POLICE PENSION BOARD

November 5, 2010
1:00 pm

MINUTES

CALL TO ORDER

PLEDGE OF ALLEGIANCE

ROLL CALL

PRESENT

Bob Rogers
Officer J.R. Raleigh
Officer Bruce Johnson
Jerry Gorup

NOT PRESENT

Officer Scott Collins

ALSO PRESENT

Pamala Prell, Deputy City Clerk, MMC

1. <u>Approval of Minutes</u>

Mr. Rogers made a motion to approve the Minutes of the July 22, 2010 meeting. The motion was seconded by Officer Raleigh. The motion was approved by a unanimous voice vote.

Sgt. Johnson asked that two items be added to the Agenda. One is an invoice from the attorney dated 09-30-10 and the other is appointment of the Secretary and Mr. (which was added to the end of the agenda).

2. <u>Review/Approval of Invoices</u>

Mr. Rogers questioned who receives the invoices, who reviews them and who pays them. Mr. Gorup asked if the invoices be provided to the Board members prior to the Meetings for their review.

Mr. Rogers stated that he would prefer that the Board approve the invoices prior to authorizing their payment. Attorney Dehner advised the Board that they are only ratifying payment of the invoices, not approving them. He also advised that any overpayments could be deducted from the next invoice that is submitted.

3. <u>Reports</u>

Patrick Donlan of Foster and Foster gave his Annual Valuation Report and Quarterly Report by speakerphone.

Mr. Rogers questioned Mr. Donlon regarding unfunded liability.

Mr. Gorup asked if the salary increases take into consideration both performance and annual cost of living increases.

Mr. Rogers asked if the Board reduces the assumption rate from 8.5% to 8% would that generate about $70,000 in additional funding. Mr. Donlan replied that payroll is currently 1.4 million dollars, and if they make all the recommended changes to their assumptions including an 8% investment return, that would be 5.6% of payroll which would be about $80,000.

Bogdahn Group

Mr. Nash addressed the Board and presented his Quarterly Report. First he went over the Investment Performance Review and reported that the fiscal year ended with some good numbers.

The next item Mr. Nash brought up was the Compliance Check List. He pointed out that a line has been added that is titled "Manager Report Compliance with PFIA", which is Protecting Florida's Investment Act. That is a result of some legislation that went into effect that says that all Fire & Police Pension Plans in the State of Florida cannot own any companies on a list, produced by the State, that has scrutinized companies, basically companies that are doing business with Iran or Sudan.

Mr. Nash reported that their managers do not own any so they are in compliance with Florida law.

Mr. Nash brought up their Investment Policy Statement which the City Commission changed by Ordinance regarding many aspects of the Plan but specifically changed some investment rules giving them a little more latitude; now they can have up to 25% invested in international.

They updated their target and ranges that they can be investing in and also included all the benchmarks that would be appropriate for the Plan so the main change under international, the target went from 10% to 15% and the upper range is 20% and the maximum limit in the Plan is 25%.

The second change under Limitations, Item #1, which says that common stock and convertible bonds will not exceed 75% at market. Foreign securities will not exceed 25% of the market value of the Plan. They go further to define international to align theirs with the common thinking of the State and basically it says that if your company is domiciled outside the US, they consider them foreign or if they are considered an AVR, you are also considered foreign. Real Estate Investment Trusts or regular real estate or real property cannot exceed 15% of the Plan at market.

The scrutinized company language which needs to be there going forward is shown; Absolute Restrictions, #3, basically tells their managers here's the web site for the State's list, look at it on a quarterly basis; if you own any of these companies, there's information on the proper disposition of those securities.

There is an Addendum for each manager that clarifies what their index is.

If acceptable to the Trustees, Mr. Nash asked for approval so he can send it off to the State and City.

Mr. Dehner pointed out that the effective date will be thirty-one (31) days after it's filed with the City.

Bob Rogers made a motion to approve the Investment Policy Statement as presented. The motion was seconded and unanimously approved.

Mr. Nash provided the Trustees information for other growth managers that could replace Rockwood.

Mr. Rogers stated that he is concerned with the volatility of Rockwood and Mr. Nash agreed.

Mr. Rogers asked Mr. Dehner if there was anything wrong with having Salem Trust hold shares from ETFs and he replied no, they would simply hold the shares.

Attorney Report

Lee Dehner of Christiansen & Dehner, P.A. advised the Board that they must make a determination whether they want to file with the IRS for a favorable determination letter. Cost is the downside and it's not good forever; the Federal law changes periodically; there's not too many years that go by where Federal law isn't changed and the Board will have to incorporate those changes into their Plan.

Attorney Dehner pointed out that It is not required that they have a favorable determination letter in order to be treated by the IRS as a qualified Plan and enjoy the tax benefits.

Mr. Dehner advised that a vast majority of public sector plans have never filed for favorable determination letters, the reasons being one, they are not required and number two, the IRS has not historically paid attention to public sector plans as they do private sector plans in terms of examination and audits.

Mr. Rogers made a motion that the Board not file for a favorable determination letter at this time due to the current financial situation and to save money in the Plan. The motion was seconded by Mr. Gorup. The motion was unanimously approved by voice vote.

Attorney Dehner gave an update on pending Legislative issues. Attorney Dehner brought up a letter that was circulated from the City Manager with respect to the Board's position where collective bargaining is taking place and what the Board's role would be, if any. He pointed out that pension benefits are a term or condition of employment which, by constitution in Florida, are subject to collective bargaining. The Board can be a resource for the bargaining party, if requested. Typically what is done is the Board would provide the services of the Board's actuary and the Board's attorney. The Board should not be involved with the bargaining process; the Board cannot interfere with the bargaining process, so they must be very careful not to cross over the line. If the Board is not requested to provide the attorney or the actuary as a resource, then the Board doesn't get involved in the process.

Mr. Rogers asked who pays the fees if the Board's actuary and/or attorney were asked for assistance. Attorney Dehner advised that who pays the fees in each case is determined by the bargaining party. Typically, the Board would be reimbursed. Both parties should agree what services are going to be rendered by the Board.

The Board should consider whether or not they want to adopt any of proposed changes that Patrick Donlan made and then notify him. The issues are the mortality table, the turnover rate, the salary load and the assumption rate.

Mr. Rogers made a motion that the Board accept and implement the actuary's recommended change which will have a four-tenths of one percent change in City funding. The motion was seconded by Mr. Gorup. The motion was approved by a unanimous voice vote.

Mr. Rogers made a motion that the current mortality table (RP 2000) be used as recommended by the actuary. The motion was seconded by Sgt. Johnson. The motion was approved by a unanimous voice vote.

Mr. Rogers made a motion that the Board implements the new turnover rate as recommended by Patrick Donlan of Foster & Foster. The motion was seconded by Mr. Gorup. The motion was approved by a unanimous voice vote.

Mr. Rogers made a motion that the Board accepts the assumption rate change to 8.25% which would have a 2.6% effect on City funding as recommended by Patrick Donlan. The motion was seconded by Mr. Gorup. The motion was defeated by a tie vote.

Mr. Dehner advised the Mr. that Patrick Donlan should be advised of the changes they have been adopted and asked to revise the Valuation Report as of 10-01-10 and present that to the Board for their adoption. Once the Board has adopted it, Mr. Donlan will file it with the State.

5. Termination Return of Contributions

There are no new members or terminated members.

7. Miscellaneous Items:

Sgt. Johnson advised that the Board received a letter advising that as of October 1, 2010, the COLA adjustment for retired members was a total of $820.12.

8. Appointment of Chairman and Secretary

Officer Raleigh made motion to appoint Sgt. Johnson as the Board Secretary. The motion was seconded by Mr. Gorup. The motion was approved by a unanimous voice vote.

Mr. Gorup made a motion to appoint Mr. Rogers as Chairman of the Board. Sgt. Johnson seconded the motion. The motion was approved by a unanimous voice vote.

There being no further business to come before the Board, the Meeting was adjourned.

Bob Rogers, Chairman

Attest:

Pamala Prell

Pamala Prell, Acting City Clerk