CITY OF ST. PETE BEACH POLICE OFFICERS' RETIREMENT SYSTEM PENSION BOARD OF TRUSTEES QUARTERLY MEETING MINUTES

City Hall, 2nd Floor Conference Room, 155 Corey Avenue, St. Pete Beach, FL 33706

Thursday, January 19, 2023, at 10:30AM

TRUSTEES PRESENT: Chris Centofanti
Richard German
Robert Micklitsch
Patricia Cucchiara
Frank Wood

TRUSTEES ABSENT: None

OTHERS PRESENT: Bonni Jensen, Klausner, Kaufman, Jensen & Levinson, Attorney
Kerry Richardville, AndCo Consulting, Investment Consultant
Chrissy Stoker, Foster & Foster, Plan Administrator
Patrick Donlan, Foster & Foster, Plan Actuary

1. **Call to Order** – Chrissy Stoker called the meeting to order at 10:31AM and led the Pledge of Allegiance and a quorum was determined.

2. **Roll Call** – As reflected above.

3. **Public Comments** – None.

4. **New Business**
   a. Upcoming Trustee terms
      i. Chrissy Stoker commented Richard German was reappointed by the City Commission on November 15, 2022, so he would serve another term on the Board.
      ii. Chrissy Stoker stated for the record Roger Dunn resigned from the Board at the last meeting, and the City appointed Frank Wood to serve in his place.
   b. Election of Officers
      i. Chrissy Stoker commented the Operating Rules provided for a Chair and a Secretary to be selected every two years. Chrissy commented Richard German was the Secretary and there was currently no Chair.

The Board appointed Chris Centofanti to the position of Chair and retained Richard German as Secretary for another term, upon motion by Chris Centofanti and second by Robert Micklitsch; motion carried 5-0.

   c. Selection of 5th Trustee
      i. Chrissy Stoker commented she looked back at the minutes from the meeting on April 21, 2022, when it was discussed that the selection of the Fifth Trustee, currently Patricia Cucchiara, was to be done at the next following meeting but it did not take place.
      ii. Chrissy Stoker reviewed the composition of the pension board for Frank Wood.
      iii. Chrissy Stoker commented since the full Board was present at today's meeting, they could vote to reselect Patricia Cucchiara or seek a new at-large trustee. Chrissy commented if they voted to reselect her, she would submit her name to the City Commission to ratify her reappointment to the pension board.

The Board voted to reselect Patricia Cucchiara as the Fifth Trustee and recommend the City Commission to ratify her reappointment, upon motion by Richard German and second by Robert Micklitsch; motion carried 5-0.

   d. Actual expenses as of September 30, 2022
      i. Chrissy Stoker reviewed the report of actual expenses, commenting the total amount spent in FY 2022 was $68,747.44 compared to the total budgeted amount of $83,200.00. Chrissy reviewed the budget requirement for Frank Wood.

The Board approved the actual expenses as of September 30, 2022, as presented, upon motion by Robert Micklitsch and second by Chris Centofanti; motion carried 5-0.

5. **Approval of Minutes**

The Board approved the minutes from the October 20, 2022, quarterly meeting as presented, upon motion by Chris Centofanti and second by Robert Micklitsch; motion carried 5-0.

6. **Consent Agenda**
   a. Payment ratification
      i. Warrant #37
         1. Salem Trust, 3rd quarter custodial fees, $2,875.00
         2. KKJL, legal services invoice #31606, $1,274.44
         3. Foster & Foster, plan administration invoice #25407, $855.00
         4. KKJL, legal services invoice #31774, $333.90
         5. Foster & Foster, plan administration invoice #25546, $968.63
         6. Foster & Foster, actuarial services invoice #25652, $11,890.00
         7. KKJL, legal services invoice #31947, $614.50
   b. New invoices for payment
      i. None
   c. Fund Activity Report for October 14, 2022 - January 12, 2023

The Board approved the consent agenda as presented, upon motion by Robert Micklitsch and second by Richard German; motion carried 5-0.

7. **Reports**
   a. Foster & Foster, Patrick Donlan, Board Actuary
      i. October 1, 2022, actuarial valuation report
         1. Patrick Donlan introduced himself and reviewed his role as the Plan's actuary.
         2. Patrick Donlan commented the purpose of the valuation was to determine how much was needed from the City to fund the plan for the next year. Patrick reminded the Board no members were accruing benefits in this plan as it was retirees only.
         3. Patrick Donlan commented the total required contribution for the current year was $226,400. Patrick commented last year the Plan received approximately $103,000 from the State so if they received the same amount this year the City's requirement would be approximately $123,222.
         4. Patrick Donlan commented the City overpaid slightly last year so they had a prepaid contribution of $4,457.68 to offset the total requirement.
         5. Patrick Donlan reviewed the comparative summary of principal valuation results, noting the amount needed to pay all future retirement benefits was $19,574,555.
         6. Patrick Donlan stated the Unfunded Actuarial Accrued Liability (UAAL) was $1,845,948 as of October 1, 2022. Patrick commented the amount needed to amortize this amount was $177,359 per year without interest (or $182,857 with interest).
         7. Patrick Donlan reviewed the detailed actuarial gain/loss analysis.

8. Patrick Donlan reviewed their investment return assumption was 6.20% and the actual net return for 2022 was -17.80% so they missed the assumption by approximately 24%. Patrick commented this equated to an actuarial loss of $4,584,573 but only 20% of that loss would be recognized each year for the next five years. Patrick reminded the Board they had a great investment year in 2021 and that gain was being recognized each year over the next four years, which was how the smoothing was supposed to work.
9. Patrick Donlan reviewed the valuation participant reconciliation.
10. Patrick Donlan reviewed the schedule of changes in net pension liability, commenting the City would book a net pension liability of $4,477,208 this year.

The Board voted to approve the October 1, 2022, actuarial valuation report as presented, upon motion by Robert Micklitsch and second by Frank Wood; motion carried 5-0.

11. Kerry Richardville reviewed the requirement to declare their long-term investment return assumption and send a letter to the State upon approval of the actuarial valuation. Kerry stated 6.20% was a reasonable rate of return.

The Board voted the declaration of returns for the plan shall be 6.20% for the next year, the next several years, and the long-term thereafter net of investment related expenses, upon motion by Robert Micklitsch and second by Frank Wood; motion carried 5-0.

b. AndCo Consulting, Kerry Richardville, Investment Consultant
    i. Quarterly report as of December 31, 2022
        1. Kerry Richardville reviewed her role as the investment consultant and gave an overview of the market environment over the quarter.
        2. The market value of assets as of December 31, 2022, was $15,667,433.
        3. Kerry Richardville reviewed the asset allocation of the fund, commenting 44.80% was in Domestic Equity, 11.00% was in International Equity, 36.90% was in Domestic Fixed Income, 5.00% was in Global Fixed Income, and 2.30% was in cash.
        4. Kerry Richardville reviewed the asset allocation compliance exhibit. Kerry reviewed the allowable ranges for each asset class, the optimal targets, and the actual allocations. Kerry commented they were comfortably in line with their policy targets, and she had no recommendations to rebalance.
        5. The total fund gross returns for the quarter were 5.65%. Trailing returns for 1, 3, and 5-year periods were -16.73%, 2.45%, and 4.28%, respectively. Since inception (10/1/1994), gross returns were 7.57% outperforming the policy benchmark of 7.24%.
        6. Kerry Richardville reviewed the performance of each manager.
        7. Kerry Richardville commented she would bring an asset allocation study for the next meeting to consider some other investment mixes.

c. Klausner, Kaufman, Jensen & Levinson, Bonni Jensen, Board Attorney
    i. Public Safety Officer Support Act memorandum
        1. Bonni Jensen commented the federal Public Safety Officer Support Act was amended to recognize PTSD as a job-related disability or reason for a public safety officer to commit suicide. Bonni commented it brought police officers and firefighters in line with what had long been recognized in the military. Bonni discussed the conditions for entitlement to the benefit.
    ii. Internal controls memorandum
        1. Bonni Jensen reviewed a case of an in-house administrator who embezzled money from a pension fund. Bonni discussed her recommendations for internal controls to prevent fraud and abuse. Bonni recommended that he city's auditor take a closer look at the pension plan, since the Plan was

currently only audited as a part of the city audit. Bonni commented Salem Trust performed monthly death audits. Bonni recommended asking the custodian to look at all the accounts receiving benefit payments and verify the same account was not being used for multiple receipients.

2. Chrissy Stoker briefly reviewed some of Foster & Foster's internal controls. Chrissy reviewed the *Confirmation of Receipt of Retirement Benefits* form ("PF-11") could be mailed to any retirees and beneficiaries receiving payments from the Plan to confirm everyone receiving money from the Plan was still living.
3. The Board discussed whether to send out the PF-11 forms and the frequency. Patricia Cucchiara commented they needed to take internal controls seriously so they should take proactive steps to prevent potential fraud. Patricia further commented an annual affidavit would be prudent.
4. Frank Wood commented they could mail the PF-11s this year and see how it went and allow the plan administrator to report back at the next meeting. Chrissy Stoker commented she would proceed as instructed and provide an update in April.

iii. SECURE 2.0 Act memorandum

1. Bonni Jensen reviewed the SECURE Act 2.0 memorandum and the changes to the $3,000 tax exclusion for retiree health insurance premiums. Bonni commented all public safety retirees were now able to take advantage of this benefit without having their premiums deducted directly from their monthly benefit payments.
2. Bonni Jensen commented beginning in 2027 anyone receiving a disability benefit could continue to claim their payments as tax-exempt even after reaching normal retirement age.
3. Bonni Jensen commented public safety officers under age 50 could receive lump sum distributions without paying an additional 10% penalty as long as they had 25 years of service upon separation.
4. Bonni Jensen commented that the term "qualified public safety employees" now included corrections officers.
5. Bonni Jensen commented the Required Minimum Distribution (RMD) age was raised to 73 effective January 1, 2023, and in 2033 it would go up to age 75. Bonni commented the penalty for failing to take an RMD was reduced from 50% to 25% and there was an opportunity to correct it if a good-faith effort was made in a timely fashion.

8. **Old Business** – None.

9. **Staff Reports, Discussion, and Action**

a. Foster & Foster, Chrissy Stoker, Plan Administrator

i. Chrissy Stoker commented she had nothing to report at today's meeting but requested the trustees to sign the authorized signors list for the custodian, as the makeup of the Board had changed.

ii. The Board discussed the number of signatures required to authorize benefit and expenses payments.

iii. By consensus the Board approved two signatures were needed to authorize payments, with the Chairman being informed if both signors were administrators.

The Board voted to authorize payments from the Fund with signatures from two authorized signors, with two administrators able to sign if no other trustees were available and the Chairman was notified, upon motion by Frank Wood and second by Robert Micklitsch; motion carried 5-0.

10. **Trustees' Reports, Discussion, and Action** – None.

11. **Adjournment** – The meeting adjourned at 11:45AM.

12. **Next Meeting** – April 20, 2023, at 1:30PM, Quarterly Meeting

Respectfully submitted by:

Chrissy Stoker

Chrissy Stoker, Plan Administrator

Approved by:

Rich German

Richard German, Secretary

Date Approved by the Pension Board: April 20, 2023