GENERAL PENSION BOARD

MINUTES

JANUARY 15, 2015

8:30 A.M.

CALL TO ORDER

PLEDGE OF ALLEGIANCE

ROLL CALL

PRESENT:

William Palmer, Member
Joanne Lentino, Member
Ray Radvilavicius, Member

ABSENT:

William Schroeder, Chairman

ALSO PRESENT:

David Wheeler, Graystone Consulting Tampa
Lynn Skinner, Salem Trust
Mark Rhein, Salem Trust
Patrick Donlan, Foster & Foster
Lee Dehner, Christensen & Dehner
Mary Jo Murphy, Deputy City Clerk

1. Changes to the Agenda

There were no changes to the agenda.

2. Audience Comments

There were no comments from the audience.

3. Approval of Minutes

a. October 16, 2014 – Quarterly Meeting

Member Lentino made a motion to approve the minutes for 10/16/14. The motion was seconded by Member Radvilavicius and unanimously approved by a voice vote.

4. Payment of Invoices

Christiansen & Dehner, P.A.	Inv # 25909, 12-31-14	895.09
Anchor Capital Advisors	07-01-14 to 09-30-14	2,434.22
Salem Trust	10-01-14 to 12-31-14	2,700.00
Foster & Foster	Inv # 6776	14,297.00
Cutwater Asset Management	07-01-14 to 09-30-14	2,373.85
Morgan Stanley	10-01-14 to 12-31-14	3,625.00

Member Radvilavicius made a motion to approve the invoices as presented. The motion was seconded by Member Palmer and unanimously approved by a voice vote.

5. Reports

a. Graystone (Morgan Stanley) Consultant – Quarterly Report

David Wheeler, Graystone Consulting Tampa, provided handouts entitled "Quarterly Performance Summary as of December 31, 2014" and "Quarterly Performance Evaluation as of December 31, 2014" for the Board members. There was Board discussion in regard to the summaries.

Lee Dehner, Christensen & Dehner, asked Mr. Wheeler for an update in regard to Salem Trust and U.S. Fiduciary Services. Mr. Wheeler responded that he did not have an update but that Salem Trust representatives were present to specifically discuss the topic. Mr. Wheeler offered to prepare an independent appraisal for the next meeting. Attorney Dehner stated that he had previously asked Mr. Mulfinger to monitor the situation and to provide an update for today's meeting. Attorney Dehner stated he had also requested a synopsis in writing from Brad Rinsem, CEO of Salem Trust, to present to the Board. Mr. Wheeler offered his apologies but agreed the Board could be affected because the business itself could be at risk.

b. Salem Trust Company

Lynn Skinner, Salem Trust Company, introduced Mark Rhein, Chief Operating Officer of Salem Trust, to the Board.

Mark Rhein, Salem Trust Company, spoke with the Board in regard to the fraud perpetrated against one of Salem Trust's sister companies, Pennant Management, Inc. Mr. Rhein explained to the Board that the fraud is in the amount of approximately 180 million dollars. Salem Trust has identified 130 million dollars of the assets that were part of the fraud. As a potential future consequence, if there is nothing gained from the sale of the assets, it would be a significant negative event on Salem Trust, and Salem Trust will be sold. As Attorney Dehner requested, Brad Rinsem, CEO, has drafted a letter to provide information on the status of the fraud. The letter is currently under review by attorneys before distributing due to litigation.

There was Board discussion between Mr. Rhein and the Board in regard to Salem Trust being a victim of fraud.

Attorney Dehner commented that it is the responsibility for the consultants to do due diligence on the custodians and to make recommendations as required.

Ms. Skinner suggested tabling the discussion of custody fees to the next meeting. Member Palmer stated it would be put on the agenda for the next meeting.

c. Foster & Foster - Actuarial Valuation Report

Attorney Dehner suggested discussing Item 6b, Senate Bill 534, at this time in the meeting.

a. Senate Bill 534: decision on additional calculations

Attorney Dehner stated the issue that was tabled to today's meeting was Senate Bill 534 that requires certain calculations be performed, and the decision for the Board today is whether or not to authorize the actuary to do a calculation of what the liabilities and funding costs would be assuming that 2 percent more is earned than what the assumed rate is. The filing requirements are: (1) file with the Division of Retirement within 60 days of the approval of the valuation report and (2) publish on the City website.

Patrick Donlan, Foster & Foster, informed the board the fee to do the additional calculation is $500.

Member Radvilavicius made a motion to approve the additional $500 fee for the plus 2 percent calculation. The motion was seconded by Member Palmer and unanimously approved by a voice vote.

Patrick Donlan, Foster & Foster, reviewed the projection of all the future retirement benefits and his report entitled "City of St. Pete Beach General Employees' Retirement System, Actuarial Valuation Report as of October 1, 2014, Contributions Applicable to the Plan/Fiscal Year Ended September 30, 2016." Mr. Donlan asked the Board to approve the Valuation report, and he would submit it to the State and Ms. Elaine Edmunds, Administrative Services Director with the City of St. Pete Beach.

Member Radvilavicius made a motion to approve the valuation report. The motion was seconded by Member Palmer and unanimously approved by a voice vote.

Attorney Dehner instructed the Board that they needed to approve by motion the total expected annual rate of return for the fund and what is reasonable to expect for the current year, the next several years, and the long-term thereafter.

Mr. Wheeler's recommendation to the Board on the long-term is 7.75 at the high end of the expected range, and the current year would be approximately 50 percent probability based on modeling. Mr. Wheeler stated the current year had not been modeled for this particular plan and would have to be prepared for the next meeting.

Mr. Donlan suggested using 7.75 now for the declaration but to re-visit the amount this summer and lower it with the next year's report.

Mr. Wheeler reiterated to the Board that they were comfortable with 7.75 over the long-term within reasonable probability.

Attorney Dehner informed the Board that the statute called for the time periods of current, intermediate, and long-term and one number is generally used.

Member Lentino made a motion that the Board has determined the expected annual rate of return for the current year and the next several years, and the long-term thereafter will be 7.75 percent. The motion was seconded by Member Palmer and unanimously approved by a voice vote.

Attorney Dehner instructed the Board that this needs to go in correspondence to Tallahassee, a copy to the City, and a copy to Patrick Donlan.

6. New/Old Business

b. Vacant board seat

Member Lentino informed the Board the vacant board seat was in the St. Pete Beach E-Newsletter on November 21. The information stated the volunteer had to have a background in finance. Attorney Dehner informed the Board that the volunteer did not have to have financial experience. The person needs to be able to exercise reasonable judgment and make a determination based on the recommendations that the Board receives from their consultants. Member Lentino added there was some discussion as to how the seat was going to be put in a public statement and that the City Clerk is going to finalize the procedure for the recruitment of the vacant seat.

7. Attorney Report

Attorney Dehner informed the Board of a legislative update with regard to one bill that could impact the Board, Senate Bill 242. The bill would require the Board to use the same mortality table with mortality assumptions used by the Florida Retirement System. Attorney Dehner stated he would keep the Board updated in regard to Senate Bill 242.

8. Adjournment

There being no further business, the meeting was adjourned at 10:20 a.m.

Attest:

Rebecca C. Haynes, City Clerk

Bill Palmer, Secretary

Minutes approved on: 4/16/15