

**CITY OF PALMETTO
POLICE OFFICERS' PENSION
BOARD OF TRUSTEES
February 23, 2015 - 11:00 A.M.**

Board Members Present:

Mike Stinson, Chair
Michael Becks
Coby Gaulien
Ryan LaRowe

Board Members Absent:

Mike Fuller, Secretary

Staff and Others Present:

John Thinnis, Bogdahn Group
Scott Christiansen, Board Attorney
Amber Foley, Assistant City Clerk

Chair Stinson called the meeting to order at 11:00 a.m.

1. AGENDA APPROVAL

Motion: Mr. Gaulien moved, Mr. LaRowe seconded, and the motion carried 4-0 to approve the February 23, 2015 Police Officers' Pension Board agenda.

2. PUBLIC COMMENT

No public present.

3. APPROVAL OF MINUTES

Motion: Mr. Becks moved, Mr. LaRowe seconded, and the motion carried 4-0 to approve the November 21, 2014 minutes.

4. APPROVAL OF EXPENSES

- A) Christiansen and Dehner: Invoices Dated 11/30/2014 and 12/31/2014
- B) Sawgrass Asset Management-Diversified Large Growth Equity Invoice Dated 1/9/2015
- C) Sawgrass Asset Management-High Quality Core Fixed Income Invoice Dated 1/9/2015
- D) Foster & Foster Invoice #6928
- E) Salem Trust-Fee Advice for period October 1, 2014 to December 31, 2014
- F) FPPTA Membership Renewal for Plan into the FPPTA \$600.00
- G) FPPTA Registration for Winter Trustees School \$1,125.00
- H) Reimbursement to the City of Palmetto for Per Diem and Hotel for attendance to the Winter Trustees School

Chair Stinson made an addition to the invoices as presented; Ms. Foley received the January 2015 invoice for Christiansen and Dehner after the agenda was already published. Chair Stinson asked for approval of that expense as well as the invoices presented. [The invoice was in the amount of \$617.35 for services provided in January]

Motion: Mr. LaRowe moved, Mr. Becks seconded, and the motion carried 4-0 to ratify the paid expenses as presented with the addition of the January 2015 Christiansen and Dehner invoice.

5. ELECTION OF SECRETARY

Motion: Mr. Gaulien moved, Mr. Becks seconded, and the motion carried 4-0 to nominate and elect Mike Fuller as Secretary for the Board with a term ending in 2017.

6. INVESTMENT REVIEW

Mr. Thinnes discussed the fourth quarter review of the Plan. The Portfolio was valued at \$10,887,795 with Equity slightly over-weighted. Mr. Thinnes does not recommend a rebalance at this time. The total fund (gross return) for the quarter was 2.94%, putting the Plan in the 21st percentile. A copy of the fourth quarter review is attached to and made a part of these minutes.

Mr. Thinnes discussed internal control changes being made to Bogdahn. On January 1st, a transaction was completed whereby Joe Bogdahn transferred the majority ownership position in Bogdahn Group to Mike Welker. This change in internal ownership structure meets the definition of an assignment of the Plan's investment advisory contract which requires the Board's consent. Mr. Thinnes would like a motion from the Board allowing the Chairman to sign the Client Consent and Acceptance regarding the internal control changes mentioned.

Motion: Mr. Becks moved, Mr. LaRowe seconded, and the motion carried 4-0 to allow the Chairman to sign the Consent and Acceptance for the Bogdahn Group majority ownership change.

7. 2014 ACTUARIAL VALUATION REPORT

Mr. Lozen was not able to attend this meeting. He will be in attendance at the June 1st meeting.

Action Request: Motion to accept the October 1, 2014 Actuarial Valuation Report.

Action Request: Motion to declare that based on the advice of our investment professionals and/or actuary, the Board of Trustees declare that the total expected annual rate of return of investment return for the next year, the next several years, and the long term thereafter shall be ____%, net of investment related expenses.

8. BENEFITS DISBURSEMENT APPROVAL

A. DROP PARTICIPANT

- NONE

B. TERMINATED NON-VESTED EMPLOYEES

- Chris Bauman

C. RETIRED EMPLOYEES

- Roy Lovett

D. DECEASED RETIREES

- Richard Chenoweth

E. DECEASED ACTIVE EMPLOYEE PAYOUT

- NONE

Motion: Mr. LaRowe moved, Mr. Gaulien seconded, and the motion carried 4-0 to ratify the benefits disbursements as presented.

9. NEW MEMBER ACKNOWLEDGEMENT (*Informational Only*)

- Harold Baez

10. REVISED OPERATING RULES AND PROCEDURES

At the last meeting, Attorney Christiansen was directed to make necessary corrections and updates to the Board's Operating Rules and Procedures. Mr. Christiansen discussed the changes made to the Procedures.

Motion: Mr. LaRowe moved, Mr. Gaulien seconded, and the motion carried 4-0 to adopt the Operating Rules and Procedures for the City of Palmetto Police Officers' Retirement System.

11. 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 noted that the Federal Government is recognizing same sex marriage as being treated like every other marriage so the definition of spouse will probably change. He will bring the changes back to the Board once they have been identified

Mr. Christiansen recapped the bills from the last legislative session noting that they have been reintroduced into this session as Senate Bill 172 and House Bill 341. Both bills are going through the committees for review.

Mr. Christiansen mentioned some changes that are pending in Tallahassee for local plans all over the State. Senate Bill 242 proposed to require all local pension plans in the State to use the same mortality table as the Florida Retirement System which is more conservative. This could potentially have a funding impact.

Attorney Christians informed the Board that Salem Trust recently issued a statement explaining that they were a victim of fraud. In 2014 Salem Trust, as the Trustee of the Short-Term Investment Fund (STIF) of the Collective Investment Trust II (the "Trustee"), was advised by its affiliate, Pennant Management, Inc. the investment advisor for the STIF, that securities which Pennant had purchased and the Trustee had accepted for the STIF may have been fraudulent and apparently without value. The repurchase agreements were issued by First Farmers Financial and acquired by Pennant for the STIF. Pennant performed an inquiry and found that the loans were fictitious. In September last year, Pennant filed a lawsuit against First Farmers Financial, its principals, and certain other persons and entities to recover the guaranteed portions of the loans purchased by Pennant as well as other damages, including punitive damages. The FBI arrested Nikesh Patel of Orlando Florida, the Authorized Member of First Farmers, on fraud charges. Pennant received an order from the court to secure Patel's assets and ultimately liquidate them to recover their losses. Salem Trust's records reflect that no Florida municipal employee retirement plans were invested in the STIF.

Mr. Thinnes explained that Salem Trust issued a letter explaining that they have had some audit issues since their conversion last year. The auditors did confirm that all-important fiduciary and safekeeping functions of Salem Trust were never compromised. The benefit payments were always sent out on time, trades were always processed, no assets were lost, and dividend and interest income was always collected.

12. NEW BUSINESS

- Schedule A Website Security Administrator Assignment. Removal of Bryan Bakardjiev as Secondary Security Administrator. *(Informational Only)*
- Forms Distribution Table for the Plan *(Informational Only)*

Chair Stinson adjourned the meeting at 12:10 p.m.

Minutes approved: June 1, 2015

Mike Fuller

Mike Fuller, Secretary