



# City of Temple Terrace Fire Department Pension Board

**Roger Chewning, Chairman; Gerald Terenzi, Vice-Chairman; Ian Kemp,  
Secretary; Joe Affronti, City Mayor; Kim Leinbach, City Manager**

## **MINUTES OF THE MEETING HELD May 10, 2012**

### **1. CALL TO ORDER**

The City of Temple Terrace Fire Department Pension Board of Trustees and Pension Resource Center joined the Joint Investment Reports meeting with the Police Department Pension Board at 9:05 AM. The regular meeting of the Board of Trustees of the City of Temple Terrace Fire Department was called to order at 10:00 AM at the City Manager's Conference Room located at 11250 N. 56<sup>th</sup> Street, Temple Terrace, FL 33617.

Mr. Baur took a roll call of the Trustees present. The Board had a quorum for the quarterly meeting. Those persons present included:

#### **TRUSTEES**

Roger Chewning, Chair  
Ian Kemp, Secretary  
Joe Affronti, City Mayor  
Kim Leinbach  
Gerald Terenzi

#### **OTHERS**

Scott Baur, Pension Resource Center  
JC Louissaint, Pension Resource Center  
James Loper, Law Office of James B. Loper  
Joe Bogdahn, Bogdahn Group  
John Breth, Bogdahn Group  
Steve Stack, ICC Capital Management  
Diane Reichard, Finance Director

### **2. INVESTMENT REPORTS: John Breth, Bogdahn Group**

John Breth reviewed the market environment for the quarter ending March 31, 2012. He commented on specific securities such as Apple, now representing 4% of the S&P 500 Index. He reported that the international markets posted strong returns for the quarter, along with domestic equities. The plan had total assets of \$15,220,002 as of March 31, 2012, up from \$14,254,734 as of December 31. Mr. Breth noted the current asset allocation still met the Investment Policy targets, so he did not recommend rebalancing the portfolio at this time.

For the quarter, Mr. Breth stated that the total fund earned 8.71% gross of fees and 8.6% net, compared to a benchmark return of 7.92%. The returns for the quarter finished in the top 31 percentile of the peer manager universe. The equities in the portfolio returned 13.01%, while the fixed income securities gained 3%. For the fiscal year to date, the portfolio earned a net return of 15.6%. For the trailing 5 years, the plan assets returned 3.99%, ranking in the top 24<sup>th</sup> percentile of the peer manager universe.

#### **ICC Capital Management (Steve Stack)**

Steve Stack explained that the market had strong cash inflows during the first quarter, which reversed in April with the strong outflows in 15 years. ICC believes that the market downturn since March 31 is temporary in nature, but the market lacks enough strong news to push out of the current trading range. On the other hand, the market appears to have broad support at

current levels. ICC deployed cash in the portfolio recently as the market turned down, while the manager avoided the traps in the overseas markets. Steve Stack reported no other major changes to positions or management of the portfolio.

Mr. Stack commented on recent efforts to form a coalition government in Greece. Uneasiness overseas, along with a recession in some European markets, should continue to benefit the US market over the long-term. Revenue at the state levels seems to be starting to rebound, although the local governments continue to struggle. Companies are now beginning to increase mergers and acquisitions activity to deploy cash.

### **3. MINUTES**

The Trustees reviewed the minutes for the regular meeting of February 9, 2012, and the special meeting of April 23, 2012.

**Mayor Joe Affronti made a motion to approve the minutes of February 9, 2012 and April 23, 2012. Ian Kemp seconded the motion, approved by the Trustees 5-0.**

### **4. ACTUARY: FOSTER & FOSTER**

The Trustees discussed the April 27, 2012 letter by the Division of Retirement to Roger Chewning; the letter questioned the ability of the plan to meet assumptions adopted by the Board, indicating that the state would withhold additional contributions until the Board modified those assumptions. Patrick Donlan stated that other plans received similar letters from the Division of Retirement. The Division specifically questioned whether the plan could achieve an 8% return prospectively, since the plan had not met the earnings assumption in recent years due to market conditions. The Division also recommended shortening the amortization period for prior gains and losses from 30 years to 10 years. Patrick Donlan commented that the letters from the Division appear to have a random quality, since some Boards have received similar letters, while others with comparable experience have not. Patrick Donlan suggested that the Division might accept a reduction in the earnings assumption from 8% to 7.5% as a starting point, although the Division failed to indicate that any specific change would obtain approval of the 2011 Annual Valuation by the State. Mr. Donlan explained that each 0.1% reduction in the investment return assumption would increase the contributions required from the City by about 1% of payroll. Patrick Donlan also discussed the smoothing of returns used during the annual valuation process. He noted that even though the plan may have strong gains so far this year, the smoothed returns still have another 2 years of losses to recognize in the average. Mr. Donlan does expect improvements still in the next valuation from more recent experience.

Mr. Donlan noted that the changes to the amortization period for prior gains and losses would increase City contributions more right now than the recommended changes to the earnings assumption. After some discussion, the Trustees affirmed the assumptions previously adopted. The Board believes that the current assumptions provide a reasonable expectation of future experience. In discussion the contributions required from the City, the Board noted that active members of the plan had about \$2,600,000 of total payroll for purposes of computing pension benefits; therefore, each 1% increase in contributions amounted to about \$26,000 in contributions. The Board directed Mr. Donlan to respond to the letter from Doug Beckendorf.

**Kim Leinbach made a motion to direct Patrick Donlan to send a letter to the Division in response to the April 27 correspondence by Doug Beckendorf, subject to additional review and input by the Trustees, counsel, and the investment consultant. Mayor Affronti seconded the motion, approved by the Trustees 5-0.**

Mr. Loper noted that Leesburg, a plan with similar assumptions, did not get such a letter from the Division of Retirement. He therefore concluded that the Division sent the letter due to the lower funded status of the Temple Terrace Firefighters' Pension Fund. Joe Bogdahn noted he and Brad Heinrich met with the Division, since the Division appeared arbitrary by accepting or rejecting valuations from plans with apparently similar experience and assumptions. Mr. Heinrich and Mr. Bogdahn did not find a correlation between the funded ratio and valuations rejected by the Division. The administrator will request and distribute to the Board analysis completed by Foster & Foster of the oversight by the Division of public retirement plans in Florida. The Trustees continued to discuss other public plans, some with nearly identical assumptions and experience, which the Division did not consistently accept or reject. Mr. Bogdahn also commented on the lobbying efforts by Florida cities during the recently completed legislative session.

With respect to the recently completed legislative session, Mr. Loper also commented on HB 401, legislation effective July 1, 2012 that impacts beneficiary designations by members of the plan in divorce situations. The legislation presumes that a member intended to change a beneficiary designation following a divorce, unless the member files a new beneficiary designation with the plan.

## **5. ATTORNEY PRESENTATIONS**

### **James B. Loper**

Mr. Loper stated that he practiced law for 32 years, and he has been involved with providing counsel to public pension plans from the outset. Mr. Loper continued to review his experience and history with public pension plans. He also litigated some early cases relating to pension matters in Florida. In 1988, Mr. Loper became general counsel to the Board of Trustees for the Tampa Police & Fire Pension Fund until 2006. In 2000, Mr. Loper became counsel to the Board of Trustees for the Orlando Firefighters Pension Fund. Mr. Loper charges the Orlando Board an hourly rate of \$270, but he charges the Temple Terrace Firefighters Pension Fund only \$205 per hour. Mr. Loper serves as the attorney for the Temple Terrace Police Pension Fund as well. Mr. Loper stated that his involvement with some of the larger plans provided him with a broad base of experience.

Mr. Loper is a member of NAPPA (National Association of Public Pension Attorneys), and he attends meetings of the group regularly. He has served as counsel to the Temple Terrace Firefighters Pension Fund since 1999, and the hourly rate that he charges the Board has not changed since 2006. He indicated that he would be happy to continue to serve as counsel to the plan. He also noted that he was never given any reason that the Tampa Police and Firefighters discontinued using his services in 2006. He offered to match the lowest retainer fee proposed to the Board of Trustees in response to the recent Request for Proposal, but he believes the Board should continue to retain his services on an hourly rate.

### **Ronald J. Cohen, P.A.**

Ron Cohen introduced himself to the Trustees. He reviewed his firm and discussed his philosophy and approach to providing services to the Board. His firm currently includes 4 attorneys. Mr. Cohen stated that his firm has extensive experience with public pension law. Mr. Cohen indicated that if selected, he would attend all meetings of the Trustees unless he had a conflict with dates that he must appear in federal court. In such cases, Brent Chudachek in his firm would serve as his backup. Mr. Cohen stated that he practiced law now for 35 years, starting in the attorney's office for the City of Miami. At Miami, he was assigned to serve as counsel to the Boards for the Miami pension plans. Mr. Cohen left Miami to join a large firm

doing litigation. Mr. Cohen then became a partner with Bob Klausner for 10 years. He is certified in both pension and labor law.

Mr. Cohen discussed the role of the Trustees and the support that his firm provides to the Board. His firm does not have conflicts with representation, and avoids any such conflicts. Mr. Cohen does not represent firefighter unions and Cities, allowing him to focus solely on the interests of the Board. He attempts to communicate with the Trustees in plain English at all times.

Mr. Cohen commented on the letter that the Board recently received from the Division of Retirement. He noted that the Division took a different position on reasonable assumptions that the actuary engaged by the Board. Mr. Cohen discussed the letter in general terms. He then noted the difficulty in proposing a retainer fee for his services. Mr. Cohen explained that the additional charges proposed to draft ordinance changes apply only to a restatement of the entire plan ordinance.

Finally, Mr. Cohen stated that he serves as general counsel to the FPPTA, the Florida Public Pension Trustee Association. Mr. Cohen strongly supports fiduciary education. He indicated that he has a good working relationship with the Division of Retirement. Mr. Cohen briefly discussed administrative rules adopted by the Division of Retirement as well. Mr. Cohen thanked the Board for the opportunity to submit a proposal for his services.

#### **Mierzwa & Associates (Mark Floyd)**

Mark Floyd introduces himself to the Board. He stated that the book submitted in response to the Request for Proposal discusses the proposal by his firm. Mierzwa & Associates is located in Lake Worth, Florida. The firm began as Kaplan and Bloom, so the firm has provided services to such plans for about 30 years. Currently the firm represents about 25 other pension and benefit plans in Florida. Four of the attorneys in the firm work with the boards for various pension or benefit plans. Mr. Floyd reviewed his qualifications, along with the qualifications of his firm. He explained that each attorney in his firm providing services to Boards works with about 10 plans. Mr. Floyd also provided references for clients of the firm. He reviewed his description of the proposed services, and he stated that his firm has no conflict to represent the Board.

Mr. Floyd noted that his firm also provides counsel to labor groups and organizations. He stated that labor should represent the best interests of the members of group, just as the pension fund exists solely to serve the interests of the participants and beneficiaries of the plan. His firm proposed a monthly retainer of \$1,300, except for litigation or major rewrites of the ordinance. Mr. Floyd explained other aspects of the fee proposed by the firm. He indicated that the firm evaluates retainer fees every 6 months, and he stated that the firm would automatically reduce the flat fee if the Board does not utilize the services sufficiently to justify the retainer fee.

Finally, Mr. Floyd reviewed a landmark legal decision involving the firm for a plan in the Town of Lake Park. He commented on the letter from the Division of Retirement, noting that his office has been able to resolve such situations with Foster & Foster for other plans, without resorting to litigation. The firm would bill his time or time for Matt Mierzwa at \$225 per hour. Mark Floyd participates in education efforts sponsored by the FPPTA, and he works actively with the "Town Hall" committee of the FPPTA. Mr. Floyd thanked the Board.

#### **Klausner, Kaufman, Jensen & Levinson (Robert Klausner)**

Mr. Klausner stated that he strongly believes in Trustee education, so his firm holds its own annual conference for Trustees. He provided the book for the most recent such conference. His firm provides services to plans that range from 10 members to state retirement systems

representing 1 million members. The firm has existed now for 35 years, devoted solely to the representation of public pension plans. The firm has 4 attorneys in Plantation, 1 attorney in Palm Beach County, and 2 attorneys in New Orleans. Mr. Klausner indicated that he would attend meetings personally, with Stu Kaufman or Bonni Jensen as his backup. Mr. Klausner also serves as the general counsel to NCPERS, the National Association of Public Employee Retirement Systems.

Mr. Klausner sat in the meeting and listened to the discussion by the Board regarding the Doug Beckendorf letter. Mr. Klausner believes that the position taken by the Division is wrong in this case. He noted that the Society of Actuaries still recommends a 30 year amortization period for gains and losses as a standard, since the Temple Terrace Firefighters Pension Fund is not a closed plan. Mr. Klausner stated that he previously addressed similar issues on behalf of other clients of his firm. He commented on the current fiscal environment for the City of Temple Terrace, which he reviewed in detail from Council and Board minutes.

Mr. Klausner commented on national issues and local issues affecting the public pension plans. He stated that many problems faced by the Boards have frequently been addressed elsewhere. His experience therefore lends a broader perspective to the problems faced by the Board of Trustees for the Temple Terrace Firefighters Pension Fund. Mr. Klausner also addressed the fees proposed by his firm. He indicated that he would rather propose a retainer fee after 6 months, to avoid overcharging the Board. He also believes in fairly charging Boards for the services provided by his firm. The firm has strong client retention going all the way back to the 1970s. His firm does provide counsel to cities and unions, but does not engage in the bargaining process. The firm only functions as an advocate on behalf of the pension boards. His office, meanwhile, take a team approach to providing services. He repeated that he would attend meetings, although he would also have other attorneys attend meetings of the Trustees over time so the Board could meet the additional partners in the firm.

### **Discussion**

The member of the Police Officer Board of Trustees present for the meeting asked the reason or event that caused the Firefighter Board of Trustees to undertake the Request for Proposal for legal services. Roger Chewning explained the problems with the recent ordinance that passed to improve benefits. Ian Kemp also said the he wanted the Board to see the broad spectrum of attorneys available, since he also served as a Trustee previously for another retirement system. The Board then discussed the presentations at length, particularly in light of the recent issues raised by the Division of Retirement. The Trustees noted the different styles represented by the attorneys making presentations to the Board.

**Mayor Joe Affronti made a motion to retain the services of Klausner, Kaufman, Jensen & Levinson, subject to review of the agreement with the firm by the Board chair. Ian Kemp seconded the motion, approved by the Trustees 5-0.**

## **6. APPROVAL MINUTES**

The Board previously approved the minutes earlier in the meeting.

## **7. ADMINISTRATOR REPORT**

Mr. Baur noted that the Annual Report was filed with the Division of Retirement. Given the length of the meeting with the presentations in response to the Request for Proposal for legal services, he made no further report.

## **8. PLAN FINANCIALS**

The Mayor departed the meeting due to the length.

The Board reviewed the Warrant for payment of invoices, requesting clarification of invoices submitted by Sawgrass, Garcia Hamilton, and Ellen Schaeffer.

**Ian Kemp made a motion to approve the Warrant dated May 10, 2012 for payment of invoices. Mr. Terenzi seconded the motion, passed by the Trustees 4-0**

The Board reviewed the benefits pending approval, with questions about process related to refunds of contributions.

**Ian Kemp made a motion to approve the Benefit Approvals dated May 10, 2012. Mr. Terenzi seconded the motion, passed by the Trustees 4-0**

## **9. NEW BUSINESS**

The Board had no additional new business to discuss.

## **10. OLD BUSINESS**

The Board had no old business for consideration.

## **11. NEXT MEETING DATE**

The Trustees previously scheduled their next quarterly meeting for May 10, 2012 at 9:00 AM for Joint Investment Reports and 9:30 AM for the Regular Meeting.

## **12. ADJOURNMENT**

There being no further business, Ian Kemp made a motion to adjourn the meeting at 12:05 PM, seconded by Jerry Terenzi, and approved by the Board 4-0.

Respectfully submitted,

---

Ian Kemp, Secretary