

The Board of Trustees of the Police and Fire Pension Plan met on Thursday, February 9, 2017 at 1:18 pm in the City Commission Chambers in City Hall. The following Members were present: Janet Griffin, Chair Walter Sturges, and Jim Norman. Rusty Burke was absent.

3. APPROVAL OF MINUTES FROM NOVEMBER 10, 2016 REGULAR MEETING:

After a review of the Minutes, **a motion was made by Member Griffin, seconded by Member Norman, to approve the Minutes. Vote upon passage of the motion was taken by ayes and nays and being all ayes, carried.**

4. QUARTERLY/ANNUAL REPORTS:

4.1. ACTUARIAL VALUATION PRESENTATION BY FOSTER & FOSTER FOR FISCAL YEAR ENDING SEPTEMBER 30, 2016:

Mr. Doug Lozen reminded the Board that the last meeting was the presentation of the experience study. He noted that this report reflects those changes and assumptions and also reflects the experience in the last year. He referred the board to page 5 for the summary showing that the plan met the assumptions for this past year. He stated that he is recommending an increase in the City's contribution requirement even though the funded status stayed the same. He recommends the funded percentage be increased for two reasons. The first reason is that payroll is very flat right now and the second is the adoption of the assumption changes with most of the impact coming from the change in the State mandated mortality table and we have no discretion in that. The percentage of payroll contributions will go up from current year requirement for fiscal year 17 of 32.09% to 36.27% for fiscal year 18. He also reminded the board that they are still applying the use of state monies under a law that was superseded two years ago and a mutual consent agreement between the membership and City needs to be made regarding the use of state monies going forward. He referred to page 7 and reviewed the four recent assumption changes: salary increases are now based on service instead of a flat 5%, mortality rates mandated by Florida Retirement System changed the mortality rate again and would have to be adopted no later than two years from now; retirement rates were changed based on the behavior of the participants for normal and early retirement and finally withdrawal rates (turnover) changed to a service-based table that is based on actual behavior in the past. The investment return assumption will begin to be lowered but is still at 8% for this valuation. The bottom of page 7 shows that there will be three reductions in the next three valuations, dropping to 7.9% with the next one, 7.8% after that and 7.7% the year after that. He referred to page 11 which shows the funded ratio which was at 70.4 a year ago and has now dropped back to 70.9 because of the assumption changes that were recently made. **A motion was made by Member Griffin, seconded by Member Norman, to approve the actuarial valuation as presented. Vote upon passage of the motion was taken by ayes and nays and being all ayes, carried**

4.2. BROWN ADVISORY INVESTMENT REPORT FOR QUARTER ENDING DECEMBER 31, 2016:

Ms. Mary Gregory explained to the Board that they work closely with AndCo and have had recent discussions with them regarding the difficult performance environment they have been facing along with many other active managers. She stated that she recognized how difficult this period had been since they were hired in 2013 and would like to offer a fee reduction of 15% on the total fee as an incentive to stay with Brown. She referred to page 4 of the combined book which summarizes the relationship beginning with the \$3 million investment in late 2013 and the ending portfolio value of about \$3.4 million. She referred to

pages 8-9, large cap growth strategy which is the largest fund and the one they devote the most resources to. Page 12 looks at the fund performance which is a large margin behind the benchmark with the 3 year performance at about 2.3% while the benchmark is at 8.6%. She introduced Kevin Osten, Large Cap Growth Product Specialist to talk about factors that affected performance in 2016. He referred to page 15 which showed a chart of the year in relation to the benchmark and he stated that there was a rally towards the end of the year. He referred to page 20 which is a picture of the Russell 1000 growth benchmark index breaking down the performance into 4 quartiles which are segmented out by their dividend yield. He stated that he was confident that their process and philosophy was sound but last year was not conducive to what they did. Chair Sturges questioned the difficult time since inception and wondered how they compared to the competition and reminded them that their responsibility is to the board. He suggested putting them on a time schedule. Ms. Gregory referred to page 25 and stated that returns are cyclical. Member Griffin stated that she agreed with Chair Sturges and that this year would be the make or break year.

4.3. ANDCO CONSULTING QUARTERLY INVESTMENT REPORT FOR QUARTER ENDING DECEMBER 31, 2016:

Mr. John Thinnes shared with the board that Bogdahn is now AndCo Consulting which embodies what the firm is all about, putting the clients first, even in their name. He referenced page 2 of the Investment Performance Review booklet which shows that fixed income was down 3% and he explained that when rates go up, fixed income goes down. He complimented the board on the good job of diversifying. He referred to Page 17 of the report which shows the total fund up 20.7 million for this year. The board discussed the performance of Brown and the reasons for their underperformance. He referenced a Large Cap Growth Equity Review handout and referred to page 6 which was a Trailing Returns Analysis for 2016 of several managers, including Brown, and explained to the board that they were not the only one with high growth earners not being rewarded. They discussed several options and Mr. Thinnes suggested staying where they are for now since they had offered the 15% fee reduction. He presented a report which showed the performance of several other managers, two of which he liked, so if things didn't work out with Brown there was an option to take other action. Member Griffin stated she didn't want to be hasty and that she felt that slow and well thought out moves were a better strategy. Chair Sturges agreed and asked about the contract with Brown and if we were locked in for any period of time. Mr. Thinnes replied no and suggested giving them a couple more quarters to turn things around and to discuss again after a couple of meetings.

5. APPROVAL OF INVOICES ALREADY PAID AS PER AGREEMENT OR CONTRACT: The following invoices were on the agenda for consideration:

5.1.	BOGDAHNS CONSULTING, LLC INV. #20076	\$ 4,875.00
5.2.	CHRISTIANSEN & DEHNER, P.A. INV. #29740	\$ 979.80
5.3.	HIGHLAND CAPITAL MANAGEMENT, LLC INV. #14222	\$ 7,163.05
5.4.	AGINCOURT CAPITAL MANAGEMENT, LLC INV. #6199	\$ 3,366.78
5.5.	FIDUCIARY TRUST INTERNATIONAL QUARTERLY FEES	\$ 2,574.09
5.6.	BROWN ADVISORY INV. #20161231-220-24760-A	\$ 6,866.99
5.7.	AMERICAN CORE REALTY QUARTERLY FEES	\$ 4,868.18
5.8.	FOSTER AND FOSTER INV. #10015	\$14,149.00

A motion was made by Member Norman, seconded by Member Griffin, to approve the invoices already paid as per agreement or contract, including the addition of Foster & Foster which was presented at the meeting. Vote upon passage of the motion was taken by ayes and nays and being all ayes, carried.

6. APPROVAL OF INVOICES TO BE PAID: The following invoices were on the agenda for consideration:

6.1.	REIMBURSEMENT TO W STURGES FOR FPPTA SCHOOL	\$1,214.67
6.3	REIMBURSEMENT TO J GRIFFIN FOR FPPTA SCHOOL	\$ 727.88

A motion was made by Member Norman, seconded by Member Griffin, to approve the invoices, including the reimbursement for Janet Griffin which was presented at the meeting. Vote upon passage of the motion was taken by ayes and nays and being all ayes, carried.

7. REPORT FROM ATTORNEY SCOTT CHRISTIANSEN: Attorney Scott Christiansen commented that all trustees had been reappointed and reelected and Chair Sturges had been confirmed as the 5th member contingent on the other reappointment and reelection. He indicated that officers needed to be reelected and that this happens every two years. Currently Walter Sturges is chair and Jim Norman is Secretary. Chair Sturges mentioned a presentation at the most recent school which indicated that as the chair, anything he says is speaking for the entire board. He asked if he could he be held accountable for information he gives out. Mr. Christiansen said the chair does not have any more authority than anyone on the board and he could always preface his comments with a statement that he was only speaking for himself and the information is his opinion only. There was some discussion regarding the roles of the chair and secretary. **A nomination was made by Chair Sturges, seconded by Member Norman, to have Member Griffin serve as the chair. Vote upon passage of the motion was taken by ayes and nays and being all ayes, carried.**

A nomination was made by Chair Sturges, seconded by Member Griffin, to have Mr. Norman serve as the board's secretary. Vote upon passage of the motion was taken by ayes and nays and being all ayes, carried.

Attorney Christensen stated that at the last meeting the Summary Plan Description had been approved and questioned if it had been provided to all the Police Officers and Firefighters. Ms. Bryan replied yes.

He requested the board authorize him to update the Operating Rules and Procedures as this had not been done since 2001. He stated that there were a couple of addendums and some significant changes that needed to be made. **A motion was made by Member Griffin, seconded by Member Norman, to have the Attorney update the Operating Rules and Procedures. Vote upon passage of the motion was taken by ayes and nays and being all ayes, carried.**

He questioned the status of the IRS/Share plan agreement between the union and the City and it was noted that there was no update on this yet.

Attorney Christiansen reminded the board about approving an expected rate of investment return for the next year, the next several years, and the long term thereafter. He questioned Mr. Thinnes about a reasonable expectation based on the asset allocation. Mr. Thinnes replied 8% is a reasonable rate of return for the next year, the next several years, and the long term thereafter. **A motion was made by Member Griffin, seconded by Member Norman, that based on the advice of the consultant the board expects to get an 8% investment return for the next year, the next several years, and the long term thereafter.**

Attorney Christiansen noted that as Brown had offered a 15% fee reduction the Board should authorize him to prepare an addendum to that effect. **A motion was made by Member Griffin, seconded by Member Norman, authorizing the Attorney to prepare a fee addendum for Brown reducing their fee by 15%.**

He provided a legislative update to the board and the first item was not a pension issue. Senate Bill 306 has to do with voting conflicts. Currently you are not allowed to vote on any issue that inures to your special private gain. Proposed legislation would not say “special private gain” but would just say “gain”. He stated that there is an exception that if the action is general and applies to a broad spectrum of population you can vote on it. There was another piece of legislation which is specific to Firefighters and revisits a bill that was proposed last year regarding the presumptive diseases. The new bill proposes to add 4 different types of cancer as additional presumptive diseases.

Chair Sturges questioned onboarding procedures for new trustees and how we handle employees getting close to retirement. He asked if we could do workshops to assist them as they prepare for retirement. Attorney Christiansen stated that we needed to be careful with the information presented to employees and that we should not make recommendations that are outside the scope of the pension plan. There was some discussion about the two hour workshops the City has done in the past and that only 12 to 15 people attended those sessions.

8. OLD BUSINESS: There were no items for discussion under Old Business.

9. NEW BUSINESS: There were no items for discussion under New Business.

10. REQUESTS FROM THE PUBLIC TO BE HEARD ON ITEMS NOT ON THE AGENDA: There were no requests to be heard at this time.

11. OTHER BOARD DISCUSSION: Chair Sturges commented on the Trustee schools and the good information provided at the sessions.

12. ADJOURNMENT: There being no further business to come before the Board of Trustees of the Police & Fire Pension Plan the meeting was adjourned at 2:52 pm.

Janet Griffin, Chair

Jim Norman, Secretary