POLICE PENSION BOARD

MINUTES

JANUARY 15, 2015

1:30 P.M.

CALL TO ORDER

PLEDGE OF ALLEGIANCE

ROLL CALL

PRESENT:

Bob Rogers, Chairman
Jerry Gorup, Member
Alan Slakis, Member
Tom Lange, Secretary
Joe Cornish, Member

ALSO PRESENT:

Lee Dehner, Christiansen & Dehner
Tyler Grumbles, Bogdahn Consulting
Lynn Skinner, Salem Trust
Mary Jo Murphy, Deputy City Clerk

Chairman Rogers opened the meeting by welcoming Member Joe Cornish to the Board.

1. Changes to the Agenda

Member Lange requested to make a change to the agenda. Member Lange suggested adding the following invoices as attachments: an invoice from The Bogdahn Group in the amount of $3,800.00 as attachment H and an invoice from Foster & Foster in the amount of $10,174.00 as Attachment I.

Chairman Rogers suggested adding the review of Operating Rules and Procedures.

Chairman Rogers asked for any further changes to the agenda from the Board. There were no further changes from the Board.

2. Audience Comments

There were no audience comments.

3. **Welcome and Oath of new Board Member Joseph Cornish**

Member Lange informed the Board that Member Cornish was sworn in by the Deputy City Clerk, Mary Jo Murphy, before the meeting.

4. **Approval of Minutes**

Member Slakis made a motion to approve the minutes of October 16, 2014 as written. The motion was seconded by Member Gorup and unanimously approved by a voice vote.

5. **Authorization of Payments**

Member Lange read the following payments to the Board:

- (Attachment "A") Anchor Capital Invoice, dated October 1, 2014, for services through 9/30/14 in the amount of $4,503.93. (This includes an unpaid amount for the quarter ending in June 2014.)
- (Attachment "B) Christiansen & Dehner Invoice (23115) for services through November 2014 in the amount of $1,466.01.
- (Attachment "C") Cutwater Asset Management Invoice, dated October 17, 2014, for services July through September 2014 in the amount of $3,228.41.
- (Attachment "D") Request for reimbursement in the amount of $104.73 to board member Thomas Lange for attending 44th Annual Police Officers and Firefighters Pension Conference in Lake Buena Vista on November 19, 2014 to complete continuing education requirements.
- (Attachment "H") Bogdahn Group invoice for the performance evaluation for 9/30/14 reports and consulting services through 12/31/14 in the amount of $3,800.00.
- (Attachment "I") Foster & Foster Invoice (6775), dated January 9, 2015, for the 10/1/14 Actuarial Valuation and Report, preparation of member certificates, preparation of the GASB 67 Statement, and the preparation of the GASB 68 Statement in the amount of $10,174.00.

Member Slakis made a motion to pay the following invoices stated by Member Lange: A, Anchor Capital; B, Christiansen & Dehner; C, Cutwater Asset Management; D, reimbursement to Member Lange; H, Bogdahn Group; and I, Foster & Foster. The motion was seconded by Member Gorup and unanimously approved by a voice vote.

6. **Actuarial Valuation Report as of October 1, 2014 (Foster & Foster)**

Patrick Donlan reviewed the report entitled "City of St. Pete Beach, Police Officers' Retirement System, Actuarial Valuation Report as of October 1, 2014, Contributions Applicable to the Plan/Fiscal Year Ended September 30, 2016" with the Board.

There was Board discussion in regard to having no active employees at the present time. Mr. Donlan commented the ordinance is not clear as to who receives interest and wanted to discuss the situation. Attorney Dehner stated he would research the ordinance.

Mr. Donlan offered to answer any questions from the Board in regard to the Actuarial Valuation Report. Member Lange asked about a report that was prepared the previous year that appeared to be a consensus of the members of the plan and inquired if it was going to be prepared this year. Mr. Donlan replied there is a state annual report that is required to be completed by 3/15/15 of every year, and in that report all of the members are listed active or retired.

Hearing no further questions or comments, Mr. Donlan suggested that the Board make a motion to approve the Actuarial Valuation Report. If approved, Mr. Donlan stated he would send the report to Elaine Edmunds, Administrative Services Director, and to the State, Division of Retirement and the Actuary.

> **Member Gorup made a motion to approve the Actuarial Valuation Report as of October 1, 2014. The motion was seconded by Member Slakis and unanimously approved by a voice vote.**

Having accepted the Actuarial Evaluation Report, Attorney Dehner informed the Board a Board member needed to make a motion to determine the total expected annual rate of return for the next year, next several years and long-term thereafter based on Tyler Grumbles' recommendation. Attorney Dehner added that it will need to be put in correspondence to Tallahassee, with a copy to the City and to Mr. Donlan.

Mr. Grumbles stated it was reasonable to assume that the plan will earn a return of 7.0% over the next year, the next several years and long-term thereafter.

> **Member Gorup made a motion to accept Tyler Grumbles' recommendation. The motion was seconded by Member Slakis and unanimously approved by a voice vote.**

Attorney Dehner informed Mr. Grumbles the letter needed to be signed and dated by Chairman Rogers. Attorney Dehner advised the Board that it needed to go in correspondence, signed by the Chairman, to the Division of Retirement with a copy to the City and a copy to Patrick Donlan.

7. Presentations

<u>Bogdahn Group</u>

Tyler Grumbles, Bogdahn Consultant, reviewed with the Board the report entitled "City of St. Pete Beach Police Officers' Retirement System, Investment Performance Review, December 31, 2014."

Mr. Grumbles offered to answer questions posed by the Board. Hearing no questions, Mr. Grumbles moved forward to discuss Manning & Napier. Mr. Grumbles distributed a report entitled "International Equity Strategy Review" and reviewed the document with the Board. Mr. Grumbles is concerned with Manning & Napier Overseas' recent underperformance. Manning & Napier Overseas is on Bogdahn's watch list. Mr. Grumbles explained to Member Cornish that the watch list consists of companies to be monitored over the next three quarters. After the three quarters of review, a decision has to be made to remove the company from the watch list to the approved list or remove the company and recommend termination. Mr. Grumbles' longer term recommendation is the Europacific fund. There was Board discussion about the Maximum Management Fee referenced on page 2.

Member Lange made a motion to direct the investment advisor and Salem Trust to execute the movement from our position in Manning & Napier Overseas to American Funds Europacific Growth Fund R6 in the most practical manner. The motion was seconded by Member Slakis and unanimously approved by a voice vote.

Mr. Grumbles reiterated with the Board about Cutwater Asset Management being sold to the Bank of New York Mellon. Mr. Grumbles stated it was viewed as positive, and Bogdahn Group is recommending Cutwater come off the watch list. Member Lange stated he had Attachment E, the assignment of advisory agreement, for Chairman Rogers' signature. Mr. Grumbles stated Bogdahn Group will continue to monitor Cutwater Asset Management. Attorney Dehner advised the Board to make a motion in regard to Cutwater Asset Management.

Member Lange made a motion to approve the Chairman to sign the assignment of the agreement with Cutwater Asset Management. The motion was seconded by Member Slakis and unanimously approved by a voice vote.

Mr. Grumbles informed the Board that Joe Bogdahn had decided to go from a majority owner in The Bogdahn Group to a minority owner in the company, allowing employees to become owners in the company. There will be no changes with the management team and Mr. Grumbles will continue to service the account. The Board was notified of this action and the consent form requires a signature. Mr. Grumbles distributed a handout entitled "Change of Internal Control Notification" to the Board. There was Board discussion in regard to the handout. Mr. Grumbles read to the Board members the assignment of the investment advisory contract under SEC rules which requires the Board's consent.

> **Member Lange made a motion for the Board to approve Chairman Rogers to sign the assignment as read into the record. The motion was seconded by Member Slakis and unanimously approved by a voice vote.**

<u>Salem Trust</u>

Lynn Skinner followed up about the fee increase discussed at the previous Board meeting and the documentation that needs to be completed. Member Lange informed Ms. Skinner that he had brought the form to the meeting for Chairman Rogers' signature based on the authorization from the previous Police Pension Board meeting.

Ms. Skinner updated the Board about Salem Trust and Pennant Management Group's fraud situation and ongoing litigation. Salem Trust's management is staying in contact with the consultants and attorneys, keeping them updated as to how Salem Trust is proceeding with the situation of the fraud. Attorney Dehner did request Salem Trust's upper management to produce a letter to be presented to the Board in regard to the fraud. The letter has been drafted and is being reviewed in the legal department due to ongoing litigation. Ms. Skinner offered to arrange for upper management to attend a Board meeting to answer any questions the Board may have. There was board discussion in regard to Salem Trust and Pennant Management. Attorney Dehner stated that it's important that the situation be monitored and the Board be updated periodically from Salem Trust and Mr. Grumbles. Attorney Dehner informed the Board that part of a consultant's job responsibility is to perform due diligence on custodians. The concern is the financial well-being of Salem Trust and a possible disruption of service provided to the Police Pension Board. To date there has not been litigation filed against Salem Trust, but it could occur in the future.

There was Board discussion that followed in regard to the fraud situation and the USDA's involvement. Attorney Dehner informed the Board that the USDA is disputing they have an obligation to pay any monies.

Ms. Skinner suggested bringing a member of Salem Trust's management team to attend the next Police Pension Board meeting. There was no reply to Ms. Skinner's suggestion.

Mr. Grumbles stated that Salem Trust has been in contact with The Bogdahn Group, and from Bogdahn's understanding, they will still be a profitable firm. Mr. Grumbles informed the Board that Bogdahn Group is making sure the trades get settled, but they are not auditing the financial viability of Salem Trust's parent company.

Chairman Rogers stated the Board's funds are intact and protected at this point. If there was a change to another trust company, there will be a disruption in service. Chairman Rogers suggested listing this as an agenda item for the next Police Pension Board meeting.

Attorney Dehner added he anticipated receiving a letter from Salem Trust outlining the situation. Member Lange stated if any board member is alarmed by the letter, a special meeting could be scheduled.

Member Slakis posed questions about the procedure of obtaining a possible new trust company. Attorney Dehner replied the Board could consider doing RFPs for custodians and the cost for preparing the RFPs would be several thousand dollars.

Attorney Dehner recommended that someone from management with Salem Trust attend the next Police Pension Board meeting.

Christiansen & Dehner

Attorney Dehner reminded the Board members to complete their Form 1, Statement of Financial Interests, for 2014.

Attorney Dehner gave a legislative update to the Board. There have been three bills pre-filed for consideration at this session. These bills – Senate Bill 216, Senate Bill 242 and Senate Bill 172 – go through committees and frequently changes occur. Due to changes that may occur, Attorney Dehner suggested discussing the bills at the next board meeting.

8. Approval of the Summary Plan Description

Attorney Dehner informed the Board the Summary Plan Description has been prepared and is available. The trustees should review the Summary Plan Description and submit it for approval. Once approved, it should be distributed to the membership. Mr. Donlan added there are no active members now. Attorney Dehner commented it is for active members; therefore, Attorney Dehner suggested talking about this issue at the next Police Pension Board meeting.

9. Correspondence or Actions Since Last Meeting

Secretary Lange reviewed the following with the Board:

- [Attachment "E"] Cutwater Asset Management has been purchased by the Bank of New York Mellon. The Board is requested to consent to the assignment of the advisory agreement with Cutwater. The attached form is offered for the signature of the board chairman.

- [Attachment "F"] A memorandum dated December 8, 2014 from board attorneys Christiansen & Dehner noting e-mail transmission of Records Retention Schedule GS1-SL for the use of our Records Management Liaison Officer (RMLO).
- [Attachment "G"] An e-mail from the Deputy City Clerk on 1/9/15 enumerating some procedural concerns.

There was Board discussion in regard to the Operating Rules and Procedures as follows:

- On page 5; Rule 2; 2.1 Attendance at Board Meetings: Delete the sentence: "Employee Members of the Fund who are called into the active service of the City at the time of a Board meeting shall automatically be deemed excused."
- On page 5; Rule 2; 2.2 Agendas and Other Meeting Materials: Delete the words "and the Police Department" in the following sentence – "A copy of the Notice of Meeting and Agenda shall be posted in a location in the St. Pete Beach City Hall *and the Police Department* where notices of public meetings are customarily posted."
- On page 8; Rule 5; 5.1 Mail: Update and insert rules and methodology of disseminating the mail for the Police Pension Board.

Member Lange suggested he would prepare a document of what the Board is discussing in regard to the Operating Rules and Procedures and forward it to Attorney Dehner for a draft to be prepared to present to the Board.

Member Lange informed the Board the Investment Policy Statement needs to be filed with the City and posted to the City website.

Member Lange asked for any further comments. There was Board discussion in regard to the Operating Rules and Procedures as follows:

- On page 10; Rule 5; 5.3 B. Processing of Payments for Early or Normal Retirement and Return of Contributions: Chairman Rogers stated this section is no longer applicable. Attorney Dehner agreed that it is not relevant any longer. Therefore, the Board agreed to delete Section B.
- On page 1; Rule 1; 1.4 Establishment of Offices: The following motion was made:

  Member Gorup made a motion to nominate Chairman Rogers and Secretary Lange for another 2-year term. The motion was seconded by Member Slakis and unanimously approved by a voice vote.

Member Gorup commented about the scheduling of the pension board meetings. There was Board discussion about the time set for the meetings and rotating with the Fire Pension Board and General Pension Board. Chairman Rogers will contact the two chairmen of the Fire Pension Board and the General Pension

Board and ask them to stay with a set time for each of the board meetings for one year.

Adjournment

There being no further business to come before the Board, the meeting was adjourned at 3:43 p.m.

Attest:

Rebecca C. Haynes, City Clerk

Bob Rogers, Chairman 4/16/2015

Minutes approved on: 4/16/15