

**CITY OF PALMETTO
POLICE OFFICERS' PENSION
BOARD OF TRUSTEES
February 27, 2017 - 11:00 A.M.**

Board Members Present:

Mike Fuller, Secretary
Michael Becks
Coby Gaulien
Ryan LaRowe

Board Members Absent:

Mike Stinson, Chair

Staff and Others Present:

John Thinnis, Bogdahn Group
Scott Christiansen, Board Attorney
Doug Lozen- Foster & Foster
Amber Foley, Assistant City Clerk
Penny Johnston, Executive Assistant

Mr. Fuller called the meeting to order at 11:02 a.m.

1. AGENDA APPROVAL

Motion: Mr. Becks moved, Mr. Gaulien seconded, and the motion carried 4-0 to approve the February 27, 2017 Police Officers' Pension Board agenda.

2. PUBLIC COMMENT

Ms. Foley spoke about the addition of forms to the last tab of the agenda.

3. APPROVAL OF MINUTES

Motion: Mr. LaRowe moved, Mr. Gaulien seconded, and the motion carried 4-0 to approve the November 28, 2016 minutes.

4. APPROVAL OF EXPENSES

- A) Christiansen and Dehner: Invoices Dated 11/30/2016, 12/31/2016, 1/31/2017
- B) Sawgrass Asset Management-High Quality Core Fixed Income Invoice
- C) Sawgrass Asset Management-Diversified Large Growth Equity Invoice
- D) Bogdahn Group Invoice #20202
- E) Anchor Capital Advisors Invoice for period 12/31/2016
- F) Salem Trust Invoice for period 12/31/2016
- G) Foster & Foster Invoice #9701
- H) Ryan LaRowe Trustee Per Diem for Winter Trustee School
- I) FPPTA--Mike Fuller Entrance into FPPTA Program at Winter Trustee School
- J) Rosen Centre -- Mike Fuller Hotel Stay for FPPTA Program
- K) Mike Fuller Per Diem for FPPTA Program
- L) Rosen Centre—Ryan LaRowe Hotel Stay
- M) FPPTA—Ryan LaRowe Registration for the FPPTA Program

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

5. INVESTMENT REVIEW

John Thinnies, Bogdahn Group, announced the new name change to _&Co Consulting, reasoning that AndCo Consulting will always put the client's interests first.

According to the Investment Performance Review, the Asset Allocation 9/30/17 was valued at \$11,464,804, and was \$11,445,816 as of 12/31/17, a loss of \$18,988 for the quarter. Mr. Thinnies reviewed the end of quarter investment reports. Since the presidential election, equity markets are reaching new highs, fixed income markets went down. City asset allocation 12/31/16 was \$11,445,000, and is currently \$11.9 million which is already up 4%. The City diversification allocation is ahead of the curve, which is within allowable ranges. Mr. Thinnies noted no rebalance is needed at this time; Long term numbers are beating the benchmark.

Real estate is not as profitable as it has been, but better than the outlook for fixed income. Anchor and EuroPacific dragged quarterly results down. The actuarial assumption was 7.5% this prior year, moved down to 7.25% and will go to 7.0% within the following two years.

Mr. Fuller referred to adding passive options. Mr. Thinnies noted the Small Cap is volatile; the Mid Cap Growth is more favorable. He suggested introducing more Mid Cap into portfolio, mentioning Vanguard S&P 400. Mr. Thinnies suggested introducing some passive positions, increasing our Mid Cap space, pulling from Anchor and Sawgrass to create 10% allocation. Mr. Fuller requested a dissected description of the equity segment.

Large Cap Growth Review reveals Anchor and Sawgrass are not beating benchmark, but Mr. Thinnies feels it is OK to have passive to capture both sides of the cycle. MFS Manager is always in top 50th percentile. Mr. Fuller really wants detailed description of equity side, to learn how the Plan is segmented. Mr. Becks noted that the City has no Mid Cap exposure, according to the charts. Mr. Thinnies would ideally like value and growth in the core, with perhaps 1/3 in passive. He will provide actual numbers, rather than just pictures. He opined Mid Cap should not add too much volatility, and diversification will give a more balanced ride. In the equity space, Mr. Fuller suggested 60% Large, 30% Mid, and 10% Small. Mr. Fuller noted history shows passive strategy wins more than half the time, and passive fees are much cheaper. Mr. Thinnies opined that fixed income needs an active manager.

Before making any changes during this meeting, Mr. Becks requested equity numbers prior to next meeting, so the Board will be in a position to make decisions. Mr. Thinnies will give an analysis of account exposure in the Large Cap and Mid Cap blend, and suggestions about managers. He will create about 5 scenarios with the current lineup to explore where portfolio would have been historically, with different percentages.

Mr. Thinnies looked at actuarial assumptions with over 200 clients with Florida public plans.

6. 2016 ACTUARIAL VALUATION REVIEW

Mr. Doug Lozen, Foster & Foster, presented the October 1, 2016 Actuarial Valuation Review. He was excited to report the expected unfunded liability ended up being *exactly* what was expected! After incorporating assumption changes, City contributions were lowered to 25.81, reflecting over 4% reduction in payroll. The City has already implemented conservative assumptions and currently has a funded ratio of 82.9%.

Motion: Mr. Gaulien moved, Mr. LaRowe seconded, and the motion carried 4-0 to approve actuarial valuation report as presented.

7. BENEFITS DISBURSEMENT APPROVAL

A. DROP PARTICIPANT

- NONE

B. TERMINATED NON-VESTED EMPLOYEES

- Rebecca Evans
- C. TERMINATED VESTED EMPLOYEES
 - NONE
- D. RETIRED EMPLOYEES
 - NONE
- E. DECEASED RETIREES
 - NONE
- F. DECEASED ACTIVE EMPLOYEE PAYOUT
 - NONE

Motion: **Mr. Becks moved, Mr. Gaulien seconded and the motion carried 4-0 to approve the benefit disbursements as presented.**

Noted scrivener's error in numbering and acknowledged there are no missing items 8 & 9.

10. NEW MEMBER ACKNOWLEDGEMENT (*Informational Only*)

- None

11. ATTORNEY CHRISTIANSEN'S REPORT

MOTION: **Mr. LaRowe moved, Mr. Gaulien seconded and the motion carried 4-0 that based upon the advice of our consultant, the Board expects to receive a rate of 7.25% investment return for the next year or the next several years in the long term thereafter.**

Attorney Christiansen explained pending legislation in Tallahassee regarding SB306, which is changing language in Chapter 112, specifically voting conflicts from cannot vote on anything *with special, private gain* to anything *with a gain*, creating potential problems. He also mentioned SB632 / HB 603 . The language is unclear, but if adopted, it will not go into effect until 2021. Unfortunately, then bureaucrats pass the rules to interpret the unclear language.

12. PLAN ADMINISTRATOR'S REPORT

New administrative forms (for information only) presented by Amber in the beginning of the meeting.

Mr. Fuller adjourned the meeting at 12:19 p.m.

Minutes approved: May 22, 2017

Mike Fuller

Mike Fuller
Secretary