

**MINUTES OF THE LADY LAKE  
REGULAR POLICE PENSION BOARD MEETING  
LADY LAKE, FLORIDA  
June 10, 2015**

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

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

**MEMBERS PRESENT:** Member Lt. Robert Tempesta, Member Lt. Jason Brough; Member John Schmied and Member Pete Chiasson

**TOWN STAFF PRESENT:** Jeannine Michaud, Finance Director; Chris McKinstry, Police Chief; and Nancy Slaton, Deputy Town Clerk

**ALSO IN ATTENDANCE:** Scott Christiansen of Christiansen & Dehner, P.A.; David West of Bogdahn Consulting, LLC; Mayor Ruth Kussard; Officer Vernon Wherry; and Dee Dee Rountree

**B. PUBLIC COMMENT**

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

**C. OLD BUSINESS**

**1. Approval of Minutes: Regular Meeting – March 11, 2015**

*Upon a motion by Member Schmied and seconded by Member Lt. Brough, the Board approved the meeting minutes of March 11, 2015, as presented, by a vote of 4-0.*

**2. Consideration/Discussion of a Recommendation to Change the Asset Allocation (David West of The Bogdahn Group)**

David West of The Bogdahn Group passed out a copy of the Investment Policy Statement that has been revised with recommended changes. He explained to the two new members that his company is the investment consultant for the plan and assists in the engineering of the investments, and works with the actuary to make sure the documents meet actuarial requirements. He stated their objective is to construct the investments to preserve the assets and meet actuarial rates, and that they monitor the performance of the managers of the plan.

Mr. West stated that this recommendation to broaden asset allocations has been discussed previously and was most recently brought up at the last meeting. He stated that they are governed by statutory requirements and local ordinance, and those restrictions are used in the drafting of the investment policy statement. He stated the current asset allocations are fairly restricted by the local ordinance at this time. Mr. West stated that he and Mr. Christiansen had worked together to revise an ordinance for another nearby municipality and some of the language from that ordinance was used in the suggested revisions to the Town's local ordinance as

presented in the handout. He stated the Town Commission would have to approve a revised ordinance as the first step in changing asset allocations.

Mr. West reviewed the suggested changes to target allocations as follows:

<b>Asset Class</b>	<b>Current Target</b>	<b>Proposed Target</b>	<b>Proposed Range</b>	<b>Benchmark Index</b>
Domestic Equity	50%	45%	40-50%	Russell 3000
International Equity	10%	15%	10-20%	MSCI-ACWIxUS
Broad Market Fixed Income	40%	25%	25-35%	Barclay's Aggregate
Global Fixed Income	0%	5%	0-7%	B of A ML GlobalxUS
TIPS	0%	0%	0-7%	Barclays Int. TIPS
Real Estate	0%	10%	0-15%	ODCE Property Index

Member Chiasson clarified that the proposed asset allocations are to broaden the types of investments the plan can make to include more global fixed income investments and real estate which will decrease the percentages of other asset types in order to expand into those markets.

Mr. West agreed and continued to explain the investment possibilities for the proposed changes to include real estate, which should consist of brick and mortar commercial leases, and global bond markets. He stated that they have added a whole new level of screening for any new managers for these proposed asset additions to insure inherent safety mechanisms are in place. Mr. West stated if the asset allocations are changed, he will arrange an educational session for the Board regarding real estate and global bond investments.

Member Chiasson asked if the size of this fund (currently at \$6.6 million) will restrict real estate investments to one or two instruments.

Mr. West replied that this fund is small compared to some others in the state and it will restrict investments, although there are a couple of vetted managers who will accept this size of an investment to manage. He stated Real Estate Operating Funds (REOPs) are another way to utilize real estate investments, although he does not recommend it as it is essentially an equity.

Mr. West stated that his company cannot do anything until the Board makes a recommendation for the change, which must then be approved by the Town Commission by local ordinance. He stated that the Investment Policy Statement would then be changed as well, and it must be publically noticed for 31 days to allow for any objections or issues to be noted before it is official.

Member Lt. Tempesta asked Mr. Christiansen what the Board's next step should be.

Mr. Christiansen replied that the Board would need to make a recommendation for the asset allocation change, then it would be considered by the Town Commission by ordinance change before the Investment Policy Statement is changed. He stated that previous comments by Town staff have been on the conservative side in regard to changes.

Member Lt. Brough commented that one of the Commissioners suggested this change at the last meeting according to the minutes.

Mr. Christiansen agreed, stating that the Commissioner was bothered by the fact there was so much invested in bonds. He suggested that perhaps a Town Commission workshop or meeting can be held if he drafts an ordinance and Mr. West could attend to explain the reasoning for the changes.

After further discussion, Mr. Christiansen stated that even if the Town agrees to change the ordinance to allow the Board leeway to invest in other areas, the Board will still make the decision as to whether they want to or not.

Members of the Board agreed with Mr. Christiansen's suggestion that the language of the new ordinance should be conservative enough to allow for the suggested changes in asset allocation, which could be the basis for discussion at a workshop and the proposed revisions to the Investment Policy Statement.

*Upon a motion by Member Schmied and a second by Member Lt. Brough, the Board authorized Mr. Christiansen, Board Attorney, to draft an ordinance based on the recommended changes to the Investment Policy Statement regarding asset allocations, by a vote of 4-0.*

*As an addendum to this motion, the Board agreed that a workshop may need to be scheduled for the Town Commission to review the newly drafted ordinance and that Mr. West may need to be in attendance to discuss the ordinance revision (at no additional cost to the Town).*

#### **D. NEW BUSINESS**

Board Attorney Scott Christiansen stated that outgoing members Officer Vernon Wherry and Dee Dee Rountree are present at this meeting. He thanked them for their many years of service on the Board and stated he enjoyed working with them, as did the members of the Board.

#### **3. Introduction of New Commission Appointed Board Member – Pete Chiasson**

Member Lt. Tempesta introduced Pete Chiasson as a new Police Pension Board member appointed by the Town Commission at their meeting of May 18, 2015 to replace Member Van Reynolds who resigned in May. He asked Mr. Chiasson to tell the Board a little about himself.

Member Chiasson stated his business expertise has largely been in the marketing and management areas, and that he has some experience in investing on a personal level. He commented that he is glad to be on the Board and looks forward to working with everyone.

#### **4. Acknowledgement of the Police Officer Reappointment of Member Lt. Robert Tempesta and the Police Officer Appointment of Lt. Jason Brough**

Board Attorney Scott Christiansen stated that every two years, two board positions for the Town of Lady Lake Police Pension Board are up for renewal. He stated that these positions were filled by Officer Wherry and Lt. Robert Tempesta, and since Officer Wherry relinquished his position, the membership elected Lt. Robert Tempesta and Lt. Jason Brough. They have agreed to serve on this board for the next two years.

#### **5. Consideration of a Board Selected Appointment to the Police Pension Board to Replace Member Rountree**

Mr. Christiansen reminded the Board that the make-up of the Board is two members elected by the police officers, two members appointed by the Town Commission, and a fifth member selected by the other four Board members. He reported that Board appointed Member Dee Dee Rountree had decided not to serve another term after having served since 2005 and the Board needs to elect a new member. Two applicants, Phil Mathias and Leonard Cieciek, have expressed interest in being on the Police Pension Board although they were unable to attend today's meeting.

Member Schmied stated that he knew Mr. Cieciek and feels he would be a good Board member.

***Upon a motion by Member Schmied and a second by Member Lt. Brough, the Board selected Leonard Cieciek to serve as the Board appointed member in place of Member Rountree by a vote of 4-0.***

Mr. Christiansen stated that the Town Commission will need to confirm the selection of Mr. Cieciek by the Board. He asked if the new trustees have been provided a copy of the Summary Plan Description, the operating rules, and the Investment Policy Statement.

The Deputy Town Clerk commented that the Clerk's Office routinely mails out a welcome packet to new Board members, but has not included Police Pension specific documents other than the ordinance governing the trustees. She stated she and/or the Finance Director will make sure the new members receive these documents.

## **6. Selection of Chairperson**

Member Lt. Tempesta commented that Lt. Brough has past experience as the Chairperson of the Police Pension Board at Brooksville.

***Upon a motion by Member Lt. Tempesta and a second by Member Schmied, the Board selected Lt. Brough to serve as Chairperson by a vote of 4-0.***

## **7. Quarterly Report from The Bogdahn Group**

David West of The Bogdahn Group reviewed the quarterly report for the first quarter ending March 31, 2015. He commented that the investments were close to target on the asset allocation for the quarter and that foreign equities performed well during the quarter.

Member Chiasson asked for clarification on the comparative performance ratings reviewed on page 17.

Mr. West agreed that it was based on the peer group median, not averages. He reviewed cash flow on page 16, which showed the plan's market value to be at \$6,629,848 as of March 31, 2015, and stated that there has been a nice improvement fiscal year to date.

## **8. Report by Christiansen & Dehner**

### **a) Update on Officer Disability Claim for Rita Boice**

Scott Christiansen of Christiansen & Dehner, P.A. reported that the Independent Medical Examination (IME) for the disability claim by Rita Boice is scheduled for June 28, 2015. He stated that the Board must normally conduct an initial hearing within 90 days after receiving the interrogatories from the individual with a disability claim, which would be tomorrow, June 11, 2015. He requested that the Board extend the processing time for an additional 90 days, although he recommended that the Board schedule a special hearing as soon as possible once the IME results are received so the claim can be considered by the Board.

Member Schmied asked the reason for the delay in this case.

Mr. Christiansen stated his office may not have received all the documents back from doctors' offices or from the claimant's attorney in a timely manner. He stated that it is sometimes difficult to schedule an IME in a timely manner as well.

*Upon a motion by Member Brough and seconded by Member Schmied, the Board approved the extension of the processing time for this disability claim for an additional 90 days by a vote of 4-0.*

**b) Revised Administrative Form PF-16 - Special Tax Notice RE: Plan Payments**

Mr. Christiansen reported that this is a replacement form for another form; an Internal Revenue document that is required to be given to anybody getting a lump sum payment from the plan.

**c) Information RE: Senate Bill 172**

Mr. Christiansen reported that this legislation (memo included in packet) was signed into law and it deals with how the state money is utilized and provides that any additional monies be used in the pension plan as mutually agreed upon by the Town and union. If there is no mutual consent, the bill requires that 50% be used to make defined benefit plan improvements and 50% be used to create a share plan component. He stated that if there is a union, the share component must be added to the plan in connection with the execution of a new contract effective October 1, 2015. If there is already a contract in place at that time, it presumably does not need to be added until the contract expires.

Member Tempesta stated he believes the current contract is good until October of 2017.

Mr. Christiansen asked that this be confirmed as a share plan component must be done right away for those who do not have unions or a current contract in place. He stated that a share plan is a supplemental defined contribution plan for the payment of special benefits to individual members' accounts.

Mr. Christiansen reported that the state also requires that the Board must adopt a yearly administrative budget to show expected expenses and must stay on budget or an amended budget must be submitted. He stated that the finance director should include this on the agenda for the next meeting. Mr. Christiansen stated this must be reported yearly to the state and the members of the plan. He stated a fiscal year-end report (9/30/15) showing actual expenses must be submitted as well, and that it needs to be clarified with the state as to whether managers and consultants' fees should be included as administrative expenses, or if these are investment expenses.

Mr. Christiansen reported that Senate Bill 242 has been adopted by the House and Senate, but has not been presented to the governor to be signed into law yet. He stated it requires the actuary to substitute the current mortality table with the mortality table that the Florida State Retirement System (FRS) uses. He stated the actuaries tell him this is more conservative than the table the plan currently uses, as it expects people to live longer, and it will cause an increase of required funding if it becomes adopted, to be effective in 2016.

Mr. Christiansen confirmed that the Summary Plan Description had been distributed to all the police officers.

Mr. Christiansen reported that the plan must maintain its tax qualification status to receive all the benefits of a tax qualified plan. He stated the IRS dictates the language in the tax qualified plan and those rules change fairly regularly. He stated that they have just received a draft of suggested changes and will soon be suggesting that the Board approve a draft ordinance to make those changes once they are finalized to be brought before the Town.

#### **9. Approval of the Following Invoices Processed for Payment:**

Member Lt. Tempesta read the list of invoices to be processed for payment for approval by the Board as follows:

**a) Invoices from Christiansen and Dehner: Dated January 31, 2015 - Invoice 26023 for \$540.61; Dated February 28, 2015 - Invoice 26217 for \$113.70; Dated March 31, 2015 - Invoice 26388 for \$1,314.12 and Invoice 26389 for \$1,609.68; Dated April 30, 2015 - Invoice 26514 for \$2,128.04**

**b) Invoice from Salem Trust-Dated April 15, 2015 for Period Jan 1 – Mar 31, 2015 for \$1,250.00**

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

#### **10. Informational Items from Jeannine Michaud, Finance Director:**

Finance Director Jeannine Michaud reviewed and explained the following informational items to the Board as included in the packet:

**a) Member Personal Pension Statements Ending September 30, 2014 - Distributed to Members in March 2015**

**b) 2014 Annual Report to the Division of Retirement**

Mr. Christiansen stated that legal expenses are listed under Board Attorney under Administrative Expenses on this report. He asked that the IME fees paid by the attorney's office be broken out as a separate line item as it is a pass-thru expense because his office is reimbursed by the plan, and it appears that his fees are more than they actually are. Mr. Christiansen stated the IME fees are listed as an expense item on his invoices. He also asked Ms. Michaud if the state has approved the annual report yet.

Ms. Michaud stated she will make this change going forward. She replied that she submitted the report in March and has not received word of approval yet from the state, nor has she received any comments or questions regarding the report.

**c) January – March 2015 Quarterly Statement from Salem Trust Company**

**d) Financial Statements for the Quarter Ending March 31, 2015**

Member Lt. Brough stated there are three people listed under amount refunded at termination that show asterisks instead of an amount on page 13 of the annual report. He asked if they did not request their money back.

Ms. Michaud replied that they did not request a refund, but they can leave it in for five years. She stated that the four that were paid out this year will come off the report next year.

Mr. Christiansen further explained that they can leave it in the fund for five years pending being re-employed.

Member Lt. Tempesta asked if the members listed on page 12 of the annual report were the only members drawing from the pension fund.

Ms. Michaud replied that he was correct although one member is listed as vested, but is not yet drawing from the fund.

**E. ADJOURN**

*With no further business to discuss, the meeting was adjourned at 3:25 p.m.*

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Kristen Kollgaard, Town Clerk

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Chairperson Lt. Jason Brough

Transcribed by Nancy Slaton, Deputy Town Clerk