GENERAL PENSION BOARD

MINUTES

APRIL 16, 2015

10:30 A.M.

CALL TO ORDER

PLEDGE OF ALLEGIANCE

ROLL CALL

PRESENT:

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

ALSO PRESENT:

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

1. <u>Changes to the Agenda</u>

Member Palmer asked to make the following change to the agenda:

- Add discussion about Custodian Fees with Salem Trust.

Attorney Dehner commented that there were several topics to review in regard to Salem Trust. Chairman Schroeder suggested including the topic of Custodian Fees during No. 5, "Reports, Salem Trust Company."

Member Palmer asked to make the following change to the agenda:

- Remove No. 6D, "Gibson & Wirt, Inc. – Fiduciary Liability Insurance Renewal."

Member Palmer stated the renewal had not been received. Chairman Schroeder asked Attorney Dehner if direction could be given to Member Palmer to renew the Fiduciary Liability Insurance if the invoice is deemed to be a reasonable amount when received. Attorney Dehner stated yes if it was a reasonable amount, but if there was a question, to bring it back to the Board for discussion. Therefore, Chairman Schroeder stated to keep the item on the agenda.

2. Audience Comments

There were no comments from the audience.

3. Approval of Minutes

Member Palmer stated that Mr. Wheeler, Graystone, wanted to comment on the minutes.

In regard to the January 15, 2015 minutes, Mr. Wheeler commented that Attorney Dehner made a statement that it was Graystone's responsibility to monitor and provide a report on the custodian, Salem Trust. Mr. Wheeler stated that Graystone did not have that capability.

Chairman Schroeder asked what sentence in the minutes Mr. Wheeler was referring to. Member Lentino read the following sentence: "Mr. Wheeler offered to prepare an independent appraisal for the next meeting." Mr. Wheeler explained that if he mentioned an appraisal, he would have been referring to an asset allocation study and would have not been an appraisal regarding Salem Trust. Attorney Dehner replied to Mr. Wheeler that he may receive information from time to time with respect to Salem Trust, and it is expected to be reported to the Board, which is one of his obligations as a fiduciary.

Chairman Schroeder asked Attorney Dehner if the minutes should be amended. Attorney Dehner stated the minutes were actually accurate, and that the minutes of today's meeting will reflect that.

> **Member Palmer made a motion to approve the minutes for January 15, 2015. The motion was seconded by Member Radvilavicius and unanimously approved by a voice vote.**

4. Payment of Invoices

Christiansen & Dehner, P.A.	Inv # 26103, 01-31-15	1,009.05
Anchor Capital Advisors	10-01-14 to 12-31-14	2,386.91
Salem Trust	01-01-15 to 03-31-15	2,700.00
Cutwater Asset Management	10-01-14 to 12-31-14	2,331.39
Morgan Stanley	01-01-15 to 03-31-15	3,625.00

> **Member Lentino made a motion to approve the payment of invoices collectively. 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 March 31, 2015 and Quarterly Performance Evaluation as of March 31, 2015" for the Board members. There was Board discussion in regard to the summaries.

Mr. Wheeler commented that the fixed income is starting to be below the minimum of 30%. Chairman Schroeder inquired how to make a change in dictating how the money is taken out. Ms. Skinner, Salem Trust, commented that it is set at percentages for each of the investments. Mr. Wheeler suggested doing a one-time rebalancing.

For this meeting, Chairman Schroeder suggested the Board approve to move 5% of the large cap into the fixed income so it is at 35%. Chairman Schroeder also asked Mr. Wheeler to work with Ms. Skinner and come back with a recommendation during the next meeting. Mr. Wheeler agreed. Chairman Schroeder further asked that the letter state that as part of the policy that in no event the fixed income would be able to drop below 30%.

Mr. Wheeler continued to review the summary with the Board.

Chairman Schroeder asked Mr. Wheeler for a page with a fee analysis to be included in the report from Graystone on a quarterly basis. Mr. Wheeler agreed.

Mr. Wheeler further explained the summaries to the Board.

Mr. Wheeler offered to answer questions from the Board. There was Board discussion between Mr. Wheeler and the Board members in regard to the summary.

Mr. Wheeler presented the Board with a document entitled "City of St. Pete Beach General Employees' Pension Plan, Asset Allocation Analysis, April 16, 2015." Mr. Wheeler stated that the analysis supports Mr. Mulfinger's letter which states that a 7.75% net return is at the high-end of expectations. Mr. Wheeler suggested that this is a topic that should be discussed among the Board.

b. Salem Trust Company

In anticipation of the SSAE 16 Report and an update with Pennant Management, Ms. Skinner advised the Board it would be best for the Board to table the discussion of custodian fees until a future date.

Ms. Skinner introduced Mark Rhein, Chief Operating Officer, to the General Pension Board.

Mr. Rhein updated the Board as to how Salem Trust is proceeding with the situation of the fraud involved with Pennant Management. The amount of the fraud was approximately 180 million dollars. The assets that were discovered total 135 million dollars. The USDA did guarantee this loan, and there is a suit filed against the USDA.

Mr. Rhein informed the Board the result received from the SSAE 16 Report (Statement on Standards for Attestation Engagements), a review of operating standards and controls, was an adverse opinion. In summary, in the report there was an inability to attest to the controls because the source documents were not retained. As a result, there are weekly reviews and updates in place. Mr. Rhein stated Salem Trust is aware of the deficiencies and is confident that the adverse opinion will not be duplicated.

Mr. Rhein offered to answer questions of the Board, and there was no discussion between Mr. Rhein and the members of the Board. Chairman Schroeder thanked Mr. Rhein for the update.

Attorney Dehner commented that he has been monitoring the situation with the fraud, and it is going to be a lengthy process. The concern for the Board is a disruption of service. Attorney Dehner suggested the Board should discuss monitoring the situation or direct Attorney Dehner to prepare an RFP for a custodian, understanding there's no termination of Salem Trust at this time.

> **Member Lentino made a motion to prepare an RFP for custodial services in the event Salem Trust is hindered from providing the best services for the General Employee Pension fund. The motion was seconded by Member Radvilavicius and unanimously approved by a voice vote.**

6. New/Old Business

a. Mr. James Rossi – General Pension Board Seat Vacancy

Chairman Schroeder stated that the Board needed to make a motion for the appointment of the fifth seat, and then the City Commission would be asked to affirm the Board's action.

Chairman Schroeder introduced Mr. James Rossi to the General Pension Board. Mr. Rossi gave a brief biography to the Board. There was a brief question and answer session between Mr. Rossi, the Board members and Attorney Dehner.

Member Lentino made a motion to approve James Rossi as the fifth seat on the General Employee Pension Board. The motion was seconded by Chairman Schroeder and unanimously approved by a voice vote.

b. Cutwater Asset Management – Consent to deal with our agent.

Ms. Skinner explained that Cutwater Asset Management is using Northern Trust to reconcile positions and instruct holding and cash movement across accounts. Therefore, there is a letter that needs to be signed to authorize Salem Trust to work with Northern Trust.

Member Radvilavicius made a motion to sign the letter from Cutwater Asset Management. The motion was seconded by Member Palmer and unanimously approved by a voice vote.

c. Foster & Foster – Actuarial Experience Study

Member Palmer informed the Board that Patrick Donlan, Foster & Foster, recommended the Board execute the study. Member Palmer informed the Board the cost would be $1500. Attorney Dehner commented that the study should be done periodically and that $1500 is a reasonable cost.

Member Palmer made a motion to ask Foster & Foster to do an Actuarial Experience Study. The motion was seconded by Member Lentino and unanimously approved by a voice vote.

d. Gibson & Wirt, Inc. – Fiduciary Liability Insurance Renewal

Chairman Schroeder suggested for someone to make a motion to give Member Palmer the authority to renew the Fiduciary Liability Insurance.

Member Lentino made a motion to approve giving the responsibility to Member Palmer the ability to sign off on the Fiduciary Liability Insurance Renewal for the General Employee Pension Board, which includes a waiver of recourse for board members.

Attorney Dehner commented that typically there is a separate premium for the waiver of recourse which will be paid by the City.

The motion was seconded by Member Radvilavicius and unanimously approved by a voice vote.

7. Attorney Report

Attorney Dehner gave a legislative update to the Board as follows:

- In regard to Senate Bill 534, this bill requires calculations to be prepared by the actuaries. Foster & Foster will take care of this as soon as the format is available.
- Senate Bill 242, if passed, would require local plans to use the same mortality tables and mortality assumptions used by the FRS (Florida Retirement System).
- Senate Bill 224, if passed, would add a requirement for each consultant contract that Attorney Dehner prepares, Attorney Dehner will have to put a notification that their records may be subject to a public records request and to identify an individual to contact if there are any questions.

Attorney Dehner reminded the Board that the "Form 1, Statement of Financial Interests, 2014" forms are due by July 1, 2015.

Attorney Dehner informed the Board there is a minimum statutory requirement, with respect to trustee education, that at least once a term trustees receive education in two areas: investment related and legal. The Police Pension Board Police will be sponsoring a trustee education conference in the City of St. Pete Beach's City Hall in the Commission Chambers on September 9, 2015. Chairman Schroeder suggested co-sponsoring the conference with the Police Pension Board.

Attorney Dehner apprised the Board the Division of Retirement is having its annual conference in Tallahassee, Florida at the State Conference Center on June 2nd, June 3rd and June 4th, 2015.

8. Adjournment

There being no further business, the meeting was adjourned at 11:59 a.m.

Attest:

Rebecca C. Haynes, City Clerk

William Schroeder, Chairman

Minutes approved on: 10/15/15