

**CITY OF WEST MELBOURNE
POLICE OFFICERS' RETIREMENT BOARD
MAY 1, 2019**

The West Melbourne Police Officers' Retirement Board held its quarterly meeting on Wednesday, May 1, 2019 in the City Hall Conference Room, 2240 Minton Road, West Melbourne, Florida.

MEMBERS PRESENT: Chairman Scott Morgan (resident member)
Secretary Jennifer Curran (police member)
Pat Bentley (resident member)
James Parsons (police member)
Harvey Whitney (fifth member)

CONSULTANTS: Marcus Braswell, Board Attorney – Sugarman & Susskind*
Kerry Richardville, Investment Consultant–AndCo Consulting
Patrick Donlan, Actuary – Foster & Foster**
Karan Rounsavall, Plan Administrator

STAFF: Margi Starkey, Finance Director

Chairman Morgan called the meeting to order at 9:02 a.m. A quorum was in attendance. *Attorney Braswell attended the meeting via Skype. Actuary Donlan participated in meeting via conference call.

At the request of Attorney Braswell, retirement board members observed a moment of silence upon the recent death of Marilyn Seskin, Robert Sugarman's wife.

APPROVAL OF MINUTES

Member Curran moved to approve the minutes of quarterly meeting February 6, 2019 as submitted. Member Whitney seconded the motion and it carried unanimously.

OFFICER AND TRUSTEE REPORTS – None

PROCESSED DISBURSEMENTS/RECEIPTS

Member Curran moved to approve plan expenditures for the second quarter of Fiscal Year 2018/2019 (January 1, 2019 through March 31, 2019) in the amount of \$32,316.82 and to acknowledge receipts to the plan in the amount of \$201,638.30. (Reference Plan Administrator's memo dated April 4, 2019 for detail.) Member Bentley seconded the motion which carried on an all yes vote.

Total disbursements during the quarter were \$402,951.55 which included monthly benefit payments to 16 retirees in the amount of \$138,276.10, a DROP payout of \$232,358.63 and expenses noted above.

CONSULTANT REPORTS

A. Patrick Donlan – Foster & Foster (Plan Actuary) – *via conference call*

- Review of proposed actuarial cost method for purchasing prior military or law enforcement service

At its February 6, 2019 meeting, the board discussed methodology for determining the cost for a member to purchase prior service. It was understood that the buyback would be cost neutral to the retirement fund. Participating in the meeting via conference call,

Mr. Donlan recommended a policy wherein the cost of purchasing additional credited service would be determined by calculating the difference between a member's present value of benefits as of the most recent valuation with credit for the additional service less the member's present value of benefits (as of the most recent valuation) without credit for the additional service. The present value of benefits was determined using the actuarial methods and assumptions as of the most recent valuation, however, using a maximum of six percent interest assumption.

Mr. Donlan went on to explain that the earlier an officer purchased credited service, the less expensive it would be. The later an officer was in their career, the more expensive the buyback as they were closer to retirement eligibility. The calculation assumed that buyback funds were invested, thus the longer the funds were in the plan, the greater potential for earnings.

Attorney Braswell mentioned that the retirement board served its fiduciary responsibility by requiring the member to pay the full actuarial cost for purchasing prior service. Member Curran felt that the option to purchase prior service would be an excellent recruiting tool for the police department.

*It was the consensus of the board to adopt the buyback methodology as recommended by the actuary, to-wit: determined by calculating the difference between the member's present value of benefits **with** credit for additional service less the member's present value of benefits **without** credit for additional service.*

B. Kerry Richardville – AndCo Consulting (Performance Monitor & Investment Consultant)

- Performance Report for quarter ended March 31, 2019

Mrs. Richardville presented the performance report for the quarter ended March 31, 2019. Following a very challenging prior quarter, markets rebounded with strong performance across all equity sectors. With inflation in check, fixed income investments also enjoyed positive returns. The fund regained its losses from the previous quarter and returns were basically flat for the fiscal year. It had been a bumpy ride since October 1, 2018; there was lots of work to be done to achieve the 6.95 percent assumed rate of investment return in the remaining months of the fiscal year.

Total market value as of March 31, 2019 was \$15,056,137 up from \$13,973,193 for the previous quarter ended December 31, 2018. On a percentage basis, the composite portfolio was up 9.20 percent for the quarter (gross) which ranked in the 53rd percentile of public plans. Fiscal year to date, the plan was positive 0.02 percent (gross). For the trailing 12 months, the plan was up 5.14 percent, ranking in the 34th percentile. The portfolio was valued at \$15,376,928 as of April 30, 2019. A DROP payment in excess of \$200,000 during the quarter was funded from domestic equity.

Quarterly performance results (i.e. quarter ending March 31, 2019) for the various investment styles/managers represented in the portfolio were as follows:

*Garcia Hamilton & Associates (domestic fixed income) – positive return of 2.06% (85)**

*EuroPacific Growth (international) – positive return of 13.20% (20)**

*Vanguard Total Stock Market Index Fund – positive return of 14.05% (31)**

*Templeton Global Total Return (global fixed income) – positive return of 1.87% (87)**

*BlackRock Multi-Asset Income Fund (other assets) – positive return of 6.99% (63)**
*ASB Allegiance Real Estate Fund (real estate) – positive return of 2.01% (37)**
(*Percentile rankings)

The board accepted the investment performance report as presented.

C. Marcus Braswell – Sugarman & Susskind (Attorney)

- Legislative Update

Attorney Braswell reported that there was no pending legislation affecting Chapter 175 or 185 plans.

D. Karan Rounsavall – Plan Administrator

- Acknowledge rollover of member contribution for Danielle Quinn (non-vested member) in the amount of \$14,203.88
- Acknowledge refund of member contributions for Donn Maldonado (non-vested member) in the amount of \$307.77
- Acknowledge rollover of member contribution for Brian Liguori (non-vested member) in the amount of \$1,279.63

Member Curran moved to acknowledge rollovers/refund for non-vested members as stated above. Member Whitney seconded the motion which carried unanimously.

- 2018 State Annual Report

Plan Administrator Rounsavall announced that the Annual Report for the West Melbourne Police Officers Retirement Fund was reviewed and approved by the Division of Retirement as of April 12, 2019.

- Annual Financial Disclosure Forms

Mrs. Rounsavall advised that annual financial disclosure forms were due to the Brevard County Supervisor of Elections no later than July 1, 2019.

- Verbal report on online tools available from Foster & Foster (plan actuary)

Mrs. Rounsavall recently participated in two webinars during which Foster & Foster introduced new online tools for clients (*Administrative Portal and Retirement Planning Calculator*). These new tools allowed plan members to establish personal online accounts and produce benefit calculations using varied scenarios along with extensive retirement planning options. Members of the West Melbourne Police Retirement Plan currently had access to an online retirement calculator which would be discontinued once the new tools were officially launched. The cost for the new online calculators was not yet available; the final cost involved a set-up fee as well as annual subscription cost in excess of what was currently paid.

Plan Administrator Rounsavall would send a reminder to active members that the current retirement calculator tool was still available for use.

The next quarterly meeting was scheduled for August 7, 2019.

OLD BUSINESS - None

NEW BUSINESS

- A. Status of proposed ordinance implementing buyback provision and clarifying definition of "average monthly compensation" for calculating disability retirement benefits

Board members were in receipt of the proposed ordinance providing for the purchase of prior military and law enforcement service and clarifying the definition of *average monthly compensation* for disability retirement benefits. Chairman Morgan advised that the proposed ordinance was scheduled for first reading at City Council's May 21, 2019 meeting. *Plan Administrator Rounsavall would request Foster & Foster to prepare an actuarial impact statement to accompany the ordinance. The city would cover the cost of the impact statement.* Final adoption was anticipated in June 2019.

- B. Review of proposed application for purchase of prior service credit

This was a detailed application addressing the various situations under which a plan member could purchase prior service. It emphasized that the member paid the full actuarial cost and that all costs must be paid prior to retirement or termination. Attorney Braswell recommended additional language clarifying that installment payments were on an annual basis only.

Member Curran moved to approve the proposed application with revision recommended by the attorney. Member Parsons seconded the motion which carried unanimously.

- C. Revision to Retirement Board's *Administrative Policies & Procedures* to include procedure for purchase of prior service.

Plan Administrator Rounsavall drafted a revision to the Board's policies to include the purchase of credited service for prior law enforcement or military service. She mentioned that, in preparing the revision, she noted several other instances in the adopted policies that required an update and suggested a review of the entire *Administrative Policies & Procedures* document at the next meeting along with an update to the *Summary Plan Description (SPD)* to include the buyback provision.

The Retirement Board agreed to review these documents at its next quarterly meeting.

- D. Acknowledge receipt of DROP application for Charles Finsted as of April 1, 2019

Member Curran moved to acknowledge receipt of Captain Finsted's entry into DROP along with his election of 100 percent joint and survivor benefit option. Member Whitney seconded the motion and it carried on an all yes vote.

- E. Discussion relating to benefit calculations, specifically establishing policy as to use of fiscal/plan year annual salaries for such purposes

Plan Administrator Rounsavall asked the board to confirm the use of fiscal year (as opposed to calendar year) when reporting salary information to the actuary for benefit calculation purposes. As the annual report, actuarial valuation, member statements, etc. were prepared on a fiscal year basis, this was a practical extension of current practice.

Member Curran moved to confirm the use of fiscal year annual salaries for benefit calculation purposes. Member Parsons seconded the motion; it carried unanimously.

F. Periodic review of professional service provider agreements

Board members were in receipt of a listing of professional service providers and the corresponding agreement dates. Pursuant to the Board's *Administrative Rules and Procedures*, these agreements were routinely reviewed to determine appropriateness and timeliness of the terms. Upon review, the Board could elect to continue with a service provider, solicit bids or issue a request for proposal for professional services.

The Board's agreement with Salem Trust Company (custodial services) was the next relationship to be reviewed. The current agreement was executed in July 2016 and provided an annual fee of \$6,000 guaranteed for three years.

The Board expressed its full satisfaction with Salem Trust Company as custodian.

Mrs. Rounsavall mentioned that Salem Trust was recently acquired by TMI Trust Company of Texas. No change in operations or personnel was anticipated. Additionally, there was no anticipated change to the professional services agreement with Salem Trust as a result of the acquisition.

PUBLIC COMMENT - None

ADJOURNMENT

The meeting adjourned at 10:44 a.m.