



# City of Palm Coast

Fire Station #25  
1250 Belle Terre Parkway  
Palm Coast, FL 32164

## Minutes

### Volunteer Firefighters' Pension Board

**Chair Charles Esposito**  
**Vice Chair Timothy Wilsey**  
**Board Member Daniel Brazzano**  
**Board Member John Pickard**  
**Board Member Robert Schroeder**

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**Friday, November 13, 2015**

**8:30 AM**

**Fire Station 25**

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**Staff: Chris Quinn, Finance Director**  
**Peggie Calkins, Recording Secretary**

>Public comment will be allowed consistent with Senate Bill 50, codified at the laws of Florida, 2013 – 227, creating Section 286.0114, Fla. Stat. (with an effective date of October 1, 2013). The public will be given a reasonable opportunity to be heard on a proposition before the City's Volunteer Fire Fighters Pension Board, subject to the exceptions provided in §286.0114(3), Fla. Stat.

>Public comment on issues on the agenda or public participation shall be limited to 3 minutes.

>If any person decides to appeal a decision made by the Volunteer Fire Fighters Pension Board with respect to any matter considered at such meeting or hearing, he/she will need a record of the proceedings, including all testimony and evidence upon which the appeal is to be based. To that end, such person will want to ensure that a verbatim record of the proceedings is made.

>The City of Palm Coast is not responsible for any mechanical failure of recording equipment.

>Other matters of concern may be discussed as determined by the Volunteer Fire Fighters Pension Board.

>If you wish to obtain more information regarding agenda, please contact Recording Secretary Peggy Calkins at 386-986-2300.

>In accordance with the Americans with Disabilities Act, persons needing assistance to participate in any of these proceedings should contact the City Clerk at 386-986-3713 at least 48 hours prior to the meeting.

>All pagers and cell phones are to remain OFF while City Council is in session.

#### **A. CALL TO ORDER**

*The meeting was called to order at 8:30 AM by Mr. Esposito.*

#### **B. PLEDGE OF ALLEGIANCE**

#### **C. ROLL CALL**

**Present:** 5 - Member Brazzano, Chair Esposito, Vice Chair Wilsey, Member Brazzano, and Board Member Pickard

**Excused:** 1 - Board Member Schroeder

**D. MINUTES**

*Virginia Smith, City Clerk, is present to swear in the newly appointed members of the Board of Trustees, C. Esposito, D. Brazzano, T. Wilsey and J. Pickard. Mr. Schroeder will be sworn in at the February 2016 meeting.*

*Mr. Wilsey nominates Mr. Esposito for Chairman, seconded by Mr. Brazzano. Unanimous approval.*

*Mr. Brazzano nominates Mr. Wilsey for Vice Chairman, seconded by Mr. Esposito. Unanimous approval.*

*Mr. Brazzano nominates Mr. Schroeder for Secretary, seconded by Mr. Wilsey. Unanimous approval.*

*Minutes: Mr. Wilsey makes a motion to accept the minutes of the previous meeting of August 21, 2015 as written. Mr. Brazzano seconds. There were no comments and the motion carried unanimously.*

**E. FINANCIAL STATUS OF PLAN ACCOUNTS**

*Mr. Quinn reports poor earnings for the previous quarter. On page 2 of the Financial Report he indicates there is a new format to be more compliant with new rules related to budgets, budget tracking and disclosure. This is a quarterly report with expense breakdowns with the new budget. In the future it will contain the actual budget. The third page is the current budget as approved by the Board. In the future there will be a combination of the two reports. The budget can be revised as needed. Going back to page one it is noted there are no longer any of the small accounts listed; Funds A and B are now zero. Everything is now consolidated under one account. There was a discussion about fiduciary insurance. Under revenues it does show just over \$324,000 received. Administrative expenses are noted as one number with the detail on page 2. For invoices there were no new retirees. There are three invoices to approve. Also attached is the second supplemental compensation monies transmittal document. Yearend expense totals are reported on the second page and are total expense for the fiscal year. This will be distributed to the City and will need to be sent along with the State annual report. It is noted that the City website now has historical actuarial reports and other reports that pertain to the Plan and it is updated as needed. The League of Cities has also established a web site for our Plan.*

*Mr. Wilsey makes a motion to approve payment of the invoices, seconded by Mr. Schroeder. Unanimous approval.*

**F. LEGAL REVIEW**

*There have been some changes made to the Summary Plan Description that is provided to each member. On page one is a date change. On page three, item E, supplemental benefit, we now have a share plan. The next change is on page 6, maximum benefit section in the last Ordinance, we have some limitations on what we are allowed to pay out. Next, on page 8, under financial and actuarial paragraph he has added two additional paragraphs. There is now a requirement to have a budget and expenses. The next provision added number 12 on page 9 and has to do with the benefit we have in the plan that has to do with health insurance premiums. If someone retires, under normal circumstances, the first \$3,000 benefit is not taxed and applies to us as volunteers. Mr. Wilsey makes a motion to approve the revised*

*Summary Plan Description and is seconded by Mr. Brazzano. All were in favor. The Chairman will sign off on the changes. Mr. Esposito asks if we are in compliance with the current Summary Plan Description and is advised that we are.*

*Mr. Christiansen reports that all members have completed Financial Disclosure statements as required.*

*Meeting days for next year are set for February 12, 2016; May 13, 2016; August 12, 2016; and November 11, 2016. It is noted that 11/11/2016 is a city holiday and Mr. Christiansen will look into changing that date.*

## **G. NEW BUSINESS**

*Mr. Esposito brings up the topic of reclaiming credited years. For example, a volunteer firefighter for 3 years resigned and was not vested. Several years later they returned to the organization. Would that firefighter be entitled to reclaim credit and work for an additional 2 years to become vested? Under the Share Plan and old defined benefit plan when someone leaves their accumulated benefit slips over to the reserve account. How do we account for the monies lost? The defined benefit is not allocated. Defined benefit will come back when they return and will be restored. The forfeiture is on a page and the money is redistributed. They would be a new employee according to the share plan. This is not necessarily related to the Share Plan. Anything in excess reserve gets spent. It is felt that now that they are back they will get credit for year's invested. It was noted that we never have come close to needing the total \$144,000 frozen amount and there is plenty of funds to cover if someone comes back. Membership can always raise the frozen amount. New legislation does away with the frozen amount with regard to the use of money. It was asked if the city could decide they want to use the money for something other than the Plan and the response is no. Mr. Christiansen adds this is not even particular to our plan – the same language is used throughout the State. If you leave you can come back and will get credit for past service. We clear out the excess reserve every year and took what was accumulated and distributed it. Mr. Quinn adds that we can move the scale up and down as needed, we are never going to be allocating more than we have. The big picture is that \$300,000 (plus) coming in each year from the State covers the defined benefit every year.*

*Mr. Esposito is concerned about the protocol. Should we have a protocol to say we are covered for a person coming back. How do we allocate? Mr. Quinn does not think there is a money; issue. Per the Ordinance they get credit for prior credited service. The protocol is there. If someone has been gone and comes back should there be some type of discussion. Do you need to start over? We would have to change the plan. The protocol is there to give credited service. The Board could change but the Ordinance would have to be changed. Mr. Esposito states he is not concerned about the money, he is concerned about the protocol.*

*Mr. Esposito speaks to Mr. Santiago and Mr. Rolka who are now retired. When do they start to see their share of the distribution? The League of Cities will determine when the checks will be sent. Distributions for other retirees has already commenced.*

*Mr. Esposito states we have a beneficiary with joint survivor benefits. The survivor passed away. Can the beneficiary appoint another survivor for benefits? The answer is yes but it should be done quickly. The benefit will have to be recalculated and there could be a reduction in benefits.*

## H. OLD BUSINESS

*Mr. Esposito gives an update on Mr. Bob Hudak who made a petition to get credit for months missed because of a medical problem. Within the Ordinance it states that a credit of up to 6 months can be issued. The Board requested the Chairman go back and speak with legal about entitlement in this case. The attorney indicated the injury is not one that could be considered an injury on the job and the Ordinance specifies it must be an on the job injury. We wrote a letter to Mr. Hudak telling him the Board declined his request and that he did not meet the qualifications for 2015 credit. He advised Mr. Hudak that he could petition the Board but he did not do that. He has, therefore, lost his credit for 2015 and the matter is resolved.*

## I. PUBLIC COMMENTS

*No members of the public were present.*

## J. DISCUSSION BY BOARD OF ITEMS NOT ON THE AGENDA

*Mr. Esposito makes the following presentation*

*--2002 – 2014 Excess Reserve available \$1,500,000:*

*Distribution:*

- 1. Excess held for city security = \$ 300,000*
- 2. Excess distributed to retired/active = \$1,200,000*
- 2015 Excess reserve available for share = To be determined*

*--How is investment income (less) accounted for?*

*--it is not considered excess reserve?*

*--It is not used to fund frozen amount?*

*--It is held to support the defined benefit portion of the plan above the prevailing 120% funding of the defined benefit.*

*--How are 2015 share funds held?*

*-Are individual accounts established w/deposits?*

*-Is there one global share account for all active members?*

*-How will annual member status report show value?*

*-Will members be provided with an account value or a percentage of global share account?*

*Should Foster & Foster devise a share plan procedure that is consistent through the years?*

*Mr. Esposito is requesting Foster & Foster and Mr. Christiansen respond to those questions in writing so that a record is created. Mr. Lozen of Foster & Foster will provide a letter of explanation for the development of a share plan procedure that will be consistent through the years.*

*Section one asks how are the 2015 shares held. All monies are held in one fund, a pool.*

*The excess reserve for the year 2015 is to be determined. It is all in one account – comes from the trust fund that is all together. Trust fund is not broken down by membership name – no. How will member status reports show the value. Mr. Esposito-we give them a green sheet. Mr. Lozen we will not only update this but attach the names and will have individual green sheets. Mr. Esposito, how are they going to establish what the value is? Mr. Lozen – the beginning of the year will be what is on this that we have already provided. There is a 12/31/2014 balance for*

everybody and that is what we will use as the beginning of the year when we get the green sheets for 2015 then we will show their portion of the excess value and will also show their portion of investment earnings based on last year's balance, or losses. Mr. Esposito – we are talking about a second green sheet now, just for share plan and they are going to get the regular defined benefit data sheet. So, with the 180,000 you said there was something else. Mr. Lozen, let me run through it again. When they get the share individual statements for 2015 we will show, as long as they are still active, we will show last year's balance and will give it's earnings according to whatever the trust fund got, we will give them a portion of the reserve, based on their service and will give them a portion of forfeitures from anybody who left, not invested. Mr. Quinn, anybody who was allocated share money through the previous year that has left and is not vested gets reallocated. Mr. Esposito, I thought we said that money wasn't allocated to the excess benefit. Mr. Quinn, not defined benefit, only share money. Mr. Lozen, it stays in the shares and is redistributed to everybody that is active. Mr. Esposito, because there was a residual from the 2014. Mr. Quinn, I don't know that this is the case, Charlie, but let's say I was an active volunteer and I am an active pension and I got my portion of the \$1.2 million as an active volunteer, let's say it was \$5,000 and I only have two years of service currently and I decide that I am moving, so that \$5,000 that was set aside for me in the share plan I will never be able to have so they take my \$5,000 and give it to everybody else that is active. Mr. Christiansen, into that year and then allocated to everybody and that is what the forfeiture is. Mr. Esposito, Could you write something for me on this. Mr. Lozen, sure. So basically you want an explanation of how each members individual share account will be updated each year. Mr. Quinn – it is a formula.

Mr. Esposito, my next question was how annual member status reports will show value. Will members be provided with an account value in dollars or is it a percentage of the local account. Mr. Quinn it will be shown in dollars. Mr. Esposito, my follow up question to that was should we devise a share plan procedure that will be consistent throughout the years. In other words if we develop a formula now for this that formula will be applied every year without changes. Mr. Quinn it is already established, it is in the Ordinance. Mr. Lozen states my letter will actually take from the Ordinance. The letter is basically a user manual for that but the Ordinance already covers its. It's just my letter will put it in plain English so everybody understands. Mr. Christiansen – to put it simpler, once we have all the retirees paid out and I know this year we have some residual money that had to be paid out in a number of years, how long is it going to take care of the retirees, do we know. Mr. Quinn – there is a couple that will have a third year. Mr. Lozen – most of them the first year, I think everybody by the third year. Mr. Christiansen – so then by 3 years we will have some retirees getting in and then after that it will just be annual allocations to the current active members. Mr. Quinn – the way the League wants to do it is they have already send out now the first year, right after January 1, later in the month, they want to send out the second year to the retirees so 99% of it will be paid out by January 31 this year. Mr. Esposito, we are only talking about small amounts. Mr. Christiansen– so then that all goes away so then all we are talking about is the active and Doug will apply that formula.

Mr. Esposito – how is income and loss accounted for? It is not considered excess reserve. I am talking about the investment account now through the League of Cities. Every month we get a sheet that says how we did in terms of income from investments. Mr. Lozen, we will determine the return for each year on a calendar basis, paying out the management fees. That is the return we will use. Mr. Esposito – and that shows up on this spreadsheet. Mr. Lozen – it should match the League's number pretty closely but we will develop it. Mr. Esposito – so it is not considered excess reserve? Mr. Lozen, no. Mr. Esposito – and it is not used to fund the frozen amount. Mr. Lozen – vested income? No. Mr. Christiansen – no investment returns

have ever affected frozen amount. Mr. Esposito, I appreciate that. I start to go through this year I start to get cautious in my own head, I want it defined. It is held to support defined benefit, I am talking about our investment income now, is it helped to support the defined benefit portion of the plan above the approximate 120% funding of the defined benefit. In other words, without any income from our investments, just using state income, we are over funded by 130% funding for that—that doesn't say anything about what we have in terms of investment income. That just says this is from the state grant. We have calculation by the State that says your frozen amount is \$144,000. We know that our costs every year is about \$102,000 which says we have about a \$40,000 a year reserve within just the defined benefit program which approximates 20%. How do we get to the fact that we were 120% funded? Mr. Lozen - if your question is does the investment income or loss have anything to do with that, the answer is no. When the earnings, we will call it earnings, that we credit to the share balances is based on the performance of the entire trust fund. Whatever the calculation is for the year, for everything comingled that is what gets credited or debited against the share. Mr. Christiansen —also the assets are comingled and they are all invested as one big fund. The one big fund makes a return, plus or minus, and that is the return that is applied to the share plan and that is what Doug uses in determining the required funding. Mr. Quinn – Charlie, basically every part of this gets credited for their portion of those earnings or losses. So it's one big pool of money; if we make 5% after investment fees, everybody gets 5%, as part of that calculation. The DB portion has earned 5% and the share plan has earned 5%. Mr. Esposito – it's not in there. Mr. Christiansen, what is not in there? Mr. Esposito – our 120% that we have been talking about, when we started this thing we started to talk about how well funded are we, you said you guys are the best funded thing around and maybe one other. So we said okay what are we looking like. He said well you look like you are 120% so where then does that financial income come from the investments. What I am saying is that I can get to 120% just within the allocations that we get from the State. The State says we got \$144 that we have to apply of that money to the excess reserve. I said if the excess reserve is considered to be the difference between the total annual State funding and the established frozen amount it also includes unvested accumulations and that is somehow debatable so I will take that out. I get to 120% funding of this program just based on State income. Mr. Christiansen, if I am understanding what you are saying, you are saying what about all the income that we earn on the money that we have attributable or there to pay the defined benefits, that the return we earn on that portion of the money goes to increase the overfunding of the Plan because the only thing that the Share Plans are going to get is the return on the amount of money that is in each individual share account each year. Mr. Lozen, the return that we allocate, let's say the entire plan, all assets are comingled, its % return and everybody's share account gets 2%. Mr. Christiansen – the defined benefit and the money that is there to pay the defined benefits, that has also earned a 2% return as well which Doug is assuming we are going to make 7 and the City money does too. Mr. Quinn – No, no, no the City set aside is the \$300,000. Every bucket, Charlie, the share plan, the defined benefit plan and then the City reserve gets the \$300,000, whatever the return is gets their portion of it. Mr. Esposito – just from the defined benefit perspective its drives the 120% way up. Mr. Christiansen – we realized that when we did this, is that like it or not we were always going to be chasing the fact that we were probably going to begin to accumulate money again. We knew we were going to do that and we alleviated some of the problem by what we have done but I think we talked about years from now we may have to take another look at this and see what, if anything else we need. Mr. Schroeder – as the fund grows also the reserve portion should go also. Mr. Christiansen – the liabilities would probably grow too. Mr. Quinn – and the hope was that this would be an altruistic hope that more people would volunteer. Mr. Christiansen – we have got this really nice thing here, come and volunteer and we would like to have more volunteers but how realistic that is at the end, I don't know.

*Mr. Christiansen – I was in Bunnell the other night and they were talking about your plan, because they have a volunteer program there, and it's not that good. Gary Hughes was there and he said he used to work here for your volunteer program and he said well I should have stayed there, their program is really good. So it's becoming known the fact that you all have done a really great job in providing benefits for the volunteers. Mr. Quinn, Scott and Doug, while we are on this question because this comes up periodically and I think I asked it before and I cannot remember the answer, because of the obviously ongoing union negotiations between the city and firefighters union, is there a way for the paid firefighters to only participate in the share plan portion. If we were to modify it, part of the issue is that the City Council outside of the volunteers is dead set against providing defined benefit to anybody outside of the Volunteer Firefighter Pension. Something like a share plan which is not a fixed amount. Mr. Christiansen, the problem with getting you an answer, quite frankly as you know this situation here is different than we have any place else and as you know we had that question about whether we could really have a standalone volunteer program, just having full time firefighters but the basic tenet with regard to Chapter 175 is that you have to provide a defined benefit before you are eligible to use the State money for those individuals so I have a feeling the state would say no, you would have to fold those folks into the defined benefit portion or provide them with a consistent payout, you would have to provide them with a minimum benefit in Chapter 175 of the defined benefit side before they would be in the Share plan. We would have to get a reading. Mr. Lozen, we would have to get a variance if you want to think of it that way. You would probably have to get a determination letter from Tallahassee before that could be enacted. Mr. Quinn, I am not saying that is but I have been asked again and that's what I thought the answer was and I just wanted to make sure.*

*Mr. Quinn, I think the hard part for our plan as opposed to a 401K or an IRA plan is that there is no separate statement. You know what I mean is no person has a separate account, this is their account. They just get a portion of the whole pool and a lot of times that's what drives. They can't go to their computer and say what is it today. No. They only know once a year what their total amount is for that point going to the .....I understand but that is the part that is hard for some people is that there, especially in today's day and age you can go to your computer at any time and see okay my retirement is up, it is down, I gotta work 3 more years, or no I can retire a year earlier, you know whatever, whereas when you have this kind of, the way our Share plan is going to work, people are really only going to know one year. Mr. Christiansen – you know you could for the folks in the Share Plan you could provide everybody with a quarterly return which you get from the League and the fiscal year to date return so if they know what their balance was the previous year which they would have a statement to that effect they could do a little calculation and see how their share plan is doing because their share plan is making the same return as the overall plan. The problem with that is when the first quarter is good quarter everyone is going to be happy and the second quarter, who knows? I understand what you are saying and we could provide that through the year.*

*Mr. Esposito, I have one last issue. With respect to define the plan and the fact that we have people who vest in our plan before they reach the age of 30, so they are now entitled to retirement when they reach the specified retirement criteria which means maybe keeping an account open for 30 years for them which I imagine is some sort of administrative burden and it's also a pain in the butt for the guys who have it coming. Is there any form or any process or procedure whereby they could opt for a pay out on that given amount? Mr. Christiansen – No. What you have is a retirement plan. The IRS has rules with regard to this. You know, with your IRA, what if you take your money out of your IRA before your retirement age, you have a penalty and the same kind of rules would apply to this. It was designed as a*

retirement plan. Mr. Esposito-is it a policy to order interest? Mr. Christiansen, no, there is a penalty associated. If you take money out of your IRA before the age you are allowed to take money out there is a penalty. Mr. Lozen- so say a \$5,000 cash out limit, I wonder if that applies here. Some plans have it, especially here, when you get someone young enough...Mr. Christiansen-but if they are still working ...Mr. Lozen-say they have a 5 year benefit, so 5x65 and a 30 year goal but retirement is 55, if we do a present value on it we can say well that's \$3,500 and the Board could.....Mr. Christiansen-I would have to look at that see what we can do. It is still taxable. They may still take a penalty. Mr. Lozen, lets say we allow this cash out, if they roll it over to a qualified vehicle fine. If they take it as cash there would be a withholding tax on it. Some plans have a small benefit provision. Mr. Esposito, can we just give guys an option to take a couple of thousand dollars now rather than wait 30 years for the benefit plan. Mr. Christiansen-the reality of that is that someone could leave or they miss a year and then they take the money and then are back the next year. Mr. Lozen-if you did that you would have to be careful that they don't come back fresh 2 years later with 3 years past servicing. They would absolutely have to start at zero then. Mr. Quinn-But the share plan now, if they have amounts in the share plan and we paid that out it is going to be way over \$5,000 potentially with the number of people we have getting ...Mr. Lozen-that might be the issue is that because of the share and how fast it grows that might bump into the limitation that a volunteer plan so that there is no such thing as a small benefit cash out if you combine the two. It might be kind of a moot point to attempt that on average a 5 year member, even if they come in at age 25 and leave at 30, a share plus a cash out on the defined benefit might blow through a limitation that allows for a cash out. That is my guess. Mr. Esposito-you are not taking about the \$3,000 maximum limit, you are talking about something else. Mr. Lozen- well just that the totality of whatever cash value would leave the fund might exceed the small benefit limit which is typically \$5,000. The share plan alone might be almost worth that. Mr. Quinn-But if they have \$5,000 in the share plan and the present value of the benefits was \$3,000, they are at \$8,000 right there. Mr. Lozen-then we would have to start thinking about, okay do those two things combined violate a small benefit cash out provision. So we might be getting into more complicated waters here. Mr. Quinn-and you have to remember you can't roll over the share plan part of this, you are not allowed to roll that over. It has to be taken as a taxable benefit. You can't roll it over so this gets crazy complicated. Mr. Christiansen-with this situation that it is with the rest of the plans.....Mr. Lozen-the way we are kind of talking out loud here if we want to go in this direction it almost sounds like an ICE Miller kind of a project once again. I am just thinking out loud here from everything that is going on. Mr. Quinn-that sounds like a super complex issue again. Mr. Christiansen-yes and remember it's because this is a different kind of plan than the 401 plans that we basically deal with. Mr. Esposito-could you take a little dive into it and just give us kind of a synopsis whether it is a complicated thing or whatever. Mr. Quinn-Charlie, the other thing I can tell you is that City Council typically has been very against allowing any kind of early distributions out of retirement plans because the money is supposed to be there for retirement. So that is going to be another issue. Mr. Esposito-I am not anxious to do this but I want to be able to answer the question. We covered it, we thought about it and developed a policy. At least it is something to fall back on. Mr. Lozen-well you could back it up and the Board has basically adopted the philosophical policy of the City which is defined benefits intended for a life annuity. Mr. Quinn-These monies are entitled for retirement.

Motion to adjourn at 10:30 AM

## ADJOURNMENT



