informed the Boards of a study completed on over 650 public pension plans in Illinois and Florida has a margin on the mortality; therefore the mortality assumption being used in the Plan is reasonable. Mr. Lozen explained he would need to do an impact statement regarding the benefit changes and the new base pay contributions to reflect expectations. Discussion followed regarding the possibility of not accepting the valuation report. Mr. Lozen explained the statute requires a valuation every three years and if the report is not accepted, the contributions default to the prior valuation funding plus interest. He further noted the loss incurred would be pushed off another year and the five year smooth on losses would still need to be recognized and by deferring the payment by one year; catch up payments will be needed when the next valuation is determined. He advised the Trustees that skipping a valuation one year is okay; however he does not recommend waiting three years. Mrs. Jensen explained she had a Plan that used to do their valuations every two years; however she does not recommend that process as the contribution required next year would be higher than it would have been had the 2013 valuation been accepted. Lengthy discussion followed regarding the matter. Mr. Baur advised if the valuation methods produce such varied results, then he believes the Boards should consider addressing the assumptions being used in the valuation process.

Part of the Fire Trustees departed the meeting at 3:20 PM temporarily.

GENERAL EMPLOYEES 2013 VALUATION REPORT: Mr. Lozen reviewed the General Employees 2013 Valuation Report in detail. He reported their five year smoothing was lower due to the same investment methodology; lower than expected turnover and no mortality. He reviewed the member data details explaining they expect three to four employees to leave; however only one left employment. Mr. Lozen then reviewed the recognized assets explaining the 2009 loss would be fully recognized with the 2014 valuation and approximately \$300,000 of prior gain is still to be realized. He explained their turnover, while better than the Fire Plan, was still short of expectation. Discussion followed regarding adjusting the assumptions. Mr. Lozen recommended beginning with the 2012 experience study and reviewing from there. Mr. Crooks reminded Mr. Lozen that they did alter the mortality table at the time of the experience study. Mr. Lozen reported the salary scale was probably fine for the General Plan. Mr. Lozen explained the upcoming sick and vacation time cap would have a small impact currently and over time. Bonnie Jensen inquired if the impact study the actuary is to do on the CBA change will impact the October 1, 2014 valuation and Mr. Lozen confirmed it would have an impact.

- **Carl Trabulsy made a motion to accept the General Employees' Pension 2013 Actuarial Valuation Report as presented. The motion received a second from April Maya and was approved by the Trustees 4-0.**

Fire Trustees returned to the meeting at 3:35 PM.

Doug Lozen reported it would take an additional two weeks to process the impact statements.

ATTORNEY REPORT (BONNI JENSEN)

Bonni Jensen advised she is now a full time partner in the law firm of Klausner and Kaufman as of October 1, 2014 and she will be transitioning to a new email. She requested Board approval for the assumption of the legal contract to the new firm name. She confirmed there would be no change to client fees being charged to either pension plan.

Mrs. Jensen then addressed the pending Resolutions as per the recent CBA. She will forward both Resolutions to the Fire District accordingly for action.

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- **Nate Spera made a motion to approve the legal agreement assumption to Klausner and Kaufman for the Fire Pension Plan. The motion received a second from Tony Napolitano and was approved by the Trustees 5-0.**
- **April Maya made a motion to approve the legal agreement assumption to Klausner and Kaufman for the General Employees' Pension Plan. The motion received a second from Allison Roy and was approved by the Trustees 4-0**

Buddy Emerson inquired into the new early DROP provision and the expected cost. Mr. Lozen explained he does expect for there to be a cost associated with the change which he will be reflected in the impact statement. Mrs. Jensen explained the way it was negotiated, if there is a cost associated, the cost is to be paid for by the excess 175 funds. Mr. Lozen explained he may need confirmation from the State. Mrs. Jensen explained the 175 money is to purchase additional benefits therefore this should qualify.

OLD BUSINESS

There was no old business to be addressed at this time.

NEW BUSINESS

There was no old business to be addressed at this time.

ADMINSTRATOR REPORT

There were no additional items to be addressed by the administrator at this time.

There being no further business to discuss and the next regular meeting having previously been scheduled for September 18, 2014:

- **April Maya made a motion to adjourn at 3:50 PM. The motion received a second from Carl Trabulsy and was approved by the Trustees 4-0.**

Respectfully submitted,

*Ronald Parrish, Chairman
Fire Pension*

Respectfully submitted,

*Kenneth Crooks, Chairman
General Employees' Pension*