

**CITY OF PALMETTO  
GENERAL EMPLOYEES' PENSION BOARD OF TRUSTEES  
FEBRUARY 28, 2022  
8:30 A.M.**

**Board Members Present:**

Jim Freeman, Chair  
Allen Tusing, Vice Chair  
Matt Bloome, Secretary  
Dale Hoffner  
Mark Ingram  
Cheryl Miller  
Robert Urso (Not Present)

**Staff and Others Present:**

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

Chair Freeman called the meeting to order at 8:30 a.m. and conducted a roll call.

1. AGENDA APPROVAL

Agenda items were switched. Item 7, 2021 Actuarial Valuation Report, Item 8, Cost of Living Discussion were done first, and Item 6, Investment Review Followed.

**Motion: Mr. Hoffner moved, Ms. Miller seconded, and the motion carried 6-0 to approve the February 28, 2022 General Employees' Pension Board Agenda with changes.**

2. APPOINTMENT OF 7TH MEMBER TO THE GENERAL EMPLOYEE PENSION BOARD OF TRUSTEES

**Motion: Ms. Miller moved, Mr. Hoffner seconded, and the motion carried 6-0 to approve Mr. Bob Urso to the General Employee Pension Board of Trustees for a term ending January 2024.**

3. PUBLIC COMMENT

None

4. APPROVAL OF MINUTES

**Motion: Mr. Tusing moved, Mr. Hoffner seconded, and the motion carried 6-0 to approve the November 29, 2021 minutes.**

5. APPROVAL OF EXPENSES

a. ) First State Trust Company invoice dated October 8, 2021

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- b. ) First State Trust Company invoice dated 1/6/2022
- c. ) Christiansen & Dehner P.A. invoice dated November 30, 2021

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

**6. 2021 ACTUARIAL VALUATION REPORT**

Mr. Lozen, Foster & Foster, presented the 2021 Actuarial Valuation Report and the report is a part of the minutes. Last Fiscal Year, the required contribution was 15% of payroll, this Fiscal Year it dropped to 6.71% of payroll. Mr. Lozen discussed the two factors that contributed to the drop and stated that it involved the 2021 investment performance and paying off losses from 2 years ago by keeping close to 100% funding level.

Mr. Lozen stated that there were no Plan changes and discussed the assumptions changes from the Experience Study that were approved by the Board on August 30, 2021. Those changes were as follow:

- Investment Return reduced from 7 percent to 6.75 percent.
- Changed assumed individual salary increases 6.25 percent for those with less than 2 years of service, 4 percent for those with 2-4 years of service, 3.75 percent for those with 5 or more years of service.
- Changed the normal retirement rates result that were lower than previously assumed, while no changes to early retirement rates.
- Increased the assumed rates of terminations for most of the participants.

He expressed that the Plan has historically been funded very well and reached its 100 percent funding in Fiscal Year 2020 and has remained. He added that if the assumptions continue to be met, the Plan will have another 1.3 million dollars investment gain, and its 100% investment funding status could reach 102 to 105 over the next three years. The Board members expressed that they were pleased with the presentation and had no questions.

**Motion: Mr. Bloome moved, Ms. Miller seconded, and the motion carried 6-0 to accept the 2021 Actuarial Valuation Report.**

**7. COST OF LIVING DISCUSSION**

Mr. Lozen, Foster & Foster, presented the Actuarial Analysis of Cola Provisions. He reported that the current Plan has a credit of 1.9 million and is overfunded at 100.3%, and payroll is funded at 6.71%. He stated that the City will pay \$203,000 next year since \$492,000 was paid in fiscal year 2021 leaving the City's requirement for fiscal year 2022 and 2023 with an estimate \$300,000 decrease. Next, Mr. Lozen discussed the below COLA options.

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- Option A – Effective October 1, 2021, Ad Hoc one-time increase for certain participants equal to a flat dollar amount. The City will contribute an extra \$35,000 per year at a lower base line.
- Option B – Effective October 1, 2021, Ad Hoc (one-time increase) for all participants in pay status (including DROP Retirees) equal to a flat 2% for each full year of retirement as of October 1, 2021, up to a maximum increase of 10 percent. The City will contribute an extra \$78,000 per year.
- Option C – Effective October 1, 2021, Ad Hoc (one-time increase) for all participants in pay status (including DROP Retirees) equal to a flat 2% for each full year retirement as of October 1, 2016, up to a maximum increase of 10%.

After completing the presentation, Mr. Lozen informed the Board that after they make their recommendation, Attorney Christiansen will guide them through the process.

Mr. Freeman inquired about why the percentage increases for options A to C and the net pension liabilities are not proportion to the dollar cost. Mr. Lozen responded that the analyses are applied toward different ages and liability is based on life time.

Mr. Tusing suggested that the Board should consider a time frame when Cola increases could be reviewed because the last increase was done in 1995. Mr. Freeman communicated that a time frame was discussed at the November 29, 2021 meeting, and Attorney Christiansen advised that the current Plan does not allow an automatic increase and to change the Plan will be expensive, however, a comment can be added to include a time frame be reviewed. Attorney Christiansen expressed that when the Board makes the recommendation, an ordinance is required to change the Ad Hoc, so a section could be added with a comment to review Ad Hoc COLAS periodically.

After substantial discussion regarding the COLA options, the Board was prepared to make a motion.

**Motion: Mr. Hoffner moved, Mr. Tusing seconded, and the motion carried 6-0 to discuss Option C.**

Attorney Christiansen asked if the Board wants to include the 5-year review in the ordinance and have the ordinance presented at the next meeting on May 23, 2022. Mr. Freeman replied yes, and requested to have the previous motion modified.

**Motion: Mr. Hoffner moved, Mr. Tusing seconded, and the motion carried 6-0 to adopt Option C and incorporate a 5-year review of a potential COLA and instruct Attorney Christiansen to draft an ordinance and present it at the next meeting on May 23, 2022.**

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Before moving on to the next item, Mr. Freeman asked if there were any other questions. Mr. Ingram asked if both the 5-year review option and a small automatic COLA could be given. He explained that if the Ad Hoc is given incrementally, the amount will be lower and added that Mr. Lozen also mentioned that the cost would be low, so it seems both are affordable, or give a large COLA every 5 years.

Mr. Freeman expressed that he favors the 5-year review because it provides some flexibility to the Plan, and we will be able to determine the Ad Hoc based on how well the Plan is doing.

Ms. Miller inquired about the Ad Hoc effective date and was told that the contribution date is October 1, 2021.

Mr. Lozen discussed the Foster & Foster fee increase letter dated February 24, 2022, and the letter is a part of the minutes. He reported that the current fee per year is \$20,000 and the proposed increase fee is \$21,000, which is about a 7% increase. He stated that the proposed schedules will be adjusted with the Consumer Price Index (CPI), and the hourly rates are applied when special projects are requested. After completing the summary of the fee increases, Mr. Lozen welcomed comments and questions from the Board.

Mr. Freeman referenced page 2 of the fee increase letter and inquired about the no impact letter, the actuarial impact statement, and the member statements proposed \$25 fee. Mr. Lozen explained that the no impact letter has no changes in funding or liabilities, whereas, the Actuarial Impact Statement does, and both requires an ordinance. With regards to the member statements fee, it was determined company-wide that the member statements are becoming more complexed because the Cities are providing more data, and the manual adjustments are becoming time consuming. Also, currently the member statements are based on a 1 year pay and will change to a 5 year pay average; when the member gets closer to retirement age, the statement will be more accurate.

Mr. Freeman inquired about the Online Portal service listed in the fee increase letter. Mr. Lozen stated that the service is optional, and a presentation can be given if needed. Also, the changes to the chart rates and hourly rates starts October 1, 2022, and the Consumer Price Index (CPI) percentage change for the preceding 12 months period ending June 30, 2022 starts October 1, 2023.

**Motion: Mr. Tusing moved, Ms. Miller seconded, and the motion carried 6-0 to accept the fees as presented and instruct Attorney Christiansen to amend the contract as such without the Online Portal.**

Attorney Christiansen pointed out an error on page 2 of the fee increase letter pertaining to Footnote 2, Portal, "If the General Employees' Board also subscribes to the Portal," should be Police Officers' Board.

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### 8. INVESTMENT REVIEW

Before introducing Mr. McIlvaine, Graystone Consulting, to speak on the market and the economy, Mr. Owens gave a highlight of what will be discussed regarding the presentation. The presentation is a part of the minutes.

Mr. McIlvaine, Graystone Consulting, reported that due to the Federal Reserve pouring trillion of dollars into the economy, the market recovered, and we had another strong quarter. He reviewed the highlights of the market returns for the quarter and specified that value will continue to do better than growth.

Mr. Owens gave a highlight of the Market returns for the end of the quarter.

The Plan was valued at \$19,118,107 for the quarter. The Portfolio is little overweight in Equity and Fixed income, and underweight in Alternatives; however no changes are necessary due to the Portfolio continues to meet its targets. He discussed any manager that was not in compliance and stated that the total fund for fiscal year to date since September 30, 2021 is 2.99%. No change to be made to the Plan at this time.

Mr. Freeman inquired about Madison and UBS underperformances. Mr. Owens referenced Madison and believes there will be interest rate increases over the next 18 to 19 months and will review next quarter performance; UBS was chosen to compliment fixed income and delivered a positive performance this quarter. No recommended changes to Madison and UBS at this time.

### 9. BENEFITS DISBURSEMENT APPROVAL

- a. DROP PARTICIPANT
  - None
- b. SEPARATED NON-VESTED EMPLOYEE
  - Fidel Carranza
  - Kalin Hall
- c. SEPARATED VESTED EMPLOYEE
  - None
- d. RETIRED EMPLOYEES
  - None
- e. DECEASED RETIREES
  - None
- f. DECEASED ACTIVE EMPLOYEE PAYOUT
  - None

**Motion:**                      **Mr. Tusing moved, Mr. Bloome seconded, and the motion carried 6-0 to approve the Benefits Disbursements as presented.**

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10. NEW MEMBER ACKNOWLEDGEMENT (Informational Only)

- Albert Betancourt
- Carlos DuQue
- Jeremiah Radojcsics
- Maria Salazar

11. SEPARATED MEMBER ACKNOWLEDGEMENT (Informational Only)

12. ATTORNEY CHRISTIANSEN'S REPORT

Attorney Christiansen requested a recommendation on the asset allocation. Mr. Owens, Graystone Consultant, answered that 6.75% investment return is appropriate for the short term, immediate term, and long term thereafter. Attorney Christiansen requested that the Board make a motion regarding Mr. Owens' recommendation.

**Motion: Mr. Bloome moved, Ms. Miller seconded, and the motion carried 6-0 based on the advice from the consultant that the Board expects to get a 6.75% investment return for the next year, next several years, and long-term thereafter.**

Next, Attorney Christiansen reminded the Board of the Financial Disclosure forms requirements and stated that a new member is required to complete Form 1 within 30 days of appointment, and a member leaving the Board is required to complete Form 1F within 60 days after leaving the Board.

13. PLAN ADMINISTRATOR'S REPORT

None

Chair Freeman adjourned the meeting at 10:13 a.m.

MINUTES APPROVED: MAY 23, 2022

*MATT BLOOME*

MATT BLOOME

SECRETARY