



# City of Marco Island Florida

## ***JOINT POLICE AND FIRE PENSION BOARD***

### ***MEETING MINUTES***

***February 4, 2016***

***Fire Department Training Room***

**1. CALL TO ORDER**

The meeting was called to order at 1:04 PM.

**2. ROLL CALL**

Firefighter's Board of Trustees members present: Raymond Ladurini, Laura Litzan, Tom Kirstein, Jim Pope and Mary Husted

Police Pension Board of Trustees members present: Laura Litzan, Steven Arena, and Mark Haueter. Trustees Absent: Al Schettino and Glen Zirgibel

Others present: Attorney Pedro Herrera, Sugarman and Susskind; Scott Owens and Charles Mulfinger, Graystone Consulting; Thel Whitley and Scott Baur Resource Centers; Drew Ballard, Foster & Foster, Inc.; Jeff Amrose, Gabriel Roeder Smith & Company.

A brief summary of the meeting is as follows:

**3. PUBLIC COMMENT**

No one from the Public spoke.

**4. MOTION TO APPROVE MINUTES**

**MOTION TO APPROVE THE POLICE BOARD AND FIREFIGHTERS BOARDS MINUTES FROM THE NOVEMBER 5, 2016 MEETING BY MS. LITZAN AND SECONDED BY MR ARENA. MOTION PASSED UNANIMOUSLY.**

**5. Plan Administration - Thel Whitley, Resource Center**

Mr. Whitley reported the need to obtain the current employee's names and addresses in order to complete a mailing to obtain current or updated Beneficiary forms. Ms. Litzan reported that she would work to get these data lists to

Mr. Whitley.

6. **Advisor's Report**

**A. Firefighters's Plan** – Jeff Amrose, Gabriel Roeder Smith & Company

Mr. Amrose presented the Actuarial Valuation Report dated October 1, 2014, for Annual Employer Contribution for the Fiscal Year Ending September 30, 2016. Mr. Amrose explained that this report was revised to reflect the Ordinance that allows the Plan to move to a 65% equities and 35% fixed income portfolio allocation. Mr. Amrose explained that currently the Plan has elected to have a valuation report completed every two years, though GASB 67/68 must be done annually. Mr. Amrose recommends that a valuation report be completed annually and specifically for October 1, 2015 since the Collective Bargaining Agreement cites that the Plan Sponsor (City) pays the unfunded liability off as reported as of October 1, 2015. Mr. Amrose recommended that the Plan complete a valuation report annually. The cost of the report is approximately \$6,600.

**MOTION TO APPROVE THE COMPLETION OF A VALUATION REPORT FOR THE FIREFIGHTERS PLAN AS OF OCTOBER 1, 2015 BY MS. LITZAN AND SECONDED BY MR. LANDURINI. MOTION PASSED UNANIMOUSLY.**

Mr. Amrose explained the October 1, 2014 Valuation Report citing the as of October 1, 2015 that the State and Employee contribution was \$853,739 (47.87% of pay roll); available State contribution of \$73,936 (4.15%) and the Employer Contribution of \$779,803 (43.7). Mr. Amrose explained the minimum criteria of funding and use of additional State (175) funding as well as increasing the Employees contribution up to 5% if required then additional funding would be required of the City. The Collective Bargaining Agreement gives the City the term of the Agreement to fully payoff the unfunded accrued liability as of October 1, 2015. Mr. Amrose reported that the City actually paid \$1.872 million into the Plan since the beginning of this fiscal year. Mr. Amrose indicated that there was a \$98,790 loss during prior fiscal year. The funded ratio for the Plan was 87.6%. Mr. Amrose explained how the State (175) funds were utilized. Mr. Amrose reported that the Entry Age Funding Method was utilized in this report; which Mr. Amrose said that over 60% of the plans he works with utilizes this method. Mr. Amrose explained the Annual Required Contribution. Mr. Amrose explained the percentage of Domestic Equities during the prior fiscal year was 45.9% due to the interpretation of the Ordinance limiting the equities exposure to 50%; now the with the revised Ordinance is 65%.

**MOTION TO APPROVE THE VALUATION REPORT AS OF OCTOBER 1, 2014 AS PRESENTED BY MS. LITZAN AND SECONDED BY MR. POPE. MOTION PASSED UNANIMOUSLY.**

Ms. Litzan agreed to accept the Valuation Report for the City. Mr. Amrose reported the required Chapter 112.664 Compliance Report; Mr. Amrose

explained that this is the required disclosure report of the unfunded accrued liability is presented to cite assumed rate of return utilizing the RP-2000 Fully Generational Mortality Table, returns that are two percent less than the assumed rate of return, the Board added two percent plus the assumed rate of return, and the result of a study if there are no further contributions into the plan utilizing the current assumed rate of return, less two percent and plus two percent of the assumed rate of return (which would be a violation of City and State law).

**B. Police Officer's Plan** – Drew Ballard, Foster & Foster, Inc.

Mr. Ballard presented the Valuation Report as of October 1, 2015. Mr. Ballard reported that the City's contribution to the Plan for October 1, 2015 is 28.45% of payroll vs. 31.59% for the previous year; this is approximately \$90,000 less. Mr. Ballard reported the Member contributions of .50%; State contribution of 7.72%; City and State contribution of 36.17%. Mr. Ballard indicated the City's contribution will decrease in next year's report due to the language within the Collective Bargaining Agreement regarding the City's funding of the unfunded accrued liability as of October 1, 2015; this payoff will be done within the term of the CBA. The decrease in the City's contribution requirement was the result of several items, those being: the City paying approximately \$830,000 over the required contribution and a decrease in the assumed salary increase. Mr. Ballard reported that the unfunded accrued liability was \$3,064,501 as of October 1, 2014 and \$2,177,449 as of October 1, 2015; this was due to the City's excess funding during the prior fiscal year. Mr. Ballard reported that Actuarial Value of the Plan was \$8,773,349 of October 1, 2015 vs. \$6,685,459 on October 1, 2014. Mr. Ballard reported that the funded ratio was 83.95% as October 1, 2015 vs. 68.6% as of October 1, 2015; this was mainly due to the excess funding of the City's contribution to the Plan. Mr. Ballard reported that the Annualized Rate of Return for the prior four years is 7.29%; and this is the last year that we will be able to utilize the 12.79% return from September 30, 2012. Mr. Ballard indicated that if the Plan achieves it's 7.5% return this fiscal year the four year average will be under the 7.5% assumed rate of return. Mr. Ballard reported that next year the required Fully Generational Mortality Table which is the same mortality table as FRS utilizes; this will result in an increase in the funding requirement. Mr. Ballard explained that the CBA requires that the City is responsible for this increase in funding during the term as of the agreement. Mr. Ballard spoke about the benefits of the having an Experience Study done. This study would evaluate all of the assumptions that go into the makeup of the assumptions of a valuation study. Mr. Ballard reports that GASB requires an experience study every five years; and the approximate cost of this study would be \$6,000. Mr. Hauter indicated that he would like to wait until Chief Schettino and Mr. Zirgibel are present to vote on this issue.

**MOTION TO APPROVE THE VALUATION REPORT OF THE OCTOBER 1, 2015 FOR POLICE BOARD AS PRESENTED BY MR. HAUTER AND SECONDED BY MR ARENA. MOTION PASSED UNANIMOUSLY.**

Ms. Litzan agreed to accept the Valuation Report for the City.

Mr. Ladurini inquired to Mr. Herrera regarding the creation of DROP program being established under the current CBA language. Mr. Herrera explained what a DROP program is that it could be setup and be revenue neutral to the Plan. Mr. Herrera explained the revenue aspect depends on whether the program is established with a fixed and/or a market return. Ms. Litzan indicated that she felt that this issue will need to be negotiated. Mr. Amrose reported that when an employee goes into a DROP program, the City no longer pays contributions into the Plan for that employee, and the employee is effectively retired. Mr. Herrera reported that this is a mandatory subject of bargaining. Mr. Herrera spoke about other considerations, such as a PLOP program or a back DROP program. Mr. Herrera indicated that some plans include or exclude employees in a DROP program from an additional SHARE plan contributions.

No further action was taken on the issue.

### **C. Investment Advisor Report – Graystone Consulting**

Mr. Mulfinger reported that GW Capital will be closing their operation; they were overweight in the energy sector and their short term returns were below their benchmark though their long term returns were above their benchmark. Mr. Mulfinger indicated that a manager closing their operations were very rare. Thus, a replacement review for GW Capital was conducted. GW Capital was a small to mid capital firm; the Board could choose a mid cap only. Mr. Mulfinger recommended replacing GW Capital with another manager at this meeting. Mr. Mulfinger reported that they have put together several alternatives for the Board to consider. Mr. Mulfinger indicated that he felt it would be best to continue with the Market Overview then the Fire report, and then we could cover Anchor Capital as an alternative with the prepared alternatives.

Mr. Owens reported on the overall market conditions during the previous quarter; the volatility has continued with moves of approximately 1% on a daily basis. Mr. Owens spoke of the reasons of this volatility being many variables including the economy of China, at first thought to be devaluing its currency then realizing that their desire for their currency to become a reserve currency; the Fed increasing their rate by  $\frac{1}{4}$  of 1% and the energy sector not hitting the bottom yet. Mr. Owens expounded on the energy sector explaining that OPEC has indicated that it will continue to pump oil regardless of market demand, simply attempting to gain market share by putting others out of business. Overall the economy is doing well with GDP at 2.4%, unemployment at 5% (not counting the people whom have left the labor market), inflation has declined, wages are increasing slightly, housing is doing well, manufacturing in down and the service industry is up. Earnings are meeting expectations.

### **Fire Summary of Relevant Facts**

Mr. Owens reported the index performance. The total portfolio as of December 31, 2015 was \$13,452,462.54 with a gain for the quarter of 1.77% (net-of-fees), a

loss for the year of -1.09% and for the three year period a gain of 4.91%. Mr. Mulfingher reviewed each of the money managers of the plans. Mr. Mulfingher indicated that fees were down approximately 5%. Mr. Mulfingher suggested a rebalancing to equities to 65% and fixed income to 35%.

**MOTION TO APPROVE THE REBALANCING OF THE FIRE PLAN TO 65% EQUITIES AND 35% FIXED INCOME AS PRESENTED BY MS. LITZAN AND SECONDED BY MS. HUSTED. MOTION PASSED UNANIMOUSLY.**

#### **Police Summary of Relevant Facts**

The Owens reported the performance of the indexes. The total portfolio as of December 31, 2015 was valued at \$9,122,358.90. For the quarter ending December 31, 2015 there was a gain of 3.17% (net-of-fees), for the year there was a loss of .01% and for three year period a gain of 6.26%.

Mr. Mulfingher indicated that equities were now at 63.08% vs. 65% which means the plan could be rebalanced.

**MOTION TO APPROVE THE REBALANCING OF THE FIRE PLAN TO 65% EQUITIES AND 35% FIXED INCOME AS PRESENTED BY MR. HAUTER AND SECONDED BY MR. ARENA. MOTION PASSED UNANIMOUSLY.**

Mr. Mulfingher will present the replacement of GW Capital for the Fire Plan after the Attorney and Financials.

#### **C. Attorney Report - Pedro Herrera, Sugarman and Susskind, PA**

Ms. Litzan brought up the matter of John Derrig's repayment of service time purchase; he was reinstated through arbitration and has since paid the amount of \$11,348.00 which was the amount due at the time of his first termination. The Arbitrator's ruling of the second termination cites that he receive all salary, seniority and all benefits during the time of the termination to the time he was reinstated. The City will be paying the amounts due during the second termination period with the Arbitrator's ruling. The question is if the Board feels that he owes the accrued interest from the time of his second termination to the time of his reinstatement (approximate amount being \$1,078). There general Board discussion regarding the issue. Ms. Litzan reported that the City would be he eventual responsible party to pay this amount due to the fact that he had paid his original agreed amount per month on time, and the Board agreed to suspend any action on this matter until the grievance procedure was completed.

**MOTION TO AGREE THAT MR. DERRIG'S SERVICE TIME PURCHASE IS PAID IN FULL FOR THE PERIOD OF THE PIEROD THAT HE PURCHASED PRIOR TIME WITH THE REMITTANCE OF \$11,348 BY MR. HAUTER AND SECONDED BY MS. LITZAN. MOTION PASSED UNANIMOUSLY.**

Ms. Litzan reported to Mr. Herrera that the City Attorney has requested that the

Mr. Herrera draft the Ordinances regarding the Collective Bargaining Agreements for the Police and Fire Plans. Mr. Herrera agreed. Ms. Litzan brought up that Mary Husted's term is up and that she is Council Appointee and that Tom Kirstein's term is up and he is the fifth appointee of the Fire Board. Ms. Litzan said that Ms. Husted may be asked to submit her resume and desire to be reappointed. Ms. Husted said that she would be fine if the Council desired to have another person, but is willing to remain on the Board if it is the Council's desire. Ms. Litzan stated she will check into the situation and bring it back to the Board at the next meeting.

Mr. Herrera reported that there is no state legislation that affects the Plans; only FRS Plans.

Mr. Herrera reported that his firm is in the process of gathering the medical records and then scheduling an independent medical exam for Ms. Linda Guerrero. Once this process is complete, the medical record books will be assembled and distributed to the Police Board, then an informal hearing will be scheduled.

**7. Plan Financial Matters – Thel Whitley, The Resource Center**

Mr. Whitley presented the Interim Financial Statements of both Plans to the Boards for review (no action is required).

Warrants – The Warrants (invoices) were presented to the Police and the Fire Boards for review.

**MOTION TO APPROVE THE PAYMENT OF THE WARRANT FOR THE POLICE OFFICERS PLAN AS PRESENTED BY MR. HAUTER AND SECONDED BY MR. ARENA. MOTION PASSED UNANIMOUSLY.**

**MOTION TO APPROVE THE PAYMENT OF THE WARRANT FOR THE FIREFIGHTERS PLAN AS PRESENTED BY MS. LITZAN AND SECONDED BY MR. POPE. MOTION PASSED UNANIMOUSLY.**

**BACK TO THE FIRE BOARD SELECTION OF A NEW MONEY MANAGER**

Mr. Mulfinger reviewed the options to the Fire Board of a small to mid cap equities Manager. Mr. Mulfinger presented a list of three new options along with Anchor Capital (that the Police Plan utilizes). There was general Board discussion regarding the short and long term performance of these money managers.

**MOTION TO REPLACE THE FIREFIGHTERS PLAN ASSETS CURRENTLY BEING MANAGED BY GW CAPITAL TO ANCHOR CAPITAL AS SOON AS ADMINISTRATIVELY POSSIBLE BY MS. LITZAN AND SECONDED BY MR. POPE. MOTION PASSED UNANIMOUSLY.**

8. **Next Regular Meeting is scheduled for May 5, 2016 at 1:00 PM**

9. **Adjournment**

**MOTION TO ADJOURN THE MEETING BY MR. POPE AND SECONDED BY  
MS. HUSTED. MOTION PASSED UNANIMOUSLY.**

Respectfully submitted,

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Al Schettino  
Chairman  
Police Pension Board

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Ray Ladurini  
Chairman  
Fire Pension Board