



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 26th day of July 2016, at 5:00 P.M.

The meeting was called to order by Mr. Pratt at 5:03 PM.

Trustees Present:

Mr. Glen Pratt
Mr. William Bennett
Mr. Edward Beckman
Sergeant Chris Trapnell

Trustee Absent:

Officer Steve Wade

Consultants Present:

Mr. Al Besse
Mr. Brendon Vavrica
Mr. Lee Dehner

Administrator:

Mr. T. Scott Baker

Others Present:

Ms. Debbie Manns (City Manager)
Officer Jeffrey McConnell

ITEM #1 -- Approval of the minutes of the meeting on May 24, 2016

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

ITEM #2 -- Open Public Comment

There was no public comment.

ITEM #3 -- Johnny Cash Benevolent fund request
- Officer Jeffrey McConnell

Officer McConnell said he has been with the Police Department for approximately 2 years and is currently assigned to the DUI/Traffic Unit. He said about two months ago he became ill and had pneumonia. He said the insurance covered a part of the cost, however he was still billed \$3,400.00 which the insurance didn't pay (also had copy of bill). He said that this has put a strain on his financial status and was asking for the assistance of the Johnny Cash Fund to help pay for the medical costs. Sergeant Trapnell asked if he was admitted to the hospital and he said he was admitted for 3 days.

Mr. Beckman said as a suggestion on the balance of \$3444.50 to contact the hospital and negotiate a settlement. He said his wife had used the same hospital around Christmas and after paying the co-payment, he was still sent a bill for \$1900.00 that the insurance company didn't cover. He said the hospital cut the bill in half when he told them he would send cash to settle the bill, rather than send \$20 a month until it was paid off. Mr. Pratt said that while the fund wasn't originally set up to pay for these types of medical bills, the Board has granted several of the same requests over the last few years.

Mr. Pratt said the original intent of the cash donated by Johnny Cash was for emergency situations such as an Officer is disabled and unable to work, and not payment because of late car or boat loan payments. Sergeant Trapnell said there are some specific guidelines and then there is a final open guideline that allows for anything to be considered. Mr. Beckman said he feels this component needs to be pulled out of the Pension Board's control, and put under the Police Department, with a group of peers and maybe an administrator, and a resident. He also suggested doing a fund raiser every year to help sustain the fund. He asked Ms. Manns, since she was at the meeting, if she could help facilitate this into making it happen, and she said she would assist.

Mr. Pratt recommended that Officer McConnell attempt to negotiate the bill and return to the Board with the results, in order to determine an amount needed.

Motion: Mr. Bennett made a motion for Officer McConnell to attempt to negotiate the bill with the hospital and return to the Board for its decision on payment towards the bill. Mr. Beckman seconded the motion. The motion passed without opposition.

ITEM #4 -- Logan Capital Investment Manager Quarterly Report
- Al Besse

Mr. Besse started covering his quarterly report on page 3 of his report. He said 2015 was a good year and now the portfolio has had two quarters in a row where it under performed. He said the quarter that just ended was especially frustrating because until about mid-June they were right on track with the market and the Brexit came along at the end of June and knocked Growth stocks for a real loop. He said that's the bad news, and the good news is thus far in July as of today's close the return for July has been just over 5%. He said they have also gained a full 1% of that trailing under performance in the month of July as the investors rotate back around towards Growth stocks.

Mr. Besse said in looking ahead the two biggest things on people's minds are whether the Fed's will raise interest rates and the Presidential election. He said the Fed has never

raised rates 6 months prior to a Presidential election and historically Presidential election years have been overwhelmingly positive for the stock market, regardless of who wins.

Moving to page 7, Mr. Besse said the bottom box shows the laggards in the portfolio and they have since eliminated 2 of them (Harman International and Borg Warner). He said they are considering eliminating Williams Sonoma, while they are hanging onto United Rentals and Trip Advisor. He also pointed out the sales in the portfolio (Robert Half International, Stericycle, and United Continental Holdings) and purchases (Cintas and Spectrum Brands Holdings).

Continuing to page 13, Mr. Besse said this has been one of the longest economic recoveries in modern investment history, since the great depression, going into its 8th year as of last month. He said likewise the Bull Market went into its 8th year back in March, making it the second longest Bull Market in the last 100 years. Moving to page 14, he said the US Leading Economic Index (graph shown on the page) is the best long term indicator signaling a potential recession. He said in the last 60 years it has never failed to give a warning, anywhere between 4 months to a year and a half before a recession, and that signal happens when the black line crosses below the red line. He said based on this, while we are certainly not in a robust economy, there is no recession on the horizon either.

ITEM #5 -- Performance Monitor Report – Brendon Vavrica
- Signing of Bogdahn Group Consulting Agreement

Mr. Vavrica started covering his report on page 3 and said in the upper right corner, the chart breaks down the equity market between Core, Growth, and Value. He said that Value significantly outperformed Growth during the quarter, and said that it's been 6-7 years that Growth has been outperforming Value. He said that the one year performance, shown at the bottom of the graph, Value has evened itself out with Growth for the year, by outperforming the last quarter.

Mr. Vavrica continued to page 9 and said the graph on the bottom right shows the Yield Curve, which is a plot of the 10 year yield, and has recently flattened. He said the Yield Curve is essentially the way the Bond market thinks about economic activity. So to the extent it is upward sloping, they're expecting growth in the economy, but to the extent that it's less vertical or flatter than it was, means they're a little less excited about future growth than they were 9 months ago.

Continuing to page 10, Mr. Vavrica said there are some boxes marked "no" for compliance in the total fund, Logan, and BRC. Moving to page 12, he said this is a new page showing the difference between the fund's allocation and the targets. He said generally speaking you want to be within 5% +/- of the weights and the largest difference in the fund is 2%. The total assets of the portfolio were just over \$23 million as of June 30th and running the numbers today, he said the portfolio was at about \$23.6 million, which is up 2.3% on market value.

Mr. Vavrica continued to page 16 where the returns are shown and said it was not a good quarter, although positive by 70 basis points, the benchmark was up 225, lagging significantly. He said this really impacts the fiscal year to date with a return of 2.68% versus the benchmark at 8.09%, and placing in the 89th percentile. He said he had mentioned where the portfolio was as of today, with the increase this month, so the return

for the fiscal year to date should be at about 5%, with about 2 months to go. He said it was an ok position, but relative to the market the return is pretty significantly behind. He said this filters into the one year return which is down 1.2% versus a positive 4.2%. He said although with that underperformance in the one year, the 3 year return is at 9.1% versus 8.99 and the five year return at 8.26% versus 9%.

In looking at the individual managers, Mr. Vavrica said both equity managers had a very difficult time, as Logan had just made a presentation and BRC had a return of 1.36% versus a 4 ½%. And with BRC having a difficult time last quarter and adding this quarter, the return for the one year period is .33% versus the benchmark at 12.29%. He said he did get some commentary from them, saying their biggest excuse is within the quarter the absolute best performance was the largest handful of stocks within the index, and that tends to be where their analysis doesn't go. The Fixed Income manager, Garcia Hamilton, had a return of 1.4% for the quarter versus the benchmark of 1.5%. He said this has been only the second quarter that they underperformed since being hired, and this underperformance was only by 20 basis points. However the 5 year return is at 4 ½% versus the benchmark at 2.9%, having done very well. Intercontinental Real Estate had a return of 1.8% for the quarter, versus the benchmark at 2.2%, lagging behind, however outperforming for the fiscal year at about 9% versus the benchmark at about 7 ½%.

Mr. Vavrica continued to page 18 and said the last fiscal year that the fund underperformed was 2010/2011 (behind 2%), and since then there have been four consecutive very good fiscal years. He said this year has been a down year, and is not uncommon, considering the history of a pattern outperforming the last few years leading into this year. Continuing to page 20, Mr. Vavrica discussed the risk graphs saying for the 3 year period (total fund) there has been more return than the index, with more risk. For the 5 year period there is more risk and less return than the index. He asked for any questions. Mr. Dehner asked if Mr. Vavrica had any recommendations, as these were the worst equity numbers he has seen, and Mr. Vavrica said not at this time.

Mr. Baker said the original contract had been received and needed to be signed by the Chairman and Secretary.

ITEM #6 -- Overview of FPPTA Annual Conference – June 26th – 29th, 2016; Orlando FL – Mr. Pratt & Officer Wade

Mr. Pratt said at the conference they said the average person has \$14,500 saved for retirement. They said if you are 67 years old you should have 7 times your salary saved for retirement and if you're 60 years old you should have at least 6 times your salary saved for retirement. Medicare out of pocket costs in Florida was \$2,000, which is the highest in the USA and nursing home care is at \$13,000, again one of the highest. He said that Florida was one of the worst states to retire in, except for taxes. He said Social Security is not being addressed, so there are concerns there and other employer savings plans. Mr. Pratt said they discussed trends for the futures and gave several examples. He said the bad thing about automation, robots, and artificial intelligence is that 47% of jobs will be lost in the next 10 years. Mr. Pratt said he had several pamphlets for those interested.

ITEM #7 -- Acknowledgement of New Member(s)

- **William Milana**

William Milana was acknowledged as a new member into the plan. Sergeant Trapnell said Officer Milana is currently in his second phase of training and is retired from the US Marine Corps.

ITEM #8 -- Legal Report – Lee Dehner

- **Part-time Officers**
- **Terminated Vested Sergeant Daniel Durivou’s Payouts, “Settlement”**

Mr. Dehner said the issue/answer with part-time Officers being able to get credit for service in the plan, the answer is no, as they have to be full time.

Mr. Dehner said the terminated vested individual reached a settlement with the city for unknown issues and the settlement pay should not be included in the benefit calculation. The pay you receive for providing to the city is what is included for pension purposes, and does not include settlements. He said if it’s already been paid and pension contributions taken out, the contributions should be returned. Mr. Baker asked if it was a straight pay out and no lump sum paperwork is needed and Mr. Dehner said the paperwork is not required. The payment would be a taxable amount as the contributions are pre-taxed. Mr. Baker also asked about the part-time Officer needing his contributions returned as well, due to a short period of time that personal contributions were taken out of his check while employed part-time. Mr. Dehner initially said the amount already paid could be pro-rated into his now full time status, however it was discussed and suggested that he just be paid the amount of his contributions while employed part-time. Mr. Baker asked if a motion was necessary to make the payments and Mr. Dehner said it was just an administrative issue and a motion was not necessary.

Mr. Dehner said the Valuation was done earlier in the year and asked whether the required statute 112.664 calculations from the Actuary have been received and posted on the city web-site and Mr. Baker said they have been posted. He also asked if the 60T calculations provided by Mr. Vavrica had also been posted and Mr. Baker said they had also been posted on the city web-site.

Mr. Dehner said the pending disability submitted by Nicholas Kaller under the rules requires an initial hearing by September 18th and it is unlikely they will have all the documentation together up through and including the report of the independent medical examiner by then. Through the Board Rules, Mr. Dehner said the Board has the authority to extend an additional 90 day period, which he recommended is done at this meeting by motion.

Motion: Mr. Beckman made a motion to extend the initial hearing date for the Nicholas Kaller Disability hearing an additional 90 days as recommended. Mr. Bennett seconded the motion. The motion was passed without opposition.

Mr. Dehner said the FPPTA was holding a school in Bonita Springs starting September 26th and is an educational opportunity as well as the Division of Retirement Fall

Conference in Orlando the first or second week in November. Sergeant Trapnell said he may be interested in attending the FPPTA School.

Motion: Mr. Bennett made a motion to approve expenses for Sergeant Trapnell to attend the FPPTA School. Mr. Beckman seconded the motion. The motion was passed without opposition.

Mr. Dehner said as a matter of information, what passed as Senate Bill 172 last year which dealt with use of state money and several other things such requirements as the budget and expense report, said part of that Bill requires there be some negotiation between the city and employees to determine if you can reach what the statute calls “mutual consent” with respect to use of the state monies. He said this should be done and it was his understanding that it is in the works. He said if a mutual consent is reached then a mutual consent agreement must be prepared and said he could do it and it would have to be signed by a representative of the city and one from the membership. He said it can be put in the CBA but doesn’t have to be, however a separate mutual consent agreement must be done and will remain in effect until when or if an another mutual consent is reached.

Mr. Dehner said that there has to be an amendment to the ordinance for a Share Plan. He said the statute requires that the Share Plan be amended into the plan for purposes of a default provision. If mutual consent is not reached then essentially the default provision provides that 50% of the money goes to reduce unfunded liability and the other 50% goes to the benefit of the membership. But, that 50% would have to go into a Share Plan. Mr. Dehner said he always thought it was a ridiculous requirement, as why go through the time and expense to do that if it is never funded. He said the Division has mitigated that problem to some extent by ruling that you’d be in compliance of the statute if you simply say we are adopting a Share Plan, but we’re not going to negotiate or provide specific administrative provisions until when and if we’d never have to fund it. He said which if there is a mutual consent, you’d never have to do. Mr. Dehner said he would do that unless anyone would like to get into doing a whole Share Plan, and most plans are not since the Division changed its position on it.

Mr. Dehner said the Budget for fiscal 2016-2017 must be approved by the Board and filed with the city prior to October 1st. He said the expense report for expenses occurred for the fiscal year ending September 30, 2016 won’t be able to be done until later on, when all the expenses are in.

ITEM #9 -- Approval of expenditures

- **Return of Personal Contributions, Terminated Officer(s)**
- **Regular expenditures**

Mr. Baker said he had two Lump Sum payments, one to Derrick Thivener for his DROP pay-out which had already been approved, before he knew where he was going to roll over the payment. The payment is in the amount of \$124,657.99. The second Lump Sum payment was for the return of personal contributions to non-vested terminated member Christine Flareau in the amount of \$1,722.29 which she is rolling over.

There were 7 Distribution Authorizations for approval by the Board of Trustees for payment: \$4,582.00 to The Bogdahn Group for performance monitoring for the quarter

ending 06/30/2016, \$10,451.00 to Logan Capital Management for Investment Management Fees for the quarter ending 06/30/2016, \$10,243.00 to BRC Investment Management for Investment Management Fees for the quarter ending 06/30/2016, \$4,038.83 to Garcia Hamilton for Investment Management Fees for the quarter ending 06/30/2016, \$5,573.00 to GRS (Gabriel Roeder Smith & Co.) for Actuary fees for the quarter ending 03/31/2016, \$1,300.00 to Davidson, Jamieson & Cristini for Auditing services quarter ending 03/31/2016, and \$2,569.58 to Christiansen & Dehner, P.A. for Attorney's fees.

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

Mr. Baker said he wanted to mention that retired Officer Richard Baker had passed away June 16th. His retirement selection was 75% Joint Contingent and therefore his wife, Nancy, will receive a reduced benefit. There was no other business.

Motion: Mr. Beckman made a motion to adjourn. Sgt. Trapnell seconded the motion. The motion passed without opposition. The meeting was adjourned at 6:17 PM.