



City of Palm Coast

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

Meeting Minutes Volunteer Firefighters' Pension Board

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

Friday, May 13, 2016

8:30 AM

Fire Station 25

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

Chair Esposito called the meeting to order at 8:40 a.m.

B. PLEDGE OF ALLEGIANCE

C. ROLL CALL

City Clerk Virginia Smith called the roll.

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

D. MINUTES

Chair Esposito requested the minutes be updated as to the names and the numbers for attendance. There was a motion to approve the minutes as amended by Vice Chair Wilsey and seconded by BM Pickard. The motion carried unanimously.

E. FINANCIAL STATUS OF PLAN ACCOUNTS

Mr. Quinn, Finance Director provided a review on the financial status.

*Motion to approve all 6 invoices.
There was a motion made by Vice Chair Wilsey and seconded by BM Brazzano.
Motion carried unanimously.*

Mr. Quinn provided an overview and the draft written Investment Policy, which is attached to these minutes.

BM Brazzano-This has not changed since the last amendment of June 2015? Ans: Mr. Quinn-This is the latest and greatest since June 2015 revision.

BM Brazzano-So there has not been any changes to it since then? Ans: Mr. Quinn-Not that I am aware of.

Attorney Christiansen-Did you write these first few pages? Ans: Mr. Quinn-Yes.

Attorney Christiansen-I just wanted to let you know, you have no authority to change anything in the policy, basically the League is investing in the manner that they are investing and there is nothing you can do about it, unless you do not want to have them invest your assets anymore, so I have not seen a prelude to the League's policy but I just read through it and thought you do a pretty good job.

Chair Esposito-Once a year we will meet with the investment manager, is that the Florida League of Cities? Ans: Mr. Quinn-Yes. Mr. Langley, FLC-Yes..

Chair Esposito-Does anyone want to make a motion?

There was a motion from the Vice Chair Wilsey to accept document.

Chair Esposito-First, I would like to remind the Board that there is continuing education for the Board of Trustees-we should each go through a review of procedures and processes, you received a copy of what the retirement board is doing and there is a course for new trustees and for older trustees, so any time anyone wants to go, that would satisfy the requirements for these types of plans.

Attorney Christiansen -That obligation was there before you did this. The operating rules state you must go once per term.

Chair Esposito-requested FLC representative to attend more often. Attorney Christiansen-suggested every 6 months. Mr. Langley-Agreed.

Motion seconded by BM Brazzano to approve plan as written. Motion passed unanimously.

Attorney Christiansen-Chris, that has to be distributed. There is form letter in the forms package for distributing the investment policy. Mr. Quinn will post on the City

website and will send to the League for their website as well.

Chair Esposito-Has the Annual Report been sent to the Mayor? Ans: Mr. Quinn-Yes.

BM Brazzano-Will there be training on the investment side? Ans: Chair Esposito-In accepting this document, in essence you have done that. What we have is a comment to the League of Cities, that we would like to pick this up starting in August and that his report to us can be a part of our continuing education.

Vice Chair Wilsey-Is that sufficient to keep us in compliance? Ans: Attorney Christiansen-What the State Statutes say is that you get continuing education in the area of board responsibility and investments. You may get investments from the League but you are talking about fiduciary responsibilities and what have you, and frankly if you can go to the State conferences, it is an expense that is appropriately paid for by the plan, so your travel expenses and hotel rooms are all paid for by the plan, that is an expense of doing that business and it is a legal requirement, so there should be no question of the cost to obtain the training. As Charlie said you are fiduciarily responsible for all the assets we have here so you ought to get the training. They (the State) have conferences in Tallahassee (done by the State) and it is focused on Chapter 175 and Chapter 185 plans.

BM Brazzano-Do we know when the next one is? Ans: Attorney Christiansen- May 16. There are usually two a year-one in Tallahassee and one in Orlando. Mr. Quinn will also make sure the information is shared for when the Florida Public Pension Trustees Association (FPPTA) conferences/courses will be.

Vice Chair Wilsey-Did we go to the mini one? Ans: Attorney Christiansen-Yes, that counts but when you go for a couple of days-you obviously get more information.

Chair Esposito recommended everyone to take the class.

F. LEGAL REVIEW

Attorney Christiansen-Reminder that the Form 1-Financial Disclosures should arrive shortly and due on July 1. You can check online to see if you have filed. City Clerk also stated reminders are sent by email to the members. Clerk suggested to the Board Members to obtain a stamped receipt copy of their Form 1 from the SOE upon submitting.

Attorney Christiansen-Legislation-a few bills proposed just finished up but when the smoke cleared nothing was adopted.

Public Records Requests subject-there is a requirement going forward if we hire outside service providers, we have language in the contracts, to assist the Board with the records request to be compliant with Florida Statutes.

Attorney Christiansen--Did you all approve the actual evaluation last time? Ans: Mr. Quinn-Yes.

Attorney Christiansen-Did you declare an expected rate of return? Ans: Mr. Quinn-No, we will do that for the next one, at our investment update. Attorney Christiansen-The League representative is here so let's declare the expected and assumed rate of return and then do the letter. Is that reasonable Mr. Langley? Ans: Mr. Langley-It is reasonable. I would say you are in the ball park median for most plans, slightly to the higher side, but nothing that stands out. Mr. Quinn-We based the 7.65% on the long term expected rate of return based on the projections of the 60/40

fund. Is that still the long term, has that changed? Ans: Mr. Langley-When did you adopt the 7.65%? Mr. Quinn-About 2 years ago. Mr. Langley suggested to review it again in August 2016.

Attorney Christiansen gave overview to the assumption and actuarial estimate. Made a suggestion not to declare we are getting something different than what we put into the evaluation or else we will get some push-back from the State.

Mr. Quinn-If after the August meeting and discussion, the Board wants to go with 7.5%... Attorney Christiansen-You mean in the evaluation? Ans: Quinn-Yes, in the evaluation. Ans: Attorney Christiansen-Two different things-one is an expectation one is the evaluation. So, if in the evaluation you decide before he does the evaluation next year, you decide that you are going to lower the assumed rate of return, you lower in that evaluation, after you do the evaluation, you declare an expected rate of return again and then you can declare 7.5.

Mr. Quinn-Ok, so for now to be consistent with what we have done, we send the letter out as 7.65 and obviously make a determination for next year's evaluation, whether we want to change it or not, let Doug know at that point that we are going to use 7 point whatever and then he is good.

Mr. Quinn-Ok, so we are asking the Board to adopt the 7.65% long term rate of return that will be put in the letter to the State and that will be all we do with it at this point.

Attorney Christiansen suggested a motion for the Board, the motion would be "Based on advice of consultant and our actuarial as well, and you are comfortable with this as well, based on the advice of our investment folks and our actuary, the Board expects to get a 7.65% investment return for the next year, next several years, and the long term thereafter."

Vice Chair Wilsey-Motion to approve based on the advice of our investment folks and our actuary, the Board expects to get a 7.65% investment return for the next year, next several years, and the long term thereafter, which was seconded by BM Brazzano. Motion carried unanimously.

Attorney Christiansen-Pension letter #1. Mr. Quinn-Okay.

Attorney Christiansen-I noticed we did the budget, did we do an expense report to the State? Mr. Quinn-Yes, and it is out on the website.

Attorney Christiansen-We will be doing some updates to plan documents-the Ordinance-there were Internal Revenue Code changes, so we have to do some updates to keep the plan tax qualified.

Chair Esposito-These are changes as a consequence of legislative action? Our operating process? Ans: Attorney Christiansen-It has nothing to do with this plan specifically, it is basically the plan document, and of course, your plan is a little different than the other plans we have, so we have to make sure the changes we make are applicable to your type of plan.

Chair Esposito-This incorporates both the defined benefit and the share plans? Ans: Attorney Christiansen-It is the whole document. The changes that we are going to make are not going to change the way we are doing anything. It is just basically some language changes, clarifications. e.g. The Supreme Court case on the same sex marriages, and so the definition of spouse has changed.

Attorney Christiansen-Wiener's-At some point, we will need to discuss that interpretation.

G. NEW BUSINESS

Chair Esposito-We are now talking about the share plan-a couple of issues-

1. Under share plan if we have an individual vested and had two years of share plan and then left us, did we have to wait until he was of retirement age to collect what he got from the share plan or could we precipitate an event, there was a memo written by Scott.

Attorney Christiansen-stating that you do not have to worry.

Chair Esposito-As a matter of fact you thought it was incumbent upon us to pay them, not to allow them to use our investment plan. What I want to do is get the approval of the board to stay with that interpretation.

Attorney Christiansen-When someone terminates employment and terminates participation in the plan and they have money in share plan, they don't, when they leave, if they are not at retirement age, they still have to wait until retirement age to get their defined benefit, but the share plan you can distribute almost immediately.

Chair Esposito read an excerpt from the attorney memo-while it may not be absolutely clear in the plan, I believe the intent of the language is to distribute the entire amount that can be distributed as soon as reasonably possible following the next valuation date after termination. You should not allow a former member to use our plan as an investment plan once they have left.

Vice Chair Wilsey-Do they pay an early fee on share plan withdrawal? Ans: Mr. Lozen-No.

Motion by Vice Chair Wilsey to accept the interpretation of the plan based on the comments and memo from attorney for payment from an individual not of retirement age who is vested and is leaving the participation that his share plan value be paid at next valuation date. Seconded by BM Brazzano. Motion passed unanimously.

Chair Esposito -2. In the distribution process- has share plan value for the year 2015, remember the first figures we got were all from 2002-2014, whoever served within that period of time was not eligible for 2015 payment. The way the ordinance was written, there was some debate, whether or not, what we are talking about now is Bob Wiener -- Bob Wiener was with our organization for quite a while, he retired and passed away in 2009. He was a part of the initial distribution of eligible retirees, specifically it says eligible retirees have no further distributions after 2014 but because of beneficiary, there was an interpretation that he was entitled to go on further into 2015. Then the attorney determined that in the ordinance his beneficiary was not entitled for further distribution in 2015 (to the beneficiary).

Attorney Christiansen-basically the eligible retirees, remember, were the people that were already retired, and we had a piece of money from the share when we first started the share, we had a big hunk of money that we distributed to all the eligible retirees, ok, that amount was determined at that point, so if Mr. Wiener had not passed away, he would have gotten that amount of money. He passes away, does it then make sense that his beneficiary would get more money than he would have gotten had he lived? That is kind of the overall thought here is that it just did not make sense. I think it is supported by the language because it specifically says in the plan

that at each valuation date, each current member of the plan and each recent retiree, not eligible retirees, and that is what he was, beneficiary, and that's the confusion, cause the word beneficiary is there, or terminated vested person, but then it says who is otherwise eligible for an allocation. My interpretation was that he was not eligible for an allocation, she was not eligible for an allocation because she only stands in the shoes of her deceased husband, so that is the interpretation and I think that is the only, frankly, the only interpretation that makes sense.

Motion made by BM Brazzano to accept the interpretation of the benefit for Mr. Wierners' beneficiary (spouse). Seconded by Vice Chair Wilsey. The motion passed unanimously.

Mr. Quinn-As it relates to the previous item, which is the payout of the 5 year vested people that may have a share plan balance, was there anybody in that situation that we need to look at those? Ans: Chair Esposito-Yes, Richard Kocik. Mr. Quinn suggested we have those eligible to be approved by board at next meeting in August.

3. Allocation of funds- (Used white board for discussion, a hard copy is attached to these minutes)Go back to the time of Defined Benefit program only-we had more than enough money and since the funds that we had were in excess of the frozen amount, they were qualified to be only for the benefit of the individual members, we started to look for another way to deal with paying this out, without incurring a risk to City, because we did not want to increase the defined benefit. So we said we would do the share plan, that was Scott and it was Doug, you were in on that, and Paul, and we started the share plan and it turned out we couldn't structure a share plan as it was never done by for a Volunteer organization. So we went to another consultant and in this case it was Ice Miller, a tax attorney to help keep us in compliance. We had to apply for a private letter ruling which is what we did, got the okay, then we discussed distribution of this money. If you remember we had to go from inception 2002 up to where we were ready to make distributions, which was 2014. We had something like \$1.5 mil in the share plan. It was determined \$300K would go to the City for reserves and that left us \$1.2 mil and then we said how do we make distributions-we said that anyone after 2014 we would have yearly distributions; from 2002-2014 we had not made any distributions, we were accumulating money at that time, so we said let's determine the number of qualified years and each one of those fire fighter years convert to a share, and every share would be of equal value. Remember that? The share plan concept was equal value shares for all qualified for the period of 2002-2014 and subsequent years because now we are going to go and make payments every year. So for the initial distribution (2002-2014), we have \$1.2 mil and we have 272 qualified years for all that period of time, so if we took the \$1.2 mil and divided it by 272 and we came up with an equal share value, right here, this divided by the number of qualified years that existed gave us \$4,428. So we said ok now up to 2014, every year, we going to look at those that are qualified and they are going to wind up with \$4,400 all the way out to 2014, so in any given year, no one got more money than somebody else. Here is a guy that has 15-16 years, or whatever it is and for this year, 2007, he got \$4,400, here is a guy that is in 2 years but he qualified for this year and he got \$4,400. Do you remember when we made it a point to that, we wanted equal shares, if a guy was a part of the earning power for that particular year that you would share equally. We have people that served 3 years then qualified but were never vested, so some point in time this year \$12K will fall out and it is going to be distributed to the people who qualified. Here we had a guy stay to 2014 who had 3 years in and we think he will stay in 15 and 16, so he is going to qualify. So this stands pat. Here is a guy who qualified for 06 and 07 but missed 08 and picked it up again in 09, but he got nothing here, so in every case, we wound up with equal shares of equal value. Then we got to 2015 and an interpretation came up again of the writing and Scott agreed with it-that our process by which we no longer

have even distributions because you were taking the accumulated years, if you were in for 10 years you got credit for 10 years in to 2015. We started with the formula the numerator and denominator and it turns out that by no stretch of the imagination did we wind up with the concept we wanted, which was equal share value for everybody that qualified for that period. In order to pursue or continue on with this, using that concept, either we have to make another interpretation of the paragraph in the Ordinance or we have to change the Ordinance.

Attorney Christiansen-I do not think you can interpret the language any differently than what we are doing. Chair Esposito-I asked if we can? Ans: Attorney Christiansen-No, you can't interpret it differently.

Vice Chair Wilsey-So person who has been in for a year and we say in 10 years you will get this type of money put into your retirement, it is a thank you for their 10 years of service. I understand what you are saying but let's use the \$1K example, so instead of getting \$1K this person gets \$400 and this person may get \$1800 based on years of service. Ans: Mr. Quinn-Yes.

Vice Chair Wilsey-Well that is kind of a privilege for putting in all those years of service and I believe that is why it was written in the way it was. Does it make sense?

Chair Esposito-Not the concept I had. Chair Esposito explained his interpretation of the concept.

Attorney Christiansen-That is the same method, that is the same method as what we are doing going forward. In your example, over here (on white board), this guy that had all these years of service, we have a total amount of money, so we added up all the years of service for the bottom number in the fraction and the top number is the credited years of service that the individual had and that fraction of the total is what they got and that is what we are doing going forward.

Mr. Quinn provided explanation relating to the allocation. In any one of those years, the past years, let's say there was 25 people and only \$3K available in year one, they would have split \$3K, they would not have gotten \$4400. The second year, but what you are doing, I know the point you are trying to make, but what you are doing there is not what really would have happened under what you are suggesting. It would have been if there was any money available in that particular year, those people have qualified years of service would have split it equally, it would not have come to \$4400 a year. It would have been all over the place, some years higher.

Vice Chair Wilsey-And it is based on vested years of service.

Attorney Christiansen-Bottom line is, philosophically, how do you want to do it? The way we are doing it now, we are doing it in line with the language in the plan based on years of credited service. We have share plans all over the state and so it is not specifically your plan and the ones that I do, most of them are based on years of credited service, when I say that, that means a fraction where your years of credited service over the total years of credited service and you apply that on the amount of money that is available, that has been allocated to the share plan. That is what the Ordinance says now, that does not mean you cannot change the allocation method going forward and if you want to do what Charlie suggests, to give everybody an equal piece of whatever money is available, you can certainly do that but frankly it is not up to the Board to decide this, it is up to the membership, the money is there for your membership, so your membership ought to decide the allocation method you want to use. I do not think it is the Board's job to suggest this. Charlie can certainly

explain what the proposal is and if you want to do it, we can certainly change the methodology going forward, there is no problem with that at all. I think we did what we set out to do initially and what we put into the plan was what I understood what we wanted to do.

Mr. Quinn-To simplify, there are two theories-one going forward the guys and gals around no longer get a bigger piece and those not around so long get a lesser piece going forward with the share plan OR everyone gets the same.

Attorney Christiansen-So if the membership wants to change it and we want to propose a change, just let us know and we can do an Ordinance and change the methodology going forward.

Chair Esposito-That is not a Board decision is what you are saying? Ans: Attorney Christiansen-Why would it be a Board decision? Why should the five members of the Board decide how it will be allocated? Ultimately, it will go to the City Council to be adopted by the City. If I am sitting on the City Council, the first question I am asking "Is the membership okay with this?" So, yes, you definitely want the membership to be on board with the change.

Vice Chair Wilsey-To be fair, for cumulative totals. So how is it not fair in the future for cumulative totals, when it was fair for everyone in the past? Chair Esposito-I do not understand your comment because you are doing the same thing, you are sharing.

Vice Chair Wilsey suggested to table discussion for when membership can attend.

Mr. Quinn-For most people, the general rule is when you talk about any type of retirement plan, the people that have been there longer, get more. It is the natural way. I agree with Scott, you definitely want to be a united group if we are going to make any change.

Vice Chair Wilsey-So if we look back to the 2002-2014, why did we not divide that number by the number of personnel so that everyone got an equal share? Because that is what you want to do now, you want to divide it by the number of personnel, so why did we not do that from 2002-2014 divide it by number of personnel that would be qualified for this distribution? It would have been 50 or 60 or whatever it might have been and everyone would have got an equal share.

Chair Esposito-How do you figure that? Ans: Attorney Christiansen-We had \$1.2 and we had 50 people that were going to get shares, we divide the \$1.2 mil by 50 and everyone gets the same amount regardless of the years of credited service.

Motion to table by BM Brazzano and seconded by Vice Chair Wilsey (until speaking to membership). The motion passed unanimously.

Chair Esposito-Will the data sheets for individuals for 2015 be distributed? Ans: Mr. Quinn-Yes, other than Weiner's.

Vice Chair Wilsey-Can we distribute those in a sealed envelope please? Ans: Chair Esposito-You want them sealed, ok.

H. OLD BUSINESS

Nothing at this time.

I. PUBLIC COMMENTS

There were no public comments.

J. DISCUSSION BY BOARD OF ITEMS NOT ON THE AGENDA

Nothing at this time.

ADJOURNMENT

The meeting was adjourned at 10:02 a.m.

*Respectfully submitted,
Virginia Smith, City Clerk*

[16-277](#)

ATTACHMENTS TO MINUTES