



NEW PORT RICHEY POLICE PENSION SYSTEM



Minutes

Of a special/regular meeting of the Board of Trustees
Meeting at 6739 Adams Street, Police Station,
New Port Richey, Florida 34652
Wednesday, the 23rd day of March 2016, at 5:00 P.M.

The meeting was called to order by Mr. Pratt at 5:07 PM.

Trustees Present:

Mr. Glen Pratt
Officer Steve Wade
Sergeant Christopher Trapnell
Mr. Edward Beckman

Trustee Absent:

Mr. William Bennett

Consultants Present:

Mr. Larry Wilson
Mr. Lee Dehner

Administrator:

Mr. T. Scott Baker

Others Present:

Mr. Nicholas Kaller
Mr. Jason Fox
Ms. Tonya Oliver

ITEM #1 -- Approval of the minutes of the meeting on March 9, 2016

Mr. Pratt said that Mr. Baker had not finished the minutes and therefore this item was tabled.

ITEM #7 -- Acknowledgement of Terminated Member/Application for Disability Retirement

- Nicholas Kaller

This item was moved up on the agenda due to Mr. Kaller attending the meeting with his attorneys, Jason Fox and Tonya Oliver. Ms. Oliver said that she believes that Mr. Kaller had submitted an In-Line of Duty Disability application pursuant to the terms of

the agency and has also submitted a qualifying letter. She was asking that the Board accept the application. Mr. Dehner said that they had received the application, but said the total and permanent letter from a physician had not been received and asked Ms. Oliver if this had been submitted. Ms. Oliver said the treating physician is Victor Haines, and Mr. Fox said although he was an examiner for the comp case, the physician has continued with care and treatment and planning on performing surgery, so there have been follow-up appointments and there is surgery on the books. Mr. Dehner asked if there was a letter from him stating that Mr. Kaller is totally and permanent and Ms. Oliver said it looks more like a medical record but said it does state it is permanent. She asked if clarification was needed and Mr. Dehner said a letter was needed from the physician indicating that he is totally and permanently disabled. He said once this is received then the process will begin. Mr. Kaller, Mr. Fox, and Ms. Oliver left the meeting.

ITEM #2 -- Open Public Comment

There was no public comment

ITEM #3 -- Review and approval of Valuation Report – Mr. Larry Wilson

Mr. Wilson began reviewing the 2015 Valuation report which he said determines the city funding for fiscal year 2016-2017. He said the good news is that there were actuarial gains allowing for the city contribution rate to be lowered. He started on the first page (letterhead) and said in the middle of the page is Retirement System Costs with the total required funding at 49.0% of pay, or \$1,071,892. He said last year that number was 55.6%. Mr. Wilson said the money to pay that 49% comes from three sources: Officers contribute 4.5% of pay, the state determines an amount based on insurance premiums in that jurisdiction, and the city is required to pay the remainder.

Mr. Wilson said the required city contribution is 35.9% of pay and is projecting that to be \$785,337 (compared to 42.1% last year, with an amount of \$833,000). He said they are assuming the fund will received at least \$188,021 from the state. Continuing to the next page, Mr. Wilson said system provisions have not changed from the previous Valuation, although there has been some discussion of changes to benefits and said this is not taken into account in the report, as there has not been anything finalized. He said they continue to recommend an experience study on the assumptions. Mr. Wilson said the next Valuation, 10/01/2016, a new statute (Senate Bill 172) will require them to use mortality tables based on the Florida State Retirement System. He said he expects this to be a minor increase.

Mr. Wilson continued to page 8, comparing key results from this year to last year. He said the number of active participants increased to 38, from 33 the year before, which translates into about a 15% increase in the active population. He said in addition the payroll increased by 11%, saying this all translates into increased costs. He said the Normal Costs (the costs of benefits expected to accrue) has increased as a percentage of covered payroll as a dollar amount and in analyzing the percentage increase most was due to administrative expenses. He said these administrative expenses were most likely caused by the new GASB requirements, increasing costs. Mr. Wilson said that the unfunded liability did decrease (pay and dollar amount). He said the reason is two-fold,

one was the actuarial gain and the other is the funding that has taken place. He said there are a lot of measures for funded status of a plan in looking at the Vested Benefit Security Ratio, the present value based upon the funding assumptions of all the retiree benefits, all the benefits for actives that are vested, and this is the ratio of market value to present value of that. He said this year that ratio is 111.6%, an increase over last year at 109.8%. He said one way to look at this, is if the plan were to stop now, and wanted to cash everyone out, based on what's vested then there is enough money to do that, based on the funding assumptions.

Mr. Wilson continued to page 14 and said there was an actuarial gain of \$1,206,210 and then they break that into the smoothed asset gain of \$520,000, and then the liability gain of \$686,000. In order to get to that gain he said they look at three metrics compared to some of the assumptions they are making. Moving to page 32, he said the first assumption is pay increases and this year pay increases averaged 5.0%. He said the assumption is 6.5%, they would expect that to be a substantial source of actuarial gain. On the same page are statistics for terminated employees and they projected that one person would terminate but there were 3 actives that terminated, so since more people left, this is another source of actuarial gain.

Mr. Wilson continued on page 35 saying the smoothed investment return was 10.6% and the plan is assuming 8%. The return for the last three years is 11.1%, however the return for 5 and ten year returns has been 7.7% and 6.4%, below the 8% assumed rate. He said the Market Value Yield for the last year was 4.7%. He said this was below the 8% assumed rate, however he said that looking at the plans they work with, that the 4.7% return was excellent and one of the highest they have seen, as most plans were flat for 09/30/2015 and they had one that was close to a negative 5% return.

Mr. Wilson went to page 11 and said not considering investment return the plan was in a negative cash flow position as the contributions (B1d) totaled \$1,215,953 and the total disbursements (C5) were \$1,394,935. Excess state funds is at \$100,515 for use to buy extra benefits. This is covered by the new statute on how this can be used. He covered the DROP accounts and then continued to page 12, Smoothed Actuarial Value of Assets. He explained how the smoothing occurs and how the gains and losses of previous years are shown.

Continuing to page 17, Mr. Wilson said he would be discussing the Vested Benefit Security Ratio and said he believed this was going to be the replacement for the old funded percentage. He said this is the accounting standard for the funding percentage. He said as of 09/30/2015 the plan was at 92.26% and if the fund earns the assumed 8% this coming year, they project that number to increase to 96.27% projected on 09/30/2016.

Mr. Wilson covered the Discount Rate Assumption required by GASB he said this is a calculation of the assumed rate (8%) and both 1% less (at 7%) and 1% more (at 9%). He went to page 41 and said these are all the basis they are funding and each year under this methodology they are going to get a new base to fund, funding it over 30 years. He said at the foot of the page is their certification that this report is in compliance of state statute and they are certifying that the benefits that are provided under the ordinance are included in the report. He asked if there were any questions.

Motion: Mr. Beckman made a motion to approve the Valuation report. Officer Wade seconded the motion. The motion passed without opposition.

ITEM #4 -- Approval of rate of return for letter to Division of Retirement

Mr. Dehner asked for Mr. Wilson's recommendation for the expected annual rate of return for the next year, the next several years, and the long-term thereafter. He said they were assuming 8% and said that the Investment consultant has input. Mr. Baker said that he had provided the Valuation report to Mr. Vavrica and he provided a report and recommended the 8% assumed rate of return for all periods.

Motion: Officer Wade made a motion to approve the expected annual rate of return for the fund at the recommended 8% return for the next year, the next several years, and the long-term thereafter. Sergeant Trapnell seconded the motion. The motion passed without opposition.

Mr. Wilson said that they need to do the compliance report within 60 days of the approval and upload the report to the state. It also needs to be posted on the city web-site. Mr. Dehner said that the Board will also need to get the Administrative Code 60T calculations from Mr. Vavrica and may want to start contacting him, as this also has to be posted on the web-site.

Mr. Wilson discussed the Public Employee Pension Transparency Act and said if it were to pass they would have to do 60 year projections and other requirements. Mr. Dehner said that Tallahassee had adjourned a week from Friday and we came out unscathed this time. He said what we're still scathed with are the calculations of the Actuaries Relief Act, saying most Actuaries don't like it either, and last year with House Bill 1309 which requires using the same mortality tables as FRS (which shouldn't have much adverse effect on the plan). Mr. Baker asked if the city had contacted Mr. Wilson regarding GASB 68 and he said they had, however said they apparently asked for an extension on their financial report, so they're not saying they need it immediately, as most sponsors are completing their reports by the end of this month.

**ITEM #5 -- Johnny Cash Benevolent fund request
- Officer Steven Wade**

Mr. Pratt said this was tabled at the last meeting so that the guidelines could be checked. Mr. Baker said he had conducted a search for the guidelines and found that during the Board meeting on May 5, 1998 the rules were established. He provided a copy of the guidelines to the Board and said there had been a couple of times during meetings that it was discussed that the guidelines needed to be updated, however that never occurred. A discussion took place, including the reason for Officer Wade's request. Mr. Dehner said that Officer Wade would have to recuse himself from the record and file a memorandum of recusal within 15 days with the recording secretary. An idea was mentioned to allow for current Officers to donate to the fund through payroll deduction in amounts from \$.50-2.00 per pay. Prior approvals of payment from the fund were discussed. It was also discussed to possibly ask for input from the current Officers as to how benefit determinations are made.

Motion: Mr. Beckman made a motion to approve payment to Officer Wade in the amount of \$2,500.00 from the Johnny Cash Benevolent Fund. Sergeant Trapnell seconded the motion. The motion was passed without opposition, with Officer Wade saying he was abstaining from the vote due to it being a personal matter he is involved with.

Mr. Beckman suggested that the Board get with the Chief to discuss possible updates to the guidelines and how the benefits are distributed. Sergeant Trapnell said he would try to organize this to discuss with the Chief and Officers. Mr. Baker said he would prepare the distribution authorization which would require at least two signatures from the Trustees.

ITEM #6 -- Legal Report – Mr. Lee Dehner

Mr. Dehner wanted to remind Trustees to file their Form 1 Financial Disclosures in the county they reside by July 1st. He also said the annual Division conference in Tallahassee was scheduled for May 16-18, 2016.

ITEM #8-- Discussion of updates to Board Rules

Mr. Pratt said he didn't see many changes that needed change. Mr. Baker said the Trustee term limits needed to be changed. Mr. Pratt asked about the pension files and Mr. Baker said the files had been moved into new cabinets at the PD and he had not received keys to the cabinets. Sergeant Trapnell said he would check to see if the files were accessible in records and obtain keys. Mr. Dehner said that Sergeant Trapnell and Mr. Baker should have keys and access to the records.

Mr. Dehner said he would review the rules for any other changes and make the term limit changes and forward them back to the Board.

ITEM #9 -- Approval of expenditures

Mr. Baker said there were no expenditures at this time.

ITEM #10 -- Any other business

There was no other business

Motion: Mr. Beckman made a motion to adjourn. Officer Wade seconded the motion. The motion passed without opposition. The meeting was adjourned at 6:24 PM.