

**DRAFT
CITY OF PALMETTO
POLICE OFFICERS' PENSION
BOARD OF TRUSTEES
August 29, 2016 - 11:00 A.M.**

Board Members Present:

Mike Stinson, Chair
Michael Becks
Coby Gaulien
Ryan LaRowe

Board Members Absent:

Mike Fuller, Secretary

Staff and Others Present:

Doug Lozen, Foster & Foster
John Thinnes, Bogdahn Group
Scott Christiansen, Board Attorney
Amber Foley, Assistant City Clerk

Chair Stinson called the meeting to order at 11:00 a.m.

1. AGENDA APPROVAL

Motion: Mr. Gaulien moved, Mr. LaRowe seconded, and the motion carried 4-0 to approve the August 29, 2016 Police Officers' Pension Board agenda.

2. PUBLIC COMMENT

3. APPROVAL OF MINUTES

Motion: Mr. LaRowe moved, Mr. Gaulien seconded, and the motion carried 4-0 to approve the May 23, 2016 minutes.

4. APPROVAL OF EXPENSES

- A) Christiansen and Dehner: Invoices Dated 5/31/2016, 6/30/2016, 7/31/2016
- B) Sawgrass Asset Management-High Quality Core Fixed Income Invoice
- C) Sawgrass Asset Management-Diversified Large Growth Equity Invoice
- D) Bogdahn Group Invoice #17245
- E) Anchor Capital Advisors Invoice for period 6/30/2016
- F) Foster & Foster Invoice #9064

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

5. INVESTMENT REVIEW

Mr. Thinnes explained that there have been recent changes to the Money Market Fund. Most of the Plan's accounts are in the Treasury or Government Money Market Fund with Anchor being in the Prime Money Market Fund. In conversations with Salem and other clients, it is Mr. Thinnes recommendation to have Anchor moved from the Prime Money Market Fund into the Treasury Fund; Anchor is fine with doing this. Mr. Thinnes has a letter from Salem Trust authorizing this and, if approved, will need to be signed by two trustees.

Motion: Mr. Becks moved, Mr. Gaulien seconded, and the motion carried 4-0 to replace Prime Money Market Mutual Fund to the Goldman Sachs Financial Square Treasury Obligation Fund.

Mr. Thinner presented the end of quarter investment review. As of the end of the quarter, the Portfolio was valued at \$11,241,918. Mr. Thinner discussed each manager's performance for the quarter and fiscal year to date. Mr. Thinner discussed the handout regarding real estate investments. The first handout showed how this Plan compares to other public plans that have real estate allocations with the second handout showing how this Plan compares to other public plans with real estate allocations less than \$50 million but more than \$10 million.

Mr. Thinner presented an increase in fee memo. He explained that since 2010 there has been no increase in Bogdahn's retainer fee of \$15,500 annually. The new proposed fee is \$19,500 guaranteed for three years. Discussion ensued regarding whether or not to ask for a request for proposal (RFP) regarding investment monitoring. The consensus was to not issue an RFP at this time.

Motion: Mr. LaRowe moved, Mr. Gaulien seconded, and the motion carried 4-0 to approve the proposed retainer fee of \$19,500 with an effective date of October 1, 2016 and authorize Attorney Christiansen to write an addendum to the Bogdahn contract.

6. EXPERIENCE STUDY RESULTS

Mr. Lozen presented the results from the recently approved experience study. He highlighted the salary increase experience on page 6 that shows the actual rate is lower than what was expected. Mr. Lozen addressed the withdrawal rate on page 10 which shows the actual rate as much higher than was expected.

Mr. Lozen reviewed the conclusions page with a summary of results. He noted that currently the City is required to contribute 29.28% of payroll or about \$436,032. If the Board adopts the new salary scale assumption of 5.31%, the City's contribution would be lowered to 25.76% of payroll. Mr. Lozen created a "blend" (noted as combination on the summary of results) that shows both assumptions (salary and withdrawal) and what the City's contribution would be based on adopting both assumptions with a 7.50% investment rate of return, 7.25% investment rate of return, and 7.00% investment rate of return. Mr. Lozen recommended the combination with either a 7.25% or 7.00% investment rate of return. Discussion ensued regarding the investment rate of return being lowered to 7.25% or 7.00%. Based on the discussion, Mr. Lozen stated that it may be best for the Board to select the combination with 7.25% investment rate of return which will drop the City's contribution to 26.64% and then over the next two years lower the investment rate of return to 7.00%.

Motion: Mr. Becks moved, Mr. Gaulien seconded, and the motion carried 4-0 to approve the Experience Study as presented choosing to adopt the combination assumptions with 7.25% investment rate of return for the first year, then reduce it to 7.10% in 2017 and 7.00% in 2018.

Mr. Lozen informed the Board that the 7.25% will be established in the October 1, 2016 Actuarial Valuation and will impact the City's FY2017-2018 budget.

Mr. Thinner will revise the Investment Policy Statement to amend the assumed actuarial rate of return to 7.25% (net-of-fees).

7. ADDENDUM TO THE OPERATING RULES AND PROCEDURES

A new section, 11.5, was added to the Operating Rules and Procedures as requested at the last meeting. Previously, each vested member could have an unlimited amount of actuarial studies paid for at the Plan's expense. This section changes that to reduce the unlimited to only two actuarial studies per vested member will be paid for at the Plan's expense.

Motion: Mr. Becks moved, Mr. Gaulien seconded, and the motion carried 4-0 to approve the addendum to the Plan's Operating Rules and Procedures.

8. FY 2016-2017 POLICE PENSION BUDGET

Due to the recent motion today to increase the fees for Bogdahn, the budget [required to satisfy the Florida Statutory reporting] will be increased to \$61,300.

Motion: Mr. Gaulien moved, Mr. LaRowe seconded, and the motion carried 4-0 to adopt the FY 2016-2017 Police Pension Budget with a revised total of \$61,300.

9. BENEFITS DISBURSEMENT APPROVAL

A. DROP PARTICIPANT

- NONE

B. TERMINATED NON-VESTED EMPLOYEES

- NONE

C. TERMINATED VESTED EMPLOYEES

- Adam Spatafora—Left money in the Plan.

D. RETIRED EMPLOYEES

- Mike Johnston—was in DROP, now retired

E. DECEASED RETIREES

- NONE

F. DECEASED ACTIVE EMPLOYEE PAYOUT

- NONE

Motion: Mr. LaRowe moved, Mr. Gaulien seconded, and the motion carried 4-0 to approve the benefit disbursements as presented.

10. NEW MEMBER ACKNOWLEDGEMENT (*Informational Only*)

- None

11. ATTORNEY CHRISTIANSEN'S REPORT

Attorney Christiansen stated that the Plan should be receiving \$114,200 in State money soon.

Mr. Lozen discussed the ad hoc COLA to retirees as discussed at the last meeting. He will obtain the information regarding net actuarial gains since 2005 and bring forward his opinions at the February meeting. If the net actuarial gains will cover the entire cost of an ad hoc COLA then the Plan has the option of using the gains to do so.

12. PLAN ADMINISTRATOR'S REPORT

Ms. Foley stated that per the Operating Rules and Procedures the Board is to select an election date for the issuance of ballots in the event there is an election for Mr. Stinson's seat. The Board selected November 14th as the date to have Ms. Foley issue ballots in the event an election is to take place.

Mr. LaRowe questioned if in the actuarial report a page should be included to reflect the net actuarial gains. Mr. Lozen stated that he can do that and the consensus of the Board was to have Mr. Lozen start including that page in the Report.

Chair Stinson adjourned the meeting at 1:08 p.m.

Minutes approved:

Michael Fuller, Secretary