

**MINUTES OF THE LADY LAKE
POLICE PENSION BOARD MEETING
LADY LAKE, FLORIDA**

December 13, 2017

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

MEMBERS PRESENT: Chairperson/Member Captain Jason Brough; Member/Captain Robert Tempesta; Member Leonard Cieciek; Member John Schmied; and Member William Farley

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

ALSO IN ATTENDANCE: Kevin Stone of Stone & Gerken, P.A.; Patrick Donlan of Foster & Foster; Brendon Vavrica of AndCo Consulting, LLC; and Chet Ross of Shumacker, Johnston & Ross, P.A.

A. Call to Order: Chairperson/Member Captain Jason Brough called the meeting to order at 1:30 p.m.

B. Public Comment: Chairperson/Member Captain Brough asked if anyone in the audience had any comments. There were no comments.

C. New Business

1. Approval of Minutes – Special Meeting – October 18, 2017

Upon a motion by Member Cieciek and a second by Member Tempesta, the Board approved the meeting minutes of October 18, 2017 as presented by a vote of 5-0.

2. Report by Foster & Foster (Patrick Donlan)

- a) Memorandum - Florida Division of Retirement**
- b) Actuarial Report**

Patrick Donlan of Foster & Foster reviewed highlights of the Actuarial Valuation Report performed October 1, 2017, as follows: He stated good news is that the funding requirements for the Town went down slightly; the total required payroll contribution for 10/1/17 to 9/30/19 is 23.6% versus last year's 24%. Member contributions remain at 5% and the state contribution remains at 6.4%; resulting in a 12.2% balance from the Town's percent of annual payroll. The asset (investment) valuation rate of return as of 9/30/17 was 11.57%, with the annualized rate of return for the prior four years at 7.33% (four year smoothing rate), resulting in an actuarial loss of (\$29,599.16) due to investment return. Statistical data was reviewed for the past four years; with Mr. Donlan pointing out that the average age of employment came down from 35.7 last year to 34.6 this year. Overall turnover was reviewed, with 27 active participants figured in the valuation. Net pension liability (an asset showing on the Town's books) was at \$898,810 ending 9/30/17. The unfunded actuarial accrued liability was at (\$570,451) as of October 1, 2017.

Actuarial assumptions and methods were reviewed; these assumption methods have not been updated since 2009. Mr. Donlan recommended that an experienced study should be performed over the summer by his firm to update these methods, which would cost a minimum fee of \$6,000.00.

Captain Brough asked that the consideration of having Foster & Foster conduct an experienced study to update assumption methods be put on the next meeting agenda.

Mr. Donlan discussed excess state monies reserve, explaining how the state contribution could be spent once the Town has completed their negotiations with the union. He stated there will be no problem if the union and the Town come to a mutual consent agreement on how to use the state money. However, if there is no agreement between the Town and the union, a default methodology on how to handle state monies comes into play. The default arrangement would be that the state monies reserve of \$53,498.12 would be split 50/50 – half would go toward paying down any unfunded actuarial accrued liability, which this plan does not currently have. The other half, or in this plan's case, all, would go into a share plan (defined contribution plan) for the police officers. Any excess in the future would be dealt with in the same way.

Mr. Stone remarked that the ordinance he proposed at the last meeting is to set up that share plan component if the union and the Town do not come to a mutual consent agreement.

Mr. Donlan reported on the reconciliation of the Town's prepaid contribution of \$18,016.44 for FYE 9/30/17. He stated the Town could short their required contribution by this amount this year if they choose to.

Ms. Winegardner confirmed that the estimated rate of return will remain at 7.75%.

Upon a motion by Member Cieciek and a second by Member Tempesta the Board approved the Actuarial Valuation Report dated 10/1/17, by a vote of 5-0.

Mr. Vavrica recommended the Board set the expected rate of return for the next year, the next several years, and the long-term thereafter at 7.75%. He stated this is an annual required exercise that the Board must do every time they approval the valuation report.

Upon a motion by Member Cieciek and a second by Member Schmied, the Board approved setting the expected rate of return for the next year, the next several years, and the long-term thereafter at 7.75%, by a vote of 5-0.

3. Quarterly Report from AndCo Consulting by Brendon Vavrica

Brendon Vavrica of AndCo Consulting reviewed the highlights of the quarterly report ending September 30, 2017. He stated that the quarter ending 9/30/17 was phenomenal with risk assets showing the most reward; and emerging markets, international and domestic stocks all on the upswing. Fixed incomes were positive, and growth outperformed value stocks.

Mr. Vavrica reported that the asset versus target allocation rebalanced some since the last meeting, and includes reporting by Intercontinental Real Estate. He noted the total fund balance at quarter ending was \$7,872,614. He stated that the total fund net was at 11.81% at FYTD,

beating fund policy of 11.12%. Intercontinental Real Estate was at 2.53% for the quarter versus fund policy of 1.87%. Mr. Vavrica stated that Intercontinental has been part of the plan for a year now, although a year's worth of data is not included in the report. He stated since inception, the fund is at 8.62% versus fund index of 7.66%, which is a good investment return in a relatively short time period as fixed income would have only generated .5% in this period.

Chet Ross of Shumacker, Johnston & Ross, the Town's auditor, asked what type of income is generated by Intercontinental Real Estate.

Mr. Vavrica replied that it is primarily rental income from investment properties owned by the fund, and that the cash flow is reinvested in the real estate fund. He stated that the Board can always elect to change this; the cash generated by this investment can always be put back in the fund rather than reinvested.

Mr. Vavrica reported that the updated asset balance of the plan as of yesterday morning was \$8,078,545; the market value of the plan is up 2.61% so far in this current fiscal year.

4. Police Pension Board Attorney's Report by Kevin Stone of Stone & Gerken, P.A.

a) Disability Retirement Application for Darwin Santos

Mr. Stone reported that a disability retirement application has recently been received, and his office will seek additional information from the Town and the applicant's medical providers. He stated once that information is received, the applicant will then be referred to a physician selected by this Board to undergo an independent medical evaluation (IME). When the IME is completed and returned, the Board will hold a hearing to begin making decisions regarding this disability application. Mr. Stone stated once he has reviewed the application, a special meeting will most likely need to be held in the next few weeks to deem the application complete, authorize the IME, select a physician, and authorize the expenditure for the IME. He stated he will contact the Clerk's Office to schedule the special meeting for the Board.

Mr. Stone stated that housekeeping issues will be done at the end of the calendar year and as a result of the actuarial evaluation being completed. He confirmed with the Finance Director that she will keep the Town Commission informed of the investment activity report for the Police Pension Fund. He stated he is working with Mr. Donlan to make any plan changes that are necessary, and additional ordinance proposals may be upcoming based on IRS bulletins received.

5. Approval of the Following Invoices Processed for Payment:

Chairperson/Member Capt. Brough asked if there were any questions or comments regarding the list of invoices processed for payment for approval by the Board; listed as follows:

- a) Invoice from Salem Trust dated 10/4/17 for \$1,250
- b) Invoice from AndCo Consulting dated 9/22/2017 for \$3,875
- c) Invoices from Stone & Gerken dated 5/16/2017 for \$1,991.25; dated 7/12/2017 for \$56.25; dated 9/8/2017 for \$112.50 & \$123.75

Member Farley questioned the difference in the amount of the invoices from Stone & Gerken in comparison to a previous quarter's invoice for the amount of time billed in preparation for the meeting.

Mr. Stone explained that he did not have details with him, although the invoices may include his review of legislation and statutes that pertain to the Board, review of the meeting agenda, travel time and attendance at the meetings. He stated he can include more detail on his invoices in the future if requested.

Upon a motion by Member Tempesta and a second by Member Farley, the Board directed the invoices to be paid as listed by a vote of 5-0.

6. Informational Items from Pam Winegardner, Finance Director:

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

- a) Financial Statements for the Quarter Ending September 30, 2017**
- b) July - September 2017 Statement from Salem Trust Company**
- c) U.S. Real Estate Investment Fund, LLC**

Ms. Winegardner also passed out a portfolio summary and investment history of the fund as of FYE 9/30/17 that will be provided to the Town Commission. She stated she will ask Captain Brough to sign a letter being sent to the Bureau of Local Retirement Systems on the return on investments. She confirmed with Mr. Donlan that he will be filing the Actuarial Valuation Report.

Ms. Winegardner asked Mr. Stone about required training for the Board members. She stated there is \$2,000 budgeted in the plan to cover training costs.

Captain Brough remarked that Mr. Stone had stated at the last meeting that he would provide periodic training, although he encouraged the Board members to attend the free training provided by the State.

Member Farley asked when the next training would occur.

Captain Brough replied that a State training occurred just this past November in Orlando.

Mr. Vavrica stated that there is also FPPTA (Florida Public Pension Trustee Association) training, and the next one is scheduled in Orlando on 1/28/18 - 1/31/18.

Captain Brough asked if this Board was a member of FPPTA, as he does not receive notification regarding this training.

Member Cieciek asked if you would have to be a member to attend the training, or if you could attend as a guest.

Mr. Stone replied that he believed the FPPTA training was for members only. He stated that the FPPTA membership fee for pension boards is \$600.00 per year, and there is a registration cost of \$600.00 per person for trustee schools.

Upon a motion by Member Farley and a second by Member Cieciek, the Board approved the expenditure of \$600.00 to join FPPTA by a vote of 5-0.

Member Farley asked if this is mandatory training.

Mr. Stone replied that this Board's rules require that trustees attend training, although it is non-specific. He stated he normally provides some training, basic responsibilities such as Sunshine Law and Public Records Act, for his pension boards at the first quarterly meeting of the year. He stated the he believes FPPTA could provide valuable training, although it is expensive to send everyone every year.

Captain Brough pointed out that the State training is free and occurs twice a year; one in Orlando and one in Tallahassee. He stated the Clerk's Office sends out notices regarding the trainings when they are received.

Ms. Winegardner suggested that at least one liaison member could be sent each year for training, and Mr. Stone could provide supplemental training.

Mr. Ross asked Mr. Donlan how the Town's funded ratio of 108% under liabilities in the actuarial report compares to other clientele or overall plans in Florida in terms of percentages.

Mr. Donlan replied that the Town contributes 12.6% of payroll to the plan, and the average contributions of the 195 plans they service in Florida is 37.8% of payroll, with the median being 27.3%. He stated the Town was the 28th best out of the 195 plans serviced in that regard. Mr. Donlan stated the Town's traditional funding ratio was at 108%, which is ranked 14th best out of 204 clients; the average was 88.5%, with the median at 83.8%. He stated the Town's plan is very well funded compared to other plans.

Mr. Ross stated he believes a pension plan should be 100% funded from an accounting standpoint, or pay as you go, and feels the Town's position is excellent in this regard.

Ms. Winegardner stated she would prefer to keep the excess prepaid of approximately \$18,000 in the fund, if it pleases the Board. She stated the Town Manager is in agreement with this.

There was no objection by the Board.

D. Adjourn: *With no further business to discuss, the meeting was adjourned at 2:28 p.m.*

Nancy Slaton, Deputy Town Clerk

Chairperson/Captain Jason Brough

Transcribed by Nancy Slaton, Deputy Town Clerk