

CITY OF PALMETTO
GENERAL EMPLOYEES' PENSION BOARD OF TRUSTEES
August 30, 2021 - 8:30 A.M.

Board Members Present:

Jim Freeman, Chair
Allen Tusing, Vice Chair (Not Present)
Matt Bloome, Secretary (Entered the meeting at 9:25 a.m.)
Dale Hoffner
Ellen Leonard (Not present)
Mark Ingram
Cheryl Miller

Staff and Others Present:

Scott Christiansen, Board Attorney
Andy McIlvaine, Graystone Consulting
Scott Owens, Graystone Consulting
Doug Lozen, Board Actuary
Vanessa Cochran, Assistant City Clerk

Mr. Freeman called the meeting to order at 8:33 a.m., and the order of the items to discuss were switched. Certification of Ballots for the Elected Trustee Seat was presented first, and Agenda Approval followed.

1. AGENDA APPROVAL

Motion: Mr. Hoffner moved, Mr. Freeman seconded, and the motion carried 4-0 to approve the August 30, 2021 General Employees' Pension Board Agenda.

2. PUBLIC COMMENT

None

3. CERTIFICATION OF BALLOTS FOR THE ELECTED TRUSTEE SEAT

Motion: Mr. Hoffner moved, Mr. Freeman seconded, and the motion carried 3-0 to approve the Clerk's certification of the election for the Pension Board Trustees.

4. APPROVAL OF MINUTES

Motion: Mr. Ingram moved, Ms. Miller seconded, and the motion carried 4-0 to approve the May 24, 2021 minutes.

5. APPROVAL OF EXPENSES

- a.) Christiansen & Dehner, P.A. invoice dated May 31, 2021
- b.) Christiansen & Dehner P.A. invoice dated June 30, 2021

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- c.) Foster & Foster invoiced dated August 10, 2021
- d.) Christiansen & Dehner P.A. invoice dated June 30, 2021
- e.) Foster & Foster invoiced dated August 10, 2021

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

6. 2022 PENSION BOARD PROPOSED MEETING DATES

All meetings begin at 8:30 a.m. in the City Hall Commission Chambers.

- February 28, 2022
- May 23, 2022
- August 22, 2022
- November 28, 2022

Motion: Mr. Hoffner moved, Ms. Miller seconded, and the motion carried 4-0 to approve the 2022 Meeting Dates for the General Employees' Pension Board.

7. INVESTMENT REVIEW

Mr. Owens, Graystone Consulting, introduced Mr. McIlvaine and stated that he will provide the updates on the market and economy.

Mr. McIlvaine, Graystone Consulting, gave a brief summary of the added items Goal Review and Timeline Review to the Investment Policy Statement (IPS). He stated that there are concerns that the Delta Variant may affect the overall economic recovery through inflation and unemployment. Next, Mr. McIlvaine presented the highlights of the Market Returns for the Quarter.

Mr. Owens presented the Third Quarter Summary, and the summary is a part of the minutes. He stated for the quarter that the Portfolio is up over 5 percent; fiscal year up over 19 1/2 percent as of June 30th; and up over 21 percent year to date as of last week. Also, the Portfolio is valued at \$18,685,251. Mr. Owens reported that the Portfolio is slightly overweight in Equity and underweight in Madison Fixed Income. He requested that a motion be made to bring the Portfolio back into compliance and recommended bringing Equity back down to 64 percent and reinvest it into Madison Fixed Income.

Motion: Mr. Hoffner moved, Ms. Miller seconded, and the motion carried 4-0 to rebalance to be in compliance with the Investment Policy take the most overweighted asset class in equities and reduce it down to 64 percent overall for all equities and reinvest it into Madison Fixed Income.

Next, Mr. Owens discussed the individual performances of the managers for the quarter.

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In regards to the Annualize Performance and MSCI EAFE Index, Mr. Freeman asked why compare growth to net instead of net to net and referenced the Lazard Manager as an example. Mr. Owens explained that the reporting performance is in compliance with the Global Investment Performance Standards (GIPS). The net and gross return is reported on the summary page.

Mr. Owens discussed the UBS Private Real Estate and stated that he will return to this item for the Board to make a decision to keep it or select something else. Then, he reviewed the IPS Checklist and stated that it has 2 holdings with Madison that has a split rating. The Bond Manager reviewed it and advised that as the economy gets better, the split ratings will also, so we are in compliance. Next, Mr. Owens reviewed the Billing Summary and Policy Index History.

Discussion ensued about keeping UBS Private Real Estate. Mr. Owens reported that as of March 31st, the 25% discount received was \$4,183. He continued with discussing the fees associated with dropping and keeping 1/2 the money in UBS. Then, he presented the Board with two Alternative Investments, which were Black Creek and Starwood. The Alternative Investments were discussed and the underperformance of UBS. Discussion ensued with the recommendation to not make a change today, and requested that UBS, Black Creek, and Starwood performance ratings be provided at the next meeting, November 29, 2021.

8. COST OF LIVING DISCUSSION

Mr. Lozen presented the Actuarial Analysis of Cost of Living (COLA) Provisions. He stated that this COLA will be a one-time increase for certain retirees in payment status effective October 1, 2020. A chart of retirees who retired from December 29, 1993 through September 1, 2014 was provided to the actuary previously with the current monthly benefit amounts for the actuary to develop potential scenarios. The chart is a part of the minutes.

Prior to discussing the impact of the two COLA scenarios, Mr. Lozen stated the current Plan has a funded ratio of 100% and the City contributes 15.03% of payroll (approximately \$480,000 per year).

Mr. Lozen presented the Board with the two proposed Ad Hoc scenarios listed below:

- Scenario A created by the City – shows a sliding scale increase ranging from 10% to 3% depending on when the retiree retired from the City. Those who have been retired for longer terms would receive more than those who retired more recently. Under this scenario, no COLAs would be given for employees who retired after September of 2014. Scenario A would cost the City an additional \$34,000 per year amortized over 15 years instead of the lump sum of \$319,000. The City would amortize over 15 years. This scenario reduces the funded ration to 98%. The percentage of payroll increases to 16.09%.
- Scenario B created by Foster & Foster – Under this scenario, all participants in pay status including dropped retirees starting October 1, 2020 would be eligible for a COLA. Retirees would receive 2% for each full year of retirement as of October 1, 2020 up to a maximum of 10%.

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This scenario would cost the City \$84,000 per year amortized over 15 years instead of the lump of \$788,000. The City would amortize over 15 years. This scenario reduces the funded ratio to 95.3%. The percentage of payroll increases to 17.66%.

Discussion ensued on deciding a time frame to review Ad Hoc in the future. The last Ad Hoc COLA was in 1996 and applied for retirees who retired prior to 1990. The Board discussed that we should look at it informally on a more frequent basis such as every 5 years. Attorney Christiansen advised the Board that it cannot be written into the Plan because it becomes a regular COLA and would have to be projected out and is more expensive. However, it can be reviewed informally on a more frequent basis. Mr. Bloome inquired about the number of retirees and participants in the current Plan, and Mr. Lozen replied that there are 73 active participants and 52 retirees.

Mr. Freeman commented that if someone retires this past October those dollars are more current than someone who retired in 2000. He expressed that the arrangement done in 1996 included no increase for retirees if they retired within 5 years when the COLA was implemented. He suggested that this could be a starting point for the 2 percent for every year as proposed in scenario B as it would be less expensive for the Plan yet still achieve our objective. Next, Mr. Freeman announced that there isn't a full Board today, and Mr. Tusing, who initially requested to look at the COLA increase, is not present and should have the opportunity to provide input. Then, he asked if some of the gains listed in the Experience Study could offset some of the cost applied in the COLA. Mr. Lozen responded that the next evaluation should show a net actuarial gain that will probably cover Scenario A and will discuss more when the Experience Study is presented next.

After a brief discussion, the Board recommended that the item be brought back to discuss at the next meeting, November 29, 2021, when a full Board is present.

9. EXPERIENCE STUDY RESULTS

Mr. Lozen presented the results from the Experience Study, and the study is a part of the minutes. The current funded ratio is 100% and the City's funded requirement is 15% and noted that investment assumption and mortality are two of the more important assumption that funds the Plan. Long term, he expects the investment income will pay about 60% to 70% of benefits. The current investment rate assumption is currently 7% and Mr. Lozen discussed reducing it to 6.75%. Statewide 7% is in line with the average, but it is recommended that Cities starting look to reduce this investment return below 7%. Mr. Lozen recommended that the City consider keeping Actuarial Standard of Practice (ASOP) at least with Florida Retirement System (FRS) and use the gains that can be traded in for lower investment assumptions.

Mr. Hoffner inquired about the cost impact if the rate of return is lowered to 6.75% and the impact on scenario A COLA discussed earlier. Mr. Lozen answered that there will be a little increase, and the cost will be around \$40,000 versus the \$34,000 without the reduction.

Ms. Miller requested clarification on withdrawal rates. Mr. Lozen referenced page 10 and indicated this rate is a percentage of employees who are leaving the City. In this case, turnover is slightly higher than expected which is favorable to the plan.

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Mr. Lozen stated that if new assumptions are submitted that lowers the City's funding requirements and didn't lower the investments assumption, the Division of Retirement will not accept it. Mr. Lozen recommends accepting all of the assumption changes as presented and also reduce the investment return from 7% to 6.75%. When he returns with the evaluation report in a couple of months, he believes that the option 7 which reduces the return to 6.5% and also accepts all of the other assumptions should keep the City contribution around 15% of payroll. Then, you can revisited the Cola increase with the Commission.

Following a discussion on lowering the investment return assumption to 6.75%, the Board agreed to make a motion to accept lowering the investment return assumption to 6.75%.

Motion: Ms. Miller moved, Mr. Hoffner seconded, and the motion carried 5-0 to approve the Experience Study for the City and to adopt investment return of 6.75% for the General Employees' Pension effective with the October 1, 2021 evaluation (option #7 on Experience Study).

10. BENEFITS DISBURSEMENT APPROVAL

- a. DROP PARTICIPANT
 - Fletcher Mobley
- b. SEPARATED NON-VESTED EMPLOYEE
 - Catherine Dublin
 - Heather Reed
 - Karla Owens
 - Kenneth James
- c. SEPARATED VESTED EMPLOYEE
 - None
- d. RETIRED EMPLOYEES
 - Kenneth Green Sr.
- e. DECEASED RETIREES
 - None
- f. DECEASED ACTIVE EMPLOYEE PAYOUT
 - None

Motion: Ms. Miller moved, Mr. Bloome seconded, and the motion carried 5-0 to approve the Benefits Disbursements as presented.

11. NEW MEMBER ACKNOWLEDGEMENT (Informational Only)

- James Crunkelton

12. SEPARATED MEMBER ACKNOWLEDGEMENT (Informational Only)

- None

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13. ATTORNEY CHRISTIANSEN'S REPORT

Attorney Christiansen announced that everyone on the Board had filed their Financial Disclosure Forms.

Then, he addressed the PF-29 form and stated that an employee may complete it to elect an optional form of benefit if they reach normal retirement and keep working, they can select an optional form of benefit which would be effective if they die before they retire.

Attorney Christiansen mentioned the legal representation letter dated August 24, 2021 that was provided to the Board and stated that he will continue representing the Board.

14. PLAN ADMINISTRATOR'S REPORT

Ms. Cochran confirmed that Ordinance 2021-01 Internal Revenue Code was forwarded to Tallahassee and informed the Board of the upcoming Fall Trustee School, October 3rd thru October 6th, in Ponte Vedra Beach, FL.

Mr. Freeman adjourned the meeting at 10:55 a.m.

MINUTES APPROVED: NOVEMBER 29, 2021

MATT BLOOME

MATT BLOOME

SECRETARY