

**CITY OF WEST MELBOURNE  
POLICE OFFICERS' RETIREMENT BOARD  
FEBRUARY 1, 2017**

The West Melbourne Police Officers' Retirement Board held its quarterly meeting on Wednesday, February 1, 2017 in the City Hall Conference Room, 2240 Minton Road, West Melbourne, Florida.

**MEMBERS PRESENT:** Chairman Scott Morgan (resident member)  
Secretary Jennifer Bruno (police member)  
James Parsons (police member)

**MEMBERS ABSENT:** Richard Cordeau (fifth member) - excused  
Pat Bentley (resident member) - excused

**CONSULTANTS:** Pedro Herrera, Board Attorney – Sugarman & Susskind  
Patrick Donlan, Actuary – Foster & Foster  
Tony Kay, Investment Consultant – The Bogdahn Group  
Karan Rounsavall, Plan Administrator

Chairman Morgan called the meeting to order at 9:00 a.m. A quorum was in attendance. *Member Bruno moved to excuse the absence of Trustee Bentley due to a business trip out of state and Member Cordeau due to a conflicting appointment. Member Parsons seconded the motion and it carried.*

**APPROVAL OF MINUTES**

*Member Bruno moved to approve the minutes of quarterly meeting November 2, 2016 as submitted. Member Parsons seconded the motion and it carried unanimously.*

**OFFICER AND TRUSTEE REPORTS** – None

**PROCESSED DISBURSEMENTS/RECEIPTS**

*Member Bruno moved to approve plan expenditures for the first quarter of Fiscal Year 2016/2017 (October 1, 2016 through December 31, 2016) in the amount of \$21,310.34 and to acknowledge receipts to the plan for that same fiscal quarter (through December 31, 2016) in the amount of \$191,439.22. (Reference Plan Administrator's memorandum dated January 5, 2017 for detail.) Member Parsons seconded the motion which carried on an all yes vote.*

Total disbursements during the quarter were \$144,131.70 which included monthly benefit payments to 14 retirees in the amount of \$122,116.05, a refund of employee contributions totaling \$705.31, and expenses noted above.

**CONSULTANT REPORTS**

- A. Patrick Donlan – Foster & Foster (Plan Actuary)
- Presentation of annual actuarial valuation as of October 1, 2016

Actuary Patrick Donlan presented the October 1, 2016 Actuarial Valuation Report for the West Melbourne Police Officers' Retirement Plan. The valuation established the

annual contributions applicable to the Retirement Plan for the fiscal year ending September 30, 2018.

Mr. Donlan reported that the Plan continued to do well with actuarial experience more favorable than expected relative to the Plan's actuarial assumptions. The primary sources of favorable experience included lower than expected average increases in pensionable compensation and an 8.49 percent investment return (actuarial asset basis) that exceeded the 7.1 percent assumption. This was the fourth fiscal year that the annual rate of return exceeded the actuarial assumption. (Note: The rate of return on the market value of assets as of September 30, 2016 was 9.80 percent.)

The minimum required contribution for Fiscal Year 2017/2018 (including the estimated State contribution) was 20.74 percent expressed as a percentage of pensionable payroll. This was a decrease compared to the 23.40 percent minimum contribution required in the current fiscal year. The Plan's funded status was 90.51 percent (i.e. Plan's fiduciary net position as a percentage of total pension liability). If the Plan utilized a higher assumed rate of return, it would be over 100 percent funded.

Mr. Donlan briefly discussed the use of state premium tax revenues. Current state money reserves totaled \$136,111. He understood that collective bargaining negotiations were currently underway with the Police Benevolent Association. If the city and the union did not reach mutual consent as to the use of these funds, the State mandated a default position wherein the funds would be split 50/50 between the parties. The default position increased the city's cost.

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Attorney Herrera arrived at this time (9:17 a.m.)

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The unfunded accrued liability (UAL) was \$1,396,347 as of October 1, 2016. The city made additional contributions to the pension fund in excess of minimum contribution requirements (\$222,283) in order to further reduce the UAL. As mandated by recent State legislation, the assumed rates of mortality were changed from the RP-2000 fully generational mortality table to the mortality tables for special risk employees used by the Florida Retirement System in its July 1, 2015 valuation. Reporting disclosures required by Governmental Accounting Standards Board (GASB) 67 and 68 were made a part of the valuation report. Annual member statements would be provided to the plan administrator in the coming weeks.

There were no questions. *Member Parsons moved to approve the annual actuarial valuation report as of October 1, 2016 as presented. Member Bruno seconded the motion and it carried unanimously.* The actuary would send the approved valuation to the state electronically.

- Declare expected annual rate of investment return for assets of West Melbourne Police Officers' Retirement Plan for short term and long term thereafter in accordance with Section 112.661 *Florida Statutes*

Board members sought input from their actuary and investment professional as to an expected investment rate of return going forward. Tony Kay of AndCo Consulting was

quite comfortable with the 7.1 percent assumption and noted that it was more conservative than most plans.

*Member Bruno moved to approve a 7.1 percent expected rate of return on investments going forward (based on advice of plan consultants). Member Parsons seconded the motion and it carried on an all yes vote.*

B. Tony Kay – AndCo Consulting (Performance Monitor & Advisory Services)

- Performance Report for quarter ended December 31, 2016

Mr. Kay began by announcing that The Bogdahn Group recently changed its name to *AndCo Consulting*. The new name reflected the firm's commitment to its clients and its philosophy that the client came first in all its services. AndCo remained a truly independent institutional consulting firm.

Mr. Kay went on to deliver the Investment Performance Report for the first quarter of Fiscal Year 2016/2017. Asset class returns were mixed for the quarter. Domestic equity indices posted positive performance while international equity and fixed income benchmarks were negative for the period. The quarter was dominated by the presidential election and the anticipated interest rate hike by the Federal Reserve in December.

Total market value as of December 31, 2016 was \$11,937,125 up from \$11,732,273 for the previous quarter ended September 30, 2016. On a percentage basis, the composite portfolio was up 1.40 percent for the quarter (gross) which ranked in the 21<sup>st</sup> percentile of public plans. For the trailing 12 months, the fund was up 7.82 percent (ranking in the 29<sup>th</sup> percentile of public plans). Since the end of the quarter, the fund's value crossed the \$12 million mark.

Quarterly performance results (i.e. quarter ending December 31, 2016) for the various investment styles/managers represented in the portfolio were as follows:

*Garcia Hamilton & Associates (domestic fixed income) – negative return of -1.34% (16)\**

*EuroPacific Growth (international) – negative return of -4.15% (55)\**

*Vanguard Total Stock Market Index Fund – positive return of 4.11% (41)\**

*Templeton Global Total Return (global fixed income) – positive return of 8.36% (1)\**

*BlackRock Multi-Asset Income Fund (other assets) – positive return of 0.55% (55)\**

*ASB Allegiance Real Estate Fund (real estate) – positive return of 0.78%*

(\*Percentile rankings)

Passive management styles (e.g. Vanguard) continued to outperform active management. The portfolio was in great shape. All asset classes were within target ranges. There were no action items.

The Board acknowledged receipt of the Investment Performance Report as presented.

C. Pedro Herrera – Sugarman & Susskind (Attorney)

Attorney Herrera advised that the state legislative session would begin later in the month. Otherwise, he had no report at this time.

Understanding that the city was currently engaged in collective bargaining with the police union, he advised that his firm was a resource for both the city and the union. It was part of their monthly retainer.

D. Karan Rounsavall – Plan Administrator

- Acknowledge refund of member contribution for Mitchell Faircloth (non-vested member) in the amount of \$705.31
- Acknowledge refund of member contribution for Theodore Salem (non-vested member) in the amount of \$325.36

*Member Bruno moved to acknowledge refund of member contributions for Mitchell Faircloth and Theodore Salem as stated above. Member Parsons seconded the motion and it carried unanimously.*

- Notice to members regarding refund of contributions upon separation from service (information item)

The Board acknowledged receipt of the memorandum which would be provided to non-vested members of the Retirement Plan upon separation from service. The memo advised these individuals to contact the plan administrator directly to begin the refund process and also included a copy of the *Special Tax Notice* which explained options available for a refund/rollover of employee contributions. It was requested that Plan Administrator Rounsavall provide the *Special Tax Notice* to trustees.

**OLD BUSINESS** - None

**NEW BUSINESS**

A. Acknowledge receipt of detailed accounting report for Fiscal Year 2015/2016

Board members were in receipt of the detailed accounting report for Fiscal Year 2015/2016 prepared by the plan administrator. It reflected expenses that were actually paid on behalf of the plan during the fiscal year. Total plan expenses were \$73,872.17 which was less than the adopted budget for the fiscal year of \$86,762.

*Member Bruno moved to accept the detailed accounting report for Fiscal Year 2015/2016 as presented. Member Parsons seconded the motion and it carried on an all yes vote. A copy of the report would be posted on the City's web site and police department bulletin board.*

B. Discussion and possible action to direct ordinance amendment as a result of collective bargaining, including clarification of death benefit payable to beneficiary in the case of pre-retirement death of an active member (as interpreted at the August 3, 2016 retirement board meeting)

*The Board took no action at this time pending conclusion of collective bargaining. The item would be re-addressed at the next quarterly meeting.*

**PUBLIC COMMENT** - None

**ADJOURNMENT**

The meeting adjourned at 10:47 a.m.



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Scott Morgan, Chairman



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Karan Rounsavall, Plan Administrator