

**CITY OF PALMETTO**  
**POLICE OFFICERS' PENSION BOARD OF TRUSTEES**  
**February 28, 2022**  
**11:00 A.M.**

**Board Members Present:**

Jim Freeman, Chair  
Micah Mathews, Secretary  
Mike Fuller  
Robert Rotondo  
Benjamin Schlabach (Entered the meeting at 11:14 a.m.)

**Staff and Others Present:**

John Thinner, & Co Consulting  
Scott Christiansen, Board Attorney  
Vanessa Cochran, Assistant City Clerk  
Mindy Johnson, Salem Trust  
Debbie Kocsis, Salem Trust

Mr. Freeman called the meeting to order at 11:00 a.m.

1. AGENDA APPROVAL

Mr. Freeman switched the order of the items on today's agenda and added Item 10 Salem Trust Custody Fee Analysis. After Item 7 approval of Expenses, Item 9 2021 Actuarial Valuation Report will be presented first followed by Item 8 Investment Review and Item 10 Salem Trust Custody Fee Analysis.

**Motion: Mr. Fuller moved, Mr. Rotondo seconded, and the motion carried 4-0 to approve the February 28, 2022 Police Officers' Pension Board Agenda as provided.**

2. PUBLIC COMMENT

None

3. CERTIFICATION OF BALLOTS FOR ELECTED TRUSTEE SEAT FOR TERM THAT ENDED DECEMBER 31, 2021.

**Motion: Mr. Fuller moved, Mr. Mathews seconded, and the motion carried 4-0 to approve the Clerk's certification of the election for the Police Officers' Pension Board of Trustees to Benjamin Schlabach for term ending January 2024.**

4. REAPPOINTMENT OF JIM FREEMAN TO THE POLICE PENSION BOARD FOR TERM ENDING JANUARY 2024 (INFORMATIONAL ONLY)

City Commission reappointed Jim Freeman to the Police Pension Board for a term ending January 2024.

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5. REAPPOINTMENT OF 5TH TRUSTEE TO THE POLICE PENSION BOARD

**Motion: Mr. Mathews moved, Mr. Rotondo seconded, and the motion carried 3-0 to approve Mike Fuller as 5th Trustee to the Police Pension Board for a term ending January 2024.**

6. APPROVAL OF MINUTES

**Motion: Mr. Mathews moved, Mr. Rotondo seconded, and the motion carried 4-0 to approve the November 29, 2021 minutes.**

7. APPROVAL OF EXPENSES

- a. ) Florida Public Pension Trustee Association invoice dated November 23, 2021
- b. ) Christiansen & Dehner, P.A. invoiced dated November 30, 2021
- c. ) Christiansen & Dehner, P.A. invoice dated December 31, 2021
- d. ) AndCo invoice dated December 31, 2021
- e. ) Sawgrass Asset Management invoice dated January 15, 2022
- f. ) Salem Trust invoiced dated 1/10/2022

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

8. 2021 ACTUARIAL VALUATION REPORT

Doug Lozen, Foster and Foster, presented the 2021 Actuarial Valuation Report. Last fiscal year, the required contribution was 18.33% of payroll; this fiscal year the required contribution is 13.61% of payroll. The leading factors to the contribution decrease is last year's investment performance and the unexpected number of passing retirees. Also, three-quarters of the gains in Fiscal Year 2021 has not yet been recognized, and if the assumptions are met, the Plan will exceed 100% funded over 3 years, and the City's funded requirements will be lower. Mr. Lozen announced that the total expected rate of investment return will be 6.75%.

Mr. Fuller asked if 6.5% was considered for the Experience Study and how many Plans have dropped below the 7% assumption. Mr. Lozen replied that if 6.5% is considered, payroll contribution would probably be around 17% instead of the 13.61%. And, some Plans have dropped below the 7% assumption specifically if they can afford it, but most open Plans are right around 7%.

Attorney Christiansen referenced page 13 of the Actuarial Valuation Report and asked why it is allowed to list normal cost as 18.8%, and the City's required contribution at 13.61%. Mr. Lozen answered that the Division of Retirements allows members and state contributions offsets.

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Mr. Lozen recapped the changes to the Actuarial Assumption/Method that was approved by the Board on August 30, 2021.

Next, Mr. Lozen explained how the Plan could move toward 100% funding over 3 years. The difference of the Market Value and Actuarial Value is 1.2 million dollars, which are credits, and the Unfunded Actuarial Accrued Liability is \$846,829, which is a payout on the house. Mr. Lozen expressed that these two factors will help the Plan reach the 100% funding over 3 years.

Mr. Lozen provided a graph and summary of the Plan's funding progress. He pointed out that since 2017, the funding status has been going up while lowering the assumption. As a result, the Plan's lowest investment assumption is 6.75% for the first time.

*Mr. Schlabach entered the meeting at 11:14 a.m.*

**Motion: Mr. Fuller moved, Mr. Mathews seconded, and the motion carried 5-0 to accept the 2021 Actuarial Valuation Report.**

Next topic discussed, Foster & Foster fee increase letter dated February 24, 2022, and the letter is a part of the minutes. Currently, the fee per year is \$20,000 and the proposed increase fee is about \$21,000. 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. Also, the proposed fee changes will go into effect next fiscal year October 1, 2022 except for the CPI fee changes will go in effect October 1, 2023. He specified that the Online Portal service is optional, and if the Board wants more information, a presentation is available. After completing the summary of the fee increases, Mr. Lozen welcomed comments and questions from the Board.

A brief question and answer period ensued regarding the various types of content and services the online portal will provide and how members are currently charged for statements. The Board decided to have the Online Portal item returned for discussion at the next meeting on May 23, 2022.

**Motion: Mr. Fuller moved, Mr. Freeman seconded, and the motion carried 5-0 to accept the fee changes as proposed and instruct Attorney Christiansen to modify the contract accordingly.**

Mr. Mathews inquired about a COLA for current Police Officers and retirees. There was substantial discussion regarding a one-time Ad Hoc and to include COLAs be reviewed every 5 years because the last COLA was done in 2005.

**Motion: Mr. Mathews moved, Mr. Fuller seconded, and the motion carried 5-0 to have Mr. Lozen, Foster & Foster, do a COLA Study similar to the approved General Employees' Pension.**

9. INVESTMENT REVIEW

Attorney Christiansen expressed that each time the Actuarial Valuation is approved, an expected rate of investment return is declared by the consultant, and Mr. Thinnis, &Co Consulting, declared that based on the Asset Allocation 6.75% is a reasonable expectation for the next year, the next several years, and the long term thereafter.

**Motion: Mr. Fuller moved, Mr. Mathews seconded, and the motion carried 5-0 to declare that based on the advice of our consultant, the Board expects to get a 6.75 % investment return for the next year, the next several years and the long term thereafter.**

Next, Mr. Thinnis presented the end of the quarter investment review. He reported that the Portfolio was valued at around \$17.5M at the end of the quarter and this morning it is currently at \$16.36M; a decrease of approximately 2% to 2.5% for the current fiscal year. Mr. Thinnis commented that during the November 2021 meeting, the Board requested information on how well the Domestic Equity Portfolio compares to the overall market. This information was provided to the Board regarding Anchor, T. Rowe, Vanguard 500, Vanguard Equity and Vanguard S&P. Also, the performance of each Manager was discussed.

Mr. Thinnis discussed page 37 of the Investment Performance Review. He stated that this page was added to indicate how the Plan ranks with other public plans.

In regards to the Fee Analysis sheet, he pointed out that the Plan historically hover around .06% for total investment cost.

Discussion ensued on selecting a large cap manager to potentially improve the Portfolio. Anchor and Vanguard are currently in the Portfolio; Dodge & Cox, Massachusetts Financial Services, Brandywine, and JP Morgan are options to replace current large cap manager.

Mr. Thinnis recommended to part way with Anchor All Cap Value and evenly split the proceeds between Dodge & Cox Stock and Brandywine Dynamic US LCV.

**Motion: Mr. Fuller moved, Mr. Mathews seconded, and the motion carried 5-0 to part ways with Anchor All Cap Value and evenly split the proceeds between Dodge & Cox Stock and Brandywine Dynamic US LCV.**

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Mr. Thinnex explained that the Plan will have 3 Managers, and a letter will be forwarded to Vanessa Cochran, Plan Administrator.

Discussion ensued regarding the selection of a small cap core. Delaware Large Cap is currently in the Plan; Delaware Small Cap Core, JP Morgan US Small Company, and Vanguard Small Cap Index are options to replace current small cap core manager. Mr. Thinnex expressed that he favors Mass Mutual.

**Motion: Mr. Fuller moved, Mr. Rotondo seconded, and the motion carried 5-0 to add 5% exposure of the funds to Mass Mutual small cap, and funds will come from every manager.**

Next, Mr. Thinnex discussed the index performance regarding interest rates from 1976 to the present and the Investment Policy Statement highlighting the Target Allocations and Fixed Income. He requested that the Board review the highlighted items for the next meeting scheduled May 23, 2022.

### 10. SALEM TRUST CUSTODY FEE ANALYSIS

Mindy Johnson, Salem Trust, gave a brief summary of Salem Trust's responsibilities as the custodian for the pension fund. Then, she discussed the hand-out, Custody Fee Analysis, and stated that the current annual fee is a flat fee of \$7,000 plus fees for extraordinary service that totals \$7,828. The proposed fee is a flat basic point fee of 4 1/2 with a minimum of \$7,000 and no extraordinary fees. And, when the market value grows, the fee will increase.

**Motion: Mr. Fuller moved, Mr. Rotondo seconded, and the motion carried 5-0 to accept the revised fee schedule and instruct to modify the contract accordingly.**

Ms. Johnson announced that she is retiring, and Debbie Kocsis will be her replacement. After Ms. Kocsis introduction to the Board, she discussed the new available Retiree Online "Pensioner Portal" service. Prior to considering the service, the Board requested that Salem Trust send a list of the online portal services that can or cannot be done to Attorney Christiansen to review and have the item brought back at the May 23, 2022 meeting.

### 11. BENEFITS DISBURSEMENT APPROVAL

#### a. DROP PARTICIPANT

- None

#### b. SEPARATED NON-VESTED EMPLOYEE

- None

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c. SEPARATED VESTED EMPLOYEE

- None

d. RETIRED EMPLOYEES

- None

e. DECEASED RETIREES

- None

f. DECEASED ACTIVE EMPLOYEE PAYOUT

- None

12. NEW MEMBER ACKNOWLEDGEMENT (Informational Only)

- Juan Barrera Izquierdo
- Devin Delorenzo

13. SEPARATED MEMBER ACKNOWLEDGEMENT (Informational Only)

- None

14. ATTORNEY CHRISTIANSEN'S REPORT

Attorney Christiansen asked Ms. Cochran if the approved Summary Plan Description from the November 29, 2021 meeting was distributed, and Ms. Cochran responded yes. Next, he reported that the legislation to possibly add Covid to the list of presumptively inline duty diseases is still pending and will update the Board at the next meeting on May 23, 2022.

15. PLAN ADMINISTRATOR'S REPORT

None

Mr. Freeman adjourned the meeting at 1:16 p.m.

MINUTES APPROVED: MAY 23, 2022

*MICAH MATHEWS*

MICAH MATHEWS

SECRETARY