

**CITY OF PALMETTO
GENERAL EMPLOYEES'
PENSION BOARD OF TRUSTEES
June 3, 2013 - 8:30 A.M.**

Board Members Present:

Ray Dielman, Chair
Jim Freeman, Vice Chair
Matt Bloome, Secretary—(Arrived at 8:39 a.m.)
Ellen Leonard
Matt Misco
Allen Tusing

Board Members Absent:

Patty Persson

Staff and Others Present:

Scott Christiansen, Board Attorney
Doug Lozen, Foster & Foster
Charlie Mulfinger, Graystone Consulting
Scott Owens, Graystone Consulting
Amber Foley, Assistant City Clerk

1. Chairman Ray Dielman called the meeting to order at 8:36 a.m.

Mr. Dielman removed Item 8 from the agenda because Mr. Herranz is a member of the Police Pension.

2. APPROVAL OF MINUTES

Motion: Mr. Tusing moved, Mr. Freeman seconded, and the motion carried 6-0 to approve the February 25, 2013 minutes.

3. APPROVAL OF EXPENSES

- A) Christiansen and Dehner: Invoices Dated 2/28/2013, 3/31/2013, and 4/30/2013
- B) Graystone Consulting: Quarter ending December 31, 2012 (Investment Report)
- C) Foster and Foster Invoice# 4759

Motion: Mr. Freeman moved, Mr. Tusing seconded, and the motion carried 6-0 to ratify the paid expenses as presented.

4. DISTRIBUTION OF PENSION CONTRIBUTIONS

- A. Lappe Gonzales
- B. Kenneth R. Green, Jr.
- C. Michael Griffin
- D. Victor Pompey

Motion: Mr. Tusing moved, Mr. Bloome seconded, and the motion carried 6-0 to approve distribution of pension contributions as presented for Lappe Gonzales, Kenneth R. Green, Jr., Michael Griffin, and Victor Pompey.

5. INVESTMENT REVIEW

Mr. Mulfinger discussed the first quarter investment review summary. The Plan's portfolio was valued at \$10,043,520 as of March 31, 2013, a gain net-of-fees of \$539,477. He discussed the portfolio's total weighting of the equity investment, noting that the Plan is slightly overweight in stocks and underweight in fixed income. He recommended no rebalance was necessary at this time. Mr. Mulfinger reviewed the

performance of each manager and commented on the Compliance Checklist, explaining to the Board any non-compliance managers. A copy of the first quarter investment review summary is attached to and made a part of these minutes.

Mr. Mulfinger reviewed the Connors Investor Services Hedged Equity handout he gave to the Board. He recommended the Board use Connors Investor Services as a covered call manager to protect stocks. The covered call manager buys the stock and sells the right to someone else to buy it at a set price in the future. Whoever the manager sells it to pays the Plan for the right to buy it. The benefit of a covered call manager is that they will protect the Plan during a down market, but it also places a cap on the returns if the market goes up significantly. In summary, it is a way to protect the equity gains we have realized in the past few months. Mr. Mulfinger negotiated with Connors for a 30 basis points rate. A copy of the handouts are attached to and made a part of these minutes.

Mr. Mulfinger suggests taking 5 percent equity out of Large Capitalization Value and 5 percent equity out of Large Capitalization Growth, and adding the total of 10 percent equity to the Large Capitalization Core Manager/Fund. This will require a revision be made to the Investment Policy Statement (IPS). Attorney Christiansen noted that, if the Board decides to revise the IPS, the change to the Plan will not take place until 31 days after the adoption of the revision made.

Motion: Mr. Freeman moved, Mrs. Leonard seconded, and the motion carried 6-0 to change the Investment Policy Statement Section II [Traditional Asset Classes, Equity], to reduce the Large Capitalization Value Manager from 15 percent to 10 percent, reduce the Large Capitalization Growth Manager from 15 percent to 10 percent, and to increase the Large Capitalization Core Manager/Fund from 5 percent to 15 percent with the appropriate changes in the ranges.

Motion: Mr. Freeman moved, Mr. Bloome seconded, and the motion carried 6-0 to take 5 percent of the Large Capitalization Value Manager and 5 percent from the Large Capitalization Growth Manager and invest that [10 percent] in Large Capitalization Core Manager, Connors, pending the change to the Investment Policy Statement and Mr. Christiansen's approval of the contract [with Connors] and 24-hour notice from Mr. Mulfinger.

Mr. Mulfinger informed the Board that the total expected annual rate of investment return for the next year, the next several years, and the long-term thereafter shall be 7.5%.

6. 2012 ACTUARIAL VALUATION REPORT

Mr. Freeman discussed an article in the Herald about underfunded pension funds of Manatee County. Mr. Lozen stated that the Collins Institute assigns grades to funded ratios and his firm strongly disagrees with the critical status as stated in the article. These plans are always funded; as long as the cities contribute the percentage of payroll, the money will be there to pay when benefits are due.

Mr. Lozen presented the results of the October 1, 2012 Actuarial Valuation Report. He reviewed the recommendation for the City's contribution of 28.18% of payroll for this fiscal year and 31.30% of payroll for fiscal year 2014. Mr. Lozen explained the reasons for the increase in the contribution amount for fiscal year 2014. He is recommending a change to the mortality assumption to reflect a longer life expectancy. The impact of the new assumption is a little more than 1%.

Mr. Lozen discussed the Plan's funded ratio, which is a measure to determine if assets have kept pace with the liability, today's value of all future benefits that will ever be paid out. The Plan's current GASB funded ratio is just under 65% compared to an industry standard of 80%. Contributions and investment returns impact funded ratio percentage.

Motion: **Mr. Tusing moved, Mr. Bloome seconded, and the motion carried 6-0 to accept the October 1, 2012 Actuarial Valuation Report.**

7. PROPOSED ORDINANCE

This proposed ordinance amends Section 22-81, Definitions to amend the definition of Credited Service, Section 22-84, Finances and Fund Management, and Section 22-94, Maximum Pension, to comply with recent changes to the Internal Revenue Code (IRC) relating to tax qualified pension plans such as this plan.

Motion: **Mr. Freeman moved, Mr. Misco seconded, and the motion carried 6-0 to approve the proposed ordinance amending Section 22-81, definition of Credited Service, Section 22-84, Finances and Fund Management, and Section 22-94, Maximum Pension to comply with recent changes to the IRC relating to tax qualified pension plans and forward it to City Commission for consideration.**

8. CHANGE TO JOINT ANNUITANT

Retiree Richard Herranz would like to change his joint annuitant.

Action Request: **Motion to approve Richard Herranz's change of joint annuitant and to calculate his retirement option based on the information provided.**

No action was taken, this item was removed from the agenda.

9. ATTORNEY CHRISTIANSEN'S REPORT

Mr. Christiansen informed the Board that no pending pension bills were adopted at the last legislative session.

He explained that Senate Bill 534 is pending to require additional reporting to the State. The new report requires cities to redo their valuation and assume 2% less than what is being reported now and send that calculation to the State. Mr. Christiansen said another requirement will be for cities to generate a report indicating how long money will last in the plan if there were no longer any contributions. The third requirement will be for cities to provide a mortality table assuming a much longer life expectancy.

Mr. Christiansen discussed Senate Bill 50 that requires public comment be heard at each public meeting. He asked that an addition be made to allow public comment on the agenda.

Reminded the Board that financial disclosure forms are due July 1st.

Motion: **Mr. Tusing moved, Mr. Freeman seconded, and the motion carried 6-0 to approve that based on the advice of our investment consultant professionals, the Board of Trustees declare that the total expected annual rate of investment return for the next year, next several years, and the long-term thereafter shall be 7.5%, net of investment related expenses.**

10. NEW BUSINESS

None

Chairman Dielman adjourned the meeting at 10:22 a.m.

Minutes approved: August 26, 2013

Matt Bloome

Matt Bloome, Secretary