

CITY OF PALMETTO
POLICE OFFICERS' PENSION BOARD OF TRUSTEES
MAY 23, 2022
11:00 A.M.

BOARD MEMBERS PRESENT:

Jim Freeman, Chair
Micah Mathews, Secretary
Mike Fuller
Robert Rotondo
Benjamin Schlabach

STAFF AND OTHERS PRESENT:

Scott Christiansen, Board Attorney
Doug Lozen, Foster & Foster
John Thinnes, AndCo Consulting
Cassi Bailey, Assistant City Clerk/Plan Administrator

Chair Freeman called the meeting to order at 11:00 A.M. and conducted a roll call. He introduced Ms. Bailey.

1. AGENDA APPROVAL

MOTION: **Mr. Rotondo moved, Mr. Fuller seconded, and the Motion carried 5-0 to approve the May 23rd, 2022, Police Officers' Pension Board Agenda.**

2. PUBLIC COMMENT

None

3. APPROVAL OF MINUTES

MOTION: **Mr. Mathews moved, Mr. Fuller seconded, and the Motion carried 5-0 to approve the February 28th, 2022, minutes as amended.**

4. APPROVAL OF EXPENSES

- a.) Anchor Capital Advisors LLC invoice dated 03/02/2022
- b.) Christiansen & Dehner, P.A. invoice dated 03/31/2022
- c.) Foster & Foster invoice dated 03/21/2022
- d.) AndCo invoice dated 03/31/2022
- e.) Salem Trust invoice dated 04/11/2022
- f.) Sawgrass Asset Management invoice dated 04/21/2022
- g.) Christiansen & Dehner, P.A. invoice dated 04/30/2022
- h.) Anchor Capital Advisors LLC invoice dated 04/27/2022

MOTION: **Mr. Mathews moved, Mr. Schlabach seconded, and the motion carried 5-0 to ratify the paid expenses as presented.**

5. INVESTMENT REVIEW

John Thinnes, AndCo Consulting, presented the end of the quarter investment review. He mentioned that there is an updated R & D, Receipts & Disbursement, letter that needed to be signed. The letter is to authorize Salem Trust to accept direction from John Thinnes of AndCo Consulting, if the balance in the R & D account goes below \$100,000. The numbers in the book, that he handed out to the Board, are as of March 31st. The numbers are even lower as of today. He is not anticipating a good year. This is the 8th straight week of a losing streak in the market. He went through all the managers and discussed each one. Mr. Thinnes highlighted the changes that were made after the last meeting. Anchor was removed from the portfolio. He continued to discuss the breakdown of the portfolio. Mr. Thinnes emphasized that Real Estate was the bright spot of the quarter. American Funds, our international manager, has done great over the last 7-8 years, but the last 2 quarters they have not done well. He attributes this to the Ukraine/Russia war and the lockdowns in China. He is still comfortable with them for the long haul. On the fixed income side, Bonds went down across the board. Principal real estate was up 7 % for the quarter, and almost 18% for the fiscal year.

Mr. Fuller questioned the net and gross numbers on pages 20 & 21 of the handout. Mr. Thinnes clarified. Mr. Fuller went on to ask, when they are comparing our plan to all public plans, is that all public plans regardless of size? Mr. Thinnes responded that it is a comparison of all plans. He stated that he will add a section comparing our plan to plans under 25 million in addition to the comparison with all size plans.

Mr. Fuller went over the Investment Policy Statement. He handed out an updated copy that was included with the minutes. He discussed changes that were made to the document. On page 2, the Table Asset Allocations, simple name changes, asset classes, target & ranges were updated. The domestic and international targets were left the same, but he broadened the ranges. He discussed his definitions of core and non-core fixed income. The Board asked Mr. Thinnes to define those terms in the policy. Core bonds are government obligations, investment grade corporates, and mortgages. Non-Core bonds are everything else. Mr. Thinnes continued to highlight changes that were updated throughout the document.

MOTION: Mr. Fuller moved, Mr. Mathews seconded, and the motion carried 5-0 to approve the Investment Policy Statement as presented with a description added for fixed income.

Mr. Thinnes explained options that could be done to help the portfolio. He believes that from a public equity standpoint, we are pretty well diversified. For a plan our size, there are two different options regarding private equities: Fund to Funds or Secondaries. A Fund to Funds is where a manager will allocate to other individual private equity funds. Secondaries are explained as, other municipalities that already have interests in private equities who sell their portion of that private equity fund on the secondary market. This manager buys them at a discount, then we can invest in that fund. The Board asked for Mr. Thinnes recommendation. Mr. Thinnes responded that he does not recommend doing either of these options at this time. It would take a long time to see the benefit of these returns.

Mr. Fuller would like to see historical rates of return and standard deviation for the 3 companies Mr. Thinnes referenced. He asked for Mr. Thinnes to bring that information to the next meeting. Mr. Thinnes clarified the information that Mr. Fuller was asking for. He proposed that with these funds, he can get their prior year net of fees and show how it would look in our book for the last 7 years, as compared to what we currently have.

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The option of pairing our International Manager with a Value Manager was discussed. Mr. Thinnes stated that it would have helped the plan over the last 2 quarters, in hindsight. Alternatives were also briefly mentioned. The Board asked for the definition of alternatives to be put in the book as well.

6. COST STUDY

Doug Lozen, Foster & Foster, presented the details of the cost study for the Police Pension Plan, mirroring Option C from the General Employees' COLA Study. The proposal would be retroactive to this past October 2021. It would be based on the complete number of years in retirement as of 10/1/16. There would be a onetime 2% increase for each year in retirement. The example was given that if a person retired on 10/1/15, they would receive a 2% increase because they would have been retired for one whole year as of 10/1/16. The individuals would receive a retroactive lump sum, then the increase would remain the same for monthly payments going forward. The maximum increase would be 10%. There will be no increase beyond that. The last time a COLA was done was in 2005 for the Police. The study that was conducted indicated this would cost the City approximately an additional \$62,000 per year. This would be about 3 ½ % of payroll. The funded ratio is currently 94.9%, the proposed change would bring the funded ratio down to 91.7%. The extra \$62,000/year being invested would bring the ratio back up over time. It increases the City's obligation for the following year. The Board asked if it is the City Commission who must approve the change. Mr. Lozen responded that if the Board wants to move forward, Attorney Christiansen will draft an Ordinance. The Board can then recommend it be presented to the City Commission for approval. Mr. Freeman clarified that the projected City's responsibility would go from 13.61% to 17.1% for the next fiscal year. The current year's funding is over 18%. The proposed funding requirement will still be less than the current year. Mr. Mathews asked how many people this affects in the retirement community. Mr. Lozen said it would affect everyone that retired before 10/1/16.

MOTION: Mr. Mathews moved, Mr. Rotondo seconded, and the motion carried 5-0 to direct Attorney Christiansen to draft an Ordinance from the COLA study.

Mr. Mathews moved, Mr. Rotondo seconded, and the motion carried 5-0 to amend the motion to include a provision for the Board to review the status of the current retirees every 5 years.

7. BENEFITS DISBURSEMENT APPROVAL

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

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8. NEW MEMBER ACKNOWLEDGEMENT (Informational Only)

- ~~Agustin Ramirez~~
- Michael Watson

9. SEPARATED MEMBER ACKNOWLEDGEMENT (Informational Only)

- None

10. ATTORNEY CHRISTIANSEN'S REPORT

Attorney Christiansen questioned if Mike Fuller's name was submitted to the City Commission after appointment at the last meeting. Mr. Freeman responded that he would verify.

Attorney Christiansen reminded the Board of the Financial Disclosure forms they will be receiving in the mail. They are due by July 1st.

He would like the FY23 proposed budget to be put on the agenda for the next meeting.

For informational purposes, Florida Retirement System, FRS, extended availability of DROP from 5 to 8 years for law enforcement officers. This does not apply to the City of Palmetto's Police Department.

At the last meeting, fee changes for Foster & Foster were approved. Attorney Christiansen provided a new contract to them, signed by the Board. The Board also approved an increase to Salem Trust at the last meeting, which was signed and sent.

Salem Online portal was discussed. Attorney Christiansen does not have a problem with retirees using the portal. He does not want members to be able to change the bank account information online. The members' name must be listed on a bank account to deposit their pension funds. They will need to continue to go through the plan administrator to make those changes. The rest of the online services are fine to use.

Motion: **Mr. Mathews moved, Mr. Fuller seconded, and the motion carried 5-0 to use the Salem Trust online portal system, without the ability to make changes to their banking information.**

There is no fee to use the online portal.

11. RESOLUTION 2022-01 DESIGNATING RMLO

MOTION: **Mr Fuller moved, Mr. Mathews seconded, and the Motion carried 5-0 to approve Resolution 2022-01 appointing Cassi Bailey as the Records Management Liaison Officer (RMLO).**

12. PLAN ADMINISTRATOR'S REPORT

None

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Mr. Mathews expressed his interest in joining the CPPT, Certified Public Pension Trustee, program.

Motion: **Mr. Freeman moved, Mr. Fuller seconded, and the motion carried 5-0 to approve Mr. Mathews to join the CPPT Program.**

Chair Freeman adjourned the meeting at 12:18 P.M.

MINUTES APPROVED: AUGUST 22, 2022

MICAH MATHEWS

MICAH MATHEWS

SECRETARY