

City of Fort Myers General Employees' Retirement System
Minutes: Meeting of November 20, 2013

1. CALL TO ORDER

Chairperson Eloise Pennington called a meeting of the Board of Trustees for the Fort Myers General Employees' Retirement System to order at 9:06 AM. Ms. Pennington called roll. Those persons present included:

TRUSTEES

Eloise Pennington, Chair
Richard Griep, Vice Chair
William Mitchell
Rodolfo Rosso
Dennis Pearlman
Joseph Tallarico

OTHERS

Pam Nolan & Thel Whitley, Pension Resource Center
Debra Emerson, City of Ft. Myers
Mike Seagle, City of Ft. Myers
Patrick Donlan, Foster & Foster, Inc.
Holly Simone, City of Ft Myers

TRUSTEES ABSENT

Donna Lovejoy, Secretary

2. OATH OF OFFICE FOR NEW TRUSTEE.

The Oath of Office was administered to Rodolfo Rosso.

3. PUBLIC COMMENT

There were no members of the public that wished to make any comments.

4. APPROVAL OF MINUTES

A motion was made by Mr. Pearlman and seconded by Mr. Mitchell to approve the minutes of the September 18, 2013 meeting. The motion passed 6 to 0.

5. INVESTMENT PERFORMANCE REPORT – Monthly Flash Report.

Ms. Nolan presented the Bogdahn Flash Report for time period ending September 30, 2013. The report cited that the quarterly rate of return was 6.05%. The FYTD rate of return was 13.36%. Ms. Nolan reported that Tim Nash will be here for the December 18th meeting. Mr. Pearlman asked Mr. Donlan about the timing of any assumed rate of return change. Mr. Donlan said that the Board could discuss the topic at anytime; this year that discussion took place in June. Mr. Pearlman inquired about the City's timeline for budget preparation; Mr. Mitchell said that the process begins in February. Mr. Pearlman discussed the need for preparation time if there is continued lowering of the assumed rate of return due to the impact to the City's budget. Mr. Donlan discussed the history and impact of the lowering of the assumed rate of return as well as the decreased payroll assumption. Mr. Pearlman suggested to the Board that the discussion on this topic should take place February. Mr. Mitchell said that the City did have additional cost when the assumed rate of return was reduced to 8.0% and 7.9%; and additional decreases may cause a higher City contribution rate but it depends on the performance of the plan. Ms. Simone added that the earlier in the year that the assumed rate of return is known, the better for the budgetary projection process. A discussion ensued regarding the excellent rate of the return for the current fiscal year and possible lower returns in future years. Mr. Donlan said that Mr. Nash will be at the next meeting and a discussion of re-balancing of the Plan could take place. Mr. Donlan said that the Plan already utilizes a balanced approach in its investment policies.

6. ACTUARIAL VALUATION OF THE PLAN – Patrick Dolan, Foster & Foster

Mr. Donlan discussed the Summary of Report, on page 5; the City's contribution rate will increase 0.2% of payroll due to three assumption factors: the move to a graduated salary increase assumption of 5.8%; the use of the 2013 Mortality table from the 2000 Mortality table, which will move to the 2014 Mortality next year; and the decreasing of the assumed rate of return from 8.0% to 7.9%. But, Mr. Donlan explained that many things make up these assumptions; the largest reason of the increased contribution rate is the payroll growth assumption cited on page 13 and 14. Market performance is also a factor, saying if the market does well there is a surplus of funds but if the market does not meet the assumptions, there is a deficit that must be made up. Employee turn-over rate also has a negative impact. Due to these items, as of October 1, 2013 the actual Unfunded Actuarial Accrued Liability (UAAL) totaled \$57,192,448. The Plan utilizes a ten year amortization to recoup the UAAL. These annual payments are based on a percentage of increasing of payroll, the City has not had increasing payroll, though the cost went up 1.1% due to aggressively funding the UAAL. Mr. Donlan continued to summarize page 15 of the report, this page is a detailed actuarial (gain)/loss analysis. Mr. Donlan explained that the Plan had higher returns, higher total administrative costs, a higher number of employees retire or enter DROP, less employee turnover, more participants die, lower salary increases, and fewer new employees than expected. These items resulted in a decrease of \$720,125 of the UAAL. Mr. Donlan explained on page 22 about the Plan's rate of return and stated that the Plan utilizes the Annualized Rate of Return over four years to determine the current rate of return of 9.03%. Mr. Pearlman asked if the use of the four smoothing is common. Mr. Donlan said that it is common in the industry. Mr. Donlan noted that the Governmental Accounting Standards Board (GASB) allows very little smoothing and into the future there will be a disconnect between the accounting within the Plan and accounting within the City's budget. The Board, including Ms. Simone thanked Mr. Donlan for the timeliness of the report completion.

A motion was made by Mr. Griep and seconded by Mr. Pearlman to accept the October 1, 2013 Actuarial Valuation as presented. The motion passed 6 to 0.

7. ADMINISTRATOR REPORT - Pam Nolan and Thel Whitley, PRC

a. The Board reviewed a copy of a letter sent to Mr. Glen Hauss (a Plan Participant), his Notification of Vested, Deferred Benefits and his Benefit Election form. Ms. Nolan summarized that Mr. Hauss has been overpaid by the Plan by approximately \$30,487.42. The overpayment was due to a continued payment of \$854.84 that was not reduced to \$192.07 at the age of 66. A complete review by Foster & Foster revealed no other overpayments; Mr. Donlan added that Foster & Foster will add this type of review to the annual report. Ms. Nolan summarized that it is up to the Board to determine the manner in which repayment is made and suggested two alternatives; the first being a one time payment of the overpayment within thirty days of notice and second being a repayment plan that would result the non payment of his \$192.07 benefit until such a time that the balance owed is paid, then the pension payment would revert back to \$192.07 per month. Mr. Mitchell said that the repayment plan is fair, and asked if there is a standard policy or manner to handle these issues. Ms. Nolan said that when an overpayment occurs it has been handled on a case by case basis. Mr. Donlan discussed the two options with the Board and agreed that in the past overpayments have been handled on a case by case basis.

A motion was made by Mr. Mitchell and seconded by Mr. Tallerico to offer Mr. Hauss the option of a one time payment of the balance owed within thirty days of notice or have the balance paid by no monthly pension payment being made to him until fully paid. The motion passed 6 to 0.

b. In last month's meeting there was discussion of a list of COLAs for participants within DROP. Ms. Nolan explained that if a DROP Participant chooses a fixed rate of return, that Participant

receives a written schedule extending through their five year DROP period which includes their regular DROP payments, interest earned as well as COLAs. If the Participant chooses the investment option, the Participant receives a quarterly statement of these items. Ms. Nolan added that there is no other report that cites the specific COLAs as they relate to DROP participants. Mr. Donlan added that such a report could be produced for a cost to the Board.

c. Ms. Nolan briefed the Board regarding an issue that recently arose with the firm of Kessler and Topaz. In September of 2012, Scott Christiansen presented the Board with this firm, and an agreement from the firm for invest monitoring services only at no cost to Board. On September 12, 2013, PRC received a letter to allow Kessler and Topaz to file claims. Ralph Johnson from Comerica told Ms. Nolan they have previously filed claims regarding these two issues, which now results in double claims. Ms. Nolan was advised by Comerica that this service is already being done by Comerica at no charge. Mr. Griep suggested having Kessler and Topaz cease monitoring and filing of claims. Ms. Nolan reported that the Comerica agreement does not specifically address the monitoring and filing of claims. Mr. Pearlman suggested that Comerica produce a written document citing their monitoring and filing responsibilities prior to the instruction of Kessler and Topaz to cease and desist their monitoring. A general discussion ensued regarding monitoring and filing of claims.

The Board gave direction to Ms. Nolan to obtain a written document from Comerica outlining their monitoring and filing of claims prior to notification to Kessler and Topaz to cease and desist their monitoring and filing of any claims.

d. The Board was briefed on the transition of Thel Whitley from PRC becoming the Boards Plan Administrator. Mr. Whitley said that Ms. Nolan had been a great help in learning the Plan and interaction with the Plan's Participants, also that Ms. Nolan is still located in the same office and will assist when necessary. The Board collectively thanked Ms. Nolan for her hard work.

e. The 2014 Meeting Schedule was presented to the Board.

f. The Board was briefed on the status of the Annual Member Statements. Mr. Donlan said that Foster & Foster would have the statements completed by December 2nd and PRC would prepare the statements for inter-department mail for distribution no later than December 13th.

g. The Board was briefed on the need to revise the "buy back tables". These tables are used to determine an approximate cost to buy back time. The current tables (for multiple tiers and men and women) are two years old and are based on assumptions that are now incorrect. Mr. Whitley presented the option to have Foster & Foster revise the current tables to reflect the current assumptions. Mr. Whitley said that Mr. Donlan was asked what would be the cost of such revisions and was quoted at approximately \$1,000. A general discussion ensued on the use of the tables to estimate the buy back cost utilizing the 3% multiplier vs. the 1.8% multiplier or both. Ms. Emerson said that there is a continuing time frame that those who were employed prior to the current labor agreement have until September 30, 2014 to increase to the 3% multiplier or to lower their multiplier to 1.8%. Mr. Mitchell brought up the point of the Plan having an equitable cost for those who chose a 1.8% multiplier or a 3.0% multiplier. Mr. Donlan said that he would be able to produce table for each multiplier, essentially doubling the number of the current tables.

A motion was made by Mr. Griep and seconded by Mr. Mitchell to approve the revision of the buy back tables to reflect current assumptions and the two multipliers with a cost between \$500 and \$1,000. The motion passed 6 to 0.

h. The Board was invited to an Investment Practices and Products Training Seminar that is being hosted by FGFOA Southwest Florida Chapter. The event is free and is being held on December 6, 2013 in Punta Gorda, Florida. Ms. Pennington expressed interest in attending.

8. PLAN FINANACIALS

a. Interim Plan Financial Statements.

The Board reviewed the Balance Sheet and Income & Expense Statements ending September 30, 2013. Ms. Simone inquired about the entries for the month of September on the Balance Sheet. Mr. Whitley explained that the report is a draft document and all of the data had not been complied as of that date. There were no other questions.

b. Benefit Approvals

The Board was present the Benefit Approvals for review. Ms. Pennington suggested that the word "retirement" be used in place of the word "termination" where appropriate on future reports. Mr. Rosso noted that the date of hire for Constance Gleason is incorrect. Mr. Whitley said that he would review the entry.

A motion was made by Mr. Griep and seconded by Mr. Pearlman to approve the Benefit Approvals as amended. The motion passed 6 to 0.

c. Warrant

The Board reviewed the warrant and individual invoices. There were no questions regarding the Warrant or individual invoices.

A motion was made by Mr. Griep to accept the warrant as submitted and seconded by Mr. Pearlman. The motion passed 6 to 0.

9. OLD BUSINESS

Mr. Griep presented to the Board copies of two Pension related articles.

10. NEW BUSINESS

A general discussion of the value of Trustee School ensued. Mr. Rosso and Mr. Mitchell indicated they would like to attend the next Trustee School which will be in Jacksonville in February 2014. Mr. Tallerico said his experience attending the last Trustee School was of value and was very relevant.

9. NEXT REGULAR MEETING

The Trustees previously set the schedule for the next regular monthly meeting on Wednesday, February 19, 2014 at 9:00 AM.

10. ADJOURNMENT

There being no further business, A motion was made by Mr. Mitchell to adjourn and seconded by Mr. Griep. Motion passed 6 to 0.

The meeting was adjourned at 11:00 AM.

Respectfully submitted,

Donna Lovejoy, Secretary