

Board of Commissioners of the Southeast Volusia Hospital District
Board of Directors of the Berth Fish Medical Center, Inc.
Bert Fish Pension Plan Committee

March 7, 2024 Joint Meeting

Bert Fish Medical Center Pension Plan
Potential Plan Termination



Sarah Dam, FSA, EA – Plan Actuary
Bret Johantgen, ASA, EA – Plan Actuary



Agenda

- BPAS – Plan Actuary
 - Plan Termination Considerations
 - Proposed Timeline of Termination
 - Scope of Services provided by BPAS
- Agilis – Actuary and BPAS Partner for Group Annuity and Investment Expertise
 - Pension Risk Transfer Analysis
 - Investment Risk Mitigation Strategies

Bert Fish Medical Center Pension Plan

Current Number of Participants in Plan

- In Receipt of Monthly Benefit – 162
- Vested with Deferred Benefit – 18

Annuity Purchase Liability Estimate -September 2023

- \$38.5M - based on annuity purchase rates at 5.0%
- \$40.5M - based on annuity purchase rates at 4.5%
- Market Value of Plan Assets - \$43.9M

Bert Fish Medical Center Pension Plan

Plan Termination Considerations

- Annuity Purchase
 - Group annuity purchase where insurer assumes responsibility for future benefit payments to participants
 - Participants in receipt of monthly benefit – same form of benefit as elected at retirement (i.e. life annuity, joint and survivor) and 3% annual COLA continues
 - Participants with deferred vested benefit – form of benefit elected at future retirement (same as currently offered in Plan) and 3% annual COLA
- Lump Sum Option at Plan Termination
 - Provide participant with option to elect one time lump sum actuarially equivalent to the annuity payments instead of annuity from insurer
 - Typically provided to participants not yet in receipt of monthly payment
 - Could be provided also to participants in payment status

Bert Fish Medical Center Pension Plan

Plan Termination Considerations

- Lump Sum Option at Plan Termination
 - *Recommendation – provide only to participants not yet in receipt of monthly payment (“deferred participants”)*
 - Most insurers prefer to limit exposure to deferred participants and some will not provide deferred annuities at all
 - Pricing is less favorable for deferred annuities
 - Pricing affected by offering lump sums to participants in payment status due to assumption by insurer that those who did not elect lump sum have longer life expectancy

Bert Fish Medical Center Pension Plan

Plan Termination Considerations

- Fees to terminate the Plan
 - Annuity Purchase Placement
 - Actuarial/Administrative
 - Fee estimate based on recommendation to only provide lump sum option to participants not yet in payment status - \$70k to \$90k (varies based on unknown time spent on data clean up)
 - Eliminates ongoing fees associated with actuarial valuation and benefit administration services (\$37k annually)

Bert Fish Medical Center Pension Plan

Plan Termination Considerations

- Standard Requirements
 - Specific timeline and requirements for plans covered by the Pension Benefit Guaranty Corporation (PBGC)
 - BFMC is considered governmental plan and not covered by the PBGC
 - However, we would recommend following some of the standard requirements with regard to participant notifications
 - Report required items to the Florida DMS upon plan termination

Proposed Timeline of Plan Termination

The following is an example timeline for a example Proposed Plan Termination Date of **May 1, 2024**

Item	Estimated Date *
BPAS to meet with Board to discuss process	March 2024
Board Resolution drafted and adopted to formally terminate the Plan and possibility of offering lump sums	Adopted prior to issuance of NOIT, but in no event later than May 1, 2024
Notice of Intent to Terminate (NOIT) prepared and distributed to all Plan Participants	Sent Following Board Resolution. <i>If IRS/PBGC Requirements Apply for NOIT Timing - Due 60 to 90 days prior to proposed plan termination date</i>
Attorney review of plan document and all recommended amendments adopted	April 2024
Data Clean Up	By April 30, 2024
Pension Risk Transfer Broker	Decision by April 30, 2024
Proposed Plan Termination Date (PPTD)	May 1, 2024
Notice of Plan Benefits (NoPB) prepared and provided for all Plan Participants	June 15, 2024
Participant Distribution Elections Mailed (If Offering Lump Sum Option)	July 2024
Communicate to Participants the Insurance Companies from which Annuity Contracts may be purchased	August 15, 2024 <i>If IRS/PBGC Requirements Apply for Timing - Provided at least 45 days prior to distribution</i>
Proposed Distribution of Lump Sums to Participants or purchase of Annuity Contracts*	September 15, 2024
Communications to Florida Retirement System	Provide plan termination outline, summary of plan termination benefits and ongoing annual reports as completed

BPAS Scope of Services

Plan Termination Services

Data Cleanup

- Current data confirmation
- Locating missing participants (terminated participant with vested benefit or beneficiaries of deceased terminated vested participant)
- Certification of monthly benefit for those not yet in receipt of payment

Notice of Plan Benefits

- Individual Benefit Statements
- Frequently Asked Questions
- Preparation and Mailing

BPAS Scope of Services

Plan Termination Services

Optional Form of Payment Election

- Participant/Beneficiary not yet in payment status but past Normal Retirement Date (located with data clean up)
- If Offering Lump Sum Option
- Preparation, Mailing and Processing

Participant Support

Contact center for questions and assistance

- Plan notices and benefits
- Benefit election forms
- Data changes (i.e. address, beneficiary information)

Other Important Considerations

- Plan Asset Sufficiency for Termination
 - Decrease in market value due to exposure to equities and investment losses in future
 - Consider risk mitigation / hedging strategies
 - Liquidation of securities to fund annuity purchase resulting in realized losses
 - Consider “asset in kind” transfer for annuity purchase if large enough for insurer
- Change in Annuity Purchase Interest Rates
 - Decrease in rates results in increase in cost of annuity purchase