



City of Marco Island Florida

JOINT POLICE AND FIRE PENSION BOARD

MEETING MINUTES

August 4, 2016

Fire Department Training Room

1. CALL TO ORDER

The meeting was called to order at 1:02 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: Al Schettino, Laura Litzan, Steven Arena, Glen Zirgibel and Mark Haueter.

Others present: Attorney Pedro Herrera, Sugarman and Susskind; Charlie Mulfinger and Scott Owens, Graystone Consulting; Amber McNeill and Scott Baur, Resource Centers; Guillermo Polanco, City of Marco Island.

A brief summary of the meeting is as follows:

3. PUBLIC COMMENT

There was no public comment.

5. MOTION TO APPROVE MINUTES

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

6. REPORTS

A. Investment Advisor Report – Charles Mulfinger and Scott Owens, Graystone Consulting

Mr. Mulfinger reported that Brexit caused turmoil in the global economy, which resulted in high volatility and muted returns, as the market does not like uncertainty.

Ms. Husted left the meeting at 1:06 PM.

Mr. Owens reported that wages are up, and housing is strong. The economy is still expanding, but will continue to show slow growth and muted returns. International markets were down -1.46%.

Ms. Husted returned to the meeting at 1:08 PM.

Fire Summary of Relevant Facts

Mr. Owens reported the total portfolio as of June 30, 2016 was \$14,033,692.58 with a gain for the quarter of \$132,315.14 (net-of-fees).

Mr. Schettino entered the meeting at 1:09 PM.

There is currently no need for rebalancing. Mr. Mulfinger recommends that the Plan move 5-10% of the whole portfolio into private real estate. Interest rates are currently 4-6%. The Plan is currently at 35% bonds; the Plan could reduce the amount in bonds and move it to real estate. Mr. Mulfinger will present a proposal for both Boards at the next meeting. The real estate that the Plan would possibly be investing in would be already completed, over 90% leased, with 4-6% return. This type of real estate is much more stable, it will not fluctuate much with the market. Mr. Mulfinger will bring an asset allocation study and information from American Realty and Intercontinental Realty to the next meeting. Mr. Herrera reported that he has a number of clients with both funds and has had no issues with either. Both Plans' ordinances allow for real estate; Police is limited to 10%, Fire has no limitation, so there would be no need to amend the ordinance. Right now both funds are invested in liquid assets, the Plan could ask for its money back quarterly. As the fund does not have to let the Plan out, it is classified as illiquid. Mr. Mulfinger does not recommend that either Plan invest more than 10% of assets in real estate. Mr. Owens reported on the performance of the individual managers. The managers had positive returns, but did not perform as well as the Index. Several managers with international assets were negatively affected by Brexit. The Board discussed the effect of Brexit on the global economy. Morgan Stanley does not believe that there will be a global recession next year. Mr. Owens reported that as 40% of international markets have negative returns, international investors chose to invest in the United States. As of August 1, 2016 the total portfolio was \$14,539,972 and the fiscal year to date return was +4.7%.

Police Summary of Relevant Facts

Mr. Owens reported the total portfolio as of June 30, 2016 was valued at \$9,397,016.46 with a gain for the quarter of \$73,674.26 (net-of-fees).

Mr. Pope left the meeting at 1:47 PM and returned at 1:49 PM.

As of August 1, 2016 the total portfolio was \$11,126,160 and the fiscal year to date return was +6.0%. Mr. Mulfinger does not recommend that the Plan invest in REITS.

B. Attorney Report - Pedro Herrera, Sugarman and Susskind, PA

Mr. Herrera reminded the Board that the Form 1 has to be returned to the supervisor of elections where they currently reside immediately if the Trustees have not yet filed, as they were due by July 1st.

Mr. Herrera reminded the Board of the upcoming FPPTA Trustee School in September and the Division of Retirement Conference in November. Mr. Herrera reminded the Board that Trustees should attend at least one educational opportunity per year. Additionally, the IFEBP Conference, which is also in November, will be in Orlando this year.

Mr. Herrera presented a follow up memo regarding the IRS regulations. The changes should not either Plan, the memo is more informational and does not require a formal response.

The Board discussed the issue of pensionable compensation for the Police Plan. Mr. Polanco informed the Board that contributions were only paid on base wages. Mr. Herrera informed the Board that further research needs to be done, as it is a Union and City bargaining issue. The Board discussed the contribution issue at length. Mr. Herrera informed the Board that the City and Union would have to resolve the issue and incorporate the new language into an ordinance amendment. This is not an issue for Fire.

Mr. Herrera is currently still working on amendments to the Ordinances for both Plans. The Fire ordinance has conflicting language that needs to be fixed. Mr. Schettino inquired on how a Share program could be added to the Police Plan. Mr. Herrera reported that the Division of Retirement wants the language of a defined contribution plan in Share plans. Mr. Ladurini inquired on how a DROP plan could be added to the Fire Plan. Mr. Herrera informed the Board that the Union and the City would need to come to an agreement regarding the DROP plan, after which the ordinance can be amended.

Mr. Schettino asked if the Police Plan's current expected return rate of 7.5% needs to be adjusted. Mr. Herrera recommended having the actuary do a cost effect summary on lowering the rate of return.

Mr. Haueter left the meeting at 2:47 PM.

C. Plan Administration – Scott Baur and Amber McNeill, Resource Center

Mr. Baur presented Expense Reports and Budgets for both Police and Fire, with the changes asked for at the last meeting. The revised budgets decreased for both Plans, Fire by 6.8% and Police by 8.5%. Both Boards discussed the documents at length.

MOTION TO APPROVE THE FISCAL YEAR END 2017 BUDGET FOR THE POLICE OFFICERS PLAN AS PRESENTED BY MR. ZIRGIBEL AND SECONDED BY MR. SCHETTINO. MOTION PASSED UNANIMOUSLY.

MOTION TO APPROVE THE FISCAL YEAR END 2017 BUDGET FOR THE FIREFIGHTERS PLAN AS PRESENTED BY MS. HUSTED AND SECONDED BY MR. POPE. MOTION PASSED UNANIMOUSLY.

Ms. Litzan reported that as no one has applied for Ms. Husted's position, Ms. Husted has agreed to stay until a replacement can be found. Trustee terms were confirmed as the following: Police – Mr. Zirgibel 11/07/17, Mr. Schettino 10/01/16, Mr. Haueter 10/01/16, Mr. Arena 2015; Fire – Ms. Husted 11/14/15 (serving until replacement found), Mr. Kirstein 11/14/19, Mr. Ladurini 10/01/18, Mr. Pope 10/01/16; Police and Fire – Ms. Litzan N/A (in ordinance).

Mr. Mulfinger and Mr. Owens left the meeting at 3:25 PM.

7. Plan Financial Matters – Scott Baur, Resource Center

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

The warrants and 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. ZIRGIBEL 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.

8. Next Regular Meeting is scheduled for November 3, 2016 at 1:00 PM

9. Adjournment

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

Respectfully submitted,

Al Schettino
Chairman
Police Pension Board

Ray Ladurini
Chairman
Fire Pension Board