

City of Venice Police Officers' Pension Fund
MINUTES OF REGULAR MEETING
May 13, 2015

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 9:00 AM. Those persons present included:

TRUSTEES

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

OTHERS

Tim Nash, Bogdahn Consulting
Lee Dehner, Christiansen & Dehner
Linda Runkle, Pension Resource Center
Doug Lozen, Foster & Foster
Jeff Snyder, Finance Director & John Holic, Mayor
Mark Rhein & Lynn Skinner, Salem Trust Company
Keith Quick, FOP
Alan Ricafort, Moore, Stephens Lovelace, PA

PUBLIC COMMENTS

There were no public comments.

APPROVAL OF MINUTES

Ernie Skinner made a motion to approve the minutes of the quarterly meeting held on February 11, 2015. The motion was seconded by Andy Leisenring, approved by the Trustees, 5-0.

OLD BUSINESS

Doug Lozen and Lee Dehner discussed the interpretation of Ordinance 2014-23, which made changes to pension benefits effective October 1, 2014. They reported that discussions with members of the City administration indicate that it was not the intent of the parties to collective bargaining negotiations to reduce benefits retroactively. Therefore, the calculation of pension benefits prior to October 1, 2014 will include all pay, and benefits calculated for service after October 1, 2014 will include base pay only. Mr Dehner explained that the City Council will consider an Ordinance to modify Ordinance 2014-23 to clarify the mutual intent of the parties. Mr. Lozen explained that he will revise the Impact Statement prepared on August 18, 2014 for Ordinance 2014-23.

The Board reviewed the response of the Union to the concept of providing a cost of living adjustment (COLA) to retirees. It was the consensus of the Board not to pursue

calculations to provide a COLA increase to retirees at this time. The topic will be reviewed at some point in the future, after the recent major changes to the Police Pension Plan have been in place for a while.

ACTUARIAL VALUATION

Mr. Lozen reported that the Actuarial Valuation was revised to reflect the intended interpretation of Ordinance 2014-23. He advised that the unfunded actuarial liability of the pension plan as of October 1, 2014 is \$6M. He explained that the unfunded liability will drop to zero if investment gains continue at the current rate over the next 5-7 years. Mr. Lozen reported that the City's current funding responsibility is \$1.76M, and that the cost for fiscal year 2015-2016 will decrease to \$1.57M. He advised that the funded ratio for the pension plan is high, and predicted that it will continue to increase.

Mayor John Holic requested an electronic copy of the Actuarial Valuation, and requested that the Board allow him to ask questions of the actuary. Ernie Skinner made a motion to permit Mayor Holic to work directly with Foster & Foster to clarify questions. The motion was seconded by Andy Leisenring, approved by the Trustees, 5-0.

Ernie Skinner made a motion to accept the Actuarial Valuation as presented. The motion was seconded by Andy DeVries, approved by the Trustees, 5-0.

After consultation with the investment consultant, Tim Nash, Andy DeVries made a motion to determine that 7.9% is a reasonable expected rate of return for the short term, mid-term, and long term. The motion was seconded by Ernie Skinner, approved by the Trustees, 5-0. Plan Administrator Linda Runkle will submit a letter to the State Division of Retirement regarding this determination.

For the informal service provider review, Doug Lozen explained that Foster & Foster has a thirty year relationship with the Pension Board. He advised that Foster & Foster have over 200 defined benefit plan clients. He expressed thanks to the Board for the long relationship.

Lee Dehner requested that the Board amend the agenda to permit him to provide a legislative update prior to Mr. Lozen's departure from the meeting. Ernie Skinner made a motion to revise the agenda to receive Mr. Dehner's report. Robert Palmieri seconded the motion, approved by the Trustees, 5-0.

LEE DEHNER, CHRISTIANSEN & DEHNER

Lee Dehner provided an update on new legislation approved during the recent legislative session. He advised that Foster & Foster will prepare a report for compliance with Florida Statutes, Section 112.664. This report will be submitted to the State Division of Retirement, and must be posted on the City's website.

Mr. Dehner reported that the City will remain eligible for the receipt of State money for pension funding, even after the conversion to the Florida Retirement System (FRS). He

advised that the utilization of State money must be negotiated between the City Administration and the Union, and he reported that if the parties do not agree, the statute provides guidelines for the expenditure. Mr. Dehner explained that new legislation will modify the actuarial mortality table utilized for current calculations in order to be consistent with tables utilized by FRS.

Mr. Dehner reported that he will prepare an Ordinance for compliance with new IRS guidelines, and he reminded the Trustees to submit the Form 1 Financial Disclosure prior to July 1, 2015.

AUDIT REPORT

Alan Ricafort appeared before the Board on behalf of Moore Stephens Lovelace, P.A. to present the October 1, 2014 Audit. He advised that the audit is an unqualified opinion, which is the highest report the Board can receive. He explained that the audit was a "clean audit" that did not reveal any issues, and that there are no recommendations. Mr. Ricafort advised that additional procedures were performed due to the Salem Trust Company SSAE-16 Report, but no issues or problems were identified. Ernie Skinner made a motion to accept the 2014 Audit as presented. The motion was seconded by Andy Leisenring, approved by the Trustees, 5-0.

TIM NASH, THE BOGDAHN GROUP

Tim Nash appeared before the Board on behalf of the Bogdahn Group. He reviewed performance of the portfolio for the quarter ending March 31, 2015. The total market value of the portfolio was \$32.5M on March 31, 2015, compared to \$30.6M on March 31, 2014. Mr. Nash reported that the overall portfolio annual rate of return, net of fees, since 1986, is 9.2%, well in excess of the expected rate of return of 7.9%. He advised that portfolio earnings, net of fees, average 10.26% over the past three years.

Mr. Nash advised that he anticipates a capital call October 1, 2015, from ASB, the new real estate investment. He explained that the call will be funded proportionately from current investments.

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 DeVries, approved by the Trustees, 5-0.

Linda Runkle reviewed the quotes provided for the renewal of Fiduciary Liability Insurance. Andy DeVries made a motion to renew coverage with Hudson Insurance Company in the amount of \$4,763.00. Ms. Runkle will bind coverage with the carrier.

SALEM TRUST COMPANY

Lynn Skinner reported that Salem Trust Company will work with the City Administration to procure the necessary documentation for Globe Tax to pursue the refund of international taxes paid on investment earnings by the pension plan. Finance Director Jeff Snyder agreed to assist Ms. Skinner in obtaining a governmental letter from the IRS.

Mark Rhein provided an update on the Salem Trust SSAE-16 report and the fraud allegations regarding Pennant. He advised that no public pension plan has suffered losses as a result of either issue.

The Trustees discussed the services of Salem Trust Company, and their long positive history as Custodian for the pension plan, and determined that there will not be an RFP for custodial services issued at this time.

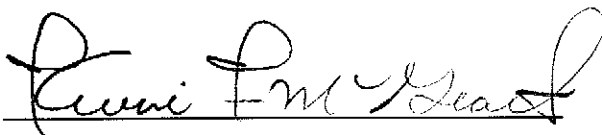
BOARD MEMBER COMMENTS

Kevin McGrath informed the Board of the death of retiree Jim Bates. He thanked him for his years of service to the Police Department, and expressed condolences to his surviving spouse.

ADJOURNMENT

There being no further business and the next regular meeting of the Board having been previously scheduled to occur on August 12, 2015 at 9:00 AM, the meeting was adjourned at 10:55 AM.

Approved: _____

A handwritten signature in black ink, appearing to read "Kevin McGrath", written over a horizontal line.