



# NEW PORT RICHEY POLICE PENSION SYSTEM



## Minutes

Of a Quarterly meeting of the Board of Trustees  
Meeting at 6739 Adams Street, Police Station,  
New Port Richey, Florida 34652  
Tuesday, the 26<sup>th</sup> day of January 2016, at 5:00 P.M.

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The meeting was called to order by Mr. Pratt at 5:10 PM.

Trustees Present:

Mr. Glen Pratt  
Mr. William Bennett  
Mr. Edward Beckman  
Officer Steve Wade  
Sergeant Chris Trapnell (arrived at 5:15 PM)

Consultants Present:

Mr. Dana Stewardson  
Mr. John McCann  
Mr. Brendon Vavrica  
Mr. Lee Dehner

Administrator:

Mr. T. Scott Baker

**ITEM #1 -- Trustee Term Expiration --**

- **5<sup>th</sup> Member position currently held by Mr. Glen Pratt  
Discussion/Selection/Appointment**
- **Election of: Chairman, Vice-Chairman, &  
Secretary/Treasurer**

Mr. Pratt said the Board of Trustees is made up of 2 Trustees appointed by the city, 2 elected by the Officers, and those four select a 5<sup>th</sup> Board Member, vote on that person, and then that person is presented to the city council for approval (however they cannot deny it). Mr. Pratt said he was first elected to the board in 1983 and has served since.

**Motion:** Mr. Bennett made a motion to appoint Mr. Pratt as the Board of Trustees 5<sup>th</sup> member. Mr. Beckman seconded the motion. The motion passed without opposition.

The following motions were made for board positions:

**Motion:** Officer Wade made a motion to appoint Mr. Pratt as Chairman. Mr. Beckman seconded the motion.

**Motion:** Mr. Beckman made a motion to appoint Officer Wade as Vice-Chairman. Mr. Bennett seconded the motion.

**Motion:** Officer Wade made a motion to appoint Sergeant Trapnell as Secretary/Treasurer. Mr. Bennett seconded the motion.

All motions passed without opposition.

**ITEM #2 -- Approval of the minutes of the meeting on December 22, 2015**

**Motion:** Mr. Bennett made a motion to approve the minutes of the meeting. Officer Wade seconded the motion. The motion passed without opposition.

**ITEM #3 -- Open Public Comment**

There was no public comment.

**ITEM #4 -- Logan Capital Investment Manager Quarterly Report  
– Dana Stewardson**

Mr. Stewardson said they didn't have such a great quarter, but did have a great year. He said for the year they were up 8% and the index was up 5.7%. For the quarter they were up 5.72% versus the index, up 7.32%. He said they are pleased with their performance and pleased with their performance so far this year, matching the index, in what has been a challenging first part of the year. He said going back, the market has done well over the last two years, with the last major correction in 2011. He said the current correction was not expected so quickly and as violent as it has been. He said one of the major reasons why there was this correction was because what's been going on in China.

Mr. Stewardson said the long term benefits of both lower interest rates and low and affordable fuel prices are going to start to outweigh the negatives by a long shot in this market. He said what spooked the market in a lot of ways was the concern that China was slowing down dramatically. He said China is slowing down, but they don't think its going to be such an extent that causes any major problems.

Mr. Stewardson said they had good stocks last year that led to the gains in the portfolio. He said there were a few stocks that did hurt them, such as United Rentals(tied to the energy business) but said they still think they will do well. He said they are still over weighted in Consumer Discretionary names, such as Apple (even though its technology) they are also over weighted in Technology.

He asked for any questions. Mr. Beckman asked Mr. Stewardson if he thought there would be another raise in interest rates from the Fed. Mr. Stewardson said he thought there would be one more this year, although there had been talk about four, he said he just didn't see that happening. Mr. Beckman said that because of Presidential elections that things tend to trend up getting closer to November and hopefully things will work out for the country. Mr. Stewardson said that once we know in November the market has less fear of the unknown, which is always a positive.

Mr. Pratt said the report shows that Apple is one of the bottom contributors. Mr. Stewardson said it hasn't been a great stock the last couple of months but has been a great stock in the last ten years. Mr. Stewardson said they recently purchased a stock, Zoetis, which is the biggest company in animal health.

**ITEM #5 -- Performance Monitor Report – Brendon Vavrica**

- **Thistle Asset Consulting Merger**
- **Recommended rate of return for the next year, the next several years, and the long-term thereafter**

Mr. McCann discussed the “Callan Periodic Table of Investment Returns” on the last page of the hard copy performance report. He said this is a 20 year table and in the right column was 2015, with the best performing class being the S & P 500 Growth with a return of 5.52%. The worst class was Emerging Markets with a return of negative 14.6%. Mr. McCann said the difference between the two is 20% and this is why you diversify. He said the third place class was Barclay's Aggregate (a fixed income bond index) at .55%, which you don't see too often that fixed income outperforms most equity classes.

Mr. Vavrica started covering his report on page 2 (Index Comparison) and said for the quarter ending December 30<sup>th</sup> the markets were actually quite strong, with the best performer being Large Cap Growth, up in excess of 7%. He said all of the equity benchmarks were up at least 3 or 4 percent. Fixed Income was negative for the quarter, down about 75 basis points. The middle of the page shows the last 12 months with Small Cap Value quite negative, down 7%, while Large Cap Growth up about 6%. The far right side shows the last three year period with everything having good returns.

Moving to page 3 (Compliance), Mr. Vavrica said you want everything to be marked “yes”, said there was a “no” on question #2, for the total fund, due to being a little behind for the 5 year return and said he would discuss this on the performance page. Page 4 (individual managers) shows a couple of performance related “no” boxes for Logan and BRC has all “yes” boxes. Page 5 shows Garcia Hamilton (fixed income) and all boxes are marked “yes”. Pages 9 and 10 show the breakdown of assets in a pie chart format. Mr. Vavrica continued to page 11 showing the dollar figures. As of December 31, 2015 the assets were at \$23.36 million and everything is in line with the policy target weights. He said as of close of business yesterday, the fund balance was down to \$21.9 million and on market value it is down about 6.3% (some of that pension payments). He said he estimated that the fund was down about 5.8-5.9% in terms of performance so far this quarter.

Mr. Vavrica continued to page 12 (Performance) and said the total fund was up 3.08% for the first quarter of the fiscal year, but did trail the policy, which was up 4.03%, placing in the 86<sup>th</sup> percentile. The one year return was 4.0% versus the policy at 2.3%, placing it in

the 1<sup>st</sup> percentile. The three year return was 10.9% versus the policy of 10.4%, also placing in the 1<sup>st</sup> percentile. The five year return (Mr. Vavrica mentioned in the compliance pages) had a return of 9.07% versus the policy at 9.2%, placing in the 8<sup>th</sup> percentile. The total equities (middle of page) had similar results as the total fund. Fixed income (bottom of page) he said although the numbers are big, Garcia Hamilton outperformed the benchmark in all trailing periods.

Moving to page 13, Mr. Vavrica said Logan was behind for the quarter 5.7% versus the benchmark of 7.3%. He said the one year number for Logan had a return of 8% versus the benchmark of 5.7%. For the three year return Logan gained 16.3%, but behind the benchmark of 16.8% and the five year 10.9% versus 13.5%. For BRC equities Mr. Vavrica said their return for the quarter was 3 ½% versus the benchmark at 5.6%, but over the one, three, and five year periods performing excellent. Mr. Vavrica said Intercontinental had a gain for the quarter of 4 ½% versus the benchmark of 3.1%. He said the two year return was 11.7% and said as a reminder that the investment was primarily taken from fixed income, which over the last couple of years earned about 3%, so a nice incremental return to the overall fund by making that diversification. Mr. Vavrica continued to page 15 (Risk) and said from the graph the fund is taking a little bit more risk than the benchmark and the market level of return has fallen below the line.

Mr. McCann said on December 31, 2015 he made Mr. Vavrica his partner and on January 1, 2016 they merged with a bigger company, The Bogdahn Group. He said they are a much larger company, have great resources, and for them to be able to use their compliance and oversight department will be a big boom for their company. He said nothing will change with the fund, as Mr. Vavrica or Mr. McCann will still be the ones attending the meetings. He said they have talked to Mr. Dehner about this and he knows the Bogdahn Group. They are based out of Orlando and their current employee, Jose, will be moving from Boynton Beach to Orlando to do the reports. Mr. McCann said he has known Mike Welker, the head person at Bogdahn, for over 20 years. He said they talked at the FPPTA School in Boca Raton and they agreed to merge. He said Bogdahn has 66 employees and monitors \$55 billion.

Mr. Dehner said that he has reviewed the Consent to Assignment and said its fine from a legal standpoint. Mr. Dehner asked if the reports would be in the Bogdahn format or the same prior format. Mr. Vavrica said the report would be the Bogdahn format. Mr. Dehner also asked, since Bogdahn has multiple fee structures, that there would be no increase in the fees. Mr. Vavrica said the fees would remain the same as they are now with the current contract. Mr. Dehner asked if the official date of the merge is April 1, 2016 and that was confirmed by Mr. Vavrica. Mr. Dehner said a motion was needed to stay with Thistle merging with Bogdahn and also a signature would be needed on the Consent to Assignment.

**Motion:** Mr. Bennett made a motion to approve to stay with the current performance monitor and the merge with The Bogdahn Group. Officer Wade seconded the motion. The motion passed without opposition.

Mr. Dehner said the three originals needed to be signed, with one going to Bogdahn, one to the Board, and one to him.

Mr. Baker asked if Mr. Vavrica could give his recommendation now or wait for the Valuation report for the rate of return for the next year, the next several years, and the

long-term thereafter. Mr. Dehner said that the Valuation report would have to be completed, and that wouldn't be until the February meeting.

**ITEM #6 -- Acknowledgement of New/Terminated Members**  
- **Christine Flareau (Terminated)**

It was acknowledged that Christine Flareau terminated her employment. Sergeant Trapnell said that she had been employed less than one year.

**ITEM #7 -- Approval of Retirement/Entry to DROP for Officer Steve Wade**

Mr. Baker said that Officer Wade had already submitted his paperwork which was effective January 4, 2016. He said Officer Wade was entering DROP with 10 years, 17 days, of service with the department. Mr. Baker said he has not received anything from the city as of this date.

**Motion:** Mr. Beckman made a motion to approve Officer Wade's retirement and entry into DROP. Mr. Bennett seconded the motion. The motion passed without opposition (with Officer Wade abstaining from the vote).

**ITEM #8 -- Legal Report – Lee Dehner**  
- **Legislative Update**  
- **Inquiry regarding 96 hour sick time pay out for certain positions at retirement**  
- **Board Rules, In need of update?**

Mr. Dehner said it looks like we escaped this current legislative session unscathed. He said it does not appear there will be anything that will affect the pension plan. Officer Wade said he had heard there were items affecting FRS. Mr. Dehner said that there were some issues in the legislature that might affect FRS.

Mr. Dehner skipped to the third item and said that there should be a periodic review of the Board Rules as it has probably been over 10 years since they were reviewed and updated. He recommended it be scheduled as an agenda item or workshop and for the Trustees to review what is current in order to suggest any changes. The board discussed it and decided to discuss the issue at the March Board meeting.

Mr. Baker said he had reached out to Mr. Dehner for the item on the agenda labeled Inquiry regarding 96 hour sick time pay out for certain positions at retirement. He said that a document had been provided to Robert Close regarding certain pay-outs paid upon retirement to certain positions. Mr. Baker said he had just received a copy of the document today. The document is a City Administrative Policy regarding Carryover Annual Leave from City Manager Debbie Manns. Mr. Baker said the document indicates the policy to provide up to 144 hours of vacation time, 96 hours of sick time, and 32 hours of Floating Holiday hours to be paid out at the time of retirement. The document then goes on to indicate that the policy only applies to the positions of Deputy Police Chief, Police Lieutenant, and Deputy Fire Chief.

Mr. Baker said the current board policy regarding pay-outs allowed for purposes of retirement calculation does allow up to 144 hours of vacation time and up to 32 hours of

floating holiday hours. He said the sick-time policy changed at the end of 1997 when the city stopped sick time pay-outs. Prior to 1997 employees of the city were allowed to accumulate their sick time and upon retirement/termination they were paid half of their accumulated sick time. Of this amount, if the employee had at least 96 hours payable hours they were allowed to add this to their final compensation and retirement calculation. Everyone that was employed as of 12/31/1997 was given a document that indicated how many hours they had and what amount was pensionable. The sick time was to be paid at the rate in 1997. After 1997 the city's sick time policy changed, thereby paying those persons for unused sick leave (if you hadn't taken time or little time) each year up to 40 hours. Mr. Baker said that Robert Close only had 4.75 hours of sick time at a rate of \$13.16 an hour amounting to \$62.51.

Mr. Baker said that no Police Officer who has retired since 1997 has been paid out 96 hours of sick time at their current rate. He said because of the issue he spoke to Mr. Dehner to ask his opinion whether the current policy be used and not allow the 96 hours sick time at his current rate be pensionable. He said Mr. Dehner's opinion was to continue what the Board has done in the past and if there was a challenge to the policy then it would have to be looked into at that time. Mr. Beckman asked if this would affect Office Wade since he just entered DROP. Mr. Baker said this was another issue with the policy signed by the City Manager as it only applies to certain positions. Mr. Baker said the new city policy was done during when the Police Union was negotiating with the city on a new contract that still has not been placed into effect, nor has the Ordinance been changed. Mr. Dehner said there was a Grandfather Clause in the newly drafted Ordinance that apparently never passed.

Mr. Baker said that he has submitted Robert Close's numbers to the Actuary, minus the 96 hours of sick time, so its just a matter of time to get the final figures back. Once he gets that back, Mr. Baker said he would explain it to Mr. Close. Mr. Baker asked who takes the next step and after discussion Mr. Dehner said an Ordinance would have to pass including the changes, as the Administrative Policy doesn't have the same weight as an Ordinance.

#### **ITEM #9 -- Approval of expenditures**

Mr. Baker said he had a signature sheet that Fiduciary Trust had requested the remaining Trustees sign who were not at the last meeting (Sergeant Trapnell and Mr. Bennett). It was given to them to sign.

There were 5 Distribution Authorizations for approval by the Board of Trustees for payment: \$4,582.00 to Thistle Asset Consulting for performance monitoring for the quarter ending 12/31/2015, \$10,881.00 to Logan Capital Management for Investment Management Fees for the quarter ending 12/31/2015, \$3,879.57 to Garcia Hamilton for Investment Management Fees for the quarter ending 12/31/2015, \$2,481.00 to GRS (Gabriel Roeder Smith & Co.) for Actuary fees for the quarter ending 09/30/2015, and \$10,616.00 to BRC Investment Management for Investment Management Fees for the quarter ending 12/31/2015

**Motion:** Mr. Bennett made a motion to approve the expenditures. Mr. Beckman seconded the motion. The motion was passed without opposition.

**ITEM #10 -- Any other business**

There was no other business.

**Motion:** Officer Wademade a motion to adjourn. Sgt. Trapnell seconded the motion. The motion passed without opposition. The meeting was adjourned at 6:12 PM.