

**TOWN OF LANTANA POLICE RELIEF AND PENSION FUND
BOARD OF TRUSTEES QUARTLY MEETING**

MINUTES: QUARTERLY MEETING OF NOVEMBER 8, 2017

1. CALL TO ORDER

Chairman Robert Hagerty called a regular Quarterly Meeting of the Board of Trustees for the Town of Lantana Police Relief and Pension Fund to order at 8:35 AM in the Police Department Multipurpose Room at 901 North 8th Street in Lantana, Florida.

Those persons present included:

TRUSTEES

Robert Hagerty, Chair
Simion Pavlov, Secretary
Renee Lapman
Eddie Tavcar
Ken White

OTHERS

Scott Baur & Kyle Tintle, Resource Centers
Bonni Jensen, Klausner Kaufman Jensen & Levinson
John McCann & Tyler Grumble, AndCo
Sandle Keyser, United Members Insurance, remote
Clyde Robinson, ASB Real Estate Investments

2. PUBLIC COMMENTS

No members of the public had any comment for the Board.

3. APPROVAL OF THE MINUTES

The Board reviewed the Minutes for the meeting of August 2, 2017.

Simion Pavlov made a motion to approve the Minutes for August 2, 2017. The motion received a second from Ken White, approved by the Trustees 4-0.

4. REPORTS

Karen Russo, Salem Trust

Karen Russo presented the quarterly service report summarizing five primary tasks as Custodian for the Plan. The objective of the report is to ensure high levels of customer service by measuring the tasks on a quarterly basis and reporting on the results. Salem Trust pledges to adjust the fees in any quarter that the Custodian fails to meet expectations of the Board.

Karen Russo stated that Salem has hired a firm, Chicago Clearing Company (CCC), to file the class action claims. CCC charges 20% of any settlement, Salem has historically paid for this charge. Salem can no longer absorb these costs due to the dramatic increase in volume. Future class action settlements will be reduced by 20% or Salem will discontinue filing on behalf of the Board. Karen Russo presented a document for approval to change the Salem agreement to reflect the 20% that the Plan must absorb for any class action settlements. Bonni Jensen reviewed the document.

Simion Pavlov made a motion to approve the Plan absorbing the 20% settlement charge. The motion received a second from Renee Lampman, approved by the Trustees 4-0.

Sandie Kyser, United Members Insurance (remote via telephone)

Sandie Kyser, United Members Insurance, joined the meeting via telephone, to explain the coverage on the fiduciary liability insurance policy. The first party coverage is only a \$100,000 limit, which includes notification and credit monitoring if there is a breach. The stand-alone Cyber policy has liability with a \$1,000,000 coverage limit. Bonni Jensen asked about the third party service providers, and if this policy would cover them if they experienced a breach. Sandie Kyser informed the Board that the Administrative coverage comes in first but it does not cover the Board if they were named in the suit. However, the Board policy would cover the Board even in the case of a service provider breach. Other Boards are adding the separate coverage. The stand-alone policy has first and third party coverage. Discussion was held on the need for additional coverage, the cost of the coverage, and the deductibles. Bonni Jensen recommended the Board take the additional coverage because of the constantly shifting risks and the comparatively low cost of the policy. The Board also considered liability for medical records retained by the Board.

Ken White made a motion to take the stand-alone policy coverage. The motion received a second from Simion Pavlov, approved by the Trustees 4-0.

Clyde Robinson, ASB Real Estate Investments

Clyde Robinson provided an economic and company overview. ASB takes a very long term (10 year+) outlook to core real estate investments through an urban focused strategy. They look for properties with pricing power. The firm has \$7.4 billion in gross assets under management from over 340 institutional clients. Since the December 2015, portfolio inception, the portfolio gained an annualized 4.78% for the fiscal year; the portfolio gained 3.61% compared to 7.84% for the benchmark. For the longer term, ASB gained 6.08% compared to 4.86% for the benchmark. Clyde Robinson explained that the manager focuses on "gateway" markets, which have more recently come under greater pressure for rents. The portfolio increasingly focuses on rents more than appreciation and the manager is focused on keeping vacancies to a minimum.

Clyde Robinson reviewed the steps they are taking to protect in a market downturn. Minneapolis has been a challenging market. The manager has listed one of their primary holdings in the city for sale. The newly acquired industrial building in New York demonstrates the manager's focus on high income performance properties. The warehouse serves as a distribution center for online retail. Another pending asset is an office building in the Washington, DC market. San Francisco is a very strong market where the manager supports urban retail. The theory of using a store as the showroom for online shopping has become popular. Companies are using the urban retail location to drive the brand with local foot traffic.

The manager has a 12.3% increase now on leases compared to 4% for the industry. The exposure in retail space will be dialed back by selling some of the properties. The manager's philosophy is to avoid risky endeavors such as new construction that poses a risk that they are not willing to take. There is no getting into hotel properties or nursing homes because of the high risk also. Bonni Jensen questioned the loan and lease expirations. The proposed tax cuts may subject pension plans to paying taxes on unrelated business income. The fund is structured like a real estate investment trust (REIT). The REIT flows into the portfolio to protect the pension plan. Clyde Robinson discussed the debt level and that it is very low. In closing he reviewed ASB's holdings in Miami Beach. Clyde Robinson thanked the Board for their time and the opportunity to present.

Investment Consultant: Tyler Grumble, AndCo

Tyler Grumbles presented a market overview and reported strong gains for the quarter ending September 30, 2017. The International markets were very strong aided by the US dollar being down. Corporate profits were up, unemployment was down, and earnings met expectations for the most part which all supported the economic growth. The index trailed the market in this case with the cap weighted indices topping out on the largest holdings. Information technology and financials were the best performing markets. The fixed income portfolio is all in high grade issues. The spread to lower quality issues also decreased, increasing risk. The yield curve has flattened as the market expects longer term rates to increase more slowly. The Fed will continue to raise rates but not as quickly as previously thought.

Tyler Grumbles reviewed the asset allocation which is within compliance. The portfolio finished the fiscal year with total assets of \$13,998,425. His recommendation was to increase the allocation to real estate by \$250,000. This will increase the real estate holdings up to 10% from 8.4% of the portfolio to keep weightings on target.

Simion Pavlov made a motion to commit \$225,000 to ASB Real Estate Investments. The motion received a second from Renee Lampman, approved by the Trustees 4-0.

For the quarter ending September 30, 2017, the portfolio gained 3.3% gross, 3.28% net compared to 3.69% for the bench. For the fiscal year the portfolio gained 12.38% gross, 12.22% net compared to the 13.13% benchmark. The more conservative domestic equity allocations caused the Plan to perform slightly below the median public plan.

Tyler Grumbles reviewed the various investment managers' performance. He provided the asset allocation study. Most asset classes are projected to have lower returns prospectively compare to historical returns. International projections are up while everything else will moderate or lower with a correction. The fixed income is not earning a lot with the all-time low interest rates. Based on assumptions, the expected gain for the next 10 years is 5.87%. The Plan has a 32.2% likelihood to meet a 7.5% return assumption over the next 10 years. The Board lowered the return assumption following the last experience study. Clients have been encouraged to lower the expected rate of return to 7%. A step approach may be more acceptable having the assumption go from 7.5% to 7% or lowering it in 0.25% increments for 7.5% to 7.25% then to 7%.

Bonni Jensen, Klausner Kaufman Jensen & Levinson

Bonni Jensen addressed the payroll codes and the overtime resulting from the hurricane. The Town is not holding contributions correctly on pay. Since it was a state of emergency all pay was viewed as premium pay. Premium pay should get pensioned even though it is an overtime rate. Overtime is not pensionable but paying the premium rate for the regular hours during a hurricane is losing pensionable wages. Most places experience those issues from time to time although transparency helps identify those issues sooner.

Bonni Jensen reviewed the final Summary Plan Description (SPD). Discussion ensued on the Cost of Living (COLA) provisions. Negotiations are currently being held and an increase in member contributions are likely.

Ken White made a motion to approve the Summary Plan Description for distribution. The motion received a second from Simion Pavlov, approved by the Trustees 4-0.

The Board discussed the best way to distribute the SPD and decided on email with a request for reply. The active members' addresses can be obtained from Myila Young, the Human Resources Director.

Commander recommended the "Alive and Well" letter to be sent to retirees and the disabled retirees provide the appropriate documentation as required. Bonni Jensen has an electronic version of the form that she will provide.

Bonni Jensen addressed the current death benefits; she provided a memo to review death benefits to members from all sources. The Federal benefits take a long time to process, starting with a \$300,000 lump sum and educational benefits. Amounts distributed in Florida are \$50,000 for accidental death, \$50,000 if death occurs in pursuit and \$150,000 if the officer is killed in the line of duty. Health insurance benefits are available to the family. Workers compensation includes death benefits and lump sums. In the Town of Lantana the beneficiary of a non-vested member would receive a refund of the contributions with interest regardless of the cause. Bonnie Jensen suggested the Actuary might produce a cost estimate for minimal death benefits. The most significant impact is felt for the people on the road and members who have less the 10 years of service.

Ken White made a motion to get a cost estimate for different death benefits. The motion received a second from Simion Pavlov, approved by the Trustees 4-0.

Scott Baur, Resource Centers

Scott Baur presented the 2018 meeting schedule. Due to a conflict the May meeting was changed from May 9 to May 2, 2018. He provided a copy of the final revised budget that was previously approved. Scott Baur explained the new state mandated electronic filing for the submission of the valuation reports. GRS has presented an additional setup fee and an annual electronic submission fee for subsequent years.

Ken White made a motion to approve the change to the GRS agreement for the initial setup fee to not exceed \$1,250 and the annual fee from then on not to exceed \$500. The motion received a second from Renee Lampman, approved by the Trustees 4-0.

The Board considered the approval of expenses on the Warrant dated November 8, 2017.

Simion Pavlov made a motion to approve the Warrant dated November 8, 2017. The motion received a second from Ken White, approved by the Trustees 4-0.

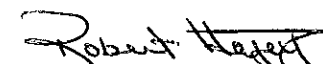
5. NEW BUSINESS

The FPPTA Winter School will be held in Orlando the week of January 28, 2018. Commander Hagerty encouraged all of the Trustees to attend the school and conferences.

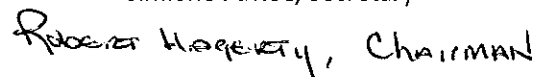
6. ADJOURNMENT

There being no further business and the next Quarterly Meeting having previously been scheduled for Wednesday, February 7, 2018 at 8:30 AM, the meeting adjourned at 11:40 AM.

Respectfully Submitted,



Simione Pavlov, Secretary



Robert Hagerty, Chairman