

**MINUTES OF THE BOYNTON BEACH POLICE OFFICERS' PENSION FUND
QUARTERLY BOARD MEETING HELD ON TUESDAY, MAY 10, 2016
AT 10:30 A.M., AT RENAISSANCE COMMONS EXECUTIVE SUITES
1500 GATEWAY BOULEVARD, SUITE NO. 220, BOYNTON BEACH, FLORIDA**

Present:

Toby Athol, Chair
Jason Llopis, Secretary
Scott Caudell

Barbara LaDue, Pension Administrator
Bonni Jensen, Board Counsel

Absent:

Russel Faine
Joe DeGuilio

I. CALL TO ORDER – Toby Athol, Chair

Chair Athol called the meeting to order at 10:42 a.m.

II. AGENDA APPROVAL –

Ms. LaDue added Robert Kellman Medical Review to Item B.1., Attorney Report as Item 3, and Item 7, Deferred Vested benefit payable at normal retirement date.

Motion

Mr. Llopis moved to approve the agenda as amended. Mr. Caudell seconded the motion that unanimously passed.

**III. APPROVAL OF MINUTES – Quarterly Meeting 02-09-2016
Special Joint Police/Fire Meeting 03-16-2016**

Motion

Mr. Llopis moved to approve the minutes of February 9, 2016. Mr. Caudell seconded the motion that unanimously passed.

IV. FINANCIAL REPORTS:

A) Quarterly & PYE Investment Review –03-31-2016

- 1) Russell Investment Group – MJ (Candioto) Serene, CFA**
 - a) Investment Review –**

Mary Jane Serene, CFA, Russell Investment Group, announced she will be on maternity leave until the end of October, and her colleague, Steve Flynn, Senior Account Executive, will attend the meeting and be the Board's point of contact during her absence.

Ms. Serene announced the pending sale of a portion of Russell Investments will likely close in the next few months and any changes in personnel will be reported to the Board. She advised Brian Meath is now the Global Chief Investment Officer of Multi-Asset strategies.

Ms. Serene reviewed the US equity returns for the three, five and ten-year periods relative to non-US developed returns over the same periods were historically comparable, but in recent periods, US equities far exceeded non-US equities. She commented this could shift. The portfolio was much more bullish to other areas such as Europe relative to the US, which could materialize. The outlook for markets, in addition to valuations, has seen much higher returns coming from the US space than non-US counterparts and they anticipate it will change.

The first quarter of 2016 was a volatile quarter and was up about 1%. Fixed income was a driver and was up 3% for the period. Commodities were flat for the first quarter, but were up about 6.5% since the quarter ended. Fiscal year 2015 to 2016 was volatile. There was an equities pullback and then it rose. The US small caps were down 17% for the first part of the quarter and then up 16% for the second. There was not a lot of returns materialized.

Russell Investments thought global divergence was a key theme when they think about returns from an outlook perspective which included cycles, valuations and sentiments. From a valuation perspective, non-US equity markets were much better valued relative to US equity markets, and the same was true for emerging markets. From a cycle perspective, Russell Investments thought, due to monetary policies, exchange rates and potential for rising profit margins, Europe was more attractive than the US, but emerging markets had slowing growth and there were potential export weaknesses. It was important to have some exposure, but was not an area in which the portfolio was overweight. From an economic standpoint, the U.S. is stable. Europe was improving economically and Russell was starting to see Gross Domestic Partnership (GDP) growth. Asia and emerging markets were slowing, but in the long run would provide a great opportunity.

Ms. Serene reviewed the portfolios asset allocations. Non-US was shy of 19% and within the required range. The multi-manager bond fund was at 28% which was the risk reducing portion of the portfolio and the remainder was return seeking and investments to private real estate split between the multi-asset fund and the US large cap defensive equity fund.

The market value reconciliations started the fiscal year with \$78 million. Inflows exceeded outflows for the period and netted \$1.6 million. The portfolio's market return

was \$3.8 million ending the period with \$83.5 million. As of last Friday, the portfolio had \$.4 million less, as the market was flat and there were some outflows.

The portfolio's performance, fiscal-year-to-date, net of fees, returned 4.6%. with 1.6% of it coming from the first quarter, and the rest from a strong fourth quarter. For the fiscal year it was the return seeking combination of the multi asset and US large cap defensive up about 6% during the time. Private real estate was up about 5%. The defensive equity position was a driver and defensive stocks held up very well. The first quarter returns were driven by fixed income returning 3.4%. The equity portion was up .25% and up 1.8% for real estate. Collectively, the funds underperformed. The fund was positioned defensively going into the year and the quarter ended neutral as they reinvested. The additional equity risk was in the European market. The portfolio is in a period where interest will gradually increase. The 10-year Treasury dropped to 1.4% and ended the quarter at 1.7% or 1.8% up about 100 basis points.

The real estate equity fund underperformed due to the fund sitting on cash and a manager change. There were phenomenal returns from private real estate due to rents and property value appreciation. The second part has been a driver of returns over the last three years. Going forward, the income will drive the returns; not the appreciation despite the manager making some changes and adding core plus which should add income. Russell Investments did not expect the same returns in the long term.

Ms. Serene explained the Board should feel confident about the portfolio's position and it is a nimble portfolio that can make quick changes. Chair Athol asked how they changed real estate to focus on rental income as opposed to property appreciation and learned they added a core plus manager which is designed to be a stable core. They were not looking for a lot of appreciation and the fund has a low leverage ratio. This manager will increase the leverage slightly which will allow for some appreciation out of that portion of the portfolio, keeping in mind it is a core fund and the income will be there. There were shifts based on where the income was coming from with apartment buildings as opposed to shopping malls. Ms. Serene thought it was a nice complement to the multi manager bond fund. She praised Mr. Wan who thought the rates would not go up as quickly as possible and they were better off in the core plus fund.

Pete Strong, Plan Actuary, noted a few years ago Russell did a capital market outlook forecast which showed about 7% range which was what they expected the fund to earn. Ms. Serene thought a return of 6% or 7% was accurate. Mr. Llopis inquired if Russell Investments expected two more hikes and thought defensive position would not fit well with that scenario. Ms. Serene explained in the best case, they would see two rate hikes, but more likely would see one. The Federal Reserve suggested they do four, but pared it down to two and the market was pricing it down to one. She commented the current position is underweight to higher yielding securities, which is good when interest rates go up, but defensive positioning is good when there is volatility. The defensive position was good. It was a US position, but the portfolio currently liked non-US securities more than US securities and non-US exposure was limited. Russell Investments could remove investments from the US defensive fund and adjust the

portfolio, but it adds more risk, and the risk may not be rewarded. Ms. Serene did not think the fund would receive historic returns and the Board should slowly decrease the assumed rate.

2.) Burgess Chambers & Associates - Head of Research Frank Wan

a) Fund Performance review –

Frank Wan, Head of Research, Burgess Chambers & Associates (BCA) explained bond interest rate assumptions will likely have one hike in June. He noted there has been stable GDP growth and past contractions were oil. The Federal Reserve is looking at the data and one hike is certain, maybe two, but not three or four. As to how this impacts bonds, Mr. Wan explained the last time they raised rates, the one-to five-year bonds moved. The one-to-three year range all ticked up, but at the ten-year mark, all stays flat. Long term was immune to the process. The market can raise rates, but he did not think the economy would support it, so the 10-year bonds decreased after the Federal Reserve increased the short-term rates. There are many contradictions and he did not think there would be huge implications.

Mr. Wan commented, when looking at the portfolio's yield curve, the 10 to 30 year mark was flat. The portfolio had a 5.9 year duration and a 2.5% yield. If the yield curve shifts up by two or more shifts, the portfolio will not lose money. With the global economics, Treasuries and the US dollar rallied. Mr. Wan liked the Multi-Asset Core fund and Russell Investments had added Kopernik, a futures/commodities/materials-oriented manager, and they are great managers. They are very nimble and it is a good environment for the changes. Infrastructure increased slightly, but infrastructure in the MAC was up 8%. In the first quarter, the best performing asset classes were real estate, utilities, and infrastructure. The MAC benefited and hedging did well.

Mr. Wan reviewed the fund's performance was impressive. BCA had changed the peer group rankings against 460 public pension plans with a trillion dollars in assets. The plan ranked number one for the first year, which improved the three and five-year returns. The Fund does not lose as much as the market because of the different positions and they outperformed all their peers. He credited Ms. Serene for navigating the market as well as they did. The difference in equity position with utilities and some safety sectors paid off. This was luck due to timing. The 4.7% return for the past year was traded off and the defensive equity position helped the portfolio and would be a key defensive player in the portfolio of managers.

Real estate for the quarter to date earned 1% from income and less than 1% from appreciation. So far this quarter, most managers in the universe were seeing negative appreciation. Some real estate is overpriced in the US domestic universe. The property craze was still occurring and Mr. Wan advised real estate will be a better driver than bonds.

Many public funds were eliminating hedge funds and returning to private real estate. Mr. Wan thought this was the first wave of money moving from bonds to private real estate and second wave of \$19 billion went to hedge funds. The fund has an 8% position there and increased it to 10%. Mr. Wan thought the fund was in good standing and they put absolute fixed income on the back burner for now and see how the market performs.

Attorney Jensen advised she did not see anything on the agenda regarding State Street. Chair Athol commented there were a few issues with hard checks from State Street accidentally sent to Ms. LaDue for two ex-spouses. The ex-spouses people called inquiring where the checks were and advised that State Street said they were mailed. Salem stopped the check and reissued one creating a 30 to 40 day delay. It would be best for State Street to stop the check and resend because it is an easier way to track. As soon as there is a problem, Ms. LaDue should call State Street immediately and let them handle it.

**3) Gabriel Roeder Smith & CO – Pete Strong- Staff recommended.
Consultant & Actuary**

a) GRS Announces New Relationship with Groom Law Group

Pete Strong, Plan Actuary, explained GRS is a client with Groom Law Group. Paul Zorn, Head of Research at Gabriel Roeder Smith & Co., retired at the end of March and he had staff working with him that serviced many offices statewide. Instead of hiring a replacement, they contract with Groom Law Group, specializing in public pensions and they will issue memos and do research.

B) Actuarial Projection Study – 25 Year Projection dated April 29, 2016

The Actuarial Projection Study was included in the meeting materials and showed the return assumptions need to be reduced to 7% or less; however, it must be done slowly. GRS considered lowering the assumed rate over a five-year period to have an apples-to-apples comparison, GRS assumed the fund received a 7.25% return.

In order to be fully funded in 25 years, the biggest change, assuming the plan received 7.25% each year was to reduce the assumed rate to 7.25%. Chair Athol asked what would occur with the contributions if the Fund was reduced by 10 basis points per year. Mr. Strong explained the initial impact would result in a \$133,000 increase in the contributions. The next year, the Plan would be at 7.55%, and the increase would be \$294,000. The next year, the Plan would be at 7.45%, so each year the contribution would increase. The average return around the State was 7.4% or 7.5%. Chair Athol inquired what would occur if the Board instituted reductions and the Plan earned 9% or 10%. Mr. Strong responded the projection assumes the Fund would earn 7.25%. If the Plan earned more, the numbers would go down. He asked if there was a year where the Plan increased 10 basis points and they earned 9% if they should lower the assumed rate by two basis points. Mr. Strong responded the Board could do so, but the excess return would be smoothed, so it would not have an immediate offset. The

projection assumed the Fund would be reduced to 7.5% all at once and leave the assumed rate at 7.5% because it is the same rate used by the Firefighters' and General Employees' Pension Plans. Mr. Strong would also recommend those plans reduce their rates as well. Mr. Wan noted FRS has 7.65%.

When fully funded, the ongoing cost would be the normal cost and be about where it was from 1999 and 2000. The normal cost would be \$2.5 million which, long term, would be the annual contribution, when the unfunded liability was paid down.

C.) City's Requested Actuarial Projection dated March 3, 2016

Mr. Strong explained the City requested a study last Fall and the Board agreed for GRS to assist them. The City wanted to reduce the benefit multiplier to 2.75% from 3.5% and still fund it the level that would have been required if the benefit multiplier had not been changed. Any excess state money would also be used to pay down the unfunded liability, and then revert back to the 3.5% multiplier. It was already lowered to 3% for new employees. The 2.75% would apply to everyone.

At the bargaining session, the only thing the City mentioned was the 185 money. The theory is they want more of it, but it is already being used as a benefit. There is a 1% match benefit and retirees that already paid out. If implemented, the City would have to reduce the benefit.

Attorney Jensen inquired about the chart. Each year pensionable pay increases 3% to 4% per year. After 25 years, it doubles, assuming all assumptions are realized. Chair Athol thought if they have to address the assumed rate, they should sit with the membership or meet with the City Manager. GRS has not met with the City about the report. Chair Athol suggested tabling the issue, have a special meeting or discuss it at the next meeting.

Attorney Jensen explained the City of West Palm Beach just announced they are issuing a bond to pay off the unfunded actuarial liability in their police pension plan. The value they found is they could issue the bonds at such a low rate which was much less than what they pay inside the pension, but it is risky. Pension obligation bonds only work if they time the market well. There were many studies on them. Some cities went bankrupt because they issued the bonds at the wrong time. A city in California issued bonds three or four times. Hialeah issued a \$25 million bond. The net proceeds after the fees were \$23.5 million and they got a rate of 3.75% which was reasonable, but the cities current budget is \$30 million annually. Cities struggling with revenues will have difficulty paying off bonds. Attorney Jensen thought the City spent time having the Commission understand the unfunded liability, and it does not go away. Bonds were not the magic solution and if they miss the targets they have done nothing on the unfunded liability. Riviera also issued pension obligation bonds. It was noted if the economy enters another recession, the Fund will go back from 100% funded to 80% funded and be left with another large unfunded actuarial liability payment.

Discussion followed what happened when pension plans merged or closed. Attorney Jensen explained Lake Worth still has the pension obligation. Part of the issue with Lake Worth was many people were close to retirement and younger workers went to FRS. State law provided all with an option to remain or leave the Plan. The Sheriff was also making a substantial contribution to the pension plan. Greenacres was the same way. The Sheriff will make contributions for the Sheriff Office employees and Greenacres will contribute for the Greenacres employees. Lake Worth still contributes what they would have paid on active members had they entered FRS, which was payroll, but the FRS rate does not come close to covering the required contribution, which is over 100% of pay because it is a closed group.

The Lake Worth plans were lowering assumptions and were targeting 7%. They were at 7.6 and they were reducing 15 basis points a year. The best time to issue pension obligation bonds would have been 2009.

d) Chapter 112.664 Florida Statutes Compliance Report dated March 31, 2016

Mr. Strong advised he completed the Compliance Report and Ms. LaDue posted it on the City's website.

4) Davidson, Jamieson & Cristini –

- a) Schedule of Pension Amounts, dated 3-9-2016 – GASB 68 requested by City's Auditor.

This item was for information only.

V. CORRESPONDENCE: N/A

VI. OLD BUSINESS: N/A

VII. NEW BUSINESS:

A. Invoices for review and approval:

1. Russell Investment Gp. – Quarter End 3-31-2016 -\$132,272
2. Russell Payment Services – Quarter End 3-31-2016 - \$994.75
3. Klausner, Kaufman, Jensen & Levinson – Service Jan ,Feb & Mar 2016 – \$5,794.20
4. Burgess Chambers & Assoc – 1st Quarter 2016 fee - \$6,250
5. Gabriel, Roeder, Smith & Co- Service Jan, 2016 - \$9585, Feb 2016 - \$6199 and Mar 2016 - \$3,550
6. Davidson, Jamieson & Cristini – Balance Audit Billing - \$5,500, State Annual Report - \$2,000 and GASB 68 - \$1,500 PYE 9-30-2015

Motion

Mr. Caudell moved to approve. Mr. Llopis seconded the motion that unanimously passed.

B) Attorney Report - Bonni Jensen

1) RFP for Pension Administrator – Status.

Attorney Jensen advised the Board heard the presentation by all bidders and held a joint meeting with the Firefighters, but the Board deferred the issue to this meeting to conduct due diligence. Chair Athol noted one question was office space. Fire and Police Pensions had split the office expenses. The Board still wanted a service-oriented environment. The Pension Resource Center has offices in Palm Beach Gardens but does not have an office person available. The only office space, as discussed at the last meeting, was the Fire Department may have random office space that could be used, but it was not a dedicated space. Chair Athol commented Dave Williams and Bob Dorn, Precision Pensions, reviewed their office space, which was an office in the Police Benevolent Association (PBA) Hall. Chair Athol spoke to personnel at the PBA Hall and originally thought they could share an office with them for \$500, but they found space for a dedicated office and they can store all the files and West Palm Beach has their office there as well. Chair Athol was advised the PBA would honor \$500 a month rent for the first year, but after that there would be a rent increase to \$700 or \$800. He noted West Palm Beach currently pays \$800 a month.

Most RFP's are three year, flat-rate contracts and Chair Athol commented they would work something out for three years. This would enable the Board to have office space manned two or three days a week, and any day any time the facility is open. They can meet by appointment, at the Police Department or the office with Robert Dorn. This would alleviate the money paid to Pension Resource Center as far as the software expenses. Precision Pensions would provide what the membership needs and it was noted they handle the Town of Davie, Cities of West Palm Beach, Hollywood, Sunrise, and Lauderhill Police Departments. The proposal for one plan was for \$37,500 to meet onsite. The monthly administration fee for one plan was \$3,500, at their offices in Sunrise. The \$37,500 was to meet at the Plans office, but it did not include the cost of the office. The members discussed they did not want to comingle offices, funds, paperwork or computer system.

Attorney Jensen believed the West Palm Beach Office was manned every day from 9 a.m. to 3 p.m. The meetings would be held at the PBA or in the Police Department Conference Room. Ms. LaDue asked about the Fire Department Administration for meetings and learned it was possible. The current locations were City Hall Chambers, Conference Rooms A and B. The process is to have a three-month shadow period to allow Precision Pensions to implement their system, draw all their files and information, and coordinate with Finance. Chair Athol noted the Administrator still issues checks and makes payments, and he favored the new Administrator review their shadow run.

He thought it would take at least a month to transfer everything overall. One proposal was to continue to run the Police Department program. Attorney Jensen thought they could have a pre-meeting to discuss what they would do and how it would work out with the vendor.

Motion

Mr. Caudell moved to select them (Precision Pensions) as they fall within the parameters of the RFP and the Board could work out the details with them. If all the components aligned, they would have a meeting. Chair Athol seconded the motion that unanimously passed.

Chair Athol agreed to set up a meeting with them and review the details.

- 2) Ronald Davis – LOD Submission of Disability app, & HIPPA form – (Interrogatories app with additional 48 pages medical information & Dr. reports received 4-28-2016)

Attorney Jensen explained she received an application for a Line of Duty disability from Ronald Davis and will begin processing it. She already perused the interrogatories. He has counsel, but Ms. LaDue did not know who it was.

- 3) Robert Kellman - LOD Disability Benefit – Status

Attorney Jensen commented the Board can set Robert Kellman up for a visit to the doctor for an Independent Medical Exam. The Board had two physicians he could use who she named and who were both in Broward. Mr. Kellman had already been to many doctors in Palm Beach County. Mr. Llopis thought Mr. Kellman was trying to get his job back. Chair Athol thought so and agreed to check. As a result, it was unknown if the application should be processed, but he met the deadline to file. The Board could postpone proceeding until that process was concluded as processing a disability application is costly. Attorney Jensen suggested sending a letter he take a position if he is challenging his termination. If he is not disabled and can perform, but the City turns down his request, Chair Athol asked if the information would be pertinent and learned the Board could receive those records. The difference between a LOD and non-LOD is the normally accrued benefit up to that time which you filed. For non-service incurred disability, if having more than 10 years of service would receive 3.5% for each year of continuous service with the maximum not to exceed 60 % and at minimum of 25%. It was noted the applicant is also required to file for Social Security regardless if duty related or not. If social security grants the disability payment the applicant has to show how much is received. For service incurred disability, Workers Compensation, Social Security and Disability combined could not total more than 100% of pay. One cannot make a profit from disability and make more than they would have by continuing on the job.

Chair Athol requested a motion to approve with the caveat that if he is in the process of trying to get his job back, the application would be put on hold.

Motion

Mr. Llopis so moved. Mr. Caudell seconded the motion that unanimously passed. Chair Athol commented the Board could wait on the doctor selection. On further consideration later in the meeting, it was decided Mr. Kellman could use the doctor who could give them the earliest appointment. Attorney Jensen agreed to contact the doctors and check for availability.

Mr. Kellman arrived and Chair Athol asked if he was arbitrating for his job and Mr. Kellman responded he was not and he was moving forward with the disability application. There was agreement Attorney Jensen would advise which physician could give the earliest appointment.

Chair Athol recessed the meeting for a short break at 12:28 p.m. and reconvened the meeting at 12:35 p.m.

Pete Strong, Plan Actuary, mentioned there was a question (#7) about payment of vested deferred benefit and when the benefit begins. Attorney Jensen reviewed the Plan and in 2008 the Board clarified the vested deferred benefit and added in the provision that individuals could retire on a vested deferred benefit that would begin at age 55 at 10 or more years of service, or reaching what would have been their 20 years of service, had they not terminated employment. They specifically did not include an age 50 and 15-year provision. The actuarial impact statement on the Ordinance indicates "The date when vested termination benefits becomes payable would be clarified. The date conforms to the way we have been valuing the Plan's vesting provisions." The letter clarified that was for those two situations and not the third. Attorney Jensen thought it was clear the benefit was omitted on purpose and Mr. Strong confirmed that was the way GRS had been valuing the Plan for the last 10 years; not the 50 and 15. There would be a cost to change that. There are four people that retired that were told that and Chair Athol inquired what would occur.

Ms. LaDue explained the program would have to be corrected and she would explain to the individuals that the program was written that way. Mr. Strong advised the cost would not be that significant, but it would increase. It could result in a \$10,000 or \$20,000 change in the contribution. GRS would review the calculations. Ms. LaDue responded if so, it would delay the payments; but Mr. Strong responded it would only take two or three weeks. Chair Athol noted checks and balances on the final calculations are needed. Presently, Ms. LaDue runs the calculations and then they are sent to GRS, but in the meanwhile, everything has been processed. If an adjustment needs to be made, the recipient is notified. It was noted the commencement date for some of the individuals in question was in the future and Ms. LaDue commented anything with a deferred vested benefit will go to GRS beforehand.

4) Upcoming Issues - Budget Review, Mutual Consent & Public Records

Attorney Jensen had sent a memo reminding the members of the budget obligation. The members should be prepared to address the budget at the August meeting. There will be changes and they will fine tune.

The next item was about mutual consent. Attorney Jensen explained she never received clarification if the Plan was a supplemental plan. They had to determine if they there was a supplemental plan when they finish negotiations and enter into the next Collective Bargaining Agreement. Attorney Jensen did not think the Plan was a supplemental plan that existed before December 1, 2000. Share accounts were the supplemental plans.

Attorney Jensen explained the Board of Trustees is a public entity and are responsible for responding to public records. If a request is received, they should be forwarded to Ms. LaDue as there are time lines. Attorney Jensen emphasized they do not have to create documents, but they could give the requestor something that answers their question in a paper format. Attorney Jensen explained one Pension Administrator received a request and commented it would be addressed at the meeting. Attorney Jensen pointed out they could not, and they should address it timely. There was also a Supreme Court case that found if a public entity violates the public records laws, attorney fees are automatically awarded and there is no good faith standard regarding the award.

Attorney Jensen advised the City is considering an amendment to the General Employee Plan that discusses re-employment of employees after retirement, which may impact Police and Fire employees. If an officer was rehired, they could participate in the pension plan. She did not know if their pension would continue or end depending on the language in the Plan and whether they are at normal retirement age or not. The Plan can provide for in-service distributions. In order to appropriately pay their retirement while they are employed by the Plan sponsor, there has to be language in the Plan. It is an issue if the City does not amend the Plan to allow for in-service distributions.

New IRS language allows employees at normal retirement age, including age 50 and 15 to be rehired without stopping their pension. One individual separated, left his benefits with the plan and an Ordinance amendment allowed him to restart his time. Mr. Llopis asked if he could collect a benefit from the City while earning a second benefit and Attorney Jensen suggested limiting it to the people that are rehired, as it would have a substantial adverse impact on the Plan. This is re-employment after retirement. This would pertain only to people who reach retirement, separate from service, collect, are rehired and begin the process all over again. It did not apply to vested deferred benefits and would not be on normal retirement benefits. Attorney Jensen would not allow in-service distributions for everyone. She explained in general, rehire after retirement requires separation from employment. With true retirement, the employee would not return to service. If there is in-service distribution language that allows for in-service

distribution upon retirement or rehire after retirement, they could allow for a pre-knowledge they will return to work. The IRS characterizes the situation as the same entity is paying the pension benefit and the salary, even if someone changed from a Police Department employee to a general employee.

6) Normal Retirement Age Regulations – March 2016

Attorney Jensen reviewed part of what solves the re-employment after retirement issue is the allowance of in-service distributions, but to meet the in-service distributions, one must meet the normal retirement age regulations. In 2006/2007, the Pension Protection Act was changed to allow for in-service distributions and the IRS said public safety officers will have to change their normal retirement age to age 50, which was a big problem. In 2016, the IRS issued a regulation that applies to governmental plans which tries to solve the problem about normal retirement age being 50. The normal retirement age regulation only applies for in-service distributions. The IRS says it does not impact anyone unless hired after January 1, 2017, and they created a safe harbor. It is a broad-based retirement. If reemployment is implemented after retirement, they have to add in-service distribution language to the 20 and out. There would be in-service distributions in limited cases. The City is the entity paying out. Florida cares about which entity the retiree is hired by, because if a former police officer is hired as a police officer, they have to participate in the Pension Plan. Only the Police and Fire Chiefs have the option not to participate in the Plan. Chair Athol asked if there would be any difference in the payouts and learned it depended on what the language says. The language that was provided to the Trustees would allow someone at normal retirement age to continue to collect their benefit and then collect a new benefit for the second period of employment. She commented it was a complicated issue. Only the Special Risk Class has the requirement they must participate in the pension plan again.

C) Verification of Benefits –

1) Alfred Martinez – Deferred Vested

Motion

Mr. Caudell moved to accept. Mr. Llopis seconded the motion that unanimously passed.

VIII. PENSION ADMINISTRATOR'S REPORT

1. Benefits as of 05-01-2016

Ms. LaDue explained the item was the pension benefits that were paid since October. Ms. LaDue commented she would contact some of the employees, and a number of them had deferred vested benefits. Chair Athol wanted her to make contact with an employee regarding medical insurance. Former Chief Hamilton has an insurance policy

outside everyone else and the fund was making payments to them. The company, a year prior to January, had a change of address and notified Mr. Hamilton, who indicated he never received it. State Street cuts the checks and sends the payment to the address for a year and his insurance company stopped receiving payments for three months. The company then had to catch up the payments. Ms. LaDue had to notify him as soon as possible that his pension check would be less a certain amount of money which will be sent to his insurance company as payment. It was recommended a certified letter should be sent. Attorney Jensen pointed out the only way for members to receive the \$3,000 deduction for health insurance is if the pension plan pays for it. It was important the retiree alert the plan if the company changes their address. Attorney Jensen explained the only way she knew to address this issue was to set up a document retirees sign and that they understand the Board is not responsible for the issue. The Plan is only agreeing to make the payments in order to receive the deduction. Attorney Jensen agreed to speak to Mr. Hamilton and draft a letter indicating that retirees are 100% responsible for their insurance.

Chair Athol requested clarification when one separates service prior to the age of 50 and it is not the year the employee would turn 50. If they withdraw money from the DROP, there is a 10% penalty from the IRS, which would terminate at age 59. If retiring in the calendar year which the employee turns 50, they do not incur the penalty. This pertained to separating from service. The plan withholds 20%, for regular income taxes. The penalty comes to the employee when they issue the 1099R. Attorney Jensen was unaware of any exception as it was an early distribution. Mandatory distribution occurs at age 70 and a half. There was discussion about beneficiaries and continuing DROP balances and distributions upon death. Attorney Jensen clarified it varied depending on the type of survivor and a survivor annuitant that is not a spouse had to take the distribution.

**IX. PUBLIC AUDIENCE COMMENTS:
(Limited to three (3) Minutes)**

None.

X. ADJOURNMENT:

There being no further business to discuss, Chair Athol adjourned the meeting at 1:23 p.m.


Catherine Cherry
Minutes Specialist