



A PARTNERSHIP OF PROFESSIONAL ASSOCIATIONS
ATTORNEYS AT LAW

November 26, 2018

Representative Matt Willhite, Chair
Palm Beach County Legislative Delegation
301 North Olive Avenue
Suite #1101 - 11th Floor
West Palm Beach, Florida 33401

Re: West Palm Beach Firefighters' Pension Fund
Letter of Intention
Our File Number 150100

Dear Representative Willhite:

This office is the legal counsel for the Board of Trustees ("Board") of the West Palm Beach Firefighters' Pension Fund ("Fund"). The Special Act Pension Plan for the Fund is presented for approval to the Palm Beach County Legislative Delegation. An amendment to the Plan is necessary because the Board has proposed several changes, including a decision to lower the assumed rate of return to 7.5%. The City of West Palm Beach is in agreement with these changes. This amendment cannot be accomplished locally as the Pension Plan is a creation of the Florida Legislature.

I will be presenting this Bill to the Legislative Delegation on December 6, 2018. Enclosed with this Letter of Intention are the following:

1. Summary Fact Sheet
2. Local Bill in draft form
3. 2018 Economic Impact Statement (which will be updated once the 2019 version is available).

I am also emailing an electronic copy of the bill in Word© format to the delegation office.

Representative Matt Willhite, Chair
Palm Beach County Legislative Delegation
November 26, 2018
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If you have any questions or if I may be of any assistance to you at all, please do not hesitate to contact me.

Sincerely yours,

A handwritten signature in black ink, appearing to read "Bonni S. Jensen". The signature is fluid and cursive, with a long horizontal flourish extending to the right.

Bonni S. Jensen

BSJ
Enclosures
ECopy to: Chairman and Secretary
Scott Baur, Administrator
Jeff Green, City Administrator
Kim Rothenburg, City Attorney
Jason French

West Palm Beach Firefighters' Pension Fund

Summary Fact Sheet

The Special Act Pension Plan for the Fund is presented for approval to the Palm Beach County Legislative Delegation. An amendment to the Plan is necessary because the Board has proposed several changes.

Below is a summary of the changes:

- Increases the minimum benefit to 2.75% in compliance with Florida Statutes §175.162(2);
- Makes technical changes to the claims review procedure and sets the standard of review of Board decisions to differentiate the Board from the recently passed Amendment 6 state agency review; and
- Reduces assumed rate of return to 7.5% effective October 1, 2018.

1 A bill to be entitled

2 An act relating to the City of West Palm Beach, Palm Beach County;
3 amending chapter 24981, Laws of Florida, 1947, as amended; amending the
4 minimum benefit provisions of the normal retirement; amending the actuarial
5 assumptions; amending the review procedures; providing an effective date.

6 Be It Enacted by the Legislature of the State of Florida:

7 Section 1. Subsection (5)(a)2 of section 17 of chapter 249812, Laws of
8 Florida, 1947, as amended, is amended to read:

9 Section 17. West Palm Beach Firefighters Pension Fund.--

10 (5) Service pension.—

11 (a) Normal retirement.—

12 1. Any member who is actively employed on and after October 1, 2003,
13 excluding members in the DROP, who has attained age 50 years and who has acquired
14 15 or more years of service credit; who has attained age 55 years and who has
15 acquired 10 or more years of service credit; or who has acquired 26 years of service
16 credit without regard to age shall, upon application filed with the Board, be retired and
17 shall be entitled to a monthly pension for the remainder of his or her life.

18 2. The normal retirement benefit is calculated based upon the sum of sub-
19 subparagraphs a. and b. to a maximum of 92 percent of salary. However, in all cases, a
20 member is entitled to at least 2.75 ~~2~~ percent per year of credited service.

21 Section 2. Subsection (15) of section 17 of chapter 249812, Laws of Florida,
22 1947, as amended, is amended to read:

23 (15) Review procedures.—

24 (a) The applicant for benefits under this chapter may, within 20 days after
25 being informed of the denial of his or her request for pension benefits, appeal the denial
26 by filing a reply to the proposed order with the pension's secretary. If no appeal is filed
27 within the time period, then the proposed order shall be final.

28 (b) The Board of Trustees shall hold a hearing within 45 days after the receipt

29 of the appeal. Written notice of the hearing shall be sent by certified mail return
30 receipt/restricted to individual, to the applicant at the address listed on the application
31 10 days prior to the hearing.

32 (c) The procedures at the hearing shall be as follows:

33 1. All parties shall have an opportunity to respond, to present physical and
34 testimonial evidence and argument on all issues involved, to conduct cross-
35 examination, to submit rebuttal evidence, and to be represented by counsel. Medical
36 reports and depositions may be accepted in lieu of live testimony at the Board's
37 discretion.

38 2. All witnesses shall be sworn.

39 3. The applicant and the Board shall have an opportunity to question all
40 witnesses.

41 4. Formal rules of evidence and formal rules of civil procedure shall not
42 apply. The proceedings shall comply with the essential requirements of due process
43 and law.

44 5. The record in a case governed by this subsection shall consist only of:

45 a. A tape recording of the hearing, to be taped and maintained as part of the
46 official files of the Board of Trustees by the pension's secretary or plan's
47 Administrator.

48 b. Evidence received or considered.

49 c. All notices, pleadings, motions, and intermediate rulings.

50 d. Any decisions, opinions, proposed or recommended orders, or reports by
51 the Board of Trustees.

52 (d) Within a reasonable period ~~5 days~~ after the first hearing, the Board shall
53 take one of the following actions:

54 1. Grant the pension benefits by overturning the proposed order by a
55 majority vote.

56 2. Deny the benefits and approve the proposed order as a final order after

57 making any changes in the order the Board feels is necessary.

58 (e) Findings of fact by the Board shall be based on competent, substantial
59 evidence on the record.

60 (f) Within 20 calendar days after rendering its order, the Board of Trustees
61 shall send to the applicant, by certified mail return receipt/restricted to individual, a copy
62 of the order.

63 (g) The applicant may seek review of the order by the Board of Trustees by
64 filing a petition for writ of certiorari with the circuit court within 30 days. In reviewing
65 the Board's decision, the court or administrative agency shall defer to the
66 Board's interpretation of this special act.

67 Section 17. West Palm Beach Firefighters Pension Fund.--

68 Section 3. Subsection (22) of section 17 of chapter 249812, Laws of Florida,
69 1947, as amended, is amended to read:

70 Section 17. West Palm Beach Firefighters Pension Fund.--

71 (22) Actuarial assumptions.-- The following actuarial assumptions shall be used
72 for all purposes in connection with this Fund, effective October 1, 1998:

73 (a) The period of amortizing current, future, and past actuarial gains or losses
74 shall be 20 years.

75 (b) The assumed investment rate of return shall be 8.25 percent. Effective
76 October 1, 201~~8~~4, the assumed investment rate of return shall be 7.5 8 percent. Due to
77 the other assumption changes that were made at the same time as this reduction in the
78 assumed rate of return, the City did not have an increase in City contributions as a result
79 of the change of the assumed investment rate of return. There, there was no change
80 necessary to the 3-percent accrual factor in subsection (5) (a) 2.

81 Section 2. This act shall take effect upon becoming a law.

**HOUSE OF REPRESENTATIVES
2018 ECONOMIC IMPACT STATEMENT FORM**

Read all instructions carefully.

House local bill policy requires that no local bill will be considered by a committee or a subcommittee without an Economic Impact Statement. This form must be prepared by an individual who is qualified to establish fiscal data and impacts and has personal knowledge of the information given (for example, a chief financial officer of a particular local government). Please submit this completed, original form to the Local, Federal & Veterans Affairs Subcommittee as soon as possible after a bill is filed. Additional pages may be attached as necessary.

BILL #: _____

SPONSOR(S): Rep. White

RELATING TO: West Palm Beach Firefighters' Pension Fund

[Indicate Area Affected (City, County or Special District) and Subject]

I. REVENUES:

These figures are new revenues that would not exist but for the passage of the bill. The term "revenue" contemplates, but is not limited to, taxes, fees and special assessments. For example, license plate fees may be a revenue source. If the bill will add or remove property or individuals from the tax base, include this information as well.

	<u>FY 18-19</u>	<u>FY 19-20</u>
Revenue decrease due to bill:	\$ <u>0</u>	\$ <u>0</u>
Revenue increase due to bill:	\$ <u>0</u>	\$ <u>0</u>

II. COST:

Include all costs, both direct and indirect, including start-up costs. If the bill repeals the existence of a certain entity, state the related costs, such as satisfying liabilities and distributing assets.

Expenditures for Implementation, Administration and Enforcement:

	<u>FY 18-19</u>	<u>FY 19-20</u>
	\$ <u>(10,953)</u>	\$ _____

Please include explanations and calculations regarding how each dollar figure was determined in reaching total cost.

See attached Actuarial Impact Statement and Actuarial Cost Estimate with cover letter dated November 9, 2018.

III. FUNDING SOURCE(S):

State the specific sources from which funding will be received, for example, license plate fees, state funds, borrowed funds, or special assessments.

If certain funding changes are anticipated to occur beyond the following two fiscal years, explain the change and at what rate taxes, fees or assessments will be collected in those years.

	<u>FY 17-18</u>	<u>FY 18-19</u>
Local:	\$ <u>(10,953)</u>	\$ _____
State:	\$ <u>0</u>	\$ <u>0</u>
Federal:	\$ <u>0</u>	\$ <u>0</u>

IV. ECONOMIC IMPACT:

Potential Advantages:

Include all possible outcomes linked to the bill, such as increased efficiencies, and positive or negative changes to tax revenue. If an act is being repealed or an entity dissolved, include the increased or decreased efficiencies caused thereby.

Include specific figures for anticipated job growth.

- 1. Advantages to Individuals: Clarification of administrative processes; reduced assumed rate; and implementation of minimum benefit per statute

- 2. Advantages to Businesses: None

- 3. Advantages to Government: Clarification of administrative processes; reduced assumed rate; and cost savings due to assumption changes

Potential Disadvantages:

Include all possible outcomes linked to the bill, such as inefficiencies, shortages, or market changes anticipated.

Include reduced business opportunities, such as reduced access to capital or training.

State any decreases in tax revenue as a result of the bill.

- 1. Disadvantages to Individuals: None

2. Disadvantages to Businesses: None

3. Disadvantages to Government: None

V. DESCRIBE THE POTENTIAL IMPACT OF THE BILL ON PRESENT GOVERNMENTAL SERVICES:

None

VI. SPECIFIC DATA USED IN REACHING ESTIMATES:

Include the type(s) and source(s) of data used, percentages, dollar figures, all assumptions made, history of the industry/issue affected by the bill, and any audits.

See attached Actuarial Impact Statement and Actuarial Cost Estimate with cover letter dated November 9, 2018.

VII. CERTIFICATION BY PREPARER

I hereby certify I am qualified to establish fiscal data and impacts and have personal knowledge of the information given. I have reviewed all available financial information applicable to the substance of the above-stated local bill and confirm the foregoing Economic Impact Statement is a true and accurate estimate of the economic impact of the bill.

PREPARED BY:


[Must be signed by Preparer]

Print preparer's name:

Brad Lee Armstrong

November 26, 2018

Date

TITLE (such as Executive Director, Actuary, Chief Accountant, or Budget Director):

Actuary

REPRESENTING:

West Palm Beach Firefighters' Pension Fund

PHONE:

800-521-0498

E-MAIL ADDRESS:

Brad.Armstrong@grsconsulting.com



November 9, 2018

Ms. Bonni S. Jensen, Esq.
Klausner, Kaufman, Jensen & Levinson
7080 N.W. 4th Street
Plantation, Florida 33317

Re: West Palm Beach Firefighters Pension Fund Impact Statement and Actuarial Cost Estimate

Dear Bonni,

Enclosed is the Actuarial Impact Statement and Actuarial Cost Estimate for the amendments to the Special Act. A copy of each and the amendments should be forwarded to all appropriate parties in Tallahassee, including the Division of Retirement, Bureau of Local Retirement Systems for approval pursuant to Chapter 112, Florida Statutes.

The purpose of this report is to describe the financial effect of the proposed plan changes. This report should not be relied on for any purpose other than the purpose.

The calculations in this report are based upon information furnished by the plan administrator for the September 30, 2017 actuarial valuation and the Experience Study dated May 31, 2018 concerning benefit provisions, financial data, and member data for actives, terminated members, retirees and beneficiaries. We reviewed this information for internal and year-to-year consistency, but did not otherwise audit the data. We are not responsible for the accuracy or completeness of the information provided by the plan administrator.

The calculations are based upon assumptions regarding future events, which may or may not materialize. They are also based on the assumptions, methods, and plan provisions outlined in this report. Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: plan experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the plan's funded status); and changes in plan provisions or applicable law. If you have reason to believe that the assumptions that were used are unreasonable, that the plan provisions are incorrectly described, that important plan provisions relevant to this proposal are not described, or that conditions have changed since the calculations were made, you should contact the author of the report prior to relying on information in the report.

Ms. Bonni S. Jensen, Esq.
November 9, 2018
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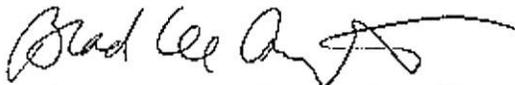
In the event that more than one plan change is being considered, it is very important to remember that the results of separate actuarial valuations cannot generally be added together to produce a correct estimate of the combined effect of all the changes. The total can be considerably greater than the sum of the parts due to the interaction of the various plan provisions with each other, and with the assumptions that must be used.

Brad Lee Armstrong is a Member of the American Academy of Actuaries (MAAA) and meets the Qualification Standards of the American Academy of Actuaries to render the actuarial opinions contained herein.

The signing actuaries are independent of the plan sponsor.

This report has been prepared by actuaries who have substantial experience valuing public employee retirement systems. To the best of our knowledge the information contained in this report is accurate and fairly presents the actuarial position of the plan as of the September 30, 2017 valuation date. All calculations have been made in conformity with generally accepted actuarial principles and practices, and with the Actuarial Standards of Practice issued by the Actuarial Standards Board and with applicable statutes.

Respectfully submitted,



Brad Lee Armstrong, ASA, EA, MAAA, FCA

BLA:bd
Enclosures

cc: Ms. Audrey Ross, Plan Administrator



West Palm Beach Firefighters Pension Fund
Actuarial Impact Statement – November 9, 2018

Description of Amendments

The Special Act shall be modified as follows:

- In all cases, a member is entitled to at least 2.75 percent per year of credited service.
- Regarding review procedures:
 - A tape recording of a hearing is to be taped and maintained as part of the official files of the Board of Trustees by the pension's secretary or plan's Administrator.
 - Within a reasonable period after the hearing, the Board shall either grant the pension benefits by overturning the proposed order by a majority vote, or deny the benefits and approve the proposed order as a final order after making any changes in the order the Board feels is necessary.
 - In reviewing the Board's decision, the court or administrative agency shall defer to the Board's interpretation of this special act.
- Effective October 1, 2018, the assumed investment rate of return shall be 7.5 percent.

Funding Implications of Amendments

An actuarial cost estimate for the amendments is attached.



West Palm Beach Firefighters Pension Fund
Actuarial Impact Statement – November 9, 2018

Certification of Administrator

The actuary has been furnished with a description of the amendments.

I believe the amendment to be in compliance with Part VII, Chapter 112, Florida Statutes and Section 14, Article X, of the Constitution of the State of Florida.



Plan Administrator
West Palm Beach Firefighters Pension Fund



West Palm Beach Firefighters Pension Fund Actuarial Impact Statement – November 9, 2018

Description of Proposed Amendments

The Special Act shall be modified as follows:

- In all cases, a member is entitled to at least 2.75 percent per year of credited service.
- Regarding review procedures:
 - A tape recording of a hearing is to be taped and maintained as part of the official files of the Board of Trustees by the pension's secretary or plan's Administrator.
 - Within a reasonable period after the hearing, the Board shall either grant the pension benefits by overturning the proposed order by a majority vote, or deny the benefits and approve the proposed order as a final order after making any changes in the order the Board feels is necessary.
 - In reviewing the Board's decision, the court or administrative agency shall defer to the Board's interpretation of this special act.
- Effective October 1, 2018, the assumed investment rate of return shall be 7.5 percent.

Data and Actuarial Assumptions

The data and assumptions used for the cost estimate were the same as those used for the September 30, 2017 actuarial valuation and the Experience Study dated May 31, 2018.



West Palm Beach Firefighters Pension Fund
Actuarial Impact Statement – November 9, 2018

Contribution Implications of the Amendments

	<u>Before Amendment</u>	<u>After Amendment</u>	<u>Change</u>
Normal Cost	22.18 %	21.85 %	(0.33) %
Payment to Amortize Unf'd Act. Accr. Liab.	34.58	37.55	2.97
FS112.64(5) Compliance	5.71	3.66	(2.05)
Administrative Expenses	0.55	0.55	0.00
Total	<u>63.02 %</u>	<u>63.61 %</u>	<u>0.59 %</u>
Less Member Portion	13.10	13.10	0.00
Less Chapter 175 Portion	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>
City Portion	49.92 %	50.51 %	0.59 %
City Dollars	\$ 9,421,022	\$ 9,410,069	\$ (10,953)

Allocation of Contribution Increase

To Member	0.00 %	\$ -
To City	0.59	(10,953)
To Chapter 175	0.00	-

Comments

Due to other assumption changes that were made at the same time as the reduction in the assumed rate of return, the City did not have an increase in City contributions. As a result, there was no change necessary to the 3% accrual factor in subsection (5) (a) 2. Please refer to the 2012-2017 Experience Study dated May 31, 2018 for further details on other assumption changes.



West Palm Beach Firefighters Pension Fund
Actuarial Impact Statement – November 9, 2018

Actuarial Present Values (thousands of dollars)

	Before Amendment	After Amendment	Change
Actuarial Present Value (APV) for:			
Retirees & beneficiaries (includes DROP accounts)	\$ 180,554	\$ 184,098	\$ 3,544
Vested terminated members	-	-	-
Active members			
Service pension	\$ 93,093	\$ 96,340	\$ 3,247
Vested term pension	2,279	2,489	210
Disability pension	5,938	3,122	(2,816)
Survivor pension (pre-retirement)	2,144	2,401	256
Survivor pension (post-retirement)	6,358	6,597	239
Termination refunds	421	434	13
Share Accounts	34,736	34,736	-
Total - Active members	\$ 144,970	\$ 146,118	\$ 1,148
Total APV of Prospective Benefits	\$ 325,525	\$ 330,216	\$ 4,692
Actuarial Accrued Liability	283,795	289,014	5,219
Unfunded Actuarial Accrued Liability	81,732	86,951	5,219
APV of Member Future Salary	188,988	189,126	137
APV of Member Future Contributions	24,757	24,775	18

Totals may not add due to rounding.

 11/9/2018
 Brad Lee Armstrong, ASA, MAAA, EA, FCA [17-5614]

