

EXECUTIVE SUMMARY

TO: Greg Veliz, City Manager

FROM: Alfredo Vazquez, Chairperson, Key West Police and Fire Pension Board

DATE: December 15, 2020

SUBJECT: Amending Ordinance 46, Sections 278 and 326 of the City of Key West Police and Fire Retirement Plan

ACTION STATEMENT:

City of Key West Police and Fire Retirement Board respectfully request to approve the amendment of chapter 46, section 278 of the code of ordinances, extending trustee terms to four years. The Board of Trustee education policy requires trustees to participate in continuing education classes at the beginning of their term. The Board has adopted an education policy that encourages each trustee to obtain certification in a public pension program. The certification program is a three-year program. With the current terms of trustees of two years it places a financial hardship on pension funds and educational requirements.

- (a) Proposed – All members of the board of trustees shall serve a four-year term after their current term ends and they are re-elected, reappointed or replaced.

Chapter 46, Section 326 would be amended to comply with the Secure Act's new age 72 start date for Required Minimum Distributions ("RMDs"). Under prior law, qualified pension plans (including traditional IRAs, 401(k) accounts and SEP-IRAs) were required to start minimum distributions by age 70 ½. Effective 2020, the Secure Act increases the age to begin RMDs from 70½ to 72. Importantly, this new amendment only applies to individuals who reach 70½ *after* 2020. In other words, if an individual turned 70½ before 2020, the prior RMD requirements will still apply.

Additionally, the ordinance amends Section 326 to allow the trustees to adopt administrative rules to comply with and tax changes required by the Internal Revenue Code. The Board already has the underlying ability to adopt administrative rules required for the administration of the Plan.

- (a) Proposed- The Plan will be amended to follow a change to the IRS Code regarding required minimum distributions from a retirement plan, and allow

the Trustees to update the Plan with necessary tax changes to maintain its tax qualified status.

BACKGROUND:

Continuing Education

Fiduciary Education Policy

Tax Qualification

City of Key West Police and Fire Retirement Plan

Introduction and Purpose

The City of Key West Police and Fire Retirement Plan Pension Board (the “Board”) has the duty to oversee the City of Key West Police and Fire Retirement Plan (the “Plan”). Under the terms of the Plan, it is always the duty of the Board to carry out the provisions of the Plan and to act in the best interest of the Plan, the Plan’s participants and beneficiaries, and the Plan’s trust fund.

Continuing Education Requirements

All Board members shall participate in continuing education, annually, beginning with the first year after the Board member is elected or appointed to the Board. Each Board member should complete a minimum of 16 hours of continuing education within a 16-month period, provided all travel is approved. The topics covered by the continuing education may include the following: pension plans; fiduciary duties and liability; investments, investment management; funding; conflicts of interest; ethics; the role and responsibilities of Board members; audit and actuarial reports; and any other related topic that the Board deems essential for overseeing of the Plan as a fiduciary.

Guidelines for Programs and Costs

Options to fulfill each Board member’s continuing education requirement may include any of the following:

Florida Public Pension Trustee Association (FPPTA) (or a similar State organization)

Annual Conference and/or Trustee School;

Seminars or conferences sponsored by professional organizations; Online continuing education coursework;

Continuing education received at any Board meeting; or any other continuing education approved by the Board.

Reasonable costs and expenses for continuing education programs and activities shall be paid by the Plan upon prior approval of the Board.

Board members may seek reimbursement for reasonable continuing education costs and expenses from the Board; however, reimbursement will only be made upon proper

documentation and prior authorization by the Board.

Tax Code Requirements

It is a requirement that the Plan be updated to include any changes made to the Internal Revenue Code which are applicable to the Plan. If the changes were not made, it may jeopardize the tax qualified status of the Plan which would negatively affect the City and members and beneficiaries of the Plan.

FINANCIAL IMPACT:

Based on the actuarial assumptions and methods employed by the October 2019 Actuarial Valuation, the proposed Ordinance is a No cost Ordinance under State funding requirements.

RECOMMENDATION:

Approve the amended changes to Ordinance 46, sections 278 and 326 extending trustee terms to four years, and making required tax qualification changes.