

**MINUTES OF THE LADY LAKE
REGULAR POLICE PENSION BOARD MEETING
LADY LAKE, FLORIDA
June 12, 2013**

The Regular Police Pension Board Meeting was held in the Commission Chambers, 409 Fennell Blvd., Lady Lake, Florida. The meeting convened at 1:28 p.m.

CALL TO ORDER: Chairperson/Member Lt. Wherry called the meeting to order at 1:28 p.m. and noted there was a quorum present.

MEMBERS PRESENT: Chairperson/Member Lt. Vernon Wherry, Member Sgt. Robert Tempesta, Member Connie Merrell-Kasch, and Member Dee Dee Rountree

MEMBERS ABSENT: Member William Reed

TOWN STAFF PRESENT: Jeannine Michaud, Finance Director, and Nancy Slaton, Deputy Town Clerk

ALSO IN ATTENDANCE: Scott Christiansen, Christiansen & Dehner, P.A.; David West of Bogdahn Consulting, LLC; David Kelly of Bowen, Hanes & Company; and Commissioner Ruth Kussard

1. Approval of Minutes: Regular Meeting – March 13, 2013

Chairperson Lt. Wherry noted that a correction had been made to the minutes on page two, line 29, and asked if anyone had any other questions or corrections to the minutes of the March 13, 2013 meeting.

Upon a motion by Member Rountree and seconded by Member Kasch, the Board approved the meeting minutes of March 13, 2013, with the correction as noted, by a vote of 4-0.

2. Acknowledgement of the Reappointment of Members Lt. Wherry and Robert Tempesta

Chairperson Lt. Wherry stated that every two years, two board positions for the Town of Lady Lake Police Pension Board are up for renewal. He stated that currently these positions have been filled by himself and Sgt. Robert Tempesta. The membership nominated Detective Ron Michaud and Officer Barney Johnson for consideration to fill these seats this year, but these individuals were contacted and both declined their nominations. Lt. Wherry stated he and Sgt. Tempesta were re-elected by default and have agreed to continue to serve on this board for another two years.

3. Reappointment of Member Dee Dee Rountree

The Board members acknowledged the reappointment of Member Dee Dee Rountree who agreed to serve another term. Chairperson Lt. Wherry commented that Member Rountree has been a

member of the Board for some time, and Member Rountree stated she believes it has been since 2005.

4. Selection of Chairperson

Scott Christiansen of Christiansen & Dehner, P.A stated that since Chairperson/Member Lt. Wherry is continuing on the Board, his term as Chairperson is good for another year, as he was just voted in as Chair in June of 2012. He stated no vote is needed at this time.

5. Quarterly Report from The Bogdahn Group

David West of Bogdahn Consulting, LLC stated that since David Kelly of Bowen, Hanes & Company is present, he will minimize market comments and defer to Mr. Kelly. Mr. West summarized the report for the quarter-ending March 31, 2013. He stated a lot has transpired since the March report; the Federal Reserve announced they would continue the QE Program which is important in keeping bond rates low. Mr. West stated that domestic equity markets continue to rally, resulting in an increase of 10.6% for the quarter, while international equity indexes trailed. He stated the U.S. bond market fell somewhat, but has risen since that time.

Mr. West reviewed the performance of the fund as of March 31, 2013. He stated the total fund net for the quarter ending was at 6.14%, up .49%, and was at 5.63% for fiscal year to date, down 1.29%. Total fund gross for the quarter ending was at 6.29%, up .64%, and 5.95%, down by .97%. Domestic Equity was at 12% for quarter ending, up from 11%, and at 8.85% for fiscal year to date, which was down from 11.35%. International Equity was lagging to 4.26% for the quarter, down .97%, and at 8.75% for fiscal year to date, down 3.44%. Fixed Income was at .68% for the quarter, down .15%, and at 1.22 for fiscal year to date, up .12%

Mr. West referred to page 35 of his report which showed the total fund compliance, equity compliance, fixed income compliance, and manager compliance checklist. It showed that there were a lot of negatives in these areas regarding benchmarks and rankings.

Mr. West reported that the total fund gross market value as of January 1, 2013 was at \$4,870,000, and with contributions of \$78,000 and other distributions and expenses, the total market value as of March 31, 2013 was at \$5,211,000. He reviewed the three to five year performance, and stated the fund has fallen below the 75th percentile in peer group ranking recently.

Mr. West reported he had an administrative item to bring up. He stated that Bogdahn Group, as a consultant, has an ongoing due diligence with Bowen, Hanes as manager, and recommended that the Police Pension Board seek alternative options for assets invested with Bowen, Hanes. He stated both offices have been in communication on the issues identified, and Bogdahn feels that Bowen, Hanes' operational infrastructure is lacking in state of the art systems for portfolio compliance procedures and trade settlement procedures, etc. He stated that this recommendation is not necessarily performance-based, but is regarding operational procedures, and that it is not personal.

Chairperson/Member Lt. Wherry asked if anyone had any questions.

Member Kasch asked Mr. West's opinion whether the fund could be doing better, or if it were lagging with what is being done.

Mr. West stated that performance is lagging, and as an independent third party, Bogdahn Group makes recommendations based on objective measurement criteria in the investment policy statement and monitors this and provides opinions on it.

Member Kasch clarified that Bogdahn Group was making its recommendation for the Board to seek an alternative manager based on performance, in conjunction with regulatory oversight or compliance.

Mr. West stated that there are no regulatory issues with Bowen, Hanes.

Mr. Christiansen asked if Bowen, Hanes is doing anything illegal, or is it just the way they conduct their process, and how they decide to buy and sell.

Mr. West stated Bogdahn Group has no issue with the Bowen, Hanes approach, and they are not doing anything illegal. Their issues with Bowen, Hanes are administrative, and the fact they do not appear to be keeping up with other managers' industry standards, trading procedures and compliance procedures.

David Kelly of Bowen, Hanes interjected that a third of the trades of the 10th largest brokerage dealer are done in the same manner as Bowen, Hanes. He stated that Bowen, Hanes has 115 clients and has no need for that kind of system, and it is not their job to make Bogdahn Group's job easier by reporting into a database, and it has no impact on the client. Mr. Kelley stated there have been some issues between the two firms, and he is disappointed to have this issue come up before the Board.

Mr. West stated again that Bogdahn Group is not suggesting there is any impropriety of any kind going on. He stated they are just comparing other managers' operational procedures to Bowen, Hanes; and feel it is important to have current and state of the art operations as they feel it minimizes error, potential error, and provides for more sound accounting, fair allocation of trades and minimizes dispersion.

Member Kasch stated that it is her understanding that Bogdahn is the fiduciary and analyzes the data, and that the data is not being compiled in the system in the manner that could be most useful for reporting to the Board as the client.

Mr. West stated that this is not the case. He stated that all their information comes from the third party custodian, and as a check, they reconcile and check with the investment manager as they can sometimes have a different price on securities which can be reconciled. Mr. West stated that most managers, who admittedly are most interested in marketing their services, will subscribe and submit their data into a grand database that all consultants use, and is their basis for comparing core domestic equity. This gives a fair sampling of comparisons between managers. Bowen, Hanes does not submit their data to this database.

Mr. Kelly stated that the two firms do not see eye to eye on this issue, and Bowen, Hanes has lost substantial confidence in the Bogdahn Group for bringing this up at this Board meeting.

Chairperson/Member Lt. Wherry asked for Mr. West's suggestion.

Mr. West stated it is their recommendation that the Board consider reviewing alternative managers and go from there. He stated there is also the performance deficit reported at this meeting to consider.

Mr. Christiansen asked if it would make more sense to focus on the returns rather than the administrative items.

Mr. West agreed, but that this is just a recommendation, and the returns are not meeting specific policy criteria either.

Member Kasch asked how the Board would look at other options; what would it entail?

Mr. West stated Bogdahn Group would put together a manager search or review, and come up with alternative managers that have gone through a screening process, and bring them to the Board and compare their performances, fees, etc. Then the Board would make a decision on what they wanted to do, whether to break out some of the pieces and put them with specialists, specifically with international. He stated there would be no extra cost for Bogdahn Group to do this.

Mr. Christiansen stated that most of their clients have more than one manager, and the fees would not necessarily be higher, so it would not be breaking new ground.

6. Quarterly Report from Bowen, Hanes & Company

David Kelly of Bowen, Hanes & Company handed out several pages to the Board members. The first page was a listing of some of The Bogdahn Group's clients, which was compiled from the Bogdahn reports, showing plans with a multiple number of managers and approximate fees. He stated most of these plans were larger than Lady Lake's, and Lady Lake showed three year returns of 9.51, in comparison to ranges from 7.21 to 10.57 on the larger plans.

Mr. West responded that the small plan sample has varying mass allocations, and some are closed plans with varying actuarial rates of returns. He stated they do not manage the funds; they are only a third party advisor.

Mr. Kelly stated this is just a sampling, but he sees Bogdahn Group taking core funds and Amex funds, and that is passive money, and they are heavily responsible for that.

Mr. West replied that they have many clients who have gone passive because they are frustrated with active management.

Mr. Kelly referred to the second hand-out, which is basically a long-term report card. He stated the green area showed Bowen equities had substantial non-performance in comparison with the S&P index in 2004 – 2007. The yellow areas show under performance, and the white areas show average or a little bit under. He stated it is the nature of the business where performance in one year such as 2003 is great, but in 2008, it is poor. He stated that he stands behind Bowen, Hanes long term performance and their 30+ year history average.

Mr. Kelly stated the last hand-out is a letter from Jay Bowen, President of Bowen, Hanes, regarding the summary of issues they have had with The Bogdahn Group. The members reviewed the letter.

Mr. West stated he believed the letter is a fair rebuttal, and he pointed out that the letter stated Bowen, Hanes made a decision not to actively engage and work with investment consultants. He stated that investment consultants have a place on most institutional asset programs, pensions, etc. Mr. West stated that Bogdahn Group is just applying a yardstick consistent to standard consulting practice.

Mr. Christiansen stated that not having a consultant for the plan is not an option; it is a requirement under Chapters 175 & 185.

Mr. Kelly asked how often a consultant is required to be involved.

Mr. Christiansen replied it is once every three years. He stated it is his opinion that having a third party consultant reporting on the manager's performance is a prudent thing to do.

Mr. Kelly disagreed that the consultant needs to provide a performance review of the fund manager every quarter, and that every three years is enough.

Chairperson/Member Lt. Wherry asked Mr. Kelly where he stands.

Mr. Kelly stated that if the Board chooses to go the multi-manager route with Bogdahn Group quarter-backing the plan, then Bowen, Hanes will resign.

Member Kasch commented that she does not see this as quarter-backing; Bogdahn Group is recommending options to the Board, and the Board makes the decisions for the people the plan represents.

Mr. Christiansen stated that Bogdahn Group would come in with a vetted list; eliminating some plan managers, then the Board might interview the short-listed managers and make a selection from there.

Mr. West reiterated that this recommendation by Bogdahn Group is not personal.

Mr. Kelly stated he is trying to propose a different alternative to the consultant's role.

Chairperson/Member Lt. Wherry stated he believes everyone on the Board understands the situation at hand, and it cannot be resolved at this meeting. He asked the other members how

they would feel about having a special meeting to discuss this, and asked Mr. Christiansen for his opinion on how to proceed.

The other members agreed they would be willing to attend a special meeting to resolve the issue.

Mr. Christiansen tried to clarify what was happening. He asked Mr. Kelly if the Board keeps The Bogdahn Group as its consultant, will Bowen, Hanes then resign as the fund's manager.

Mr. Kelly confirmed this.

Mr. West stated that even if Bogdahn Group goes away, Bowen, Hanes will have to deal with a third part consultant as per the statutes. He stated the numbers are what they are, and any new consultant will come up with the same analysis.

Mr. Christiansen asked Mr. West his position if the Board meets and decides they would like to keep Bowen, Hanes.

Mr. West stated that Bogdahn Group is willing to stay on as consultant if the Board chooses to retain Bowen, Hanes as fund manager. He stated they make their recommendations and it is up to the Board to act on them. Mr. West stated they will continue to make recommendations as necessary.

Member Kasch clarified that only Bowen, Hanes is stating an ultimatum, not Bogdahn Group. She stated that it is her understanding that the Board may very well decide to keep Bowen, Hanes on as manager despite Bogdahn Group's recommendations.

Mr. Christiansen asked if the Board wanted to have the special meeting to decide whether to keep Bowen, Hanes as manager, or are they asking The Bogdahn Group to prepare a list of potential replacements.

After further discussion, the members agreed that they will be willing to meet for a special meeting once they hear the final decision by Bowen, Hanes on whether they will resign as the fund's manager, and The Bogdahn Group will provide options for selection of a new manager(s) if Bowen, Hanes resigns as manager.

The following items were included in the packet for the Board's review:

- a) March 2013 Statement with Investment Summary Dated April 3, 2013
- b) Copy of Correspondence from Bowen, Hanes & Company Regarding Privacy Policy and Brokerage Commissions

7. Report by Christiansen & Dehner

- a) Copy of Correspondence from Christiansen & Dehner Regarding Release of Protected Information. - Scott Christiansen of Christiansen & Dehner, P.A reported that recent updates have occurred to Section 119.071 of the Florida Statutes regarding general exemptions from

public records. "Date of Birth" has been added to the list of exemptions for police officers and firefighters. An addendum has been added to the Board's Operating Rules and Procedures to reflect this change.

Upon a motion by Member Kasch and a second by Member Rountree, the Board approved the Revision of Rules 15.1; Extent of Confidentiality Permitted, by a vote of 4-0.

b) Copy of Revised Summary Plan Description. - Mr. Christiansen reported that the Lady Lake Police Officer's Retirement Trust Fund Summary Plan Description dated March 1, 2013 has been revised as directed at the last Board meeting and has been distributed.

Mr. Christiansen reminded the Board members that they must send in their Financial Disclosure forms in to avoid fines that begin accruing at \$25.00 per day beginning September 1, 2013.

The Board members present stated they had received reminders from Town Manager Kris Kollgaard, and have already sent in their forms.

Mr. Christiansen stated this should be followed up with Member Reed to be sure he sent in his form, as well.

c) Draft Ordinance Amending the Town of Lady Lake Police Officers' Retirement Trust Fund Section 10.5-31, Definitions, to Comply with Internal Revenue Code. - Mr. Christiansen reported that the Board was good to go with the Internal Revenue Service regarding the tax determination letter two years ago. He stated that over time, the Internal Revenue Code rules and regulations continue to change and the draft ordinance included in the packet amends Section 10.5-31, Definitions, and Section 10.5-45, Maximum Pension, to comply with additional recent changes to the IRC.

Upon a motion by Member Kasch and a second by Member Rountree, the Board approved the Draft Ordinance Amending Section 10.5-31 and Section 10.5-45 to Comply with the Internal Revenue Code for Transmittal to the Town Commission, by a vote of 4-0.

Mr. Christiansen stated that the actuary will provide a no impact letter regarding the above ordinance to state their will be no funding impact.

Mr. Christiansen gave an update on pertinent legislature. He reported that the bill amending the Florida Retirement System regarding an optional investment program and closure of the defined benefit portion was voted down. He stated that bill being proposed to change Chapters 175 and 185 regarding the defined contribution plan passed the Senate, but died in the House. Senate Bill 534 was adopted and can be looked up under the Laws of Florida, #2013-100. It requires additional reporting to the state and will mean more costs to the plan in order to prepare reports by the actuary. Mr. Christiansen stated that Senate Bill 50 will require that the Board add an open forum item to all future meeting agendas to allow public input.

8. Approval of the Following Invoices Processed for Payment:

- a) Invoices from Christiansen & Dehner for February 2013 in the Amount of \$746.24; for March 2013 in the Amount of \$1,032.56; and for April 2013 in the Amount of \$105.30
- b) Invoice from Salem Trust for the March 2013 Quarter in the Amount of \$1,250.00
- c) Invoice from Bowen, Hanes & Company for the March 2013 Quarter in the Amount of \$7,794.27
- d) Invoice for World Risk Management, LLC for March 2013 in the Amount of \$1,786.87

Chairperson/Member Lt. Wherry read the list of invoices processed for payment for approval by the Board.

Upon a motion by Member Rountree and seconded by Member Kasch, the Board directed the invoices to be paid as listed, by a vote of 4-0.

9. Informational Items from Jeannine Michaud, Finance Director:

- a) March 2013 Quarter Statement from Salem Trust Company
- b) Financial Statements for the Quarter Ending March 31, 2013

Jeannine Michaud, Finance Director, reviewed the above informational items with the Board, as included in the packet.

Other:

Mr. Kelly of Bowen, Hanes & Company reported that he has contacted Mr. Bowen during this meeting and he also feels that the same operational issues will be brought up each quarter by Bogdahn.

Mr. West of The Bogdahn Group stated his firm will continue to make recommendations as they see fit, and leave it to the Board to implement them or not.

Mr. Christiansen clarified that the operational issues will not come up each meeting, but performance will be reported on each quarter.

Member Kasch stated that the Board understands the gist of the differences between the two companies, and will wait to hear from them to find out where they stand regarding working with each other.

Chairperson/Member Lt. Wherry stated that at the last meeting he mentioned that some officers are interested in lowering the vesting time from ten years to something lower; perhaps eight or six years. He stated that he has polled the officers in this regard, but has not yet received feedback from the FOP on their stand on the issue and whether they would be interested in funding the actuarial study. Lt. Wherry stated there are currently four of 28 officers who would qualify for vesting early if it was changed to eight years instead of ten. He stated for the next

two years, the salary difference would be \$112,370, and asked if the Board would be interested in entertaining a motion for the FOP or the Town to fund an actuarial study to see if there is any benefit to the Town.

Mr. Christiansen stated the Board could make a motion to authorize the Board's actuary to prepare studies that are requested by the Town or the union, as long as the Town or the union agrees to pay for the study.

The Deputy Town Clerk interrupted to state that the Town Manager was unable to attend this meeting, but asked that no motion or vote be done at this time regarding the vesting period if it came up for discussion. She stated that this should be a posted agenda item before a motion and vote is entertained.

Mr. Christiansen agreed that this is a fairly important item and perhaps it could be added to the agenda for the special meeting that will be held.

10. Adjourn

With no further business to discuss, Chairperson/Member Lt. Wherry adjourned the meeting at 3:20 p.m.

Kristen Kollgaard, Town Clerk

Chairperson Lt. Vernon Wherry

Transcribed by Nancy Slaton, Deputy Town Clerk