

**MINUTES OF THE LADY LAKE
REGULAR POLICE PENSION BOARD MEETING
LADY LAKE, FLORIDA
September 10, 2014**

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

A. CALL TO ORDER: Chairperson Wherry called the meeting to order at 1:35 p.m.

MEMBERS PRESENT: Chairperson Officer Vernon Wherry, Member Lt. Robert Tempesta, Member Dee Dee Rountree, and Member John Schmied

MEMBERS ABSENT: Member Van Reynolds

TOWN STAFF PRESENT: Kris Kollgaard, Town Manager/Town Clerk; Jeannine Michaud, Finance Director; Tia O'Neal, Human Resource Director; Chief Chris McKinstry and Lt. Jason Brough, Police Department; and Nancy Slaton, Deputy Town Clerk

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

B. PUBLIC COMMENT

Chairperson Wherry asked if anyone in the audience had any comments or questions. There were no comments or questions.

C. NEW BUSINESS

1. **Approval of Minutes:** Regular Meeting – June 11, 2014
Special Meeting – July 14, 2014

Upon a motion by Member Rountree and seconded by Member Tempesta, the Board approved the meeting minutes of June 11, 2014 and July 14, 2014 as presented, by a vote of 4-0.

2. **Quarterly Report from The Bogdahn Group**

David West of Bogdahn Consulting, LLC stated the distribution process for the quarterly report booklets will be expedited so they can go out with the meeting packets instead of staff having to make hard copies. He reviewed highlights of the quarterly report for the period ending June 2014; stating that despite geopolitical risks for this quarter, there was a big rally in equity markets. Mr. West stated that all of the assets in the portfolio rallied despite low interest rates and other factors. He noted that the S&P 500 appreciated 5.2% during the period, foreign equities were up 4.3%, emerging markets were up 6.7%, and the bond market was up 2%.

Mr. West reported that this was a particularly rough period for the active management element of the portfolio, and they will be given a pass for this, but their performance will be tracked. He stated the total fund was at 3.42% (-.36) for the quarter; domestic equities were at 4.34% (-.53); international equity was at 2.96% (-2.29), and fixed income was at 2.38% (+.34). He pointed out that Wells Fargo Advantage had the most significant impact under domestic equity.

Mr. West handed out an asset allocation update which showed the Plan's market value total as of September 4, 2014 was \$6,288,702.15. He stated the plan's 10.82% rate of return to date is still a pretty accurate number at this time and reported the Plan's market value as of June 30, 2014 was \$6,214,601. Mr. West stated the plan earned \$177,410 in income during the quarter, with a total appreciation of \$426,726.

Mr. West stated that the GASB reporting requirements for showing funded ratios have been changed, and this improves the Plan's funded ratio. He stated he is aware that these changes will be discussed later in the meeting. Mr. West stated they do not recommend any rebalancing activity at this time and through the end of the Plan year.

Mr. West reported that one administrative item has come up. He stated that Salem Trust has requested that the Board make a money market fund selection for all excess cash reserves to be invested, although they are not paying a lot. Mr. West stated The Bogdahn Group's recommendation is to select the Treasury Obligations Fund based on safety, liquidity, and fee.

It was the consensus of the Board to go with The Bogdahn Group's recommendation of the Treasury Obligations Fund.

3. Report by Christiansen & Dehner

Scott Christiansen of Christiansen & Dehner, P.A. stated he would begin with the items on the agenda.

a) Update on Officer Disability Claims: Randy Stienstra's Request for Disability Pension

Mr. Christiansen reported that this is the one remaining disability claim and as a result of the hearing on July 14, 2014, an order denying Mr. Stienstra's disability pension was completed and sent to Mr. Stienstra. He stated that Mr. Stienstra then had until October 24, 2014 to request a further hearing before the Board, but he has since requested a refund of his contributions. Mr. Christiansen stated once he saw that on this agenda, he contacted Ms. Michaud to ask if Mr. Stienstra understood that by getting his contributions returned, he could not move forward with his disability claim, and Ms. Michaud stated she thought he understood that. Mr. Christiansen stated he contacted Mr. Stienstra's attorney, and Mr. Kelly stated that Mr. Stienstra decided not to pursue the disability claim any further, and once the Board approves the return of his contributions, there will be no further process for the disability claim.

a) Proposed 2015 Meeting Dates

Mr. Christiansen stated that he sent out a memorandum for the proposed meeting dates for 2015 and they are March 11th, June 10th, September 9th, and December 9th, at 1:30 p.m. He stated that since he bills for travel, he tries to coordinate the meetings in a geographical manner to split the cost of his travel among the plans that he visits so there is some savings associated with selecting the meeting dates.

Upon a motion by Member Rountree and seconded by Member Schmied, the Board approved the 2015 meeting dates as presented, by a vote of 4-0.

Mr. Christiansen reported that he has confirmed that all members have filed their financial disclosure forms as required.

Mr. Christiansen confirmed with Ms. Michaud, Finance Director, that the state check for \$88,481 has been received and that it will be turned over to the Pension Plan.

Ms. Michaud replied that she just received the state check today and it will be turned over to the Plan tomorrow, and she commented that the check is more than last year's.

Mr. Christiansen reported that a couple of the administrative forms have been revised. One of them was the disability application form whereby the rules at the bottom of the form were clarified, particularly regarding voluntary termination. He stated that if someone quits either prior to filing a disability claim or after filing one, but before the Board takes any action, then the applicant is no longer eligible for a disability pension. There is also a statement on this form which states if the Town terminates somebody for medical reasons, the individual has 30 days from termination date to apply for a disability pension.

Mr. Christiansen stated the form that informs the custodian how much is to be paid to an individual who retires has also been revised to include the social security option. This is an option in the Plan that provides that if someone leaves prior to social security age, then they can draw a higher benefit from the date they retire until the date they are eligible for social security, and once social security kicks in, the Plan benefit payment is reduced to level the retirement benefits over their retirement period.

4. Report by Foster & Foster

a) New Government Accounting Standards Board (GASB) Rules

Scott Christiansen of Christiansen & Dehner, P.A. reported that Patrick Donlan from Foster & Foster was unable to attend. He volunteered to explain this letter since he has done it for a number of other boards. This letter is a result of changes in the Florida legislature regarding Government and Accounting Standards Board rules (GASB 67/68 replacing GASB 25) and he explained that Foster & Foster has instituted these changes in order to comply with the changes resulting from the passing of Senate Bill 534. The new reporting requirements under the new rules will cause additional charges by Foster & Foster.

Mr. Christiansen stated that the new GASB requirements have nothing to do with actuarial evaluations, but only with accounting. In addition, the new GASB accounting requirements will mean actuarial assumption must be reported using the regular valuation and then another report using an interest rate at 2% less. Another report is required using a mortality table with full generational projection, assuming people will live longer. Mr. Christiansen stated this will not be a good report for the Board. A third report is required to be based on the assumption that the Plan will receive no more contributions to show how long the Plan will last based on the benefits currently being paid. He stated that these reports are useless in his opinion, but will sent to Tallahassee and put into a database, and may be helpful to those posing to find benefit plans.

Mr. Christiansen stated an option is to also run a report using an interest rate which is 2% more than the assumed rate in order to provide a balanced view, and although the State may not put those results in the database, the Town will be required to put their report results on the web page and it could balance out the results. He asked that the Board acknowledge the additional fees billed by Foster & Foster for this additional work and to decide whether to include the additional report using the plus 2% assumed rate.

Ms. Michaud stated that Foster & Foster has anticipated the fees for the required reports are estimated to be \$6,250, or at \$6,750 with the addition of the greater than 2% report.

Mr. Christiansen pointed out that these are not-to-exceed fees.

Upon a motion by Member Schmied and a second by Member Rountree, the Board approved the additional fees to be charged by Foster & Foster for the required GASB reports, and to include the report with the 2% greater than assumed rate, not to exceed \$6,750, by a vote of 4-0.

5. Approval of the Following Invoices Processed for Payment:

Chairperson Wherry read the list of invoices to be processed for payment for approval by the Board as follows:

a) Invoices from Christiansen & Dehner:

- 1) Dated June 30, 2014 - Invoice 24983 for \$1,012.07 and Invoice 24984 for \$402.48
- 2) Dated May 31, 2014 - Invoice 24852 for \$2,331.03 and Invoice 24853 for \$542.87
- 3) Dated April 30, 2014 - Invoice 24725 for \$2,242.16 and Invoice 24726 for \$1,539.47

Mr. Christiansen clarified that the larger invoices were for costs associated with processing the two disability claims, to include the IMEs, and are not standard operating fees.

b) Invoice from The Bogdahn Group for the June 2014 Quarter Dated June 13, 2014 in the Amount of \$3,875.00

c) Invoices from Salem Trust:

- 1) Dated April 18, 2014 for March 2014 Quarter in the Amount of \$1,250.00
- 2) Dated July 15, 2014 for June 2014 Quarter in the Amount of \$1,250.00

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

6. Authorization from Board to Withdraw and Refund Randy Stienstra's Contributions to the Police Pension Plan

Chairperson Wherry stated that Randy Stienstra has requested a withdrawal and refund of his contributions to the Police Pension Plan funds in the amount of \$19,927.41.

Mr. Christiansen explained that this is a return of his own contributions to the Plan. He asked if the roll-over information had been provided to Mr. Stienstra, including the one that states he gives up all rights to anything further from the Plan.

Finance Director Jeannine Michaud replied that all the documents and information was provided to Mr. Stienstra.

Upon a motion by Member Schmied and seconded by Member Tempesta, the Board authorized the withdrawal and refund of Randy Stienstra's contributions in the amount of \$19,927.41 from the Police Pension Plan, by a vote of 4-0.

7. Eligibility for Benefits/Vesting for Members of Police Pension (Chairperson Wherry)

Chairperson Wherry explained that this item was mentioned by some of the officers to himself and Lt. Tempesta as members of the Police Pension Plan last year with regard to lowering the vesting period from ten years to eight years to put them in line with the Florida Retirement System (FRS). To further this, the FOP authorized a study to be conducted by Foster & Foster, paid for by FOP funds. On October 3, 2013, Foster & Foster reported that the special actuarial analysis had been conducted and the results were given showing the percentage of contributions needed by members, the state, and from the Town for the current ten year vesting required, along with the proposed vesting of eight years, with normal retirement age of 55 & 10, and early at 50 & 10; and proposed vesting of 8 years with normal retirement at 55 & 8, and early at 50 & 8. Chairperson Wherry stated that the Finance Director then broke that down to what it would cost.

Ms. Michaud stated that the figures for the vesting and retirement at eight years were based on the 2012 payroll at the time, and it would be an additional 1.4% contribution by the Town, which would equal approximately \$20,378.00. The figure for vesting at eight and retirement at ten years would be an additional .4% contribution by the Town, or \$5,822.00.

Chairperson Wherry reported that the Town Commission held a workshop on January 13, 2014 and this was one of their agenda items. He stated the outcome of that meeting was that the Town Manager would look into what the costs would be to the Town in this regard by having their own actuary study done. He asked the Town Manager if he phrased that properly.

Town Manager Kris Kollgaard reported that the request was for the Town to do their own actuary study and was not referring to the vesting period; it was referring to having an actuarial study completed from the Town's perspective to make sure the Town was doing all it could to insure that the fund was sound and that the Town could continue to fund the pension for the next 20 to 40 years from now. She stated that this has been put on hold because the Town got hit with the Communication Service Tax revenue reduction in January for a loss of over \$400,000 this year, and a loss of over \$600,000 for this upcoming year, along with the possibility of having to pay back \$1.3 million.

Ms. Kollgaard also mentioned that the FOP contract states that the Board must make a recommendation on any changes and the recommendation must be taken to the Commission, and if the Commission approves it, then the changes are negotiated with the FOP. She stated that the Town is currently in negotiations with FOP and this item has not been brought up by them.

Chairperson Wherry asked if the negotiations are still continuing.

Ms. Kollgaard stated that the FOP has submitted their articles and the Commission has had their Closed Executive session to discuss them, and the final meeting is tomorrow.

Chairperson Wherry stated that he has a letter from the FOP President dated July 13, 2014. He read the portions of the letter as follows: *"As we discussed at our FOP negotiations meeting on Friday, July 11, 2014, please forward this request to the Pension Board members as per our FOP Contract Pension Article 21, page 53 (attached) in regards to addressing the following 2 areas of*

benefits with the Town Commission. Members of our agency have previously voted unanimously in favor of reducing the current 10 year vestment benefit to an 8 year vestment benefit. A survey (attached) was paid for by the FOP to determine any financial impact of the reduced vestment benefit.”

Ms. Kollgaard stated she will call the Human Resource Director in to address this.

Mr. Christiansen stated that the Board took action on this at a meeting and the motion was that the Board recommended that the Town and the FOP union consider the actuarial study conducted by Foster & Foster dated October 13, 2013 when they negotiate potential benefit changes to the Plan. He stated the Board has already made that recommendation.

Ms. Kollgaard replied that the FOP did not bring this item up in their negotiations.

Mr. Christiansen stated that the Board has already done what they were asked to do. He stated the Board's second motion was to take this requirement of a recommendation by the Board out of the contract with the FOP.

Ms. Kollgaard reiterated that this has to be initiated by the FOP. She informed Tia O'Neal, Human Resource Director, of the items brought up in this discussion regarding the vesting period and DROP benefit that the FOP has requested the Board recommend to the Town Commission in the FOP President's letter to the Police Pension Board Chairman.

Ms. O'Neal confirmed that the Town has not received a copy of this letter, and that these items have not been brought up in negotiations.

Chairperson Wherry stated that the letter from Sgt. Gregory House, FOP President, was dated July 13, 2014 and this is the first meeting of the Police Pension Board since receipt of the letter.

Ms. Kollgaard stated that Sgt. House is part of the FOP negotiating team, and she suggested that Chairperson Wherry contact him.

Chairperson Wherry asked if the issues can be brought up at the meeting tomorrow.

Ms. Kollgaard replied that the FOP will have to bring it up during negotiations, and if they do, the Commission will have to hold another Closed Session to discuss the issues as this is part of the contract.

Chairperson Wherry stated he will contact Sgt. House. He explained to the Board that Section 1 of Article 21 states that *“The Town agrees to continue to maintain a local law pension plan for all unit members pursuant to the provisions set forth by Florida Statute 185.35. The Town shall negotiate with the FOP any benefits and/or changes to the local pension plan as recommended by the members of the Pension Board, and submitted to the Commissioners for approval.”* He stated that this is what Ms. Kollgaard is referring to, and based on the Board's discussion and the input and expenditures by the FOP over the last year, his opinion is that the Board would be remiss if they did not consider making that request of the Commission and Town Manager.

Mr. Christiansen stated that the Town and the union have put the Board in the middle of negotiations, which should not be one of the Board's functions. He stated if the Board is certain

that the union supports these issues, they should move forward with the recommendation. Mr. Christiansen confirmed with Mr. Schmied that he understood what was going on.

Member Schmied stated he understood and agreed that the Board should not have to be in the middle.

Upon a motion by Member Tempesta and seconded by Member Rountree, the Board recommended that the Town negotiate with the FOP to change the vesting benefit to eight years, and consider amending the normal retirement age to 55 years of age & 8 years vested or 50 years of age and 8 years vested for early retirement, instead of the current 55 and 10 or 50 and 10 years vesting, by a vote of 4-0.

8. Deferred Retirement Option Program (DROP) (Chairperson Wherry)

Chairperson Wherry stated that the Deferred Retirement Option Program (DROP) was discontinued as a benefit a couple of years ago. He explained that this program provides for an individual who has reached retirement age to continue to work and have his retirement benefit go into a special fund under the DROP program. He stated feedback supports reinstating this program from members of the FOP, and as included in the July 13, 2014 letter from the FOP President: *“Members have also expressed their desire to replace the previously lost DROP plan benefit. It has been discussed that the DROP plan benefit was and can be maintained at no additional cost to the Town.”*

Mr. Christiansen suggested the wording for the motion.

Member Schmied asked if there was a reason the DROP program was discontinued.

Chairperson Wherry stated he never understood why it was taken out and that it was never fully explained to him as a Board member. He asked if there was any comment on this.

Ms. Kollgaard stated she was not part of the negotiations for this, but she recalled from being in the Closed Executive session that one of the reasons it was taken out was because, years ago, the DROP plan was initiated to keep people in that had a lot of experience. She stated that under the DROP plan, an individual is collecting a retirement benefit (into a DROP account) while still working and drawing a salary from the Town, and then collecting a large lump sum at retirement. Ms. Kollgaard stated the Town had a lot of experienced people and it was eliminated because one of the problems with it was that it prevents promotions because when someone would normally retire, they would stay five years longer.

Mr. Christiansen clarified that the benefit was removed for personnel considerations rather than a cost consideration.

After further discussion, Chairperson Wherry asked for a motion.

Upon a motion by Member Tempesta and seconded by Member Schmied, the Board recommended that the Town negotiate with the FOP to restore the Deferred Retirement Option Program (DROP) benefit to the Police Pension Plan, by a vote of 4-0.

9. Informational Items from Jeannine Michaud, Finance Director:

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

a) Copy of Letter from the Department of Management Services Approving the 2013 Annual Report

Ms. Michaud stated that subsequent to this letter, she received a check today from the State in the amount of \$88,481.74, which is approximately \$3,400.00 more than last year, and it will be going into the trust tomorrow. She stated it normally goes down that much, but this year it went up.

b) April - June 2014 Quarterly Statement from Salem Trust Company

Ms. Michaud stated that this account statement shows the ending market value at quarter ending to be \$6,214,600.32.

c) Financial Statements for the Quarter Ending June 30, 2014

Ms. Michaud provided and reviewed an easy to read summary showing net contributions, income received in interest and dividends, outlays and disbursements.

10. Authorization from Board to Withdraw and Refund Bruce Portmess' Contributions to the Police Pension Fund

Chairperson Wherry asked if anyone had any questions or comments about this request, and hearing none, asked for a motion.

Upon a motion by Member Tempesta and seconded by Member Schmied, the Board authorized the withdrawal and refund of Bruce Portmess' contributions in the amount of \$18,182.18 from the Police Pension Plan, by a vote of 4-0.

D. ADJOURN

With no further business to discuss, Chairperson Wherry adjourned the meeting at 2:47 p.m.

Kristen Kollgaard, Town Clerk

Chairperson Officer Vernon Wherry

Transcribed by Nancy Slaton, Deputy Town Clerk