THE SUNSET CAPITAL OF FLORIDA

Police Pension Board MEETING

CITY OF ST. PETE BEACH

155 Corey Avenue

Thursday, October 16th, 2014

10:30 AM

Call to Order
Pledge of Allegiance
Roll Call

REGULAR MEETING

1. **Changes to the Agenda** – Agenda items to be added, moved or deleted will be addressed at this time. Added items will be assigned agenda item numbers and moved items should remain with the same item numbers. Notation will be made that those items will be taken out of order.

2. **Audience Comments** – Comments shall be limited to three minutes per person to issues not on the agenda.

3. **Approval of Minutes** – Regular Meeting of July 17th, 2014

4. **Authorization of Payments**

- [Attachment "A"] Cutwater Asset Invoice dated July 18, 2014 for services 1Apr-30Jun 14 in the amount of $2,716.39
- [Attachment "B"] Christiansen & Dehner Invoice (22733) dated September 30, 2014 for services through that date in the amount of $1,198.15

Continued On Next page

- [Attachment "C"] Bogdahn Group Invoice (10928) dated September 8, 2014 for services July-September 2014 in the amount of $3,800

5. Actuarial Valuation Report.

- Excerpt from the e-mail message sent to board members by Patrick Donlan of Foster & Foster: "There have been some years that we have attended the October meeting to present the valuation reports, but that is just not feasible this year. The membership data has not yet been completed by the City and with the new GASB requirements, a one week turnaround for us on the valuations would not have been possible anyways. We will send you the reports whenever they are completed and I can either attend the January meetings or the Boards could set up a special meeting later this quarter if they desire."
- [Attachment "D"] September 5, 2014 letter from Bradley Heinrichs, President of Foster & Foster concerning GASB Rules and their anticipated $6,250 fee increase

6. Presentations

- Bogdahn Group
- Salem Trust
- Christiansen & Dehner

7. Approval of the Operating Rules and Procedures for the board. Previously distributed by e-mail.

8. Correspondence or actions since last meeting

- As decided at the July 17, 2014 meeting, Fiduciary Liability Insurance in the aggregate amount of $1,000,000 was obtained from the Hudson Insurance Company through agent Jake Holehouse by payment of a $3,904 premium. A copy of the policy was sent to each board member and the City Clerk.
- COLA adjustments authorization for ten eligible retirees with a total (aggregate) monthly increase of $1,272.95 was prepared by Foster & Foster, signed by Secretary Lange and forwarded to Salem Trust with an effective date of October 1, 2014. (No attachment
- Secretary Lange signed the authorization for distribution of "Share" money to Russell Novak. (No attachment.)
- [Attachment "E"] Chairman Rogers and Secretary Lange signed the board authorized instruction to Salem Trust for a "One-Time Rebalance" of investments.
- [Attachments "F 1, 2 & 3"] #1 is the August 28, 2014 letter from the Florida Department of Management Services to Foster and Foster requesting clarification of

the 2013 annual report. #2 is the reply from Foster and Foster. #3 is the subsequent (September 23, 2014) “Approved Memorandum”.

- [Attachment “G”] is the list of dates for the 2015 board meetings prepared by the clerk’s office.

9. Other Business

10. Adjournment

APPEAL

If a person decides to appeal any decision made at this meeting, he or she will need a record of the proceeding and, for such purpose, may need to ensure that a verbatim record of the meeting is made, which record includes the testimony and evidence upon which the appeal is to be based (F.S. 286.0105). The City does not furnish verbatim transcripts; interested parties should make the necessary arrangements for verbatim transcripts.

AMERICANS WITH DISABILITIES ACT

In Accordance with the Americans with Disabilities Act and F.S. 286.26, persons with disabilities needing special accommodations to participate in this meeting should contact City Hall at (727) 367-2735 no later than four days prior to the meeting for assistance. The public is cordially invited to attend. All agenda material is available for review at City Hall.

[Attachment "A"]

CUTWATER
ASSET MANAGEMENT

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

July 18, 2014

INVOICE #
608-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, 2014 - June 30, 2014	$2,716.39
TOTAL AMOUNT DUE	$2,716.39
Terms: Due and payable upon receipt	

Fee computed as follows:

Entity (Fund)	Average Assets	% of Total
St. Pete Beach Firefighters	$3,138,623.63	49.5074%
St. Pete Beach Police	$3,201,081.28	50.4926%
Aggregate average assets under management	$6,339,704.91	100.0000%

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%	$1,339,704.91	$1,004.78
Multiplied by quarterly fee of 1/4 of .25 of 1%	$0.00	$0.00
Multiplied by quarterly fee of 1/4 of .20 of 1%	$0.00	$0.00
Multiplied by quarterly fee of 1/4 of .15 of 1%	$0.00	$0.00
	$6,339,704.91	$5,379.78

Allocated Fees to St. Pete Beach Police Officers	$2,716.39

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"]

Christiansen & Dehner, P. A.

63 Sarasota Center Boulevard
Suite 107
Sarasota, FL 34240-

941-377-2200
Phone

941-377-4848
Fax

September 30, 2014

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	22733

	Amount
Previous balance	$1,198.15
Balance due	$1,198.15

** 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.

Current	30 Days	60 Days	90 Days	120+ Days
$0.00	$1,198.15	$0.00	$0.00	$0.00

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

[Attachment "C"]

THE BOGDAHN GROUP

4901 Vineland Rd Suite 600 Orlando, FL 32811

Invoice

Date	Invoice #
9/8/2014	10928

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

Description	Amount
Performance Evaluation for 6/30/14 Reports and Consulting Services through 9/30/14 7/1/14 - 9/30/14	3,800.00
Balance Due	$3,800.00

[Attachment "D"]

FOSTER & FOSTER

September 5, 2014

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

RE: New GASB Rules and Senate Bill 534 (Section 112.664, Florida Statutes) Compliance

Dear Board:

As you are probably aware, the Governmental Accounting Standards Board (GASB) and the Florida Legislature have recently passed rules/legislation that will dramatically change the accounting and compliance requirements for Florida public pension funds. In our opinion, regardless of intent, GASB Statements No. 67 and 68 as well as Senate Bill 534 (Section 112.664, Florida Statutes) will needlessly increase the costs associated with administering Florida public pension funds and will provide antagonists misleading fodder to attack defined benefit pension plans. While Foster & Foster provided testimony and wrote letters vehemently opposing the new regulations, these rules were ultimately passed, and now we are forced to comply.

The purpose of this letter is to provide the Board with information regarding these new rules, offer a timeline for compliance and provide an estimate of anticipated fees associated with the additional work.

Brief Overview of GASB 67/68

The GASB 67 reporting requirements are effective for your Plan beginning with the fiscal year that ends on September 30, 2014. This new standard replaces GASB 25, and it pertains to the Plan's financial statements. GASB 68 is required beginning with the fiscal year that ends on September 30, 2015. This standard replaces GASB 27, and it details the calculations of the expense and liability that the City must record on its income statement and balance sheet. Previously, the City would record a liability on its financials that was equivalent to the cumulative differences between the actuarial minimum required contributions and actual contributions made. As you are aware, all Florida sponsors must contribute at least the minimum funding requirement, so your City has been recording either no liability or an asset on their books associated with your Plan. In 2015, they will have to record a liability that will be generally equivalent to the unfunded actuarial accrued liability, which as of October 1, 2013 was $4,294,862. Additionally, the City's accounting pension expense will no longer be equal to the actuarial minimum required contribution. Instead, it will be equal to the expense calculated under GASB 68. In summary, the financial statements will become dramatically different than those which are currently produced, and the City will be required to book a much larger liability than what was previously recorded.

In order to comply with the new accounting standards, substantial amounts of additional actuarial and administrative work will be needed. Attached to this letter is a template for a hypothetical Florida public entity which shows an example of the additional disclosure information required. The new disclosures include detail regarding the plan's asset allocation and the underlying capital market assumptions which support the discount rate being utilized. In order to complete this requirement, we will need input from your investment consultant. We will copy you on any correspondence that we have with your consultant. Our current action plan is to produce these additional disclosures at the same time that we produce the October 1, 2014 actuarial valuation. It is important to note that the new GASB rules have ZERO impact upon the City's cash funding requirements to the Plan, but instead merely alter both the Plan's and City's financial reporting.

Brief Overview of Senate Bill 534

Senate Bill 534 was passed to supposedly increase the disclosure and transparency of Florida's public pension plans. In our view, it will do nothing but increase the Plan's administrative expenses and provide irrelevant and misleading information that may be used by those looking to criticize your Plan's financial health. The requirements of Senate Bill 534 are extremely onerous. In general, they require that we replicate the accounting requirements of GASB 67/68 at least two (2) additional times using more conservative assumptions and then develop hypothetical funding requirements using those same assumptions, detailed below:

- The RP-2000 Combined Healthy mortality table with full generational projection (assumes perpetual mortality improvements),
- Using the mortality table described above, but pair this with an interest rate that is 2% less than the assumed rate of return.

The conservatism in these assumptions may cast a poor light on your Plan and disguise its true funded level. For this reason, we suggest that you consider disclosing the results using an interest rate that is 2% greater than the assumed rate in order to provide a more balanced view.

In addition to the above, Senate Bill 534 requires us to calculate the expected number of years that the fund will remain solvent if contributions and benefit accruals cease. In our view, this is akin to calculating how long any particular person would be expected to live without food or water. Of course, our concern is that the public will misconstrue the results and believe that this is how long the plan is expected to survive before going bankrupt. In reality, we all know that contributions will continue to occur and the unfunded liabilities will eventually be paid off. For this reason, we intend to also add commentary explaining that the plan will never become insolvent as long as the actuarially determined contribution is made each year.

Senate Bill 534 results are due 60 days following delivery of the 2014 actuarial valuation report to the Florida State Division of Retirement. Following acceptance of the valuation report, we will provide this document to the Board and, at the same time, submit the information to the State.

We have been in constant communication with the Florida Division of Retirement regarding their interpretation of this new law, and while we do not anticipate any great surprises, we do expect that they will release a template and implementation guide within the next 30-60 days. We will keep you posted regarding this issue.

Anticipated Fees

As you can see from the attached schedules, there is quite a bit of additional work necessary to complete these disclosures. Previously, the GASB 25/27 disclosures took very little time, and we included the minor additional work as part of the actuarial valuation fee. The new GASB rules have exponentially increased the amount of work necessary, and with the addition of the SB 534 compliance, we have been forced to substantially increase our staff to cover the extra workload.

Since these disclosures are new, and we are still fine-tuning our approach (in addition to awaiting specific guidance from the State), a definitive fee is unknown at this time. Conservatively, however, we do not anticipate that the fees will exceed the amounts shown below:

GASB 67:	$1,250
GASB 68:	$2,000 (which could be paid by the City instead of the Plan)
SB 534:	$3,000 or $3,500 (if Board wants numbers at 2% greater than assumed rate as well)

We will bill in accordance with the hourly rates which exist in our contract, but the fees shown above should be considered not-to-exceed amounts for budgeting purposes.

If you have any questions, concerns, or would like to discuss this further, please do not hesitate to give me a call or to ask that we discuss this at an upcoming Board meeting.

Sincerest regards,

Bradley R. Heinrichs, FSA, EA
President/CEO

[Attachment "E"]

July 17, 2014

TO: Lynn Skinner: Salem Trust Company
Bob Croce: Anchor Capital
Robert Allen: Cutwater Asset Management

RE: City of St. Pete Beach Police Officers' Retirement System
One-Time Rebalance

Dear Lynn, Bob and Robert:

Due to recent performance in the equity markets, it has become necessary for us to rebalance our portfolio. Please perform a rebalance as follows:

- Upon receipt of this letter, Anchor is to raise cash by utilizing current cash and selling securities from their portfolios as outlined in the table below.

- Upon settlement, Salem Trust should then transfer cash as outlined in the table below and sell/purchase shares of the mutual funds listed as needed.

- Upon transfer, Cutwater should use the cash to invest in securities consistent with its fixed income strategy.

Investment	Account #	Ticker	CUSIP	Purchase / Transfer In	Sell / Transfer Out
Anchor	3040069564				$294,160
Vanguard Total Stock	3040051760	VITSX	922908801		$514,338
Wells Advantage Growth	3040051760	SGRNX	949915714		$29,716
Manning & Napier Overseas	3040051760	EXOSX	563821503		$2,628
Cutwater	3040052689			$780,809	
Templeton Global Bond	3040051760	FBNRX	880208772	$60,033	
Total				**$840,842**	**$840,842**

If you have any questions regarding this matter, please contact our consultant, Tyler Grumbles, from the Bogdahn Group.

Sincerely,

Robert M. Rogers, Chair, St Pete Beach Police Pension Board
7/21/2014

Authorized Signer

CC: Salem Trust Ops
Tyler Grumbles: The Bogdahn Group

Contact Information:

Lynn Skinner
Salem Trust Company
1715 N. Westshore Blvd Suite 750
Tampa, FL 33607
Office: 813-301-1504
Lynn.Skinner@SalemTrust.com
Cc: Salemops@salemtrust.com

Tyler Grumbles
The Bogdahn Group
4901 Vineland Road, Suite 600
Orlando, FL 32811
Office: 407-520-5360
tylerg@bogdahngroup.com

863-292-8717 FAX

Robert Alan
Cutwater Asset Management
113 King St
Armonk, NY 10504
Office: 914-765-3307
Robert.Alan@Cutwater.com

Bob Croce
Anchor Capital Advisors
One Post Office Square Suite 3850
Boston, MA 02109
rcroce@anchorcapital.com

7/23/2014
AUTHORIZED AT REGULAR
MEETING OF 7/17/2014
SECRETARY

[Attachment "F-1"]

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

August 28, 2014

Mr. Bradley R. Heinrichs, F.S.A., E.A., Consulting Actuary
Foster & Foster, Inc.
13420 Parker Commons Blvd., Suite 104
Fort Myers, Florida 33912

Dear Mr. Heinrichs:

We have completed our preliminary review of the 2013 Annual Report for the St. Pete Beach Police Officers' Pension Fund.

Based on that review, listed below are items that need corrections, clarification and/or additional information.

- Page 14 – Please verify the employee contribution percentage rate.
- Page 13 – Thank T. Nguyen does not appear to be listed on this years' report. Please explain.
- Page 12 – Please remove Tammi J. Severin from this page as she is listed on page 13 as receiving a refund.
- Please provide revised pages of any information that has been corrected.

Please be advised that ss. 175.121(2) and 185.10(2), require that in order for a municipality or special fire control district and its pension fund to participate in the distribution of premium tax moneys under Chapters 175 and 185, F. S., all the provisions of these chapters shall be complied with annually, **including state acceptance pursuant to Part VII of Chapter 112, F. S.** If you receive a notice from the Local Retirement Section (LRS) that the plan is "not state accepted," or there is some outstanding issue that the LRS office is waiting on, please provide a prompt response so as not to jeopardize release of your state premium tax moneys.

If the plan has not been approved by September 30, 2014, you will not be able to include the 2013 premium tax moneys on the 2014 Annual Report, and any resulting funding deficiency will have to be contributed by the city/district.

The 44th Annual Police Officers and Firefighters' Pension Conference is scheduled for November 17-19, 2014, sponsored by the Department of Management Services, Division of Retirement. **There is no registration fee to attend.** The program will be held at the B Resort and Spa, Lake Buena Vista, Florida. The Hotel is located at 1905 Hotel Plaza Boulevard, Lake Buena Vista, FL 32830. You may make hotel reservations by calling 407-828-2828. If you call to make a reservation, please state you will be attending the conference.

If you have any questions or need further information, please call our office at 850/922-0667.

Sincerely,

Julie Browning, Accountant
Municipal Police Officers' and
Firefighters' Retirement Trust Funds

JB:mjm
Copy: Robert Rogers, Chairman
H. Lee Dehner, Plan Attorney
Elaine Edmunds, Finance Director

Ms. Julie Browning
Municipal Police Officers' and Firefighters'
Retirement Trust Funds' Office
P.O. Box 3010
Tallahassee, FL 32315-3010

September 5, 2014

Re: St. Pete Beach Police Officers' Pension Fund

Dear Ms. Browning,

In response to your letter dated August 28, 2014, please find answers to your questions below:

- Page 14 – The employee contribution percentage has been lowered during the middle of the year from 8.3% to 3%. Enclosed is a revised page 14.
- Page 13 – Enclosed is a revised page 13.
- Page 12 – Enclosed is a revised page 12.

Please let us know if we can be of any further assistance.

Sincerely,

Mariëlla van den Enden

MvdE/le

Enclosures

cc with enclosures: Robert Rogers, Chairman
cc without enclosures: H. Lee Dehner, Plan Attorney
Elaine Edmunds, Finance Director

[Attachment "F-3"]

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

September 23, 2014

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: 2013 ANNUAL REPORTS

This is to advise that we have **reviewed** and **approved** the 2013 Annual Report (s) for the St. Pete Beach Police Officers' Pension Fund.

The 44th Annual Police Officers and Firefighters' Pension Conference is scheduled for November 17-19, 2014, sponsored by the Department of Management Services, Division of Retirement. **There is no registration fee to attend.** The program will be held at the B Resort and Spa, Lake Buena Vista, Florida. The Hotel is located at 1905 Hotel Plaza Boulevard, Lake Buena Vista, FL 32830. You may make hotel reservations by calling 407-828-2828. If you call to make a reservation, please state you will be attending the conference.

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

mjm

Copy: Bradley R. Heinrichs, Plan Actuary

Approved

[Attachment "G"]

Notice of Meetings
St. Pete Beach Pension Boards
2015

The Pension Board Meetings will be held in the Commission Chambers of City Hall, 155 Corey Avenue, St. Pete Beach, Florida.

January 15, 2015	General Pension Board	8:30 am
	Firefighters Pension Board	10:30 am
	Police Pension Board	1:30 pm
April 16, 2015	Police Pension Board	8:30 am
	General Pension Board	10:30 am
	Firefighters Pension Board	1:30 pm
July 16, 2015	Firefighters Pension Board	8:30 am
	Police Pension Board	10:30 am
	General Pension Board	1:30 pm
October 15, 2015	General Pension Board	8:30 am
	Firefighters Pension Board	10:30 am
	Police Pension Board	1:30 pm

If a person decides to appeal any decision made at these meetings/hearings, they will need a record to ensure that a verbatim record of proceedings is made, which record includes the testimony and evidence upon which the appeal is to be based. (F.S.286.0105) The City does not furnish verbatim transcripts; interested parties should make the necessary arrangements for the verbatim transcripts.

In accordance with the Americans with Disabilities Act and F.S.286.26, persons with disabilities needing special accommodations to participate in this proceeding should contact City Hall at (727) 367-2735 no later than four days prior to proceeding for assistance.

The Public is cordially invited to attend.