

ST. LUCIE COUNTY FIRE DISTRICT FIREFIGHTERS' RETIREMENT FUND



Minutes of Meeting April 23, 2015

Chairman Ronald Parrish called the meeting to order at 2:04 PM.

Those persons present included:

TRUSTEES PRESENT

Ronald Parrish
George (Buddy) Emerson
Ignatius (Nate) Spera
Paul Raymond

TRUSTEES ABSENT

Anthony (Tony) Napolitano

OTHERS PRESENT

Denise McNeill & Kerry Dutton & Brittany Park; Resource Centers
Bonni Jensen; Law Office of Perry & Jensen
Jay McBee; DiBartolomeo McBee Hartley
Doug Lozen; Foster & Foster
Karen Russell; Clerk Treasurer
Paul Kelly (Attorney for Plan)
Several Members of the Plan

PUBLIC COMMENTS

There were no public comments at this time.

ACTUARIAL VALUATION REPORT 2014

Doug Lozen of Foster & Foster appeared before the Board to present the 2014 Actuarial Valuation Report. He explained there was a slight over contribution of \$284,864 that may be utilized for the fiscal year ending September 30, 2015. Discussion followed regarding the prior actuarial method, which was unconventional. He explained this past year recognized all prior losses and it is the final year of the prior methodology. Mr. Lozen reviewed the plan changes enacted in the prior year along with the actuarial assumptions and method changes. He stated that new hires are participating in a different benefit structure effective October 1, 2014 under Resolution 583-14. He explained the assumption based on the new method changes are only an estimate since there is no way to predict the actual number of members that will act on DROP entry under early retirement. Discussion followed regarding the early DROP entry and assumptions made. Mr. Lozen explained the expected cost to the Plan was nominal (as listed in the impact statement) and this benefit truly needs to be run out over the next five years to determine the actual cost; however there was virtually no increase to the Plan since excess State money was used to cover the cost. Mr. Lozen went on to review the retirement rates. He explained that most public pension plans use 5% assumption for early retirement; the 3.5% assumption was carried over from the old Fort Pierce plan. Nate Spera reported that one of the main reasons for pulling out of the Fort Peirce plan was to have the age 50 and out benefit option. Mr. Lozen explained he would not be surprised if the actual numbers of members retiring under early retirement are much lower than the assumption since turnover and separation tends to be very low in Fire plans. Mr. Lozen also stated that once the state money is used to pay for the assumed increased cost, even if the actual cost results turn out lower than expected, the state money cannot flow back into the state reserves. He then reviewed the reconciliation of debt, explaining there are gains from the early years that still need to be realized. Mr. Lozen suggested paying down the unfunded liability quicker (currently using a 30 year amortization). He recommended combining all bases into one going forward (similar to a fresh start) which would reduce ammonization to pay down liability sooner. He further explained that if the bases are combined it would increase the Fire District's contribution; however it would pay down the liability sooner. Mr. Lozen explained about six years ago, actuaries for the State recommended a 10/20/30 plan; 10 years on gains and losses, 20 years on

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assumptions and 30 years on benefits. He explained if adopted, it has no immediate impact to the Plan; however will pay down the liability sooner than 30 years. Mr. Lozen advised now that the prior smoothing method losses are resolved, over \$6M in prior gains will go against the unfunded liability in the next five years. Mr. Lozen noted due to the GASB reporting requirements, the funded ratio is not in the report; however the current rate is 71.5% versus the 72.4% in the prior year. He explained that he would have predicted the funded ratio to be lower. Lengthy discussion followed regarding the suggested methodology changes to allow the unfunded liability to be paid down sooner. Mr. Lozen stated that he will summarize these options in the next week and will provide the information for the Board to consider at their next meeting. Mr. Lozen will check his schedule to see if he can be available for the next meeting in person or by telephone. Mr. Lozen then addressed DROP members and their inclusion in payroll. There was a brief discussion about the payroll contribution and the inclusion of DROP participants. Mr. Lozen further explained the 10 year timing on gains and losses saves money on interest payments. He then confirmed the DROP member contributions will help pay down the unfunded liability for the Plan.

- Buddy Emerson made a motion to approve the Actuarial Valuation Report for 2014 as presented. The Motion received a second from Nate Spera and was approved by the Trustees 4-0.

2014 AUDITED FINANCIAL STATEMENT PRESENTATION

Jay McBee appeared before the Board to present the audited financial statement for the plan year ending September 30, 2014. He advised the financial statement report being presented is marked draft for certain items pending update. He stated the financial statements are fairly represented. Mr. McBee reviewed the balance sheet reporting total assets of \$196,734,067 with a net position held in the Plan of \$196,558,608. Mr. McBee stated the net increase to the Plan for the 2014 fiscal year was \$16,759,153. He reviewed the changes to the footnotes due to GASB 67. Mr. McBee reviewed the new disclosures in detail. He reviewed the comparison on the required contribution versus the contribution payment made. He reviewed the investment actual rate of return compared to the target rate of return. Mr. McBee explained the sensitivity of the net pension liability to the changes of the discount rates of 7%, 8% and 9%. He further explained the cost impact if the future rate of return was 7% and 9%. He reviewed the changes that had taken place during the fiscal year. Mr. McBee then reviewed the expenses for both the investment and administrative services. He stated the Plan received a clean opinion, the financial statements are presented fairly and the reader would have full presentation based upon the financial statement report. Nate Spera inquired into the Plan's total expense cost of 0.56% and Mr. McBee confirmed the cost is low.

- Nate Spera made a motion to approve the 2014 Audited Financial Statement as presented. The Motion received a second from Paul Raymond and was approved by the Trustees 4-0.

DISABILITY REVIEW-

Attorney Paul Kelly, legal counsel for _____ appeared before the Board to present the disability case review on behalf of _____. He reviewed _____ medical history which included diagnosis', dates, and physicians. He explained in 2014, _____ started experiencing issues which included a heart murmur and aortic valve insufficiency. He explained that these issues resulted in carotid artery bypass graft and a mechanical valve implant. Mr. Kelly stated that since surgery _____ has been placed on blood thinners, his other medications have had to be adjusted and he is easily fatigued. He explained that since surgery Dr. Nanette Bishopric (Cardiologist) has evaluated and labeled _____ as permanently and totally disabled. Mr. Kelly stated after reviewing the disability application packet he did not see Dr. Bishopric's interrogatories included. Denise McNeill stated the interrogatories were not included in the medical records provided from both Dr. Bishopric and Mr. Kelly's office. Mr. Kelly provided copies to the Board and apologized for not including in the records initially. Mr. Kelly referred to Dr. Max Dweck's Independent Medical Exam (IME) which was completed on behalf of the Pension Plan. He explained the heart and lung bill in detail, then listed how _____ fulfills the requirements of the heart and lung bill. Buddy Emerson stated that some of Dr. Dweck's responses in his opinion, were inadequate. There was a brief discussion about Dr. Dweck's responses on the IME. Mr. Emerson noted

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the evidence is supportive of the claim; even though Dr. Dweck did not complete the form correctly. It was noted both the physician's narrative report and the cover memo state that [redacted] was found unfit to perform the duties of a firefighter and was totally and permanently disabled. Mr. Kelly stated that [redacted] has been receiving pay from workman's compensation. The Board had a lengthy discussion about [redacted] IME report. Attorney Bonni Jensen stated based on the information provided, in her opinion, there was enough detail for the Board to make a decision.

- Nate Spera made a motion to approve the duty disability retirement request for [redacted]. The Motion received a second from Buddy Emerson and was approved by the Trustees 4-0.

The Board wished [redacted] the best of luck and thanked him for his service at the Fire District.

Bonni Jensen provided an update regarding the Steris class action matter. She explained the attorneys entered into discussion regarding a settlement and the vote has been delayed accordingly. She reviewed the provisions explaining the process will require additional documents on behalf of the Plan and she recommended the Board approve the chairman have authorization to execute the documents as needed.

- Nate Spera made a motion to allow Chairman Ronald Parrish to execute all required documents on the Steris litigation accordingly. The Motion received a second from Paul Raymond and was approved by the Trustees 4-0.

Bonni Jensen reported she had received notice of appeal from Mr. Dana Beach's attorney, Ronald Rowars. She explained the Board has 90 days to hold a hearing regarding the matter. Ms. Jensen further explained that the Board must hire either the Fire District's counsel or outside counsel. Ms. Jensen offered to speak with Ken Cooks, the Fire District's attorney, to see if he would accept this position. She stated in the past with other Plans, the Boards have sometimes retained outside council with Sugarman and Susskind for such matters.

- Nate Spera made a motion to allow Bonni Jensen to extend the offer to Ken Cooks to become legal counsel for the Dana Beach case, and if refused, to request counsel from Sugarman & Susskind. The Motion received a second from Paul Raymond and was approved by the Trustees 4-0.

There being no further business to discuss, the date for the next regular meeting having previously been scheduled for May 21, 2015;

- Buddy Emerson made a motion to adjourn the meeting at 3:37 PM. The Motion received a second from Paul Raymond and was approved by the Trustees 4-0.

Respectfully submitted,

Ronald Parrish