

**MINUTES FROM THE OTHER POST EMPLOYMENT BENEFITS (OPEB) /
PENSION WORKSHOP OF THE UTILITY BOARD OF THE CITY OF KEY
WEST, FLORIDA, HELD AT 5:00 P.M. ON TUESDAY, JANUARY 15, 2019
AT THE KEYS ENERGY SERVICES BOARD ROOM**

The above referenced workshop of the Utility Board of the City of Key West, Florida, convened at 5:00 P.M., on the above date and location and was called to order by Chairman Batty.

Utility Board Members Present

Peter Batty, Chairman
Mona Clark, Vice Chair
Robert Barrios, Member
Timothy Root, Member
Steven Wells, Member

Staff Present

Lynne Tejeda, General Manager & CEO
Jack Wetzler, Assistant General Manager & CFO
Edee Delph, Executive Assistant to GM/CEO & UB
Nick Batty, Director of Legal & Regulatory Services
Fred Culpepper, Director of T&D / Electrical
Julio Torrado, HR & Communications Director
Dan Sabino, Engineering & Control Center Director
Erica Zarate, Customers Services Director
Joe Weldon, Generation Director
Cindy McVeigh, Finance Supervisor
Jessie, Perloff, Accounting & Financial Analyst
Amy Haas, Accounting & Financial Analyst
Jeanette Williams, Accounting & Financial Analyst
Nathan Eden, Utility Board Attorney

Others Present

Harry Bethel, Retiree / Pension Board Chairman
Sylvia Adams, KEYS Retiree / Pension Board Trustee
Greg Ledbetter, Employee / IBEW President
Gricel Owen, Employee / Pension Board Trustee
Joey Diaz, Employee / Pension Board Trustee
Matthew Roy, Employee

Mrs. Tejeda provided the Board with an overview of the Pension Plan, stating there are currently 187 participants receive benefits. There are 160 retired, 8 term vested and 19 beneficiaries. She said 155 are eligible, including Board Members.

Mrs. Tejeda said that 78 employees were hired prior June 1, 2010, who will receive, 2.4% factor; 5 highest of last 10 year wages. There are 55 employees hired post June 1, 2010, who will receive, 2.0% factor; career average wages.

Mr. Wetzler reported Pension Plan Financial Status as of 12/31/17, as listed below:

- Plan Value \$91,629,477
- Total Pension Liability* \$116,294,423
- % Funded 78.79%

Mr. Wetzler provided the Board with Actuarial Requirements, (Current/ Historical) and Assumptions.

Mrs. Tejada explained what Other Post Employment Benefits (OPEB) is and provided examples of OPEB, such as, Health Care and Life Insurance. She said employees are eligible for KEYS paid health benefits, if they qualify for retirement status while working for KEYS and KEYS employees hired after June 10, 1999, are eligible to purchase health insurance through KEYS insurance provider at the same rate KEYS pays for its active members, if they qualify for retirement status while working for KEYS.

Mrs. Tejada informed the Board that as of December 31, 2018, 141 retirees receive KEYS paid health care and 146 receive KEYS paid life insurance.

Mrs. Tejada informed the Board that there are 23 active Employees, eligible for paid health care at time of retirement and 110 active employees eligible to purchase health insurance at retirement.

Mr. Wetzler stated that the Governmental Accounting Standards Board (GASB) requires that financial statements of the program sponsor, being KEYS, disclose the following information:

- An annual OPEB cost
- The funded status of the program
- The funding progress on the valuation date
- To be compliant, each year KEYS engages the services of an Actuary to prepare an Actuarial Valuation report

Mr. Wetzler stated that funding OPEB can be accomplished by advanced funding or pay-as-you-go. In 2010, the Utility Board determined that KEYS would use pay-as-you-go method. Mr. Wetzler reviewed the total OPEB liability for fiscal year 2018.

Mrs. Tejada stated that the Utility Board Enabling Act provides the Utility Board full authority over the Pension Plan and gives the Utility Board authority to delegate certain authorities to designated officials, which is known as the Board of Trustees.

Mrs. Tejada informed the Board that currently there are 16 Trustees and at the end of March 2019, 2 retirees will term-out and the seats will not be filled. This leaves the Board of Trustees with 14 seats, which consist of 10 employees, 3 retirees and the General Manager/CEO.

Mrs. Tejada provided the Board with the delineation of duties, as listed below

Utility Board

- *Select /Engage the Auditor
- *Approve Resolutions
- *Seek Impact Statements
- *Approve Investment Policy
- *Approve Annual Actuarial Report
- *Monitor Financial Statements

Pension Board of Trustees

- *Maintain/Administer Plan Document
- *Maintain/Administer Summary Plan Document
- *Review/Reissue Plan Document Every 2 Years
- *Maintain/Review Investment Policy
- *Approve Annual Actuarial Evaluation Prior to UB
- *Approve Amendments to Plan Prior to UB
- *Request Actuary to Prepare Impact Studies
- *Responsible to Interview/Appoint Investment Consultant, Plan Attorney, Actuarial Services/ Money Manager & Ensure Compliance of Investment Policy/ Maintain all Plan Documents

Mr. Wetzler informed the Board that the Pension Plan Administration/Supporting Roles consist of the following, Trustees, Plan Administrator, Secretary/Treasurer, Finance Staff, Actuary, Attorney, Investment Consultant, Custodian and Auditor.

Mr. Wetzler said that the Plan Document states that the Trustees have full control of filling all positions with exception of Auditor. Currently, the Administration Responsibilities, Financial Statements, Accounts Payable, Payroll and Plan Administration are filled in-house. The Investment Consultant, Custodian, Actuary, Legal and Auditor are out-sourced.

Mr. Wetzler provided the Board with a comparison of the Financial/ Operational Impact of Plan Administration in-house as opposed to outsourcing.

Mrs. Tejada stated her concern with keeping in-house is, Pension is becoming more specialized and she's unsure if KEYS has resources in-house as a peripheral duty who can be fully aware of pension requirements.

Mr. Harry Bethel, Pension Board of Trustees Chairman asked the Utility Board not to peruse outsourcing opportunities for Pension Plan Administration. He stated that Pension Board of Trustees has one of the best Actuaries in the State of Florida as well as one of the top Pension Attorneys in the State of Florida. He said they are very knowledgeable and provide the Trustees with information needed for the Plan to remain compliant and successful.

Mr. Bethel provided the Board with concerns he has with KEYS employees having one source of Pension. Chairman Batty said he shares Mr. Bethel's concerns and ask for calculations as to what other Pension Plans produce in income when Social Security is added and compare to KEYS Pension Plan. Mr. Wetzler informed the Board that if KEYS employees were to have Social Security the employee's salary would decrease by 6%.

Mr. Wetzler informed the Board that currently 14 Trustees serve on Pension Board, 10 active employees, 3 retirees and the General Manager/CEO. He requested that the Board reduce the number of Trustees to 5 or 7 active employees, 1 or 2 retirees, the General Manager/CEO and a Utility Board member.

Mr. Bethel stated he agrees with Mr. Wetzler's request to reduce the number of Trustees but request that there be 4 to 6 active employees to include the General Manager/CEO and 3 retirees.

After discussion, the consensus of the Board was for Pension Board of Trustees to discuss further at the next Pension Board meeting and develop a plan to change the makeup of the Pension Board and to reduce the number of Trustees to no more than 9 seats, through attrition.

Chairman Batty recommended that Mr. Wells be appointed by the Utility Board to serve on the Pension Board of Trustees. There was no opposition from the Board. Mr. Bethel stated he welcomed the appointment of a Utility Board Member to serve as Trustee.

Mrs. Tejeda stated that the Utility Board approves the Actuarial Study yearly but currently has no say in the Experience Study, which is approved by the Board of Trustees. She asked if the Board wants to include as a duty that the Utility Board approves. Chairman Batty said this was a concern of his in the past, which he has addressed and would like the Board to have opportunity to review assumptions. There was no objection from the Board members.

(A copy of the power point presentation and all documents discussed are available upon request)

ADJOURNMENT

The Other Post Employment Benefits (OPEB) / Pension, Utility Board Workshop of Tuesday, January 15, 2019, was adjourned by Chairman Batty at 5:50 P.M.

APPROVE:

Peter Batty, Chairman

ATTEST:

Lynne E. Tejeda, General Manager/CEO & Secretary

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