St. Pete Beach Police Pension Board

155 Corey Avenue, St. Pete Beach, FL 33706

Agenda for the regular meeting at 8:30 AM on October 17, 2013

1. Call To Order and Roll Call
2. Approval of July 18, 2013 Minutes (Attachment "A")
3. Authorization of payments
    - **Cutwater Asset Management** Invoice # 425-ISC-TRSA in the amount of $2,485.69 (Attachment "B")
    - **Anchor Capital Management** Invoice July 1, 2013 in the amount of $4,150.40 (Attachment "C")
    - **Bogdan Group** Invoice # 9515 in the amount of $3,800 (Attachment "D")
    - **Christiansen & Dehner** Invoice # 23560 in the amount of $1,831.01 (Attachment "E")
    - **Foster & Foster** Invoice # 4333 in the amount of $7,204 and Invoice # 4892 in the amount of $7,213 (Both invoices included in Attachment "F")
    - **Salem Trust** - Acknowledgement of deducted fee to be presented at this meeting.
4. Foster and Foster
    - Actuarial Valuation Report as of October 1, 2013, normally presented at this fourth quarter meeting, may be delayed awaiting data from the city and Salem Trust. This may require a special meeting or scheduling the presentation for the first quarter meeting of 2014.
    - Patrick Foster's letter of July 17th, 2013, explaining his opinion that premium tax dollars may now be used to offset the city's funding requirement is Attachment "G".
5. Investment Overview - Presentation by Bogdan Group
6. Legal Update by Christiansen & Dehner
7. Correspondence and actions since the last meeting
    - Memorandum from Bureau of Local Retirement Systems dated July 10, 2013, noting approval of the plan's 2012 Annual Report is Attachment "H"
    - Letter and Memorandum accompanying 2012 Premium Tax Distribution of $80,851.14 (Attachment "I")
    - Fiduciary Liability Insurance was renewed at the cost of $4,768.19 including waiver of recourse paid separately by the city. No attachent.
    - COLA adjustments for nine eligible retirees for a total (aggregate) monthly increase of $1,121.77 was prepared by Foster and Foster, signed by Secretary Lange, and forwarded to Salem Trust with an effective date of October 1, 2013. No attachment.
    - Secretary Lange signed authorizations for return of contributions to Dennis Curtain and Justin Dudley. No attachment.
    - Secretary Lange signed authorizations for distribution of "Share" money to Brian Overton, Dennis Curtin, Lance Scudder and Justin Dudley. Four active members and two DROP members are still due funds. No attachment.

(Continues on next page.)

St. Pete Beach Police Pension Board

155 Corey Avenue, St. Pete Beach, FL 33706

Agenda for the regular meeting at 8:30 AM on October 17, 2013

8. Old Business

   - Controlling expenses and the advantages of passive investments. Attachment "J"

9. New Business or Discussion

Adjourn

VERBATIM RECORD:

PLEASE NOTE: IN ACCORDANCE WITH FLORIDA STATUTE 286.0105: ANY PERSON WHO DESIRES TO APPEAL ANY DECISION AT THIS MEETING WILL NEED A RECORD OF THE PROCEEDINGS AND FOR THIS PURPOSE MAY NEED TO ENSURE THAT A VERBATIM RECORD OF THE PROCEEDINGS IS MADE WHICH INCLUDES THE TESTIMONY AND EVIDENCE UPON WHICH THE APPEAL IS BASED.

ADA COMPLIANCE:

IN ACCORDANCE WITH FLORIDA STATUTE 286.26: PERSONS WITH DISABILITIES NEEDING ASSISTANCE TO PARTICIPATE IN ANY OF THESE PROCEEDINGS SHOULD CONTACT THE OFFICE OF THE CITY CLERK, **(PUT ADDRESS AND PHONE NUMBER)**, 48 HOURS IN ADVANCE OF THE MEETING.

POLICE PENSION BOARD

MINUTES

JULY 18, 2013

1:30 P.M.

CALL TO ORDER

PLEDGE OF ALLEGIANCE

ROLL CALL

PRESENT:

Bob Rogers, Chairman
James Baugher, Member
Tom Lange, Member
Keith Jacobus, Member
Jerry Gorup, Member

ALSO PRESENT:

Mary Jo Murphy, Recording Secretary
Tim Nash, Bogdahn Consulting
Lynn A. Skinner, Salem Trust
Lee Dehner, Christensen & Dehner

VANGUARD TOPICS:

1. Review of Invoices and Payment

Salem Trust services: No invoice was presented at the Police Pension Board meeting on 7/18/2013.

Bogdahn, consultant fee: No invoice was presented at the Police Pension Board meeting on 7/18/2013.

Cutwater, investment advisory fee: There were three invoices presented for $2,591.67, $2,633.75 and $2,592.19, totaling $7,817.61.

> **Member Lange made a motion to approve the Cutwater invoices as presented. The motion was seconded by Member Baugher and unanimously approved by a voice vote.**

Attorney Dehner: There was an invoice presented for $935.99. The invoice was past due for 30 days and there was discussion as to the reason for the past due billing. Chairman Rogers asked Attorney Dehner for an itemization of the bill. Attorney Dehner

[Attachment "A"]

agreed to resend the invoice. Member Lange requested that Attorney Dehner send the invoice by e-mail and U.S. Postal Mail.

> **Member Lange made a motion to approve Attorney Dehner's invoice providing the itemization is in the amount of $935.99. The motion was seconded by Member Baugher and unanimously approved by a voice vote.**

The Board discussed when the plan stabilizes in the future to not have an attorney present at every meeting.

Gibson & Wirt – liability coverage: Member Lange informed the Board about the Fiduciary Liability Insurance renewal quote for $4,768.19 from Melinda Lamb, agent for Bigson & Wirt, Inc. Member Lange stated that this is an increase in the amount of $675.78 compared to the prior year and that there is an uncertainty as to the expiration date. Member Lange suggested the Board pay this particular bill due to the uncertain expiration date but to compare coverage prices for the future.

Member Lange advised the Board that he met and spoke with the City Clerk, Rebecca Haynes, about posting to the City website the Police Pension Board's most current up-to-date agreements, retirement pension reports, etc.

> **Member Lange made a motion to approve the Gibson & Wirt invoice in the amount of $4,768.19. Member Lange is to pay $4,668.19 and the City is to pay $100 for the Waiver of Recourse provided the current policy expires within the next 120 days. If the policy expires before 120 days, Member Lange will bring it back to the Board prior to the meeting. The motion was seconded by Member Jacobus and unanimously approved by a voice vote.**

Legal services discussion

The Board discussed legal services previously during the Review of Invoices and Payment portion of the meeting.

2. Overview of investment results - Bogdahn

Tim Nash, representing The Bogdahn Group, reported to the Board that there were strong investment results from the third fiscal quarter, April 1, 2013 to June 30, 2013. Investment grade corporate bonds and treasuries were down for the quarter, but Cutwater did a nice job and was not down as much as the index. This quarter experienced the worst drop in the U.S. bond market since the second quarter of 2004. As far as the investment program, by the end of June 30, 2013 the market value of the plan was $10,402,715. The total investment management, custodial and consulting fees for the year was $65,466.

3. Review of actuary calculations concerning letter from Mr. K. Brinkman to Mayor McFarlin

Chairman Rogers reviewed the June 6, 2013 letter to Honorable Steve McFarlin. The letter is from Keith E. Brinkman, Chief, with the Bureau of Local Retirement Systems. Chairman Rogers advised the Board that the letter states they are in compliance and will continue to receive approximately $90,000 a year.

Member Lange solicited the Board's advice in reference to an e-mail from Melinda Lamb, Agent, Gibson & Wirt, Inc., to Tom Lange. The e-mail states the following: "Company requesting a letter from the Board or Actuary advising of the steps taken to improve the funding status." The letter the Actuary drafted is an attachment to the e-mail. The letter was prepared by the Actuary and is addressed to Melinda Lamb, dated July 18, 2013. Attorney Dehner advised Member Lange to include this letter from the Actuary with the premium payment. This letter was unsigned and the Board advised Member Lange that he obtain the Actuary's signature before submitting the letter.

4. Mr. Leo Jean, retired officer, passed away on July 6, 2013

Chairman Rogers informed the Board that Mr. William Petsch and Mr. Leo Jean passed away this year and they were beneficiaries of the plan.

5. Correction of payments into the plan for Mr. David Strid

There was a payment made into the pension plan for Mr. David Strid. There was an assumption that Mr. Strid was in the Police Pension Plan, and he is not. It was authorized that the incorrect payment should be transferred to the General Employees' Pension Plan.

6. Other matters

Chairman Rogers advised the board that there were two sets of minutes that needed to be approved for April and May 2013.

> **Member Jacobus made a motion for the approval of the minutes for April 18, 2013 and May 16, 2013. The motion was seconded by Member Baugher and unanimously approved by a voice vote.**

Member Lange stated that in the future he will copy the agenda from Chairman Rogers and send it to the City Clerk in PDF form with the proper attachments. The City Clerk will e-mail copies to the Board members and distribute paper copies at City Hall.

7. Review of Vanguard presentation

Chairman Rogers reported that the memorandum from Bureau of Local Retirement Systems states they reviewed and approved the 2012 Annual Report for the St. Pete Beach Police Officers' Pension Fund.

Chairman Rogers reviewed a comparison of active management and passive management with the Board.

Chairman Rogers proposed to the Board to have a joint meeting with the General Employees' Board to combine the two funds, General Employees' Pension and the Police Pension. Chairman Rogers stated that he had already spoke with the City Manager and there were no issues with the City if the two funds are combined. Attorney Dehner stated if the plans are combined, it will require a change in the ordinance by the Commission and a concern would be continued entitlement to state money.

Member Lange noted that Leo Jean had passed and he had put in 35 years of service as an officer. Member Lange noted that he was a good and honorable man and performed very well. Member Lange wanted to mention to the Board that this underscores the importance of this Board and the benefits one receives for service.

Attorney Dehner asked for direction in reference to legal tax compliance. Attorney Dehner stated he had amended language into the plan for compliance and qualification purposes and drafted an ordinance. Attorney Dehner will send this to the City and ask that it be set for first reading. Chairman Rogers instructed Attorney Dehner to proceed forward.

Attorney Dehner explained that Senate Bill 534 is the bill that imposes additional filing and disclosure requirements on every defined benefit plan in the state and that the governor signed it into law.

Attorney Dehner stated to the Board that their financial disclosure forms should have been filed by July 1, 2013. The fines for not filing will start September 1, 2013.

8. Adjourn

There being no further business to come before the Board, the meeting was adjourned at 3:40 p.m.

Attest:

______________________ ______________________
Rebecca C. Haynes, City Clerk Bob Rogers, Chairman

Minutes approved on: ______________

CUTWATER ASSET MANAGEMENT

113 King Street
Armonk, NY 10504
914-765-3362
www.cutwater.com

July 19, 2013

INVOICE #
425-ISC-TRSA

Mr. Thomas Lange
Secretary, Police Pension Board
City of St. Pete Beach
155 Corey Avenue
St. Pete Beach, Florida 33706

Invoice for Investment Advisory Services for the City of St. Pete Beach Police Officers:

April 1, 2013 - June 30, 2013	$2,485.69
TOTAL AMOUNT DUE Terms: Due and payable upon receipt	$2,485.69

Fee computed as follows:

Entity (Fund)	Average Assets	% of Total
St. Pete Beach Firefighters	$3,097,720.20	30.3088%
St. Pete Beach General	$3,916,212.56	38.3171%
St. Pete Beach Police	$3,206,590.12	31.3740%
Aggregate average assets under management	$10,220,522.88	99.9999%

Fees based on aggregate assets at:	Average Assets	Quarterly Fee
Multiplied by quarterly fee of 1/4 of .35 of 1%	$5,000,000.00	$4,375.00
Multiplied by quarterly fee of 1/4 of .30 of 1%	$2,500,000.00	$1,875.00
Multiplied by quarterly fee of 1/4 of .25 of 1%	$2,500,000.00	$1,562.50
Multiplied by quarterly fee of 1/4 of .20 of 1%	$220,522.88	$110.26
Multiplied by quarterly fee of 1/4 of .15 of 1%	$0.00	$0.00
	$10,220,522.88	$7,922.76
Allocated Fees to St. Pete Police Officers		$2,485.69

Please reference the above invoice number when remitting a check or wiring funds to:

Cutwater Investor Services Corp.
General Post Office
P.O. Box 30824
New York, NY 10087-0824

JPMorgan Chase Bank, NA
ABA Transit # 021000021
Credit Account # 532-1-534140
FFC to Account Name & Invoice Number

[Attachment "B"]

Anchor Capital Advisors LLC
One Post Office Square
Boston, MA 02109-2103
617-338-3800 FAX 617-426-6871
www.anchorcapital.com

July 01, 2013

Thomas Laneg
155 Corey Ave
3213 City of St. Pete Beach Police Officers' Retirement System
St. Pete Beach, FL 33706

Regarding Account: 3040069564

Anchor Capital Advisors LLC
STATEMENT OF MANAGEMENT FEES

For The Period 03-31-13 To 06-30-13		
Portfolio Valuation as of 06-30-13	$	1,111,626.91
1,111,627 @ 0.750% per annum		2,084.30
Management Fee	$	2,084.30
Balance Past Due	$	2,066.10
TOTAL DUE AND PAYABLE	**$**	**4,150.40**

[Attachment "C"]

THE
BOGDAHN
GROUP

4901 Vineland Rd Suite 600 Orlando, FL 32811

Invoice

Date	Invoice #
9/16/2013	9515

Bill To
City of St Pete Beach Police Department Police Officers' Retirement Sytem Email: Tom Lange, Secretary Bob Rogers, Chairman

Description	Amount
Performance Evaluation and Consulting Services 7/1/13 - 9/30/13	3,800.00
Balance Due	$3,800.00

[Attachment "D"]

Christiansen & Dehner, P. A.

63 Sarasota Center Boulevard
Suite 107
Sarasota, FL 34240-

941-377-2200
Phone

941-377-4848
Fax

July 31, 2013

City of St. Pete Beach Police
Officers' Pension Fund
155 Corey Avenue
St. Pete Beach, FL 33706
Thomas Lange

Invoice Number

In Reference To: Police Pension Fund 8926 23560

Professional Services

		Hours	Amount
7/18/2013	Preparation and attendance at Board Meeting.	2.40	876.00
	Travel Time	1.00	182.50
7/30/2013	Preparation of ordinance amending pension plan to incorporate all required changes and updates to the Internal Revenue Code and correspondence to City transmitting ordinance.	2.00	730.00
	For professional services rendered	5.40	$1,788.50

Additional Charges :

		Qty	
7/18/2013	Car Expense	1	22.89
	Food Expense	1	8.50
	Tolls	1	1.25
7/30/2013	Copies	30	7.50
	Postage	1	2.37
	Total additional charges		$42.51

Total amount of this bill	$1,831.01
Previous balance	$935.99
Accounts receivable transactions	
7/31/2013 Payment - thank you. Check No. 1298	($935.99)

Total payments and adjustments	($935.99)
Balance due	$1,831.01

** Please note that the "Balance Due" figure at the end of this bill reflects both "Total New Charges - Current Period" and any previous balances due. In most cases, if the previous balance(s) have already been approved for payment but not yet received in our office, you should be paying only the "Total New Charges - for services and/or expenses". Thank you.

Please indicate account number(s) with payment.
(Please Deduct any payments not reflected in Balance due)

[Attachment "E" P-2]

FOSTER & FOSTER

Invoice

Date	Invoice #
10/25/2012	4333

Phone: (239) 433-5500
Fax: (239) 481-0634
data@foster-foster.com
www.foster-foster.com

Bill To
City of St. Pete Beach Police Officers' Retirement System 200 76th Avenue St. Pete Beach, FL 33706

Terms	Due Date
Net 30	**11/24/2012**

Description	Amount
Letter of correspondence dated June 15, 2012 regarding the fiduciary liability insurance.	125.00
Refund Calculations: CONROY, BRIEN	150.00
Preparation of Cost-Of-Living Adjustments for 10 retirees, effective October 1, 2012.	400.00
Benefit Calculations: CENTOFANTI	200.00
October 1, 2012 Actuarial Valuation and Report; preparation of member certificates; Governmental Accounting Standards Board disclosure information.	6,280.00
Preparation for and attendance at October 12, 2012 Board meeting (Board's share of expenses)	49.00

Balance Due **$7,204.00**

Thank you for your business!

Please make all checks payable to:
Foster & Foster, Inc.
13420 Parker Commons Blvd, Suite 104
Fort Myers, FL 33912

FOSTER & FOSTER

Invoice

Date	Invoice #
4/26/2013	4892

Phone: (239) 433-5500
Fax: (239) 481-0634
data@foster-foster.com
www.foster-foster.com

Bill To
City of St. Pete Beach Police Officers' Retirement System 200 76th Avenue St. Pete Beach, FL 33706

Terms	Due Date
Net 30	**5/26/2013**

Description	Amount
Benefit Calculations: HORIANOPOULOS (2), JOHNSON, NOVAK (2), ANTHONY	1,200.00
Preparation of required Actuarial Impact Statement dated December 27, 2012.	1,000.00
Preparation and participation in January 9, 2013 conference call with Bob Rogers and Carl Carnes.	63.00
Refund Calculations: SEVERIN, OVERTON, TURNER, APOSTOLU, COLLINS, CURTIN, DOUGLAS, DUDLEY, GOODRICK, HELLSTERN, JACKSON, MCAULEY, SKEPER, WEIL, ZELINSKY, SCUDDER	1,200.00
Preparation of 2012 Annual Report for Division of Retirement.	2,500.00
Letter of correspondence dated March 18, 2013 regarding the Share Plan balances as of September 30, 2012.	1,250.00

Balance Due $7,213.00

Thank you for your business!

Please make all checks payable to:
Foster & Foster, Inc.
13420 Parker Commons Blvd, Suite 104
Fort Myers, FL 33912

FOSTER & FOSTER
ACTUARIES AND CONSULTANTS

July 17, 2013

Board of Trustees
Police Officers' Pension Board
City of St. Pete Beach
155 Corey Ave.
St. Petersburg Beach, FL 33706

Re: City of St. Pete Beach
Police Officers' Retirement System
State Money Determination

Dear Board:

We are writing in response to Mr. Brinkman's June 6, 2013 letter regarding the use of State Money.

According to the Florida Department of Management Services, the prior interpretation of the use of state premium tax revenues was inaccurate and we need to prepare a new calculation to determine compliance with Chapter 185, Florida Statutes. A description of the new methodology was provided at the May 21, 2013 Division conference, a copy of which is enclosed. In the last sentence on Page 2 of Mr. Brinkman's letter to your Mayor, Mr. Brinkman states that "*the calculation must demonstrate that the additional premium tax revenues are being used in their entirety to provide the minimum chapter benefits, or at least the portion thereof that can be provided with available additional premium tax revenues.....* "

The first and easiest part of the calculation is to determine the current "*additional premium tax revenues*." It is calculated as the 2012 amount of $92,536 less the 1998 amount of $37,732 to get $54,804.

The second part of the calculation for most plans is to determine the annual cost of providing the minimum benefits as if the minimum benefits had always been in place. We would then compare the "*additional premium tax revenues*" to this amount to determine compliance. However, because your plan currently provides less than the minimum benefits, you fall into the "portion thereof" referenced above. Therefore, we have valued adjusted minimum benefits, including a 1.25% accrual rate, 10-year-certain form of benefit, etc. According to the Division, inactive participants should be valued assuming they had retired with the adjusted minimum benefits, with the exception of the benefit commencement date.

In addition, the plan assets used to determine the unfunded liability in the calculation of adjusted minimum benefits shall be based on the actuarial value of plan assets used to determine the current required funding requirements of the plan times an adjustment factor based on the accrued liability of the adjusted minimum benefits over that of the current plan accrued liability.

[Attachment "G" P-1]

The results of this analysis are enclosed and indicate that the entire amount of State Monies received may be used to offset the City's funding requirement for the fiscal year ending September 30, 2013.

If you have any questions, please do not hesitate to contact us.

Sincerely,

Patrick T. Donlan ASA, EA, MAAA

PTD/lke

Enclosure

Sponsor Cost of a minimum benefit plan

To demonstrate compliance with 175.351(2) and 185.35(2), F.S., the plan actuary should value the plan using the minimum chapter benefits and standards, including a 2% accrual rate, 10-year-certain form of benefit, etc. Employee contributions should be included at the current rate, subject to a 5% minimum employee contribution rate. Inactive participants should be valued assuming their benefits as determined by the chapter minimums, with the exception of the benefit commencement date. The benefit commencement date for inactive participants should use the actual date of benefit commencement based on plan provisions. The normal cost (NC^{min}) and accrued liability (AL^{min}) shall be determined using the individual entry age normal funding method. The assumptions used should be the same as those used in the most recent actuarial valuation.

Plan assets used to determine the unfunded liability in the calculation shall be based on the actuarial value of Plan assets (AV) used to determine the minimum funding costs of the Plan multiplied by an adjustment factor. The adjustment factor shall equal the AL^{min} divided by the total plan accrued liability (AL) using the traditional entry age normal funding method. In cases where there has been an improvement in plan benefits within the last three (3) plan years, the AL for purposes of this adjustment shall be based on the AL using the plan provisions prior to the benefit improvement.

$$AV^{min} = AV * (AL^{min}/AL)$$

$$UAL^{min} = AL^{min} - AV^{min}$$

The sum of the normal cost (NC^{min}) and the 30-year amortization of the unfunded actuarial accrued liability (UAL^{min}) shall be defined as the cost of a minimum benefit plan. Any companion plans, such as a defined contribution plan, should be ignored in determining the cost of this minimum benefit plan.

COMPARATIVE SUMMARY OF PRINCIPAL VALUATION RESULTS

A. Participant Data	Adj Minimums 10/1/2012	Current 10/1/2012
Number Included		
Actives	2	2
Service Retirees	19	19
Beneficiaries	1	1
Terminated Vested	23	23
Disability Retirees	2	2
DROP Retirees	4	4
Total	51	51
Total Annual Payroll	151,748	151,748
Payroll Under Assumed Ret. Age	151,748	151,748
Annual Rate of Payments to:		
Service Retirees	268,662	777,631
Beneficiaries	8,564	31,349
Terminated Vested	11,012	28,190
Disability Retirees	14,741	64,989
DROP Retirees	63,414	162,785
B. Assets		
Actuarial Value[1]	3,571,663	10,158,175
Market Value[1]	3,668,760	10,434,329
C. Liabilities		
Present Value of Benefits		
Active Members		
Retirement Benefits	177,667	329,916
Disability Benefits	4,741	5,945
Death Benefits	1,681	2,634
Vested Benefits	80,049	218,387
Refund of Contributions	25,312	6,580
Service Retirees	2,927,963	10,278,654
Beneficiaries	30,747	123,673
Terminated Vested	598,738	747,294
Disability Retirees	76,189	381,240
DROP Retirees[1]	1,108,185	2,471,300
Excess State Monies Reserve / Share Plan	157,726	157,726
Total	5,188,998	14,723,349

C. Liabilities - (Continued)	Adj Minimums 10/1/2012	Current 10/1/2012
Present Value of Future Salaries	1,001,529	1,001,529
Present Value of Future Member Cont.	50,076	30,046
EAN Normal Cost (Retirement)	1,849	2,679
EAN Normal Cost (Disability)	99	113
EAN Normal Cost (Death)	30	36
EAN Normal Cost (Vesting)	718	2,182
EAN Normal Cost (Refunds)	817	212
Total Normal Cost (Entry Age Method)	3,513	5,222
PV of Future Normal Costs (Entry Age)	23,985	33,524
Accrued Liability (Retirement)	165,448	313,373
Accrued Liability (Disability)	4,013	5,116
Accrued Liability (Death)	1,462	2,383
Accrued Liability (Vesting)	75,479	204,110
Accrued Liability (Refunds)	19,063	4,956
Accrued Liability (Inactives)[1]	4,741,822	14,002,161
Excess State Monies Reserve	157,726	157,726
Actuarial Accrued Liability	5,165,013	14,689,825
Unfunded Actuarial Accrued Liability (UAAL)	1,593,350	4,531,650

Valuation Date Applicable to Fiscal Year Ending	Adj Minimums 10/1/2012 9/30/2014	Current 10/1/2012 9/30/2014
E. Pension Cost		
(1) Normal Cost (with interest)	$3,649	$5,424
(2) Administrative Expense (with interest)	27,389	27,389
(3) Payment Required to Amortize UAAL over 30 years (as of 10/1/12)	133,238	483,529
(4) Expected Member Contributions	7,587	4,552
(5) Cost Required to Fund Benefits (1) + (2) + (3) - (4)	156,689	511,790
(6) Estimated Fiscal 2013 State Money [2]	92,536	92,536
(7) Base Year Premium Revenue	37,732	37,732
(8) Additional Premium Tax Revenue [2]	54,804	54,804

Additional Premium Tax Revenue is insufficient to fund the Adjusted Minimum Benefits because (5) > (8). The Plan is eligible to continue to receive State Monies.

[1] The asset values and liabilities for DROP Members include accumulated DROP Balances

[2] Estimated based on the amount received during fiscal 2012.

FLORIDA DEPARTMENT OF MANAGEMENT SERVICES
retirement
We serve those who serve Florida

Bureau of Local Retirement Systems
Municipal Police Officers' and Firefighters'
Retirement Trust Funds' Office
P.O. Box 3010
Tallahassee, Florida 32315-3010
Tel: 850.922.0667 | Fax: 850. 921.2161 | Toll-Free: 877.738.6737

Rick Scott, Governor

Craig J. Nichols, Agency Secretary

APPROVED

MEMORANDUM

July 10, 2013

To: Mr. Robert Rogers, Chairman
St. Pete Beach Police Officers' Pension Fund

From: Office of Municipal Police Officers' and Firefighters' Retirement Trust Funds, Division of Retirement

Subject: 2012 ANNUAL REPORTS

This is to advise that we have **reviewed** and **approved** the 2012 Annual Report (s) for the St. Pete Beach Police Officers' Pension Fund.

If you have any questions, please contact our office at (850) 922-0667.

mjm
Copy: Bradley R. Heinrichs, Plan Actuary

Approved

[Attachment "H"]

FLORIDA DEPARTMENT OF MANAGEMENT SERVICES
dms retirement
We serve those who serve Florida

Bureau of Local Retirement Systems
Municipal Police Officers' and Firefighters'
Retirement Trust Funds' Office
P.O. Box 9000
Tallahassee, Florida 32315-9000
Tel: 850.488.2874 | Fax: 850. 921.2161 | Toll-Free: 877.738.5622

Rick Scott, Governor

Craig J. Nichols, Agency Secretary

August 23, 2013

The Honorable Steve McFarlin, Mayor
City of St. Pete Beach
155 Corey Ave.
St. Pete Beach, FL 33706-1839

Re: **2012 Premium Tax Distribution**
St. Pete Beach Police Officers' Retirement Trust Fund

Dear Mayor McFarlin:

The enclosed state warrant in the amount of $80,851.14 constitutes the revenue due your city under Chapter 185, Florida Statutes, for calendar year 2012. This warrant is to be deposited into the appropriate Police Officers' Retirement Trust Fund immediately, and under no circumstances more than five days after receipt as provided in §185.11, Florida Statutes.

Please acknowledge your receipt and deposit of this revenue by signing this letter and sending a copy to our office at the following address:

Municipal Police Officers' and Firefighters'
Retirement Trust Funds Office
Division of Retirement
Post Office Box 3010
Tallahassee, Florida 32315-3010

Sincerely,

Sarah Carr

Sarah Carr
Benefits Administrator
Division of Retirement

Enclosure

____
(Mayor's Signature)

____
(Date)

Copy: Chairman, Police Officers' Retirement Fund ✓

FLORIDA DEPARTMENT OF MANAGEMENT SERVICES
retirement
We serve those who serve Florida

Bureau of Local Retirement Systems
Municipal Police Officers' and Firefighters'
Retirement Trust Funds' Office
P.O. Box 3010
Tallahassee, Florida 32315-3010
Tel: 850.922.0667 | Fax: 850. 921.2161 | Toll-Free: 877.738.6737

Rick Scott, Governor

Craig J. Nichols, Agency Secretary

To: Mayor/Fire Commissioner, Addressed Plan

From: Sarah Carr, Benefits Administrator
Municipal Police Officers' & Firefighters' Retirement Fund

Re: Significant variations and special calculations for the 2012 premium taxes

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The gross amount of the 2012 taxes for the Firefighters' Pension Trust Funds is $98,108,496.25, representing an overall **increase** of 0.42%, and for the Police Officers' Retirement Trust Funds is $68,106,588.12, representing an overall **increase** of 5.02%, as compared to the amounts reported for 2011.

Significant variations in the premium tax distribution sometimes occur when insurance companies file amended or late returns for prior years. This may have the effect of inflating amounts received in one year and diminishing amounts received in later years as the "correction" is made in a subsequent distribution.

If your city or district experienced a significant variation in reported premiums you may wish to request a detailed listing showing each insurance company reporting premiums sold within your corporate or fire district limits as compared to the amount reported last year. Please contact our office to request a copy.

Pursuant to sections 175.1015(4) and 185.085(4), Florida Statutes, the Department of Revenue assessed a fee of $50,000 per fund, for a total of $100,000 to pay their expenses in administering the Insurance Premium Tax (IPT) database. This amount was deducted on a pro-rated basis from each city/district.

Pursuant to section 215.20, Florida Statutes, an 8.0% service charge was also assessed, and is payable to the General Revenue Fund.

You may view a copy of the detailed calculations on our website at www.myflorida.com/frs/mpf showing the gross amount reported and the various assessments. Look under "Facts and Figures," scroll down to Premium Tax History, and click on the 2012 Premium Tax Distributions for Fire and Police.

If you have any questions or if this office can be of assistance, please let me know.

sc
cc: Chair, Police Officers' & Firefighters' Retirement Plans

Police Pension Board
Corey Ave.
St. Pete Beach, FL

A review of the performance of the Police Pension plan reveals a long history of under performance relative to expected returns. The 20 year return for the plan was 6.1% versus an expected net return of 8.5%. The acceptance of state money under Florida Statue 185 requires an expensive burden to receive the "state" money which is a reimbursement of local taxes on automobile coverage. That burden equates to about a 1% cost, therefore the plan must return 9.5% (8.5 +1) to meet the long stated investment return goal. The plan is required by FS185 to have a lawyer, consultant, actuary, fund managers, and a trust custodian and the managing board which is composed of five volunteers. This plan is 57.5% funded as of last fiscal year ending September, 2012. It is considered very problematic when a pension plan is less than 80% funded. If the plan were fully funded the total available equity would be $17.9 million, however, as of year-end 10/1/2012 there was a balance of $10.4 million, therefore, the liability of $7.5 million is the responsibility of the city's tax paying citizens. It has been estimated by the actuary that it will take more than a decade of superior investment returns to significantly reduce this liability.

There are a number of reasons for this underfunded situation. 1. For too long the pension boards did not adjust the performance assumption which would have several years ago caused increased funding. 2. It is well known that the equity markets have been quite volatile over the past decade. Additionally, the FS185 mandated structure fosters neither agility nor speed in response to changing market conditions. The poor performance partially as a result of this mandated structure has seen a steady increase in the unfunded liability. 3. The makeup of the city's three pension boards, on average, has dedicated members who may not be sophisticated and knowledgeable about the investment marketplace. This situation encourages being highly dependent on the consultant, fund managers and lawyer for direction. The result has been a "go along" frame of mind. 4. The fund management approach has been to select the "best" money manager for sectors in the equity markets with the hope the manager will outperform the overall market. The problem with this approach is that the best manager during the last five years will likely not be the best manager for the next five year. Several factors influence this seeming anomaly such as changing market conditions, and departure of key investment personnel. We have proven this approach to be a failed concept. Reference attachment A which conclusively demonstrates that a passive approach (index funds) has consistently had better returns than our actively managed portfolio.

There are many studies concerning the question of active equity management versus a passive approach. I have attached a synopsis of three studies to this report for your consideration. The consensus is that for the longer term, the index or passive approach returns superior results.

If the General employee plan and the Police Pension plan were operated under a single board with $20,000,000 in assets, the annual Expenses would compare as follows:

[Attachment "J"]

		General & Police	Combined passive
Consultant Fees	($15,200)	$30,400	$13,500
Sector Mgt Fees ($28K+$8K+$6K)X2		$84,000	$10,400
Legal ($7K) X2		$14,000	$ 7,000
Salem ($9.7K)		$19,400	$17,400
Insurance ($4.1K)		$ 8,2000	$ 4,100
Actuary	($14K)	$28,000	$25,000
	Total	**$184,000**	**$77,400**

This analysis clearly demonstrates that a consolidated pension system would be less expensive to operate, but in addition, a passive approach to equity management would have a greater chance for improved equity growth. The analysis of the Police Pension 20 year history suggests a possible improvement of about $2,328,627 in equity growth over that time period. If the reduced cost to operate the plan where included in the equity growth, the plan would likely have approached $3 million in improved funding for the police plan alone. The past does not forecast the future but in this case it is a very strong predictor. By taking a simplified approach to pension investing which demonstrates superior results, the long term outlook for the finances of our employee pension obligation should be substantially improved.

Yours very truly,

RM Rogers 10/1/2013

Robert M. Rogers Chair, Police Pension Board
St. Pete Beach, FL

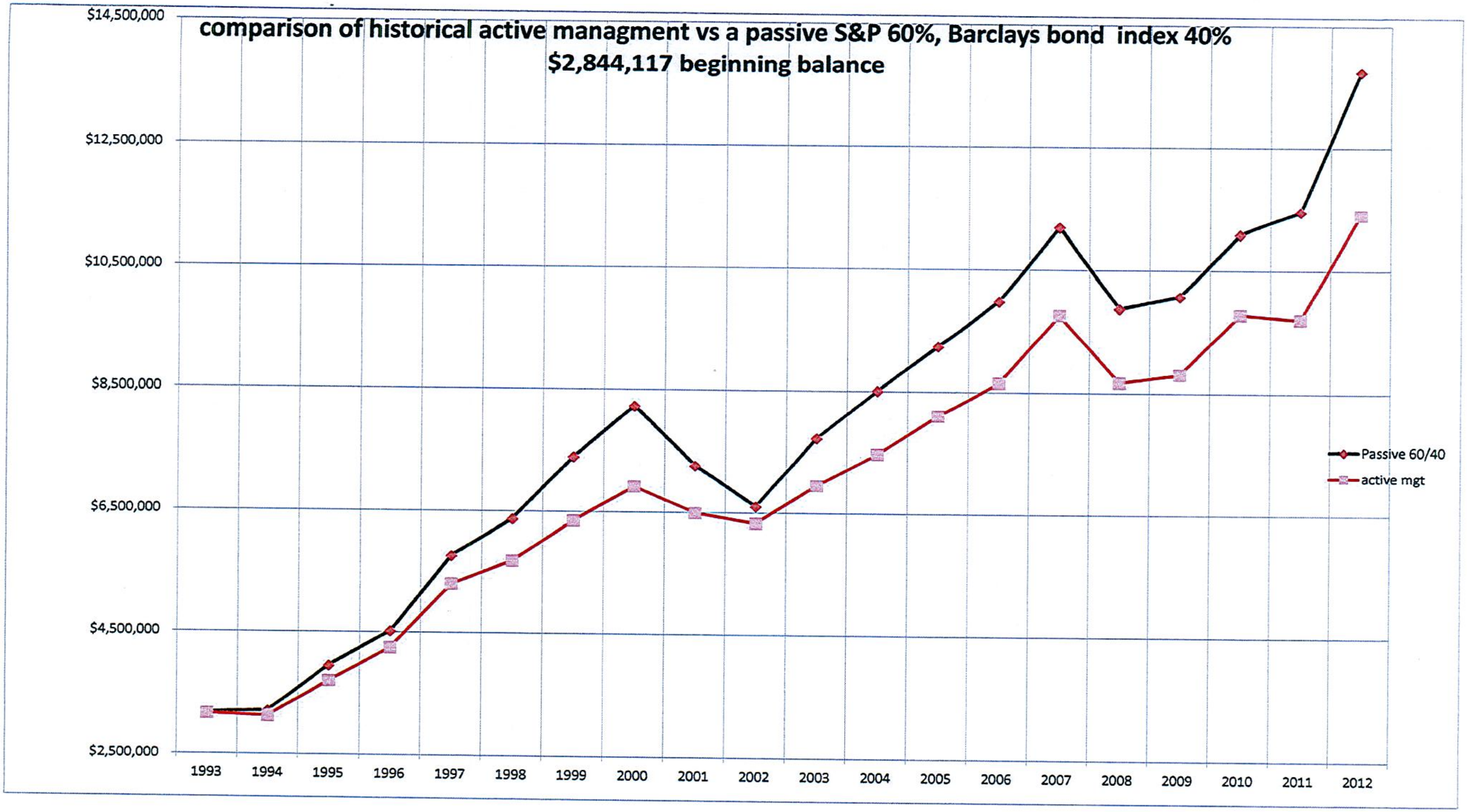
historical data for Police Pension

investment returns 10/1993 -- 10/2011

YEAR	return	assumption	city match	employee		YEAR	Active mgt return	Barclay 60/40 return		Barclys 60/40 index $2,844,117 million beginning balance 10/1/92	active mgt
1993	11.5%	108.0%	$ 89,773	$ 118,580	$ 1,070,601	1993	111.5%	111.86%	11.9%	$ 3,181,515	$ 3,171,190
1994	-1.2%	108.0%	$ 107,108	$ 128,492	$ 1,319,179	1994	98.8%	100.92%	0.9%	$ 3,210,689	$ 3,133,136
1995	18.7%	108.5%	$ 141,561	$ 126,121	$ 1,328,016	1995	118.7%	123.29%	23.3%	$ 3,958,577	$ 3,719,033
1996	14.4%	108.5%	$ 140,825	$ 131,691	$ 1,455,654	1996	114.4%	114.01%	14.0%	$ 4,513,293	$ 4,254,573
1997	24.6%	108.5%	$ 135,199	$ 135,079	$ 1,454,180	1997	124.6%	127.49%	27.5%	$ 5,753,898	$ 5,301,198
1998	7.2%	108.5%	$ 118,797	$ 133,187	$ 1,429,581	1998	107.2%	110.68%	10.7%	$ 6,368,236	$ 5,682,885
1999	11.8%	108.5%	$ 90,771	$ 116,519	$ 1,563,763	1999	111.8%	116.18%	16.2%	$ 7,398,782	$ 6,353,465
2000	8.9%	108.5%	$ 98,237	$ 120,947	$ 1,763,267	2000	108.9%	111.30%	11.3%	$ 8,234,770	$ 6,918,923
2001	-6.2%	108.5%	$ 84,217	$ 125,309	$ 1,778,978	2001	93.8%	88.25%	-11.7%	$ 7,267,267	$ 6,489,950
2002	-2.5%	108.5%	$ 135,058	$ 126,214	$ 1,750,171	2002	97.5%	90.79%	-9.2%	$ 6,597,879	$ 6,327,701
2003	9.9%	108.5%	$ 187,222	$ 123,613	$ 1,712,449	2003	109.9%	117.16%	17.2%	$ 7,730,068	$ 6,954,144
2004	7.6%	108.5%	$ 200,719	$ 141,526	$ 3,071,917	2004	107.6%	110.07%	10.1%	$ 8,508,177	$ 7,482,659
2005	8.4%	108.5%	$ 370,601	$ 201,556	$ 3,471,916	2005	108.4%	108.52%	8.5%	$ 9,232,648	$ 8,111,202
2006	6.6%	108.5%	$ 371,487	$ 139,432	$ 3,110,950	2006	106.6%	108.03%	8.0%	$ 9,973,753	$ 8,646,541
2007	12.9%	108.5%	$ 395,957	$ 148,236	$ 3,423,254	2007	112.9%	112.03%	12.0%	$ 11,173,995	$ 9,761,945
2008	-11.2%	108.5%	$ 376,799	$ 145,505	$ 4,147,250	2008	88.8%	88.28%	-11.7%	$ 9,864,402	$ 8,668,607
2009	1.5%	108.5%	$ 408,962	$ 128,123	$ 4,846,141	2009	101.5%	102.06%	2.1%	$ 10,067,609	$ 8,798,637
2010	11.2%	108.5%	$ 452,070	$ 119,496	$ 5,748,792	2010	111.2%	109.97%	10.0%	$ 11,071,249	$ 9,784,084
2011	-0.8%	108.5%	$ 543,739	$ 115,633	$ 7,086,729	2011	99.2%	103.37%	3.4%	$ 11,444,572	$ 9,705,811
2012	17.4%	107.8%	$ 703,405	$ 114,890	$ 7,501,137	2012	117.4%	119.94%	19.9%	$ 13,726,161	$ 11,397,534
10 year	106.1%		geometric mean		10 year active management		106.1%	107.6%	10 year passive 60/40		
20 year	107.2%				20 year active management		107.2%	108.2%	20 year passive 60/40		
										Passive return advantage =	$ 2,328,627

3 of 5

$2,844,117 beginning balance. Comparing S-P Barclay's 60/40 with historical results. 1993 - 2012



4 of 5.

Annual comparison of S-P Barclays 60/40 with historical results. Data from workshop/education on 10/3/2011 updated for 9/30/12 results

THE BOGDAHN GROUP

4901 Vineland Rd Suite 600 Orlando, FL 32811

Invoice

Date	Invoice #
3/19/2013	8846

Bill To
City of St Pete Beach Police Department Police Officers' Retirement Sytem Email: Tom Lange, Secretary Bob Rogers, Chairman

Description	Amount
Performance Evaluation and Consulting Services 1/1/2013-3/31/2013	3,800.00
Balance Due	$3,800.00

PROPOSED ATTACHMENT "K"

THE BOGDAHN GROUP

4901 Vineland Rd Suite 600 Orlando, FL 32811

Invoice

Date	Invoice #
6/11/2013	9179

Bill To
City of St Pete Beach Police Department Police Officers' Retirement Sytem Email: Tom Lange, Secretary Bob Rogers, Chairman

Description	Amount
Performance Evaluation and Consulting Services 4/1/13 - 6/30/13	3,800.00
Balance Due	$3,800.00

PROPOSED ATTACHMENT "L"

SALEM TRUST
COMPANY

October, 2013

To our clients,

This past summer, several clients called asking why they had not received their 2nd quarter, 2013 invoice from us. We responded to them that this was intentional. We decided to postpone the delivery of the 2nd quarter invoices until now, because Salem Trust Company's accounting system transition led to issues that delayed our clients' statements.

Our dedication to client satisfaction is known as the SALEM TRUST SERVICE PLEDGE, and is an explicit component of our service agreement with all clients:

> Our goal is to earn your business by achieving client satisfaction, and in the event we fail to fulfill our promise in any quarter, as determined solely by you in good faith, we will discount that quarter's fee.

We are not waiting for clients to invoke their customer service pledge. We have discounted your quarterly invoice for services ending on June 30, 2013, first by waiving all fees for June security transactions, and then in some cases by reducing part of the asset custody fee if there were too few transactions to make up at least 10% of the total cost. You can also be assured that the SALEM TRUST SERVICE PLEDGE will continue guiding our approach to the 3rd quarter invoices.

The good news is that we are on track to meet our customary delivery date for the September 30, 2013 statements. We are as concerned as you are about on-time statements, but we also know that all agree that accuracy must always take precedent. While we finish reviewing and making the final necessary adjustments to the September 30, 2013 statements, we remain focused on the importance of releasing them as quickly as possible. Looking forward into the 4th quarter, 2013, and beyond, I am confident that Salem Trust is again able to serve the needs of our community with more diligence and care than any other custodian.

Regards,

Brad Rinsem

Bradley K. Rinsem, President & Chief Executive Officer

DEERFIELD BEACH TAMPA
455 FAIRWAY DRIVE, SUITE 103 • DEERFIELD BEACH, FL 33441 • TEL (877) 382-5268 • FAX (954) 725-4493
www.salemtrust.com

PROPOSED ATTACHMENT "M" P. 2/2

SALEM TRUST
COMPANY

October 7, 2013

Thomas Lange
Police Pension Board Secretary
City of St Pete Beach
155 Corey Avenue
St. Pete Beach, FL 33706

St. Pete Beach Police

Fee Advice for Period **April 1, 2013** to **June 30, 2013**

Detail of Calculation:

		Annual Fee	Quarterly Fee
Flat Fee	$	9,700.00	$2,425.00
	Fee Discount		($242.50)
	TOTAL DUE		**$2,182.50**

These fees will automatically be charged to your account.
If you have any questions, please contact Lynn Skinner at 877-382-5268.

PROPOSED ATTACHMENT "M" P. 2/2

Law Offices
Christiansen & Dehner, P.A.
63 Sarasota Center Blvd. Suite 107 Sarasota, Florida 34240 • 941-377-2200 • Fax 941-377-4848

MEMORANDUM

TO: City of St. Pete Beach Police Officers' Retirement Plan
FROM: Kristin Hill
RE: Proposed 2014 Meeting Dates
DATE: September 30, 2013

Listed below are the proposed 2014 meeting dates. Should they meet with the Board's approval, please let us know and we will put them on our calendar. Should there be any discrepancies with any of the dates and/or times, please do not hesitate to contact Kristin at the office, via phone at 941-377-2200 or E-Mail at kristin@cdpension.com, and we will do the best we can to comply with your requests.

ALL MEETINGS WILL BE HELD AT THE FOLLOWING TIMES:

March 20, 2014 at 1:30 PM
June 19, 2014 at 10:30 AM
September 18, 2014 at 8:30 AM
December 18, 2014 at 1:30 PM

Thank you.

PROPOSED ATTACHMENT "N"