

POLICE PENSION BOARD MEETING MINUTES TOWN OF LADY LAKE, FLORIDA

June 13, 2018

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 William Farley

MEMBERS ABSENT

Member John Schmied

TOWN STAFF PRESENT

Pam Winegardner, Finance Director
Nancy Slaton, Deputy Town Clerk

ALSO IN ATTENDANCE

Kevin Stone of Stone & Gerken, P.A.
Brendon Vavrica of AndCo Consulting, LLC

A. Call to Order

Chairperson Captain Jason Brough called the meeting to order at 1:30 p.m.

B. Public Comment

Chairperson Captain Brough asked if anyone in the audience had any comments. There were no comments.

C. New Business

1. Approval of Minutes of the March 14, 2018 Meeting

Member Tempesta made a motion to approve the minutes of the March 14, 2018 meeting. Member Cieciek seconded the motion. The motion passed by a vote of 4-0.

2. Acknowledgement of Town Commission Reappointments of Member William Farley and Member John Schmied to the Police Pension Board

Chairperson Captain Brough congratulated these members for being reappointed.

3. Selection of Chairperson/Vice Chairperson

Chairperson Captain Brough asked for nominations.

Member Cieciek nominated Captain Brough to remain as Chairperson. Member Farley seconded the motion. The motion passed by a vote of 4-0.

Member Brough nominated Captain Tempesta as Vice Chairperson. Member Cieciek seconded the motion. The motion passed by a vote of 4-0.

Attorney Stone reminded the members that the statute requires that the Board must have a secretary.

Captain Brough nominated Member Farley as Secretary. Member Cieciek seconded the motion. The motion passed by a vote of 4-0.

4. Quarterly Report from AndCo Consulting (Brendon Vavrica)

Brendon Vavrica of AndCo Consulting reported that it was not a great quarter for the markets generally, and although growth markets were positive, value benchmarks were down. He stated that this fund's allocations were in line with little deviation from target allocations. The total fund value was \$8,146,343 for quarter ending 3/31/18, and was just short of \$8.4 million as of this morning. Reconciliation and comparative performance was reviewed. He stated that this fund has outperformed over the benchmark, placing in the 23rd percentile against the peer group over the last six months.

Mr. Vavrica stated that Intercontinental Real Estate is at 2.8% for the quarter, and just under 10% for the year versus 8% for the benchmark. He noted that a component of the real estate fund is that they hold debt or mortgages on some of their properties. The value of these mortgages will go up when interest rates go up, which is a hedge against the rise in interest rates in the fixed income portion of the portfolio. Intercontinental is sending out a letter regarding an adjustment to their policy whereby debt can only be up to 40% instead of 52% to become more conservative.

Mr. Vavrica asked if there were any questions. There were no questions.

Mr. Vavrica referred to a handout that was passed out prior to the meeting. He called it a periodic table of investments, or an annual asset class performance report. He reviewed this

report which spanned from 2003 to 2017. Mr. Vavrica noted there is no pattern, which is why the investments are diversified. Other pages showed a return index history for the S&P 500, and these were reviewed.

Mr. Vavrica stated the next quarterly report will reflect the change in the investment policy to include the real estate and total fund calculation approved at the last meeting (effective July 1, 2018).

Chairperson Brough confirmed with Mr. Stone that this policy was revised and signed by the Board Chairperson.

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

Mr. Stone reported that his office has not received any information from Mr. Darwin Santos' counsel on his disability retirement application. He stated that his office sent a letter to Mr. Santos' counsel prior to the last Police Pension Board meeting. They responded that information would be forthcoming, but it has not. Mr. Stone stated he will not bring this up again unless he hears any more from Mr. Santos or his counsel on this application.

Mr. Stone noted that the Town has reached a collective bargaining agreement with the union (Police Benevolent Association-PBA) regarding the use of the state check for excess premium tax revenues. He stated that this meets the new state statute requirement regarding the share plan or defined contribution component. As a result, Mr. Stone stated he has drafted an ordinance to be adopted by the Town Commission.

Chairperson Brough asked if the Town is able to use its 50% allocation of the excess premium tax revenue check to fund their portion of the pension.

Mr. Stone replied that the collective bargaining agreement says it is to be used to pay unfunded liabilities. It does not say that the Town can use their 50% portion for normal costs to the plan, administrative costs of the plan, or paying normal benefits of the plan. He stated that the actuary will most likely define that as unfunded accrued actuarial liabilities.

Finance Director Pam Winegardner stated that the last actuarial report by Foster & Foster stated the fund was prepaid approximately \$27,000. She stated that may refer to the date of the last actuarial, although she believes there is always an unfunded liability if you look at the term of the plan. That money may possibly be used for that long-term liability.

Ms. Winegardner stated that the Town is working on next year's budget and she is suggesting that the 12.5% rate as contribution to the plan remain the same. She stated this could be lowered so this money can be pulled in. The actuarial report toward the end of the year will show how effective this will be.

Mr. Stone reviewed the ordinance with the Board members, including the effect the collective bargaining unit agreement will have on the plan's members. He stated this ordinance will be provided to the actuary, Foster & Foster, for review of the impact it will have on the fund. He stated the Town will be asked to act on this ordinance, and after first reading, will be sent to the Florida Department of Management Services (DMS).

Member Captain Tempesta asked if this ordinance would still be effective if the collective bargaining agreement with the union goes away.

Mr. Stone stated it would change if the agreement with the union goes away. He asked that the Board recommend the Town consider this ordinance and authorize him to engage Foster & Foster for the impact study.

Member Farley made a motion to authorize Attorney Stone to engage Foster & Foster to perform the impact study of this ordinance at an expense of up to \$1,000. Member Cieciek seconded the motion. The motion passed by a vote of 4-0.

Member Cieciek made a motion to recommend that the Town Commission consider this ordinance subject to any technical revisions recommended by the actuary and attorney. Member Tempesta seconded the motion. The motion passed by a vote of 4-0.

Mr. Stone stated the Summary Plan Description has been updated as of this date. The substantive change is on page 8. The maximum benefits cannot exceed \$220,000 annually as the IRS has been doing cost of living adjustments to that number each year and it has increased \$5,000 from the previous year. He stated that a lump sum distribution could be annualized.

Member Captain Tempesta pointed out that the titles of the Board members on page 12 now need to be revised to include himself as Vice Chairperson and Member Farley as Secretary.

Member Tempesta made a motion to adopt the revised Summary Plan Description and direct that it distributed to members of the plan. Member Cieciek seconded the motion. The motion passed by a vote of 4-0.

Mr. Stone reminded the members that they all need to complete and turn in their 2017 financial disclosures which are due by July 1st.

Mr. Stone reviewed the operating rules and procedures for disabled retirees of the plan. He stated Rule 17 of the plan's operating rules and procedures is the disability review procedure. It states that this Board shall periodically review the status of disability retirees who may be eligible to return to employment. To do that, disabled participants would have to return on an annual basis and swear that they are still disabled. If there are any red flags, the Board can

decide whether an independent medical examination (IME) should be requested of the disability claimant at the Board's expense. This would provide an opinion by a physician whether the person is still permanently and totally unable to perform the useful and efficient service of a police officer. The rule provides an option that the Board can hire investigators if there is any suspicion regarding a disability claim without a formal action. Mr. Stone stated disability is a benefit subject to review and he suggested forms be sent to disability claimants.

Ms. Winegardner stated she has a book of forms and is almost certain there is one for disability claims. She stated she will send out a query to disability claimants at the last known address to make sure all addresses are updated.

Mr. Stone stated he will coordinate with the Finance Director and look at the forms. This will be brought up for review at the next meeting.

Ms. Winegardner stated she needs clarification on what is expected of the Finance Director for the Police Pension Board regarding distribution of the Summary Plan Description to new members, etc.

Mr. Stone stated the division of duties such as this is different with every plan; normally whoever is identified as plan administrator does this.

The Deputy Town Clerk asked for clarification on the timing of the review of the ordinance by the Town Commission and the actuary.

Mr. Stone replied that the impact study must be done before the second reading, as does the state's review. He stated he anticipates that he will have a conference call with the Town's attorney and Mr. Donlan of Foster & Foster before moving forward with the ordinance. He stated he will coordinate this.

Mr. Stone mentioned the experience study that is performed by the actuary regarding assumptions. He stated it is expensive, costing approximately \$5,000, and is normally performed for plans every few years. It has been quite some time since it has been performed for this fund.

Ms. Winegardner stated that Mr. Donlan had given a quote of \$6,000 to perform the experience study.

After discussion, the Board agreed this study needed to be done.

Member Tempesta made a motion to direct Mr. Stone to engage Foster & Foster to perform an experience study. Member Cieciek made a second. The motion passed by a vote of 4-0.

Chairperson Brough asked Mr. Stone if the invoices processed for payment could be put on future agendas as a consent item.

Mr. Stone agreed that they could, and the minutes could be included under Consent as well. He stated any consent item can be pulled for discussion by request.

6. Approval of the Following Invoices Processed for Payment

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

- a. Invoice from Salem Trust dated 1/4/18 for \$1,250**
- b. Invoices from Stone & Gerken dated 1/9/18 for \$675; dated 2/8/18 for \$431.25, and dated 3/7/18 for \$56.25**

Member Farley made a motion to direct that the invoices to be paid as listed. Member Tempesta seconded the motion. The motion passed by a vote of 4-0.

7. Informational Items from Pam Winegardner, Finance Director

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

- a) Financial Statements for the Quarter Ending March 31, 2018
- b) January – March 2018 Statement from Salem Trust Company
- c) January – March 2018 Statement from U.S. Real Estate Investment Fund, LLC
- d) March 22nd Distribution Letter to Jason Brough
- e) Salem Trust Confirmation of Statement Recipients
- f) Discussion on Payment Methods for Seminars

Ms. Winegardner stated that Mr. Cieciek attended a seminar recently and Salem Trust issued a check to him for the hotel. She stated that some hotels will not accept a check, and they did not in this case. Ms. Winegardner stated that the Town and the Pension Board are both exempt from paying hotel taxes, but if Mr. Cieciek had to use his personal credit card, he would have to pay hotel taxes. She stated the Town Manager gave her permission to use her Town credit card in this instance and Salem Trust reimbursed the Town. She asked if the members had any suggestions for alternate methods for payment.

Chairperson Brough stated that he would suggest continuing to put Board approved items on the Town credit card as long as the Town is willing, and then have Salem Trust reimburse the Town.

Ms. Winegardner mentioned that the fund may want to get its own credit card. She noted that the Town cannot reimburse for sales tax if someone is charged.

After discussion, the members agreed it may be a good idea for the fund to acquire its own credit card since the Board also has tax exempt status.

Mr. Stone stated he will make some calls to see what other plans are doing in this regard and will provide these details to the Finance Director.

Ms. Winegardner stated the annual report has some new requirements and she had to make some corrections on this last report.

Member Cieciek asked if reimbursement for mileage for travel on Board business is possible. He stated he also needs to return some money to Salem Trust because he stayed one day less than planned.

Mr. Stone replied that there should be something on mileage reimbursement in the Board's operating rules.

Ms. Winegardner stated that she will send a mileage form to Mr. Cieciek. She asked that he send her the check made out to the Town and she would electronically forward the funds to Salem Trust for reimbursement.

D. Adjourn

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

Nancy Slaton, Deputy Town Clerk

Chairperson/Captain Jason Brough

Transcribed by Nancy Slaton, Deputy Town Clerk