



NEW PORT RICHEY POLICE PENSION SYSTEM



Minutes

Of a Quarterly meeting of the Board of Trustees
Meeting at 6630 Van Buren Street (Recreation Center),
New Port Richey, Florida 34653
Tuesday, the 23rd day of February 2021, at 5:00 P.M.

The meeting was called to order by Mr. Pratt at 5:00 PM.

Trustees Present:

Mr. Glen Pratt
Mr. David Dorsey
Sergeant Greg Williams
Mr. Al Renedo
Sergeant Chris Trapnell

Consultants Present:

Ms. Jennifer Gainfort, Andco Consulting (Performance Monitor)
Mr. Richard Cristini, Saltmarsh, Cleaveland & Gund (Auditor)
Mr. Scott Christiansen, Christiansen & Dehner (Attorney)

Consultant(s) Virtually:

Ms. Shelly Jones, GRS (Actuary)

Administrator:

Mr. T. Scott Baker

Other(s) Present:

Ms. Crystal Feast, City Finance (Left at 5:30 PM)

ITEM #1 -- Welcome new Trustees (Both in attendance at January 26, 2021 Board Meeting) – David Dorsey and Alfred Renedo

Mr. Pratt welcomed the new Trustees and thanked them for serving on the Board.

ITEM #2 -- Approval of the minutes of the meeting on January 26, 2021

Motion: Sgt. Williams made a motion to approve the minutes of the meeting.
Mr. Renedo seconded the motion. The motion passed without opposition.

ITEM #3 -- Open Public Comment

There was no public comment.

ITEM #4 -- Andco Performance Monitor Report – Jennifer Gainfort

Ms. Gainfort explained what they do as a performance monitor. She began covering the quarterly report starting on page 1 which includes a letter from their CEO and a firm update. She said they currently have 91 employees, advising on approximately \$100 billion in client assets. She said there were two new partners to the structure this year, which now has 11 partners as a whole. Ms. Gainfort said that they are still working remotely and is looking forward to getting everyone back together.

Ms. Gainfort continued to page 4 which shows the returns of the various markets. She said the market returns were broadly positive for the quarter, rounding out what has been a most unusual year in markets. She said in looking at domestic equities, there was a reversal in some recent trends, as small cap stocks outperformed large cap stocks. She said the Russell 2000 (small cap index) was up 31.4% for the quarter while the S & P 500 (large cap) was up 12.1%, saying this was the Russell 2000's best quarterly return since that index's inception. Ms. Gainfort said despite a year as a whole we had one of the most traumatic draw downs in history, equities did manage to recover all those losses, closing the year delivering strong returns ranging from 17-21% in domestic equities.

Ms. Gainfort said that international equity returns were also strong, with developed markets up 16%, and emerging markets up 19.7%. Lastly, she said fixed income were rather muted, similar to last quarter, with the aggregate up just .7%, corporate bonds up 3%, US Government bond index was negative, down .8% for the quarter. She said for the year fixed income was quite strong as well, up 7 ½%.

Ms. Gainfort continued to page 5, which shows the Value and Growth equity indexes. She said that Value outperformed Growth for the quarter, which is a reversal in trends. She said this was due to larger exposures to names within energy and financials which did well after getting the news surrounding the release of vaccines. She said in looking at the chart at the bottom of the page which covers the full year, Growth has significantly outperformed Value on the year as a whole. With the widest dispersion is within the large cap space, with the Russell 1000 Growth outperforming the Russell 1000 Value by over 35% for the year as a whole.

Ms. Gainfort continued covering the report and went to page 14 and said this shows the Schedule of Investable Assets, which is the growth of the plan assets. She said this graph shows the assets in 1998 at \$10 ½ million and shows some ups and downs along the way to where the fund is today at \$33,945,856. She continued to page 16 which shows the allocation by asset classes, as well as compared to the target ranges, laid out by the investment policy statement. She said everything is in line with the target allocations so no rebalancing is needed. Ms. Gainfort continued to page 19 and covered the Financial Reconciliation, noting that Vanguard had replaced Jackson Creek and saying the transition went very smoothly. She went through all the numbers which showed a start of the quarter at \$31,163,418 and then end of the quarter with a balance of \$33,945,856. Mr. Dorsey asked if the depreciation was realized or unrealized and Ms. Gainfort said both.

Continuing to page 2, Ms. Gainfort covered the fund returns. She said the total fund was up 9.49%, with the benchmark at 8.55%, outperforming the index and ranking in the 65th percentile. Total fund equities returned 15.14% versus the index at 13.82%. She said Vanguard was only held for about a month, therefore the return for the quarter was not exactly known, and will now be tracked in future quarters. She said Logan had a return of

14.33%, ahead of the index at 11.39% and had nice outperformance with technology as one of their top contributors, names like Paycon, Apple, and Global Payments. Returns for the year, within what she thinks was a difficult market, are right in line with the benchmark.

Ms. Gainfort said the fixed income (Garcia Hamilton) had a return of .59%, a little ahead of the benchmark at .48%. And for the year, she said they are trailing slightly, up 5.69% versus the index at 6.43%. She went to Real Estate and said Intercontinental was up .48% for the quarter and up 1.63% for the year, muted from what is used to from Real Estate, but said it's been a year that's brought a lot of uncertainties to that space. Ms. Gainfort said overall it was a good start to the fiscal year. And asked for questions.

Ms. Gainfort said a copy of a letter for the standing rebalance with Fiduciary Trust was provided to the Trustees as it needed to be updated because the change in investment management. She said the letter was for them to keep on file so when there is a need for them to raise cash for upcoming distributions, they can pull based upon the letter. She said that the letter would have to be approved and signed. Mr. Christiansen said he had read it and it was okay.

Motion: Mr. Dorsey made a motion to approve the letter. Sgt. Williams seconded the motion. The motion was passed without opposition.

ITEM #5 -- Review and approval of Financial Statements

– Richard Cristini (Saltmarsh, Cleaveland & Gund, Auditor)

Mr. Cristini introduced himself and began reviewing the Financial Statements. He said this is a standard audit report and what they refer to as a clean opinion report. He said what that means, is that they believe that the assets, liabilities, revenues, and expenses of the plan are fairly stated in all material respects. He said this year's testing did not reveal any unusual items. He said there were a few questions with respect to running through city payroll records for the annual report, which will be out in the next 10 days. Mr. Cristini said this year, as well as last year there still is an issue as the city says they report city and member contributions to Fiduciary Trust. However Fiduciary Trust does not indicated the separate amounts on their statements. He said that Fiduciary Trust had indicated that they did not receive the two separate amounts from the city.

Mr. Cristini said page 5 and subsequent is the Management Discussion and Analysis, which is an overview of what happened solely from the standpoint of the audited numbers. He said in other words, any numbers in these pages cannot disagree with Financial Statements. Mr. Cristini said that Ms. Gainfort helped build this model with the return, and said the return this year was 8.31% in accordance with the GASB calculation. He said other items include the state monies that were increased by \$8800, and member benefits did go up. He said Fiduciary Net Position is on page 6 and said this is a summary in terms of Statement of Net Assets.

Mr. Cristini continued with the report and said page 7 shows the contributions from the past 3 years. It also shows the investment income and the amount of pension benefits. He continued to page 10, Scheduling of Funding Progress, and said this comes from the actuary and is the funded ratio. He said since 2011 the fund was down, and then went up, and he said the fund has been zipping up, which is a result of those investment returns.

Mr. Cristini continued with the report to page 13 and the start of the Basic Financial Statements, and what he refers to as the balance sheet. He went over the numbers, including cash, receivables, prepaid expenses, investments, and liabilities. He said the Net position restricted for pensions was \$29,862,303 in 2019 and \$31,250,120 in 2020, saying it was a good year. He said the return is better than most plans with an 8.31% return as he has plans with returns in the 4% range.

Mr. Cristini continued to page 14 and went over the numbers for the Statements of Changes in Fiduciary Net Position. He went to page 22 and discussed the realized and unrealized appreciation. He continued back to page 20 and discussed Note 2, concerning the heightened market risk and the plan's investment portfolio incurred significant volatility in fair value since December 2019 due to the Covid-19 outbreak. Mr. Cristini continued to page 35 and went over the Investment and Administrative expenses. He said the rule of thumb is that as long as the expenses are below 1% then that's fine. The report shows the Investment expenses at .50% and the Administrative expenses at .25%.

Mr. Cristini said page 36 shows the DROP money (\$343,099) designated to those members in DROP. Continuing to page 39 and following is the work of the actuary. He said the process is they prepare the balance sheet and the statement of revenues and expenses. Then they send those 2 items to the actuary and administrator. The actuary then proceeds to do the GASB67 and the Valuation. He said the actuary then sends him back this data, which is GASB67 data, showing total pension liability and plan fiduciary net position. He said we do not have a city net pension liability, he said we do have a city net pension asset, which the fund has enjoyed for the last several years.

Continuing to page 40, Mr. Cristini said this shows the sensitivity of the net pension liability showing the current assumption at 7.25%, along with 1% either direction and amounts. At the 7.25% the city's net position asset is \$2,551,347. By reducing the assumed rate to 6.25% the city's net position liability would be \$594,011, and by increasing it to 8.25% it would increase the city's net position asset to \$5,416,183.

Continuing to page 41, Mr. Cristini said this shows a 7 year schedule, which will be built to a 10 year schedule, showing the actuarial calculations of liability and where the plan stands. He said the bottom of the page shows the net pension asset, in which the asset goes back to 2017. Moving to page 42, shows the net pension liability as a percentage of covered payroll, which has been over 100% the last few years. Moving to Page 43, showing the actuarial determined contribution for the last 10 years. Continuing to page 47, Mr. Cristini said this shows the schedule of investment returns provided by AndCo for the last 7 years. He asked for questions.

Mr. Cristini said he has a new proposed contract for the next 3 years, with the years ending September 2021 is \$11,500, saying that is the same rate paid in 2020. He said from there it goes up \$1,000 in 2022, and another \$1,000 in 2023. He said that Mr. Christiansen would need to do a contract.

Motion: Sgt. Trapnell made a motion to approve the Financial Statements. Sgt. Williams seconded the motion. The motion was passed without opposition.

Motion: Sgt. Williams made a motion to approve the new proposal for Saltmarsh, Cleaveland & Gund). Mr. Renedo seconded the motion. The motion was passed without opposition.

ITEM #6 -- Status of Annual State Report – Jeanine Bittinger

Mr. Cristini said that the report should be completed within 10 days. He said that the report gets filed electronically. He said the Division of Retirement was behind and said the checks are made out to the Mayor of the cities. He said they can deposit it or endorse it and send it to the administrator. He said last year there was a three month delay and said the city is supposed to get the money to the fund within 5 days by virtue of the law. He said the city did pay the fund \$4300 in interest, which the City Manager agreed to pay.

Mr. Cristini left the meeting.

**ITEM #7 -- Review and approval of Valuation Report – Virtual Presentation
- Shelly Jones (GRS Actuary)**

Ms. Jones thanked the Board to allow her to present the Valuation virtually. She said every year their firm provides an Actuarial Valuation report and said the big ticket item for the report is to determine the contribution for the year. She said for this report that amount won't be paid until the next following fiscal year. She said the Valuation also provides accounting information and state information. She began covering the Valuation report.

Ms. Jones said they were provided data and financial information for this year, October 1, 2020 to determine the total amount of contributions required. She said the total amount of contributions is 27.4% of covered payroll, which is down from the previous year of 28.7%. She said that is based on the covered payroll of \$2,744,378, which is up quite a bit from the previous year. The dollar amount from the 27.4% is \$751,685, which is the total minimum payment that was actuarially determined this year. She said that amount is paid by three different groups; the members contribute 6 ½% of covered payroll (\$178,385), as long as the city's contribution amount is above 6 ½%; the state provides a contribution and this year it was \$229,821 and fluctuates every year, based on insurance premiums. That amount is 8.4% the projected payroll; the remainder of the 27.4% contribution amount is paid by the city, making their contribution amount at 12.5% of covered payroll and in dollars is \$343,479.

Ms. Jones said the city's contribution amount this year as a percentage of pay is lower than it was in the 2019 Valuation, at 13% in the prior Valuation. However as a dollar amount it is actually higher, because the salaries increased, and she will show how they increased. So the dollar amount increased by \$32,065.

Ms. Jones continued to page 11 and said this compares the major data points in the valuation from 2019 to 2020. She said between 2019 and 2020 there weren't any changes to the benefit provisions, so essentially the plan, itself, stayed the same. She said she wanted to note that the supplemental benefit that is provided, since the state money was less than \$285,159 the supplemental stayed at the \$400 (members hired prior to October 20, 1994) and \$200 (members hired on or after October 20, 1994) amounts. Ms. Jones said they did update the assumptions as they had to update the mortality for disability to match the Florida State Retirement Systems mortality table, but said it didn't change things much. Continuing with page 11, she said the active participants increase by 11%, from 37 to 41; the payroll increased 15%; because of the salaries increasing, the normal cost increased. She said the normal cost is your main cost when it comes to the total contribution and it went up due to more active members and higher salary than anticipated.

Ms. Jones continued covering page 11 and said item “E”, the Unfunded Actuarial Accrued Liability actually decreased, as the plan got better funded. She said the reason for that is two-fold: the assets really returned well this year, and unfortunately we had some mortality gains, meaning that people didn’t live as long as anticipated. Continuing to item “F” Net City Minimum Funding Payment again decreased as a percentage of pay, from 13% to 12.5%, but as a dollar amount it actually increased. Item “H” Vested Benefit Security Ratio, which is the vested benefit (members with 10 years), she said that liability amount as a percentage of the market value of assets increased about 300 basis points from 110% to 113.1%. She said the funded status of the plan has improved from 2019 to 2020.

Ms. Gainfort continued to page 38 and said she was going to start with the liabilities. She said when she spoke about the normal cost increased as a dollar amount and decreased as a percentage of pay because salaries increased. She said this can be seen on this page, as the salary increase was 9.8%, well above the assumed salary increase of 4.7%. She said this was a loss on this particular item, but overtaken by other items. She said the terminations they assumed 3.2 would terminate and 3 terminated, so she said this wasn’t a loss or gain.

Ms. Jones continued to page 41 to cover the asset gain and said for 2020 we assumed the fund would get a 7.25% investment return assumption and the market actually returned 8.48%. She said that they don’t actually mark the funded status of the plan to market in terms of when they do the funding calculation or the minimum required contribution. She said they actually smooth that value, because assets tend to fluctuate and smooth it over 5 years. Page 41 shows the assumed rate of return, the actual market value return, and the smoothed actuarial value return going back 10 years. She said the smoothed rate was 7.92%, which is still above the assumed rate of 7.25%.

Ms. Jones went back to page 13 to discuss the assets and said as of the valuation date the fund had \$31,193,038 in securities, real estate, and fixed income. She said there is a Credit Balance, listed as item “H” and she said it is in the asset value but for funding purposes they take it out because it hasn’t actually been recognized yet, as it is essentially a rainy day fund for the city where they can use this money to pay for contributions in the future. She said with that amount removed the Net System assets are \$30,989,154.

Ms. Jones continued to page 14 and said the Market value of assets in the beginning of the year was about \$29.9 million (Item A); then added the contributions from the three groups totaling \$827,462 (Item B1); Added investment income of about \$2 ½ million (Item B2); (so the total of net receipts was about \$3.3 million) (Item B3). From there disbursements had to be paid in the form of benefit payments, DROP distributions, contribution refunds, administrative expenses for a total of about \$1.9 million (Item C). Mr. Christiansen asked why the DROP balances aren’t subtracted from the assets as well. Ms. Jones said they are part of the assets, and earmarked for those members, but said it is a part of the asset value. Mr. Christiansen said that the credit balance is also part of the assets, but taken out and asked why. He said it seems to him they are in the same category. She said the market value of assets, in the audit report, includes the credit balance, but said when they do the calculations they have to take it out because they would be double counting that contribution, because it is not yet recognized in the assets. Mr. Christiansen said it was his opinion that if one was excluded then the other should be excluded and if one was

included the other should be included. Ms. Jones said the DROP monies are included in the liabilities, saying it was a net zero, already being accounted for in the liabilities.

Ms. Jones continued to page 15 saying that this shows the smoothing that they do. She said when they determine the actuarially determined contribution they use a smoothed value of assets, as the market value of assets is too volatile. She said they smooth it over 5 years and the information on the page shows how it's done. Using the 2020 column Ms. Jones said starting with the investment return which was about \$2.5 million, but the assumed amount with the 7.25% would have had a return of about \$2.1 million. She said therefore there is about \$350,000 that was over that amount of what was anticipated. She said they take 20% of the \$350,000 and smooth that amount over 5 years recognize about \$72,000 each year for 5 years. The 5 other years are also shown on the page with 2 of the 4 having good years. When you add all those the total is about \$191,000.

Ms. Jones said they take the smoothed value from the prior year, the \$29.8 million (Item A), they recognized what they thought would happen, which is the \$2.1 million (7.25%) (Item E2); also add in the non-investment net cash flow (Item D); add in the Total phased-in recognized investment return of \$190,553 (Item F6); which all totals \$31,025,830 (Item G1) which is the total smoothed market value of assets, however they have to take out the credit balance (Item K) when they do the funding calculations. So the final smoothed value is \$30,764,864 (Item L). Ms. Jones said Item H, Difference between market value and smoothed actuarial value, showing the market value ahead of the smoothed value by \$224,290. She said this means there are some future unrecognized gains that can be used going forward. She said this is good because the fund is not in the hole, but ahead of the game, for next year, in terms of smoothing, because not all the past gains have been fully recognized and the gains have out-leaded the losses.

Ms. Jones said the last item she wanted to cover was the Funding Standard Account. She said the city and state are known as the employers, as opposed to the members. They had to contribute \$660,836 over the last year. She said they actually contributed \$654,162, so the city did draw on this credit balance by \$6,674 (shown in Item K). In referring to page 45, Ms. Jones said this shows the unfunded liability, which is a negative number, meaning that your assets on a smoothed basis are higher, even without the credit balance, than the actuarial value of assets to the tune of about \$2.2 million. She said the amortization payment is sort of a non-factor because the Florida Statutes require that you have at least pay the normal cost, so she said she can't deduct the amortization payment from the contribution because it would be netted against the normal cost and they have to fund the normal cost.

Ms. Jones said if the Valuation is approved they will upload the 140 data items to the state and the state reviews them and that starts the clock on the compliance report that is due 60 days from that date. She said that report provides some sensitivity and some cash flow analysis, showing that the plan will be able to pay its projected benefit payments and provides some sensitivity around what if the interest rate is changed. She asked for any questions.

Motion: Mr. Dorsey made a motion to approve the Valuation report. Sgt. Trapnell seconded the motion. The motion was passed without opposition.

ITEM #8 -- Determination of Rate of Return for letter to Division of Retirement

Mr. Christiansen said this is a state requirement each time an actuarial valuation is approved. He said the state requires that the Board declare an expected rate of return for the next year, the next several years, and the long term thereafter. He said typically the Board looks to Ms. Gainfort to provide a recommendation about that expectation based on the asset allocation. Ms. Gainfort said she recommended keeping the assumed rate at 7.25% for the next year, the next several years, and the long term thereafter.

Motion: Sgt. Trapnell made a motion to approve the recommendation of Ms. Gainfort regarding the rate of return. Sgt. Williams seconded the motion. The motion was passed without opposition.

Mr. Baker will prepare and send the letter to the Division of Retirement.

ITEM #9 -- FPPTA Pension Fundamentals for New Trustee Virtual Event, March 10, 2021 and 37th Annual Conference, June 27-30, 2021; Renaissance Orlando at Sea World, Orlando FL

Mr. Christiansen said per the operating rules all Trustees are required to attend training at least once during their term. He said new Trustees are encouraged to go within the first 6 months and said FPPTA is now requiring, before you can do anything else, take this basic Trustee training. He recommended that the new Trustees participate in the virtual training. Mr. Pratt asked if there was a cost and Mr. Baker said it was \$150.00 per person. Mr. Baker said that if the Trustees were interested in participating in the training to make an approval contingent on them participating in the training.

Mr. Pratt asked about the Conference and Mr. Baker said he listed the conference, however said it was currently unknown if the conference was going to take place. The virtual New Trustee training listed that it would take place on March 10, 2021 at 2:00 PM however it is unknown if that is when the training has to be done or if it was something that could be done anytime.

Motion: Sgt. Trapnell made a motion to pay for the FPPTA New Trustee Virtual Event. Mr. Renedo seconded the motion. The motion was passed without opposition.

ITEM #10 -- Legal Report – Attorney Scott Christiansen

- Discussion & approval of Summary Plan Description

Mr. Christiansen reminded Trustees of filing Form 1 and Form 1 F, Financial Disclosures. He advised Mr. Dorsey and Mr. Renedo to file and the other Trustees will need to re-file by July 1st. He said that Mr. Beckman and Mr. Phillips have to file their Form 1 F and asked Mr. Baker to follow up on this issue. Mr. Christiansen asked if Mr. Baker provided the city council with pension reports as instructed at the last meeting, and the report was provided to the city.

Mr. Christiansen said the next item was the Summary Plan Description. He said this was essentially a booklet that they are required to prepare and update every two years and distribute to all members of the plan. He said hopefully all Trustees received a copy and had a chance to review it saying he did strikes and underlines for the changes. He asked for questions and said the SPD needed to be approved.

Motion: Mr. Dorsey made a motion to approve the Summary Plan Description. Sgt. Williams seconded the motion. The motion was passed without opposition.

Mr. Christiansen said there is pending legislation in Tallahassee where they are reconsidering a Bill that would require appointed public officials to get additional training, 5 hours in the areas of Board Governance and fiduciary responsibility. He said it would be web based and the state would determine who would do the training. He said right now it says appointed public officials and isn't sure who fits in that category as two of the Trustees are appointed, two are elected, and the fifth who is appointed and then approved by the city. He said he would be looking for clarification.

Mr. Christiansen said the next item is the E-Verify System and asked if everyone received the memorandum. He said this is an on-line system that was developed by Homeland Security. He said there was a piece of legislation that was adopted last year that became effective the first of the year, and it requires public entities, like the pension board, and all contractors that work for public entities to utilize the E-Verify system. He said the Board of Trustees will have to go on and register the Board under that system. He said the Board does not have any employees and everyone working for the Board is an independent contractor. He said because all contractors also need to register, he prepared a letter to be sent to all the consultants to inform them they also need to utilize the E-Verify system. He said what they will have to do is every time they hire someone they will have to check that person's name through the E-Verify system. He said this is now a state requirement and current employees don't have to be run through the system, only new employees effective 01/01/2021.

ITEM #11 -- Approval of expenditures

- **Terminated Member Refund(s)**
- **Expenses**

Mr. Baker said he had a request of a refund of contributions from terminated member Joseph Valente. He said that Mr. Valente has asked that his personal contributions, totaling \$18,069.04, be returned directly to him, less the 20% withholding.

Motion: Sgt. Williams made a motion to approve the return of contributions to Joseph Valente. Mr. Renedo seconded the motion. The motion was passed without opposition.

Mr. Baker said he had only one other expenditure. It was \$322.00 to Christiansen & Dehner for response to the auditor and the memo regarding the E-Verify System.

Motion: Sgt. Trapnell made a motion to approve the expense. Mr. Dorsey seconded the motion. The motion was passed without opposition.

ITEM #12 -- Any other business

There was no other business.

Motion: Mr. Dorsey made a motion to adjourn. Mr. Renedo seconded the motion. The motion passed without opposition. The meeting was adjourned at 6:50 PM.