

City of Venice Police Officers' Pension Fund
MINUTES OF REGULAR MEETING
February 12, 2014

CALL TO ORDER

Chairman Kevin McGrath called a regular meeting of the Board of Trustees for the City of Venice Police Pension Fund to order at 9:02 AM. Those persons present included:

TRUSTEES

Kevin McGrath, Chairman
Andy DeVries
Andy Leisenring
Robert Palmieri
Ernie Skinner

OTHERS

Tim Nash, Bogdahn Consulting
Lee Dehner, Christiansen & Dehner
Linda Runkle, Pension Resource Center
Aleks Gregoire, FOP Union President
Keith Quick, FOP Union Treasurer

PUBLIC COMMENTS

Eric Hill, an active member of the Venice Police Department, stated that many members are present at the meeting to obtain current and correct information about what is transpiring with collective bargaining negotiations between the City and the Union.

APPROVAL OF MINUTES

Ernie Skinner made a motion to approve the minutes of the quarterly meeting held on November 13, 2013. The motion was seconded by Andy Leisenring, approved by the Trustees, 5-0.

A discussion was held regarding the draft minutes of the special meeting held on December 20, 2013. The FOP provided a written list of proposed corrections. Ernie Skinner made a motion to table the approval of the minutes of December 20, 2013 until the next quarterly meeting. The motion was seconded by Andy Devries, approved by the Trustees, 5-0.

CUSTODIAN REPORT: SALEM TRUST COMPANY

No representative appeared on behalf of Salem Trust Company. An update from Salem Trust Company will be requested for the next quarterly meeting.

ACTUARIAL VALUATION: DOUG LOZEN

Doug Lozen appeared before the Board on behalf of Foster & Foster to present the October 1, 2013 Actuarial Valuation. The actuarial valuation determines the contribution required by the City to fund the benefits provided by the plan. The required contribution for the City in 2015 will be \$1.97M. Mr. Lozen explained that favorable investment returns during 2012 and 2013, combined with low salary increases, have resulted in a 12% reduction to the unfunded liability. He advised that investment returns for the four year smooth are 10.3% versus the anticipated return of 7.9%.

Mr. Lozen projected that the unfunded liability of the pension plan will be reduced in half within 4 to 5 years, and he explained that when the unfunded liability is paid off, the City's required percentage to fund the pension plan will be in the low teens. He advised that the GASB 25 (Long Term Funding Ratio) for the plan is 74.8%.

In response to a question from Keith Quick regarding the investment rate of return assumption, Mr. Lozen stated that changing the assumed rate of return from 7.9% to 6.5% would result in an initial increase of \$400,000 per year of required City funding.

Mr. Lozen confirmed that he will present the 2013 Actuarial Valuation to the City Council on February 25, 2014.

A motion was made by Ernie Skinner to approve the actuarial report as presented by Mr. Lozen. The motion was seconded by Andy Leisenring, approved by the Trustees, 5-0.

TIM NASH, THE BOGDAHN GROUP

Tim Nash participated in the meeting via telephone to review the quarter ending December 30, 2013. The total market value of the portfolio was \$30.7M on December 30, 2013. He reported that the performance of the portfolio for the fourth quarter of 2013 was 7.24% net of fees, within the top 5% of performance compared to other public pension plans. Mr. Nash advised that the net of fee average return over ten years is 10.13% versus the assumption of 7.9%.

Mr. Nash reported that he will provide a revised Investment Policy Statement for review by the Board at the next quarterly meeting. Additionally, the Board will discuss real estate investments.

Lee Dehner questioned Tim Nash regarding the total annual expected rate of return on investments. Mr. Nash stated that 7.9% is a reasonable assumption for the short, mid, and long-term. A motion was made by Ernie Skinner to determine, based upon the advice of the investment consultant, that 7.9% represents a reasonable assumption net of fees for the next several years and for the long term thereafter. The motion was seconded by Robert Palmieri, approved by the Trustees 5-0.

LEE DEHNER, CHRISTIANSEN & DEHNER

Linda Runkle advised that the City Clerk does not agree with Mr. Dehner's legal opinion that an additional two years should be added to the existing Trustee terms, due to the passage of the Ordinance that expands Trustee terms to four years. Mr. Dehner advised that he will discuss this matter with the City Clerk.

Mr. Dehner reported that he will monitor Senate Bill 246 and House Bill 509 during the legislative session. He reminded the Trustees that the financial disclosure Form 1 must be filed annually by July 1.

LINDA RUNKLE, PENSION RESOURCE CENTER

The Trustees reviewed the disbursements and benefit approvals provided by the Administrator. Ernie Skinner made a motion to ratify the disbursements and benefit approvals as submitted. The motion was seconded by Andy Leisenring, approved by the Trustees, 4-0.

The Board recessed the meeting for five minutes at 10:20 AM; the meeting was reconvened at 10:25 AM.

OTHER BUSINESS

The Board discussed the request of the FOP from the special meeting held on December 20, 2013, regarding funding an actuarial study of proposed collective bargaining changes to the pension plan. Lee Dehner advised that the Board's role is to administer the plan, and cautioned that the Board should not be involved unless both the City and the Union request Board involvement, so that any action by the Board will not be perceived as supporting one side or the other. Mr. Dehner explained that the bargaining parties could agree to hire the Board's actuary to perform services for both parties.

The FOP attorney, Mark Floyd, joined the meeting via telephone. He clarified that the FOP is asking the Board to utilize assets of the plan to pay for the study, but the FOP is not asking the Board to take one side or the other. He reported that the City utilized taxpayer dollars to pay for the GRS study that the administration is relying on. He stated that the Board will need to determine the impact upon the pension plan if changes are agreed upon, or if changes are unilaterally imposed upon the Union.

Andy Leisenring made a motion to obtain a study from Foster & Foster if the City Manager submits a letter to the Pension Board advising that the City supports obtaining the study, or does not object to the Board funding the study. The letter must be obtained by the Union from the City Manager, and submitted to the Plan Administrator.

BOARD MEMBER COMMENTS

Kevin McGrath recognized the service of Officer Jerry Caldwell, a retired member of the pension plan, who died recently.

Andy Leisenring recommended that an evaluation of service providers be scheduled every three years to review performance. He suggested that the process will be informal, including a review of existing contracts and services, with the provider under review requested to attend the meeting. The Board requested that Salem Trust Company be scheduled for review at the next quarterly meeting.

Andy Leisenring suggested that the Board send out a letter to current retirees to certify their eligibility to receive a pension. Lee Dehner advised that he has prepared an affidavit form for this purpose. The Trustees requested that the Plan Administrator mail a request to all retirees to certify their eligibility to continue to receive a pension payment.

ADJOURNMENT

There being no further business and the next regular meeting of the Board having been previously scheduled to occur on May 14, 2014 at 9:00 AM, the meeting was adjourned at 11:16 AM.

Approved: Andy Leisenring