

**CITY OF PALMETTO
POLICE OFFICERS' PENSION
BOARD OF TRUSTEES
February 25, 2013 - 11:00 A.M.**

Board Members Present:

Scott Tyler, Chair
Larry Denyes
Mike Fuller—(Entered the meeting 11:10 a.m.)
Coby Gaulien
Mike Stinson

Staff and Others Present:

Bryan Bakardjiev, Bogdahn Group
Scott Christiansen, Board Attorney
Amber Foley, Assistant City Clerk

1. Chairman Scott Tyler called the meeting to order at 11:00 a.m.

2. APPROVAL OF MINUTES

Motion: Mr. Denyes moved, Mr. Stinson seconded, and the motion carried 4-0 to approve the December 7, 2012 minutes. Mr. Fuller was not present for the vote.

3. APPROVAL OF EXPENSES

- A. Salem Trust – Quarter ending 12/31/2012
- B. Bogdahn Group – Invoice No. 8485
- C. Christiansen and Dehner—Invoices dated 11/30/2012, 12/31/2012, and 1/31/2013

Motion: Mr. Denyes moved, Mr. Gaulien seconded, and the motion carried 4-0 to ratify the paid expenses as presented. Mr. Fuller was not present for the vote.

4. ELECTION OF BOARD SECRETARY

Motion: Mr. Stinson moved, Mr. Gaulien seconded and the motion carried 4-0 to nominate Mr. Fuller as Board Secretary for a term ending 2015. Mr. Fuller was absent for the vote.

5. INVESTMENT REVIEW

Mr. Bakardjiev informed the Board that he updated the Investment Policy Statement as approved at the last meeting. Sawgrass requested a slight modification be made to the Policy which Mr. Bakardjiev will explain later in the meeting.

Mr. Bakardjiev recapped the market for last quarter. As of December 31, 2012, the portfolio was valued at \$8,648,544. He discussed the portfolio's total weighting of the equity investment and recommended no rebalance was necessary at this time. He stated that there was a positive gain of approximately \$35,000 for the quarter, though there were more distributions than contributions. Mr. Tyler explained that the Police Department has hired new police officers that should be starting within the next month. This will help increase contributions. Mr. Bakardjiev discussed the third quarter investment review. This review is attached to and made a part of these minutes.

Mr. Bakardjiev stated that he will be requesting a manager from Anchor attend the next Board meeting to provide an update.

Mr. Bakardjiev discussed the Relative Performance VS. Actuarial Assumption chart. He will be making some enhancements to this chart to see how often the Plan is above or below the actuarial assumption of 7.5%.

Mr. Bakardjiev discussed the Mid-Cap Core Domestic Equity handout. He opined that the plan could benefit from a Mid-Cap Core component because a Mid-Cap piece would provide further diversification for the portfolio among other benefits. Mr. Bakardjiev compared the Russell 1000 Index, Russell Midcap Index, S&P Midcap 400, and the Russell 2000 Index, opining that the S&P Midcap 400 would make the most sense for the plan. He displayed several charts that showed S&P was above the benchmarks and

the most consistent. A copy of the Mid-Cap Core Domestic Equity Handout is attached to and made a part of these minutes.

Discussion ensued between the Board and Mr. Bakardjiev regarding adding a Mid-Cap Core component. Mr. Bakardjiev stated that he is not requesting a decision made today, he wanted to provide information to the Board and have more discussion at the next meeting.

Mr. Bakardjiev discussed the 25% duration band on Sawgrass that limits them from going 25% above or below the Target Index. Sawgrass is requesting removal of the duration language from the Investment Policy Statement. The Board discussed reducing the duration band but not removing it completely.

Motion: Mr. Stinson moved, Mr. Tyler seconded and the motion carried 5-0 to remove the 25% duration band on Sawgrass Core Fixed Income that limits them from going 25% below the Target Index and to keep the 25% duration band that limits them from going 25% above the Target Index.

Discussion ensued regarding investing in private real estate to diversify the bond portfolio. Mr. Bakardjiev is going to ask Salem Trust to come to the next meeting to review documents with the Board.

Mr. Bakardjiev is going to work on purchasing a cheaper class of Thornburg International to save the Plan some money. Currently the Plan has the Institutional Share Class, and Thornburg is issuing a cheaper share class that he feels would be better for this Plan.

Motion: Mr. Fuller moved, Mr. Tyler seconded, and the motion carried 5-0 to approve Bogdahn Group to change share classes to a cheaper share class of Thornburg International with Salem Trust.

6. DISCUSSION: CHANGE TO JOINT ANNUITANT

Continued from the December 7, 2012 meeting.

- A. Dennis G. Hair
- B. Terry R. Castellow

Attorney Christiansen explained that a memo was sent out to all current retirees to confirm they are receiving their benefits and to confirm or change their joint annuitant. This memo also explained the current legislation regarding ex spouses. Mr. Hair and Mr. Castellow both requested to change their joint annuitant from their ex spouse to their current spouse; however, the ordinance that was in affect at the time they both retired does not allow for a change to the annuitant at all. Staff was asked to inform the two retirees that they cannot make a change to their annuitant.

7. ATTORNEY CHRISTIANSEN'S REPORT

Attorney Christiansen informed the Board that he has been working with a law firm in Indianapolis on the Plan documents to determine what changes need to be made to maintain the tax qualification status. He has identified the changes that need to be made to the Plan and needs the Board's authorization to draft an ordinance to make the changes.

Motion: Mr. Tyler moved, Mr. Stinson seconded, and the motion carried 5-0 to authorize Scott Christiansen to do an Internal Revenue Code Compliance Ordinance.

Mr. Christiansen answered an email he received from HR Director Sharon Jones. He stated that the waiting period to enter DROP has been eliminated. An officer can enter into DROP anytime after reaching normal retirement age. The officer can still be in DROP for 5 years even if waiting until having 25 years of service. In regard to benefits, if the officer has 23 years of service his benefit would be 3% of his salary times 23 years and if he enters after 25 years of service his benefit would be 3% of his salary time 25 years.

Mr. Christiansen discussed the Florida Retirement System (FRS) and a proposed Legislation that proposes in January of 2014 all new employees entering into FRS will not be allowed to be in the Defined Benefit portion of FRS. Currently there is an optional program in FRS that allowed for the moving defined benefit money into a Defined Contribution Plan. This proposed Legislation would have new employees entering FRS be in a Defined Contribution Plan only.

Mr. Christiansen recapped the Department of Retirement's response to the City of Naples that he discussed at the September 18, 2012 meeting. A Senate Bill is being proposed to change Chapters 175 and 185 of Florida Statutes which currently states from 1998 forward, the amount that cities received that year (1998) from the State to fund their pension plans they would continue to receive, and if the cities received any amount over the 1998 amount, that money had to be set aside to be used for additional benefits for police officers. This proposed Bill states that whatever the amount a city received in 1998 will be used to fund the benefits that were in place in 1998. If a plan has a funding ratio of 80% or more, then 50% of any overage (from the 1998 amount) has to be used for additional contributions to pay down the actuarial deficiency, 25% has to be used to fund the base benefit, and 25% has to be placed into a Defined Contribution Plan. Each plan will have to adopt a Defined Contribution component for that 25% contribution to be placed into. This proposed Bill also specifically states that plans cannot use State money to fund benefit improvements in the Defined Contribution Plan. Mr. Christiansen will keep the Board updated on this proposed Bill.

Mr. Fuller discussed sending a Board Member to a Florida Plan Pension Trustee Association meeting in Orlando at the end of June. Mr. Christiansen reminded the Board that Trustees are required to get continuing education at least once every two year term.

Chairman Scott Tyler adjourned the meeting at 1:06 p.m.

Minutes approved: June 3, 2013

Michael Fuller

Michael Fuller
Secretary