

**MINUTES OF THE LADY LAKE
REGULAR POLICE PENSION BOARD MEETING
LADY LAKE, FLORIDA
December 9, 2015**

The Police Pension Board Meeting was held in the Town Hall Commission Chambers at 409 Fennell Blvd., Lady Lake, Florida.

MEMBERS PRESENT: Member Capt. Robert Tempesta; Member John Schmied; Member Leonard Cieciek and Member Pete Chiasson

MEMBERS ABSENT: Chairperson/Member Capt. Jason Brough

TOWN STAFF PRESENT: Pam Winegardner, Finance Director; and Nancy Slaton, Deputy Town Clerk

ALSO IN ATTENDANCE: Scott Christiansen of Christiansen & Dehner, P.A.; David West of Bogdahn Consulting, LLC; Commissioner Tony Holden

A. CALL TO ORDER: Member/Captain Tempesta called the meeting to order at 1:30 p.m.

B. PUBLIC COMMENT

Captain Tempesta asked if anyone in the audience had any comments or questions. There were no questions or comments.

C. OLD BUSINESS - No old business.

D. NEW BUSINESS

1. Approval of Minutes: Regular Meeting – September 9, 2015 and Special Meeting – September 22, 2015

Captain Tempesta asked if there were any comments or questions regarding the minutes.

Upon a motion by Member Schmied and seconded by Member Cieciek, the Board approved the meeting minutes of September 9, 2015 as presented by a vote of 4-0.

Member Chiasson questioned whether the minutes of September 22, 2015 accurately portrayed the gist of what he meant to say. He stated that the intent of the question he was trying to ask (bottom of page 6) was whether the person who wrote determination letter or the person(s) who approved the termination understood fully that by terminating her for medical reasons that they were in fact making a ruling or pre-determination that she was medically unfit to be a police officer or perform full duties of a police officer, and therefore, there was no reason to hold a special meeting by the Police Pension Board.

Deputy Town Clerk Nancy Slaton stated that she had not quoted Mr. Chiasson word for word, but had summarized them into one statement. She stated she would definitely capture his intent in the minutes of this meeting, but that she did not feel the minutes of the September 22, 2015 minutes were in error.

Mr. Chiasson commented further on the disability case and questioned whether the minutes should be changed to reflect his intent and whether they directed certain people to take actions in the analysis phase in support of the next meeting.

Ms. Slaton replied that his question in this regard was understood and was one of the reasons that the disability hearing was rescheduled to be heard after this was investigated.

Captain Tempesta stated the Town was directed to look into the determination letter to see what it was based on.

Ms. Slaton stated that the information on the letter from Tia O'Neal, Human Resource Director, is included in the updated disability hearing packet and is a result of the special meeting.

Mr. Christiansen stated that page seven of the minutes quote him as saying the wrist is the basis for the claim and the reason for the termination by the Town needed to be found out. He stated that this was what he understood the Board directed him to do, and a statement from the Human Resource Director has been obtained. He stated whether the Town knew what the significance of their decision was does not play into the Board's decision.

Mr. Chiasson stated he would like to know if the officer was terminated as a result of new aches and pains and taking time off for many reasons, as opposed to the direct result of the injury to the wrist.

Captain Tempesta confirmed with the Deputy Town Clerk that the new information is in the disability packets as handed out.

Upon a motion by Member Cieciek and seconded by Member Chiasson, the Board approved the meeting minutes of September 22, 2015 as presented by a vote of 4-0.

2. Quarterly Report from The Bogdahn Group

David West of The Bogdahn Group informed the Board that he participated in a conference call during the Commission meeting in regard to the ordinance allowing new investment allocations.

Mr. Christiansen interjected that the ordinance was adopted on November 2, 2015, allowing the Board to invest in real estate and use different types of vehicles such as group trusts.

Mr. West reviewed the quarterly report for the quarter ending September 30, 2015 (on file in the Clerk's Office). He commented that this was a frustrating period to have to bring closure to the fiscal year end. He stated the Peoples Bank of China devalued the currency in the face of concerns over their slowing economy and the US Federal Reserve elected not to increase the Fed funds rate, and these two items were reasons for a disappointing investment market for the quarter. Mr. West stated the total net fund for fiscal year to date (FYTD) was at .23%, and the five year total fund was at 7.38%; not achieving the actuarial required rate of return objective.

Mr. Chiasson asked where in the report there would be comparisons showing the risks for the relatively small size of this fund versus larger funds. He asked if this \$6 million dollar fund is large enough to spread the risk such that it can have an equal chance to compete with the risk profiles of much larger funds.

Mr. West referenced page 13 of the quarterly report; stating it represents major areas of investment to include US equity, international equity, US fixed income, international fixed income, real estate, etc. He stated these would be considered the major areas that the majority and the largest pension funds have the ability to invest in various ways; this chart shows how this pension compares to the peer group.

Mr. West continued with his review of the report, stating that the total gross fund amount was up .23% and the policy statement was down .15%, which shows the fund marginally outperformed the passive benchmark. He stated that the fund ended up in the top 30th percentile from a performance standpoint, although the fund did not achieve the actuarial required rate of return. Mr. West stated that there will be no net effect on the Town's contribution due to the averaging of the four years for the actuarial rate of return requirement.

Mr. West reviewed the cash flow for the past fiscal year. It showed the market value of the fund starting at \$6,228,324 on 10/1/14, with contributions of \$410,737, distributions of -\$208,033, other expenses of -\$52,252, income of \$200,279, appreciation of -\$188,959, for a total ending market value at \$6,390,095 as of 9/30/15.

Mr. Chiasson asked if there was enough income to the plan to offset the distributions to retirees. He also asked Mr. West if these are considered healthy numbers for the state of this plan.

Mr. West confirmed that the cash flow for contribution versus distributions, not even counting income from investments, was at a positive cash flow coverage ratio of two to one. He stated this is considered very healthy.

Mr. West reviewed the asset allocation on page 11, stating the fund was close to target. He recommended that the Board direct Bogdahn to rebalance the asset allocation by sweeping excess cash to policy targets based on current policy.

Upon a motion by Member Schmied and seconded by Member Cieciek, the Board approved the request by The Bogdahn Group to rebalance the policy targets based on the current policy on asset allocation, by a vote of 4-0.

Mr. West handed out a revised draft of the investment policy statement based on the passage of the new ordinance which allows the Board to broaden investment allocations. He stated that once the revised investment policy statement is approved, it will be filed with the Town and there is a 31 day public notice period, then the document becomes effective after that period. Mr. West stated the policy reflects the changes allowed by the ordinance to include the ability to add two asset classes which will include global fixed income and treasury inflation protection securities (TIPS), and real estate targeting 10%. He pointed out the second significant item in the policy is on page 4, and addresses the allowance for the fund to participate in co-mingled funds, trusts, mutual funds, and other collective funds.

Captain Tempesta confirmed with Mr. West that if the Board adopts this revised statement now, then the Board will be able to move funds to include investing in real estate by the next meeting.

Upon a motion by Member Schmied and seconded by Member Cieciek, the Board approved the revised investment policy statement based on the passing of Ordinance No. 2015-14 by a vote of 4-0.

Mr. West proposed that two real estate investment managers be invited to attend the next meeting so that the Board can interview them and become comfortable with their products. He commented as a disclaimer that The Bogdahn Group receives no fees, benefits, or compensation from any of the investment managers that they recommend; they are only paid fees by the fund. Mr. West stated that they have fully vetted and followed up on several institutional real estate managers, with the only problem with this application being the size of the funds available to invest. He stated most major real estate funds require higher minimum funds from \$2 to \$10 million, although Bogdahn has found two real estate managers who will accept allocations under \$1 million. Mr. West stated if the allocation from this fund is at target of 10%, it would be approximately a \$600,000 commitment. The two firms who will accept this allocation amount are American Core Realty, a very conservative, low leverage core manager, and Intercontinental Real Estate, a core plus manager with the ability to use more leverage for special projects. He stated the real estate investment area is very solid.

Mr. Chiasson asked if the Board members could be given some information on the two real estate managers before the next meeting.

Mr. West passed out and briefly reviewed a booklet titled *Core Plus Real Estate Review* which lists the core managers and includes American Core Realty Fund and Intercontinental. The booklet gives a firm overview of the two firms.

Mr. Cieciek confirmed with Mr. West that this fund could invest with either one of these two real estate managers with the funds available, and that these are all domestic investments.

Captain Tempesta asked if Mr. West is suggesting using both firms, or just one.

Mr. West replied that the Board should choose one firm to make a single allocation.

Mr. Christiansen further clarified that the Board should make a single allocation because of the fund minimum requirement.

Mr. West asked for the Board's approval to invite these firms to make a presentation at the next meeting. He stated he will make sure any presentation materials are made available to the members two weeks in advance.

It was the consensus of the Board members to invite these two real estate investment managers (American Realty Core Fund and Intercontinental) to the next meeting in March of 2016.

3. Report by Christiansen & Dehner

Scott Christiansen of Christiansen & Dehner, P.A. stated that he had a few housekeeping items. He stated that there is a fiscal year-end report that must be sent to the Town Commission by the Finance Director that includes Pension letter #2 with an attachment report to include the plan's assets and returns at the end of the fiscal year. He reported that the ordinance was adopted to broaden investments, and he confirmed with the Finance Director that a copy was sent to Tallahassee (to Keith Brinkman and Sarah Carr) as directed by Foster & Foster. Mr. Christiansen confirmed with Mr. West that he would distribute the revised investment policy to the Town, State, plan actuary and lawyer once it is signed.

Mr. Christiansen reminded the Board that the disability hearing for Rita Boice is scheduled for January 6, 2016 at 3:00 p.m. He stated that all members must be in attendance at this meeting as there was a tie vote at the last one, and he asked that members notify staff as soon as possible if they cannot attend on that date as it will need to be rescheduled. He confirmed that the documents following up on the issues discussed at the last disability hearing have been received from Tia O'Neal and the doctor, and have been distributed in the packets handed out today.

Captain Tempesta asked if the disability hearing on January 6th will be a continuation of the last meeting, or if it will be starting over from the beginning.

Mr. Christiansen stated that it should be a continuation, although Mr. Schmied was not present at the last meeting. He stated he would be happy to answer any questions beforehand from Mr. Schmied so that the hearing can be a continuation.

Member Schmied stated he has read the minutes and feels that he has kept up with the issues thus far.

4. Approval of the Following Invoices Processed for Payment:

Captain Tempesta asked if there were any questions or comments regarding the list of invoices to be processed for payment for approval by the Board as follows:

- a) Invoices from Christiansen and Dehner: 09/30/15 - \$6,925.52
- b) Invoice from Salem Trust: 07/15/15 - \$1,250
- c) Invoices from Foster & Foster: 08/26/15 - \$563
- d) Invoice from Bogdahn: 09/15/15 - \$3,875

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

5. Informational Items from Pam Winegardner, Acting Finance Director:

Finance Director Pam Winegardner reviewed and commented on the following informational items as included in the packet:

a) Detailed Accounting Report of Actual Administrative Expenses for FY 2014-15

Ms. Winegardner stated that she has included a comparison for actual expenses from FY 2014 to FY 2015, and that the figures match with The Bogdahn Group's report.

Mr. Christiansen commented that this report is a requirement of new legislation. He stated this report needs to be provided to the Town, to the members of the plan, and to the State as well, once approved by the Board.

Upon a motion by Member Cieciek and seconded by Member Schmied, the Board approved the Detailed Accounting Report of Actual Administrative Expenses for FY 2014-15 by a vote of 4-0.

Captain Tempesta stated that retired members have mentioned to him that they do not receive anything from the pension and have asked how they can receive information.

Ms. Winegardner replied that member statements are provided by Foster & Foster and timing is an issue; they should be available by March.

Mr. Christiansen commented that Foster & Foster only provides statements to the active members. He stated retired members can request information at any time, but there is no legal requirement to report to them, other than to provide their pension check.

b) Financial Statements for the Quarter Ending September 30, 2015

c) July - September 2015 Statement from Salem Trust Company

Ms. Winegardner commented that the financial statements for the quarter ending match with the statement from Salem Trust and with The Bogdahn Group's report.

d) Authorization from the Board to Withdraw and Refund Richard Parrish's Contributions to the Police Pension Fund

Mr. Christiansen confirmed with Ms. Winegardner that the roll-over paperwork on Mr. Parrish was completed as required.

Upon a motion by Member Cieciek and seconded by Member Schmied, the Board authorized the withdrawal and refund of Richard Parrish's contributions to the Police Pension Fund by a vote of 4-0.

e) Authorization for Payment from Pension Fund and Distribution Form for Vernon Wherry's Monthly Benefit Payments

Mr. Christiansen questioned the retirement date of 12/1/15 shown for Mr. Wherry.

Ms. Winegardner clarified that Mr. Wherry retired at the end of the work day on December 1st.

Upon a motion by Member Cieciek and seconded by Member Schmied, the Board authorized the payment and distribution of monthly benefit payments to Vernon Wherry from the Pension Fund by a vote of 4-0.

f) Copy of Approved Request for Change in Benefits withheld through Salem Trust from Pension of Retiree Ed Nathanson

Ms. Winegardner explained that Salem Trust required that this form be approved by the Board members to take out the increased monthly benefit amount from his check.

Upon a motion by Member Chiasson and seconded by Member Schmied, the Board approved the request for change in benefits withheld through Salem Trust from the pension of retiree Ed Nathanson by a vote of 4-0.

g) Copy of Email Request from Foster & Foster for Member Information Needed to Perform the Actuarial Valuation of the Retirement Plan as of October 1, 2015

Ms. Winegardner stated this document shows the calculations for active pension members, and the Foster & Foster report will be presented at the next Board meeting.

h) Memorandum/Questionnaire from Foster & Foster Concerning Chapter 2015-39, FL Statutes Amending Chapters 175 & 185

Ms. Winegardner stated she has responded to this document from Foster & Foster regarding how the excess state monies reserved is allocated among the entities in the fund, and this outline questionnaire was to help them determine how it will impact the pension fund.

Ms. Winegardner also mentioned that she will try to remember in the future to include items on the agenda such as the ordinance that passed recently. She thanked Mr. Christiansen for his help in making sure she is in compliance with what is required.

E. ADJOURN: *With no further business to discuss, the meeting was adjourned at 2:40 p.m.*

Kristen Kollgaard, Town Clerk

Chairperson/Captain Jason Brough

Transcribed by Nancy Slaton, Deputy Town Clerk