

## MINUTES

### FIREFIGHTERS' PENSION TRUST FUND BOARD OF TRUSTEES

**March 23, 2010**

The Firefighters' Pension Trust Fund Board of Trustees met on Thursday, March 23, 2010, at 201 Howell Avenue, City Council Chambers, Brooksville, Florida.

**PRESENT:** Chief Timothy Mossgrove, Chairman; District Chief Gerald Ward; Paul Babcock, Secretary and Regina Martin, Member. Also present were Susan Mae McCrary, Board Secretary; Patrick Donlan, Actuary, Foster and Foster; Scott Christiansen, Attorney for Board; Mike Dana, Dana Investments; Lynn Skinner, Salem Trust; Brian Bakardiev, Bogdahn Group. Wayne Sufficool was also present.

**CALL TO ORDER:** Meeting called to Order by Chairman Mossgrove at 6:03 pm.

#### **SELECTION OF FIFTH MEMBER:**

Wayne Sufficool and Joe Pecoria had indicated interest to serve as the fifth member.

Since Mr. Sufficool was present he was asked to come forward. He indicated that his son is a firefighter and asked the attorney if this was a conflict to which the reply was in the negative. He has been in the community since 1979, and has sold insurance for 34 years.

Ms. Martin advised that Mr. Pecoria worked two jobs and that since Mr. Sufficool was present and retired, he would be the better choice. Tim Mossgrove stated that he has known Mr. Sufficool for many years, and feels that he would bring a neutral position voice to the Board, and serve the Board well.

**Motion:** Regina Martin made a motion to accept Wayne Sufficool as the fifth member of the Board; seconded by Gerry Ward, voted upon and carried unanimously.

Attorney Christiansen indicated that his name is to be submitted to Council for appointment, and that he must do a financial disclosure. Frank Phillips must do a final disclosure.

#### **MINUTES OF MEETING – DECEMBER 15, 2010**

**Motion:** Motion made by Gerald Ward to approve the Minutes as written; seconded by Regina Martin, voted upon and carried unanimously.

#### **FOSTER AND FOSTER-**

Patrick Donlan presented the Actuarial Valuation as of October 1, 2009.

Donlan advised this is a defined benefit plan, which means the benefits are defined but the contributions are not. Every year as of October 1<sup>st</sup>, the assets are evaluated and future retirements are projected based on the assumption. If the assets cover the future liabilities then there are no contributions required, which is usually not the case. The required contributions went up due to the investments and market. The return is averaged for the last four years. He advised that the same return is expected in the next four years. He felt that there would be an increase in funding requirements for the next two years.

The State contributions have been reduced due to the real estate market. The money comes from insurance premiums, which is supposed to provide additional benefit to the firefighters. He explained how the state money is used and kept in reserve.

Tim Mossgrove asked if there was a dollar amount since the city's contribution went up from 24.93% to 28.51%. Patrick advised it depended on the amount of the payroll. He thought it would be an increase of about \$40,000 from last year.

**Motion:** Motion made by Paul Babcock to accept the Actuarial Valuation as of October 1, 2009, as presented by Foster and Foster; second by Gerald Ward, voted upon and carried.

Foster will send report to the State.

Donlan advised that several years ago the Ordinance was passed that provided for retirement after twenty years and increased the multiplier. At that time a provision was put in that the Actuary would determine the employee contribution rate and that the city would bear no cost for this benefit. Currently the member contribution rate is 3.14%, and upon revaluation, the member rate would increase to 3.29% using the State reserve monies. The contribution rate would have been 3.54%. Christiansen advised that there must be a vote of the membership to use the State money.

Donlan stated that it would be good to change the language in the Ordinance to eliminate the provision of an annual review by the Actuary. He stated that he has been reviewing it for seven years and technically it costs the Plan money. He felt that the expense is being created for no reason. If the contribution rate changes each year, then a new ordinance must be done. Chairman felt that this language could be taken out of the Ordinance to make it easier and less costly each year. He asked if Patrick could submit a list of the expense for doing this calculation every year with a chart of the calculations for each year. He advised he would, at no expense to the Board.

**Motion:** Motion made by Regina Martin to have Scott Christiansen draft an Ordinance to provide for the member contribution rate change to 3.29%, after vote of the membership, and to take out the language for the fluctuation of the member contribution; seconded by Paul Babcock, voted upon and carried.

Mrs. McCrary has been asked if the State money could be used to increase the multiplier, and could the members contribute more if necessary. Patrick advised that the annual money coming in is not enough to use for that purpose. In order to provide for the increase, the membership would have to contribute about 2% for an increase of 1/10<sup>th</sup> of a per cent. It would cost them a significant amount.

Patrick Donlan advised that he finalized all the benefit calculations that were outstanding with the inputting issue.

#### **AGINCOURT**

Brad Coates explained the company and advised they handled the bond portion of the fund. The corporate bonds are about 45% of the portfolio, mortgage and assets structure are 40%, the rest in treasuries. He went over the portfolio and the bond investments. He stated that the market has recovered immensely from the financial crisis. He stated that the job market has not improved and will not for probably the next five years. They had \$1.8 million of the assets. Report on file

#### **DANA INVESTMENTS-**

Mike Dana was present. He advised that they handle both bonds and stock. He agreed that the economy was getting better and that the job market was opening up. He went over the report and explained the investments and how they were performing. Report on file.

#### **BOGDAHNS GROUP**

Brian Bakardiev explained that their job is to evaluate the performance of the investors. He told Mr. Sufficool that he would sit down with him at any time and go over the report and the fund with him. He stated that this quarter has significant gain of \$118,942. Fixed income has done well. The benchmark slightly underperformed. He felt that both companies performed well.

There is currently an 8% assumption rate and recommended that the ordinance be reviewed to change the financial allocations to 65% in market investments. He advised that he needs to do a new Investment Policy Statement, but first get the ordinance component done and then do the statement based on the outcome. Chairman advised he would support the change, if it will bring the return back to the 8% average.

**Motion:** Motion to direct Scott Christiansen to include in the proposed ordinance a change in the investment section to increase the maximum exposure in equities from the current level of 60% at market to 65% of market, made by Regina Martin; seconded by Paul Badcock; voted upon and carried unanimously to approve.

Brian advised that they have sent letters to all money managers concerning scrutinized companies that they have to divest of them by the end of September.

#### **Fee Increase**

Brian advised that it has been close to five years since any fee increases have been presented. The schedule was presented to the Board with a 50% increase. After the presentation, it was the consensus of the Board that the fees be taken under advisement. Mr. Barkardiev was to go back to the firm with the Board's alternate suggestions, one of which was to agree to not increase the fees for five years. Scott explained the clause wherein all clients are afforded the same fees.

Tim Mossgrove stated he could not support the 50% increase due to the economy. He reiterated that they have done an excellent job, not supporting the increase had nothing to do with their management.

#### **Rate of Return**

The Board had to declare the return based on the actuarial valuation as required by Law. Upon the advice of the consultant, it is suggested that an 8% assumption in the short term and long term would be correct.

**Motion:** Motion made by Regina Martin, that based on the advice of their consultant, the Board can expect to get an 8% investment return over the next year, the next several years and the long term; seconded by Gerald Ward; voted upon and carried.

Letter to be sent to Keith Brinkman.

#### **SALEM TRUST**

Lynn Skinner asked how they wanted quarterly statements. Regina wanted paper statements. Paul Babcock wanted on line statements. Gerry and Tim had access to the statements that Susan received. There would be no savings either way on line or paper.

Skinner stated that based on a fee study, they felt it was necessary to change their fee schedule. She went over the new schedule. There has been no increase since 2006.

After discussion it was decided that it was a 110% increase. Scott advised that the Board could do a Request for Proposals. Scott stated that he would send a copy of the fee quotes from the RFP's that they recently did and put on the next agenda.

#### **SCOTT CHRISTIANSEN**

Scott stated that a PLOP was added to the Plan and the form has not been changed. He will change the form.

He advised that financial disclosures must be done by July 1, 2010.

Fiscal Year report must be sent to the City

Federal Legislation is pending to allow for pre-tax insurance payments. Currently we are proposing in the ordinance for retirees to use payment to a private insurance company as pre-tax. Now it is just for those who have insurance through the city with a payroll deduction.

Tim advised that Ordinance was passed on the first reading. Question by the Council regarding cost to

the Plan to buy those years of service as a firefighter outside the State of Florida. Scott stated that it was the actuarial cost to the Plan of getting those years of service. It is determined by the liabilities for the individual without those years of service, and what the liability is after the years of service that he wants to buy, and he pays the difference. The entire cost is paid by the individual. The salaries, benefits, in the department he is coming from, has nothing to do with the calculation.

The increase from 10% to 25% in foreign investment was an issue with Council. According to Scott, this must be done to comply with Chapter 175. Scott advised that if we don't, we don't get the State money. He stated that we don't have to invest 25%, but the authority has to be in the Ordinance.

Scott advised reference pending legislation in Tallahassee. There are at least ten bills affecting FRS, Chapter 175 and Chapter 112.

SB 1902 proposes that the actuary do a five year projection of contributions to be paid by the City. An experience study which is a history, must also be done.

Currently there is a provision in the Law that no one can get more than 100% of their final compensation. There is a provision that if you were in the plan prior than 1980, you can. This provision will eliminate this. Members who currently have less than 10 years of service on July 1, 2010, can only get a maximum benefit of 70% of their highest year of base pay.

Bill requires that the Pension Plan has to prepare an annual budget, which must be approved by the City and cannot be changed.

It limits the amount of firefighters on the Board.

There were provisions for converting from Chapter 175 to the Florida Retirement System.

It currently provides for member contribution rate increasing which must be done by vote of firefighters and to be used only for an increase in benefits. They are proposing to allow the members to vote to increase their contributions, which could be used to offset the costs of the Plan.

HB1319 makes some changes in Chapter 175. It proposes to change the definition of "average final compensation". Rather than being the best five of the last ten years of service it would be the average of all years of service.

It increases the normal and early retirement age by five years and proposing a 1% member contribution rate.

Chairman Mossgrove advised that there are some very deep concerns through the Florida Fire Chief's Association regarding these bills.

#### **RETURN OF CONTRIBUTIONS**

David Papa- \$1311.74

Ryan Trinke- \$1412.20

**Motion:** Motion by Regina Martin to return the contributions of Papa and Trinke; seconded by Gerry Ward; voted upon and carried.

**31<sup>st</sup> Annual Police Officers' & Firefighters Pension Trustees School- Tallahassee, Fl; May 24-26, 2010.**

**Motion:** Motion made by Regina Martin to reserve spots for two members to go to the conference in Tallahassee; seconded by Paul Badcock, voted upon and carried.

#### **INVOICES**

Salem Trust- \$750- 12/31/09

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**March 23, 2010**

**Page 5**

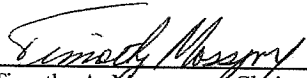
Dana Investments- \$3246.98  
Bogdahn Group- \$2625.00- 12/31/09  
Christiansen & Dehner- \$66.21; \$554.55; \$148.50  
Agincourt Capital- \$1125.49; \$36.00

**Motion:** Motion by Paul Babcock; seconded by Regina Martin, voted upon and carried unanimously to approve invoices.

**ITEMS TO BE HANDLED – BOARD MEMBERS**

No one had any issues at this time.

**ADJOURNMENT:** Meeting Adjourned at 9:21 p.m.

  
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Timothy A. Mossgrove, Chairman

typed: Susan Mae McCrary