

**CITY OF DELTONA, FLORIDA
FIREFIGHTER'S PENSION BOARD OF TRUSTEES MEETING
TUESDAY, JUNE 16, 2009**

A Regular Meeting of the Firefighter's Pension Board of Trustees was held on Tuesday, June 16, 2009 in the City of Deltona's 2nd Floor Conference Room at 2345 Providence Blvd., Deltona, Florida.

1. CALL TO ORDER:

The meeting was called to order at 5:00 p.m. by Chairman Chris Nabicht.

2. ROLL CALL/ELECTION OF OFFICERS:

Chairman	Chris Nabicht	Present
Secretary	Earl "Mac" Deyette	Present
Board Member	John D. Adams	Present
Board Member	James Koczan	Present (arrived 6:15 P.M.)
Board Member	Kurt Vroman	Present
Plan Administrator	Lisa Spriggs	Present
Employee Benefits Specialist	Gene Gizzi	Present (arrived 5:04 P.M.)

Also present: Actuary Bradley Heinrichs, Foster & Foster, and City Manager Faith Miller.

3. APPROVAL OF MINUTES & AGENDA:

A. Adoption of the Minutes:

The Chairman asked if there were any corrections to the minutes from the April 21, 2009 meeting.

Motion was made by Mr. Deyette, seconded by Mr. Vroman to approve the minutes from the April 21, 2009 meeting as submitted. Motion carried with members voting unanimously.

B. Additions or Deletions to the Agenda:

The Chairman asked if there were any Additions or Deletions to the agenda and there were none.

Motion was made by Mr. Adams, seconded by Mr. Vroman to approve the agenda as published. Motion carried with members voting unanimously.

4. PRESENTATIONS: None

5. MEMBER COMMENTS: None

6. APPROVAL OF EXPENDITURES:

A. Christiansen & Dehner, P. A.:

Statement from Christiansen & Dehner, P.A. was submitted for April, 2009 in the amount of \$1,471.60 for professional services.

Motion was made by Mr. Vroman, seconded by Mr. Deyette to approve April 2009 invoice in the amount of \$1,471.60 as submitted for payment. There was no discussion. Motion carried with members voting unanimously.

Statement from Christiansen & Dehner, P.A. was submitted for April, 2009 professional services regarding disability claim in the amount of \$63.99.

Motion was made by Mr. Adams, seconded by Mr. Deyette to approve invoice for professional services regarding disability claim in the amount of \$63.99 as submitted for payment. There was no discussion. Motion carried with members voting unanimously.

Statement from Christiansen & Dehner, P.A. was submitted for May, 2009 in the amount of \$1,143.75 for professional services regarding the disability claim.

Motion was made by Mr. Adams, seconded by Mr. Vroman to approve May, 2009 invoice in the amount of \$1,143.75 as submitted for payment.

The Chairman asked if there was an idea of how much more this action would cost and whether there was anything the Board Members could do to help. Ms. Spriggs stated she would speak with Mr. Dehner and give an update at the next meeting. She said the work that was done in May was Mr. Dehner's staff handling the paperwork and gathering information from the doctors. The Chairman stated there is a position that is open on the line and the Fire Chief needs to determine if that position needs to stay open. There was no additional discussion.

Motion carried with members voting unanimously.

B. Other:

The Chairman stated as a reminder that at the last meeting the City Manager and the Finance Director agreed to pay half of the cost of the complete new actuarial valuation and report provided by Foster & Foster. He stated the pension fund would make Foster & Foster whole and then bill the City direct for their portion of the \$7,500.00 which will be \$3,750.00.

Statement from Foster & Foster, Inc. was submitted for professional services in the amount of \$9,411.00 which included \$7,500.00 for preparation of a complete new October 1, 2008 Actuarial Valuation and Report, \$1,786.00 for preparation and attendance at April 21, 2009 FFP Board Meeting and \$125.00 for preparation of email correspondence dated May 12, 2009.

Motion was made by Mr. Vroman, seconded by Mr. Deyette to approve the statement in the amount of \$9,411.00 as submitted for payment. There was no discussion. Motion carried with members voting unanimously.

The Chairman asked if the Board should make a motion to bill the City for their portion. Ms. Spriggs stated that had been included in the motion to have Foster & Foster provide a complete new actuarial valuation and report. The Chairman stated he believed there should be a motion as there had not been an actual cost for this service given at that time. Mr. Deyette asked if that would be half of the \$9,411.00. The Chairman stated it would actually be half of the \$7,500.00. There was no other discussion.

Motion was made by Mr. Adams, seconded by Mr. Vroman to bill the City of Deltona in the amount of \$3,750.00 for the City's portion of the \$7,500.00 charge for preparation of the complete new October 1, 2008 Actuarial Valuation and Report as agreed upon by the City Manager at the April 21, 2009 meeting. Motion carried with members voting unanimously.

7. OLD BUSINESS:

A. Ordinance for Proposed Plan Revisions:

Ms. Spriggs stated since last meeting when the Board decided to redo the actuarial study and the City was eager to see what could be done with regards to cost containment related to the partial lump sum option and the changes in the provisions to the DROP program she had corresponded with the City on a couple of occasions and the City is still grappling with the possible cost to the City. She stated she had posed that question to Mr. Heinrichs and the reality from the actuarial standpoint is that there would be no impact if these changes were made to the ordinance. She stated she did not know what the Board could give the City that would give them assurance there would not be any costs associated with these changes even though there had been good discussion at the previous meeting; she had hoped the City Manager and the Finance Director would be in attendance today.

Mr. Heinrichs stated that if this ordinance went through first reading and an actuarial impact statement was asked of him, he would say the adoption of this ordinance would have no impact on the assumptions used to develop funding requirements for the program so therefore there would be no long term cost to the plan. He stated it could cost a little bit but he stated he had asked the City if he could find the City some savings in their contribution requirements to the tune of about \$50,000 - \$100,000 per year would that make the City feel comfortable in taking on the risk of a little cost. He stated he had gotten the feeling from the City Manager and the Finance Director that possibility would go a long way in convincing them to go forward with the proposed changes. He stated he was at the meeting today to report on the estimated savings he had talked about at that meeting and to present it. He stated he had come really close to the amount of savings he had talked about and it would be the Board's call on how to proceed. He stated he was hoping by providing the City with possibly between \$75,000 - \$100,000 of annual cost savings, the City might take a chance on what could potentially cost the City only \$5,000 - \$10,000 of that amount. He stated he lengthened out the payment stream to a thirty year approach which lowered the City's cost and even though there are many variables the proposed ordinance changes being talked about are not going to cost the plan much if any at all. Mr. Gizzi pointed out that stretching out the payments from a fifteen year mortgage to a thirty year mortgage would have a known cost. Mr. Heinrichs agreed and stated he thought a compromise had been reached to where if the Finance Director was shown savings it would convince him that the proposed benefit improvements should be passed. The Chairman agreed that what was left on the table was the City would agree to pay half of the study if the results turned out as had been indicated. He asked Ms. Spriggs how long the Board had to approve the report and get it to the State. Ms. Spriggs stated the plan files a report each year however it is not required but every other year. Mr. Heinrichs suggested he would not wait any longer than September 30, 2009 to have the report in to the State. The Chairman asked what the deadline date is to set that contribution rate for the City to work from. Ms. Spriggs stated October 1, 2009. The Chairman stated he believed the City needed the contribution rate sooner for budgetary purposes. He stated he would not support lowering the City's contribution rate unless the plan gets something in return such as an enhancement because of the concern of not using the State premium tax dollars which may cause the State to potentially withhold all of those dollars in the future. Mr. Heinrichs suggested the previous report formulated by Actuarial Concepts sets the contribution rate and what the Board could do is write a letter to the City stating pursuant to our agreement at the April 21, 2009 Board Meeting where Foster & Foster came forth with an evaluation that could potentially lower the City's 2010 contribution requirement, if this is of interest to the City please contact the Board to set up a meeting for discussion of the report and the proposed ordinance changes. Ms. Spriggs asked if the Board wanted to discuss it here today and then she could potentially meet with the City Manager and talk through what the Board has to offer with the understanding that the Board is willing to file the new report if the City agrees to put the proposed plan provisions in place, otherwise the Board's direction is that it will go ahead with the original report. Mr. Deyette asked for clarification of what was meant by old report and new report. The Chairman stated the old report is Mr. Teirney's report which had already been approved. Ms. Spriggs stated after discussion with the City she could invite the City to the July 21st meeting and have a decision.

The Chairman asked the Board how they would like to proceed. Mr. Deyette stated he liked what Ms. Spriggs had said and Mr. Vroman stated he liked both ideas. Ms. Spriggs stated she would do both the letter and meet with the City Manager and hopefully a decision can be made at the July 21st Board meeting. Mr. Heinrichs stated basically the Board will be laying \$75,000 on the table and asking the City to come to the meeting, commit to the proposed changes and the Board will commit to filing the Foster and Foster report.

The Chairman suggested the Board hold that thought and move ahead to Item 8 as the two items are intertwined and actually hear what the new Actuarial Valuation is. Mr. Heinrichs handed out copies of the Foster & Foster report.

The Chairman asked for a recess at 5:35 P.M. The meeting resumed at 5:50 P.M.

8. NEW BUSINESS

A. 2008 Actuarial Valuation:

Mr. Heinrichs gave a presentation on the complete new October 1, 2008 valuation as requested by the Board. He stated what he had done was to elongate the payments such that the City's contribution requirement for the upcoming fiscal year would be less. He stated there was no promise that the overall costs of the program would be less but rather some of the costs would be deferred to a later time and the City's Finance Director had expressed that was of great interest to the City. He stated he had re-performed the October 1, 2008 valuation which sets forth the contribution requirement for fiscal year 2009/2010 and the key page for the Boards information is the summary of report which shows the breakdown of the costs. He stated the balance from the City went to 14.9% of total annual payroll which would be the City's contribution rate for 2010 compared to the report put together by Mr. Tierney of Actuarial Concepts which set the contribution rate of 16.57%. He stated by using the Foster & Foster report the City would save about \$104,000 in 2010. He stated the actuarial loss that came about in 2008 which was \$2.2 million was amortized over thirty years as opposed to fifteen year period obviously making the payment less. He stated the other adjustment was that he created an actuarial value of assets which is the smoothed value of assets and set the difference between the actuarial value and the market value at the State allowed \$10,328,173 instead of using \$8,992,260 used by Mr. Tierney. He stated in summary the City could save about 1.7% of payroll going with this approach and overall the City's savings will be close to the amount he estimated at the April meeting. He stated it is up to the Board as to whether they want to keep the current contribution rate at 16.6% or adopt the new method to help the City temporarily by stretching out the payments saving the City \$100,000 in 2010. Ms. Miller asked if it would only save the money this year. Mr. Heinrichs stated it would be about \$100,000 per year until a certain point where the City would not save as much because after the 15 years the costs would be more. The Chairman stated the idea was when the economy gets better and the actuary states the City needs to fund at 8.2% the City could over-fund at say 10% to buy that down and as a check and balance possibly in a couple of years the Board could elect to go back to the fifteen year amortization. Mr. Heinrichs stated his feeling from the last meeting was the purpose behind the adjustments was twofold; the Board wanted to work with the City to help them meet their budgetary requirements and also wanted to ease the City's concern about the proposed benefit adjustments to the plan of which he had said there would not be any actuarial impact. He noted in the event in the short term if all the stars were aligned there could be a slight increase in the city's requirement but nowhere near the amount of the savings he has talked about. Mr. Vroman asked for clarification as to having a choice of accepting the Foster & Foster's report or Actuarial Concept's report. Mr. Heinrichs stated the Actuarial Concepts report had already been adopted previously. The Chairman stated if the Board takes no action today that will be the report and City's contribution rate will be 16.57% versus 14.9% in the new report. Mr. Heinrichs stated the Board did not have to take any action but if the

Board is going to take action in terms of the funding requirements of either 16.57% or the 14.9% which will take affect October 1, 2009; you would want to do that sooner rather than later.

The Chairman stated if the Board was to approve this new report today then the 14.9% would be the number that the City would have to fund the plan and he suggested he is not willing to approve that because it makes the Board as fiduciary incur that additional exposure to the plan unless the plan is getting something that enhances the plan which brings us back to Item 7A on the agenda, the proposed ordinance changes that have been forwarded to the City Manager regarding the partial lump sum (PLOP) and the DROP. He stated if the plan were to get those enhancements at potentially no cost to the City and the Board could convince the City Manager to move the proposed ordinance before the Commission for first reading then the Board would agree to pay for an impact analysis by Foster & Foster confirming what we have already received verbally from Mr. Heinrichs that there would be no impact. He stated once that is done the Board would agree to move forward with adopting the new actuarial report. He stated this would be a win, win situation as the plan would get the enhancements and the City would save \$104,000.

Ms. Miller stated if the Board is waiting for an answer tonight she can't as she will need to have Mr. Clinger review the report. She asked for clarification as to whether an impact analysis had been done. The Chairman stated the way it works is the ordinance would go to first reading and between the first and second reading the impact analysis is prepared. He stated Mr. Heinrichs had already done a study on the ordinance to get an idea of what the impact analysis would come back as and he had written a letter to the affect that the ordinance would not cause any actuarial impact, would not change the assumptions and would not change the City's funding requirements at all. Ms. Miller asked how many years out do you project no cost. Mr. Heinrichs stated the longer out you look the more certain he is there will be no cost because over the long term this proposed ordinance will benefit the City. He did state however he could create a scenario right away where if the plan earned less than what is given on DROP balances immediately there could be a slight cost which would be eliminated over the life of the fund because there would be savings in the future years. Ms. Spriggs stated when looking at the make-up of the membership it is more likely to be a savings. Mr. Heinrichs agreed. The Chairman stated if the Board enacted this actuarial report and saved approximately \$104,000 and even constructing that perfect storm scenario possibly costing the City \$10,000, the City would still be saving approximately \$90,000.

Ms. Miller asked if Mr. Clinger could contact Mr. Heinrichs direct. The Chairman stated he did not have a problem with Mr. Clinger contacting Mr. Heinrichs direct as this is a very significant issue and he would like Mr. Clinger to be well informed before coming to the July 21st meeting. He asked Ms. Miller to add July 21st at 3:00 p.m. to her calendar and notify Mr. Clinger to do the same. Mr. Adams and Mr. Vroman stated they would feel better if the questions were funneled through Ms. Spriggs. Mr. Deyette agreed. The Chairman asked Ms. Miller to provide the information to Mr. Clinger.

The Board concurred that any questions should go through Mr. Spriggs and if there were questions that Ms. Spriggs could not answer, she would have the authority to contact Mr. Heinrichs directly.

Ms. Spriggs stated she realized the Board had previous discussions on the overall valuation and the implications of those provisions but she did not have anything written down indicating the Board's decision to shorten the number of years in the DROP provision from eight years back to six years. She stated the Board had talked about going from three years to maybe five or six years not eight and asked if the Board wanted to have that discussion at this time. The Chairman asked what was actually in the ordinance. Ms. Spriggs stated eight years. The Chairman asked if Mr. Tierney costed it out at eight years and did Mr. Heinrichs use eight years. Mr. Heinrichs stated he had used eight years. The Chairman stated eight will be the number of years put before the Commission and if they have a problem with that they can come back to the Board with the number of five or six whatever they agree on. He stated at that time the Board will direct Mr. Heinrichs to use that number when he prepares the impact analysis. Mr. Adams

asked if there would be a difference dropping from eight to five years. Mr. Heinrichs stated it needs to be equal to or less than the interest rate that is being assumed in valuation which is 8%; if you go 8.1 years there will be a cost, if you go 8 years or lower there will not be a cost. He stated the majority of the plans in FRS have 6.5 years. The Chairman stated that could be an item the Commission might have questions on when it goes before them at first reading and he asked Ms. Spriggs to plan on being in attendance at that meeting. Mr. Heinrichs stated if the Board wanted him to be in attendance to please let him know in advance if possible.

Mr. Vroman stated he will be reluctant to vote on changing reports until the issue of the insurance premium tax dollars is addressed. The Chairman stated the ordinance including those benefit issues costed out had been sent to the Ms. Miller for consideration before Mr. Vroman was elected to the Board and Mr. Heinrichs had not been asked to cost them out. He stated that was a separate issue and what was of concern was the ordinance that had been put forward; once we get the impact analysis and see what dollars are left from the premium tax dollars the Board can ask Mr. Heinrichs to move forward. Mr. Vroman stated he felt the Board had a responsibility to the Members to enhance the plan as they have voted to spend the premium tax dollars before they are lost. The Chairman addressed Ms. Miller with the background information that the Board had sent a list of enhancements which Mr. Tierney had costed out that included a cost of living increase either annually or every two or three years along with several other enhancements and by combining one or two of those the plan could capture all or most the premium tax dollars with no impact to the City. He stated that the previous Board had decided to move forward with the DROP and PLOP first.

Ms. Miller asked if there had been any discussion on the shared plan. The Chairman stated yes but with such a young plan that was not the way to go; once the plan is a good solid plan some years down the road the Board may consider that. Ms. Miller asked for clarification from the last meeting where there was discussion on the City and the plan sharing the cost of a new study; the results of the original study showed 16.57 as the City's contribution rate for FY 09/10 and the new study showed 14.9% with a savings of about \$104,000 for the City; her question was regarding the Board tying the decision by the Board to accept the new study to the City enhancing the plan and whether the City would be splitting the cost of the new plan even if the Board doesn't use it. The Chairman stated yes that was the agreement and the Board received the bill, approved it and in turn will bill the City for their half in the amount of \$3,750. The Chairman gave a recap of the proposed ordinance stating the one year cap would be removed once the member becomes eligible and would allow the member to be in the DROP for up to eight years. Ms. Miller asked to clarify that the majority of the DROP plans are 6.5 years. Mr. Heinrichs stated a majority of the plans are about 5 including FRS but the interest rate that DROP monies get is 6.5% on average. Ms. Miller asked what interest rate the Deltona plan used. The Chairman stated 6% on the fixed and they can to move that one time; once they select that option they would choose whether to be in the fixed or the variable and then one time while in the DROP they can choose to change that.

Ms. Miller asked if the Board would be making a decision at the July 21st meeting on whether to accept the new study based on what the City decides on the ordinance. The Chairman stated the Board would like to make a decision at that meeting unless Mr. Clinger had any valid questions that would need research at that point. Ms. Miller asked if both actuarial firms had reviewed the ordinance and come to the same conclusion. The Chairman stated yes that Mr. Clinger already had the letter from Mr. Tierney that came from the original valuation and now he would have the new valuation with the \$104,000 savings.

The Chairman asked Mr. Heinrichs to attend the July 21st meeting at 3:00 p.m. and that the 2008 Actuarial Valuation be placed on the agenda under old business along with the ordinance for the proposed plan revisions.

9. ATTORNEY'S REPORT: None

10. PLAN ADMINISTRATION REPORT:

Ms. Spriggs reminded the Board Members if they had not already filed the required Form 1 they needed to do so by July 1st. She gave an update on the disability claim stating the plan attorney is still in the process of gathering information and hoped that by the next meeting a date could be set for the hearing. The Chairman stated he preferred the hearing be scheduled for the July 21st meeting if possible as Mr. Dehner is scheduled to be in attendance to save the cost of having Mr. Dehner make an additional trip; it would be scheduled after regular business. Ms. Spriggs asked if it could be done prior to the meeting or maybe the next morning.

Mr. Gizzi asked to give a summary of the plan accounts stating the plan was down about -13.27 % in the October 1, 2008 – May 31, 2009 report and just as an exercise he asked the board to look at the April 30, 2009 showing -17.15 and March 2009 at -23.55 which shows three consecutive months where the plan has recaptured some of the losses. The Chairman asked Mr. Gizzi if he felt this was a result of the Board's action taken to use the smoothing method. Mr. Gizzi stated it was a result of the plan moving back closer to the plan's investment policy statement of 65/35 and rebalancing. He pointed out a few accounts to note and read a brief statement on the Lehman Brothers Account.

11. BOARD MEMBER COMMENTS:

Mr. Adams thanked Mr. Gizzi for his summary as opposed to the long report Principal sends out each quarter.

Mr. Koczan apologized for being late.

Mr. Vroman stated the meeting was very productive and he appreciated Ms. Miller being in attendance. He stated he hoped to see Ms. Miller and the Finance Director at future meetings.

The Chairman added it was nice to see Commissioners stop in from time to time.

12. CONFIRMATION OF THE NEXT MEETING DATE, TIME AND LOCATION:

The next meeting date will be Tuesday, July 21, 2009 at 3:00 P.M. in the 2nd Floor Conference Room.

13. ADJOURNMENT:

There being no further business, the meeting adjourned at 6:45 p.m.

Motion was made by Mr. Koczan, seconded by Mr. Adams to adjourn the meeting. Motion carried with members voting unanimously.

Approved this 21st day of July, 2009.

Chris Nabicht, Chairman

ATTEST:

Janet Day, Admin. Assistant II