

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

December 12, 2018

The regular meeting of the Lady Lake Police Pension Board was held in the Commission Chambers at Lady Lake Town Hall, 409 Fennell Blvd., Lady Lake, Florida. The meeting convened at 1:30 p.m.

A. CALL TO ORDER

Chairperson and Member Captain Jason Brough

B. ROLL CALL

MEMBERS PRESENT:

Chairperson and Member Captain Jason Brough

Member Captain Robert Tempesta

Member John Schmied

Member Leonard Cieciek

MEMBERS ABSENT:

Member William Farley

STAFF PRESENT:

Kris Kollgaard, Town Manager; Debbie Rodriguez, Senior Accounting Clerk, Finance Dept.; and Nancy Slaton, Deputy Town Clerk

ALSO IN ATTENDANCE:

Attorney Kevin Stone of Stone & Gerken, P.A.

Brendon Vavrica and Brad Hess of AndCo Consulting, LLC

Patrick Donlan of Foster & Foster

C. PUBLIC COMMENT

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

D. CONSENT

1) Approval of Minutes — September 12, 2018 Police Pension Board Meeting

2) Approval of the Following Invoices Processed for Payment:

a) Invoice from Salem Trust dated July 05, 2018 for \$1,250

b) Invoices from Stone & Gerken dated July 12, 2018 for \$106.25; dated July 12, 2018 for \$393.75; dated July 12, 2018 for \$1800; dated August 16, 2018 for \$168.50; dated August 16, 2018 for \$337.50; dated September 20, 2018 for \$162.50 and dated September 20, 2018 for \$112.50

Member Cieciek made a motion to approve Consent items D-1 and D-2. Member Schmied seconded the motion. The motion passed by a vote of 4-0.

E. NEW BUSINESS

3) Quarterly Report by Brendan Vavrica of AndCo Consulting

Brendon Vavrica of AndCo Consulting introduced Mr. Brad Hess to review the third quarter market results for the quarter ending September 2018.

Mr. Hess reported that there were mixed results during this quarter with fixed income behaving negatively due to rising interest rates. He stated there has been a positive outlook in the treasury yield curve over the past month or so.

Mr. Vavrica reviewed asset allocation versus target allocation, which showed domestic equity was overweight during the quarter, although he stated the market is taking care of that. He reviewed the financial reconciliation which showed market value of the fund at \$8,499,226 as of September 30, 2018. Mr. Vavrica stated both the net and gross funds comparative performance increased over 9% fiscal year to date. He reviewed the performance of each component of the market funds.

Consideration of Amendment One to AndCo Consulting, LLC Agreement

Mr. Vavrica stated this amendment is regarding the fee increase as discussed at the September meeting, and is before the Board for formal approval.

Chairperson Captain Brough asked if there were any questions or if Mr. Stone had any comments on the agreement.

Mr. Stone stated the amendment is very simple and it is up to the Board to decide whether the increase is acceptable as it is a negotiated fee between the Board and the consultant.

Member Schmied made a motion to approve the fee increase as outlined in Amendment One to the AndCo Consulting, LLC Agreement. Member Captain Tempesta seconded the motion. The motion passed by a vote of 4-0.

4) Report by Foster & Foster (Patrick Donlan)

a) Actuarial Report

Mr. Donlan of Foster & Foster stated there was a miscommunication in that he will only be reviewing the Experience Study today.

b) Experience Study

Mr. Donlan handed out tablets that contained the Experience Study. The report shows current actuarial assumptions and methods in order to determine which changes, if any, are necessary to achieve the objective of developing costs that are stable, predictable, and represent their best estimate of anticipated experience. He reviewed the highlights of this report.

A letter from Foster & Foster summarized the results, and there were a number of recommended changes that will impact the Town's funding requirements.

Mr. Donlan mentioned that the Florida State Retirement System (FRS) uses an assumption rate of 7.50%. He stated the Town's pension fund investment return assumption is currently based on 7.75%. If the Board chooses to make the recommended changes and keep this investment return percentage, it will reduce the Town's funding requirements by 2.1% of payroll, and would reduce the unfunded actuarial accrued liability by \$127,000. If the Board changes to 7.25% and made all of the other recommended changes, the Town's percentage of payroll contribution would remain the same and it would increase the unfunded by \$283,000. If the investment return assumption is changed to 7%, then the unfunded actuarial accrued liability would be almost zero, and the Town's funding requirements would go up by 2.6% of payroll. Mr. Donlan recommended the Board make the recommended changes to salary scale, retirement, and withdrawal assumptions. He stated the Board should discuss what percentage to choose for investment return assumption, although he would not make a recommendation.

Member Cieciek asked if it would be best for the Board to choose the lower return rate assumption.

Mr. Donlan replied that the fund would be more likely to meet a lower assumption rate, although it is best to be as accurate as possible so the Town can budget their funding requirement. He commented that the FRS' investment related expenses are very small as a percentage of their assets. He stated the Town's pension fund investment related expenses are much larger as a percentage of its assets, and as such, should have a lower assumption rate than FRS' at 7.5%.

Chairperson Captain Brough commented that they could remain conservative at a 7.25% combination rate.

Mr. Donlan suggested that the Board get advice from Mr. Vavrica or Mr. Hess.

Mr. Vavrica stated that over the next 30 to 40 years, either assumption rate of 7% or 7.25% would not make a dramatic difference. He stated the reality is that this decision affects funding requirements by the Town. Mr. Vavrica suggested that the Board choose the assumption rate of 7.25% as it will lower the rate by 50 basis points without costing the Town more in funding, while also making the other adjustments at the same time. He stated they can always revisit this choice in the next few years.

Member Cieciek made a motion to use all the recommended assumption changes proposed in the Experience Study presented at this meeting, including a 7.25% investment return assumption for the October 1, 2018 Valuation Report, and going forward. Member Schmied seconded the motion. The motion passed by a vote of 4-0.

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

Mr. Stone noted that the disability claim for Mr. Santos is in process and will be coming back before the Board next month. He stated another disability application was submitted to the Town by Shane Barrett, and was transmitted to his office. Mr. Stone stated he hopes to have enough requested information for Mr. Barrett's claim returned to his office in time to have the Board select a physician to perform the Independent Medical Evaluation (IME) from a list of physicians he will provide at the special meeting in January. He noted this is a short time-frame, and if sufficient documentation is not received in time for the January meeting, another special meeting may have to be scheduled.

a) Consideration of Form RFP for Plan Administrator Services

Mr. Stone stated that at the last meeting, the Board requested that he put together a form Request for Proposal (RFP) for plan administrator services. He stated the firm of Christiansen and Dehner promulgated a form that he believes will work very well. He reviewed the scope of services that will be included in the RFP.

Chairperson Captain Brough asked that the annual report to the state be included in the scope of services of the RFP for Plan Administrator Services.

Mr. Stone then recommended that the annual report completion by the Plan Administrator be proposed as an alternate in the RFP so that the cost for it can be separated from the other costs. He stated he put together a list of northern Lake County cities that use a plan administrator: Umatilla uses Florida League of Cities; Tavares Fire uses Foster & Foster; Susie

Pita is local and provides plan administrative services for some cities; Eustis uses Pension Resources; and Salem Trust provides administrative services to a couple of area plans. He stated an RFP is not required, although the Board can choose to do one. He stated these providers could be invited to apply for the RFP.

Chairperson Captain Brough stated he believed the Board should do their due diligence by requesting proposals for these services.

Mr. Stone asked the Board for a motion to allow him to use the form RFP he reviewed.

Member Schmied made a motion to have Mr. Stone submit his form RFP for plan administrator services. Member Cieciek seconded the motion. The motion passed by a vote of 4-0.

6) Informational Items from Pam Winegardner, Finance Director

Senior Accounting Clerk Debbie Rodriguez reviewed and commented on the following informational items included in the packet:

a) Revised Fiscal Year 2018 Budget versus Actual

Ms. Rodriguez commented that this budget was approved with a requested revision at the last meeting.

Discussion followed regarding the revision that increased the miscellaneous expense line item to \$10,000.

Mr. Stone noted that the IME expenses might consume half of that line item.

Mr. Donlan recommended adding a specific line item in the proposed budget for Plan Administrator services.

Chairperson Captain Brough confirmed that the Board can still make changes to the proposed budget.

Mr. Stone agreed and suggested raising the miscellaneous line item to \$25,000 to include Plan Administrator services, although he recommended that the Board wait until after the RFPs are reviewed so a specific amount can be included.

Ms. Rodriguez continued with her review of the following items:

b) Financial Statements for the Quarter Ending September 30, 2018

Ms. Rodriguez noted that the ending balance for the quarter matched with the statement from Salem Trust.

c) July — September 2018 Statement from Salem Trust Company

d) July — September 2018 Statement from U.S. Real Estate Investment Fund, LLC

e) Ordinance 2018-45 Regarding the Share Plan

Chairperson Captain Brough confirmed that the Town has approved the share plan ordinance as drawn up by the Board attorney.

Mr. Stone stated only a few changes were made to the ordinance to conform to the Town's formatting.

F. CHAIRPERSON AND MEMBERS' REPORTS

Chairperson Captain Brough asked if anyone had comments. There were no comments.

G. ADJOURN

There being no further business, the meeting adjourned at 2:28 p.m.

s/ Nancy Slaton, Deputy Town Clerk

s/ Chairperson and Member Captain Brough

Note: The original signed documents are on file at the Town Clerk's office. Copies are available upon request.

Minutes transcribed by Nancy Slaton, Deputy Town Clerk