

CITY OF VERO BEACH POLICE OFFICERS' RETIREMENT TRUST FUND

Minutes: Meeting of May 18, 2016

1. CALL TO ORDER

Chair Matt Harrelson called a meeting of the Board of Trustees for the Vero Beach Police Officers' Retirement Trust Fund to order at 12:20 PM in the Council Chambers at City Hall. Brittany Park called the role. Those persons present included:

TRUSTEES

Chairman Mat Harrelson
Ann Thompson, Secretary
David Puscher
Harry Offutt
Greg Budde

OTHERS

Denise McNeill & Brittany Park, Resource Centers
Ken Harrison, Dustin Watkins Sugarman & Susskind
Chad Little, Freiman Little Associates
David West, Bogdahn Consulting
Karen Russo Salem Trust (Departed 12:30pm)
Heather McCarty- City Clerk
Janet Hamilton, Garcia Hamilton

2. APPROVAL OF AGENDA

Ann Thompson made a motion to approve and amend the Agenda to add Chad Little to present under 5e in reports. David Puscher seconded the motion, passed by the Trustees 5-0.

3. APPROVAL OF MINUTES

The Board reviewed the Minutes for the meeting of February 17, 2016.

David Puscher made a motion to approve the Minutes of February 17, 2016. Ann Thompson seconded the motion, approved by the Trustees 5-0.

4. PUBLIC COMMENT

No members of the public addressed the Board.

5. REPORTS

Karen Russo (Salem Trust)

Karen Russo presented the Salem Trust class action report for the quarter and reported that the plan received money.

Ms. Russo additionally discussed the Globe Tax documents noting an additional document to be signed by Chair. The City will have to sign the documents since it is their tax ID number and provide a copy of ordinance. The City also is required to sign the 88.02 form.

Ann Thompson made a motion to approve executing the document. David Puscher seconded the motion, approved by the Trustees 5-0.

Janet Hamilton, (Garcia Hamilton)

Janet Hamilton introduced herself to the Board and thanked them for their continuing business. She presented for the quarter ending March 31, 2016 noting that returns were great; however, in this low interest rate, we learn they are still not that bad. Ms. Hamilton announced Garcia Hamilton won Institutional Investors of the year for the fixed income manager for the fund. She explained that they add value overtime by moving sectors. There is a longer duration than the benchmark. There were good returns for the quarter for the quarter at 3.3% vs. 3% in fixed income and interest rates declined which helped them outperform for the quarter. The quarter to date returns was slightly ahead of the benchmark by 67 basis points. The fiscal year to date was 3.1% vs 2.4% ahead of the benchmark since inception making it a very volatile quarter. Ms. Hamilton informed the Board that the Feds do not want to raise rates and they believe the odds are slimming to raise rates this year. Earnings continue to come in less than expected on stocks and a weak global economy and it is also an election year. She believes they are in a good position for adjustments. There is also a high unemployment rate and interest rates in other countries are lesser than the US as they are still high relative to the global market.

Mr. West commented specifically on page 38 of the presentation of their performance and noted that Garcia Hamilton is doing an exceptionally good job.

Dave West, Investment Consultant (Bogdahn Group)

Mr. West reported that very few managers have been bringing positive returns to the portfolio. Active managers did not perform as well and the growth managers experienced the most difficulty for the quarter.

Mr. West discussed Wells Capital and their history of outperforming the benchmark. He explained the possibility of moving them out of Wells Heritage. Their relative performance has turned down and the benchmark itself has emerged into the top decile. The index itself is outperforming 90% of the active growth managers. This has been one of the most problematic spaces that Bogdahn has seen for active managers to add any kind of value. If they end up making a change and moving out of heritage, Mr. West recommended indexing that and moving into the growth index fund as there is so much activity with long track records on the same team. They have just not gotten any positive returns for a substantial amount of time. Mr. West expressed that they are a good management team. His biggest concern would be if they did a manager search and they are in the 90th percentile, that manager should be hired if they are confident in their strategy because their relative performance is going to cycle back. He instructed that this would be the best time to hire a manager, but the worst time to terminate the manager.

Mr. Puscher asked if there would be a cost savings by going to the Index. Mr. West responded that the fee will decrease by 20%. They also offered 20% discount to fee to try and address this issue and even with that discount the fee would go from 70 basis points to 23 basis points.

Mr. Puscher expressed that he would like to see the managers on the same page. Mr. West stated that volatility is an issue. His firm recommendation is let this ride out, as this particular situation has been lagging for a while. Sawgrass was the most defensive manager in this recent environment. Mr. West feels the manager cycle will come back. Ms. Thompson asked if the Investment policy has a time frame of watch to make a final decision. Mr. Harrison clarified that there is no specific time frame. Mr. West feels comfortable that the strategy will not change.

Mr. West reviewed cash flow noting that the fund had \$36M in assets for the quarter. For the fiscal year to date, the fund earned \$421,000 in income, and no rebalancing actions are required at this time.

Mr. Little confirmed with Mr. West the net return for the quarter for purposes of the DROP participants and statements.

Ken Harrison, Attorney (Sugarman and Susskind)

Mr. Puscher advised that he spoke with union officials, and HR needs to revise item G: "paid out 60 days of separation 60 days after quarter from separation". Mr. Puscher requested to defer this to the next meeting to pass this ordinance and to make sure it complies with the summary plan description. The City does require an impact statement for the change. Mr. Harrison suggested deferring this once again to the next meeting but advised that it won't necessarily stop the City from moving forward as they don't require Board approval.

Ann Thompson made a motion to defer this to the next meeting until it is resolved. Harry Offutt seconded the motion, approved by the Trustees 5-0.

Mr. Harrison discussed the IRS memo regarding Normal Retirement Age requirements in governmental plans. He recommended inserting language into the plan which specifically prohibits in service distributions. An in service distribution is separate from a DROP distribution where an individual can start drawing a part of their pension and continue to earn credit in the pension plan. Most plans are silent on that issue and their interpretation is they can't do it. Mr. Harrison advised that the IRS is looking for language that prohibits it. Mr. Harrison discussed the rule of 65 which this will create a problem under the new rule because it goes outside of safe harbor. He is confident however that they will enforce it but it's not yet made official.

Administrator Report (Brittany Park, Resource Centers)

Brittany Park presented the recent administrative updates to the summary plan description. There is an update every 2 years and made available to all employees. Mr. Little advised that an actuarial fact sheet will be included.

Dave Puscher made a motion to approve the changes to the summary plan description pending the actuarial fact sheet from Mr. Little. Greg Budde seconded the motion, approved by the Trustees 5-0.

Ms. Park presented the administrative expense report and plan budget for 2016-2017. Denise McNeill discussed in depth the miscellaneous category and that \$10,000 was added for Trustee expenses. Mr. Puscher wanted to ensure they were in line with other plans and Ms. McNeill ensured they were. The object is to be under the budget and it can be amended but would need to be refiled with the state.

Dave Puscher made a motion to approve the administrative expense report and budget. Greg Budde seconded the motion, approved by the Trustees 5-0.

Chad Little, Actuary (Freiman Little Actuaries)

Chad Little presented the compliance report which was filed on March 24th. He also discussed the electronic process for annual reports which will take place beginning next year.

6. PLAN FINANCIALS

The Board reviewed the warrants for March 11th 2016, April 14, 2016 as well as the current warrant for payment of plan expenses dated May 18, 2016.

David Puscher made a motion to approve all of the warrants. Ann Thompson seconded the motion, approved by the Trustees 5-0.

BENEFIT APPROVALS

Mr. Little discussed the DROP policy exit where members are entitled to 80% of their DROP account upon exit which Mr. Alan Hall already received. The remaining 20% should always be paid once the net return is available from the investment consultant.

David Puscher made a motion to approve the benefit approvals. Ann Thompson seconded the motion, approved by the Trustees 5-0.

7. OTHER BUSINESS

Mr. Harrison discussed the City Fiduciary Liability Insurance review. The question is whether the Board should have their own insurance policy. Mr. Harrison advised that the City policy applies to the pension plan. Mr. Harrison said he usually recommend Boards to get their own policy.

Mr. Harrison presented NCPERS Code of Conduct for the Board to consider as a screening process for service providers. The majority of his clients have adopted this and all current service providers need to execute this document. If adopted, Mr. West encouraged the Board to ensure direction is clear that the investment consultant is required to ask specific position questions, however not be an element for conclusion. This will be included in the search report so the Board can determine whether they want to consider their answers in this election process or not.

David Puscher made a motion to adopt the NCPERS Code of Conduct. Harry Offutt seconded the motion, approved by the Trustees 5-0.

The Board discussed the FPPTA director candidates. Mr. Harrison instructed that five people need to run and he stated that there is one ballot for the Board with 2 votes and the Board decides who to vote for. The Trustees alternatively discussed the candidates. Mr. Puscher expressed his vote recommendation for Ms. Thompson. Ms. Thompson is sustained from voting as it would be a conflict of interest.

Harry Offutt made a motion to vote Ann Thompson. Greg Budde seconded the motion, approved by the Trustees 4-0.

8. NEXT MEETING DATE

The Board previously scheduled the next quarterly meeting for Wednesday, August 17, 2016 at 12:20 PM.

9. ADJOURNMENT

There being no further business, the Trustees adjourned the meeting at 2:10 PM.

Respectfully submitted,

Ann Thompson, Secretary