

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

June 14, 2017

The Police Pension Board meeting 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: Kris Kollgaard, Town Manager; Pam Winegardner, Finance Director; Debbie Rodriguez-Lopez, Senior Accounting Clerk; and Nancy Slaton, Deputy Town Clerk

ALSO IN ATTENDANCE: Kevin Stone and Grant Watson of Stone & Gerken, P.A.; Brendon Vavrica of AndCo Consulting, LLC; and Commissioner Tony Holden

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 – Regular Meeting – March 8, 2017

Upon a motion by Member Cieciek and a second by Member Tempesta, the Board approved the meeting minutes of March 8, 2017 as presented by a vote of 5-0.

2. Consideration of Reappointment of Board Member Leonard Cieciek

Chairperson/Member Captain Brough asked for a motion to reappoint Mr. Cieciek for another two-year term.

Upon a motion by Member Tempesta and a second by Member Schmied, the Board approved the reappointment of Mr. Cieciek for another two-year term by a vote of 5-0.

3. Acknowledgement of Officers' Reappointments of Captain Tempesta and Captain Brough as Police Pension Representatives

The Board members and Attorney Kevin Stone acknowledged that the membership has re-elected Captain Robert Tempesta and Captain Jason Brough, and they have agreed to serve on this board for the next two years.

4. Selection of Chairperson/Vice Chairperson

Chairperson/Member Captain Brough asked for nominations for chairperson and vice chairperson.

Captain Tempesta pointed out that the Board has always had a Chairperson and a Secretary, not a Vice Chairperson.

Attorney Kevin Stone stated he believes that Chapter 185 requires that the Board nominate a chairperson, vice chairperson, and a secretary. He stated he will review the statute and report back later in the meeting.

Upon a motion by Member Schmied and a second by Member Cieciek, the Board nominated Captain Brough to continue serving as Chairperson and Captain Tempesta to continue serving as Secretary for the next year, by a vote of 5-0.

5. Quarterly Report from AndCo Consulting (Brendon Vavrica)

Brendon Vavrica of AndCo Consulting reviewed the highlights of the quarterly report ending March 31, 2017. He noted that international assets performed well in this quarter, as did domestic assets, and fixed assets performed in the positive. Returns came from the growth stocks this quarter; outperforming the value stocks, which is the opposite of last quarter. He reviewed the treasury yield curve on page 5, stating rates continued to rise after the election although it is slightly flattened from last quarter. Mr. Vavrica stated that if this trend continued over time or inverted where short-term rates are higher than long-term rates, it may indicate a recession.

Mr. Vavrica noted that target allocations for real estate and cash are essentially in line, and domestic equity is slightly over, with international equity and domestic fixed income under target because of relative performance. He stated that total fund market value as of March 31, 2016 was \$7,346,502, and an updated figure as of yesterday was \$7,540,000; or an increase of almost \$200,000 since March 31st due to the strong market. He noted that page 15 of the report summarized all financial reconciliation activity for the fund for the quarter. Mr. Vavrica reported the total fund net was up 4.08% for the quarter and 4.95% for fiscal year to date, or an increase of 2.6% in market value. He stated the fund is in a very good position at this time, although it under-performed over the three and five-year period.

Mr. Vavrica stated that they have been closely watching Wells Fargo and it performed well this quarter at 10.5% versus 8.9%, with an upward trend showing. He stated they will continue to watch this fund closely. Real estate was shown on this report with the inception date of November 1, 2016. He stated that during the five months, it showed an increase of 4.5%; a nice start for this fund.

Mr. Vavrica reviewed a hand-out showing Intercontinental investment highlights (real estate investment) and explained the difference between Core, Core Plus and Value Add investments. He asked if there were any questions.

Member Captain Tempesta asked where the majority of the real estate properties were located.

Mr. Vavrica replied that they were located all over, although mainly in major cities such as Atlanta, New York, etc.

6. Report by Kevin Stone of Stone & Gerken, P.A.

Mr. Stone reported there were no legislative actions affecting Chapter 185 or pensions this past session, although there were some changes regarding public records laws favorable to the agencies. He stated the Summary Description must be updated bi-annually and he asked for the Board's consideration to update this by including as exhibits an updated pension board member list and an

updated valuation report. He stated there has been one modification by the IRS regarding Section 3.L Maximum Benefits, and this amount has been increased from \$210,000 annually to \$215,000 annually; this will be changed in the body of the report, as well.

Mr. Stone asked for a motion to update the summary plan description for 2017 with the changes he described above.

Upon a motion by Member Cieciek and a second by Member Tempesta, the Board approved the publication of a revised Summary Plan Description for 2017 as proposed by Attorney Stone by a vote of 5-0.

Mr. Stone reminded the members of the requirement to return Form 1 – Financial Disclosure to the State of Florida by July 1st, if they have not already done so.

Mr. Stone passed out a draft proposed ordinance regarding the adoption of a defined contribution component (share plan) for the pension as required by legislation that passed two years ago. He stated that this will not affect this plan until the collective bargaining process is complete for a new bargaining agreement between the Town and the union this year. In the interim, he stated that it is his understanding that some kind of defined contribution component needs to be in place per Chapter 185.35 at the time that it happens. Mr. Stone stated the discussions between the Town and the union may result in an agreement that does not fund this plan, and that is okay; it needs to be in place even if it is not used. He stated the proposed plan is very basic and is used by other municipalities whereby 50% of the amount the Town receives from the state each year is allocated to the plan for each member based on service time, and only vested members would receive their share upon termination. Each member of the plan would have their own account which would grow with the investment returns of the overall plan (notional accounts).

Mr. Stone stated the Town would have to adopt this ordinance based upon the Board's recommendation, and an actuarial impact statement would have to be prepared by Foster & Foster, which would be a cost to the plan. He asked that the Board authorize him to forward this to Foster & Foster to prepare an actuarial statement to forward to the Town prior to the adoption of a new collective bargaining agreement.

Member Captain Tempesta asked for further clarification on the use of the state monies for this proposed share plan, and Mr. Stone reviewed the information.

Member Cieciek asked about the plan being based on members' service time.

Mr. Stone replied that the benefit would be pro-rated on each member's service time.

Finance Director Pam Winegardner asked if the Town and the union could not agree on the distribution of the state check, would the default be that 50% would go to the Town toward their part in funding the plan and 50% would go to the defined contribution plan. She commented that the actuarial impact would be status quo if the Town and the union agree to split it 50/50.

Mr. Stone replied Chapter 185.35 states that 50% would go toward minimum benefits and 50% goes toward the defined contribution component. If the minimum benefits have been covered by another funding source, then the extra money would go toward extra benefits under the previous definition. He stated the actuary will be looking for any shortfall that needs to be amortized resulting from deducting 50% of the state monies the Town has historically been using to fund minimum benefits.

Member Schmied stated that he did not fully understand the impact of the fund, although he understands it is something that is needed to remain in compliance.

Attorney Stone explained that a portion of the funding for these benefits comes from taxes that are imposed on insurance policies, and those insurance premium taxes are paid to the state. When the plan files its annual report each year, the state reviews it to be sure it is in compliance, and then they send most or all of the money back to the plan. He stated the legislature likes defined contribution plans and they wanted police officers to get more benefits, so they froze the amount of money the state received in 2012, and any amount that exceeds the 2012 amount from the state in future years has to be used by splitting it 50/50 between funding minimum benefits and funding this new plan component. If the Town and the union come to another agreement on how to use that money, it will override all of it. Nevertheless, the defined contribution plan must be in place even if not used.

Member Farley clarified that it is a state-mandated default program, or you can go with an agreed upon program. He asked if this is something the police union and the Town will have to accept as the default plan.

Mr. Stone replied that the Town and the union will have to come to an agreement, and it is coming up now as their current union contract expires this year. Negotiations are ready to get underway and this needed to be in place.

Upon a motion by Member Schmied and a second by Member Cieciek, the Board authorized the pension attorney to forward this draft ordinance to Foster & Foster to prepare an actuarial impact statement, and to forward the ordinance to the Town for the Commission's consideration, by a vote of 5-0.

Mr. Stone reported back that a Vice Chairperson is optional under the statute, although the board must have a Chairperson and a Secretary.

Mr. Stone introduced Grant Watson as an attorney that works with his firm. He stated Mr. Watson would likely fill in for him if he is out for any reason. Mr. Stone stated he is due to go out on paternity leave soon.

7. 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 January 6, 2017 for \$1,250**
- b) **Invoices from Stone & Gerken, P.A. dated January 9, 2017 for \$536.25**
- c) **Invoices from Stone & Gerken, P.A. dated January 9, 2017 for 56.25**
- d) **Invoices from Stone & Gerken, P.A. dated March 16, 2017 for 56.25**
- e) **Invoice from Foster & Foster dated February 25, 2017 for \$9,697**
- f) **Invoice from AndCo Consulting, LLC dated March 31, 2017 for \$3,875**

Finance Director Pam Winegardner stated that these invoices must be approved by any two trustees before they are paid, and they must be brought to the notice of the entire board and that it is why they are on the agenda.

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

8. 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 March 31, 2017**
- b) **January – March 2017 Statement from Salem Trust Company**
- c) **Authorization from the Board of Trustees for Payment from Fund-Character**

Ms. Winegardner stated she needs authorization from the Board to approve Gerol Character's retirement distribution from the pension.

Upon a motion by Member Cieciek and a second by Member Tempesta, the Board authorized Gerol Character's retirement distribution from the pension fund by a vote of 5-0.

d) Letter to Department of Retirement with Return on Investment Benchmark

Ms. Winegardner stated she has presented the Annual Report to the State of Florida Department of Management Services, and she received a reply noting infractions that were not legitimate, which have since been cleared up. One of the items was the requirement to have a defined contribution plan in place, but as Mr. Stone explained, this did not need to be in place until now. She stated everything is in compliance and the Town is expecting to receive a check the first part of July (\$101,000 received last year).

Chairperson Captain Brough asked if one could log in and find out if it was approved on the website.

Ms. Winegardner replied you can log in to find out, although she has also received an email from the state that it is approved.

Member Cieciek asked about the financial disclosure forms.

Ms. Winegardner stated each member should have received a form through the mail, but that they could contact the Clerk's Office for assistance.

Member Farley stated he did not receive one, although he filled out one when he was appointed.

Town Manager Kris Kollgaard stated she is the coordinator regarding financial disclosure to the state. She stated she has checked online and all forms have been received with the exception of Member Cieciek. Member Farley will not have to fill out another form until next year. She stated that forms include financial disclosure for the previous year ending December 2016.

D. Adjourn: *With no further business to discuss, the meeting was adjourned at 2:16 p.m.*

Kristen Kollgaard, Town Clerk

Chairperson/Captain Jason Brough

Transcribed by Nancy Slaton, Deputy Town Clerk