



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 August 9, 2012

1. CALL TO ORDER

Roger Chewning called a meeting of the City of Temple Terrace Fire Department Pension Board of Trustees to order at 10:00 AM at the City Manager's Conference Room located at 11250 N. 56th 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
Joe Affronti, City Mayor
Kim Leinbach
Gerald Terenzi

OTHERS

Scott Baur, Pension Resource Center
Robert Klausner, Klausner Kaufman Jensen & Levinson
John Breth, Bogdahn Group
Patrick Donlan, Foster & Foster (by phone)
Gregg Gosch, Sawgrass Asset Management
Diane Reichard, Finance Director

2. MINUTES

The Trustees reviewed the minutes for the regular meeting of May 10, 2012.

Mayor Joe Affronti made a motion to approve the minutes of May 10, 2012. Kim Leinbach seconded the motion, approved by the Trustees 4-0.

3. DIVISION RETIREMENT (Plan Assumptions)

Patrick Donlan stated that he spoke to Doug Beckendorf at the Division of Retirement regarding the plan assumptions. Mr. Beckendorf suggested that he might approve the Annual Valuation for the Pension Fund if the Board modified current assumptions to amortize experience gains and losses over 10 years instead of 30 years. Mr. Donlan indicated that this change would substantially increase the employer contributions to the plan due from the Town. In a subsequent conversation with Mr. Beckendorf, Mr. Donlan proposed that the Board would consider lowering the current investment assumption from 8.0% to 7.5%, in 0.1% increments over a period of 5 years. Mr. Beckendorf indicated he would also approve the valuation if the Board adopted this change to the current assumptions, while the change would have a less substantial impact on the City.

Mr. Klausner noted that each 0.1% increment that the Board lowered the investment assumption would increase contributions by the City of Temple Terrace by about 0.88% of payroll. He commented that the negative investment return from 2008 would drop from the 4-year asset smoothing of investment returns used by the actuary in the next valuation. Still, the plan would not likely make the current 8% assumption due to the investment returns in 2009

and 2011. Mr. Donlan and Mr. Klausner discussed that the Board could adopt the assumption change requested by the Division of Retirement now, while choosing to revisit the assumptions the next year. Mr. Klausner advised, however, that the change requested by the Division appeared not only reasonable, but would potentially cost the Board less than litigation with the state. Mr. Klausner further noted that some staffing changes would soon occur at the Division of Retirement as well.

Mayor Joe Affronti made a motion to change the investment return assumption for the plan from 8.0% to 7.5% in increments of 0.1% over a period of 5 years. Jerry Terenzi seconded the motion, approved by the Trustees 3-1. Kim Leinbach voted against the motion.

Mr. Donlan then reviewed the recent change by the Division allowing local cities to make employer contributions based on a fixed dollar amount as opposed to a percent of payroll. The Division had previously allowed contributions in this manner, until the method resulted in lower employer contributions during historical periods with more rapid payroll increases. As payroll volumes contracted more recently, however, the dollar contribution method would now require the employers to contribute more than the employer contributions based on a percent of each payroll. Diane Reichard indicated that the City of Temple Terrace would prefer to make employer contributions based on the dollar contribution method, although administratively, the City would continue to determine and deposit those contributions as a percent of each payroll. At the end of each fiscal year, the City then trues the total contribution for the year to the required contribution.

Kim Leinbach made a motion that the City would fund the Pension Fund based on a dollar contribution amount determined by the actuary. Mayor Affronti seconded the motion, approved by the Trustees 4-0.

4. INVESTMENT REPORTS: John Breth, Bogdahn Group

Mayor Affronti suggested that the meeting of the Board of Trustees for the Firefighters Pension Fund should continue to overlap the meeting of the Board for the Police Pension Fund to combine the investment reports.

John Breth briefly reviewed the asset allocation for the investment portfolio. He indicated that the asset allocation conformed to the target allocations in the Investment Policy. He reported that the portfolio returned -2.43% for the quarter ending June 30, 2012 compared to a return of -1.72% for the benchmark. For the fiscal year to date, the portfolio had returns of 12.86% compared to 13.08% for the benchmark.

John Breth noted that ICC Capital Management continued to underperform now for four years. He recommended that the Board authorize a manager search to begin the process to replace ICC with another large cap value equity manager. Although a motion by the Board was not necessary to direct the Consultant, Kim Leinbach stated the Board should proceed with the search for the replacement manager as quickly as possible.

The Trustees further discussed the current asset allocation. Jon Breth advised that he did not favor increasing the current allocation to real estate, although he did recommend that the Board consider loosening the quality restrictions on the fixed income portfolio. The current guideline restrictions limit the Board to only investment grade fixed income securities. Mr. Breth indicated that such a change would allow the Boar to consider an allocation in a world bond portfolio. At the request of Joe Terenzi, Mr. Klausner offered an explanation regarding the actors that determines the domicile of a company for stocks or other securities. Mr. Breth reviewed different asset classes within the fixed income universe the Board should consider, between sovereign

debt, investment grade domestic bonds, foreign bonds, and lower grade fixed income securities. Mr. Breth will provide a draft of the Investment Policy changes that he will recommend in advance to counsel for review.

The Board considered the details for the investment manager search to potentially replace ICC. Given the time frame to hold a special meeting, short list managers, and then interview possible replacements, the Board directed the Consultant to short list the potential replacement managers and invite the managers to the next regular meeting of the Board to make presentations. Mr. Klausner noted that he would send his model investment manager contract to the managers making presentations in advance of the meeting.

5. ATTORNEY REPORT: Robert Klausner

Mr. Klausner thanked the Board for placing their trust in his firm. He appreciates the opportunity to work with the Trustees.

He stated that the Division of Retirement is reviewing their policies regarding the use of the Chapter 175 premium tax receipts, based on the current interpretation of state law. Substantial pressure exists to allow greater flexibility in the use of the money apart from the current restriction to additional benefits. Some cities have already decided to no longer continue as chapter plans to effect other reductions in benefits not permitted under the guidelines.

Mr. Klausner addressed the decision by the Board to modify the plan assumptions as a result of pressure from the Division of Retirement. He then reviewed the agreement for legal services by his firm, which incorporated comments by Alecia Latimer. He noted that he will recommend a retainer fee at the end of the year, once he can predict the activity level by the plan with greater accuracy. In the meantime, the agreement reflects the fees proposed to the Board by his firm.

Mayor Joe Affronti made a motion to accept the agreement and authorize the chair to execute the agreement on behalf of the Board. Jerry Terenzi seconded the motion, approved by the Trustees 4-0.

6. ADMINISTRATOR REPORT: Scott Baur, Resource Centers

The Board briefly considered correspondence by Mr. Baur to the Division of Retirement related to the approval of the Annual Report. Mr. Baur noted that he copied staff at the City on all correspondence to the Division, along with the Board Chair and Secretary. Only the approval of the valuation remained for the Division to approve the Annual Report, pending the plan assumption changes adopted by the Board earlier in the meeting.

Mr. Baur addressed concerns by the City regarding the communication and process for members retiring from the plan. He provided the Board and the City with a proposed procedure to outline the respective roles of the City and the administrator in the process. He then updated the Board regarding purchases of prior service credit by members. His office did not receive complete records for buybacks by members, so he verified records of the buybacks between Board members, the custodian, and the actuary. He also addressed the process for vested deferred members; his office will process calculations for any vested deferred members at the time the employee separates from service.

Mr. Baur then provided to the Board a template for educational workshops regarding the plan provisions he planned to conduct with members of the plan. He will coordinate the schedule the first workshop with the Department.

7. PLAN FINANCIALS

The Board reviewed the Warrant for payment of invoices.

Mayor Affronti made a motion to approve the Warrant dated August 9, 2012 for payment of invoices. Mr. Terenzi seconded the motion, passed by the Trustees 4-0

The Board reviewed the benefits pending approval.

Kim Leinbach made a motion to approve the Benefit Approvals dated August 9, 2012. Mayor Affronti seconded the motion, passed by the Trustees 4-0

8. NEW BUSINESS

The Board had no additional new business to discuss.

9. OTHER BUSINESS

Kim Leinbach expressed concern regarding the level of service provided by the plan administrator due to communication issues raised by staff. He stated that he would like to terminate the relationship or implement a probationary period for the administrator. He noted the delay in the filing of the Annual Report to the Division of Retirement, as well as the perception that the administrator was not user friendly to staff or the members. Diane Reichard also raised concerns about the processing of benefit applications, related in particular to a recent member that made the decision to DROP on short notice before he ultimately separated from service.

Roger Chewning suggested that the proposed procedure should address concerns related to process or communication. He agreed that the Board should implement a probationary period. He noted that two additional members currently in the DROP would separate from service by October 31, 2012. Mr. Baur committed to addressing the concerns expressed by staff at the City.

Mayor Affronti made a motion to put the plan administrator on probationary notice. Kim Leinbach seconded the motion, passed by the Trustees 4-0

10. NEXT MEETING DATE

The Trustees previously scheduled their next quarterly meeting for November 8, 2012. The Board noted the meeting would begin at 9:00 AM for the Joint Investment Reports with the Police Officer Board of Trustees and 9:30 AM for the Regular Meeting.

11. 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