

**CITY OF PALMETTO
POLICE OFFICERS' PENSION
BOARD OF TRUSTEES
June 1, 2015 - 11:00 A.M.**

Board Members Present:

Mike Stinson, Chair
Michael Becks
Coby Gaulien

Board Members Absent:

Mike Fuller, Secretary
Ryan LaRowe

Staff and Others Present:

John Thinnes, Bogdahn Group
Scott Christiansen, Board Attorney
Amber Foley, Assistant City Clerk

Chair Stinson called the meeting to order at 11:11 a.m.

1. AGENDA APPROVAL

Motion: Mr. Becks moved, Mr. Gaulien seconded, and the motion carried 3-0 to approve the June 1, 2015 Police Officers' Pension Board agenda.

2. PUBLIC COMMENT

None.

3. APPROVAL OF MINUTES

Motion: Mr. Gaulien moved, Mr. Becks seconded, and the motion carried 3-0 to approve the February 23, 2015 minutes.

4. APPROVAL OF EXPENSES

- A) Christiansen and Dehner: Invoices Dated 2/28/2015, 3/31/2015 and 4/30/2015
- B) Sawgrass Asset Management-Diversified Large Growth Equity Invoice Dated 4/8/2015
- C) Sawgrass Asset Management-High Quality Core Fixed Income Invoice Dated 4/8/2015
- D) Bogdahn Group Invoice #11887

Motion: Mr. Gaulien moved, Mr. Becks seconded, and the motion carried 3-0 to ratify the paid expenses as presented.

5. INVESTMENT REVIEW

John Thinnes, Bogdahn Group, discussed the first quarter review of the Plan. The Portfolio was valued at \$11,022,754, an increase of \$134,959. He explained that, for the Quarter, the Plan was in the 94th percentile for trailing returns. Mr. Thinnes stated that the Plan does not have any investments in the small cap equity, which created some of these problems. He reviewed each investment manager and explained how they did for the quarter.

Discussion ensued regarding the managers and the diversity of the Portfolio. At the next meeting, Mr. Thinnes will bring data back showing the fees and returns for adding a core manager to the Portfolio. A copy of the first quarter review is attached to and made a part of these minutes.

6. 2014 ACTUARIAL VALUATION REPORT

Doug Lozen, Foster & Foster, reviewed the October 1, 2014 Actuarial Valuation Report. He noted a slight decrease to the City's contribution as compared to last fiscal year. The City's contribution for fiscal year 2016 will be 26.96% of payroll.

Mr. Lozen discussed Senate Bill 172 that recently passed requiring a new mortality table to be adopted; one with a higher life expectancy similar to that used by the Florida Retirement System. This will have to be adopted on or before October 1, 2016. Mr. Lozen asked the Board if they would be interested in an early adoption of the new mortality table. He made the recommendations because he predicts that the most stability in funding for the Plan will occur in fiscal years 2016 and 2017. The Board discussed with Mr. Lozen the pros and cons of adopting the mortality table early.

Motion: Mr. Becks moved, Mr. Gaulien seconded, and the motion carried 3-0 to adopt Senate Bill 172, new mortality table, in the October 1, 2015 valuation subject to it becoming law.

Mr. Lozen discussed the unfunded actuarial accrued liabilities noting that, as of October 1, 2014, the amount is \$1,767,378 with an annual payment of \$162,334. He recommends doing a "fresh start" approach, consolidating the unfunded liabilities creating a one line liability and keeping the annual payment the same. Going forward, Mr. Lozen recommends a 10/20/30 approach. This means that any gains and losses will be amortized over 10 years. Any assumption changes (investment return or mortality table) will be amortized over 20 years and any benefit changes will be amortized over 30 years. This will create more stability and is consistent with what the State does with their pension.

Motion: Mr. Becks moved, Mr. Gaulien seconded, and the motion carried 3-0 to implement the "fresh start" approach in the October 1, 2015 valuation as recommended by Doug Lozen, Actuary.

Motion: Mr. Gaulien moved, Mr. Becks seconded, and the motion carried 3-0 to adopt the 10/20/30 amortization as described.

Motion: Mr. Becks moved, Mr. Gaulien seconded, and the motion carried 3-0 to accept the October 1, 2014 Actuarial Valuation Report.

Motion: Mr. Gaulien moved, Mr. Becks seconded, and the motion carried 3-0 to declare that based on the advice of our investment professionals and/or actuary, the Board of Trustees declare that the total expected annual rate of return of investment return for the next year, the next several years, and the long term thereafter shall be 7.5%, net of investment related expenses.

7. BENEFITS DISBURSEMENT APPROVAL

A. DROP PARTICIPANT

- NONE

B. TERMINATED NON-VESTED EMPLOYEES

- Kristopher Rossman

C. RETIRED EMPLOYEES

- None

D. DECEASED RETIREES

- None

E. DECEASED ACTIVE EMPLOYEE PAYOUT

- NONE

Motion: Mr. Becks moved, Mr. Gaulien seconded, and the motion carried 3-0 to ratify the benefits disbursements as presented.

8. NEW MEMBER ACKNOWLEDGEMENT (*Informational Only*)

- **None**

9. RESOLUTION 2015-01

A RESOLUTION OF THE BOARD OF TRUSTEES OF THE CITY OF PALMETTO POLICE OFFICERS' RETIREMENT PLAN, DESIGNATING A RECORDS MANAGEMENT LIAISON OFFICER AND ADOPTING A RECORDS RETENTION SCHEDULE.

Motion: **Mr. Becks moved, Mr. Gaulien seconded, and the motion carried 3-0 to adopt Resolution 2015-01.**

10. REVISED ADMINISTRATIVE FORMS (*Informational Only*)

Two new administrative forms were received by staff and given to the Board for informational reasons. Those were forms PF-1 and PF-7.

11. ATTORNEY CHRISTIANSEN'S REPORT

Attorney Christiansen reminded the Board to fill out and mail in their Form 1, Financial Statement, by July 1st.

He updated the Board on the tax qualification updates he discussed at the last meeting. He is working with the law firm in Indianapolis to finalize and bring forward to the Board at the next meeting.

Mr. Christiansen discussed Senate Bill 172 that has been signed by the Governor and will be effective July 1, 2015. It requires that each plan sponsor must create a share plan/supplemental defined contribution plan. The new share plan must be adopted upon entering into a collective bargaining agreement. Also, the union and the City have to mutually agree on the use of the premium tax revenues. Part of this agreement provides that half of the additional premium taxes received above the 2012 level must be split between special benefits paid into the share plan, with the other half being used by the plan sponsor to offset defined benefit plan costs. The parties are permitted to deviate from this default outcome by mutual consent. Mr. Christiansen explained that SB 172 establishes three separate outcomes for the use of premium tax revenue. First, share plans in existence on December 1, 2000 are exempt from 172. Second, the parties can mutually agree to use their premium taxes as they see fit. Third, if the parties do not mutually agree upon the use of premium tax revenue the default provisions in Section 175 and 185 will be triggered.

12. NEW BUSINESS

None.

Chair Stinson adjourned the meeting at 12:38 p.m.

Minutes approved: August 24, 2015

Mike Fuller

Mike Fuller, Secretary