

# **Village of North Palm Beach Police and Fire Pension Fund**

## **MINUTES OF MEETING HELD**

**September 30, 2011**

Chairman Robert DiGloria called the meeting to order at 9:09 AM in the Conference Room of the North Palm Beach Village Hall located at 501 US Highway One, North Palm Beach, FL. Those persons present were:

### **TRUSTEES PRESENT**

Robert DiGloria  
Henry Maki  
Maria Walden (Baquerizo)  
Robert Coliskey

### **TRUSTEES ABSENT**

Jacob Stone

### **OTHERS PRESENT**

Bonni Jensen; Law Office of Perry & Jensen  
Denise McNeill & JC Louissaint; Pension Resource Center  
Doug Lozen; Foster & Foster  
Mary Kay McGann; Village

### **ITEMS FROM THE PUBLIC**

The Chairman, Robert DiGloria, invited those present to address the Board with public comments. There were no public comments at this time.

The Trustees congratulated Maria Bacquerizo (now Walden) on her new marriage. Her name change was noted for the record.

### **ACTUARY REPORT**

COLA: Denise McNeill reviewed the current COLA status. She explained that in the past, the administrator had been subtracting the CPI-W percentage as of April 1<sup>st</sup> from the CPI-W percentage on April 1<sup>st</sup> of the prior year to determine the difference. Drew Ballard of Foster had explained that the CPI-W change for the 12 month period "was" the percentage change and subtraction from the prior year should have only been done if the values were being tracked, not the percentages. Discussion followed regarding the prior COLA language listed in the Ordinance. Doug Lozen described how the CPI-W is determined. He then explained the recent changes to the COLA language which formerly removed any potential for a benefit decrease. Mr. Lozen then addressed the current benefit amounts advising the members are currently being overpaid. He reported nine of the members are due a retro payment for prior years while five have been overpaid due to the most recent year. He noted that members are scheduled to receive an increase for October 1, 2011. He then recommended instead of adjusting the five overpaid members' monthly benefit currently, to instead delay their increase (implementing in February 2012) at which time all overpayments would be resolved. Discussion followed regarding the process and if the Board could disregard recovering the overpayments.

- Henry Maki made a motion to accept the retro COLA payment to members for 2005 through 2009 as outlined in by the actuary in their letter dated June 15, 2011. The motion received a second from Maria Walden and was approved by the Trustees 4-0.
- Henry Maki made a motion to approve a COLA of 3% effective October 1, 2011 as presented by the actuary reflecting the increase of the twelve month CPI-W on April 1, 2011. The motion received a second from Maria Walden and was approved by the Trustees 4-0.

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- Maria Walden made a motion to accept the schedule to recover any overpayments made to the retirees. The motion received a second from Henry Maki and was approved by the Trustees 4-0.

Discussion followed regarding the matter and how to avoid such situations in the future. It was noted that the Ordinance has recently been updated relative to the COLA and going forward the actuary will provide the COLA determination. Bonni Jensen explained the Board could do a policy of how the COLA will be processed. Doug Lozen advised that Foster & Foster will provide the language and sample for the attorney to create the policy.

The administrator will send letters to each member regarding the COLA status. The letter will include the relative retro payment and a copy of the recent COLA Ordinance change.

FEE INCREASE: Doug Lozen addressed the Board regarding the fee increase previously requested. He presented a revised fee schedule and apologized for the error. He confirmed that the Plan has another year remaining in their rate guarantee and the only fee that should have been presented was the cost to add the additional report item to the annual valuation report. The report is an additional requirement as per recent State guidelines requiring the Plan be compared to the State's FRS assumed rate of return of 7.75%. Mr. Lozen noted the cost for the additional report is 10% of the valuation fee as long as the special additional report is part of state law.

Lengthy discussion followed regarding the current investment assumption of 8%. Mr. Lozen explained the State's actuary sent a letter in April 2011 noting their concern with the Plan's mortality basis and the assumed rate of return of 8%. It was noted that reducing the assumed rate of return will increase the Village's cost to the Plan. Mrs. Jensen recommended having the cost reviewed so that the Board can advise the Village as such a change would impact their cost to the Plan. Mr. Lozen noted that most of his Plans are using 8%. He then explained that he does not expect the Plan to meet their assumed rate of return for this year (which ends at the close of business today). Mr. Lozen advised that he has two pension clients whose valuation reports have been rejected by the State. Mrs. Jensen noted she has several at 7.5%, the average is 8% and few are higher than 8%. Henry Maki explained that he understands the cost impact and the circumstances for the Village; however he feels the Board needs to review the impact for practical purposes on behalf of the Plan. Discussion followed regarding phasing in changes. Mr. Lozen explained he does not feel phasing in a change is the best approach (I.E. reduce to 7.9%, then 7.8%, then 7.75%). The Board requested the actuary do a cost comparison using the 2010 valuation numbers for a basis of cost comparison only and no actual changes will be made to the 2010 report. Mr. Lozen reminded the Board if they choose to reduce the assumed rate of return to 7.75%; there will be no additional fee in Foster & Foster's annual valuation invoicing.

- Henry Maki made a motion to have the actuary to a cost study on reducing the assumed rate of return and for the 2010 valuation numbers to be used for the study. The motion received a second from Maria Walden and was approved by the Trustees 4-0.

Henry Maki inquired of the other Board member opinions related to the presentation of the real estate investment options at the prior meeting. Mrs. Jensen explained she has a handful of clients with real estate investments. She noted that the investment consultants may already be aware from other searches of two or three groups or companies who may be able to fit the need for the Pension Fund. In cases like this, the consultants may be able to help provide a short list of potential investments and the process of a formal search has already been shortened through their processes with other clients.

Bonni Jensen inquired if any of the Trustees have questions regarding the recent Ethics changes. Mrs. Jensen explained there are changes to the Form 1 reporting requiring governmental

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employees to report any 457 plans and DROP accounts. It was noted the Village had new Ethics booklets set out for the Trustees at the beginning of the meeting.

Doug Lozen addressed the fee for the additional report to be included in the annual valuation. The report will cost \$600 if the Pension Plan continues the assumed rate of return of 8%. Mrs. McNeill explained that she has received two other notices in the past week for other clients whose actuaries are charging additional fees in the amount of \$750 to produce the additional report.

- Henry Maki made a motion to approve the additional fee of 10% for the actuary to produce the needed report in the annual valuation as per the new State requirement. The motion received a second from Maria Walden and was approved by the Trustees 4-0.

The Trustees discussed meeting attendance and the need for Trustees to be professional and consistent. The administrator was instructed to contact Mr. Stone to inquire about his attendance. Discussion followed regarding Trustee education and the need to attend conferences.

There being no further business:

- Henry Maki made a motion to adjourn the meeting at 10:34 AM. The motion received a second by Robert Coliskey and was approved by the Trustees 4-0.

Respectfully submitted,

Henry Maki