

**CITY OF DUNNELLON FIREFIGHTERS AND POLICE OFFICERS RETIREMENT PLAN
BOARD OF TRUSTEES MEETING MINUTES**

DATE: February 9, 2016
TIME: 8:30 a.m.
PLACE: City Council Chambers, Dunnellon City Hall
20750 River Drive, Dunnellon, Florida 34431

AGENDA ITEM NUMBER 1 – CALL TO ORDER

The quarterly meeting of this Board was called to order at 8:30 a.m. by Chairperson Easom.

AGENDA ITEM NUMBER 2 – ROLL CALL

The following members of this Board responded present during roll call by Chairperson Easom:

Mr. Mark Schweder, Fire Department Representative and Secretary
Mr. James Roberts, Police Department Representative and Vice-Chairperson
Ms. Jayne Dillon, City Resident
Mr. Jay Easom, Fifth Member selected by this Board and Chairperson

The following members of this Board were not present during roll call by Chairperson Easom:

Ms. Virginia Saalman, City Resident

The following individuals were also present during this meeting of the Board:

Ms. Dawn Bowne, City Clerk, City of Dunnellon
Ms. Jan Smith, Finance Officer, City of Dunnellon
Ms. Amanda Roberts, Assistant-City Clerk, City of Dunnellon
Mr. Paul Shamoun, Associate Director, Department of Insurance and Financial Services,
Florida League of Cities, Inc.
Mr. Jermei Langley, Account Executive, Department of Insurance and Financial Services,
Florida League of Cities, Inc.
Mr. Troy Slattery, Interim-Chief, City of Dunnellon Fire-Rescue, City of Dunnellon
Mr. Frank Martin, Firefighter-EMT, City of Dunnellon Fire-Rescue Department, City of Dunnellon
Mr. Chris Draper, Firefighter-EMT, City of Dunnellon Fire-Rescue Department, City of Dunnellon

AGENDA ITEM NUMBER 3 – APPROVE MINUTES

Chairperson Easom asked this Board to review the minutes for the November 10, 2015 meeting of this Board.

After no further discussion, Mr. Schweder made a motion to accept the minutes as presented. Ms. Dillon seconded the motion and the motion carried 4 – 0.

Ms. Bowne asked agenda item numbers in the minutes for the current and all future meetings of this Board correspond to those in the published agenda for this Board. Mr. Schweder acknowledged the request.

AGENDA ITEM NUMBER 4 – REVIEW OF FINANCIAL REPORTS

Chairperson Easom asked this Board to review the Quarterly Plan Account Statement for the period 07/01/2015 to 09/30/2015 for the Dunnellon Fire & Police submitted by the Florida Municipal Pension Trust Fund, Florida League of Cities, Inc.

After no discussion, Mr. Schweder made a motion to accept the statement as presented. Officer Roberts seconded the motion and the motion carried 4 – 0.

AGENDA ITEM NUMBER 5 – JAY EASOM TERM EXPIRED 12/9/2015

Chairperson Easom agreed to continue to occupy the Fifth Member position on this Board. The Fifth Member of this Board is neither required to be a resident nor an employee of the City of Dunnellon. The Fifth Member of this Board is chosen by a majority of the other four members on this Board and thereafter, appointed by the City Council.

Ms. Dillon made a motion to reappoint Chairperson Easom as the Fifth Member of this Board. Officer Roberts seconded the motion and the motion carried 4 – 0.

Ms. Bowne praised Chairperson Easom’s valuable expertise as well as his committed previous and continuing service on this Board.

AGENDA ITEM NUMBER 6 – FIDUCIARY LIABILITY POLICY

Chairperson Easom asked this Board to review the annual \$2,928.00 premium quote submitted by the Department of Insurance and Financial Services, Florida League of Cities, Inc. for a Fiduciary Liability Insurance Policy underwritten by the U.S. Specialty Insurance Company.

Chairperson Easom asked Ms. Bowne if the Fiduciary Liability Insurance Policy premium had already been paid. Ms. Bowne responded, the premium had not been paid. Ms. Bowne further assured this Board, the previous policy had not lapsed and because of the important protection the Fiduciary Liability Insurance provides this Board, the policy would not be allowed to lapse in the event this Board had not yet approved the annual premium payment because of timing.

Mr. Schweder made a motion to accept and pay the Fiduciary Liability Insurance Policy premium quote as presented. Ms. Dillon seconded the motion and the motion carried 4 – 0.

AGENDA ITEM NUMBER 7 – REVIEW OF 10/1/2015 ACTUARIAL VALUATION – PAUL SHAMOUN WITH FLOC (FLORIDA LEAGUE OF CITIES)

Mr. Shamoun led this Board through the highlights of the Retirement Plan for the Firefighters and Police Officers of the City of Dunnellon, Actuarial Valuation as of October 1, 2015, which determines the contribution requirement for the 2015/16 Fiscal Year as prepared by Charles T. Carr, Southern Actuarial Services.

Mr. Shamoun was pleased to inform this Board, as of September 30, 2015, the biannual actuarial valuation specified the assets of this retirement plan exceeded the liabilities of this retirement plan by greater than 100%. Mr Shamoun stipulated, the present value of future benefits for this retirement plan are \$1,763,428; the administrative expenses necessary to maintain this retirement plan are \$61,628; the assets of this retirement plan are \$1,869,911; and the combined future employee contributions for this

retirement plan are \$35,216. Therefore, at this time, the required contributions to maintain the retirement plan are \$0.00.

Mr. Shamoun characterized the actuarial report as a snapshot of the retirement plan's liabilities and assets. Mr. Shamoun said the actuarial report uses mortality tables, expected salaries, likely investment market returns and the various factors necessary to administer the plan to develop an annual contribution rate to ensure assets can pay obligatory benefits. Mr. Shamoun qualified the actuarial report as an approximation, since many of the variables and assumptions used to make the calculations are based on predictions and estimates.

Mr. Shamoun further elaborated, if the current actuarial conditions are met or exceeded and a favorable investment market prevails, the City of Dunnellon will be expected to pay \$1,763,428 to the current members (from the time they retire until their death) of this retirement plan and thus may not ever have to make any further contributions to this retirement plan. Mr. Shamoun said however, if there were a severe investment market downturn, the City of Dunnellon may have to make contributions equal to 20% of pay to keep the plan funded. Mr. Shamoun added the City of Dunnellon has made an historic average contribution equal to 13% of pay. Mr. Shamoun noted, the contribution rate, in all cases, was less than those made by employers participating in the Florida Retirement System. Mr. Shamoun finally pointed out, the demographics (new hires are younger than participants that have left the plan) as well as the investment earnings (for the previous year) were favorable for the retirement plan.

Mr. Shamoun stressed this retirement plan is an irrevocable trust (once funds are placed in the retirement plan, the funds can only be used to pay expenses or benefits) and actually has \$2,057,563 in assets distributed between three accounts: 1) payable benefits (\$1,869,911; 2) advanced employer contributions (\$12,493); and 3) excess chapter 175/185 contributions (\$175,159).

Mr. Shamoun explained the advanced employer (plan sponsor) balance was derived from an excess distribution of \$23,459 prior to October 1, 2013; a \$57,346 distribution between October 1, 2013 and September 30, 2014; and, a \$66,928 distribution between October 1, 2014 and September 30, 2015. Resulting in total advanced employer contribution of \$147,733. From which \$72,106 was debited between October 1, 2013 and September 30, 2014 to the payable benefits account and another \$63,134 was debited between October 1, 2014 and September 30, 2015 into the payable benefits account, resulting in a balance of \$12,493 in the advanced employer contribution account as of October 1, 2015. Mr. Shamoun clarified the advanced employer contribution is money paid by the plan sponsor to meet its obligation to fund the retirement plan and is not used to fund enhanced benefits for plan participants.

Mr. Shamoun explained the excess Chapter 175/185 state tax contribution account (extra benefit reserve fund) contained \$175,179 prior to October 1, 2013; received a \$57,346 distribution between October 1, 2013 and September 30, 2014; and another \$45,626 distribution between October 1, 2014 and September 30, 2015, from which \$57,346 was debited between October 1, 2013 and September 30, 2014 into the payable benefits account and another \$45,626 was debited between October 1, 2014 and September 30, 2015 into the payable benefits account, resulting in a balance of \$175,159 as of October 1, 2015.

Mr. Shamoun noted the demographics of the plan's participants (average age is 41.1 years and average period of service is 7.9 years) and the variability in the average salary increases during the past ten

years. Mr. Shamoun stressed the valuation assumes a long-term 4% average annual increase in salary. However, the report indicates no consistency during the past ten years and has average annual salary increase ranges between 25.1% and 10.9%. Mr. Shamoun explained the average annual salary increase is based upon the total payroll of the department and the variability may be the result of unfilled open positions during a specific period. Ms. Bowne confirmed Mr. Shamoun's explanation of the wildly variable average annual salary increase.

Mr. Shamoun said the report uses an aggregate cost method to determine the contribution rate and assumes a conservative annual 7% interest rate. Mr. Shamoun reiterated the plan is fully funded and in good fiscal position.

Ms. Bowne and Chairperson Easom, in turn, praised the cooperation and prevision of the City Council, city staff, Police and Fire Department employees, police union and this Board for developing and administering a viable and well-funded plan over the almost twenty year life of its existence.

Mr. Schweder inquired what would be the effect of increasing the annual multiplier of the plan from the current 2.5% to the new statutory minimum of 2.75% or possibly 3.0%. Mr. Shamoun replied it would certainly increase the cost of the plan; however, a new actuarial study would have to determine the effect of increasing the annual multiplier on the City of Dunnellon and the employees covered by the plan. Mr. Shamoun expounded the new law allows the plan sponsor and plan participants to negotiate a mutual agreement and the role of this Board would be to fund an actuarial study to determine the effect of increasing the multiplier on the City of Dunnellon and the plan participants. Mr. Shamoun stressed only the City Council can change the benefits of the plan.

Ms. Bowne said previous changes to plan benefits occurred during negotiations between the police union and the City Council. Ms. Bowne stressed the City Council would not likely entertain increasing the plan benefits unless funding those benefits did not intensify pressure on the city budget.

After prompting from Mr. Slattery, Mr. Shamoun suggested it would cost approximately \$500 to fund an actuarial study to determine the impact of increasing the annual multiplier. Mr. Shamoun further said, discussions to increase the annual multiplier would have to be initiated during negotiations between the employees (or their representatives) covered by the plan and the City of Dunnellon. Chairperson Easom added, a study to increase the annual multiplier should be prepared to coincide with discussions between the plan participants and plan sponsor to ensure the results reflected contemporary circumstances. Ms. Bowne reiterated the City Council should be consulted to determine their willingness to increase the annual multiplier before this Board funds an actuarial study to determine the effect of doing so.

Mr. Shamoun said funding an actuarial study to determine the effect of increasing the annual multiplier is an appropriate expense by this Board because the results provide the plan sponsor and plan participants with the ability to make an informed decision on the subject. Chairperson Easom assured this Board its role is to protect and increase the benefits of the plan participants. Chairperson Easom further said this Board should be prepared to fund an actuarial study to determine the effect of increasing the annual multiplier if negotiations between the City Council and the employees participating in the retirement plan requires it.

Mr. Slattery revealed his desire for an increased annual multiplier and fervently requested the police union forcefully bargain for an increased annual multiplier when negotiating the next police officer's contract with the City Council. Mr. Schweder said the favorable nature of the current actuarial report provides an opportunity to determine if increasing the annual multiplier is a timely consideration. Mr. Shamoun shared a few anecdotes in which the sponsors and participants of similarly situated retirement plans made temporary sacrifices to increase long-term benefits for plan beneficiaries.

Ms. Bowne thanked Mr. Shamoun and his staff for their continued support and making themselves available to this Board, employees participating in the plan and the city staff for providing direction, clarifying ambiguities and answering pertinent questions.

AGENDA ITEM NUMBER 8 – APPROVAL OF CHAPTER 2013 – 100 DISCLOSURES – PAUL SHAMOUN WITH FLOC (FLORIDA LEAGUE OF CITIES)

Mr. Shamoun explained the disclosures required by Chapter 2013–100, Florida Statutes, represented a hypothetical situation to determine how long the plan could continue paying outstanding liabilities without receiving any further contributions, earnings, interest, dividends, sales, capital gains or revenues of any kind. Mr. Shamoun expressed his exasperation with this exercise since Florida Statutes require the plan to be funded until the last participant or beneficiary dies. Mr. Shamoun said the calculations determined this plan could continue paying outstanding liabilities for the maximum length of time, 999.99 years.

After no further discussion, Mr. Schweder made a motion to accept the Actuarial Valuation Report and the Chapter 2013–100 disclosures as presented. Officer Roberts seconded the motion and the motion carried 4 – 0.

AGENDA ITEM NUMBER 9 – REVIEW OF 2015 ANNUAL REPORT

Chairperson Easom asked this Board to review the 2015 Annual Report for the City of Dunnellon Municipal Police Officers' and Firefighters' Fund prepared by the Florida Municipal Pension Trust Fund, Florida League of Cities for the Municipal Police Officers' and Firefighters' Retirement Trust Funds Office, Division of Retirement, Florida Department of Management Services.

Mr. Schweder first noted, the troublingly large number of Police Officer Terminations listed on page 13 of the report. Mr. Shamoun pointed out two of the terminations listed (Michele Bass and William Murphy) were carried over from previous years (2010 and 2011, respectively) and will continue to be listed until these two individuals receive termination payments of their personal contributions to the plan. Mr. Shamoun further said it was impossible to force these individuals to take a final payment until more than five years had passed since their termination.

Mr. Schweder next noted the lack of contributions from Firefighters in the Revenue Section on page 5 of the report. Mr. Shamoun pointed out the value \$4,683.50 listed in line 1, Contributions from Police Officers of the Revenue Section on Page 5 was derived from the sum (Police and Fire Combined) obtained on page 14B, which included contributions from both Police Officers (Police Officers' Statistical Exhibit, page 14) and Firefighters (Full-time Firefighters' Statistical Exhibit, page 14A).

Mr. Schweder further noted, the Full-time Firefighter Statistical Exhibit on page 14A of the report specifies Troy Slattery has only 12.13 Years of Credited Service in Fire Retirement Plan. Troy Slattery's

date of employment as a Firefighter (8/17/1998) on the same page of the report indicates he should have in excess of 17 Years of Credited Service in Fire Retirement Plan. Mr. Shamoun expressed his apologies for producing a report with such an obvious error, and attributed the discrepancy to an automated miscalculation which would be corrected immediately.

Mr. Schweder made a motion to accept the 2015 Annual Report for the City of Dunnellon Municipal Police Officers' and Firefighters' Fund provided the discrepancy with Troy Slattery's Credited Service in Fire Retirement Plan had been corrected. Ms. Dillon seconded the motion and the motion carried 4 – 0.

AGENDA ITEM NUMBER 10 – NEW BUSINESS

Ms. Roberts asked this Board to review a letter addressed to Mr. Douglas Beckendorf, Actuary Bureau of Local Retirement Systems in regard to the Dunnellon Fire and Police Retirement System – Declaration of Returns as specified with the Investment Provisions (1)(C) on page 7 of the 2015 Annual Report for the City of Dunnellon Municipal Police Officers' and Firefighters' Fund.

Mr. Shamoun clarified the letter states in accordance with Florida Statute 112.661(9), the City of Dunnellon Police Officers' Retirement Plan will be managed in accordance with the goal of attaining an annual 7% rate investment return in the near and distant future. Mr. Schweder confirmed with Mr. Shamoun the 7% annual rate of investment return mentioned in the letter agreed with the Investment Plan for the City of Dunnellon Firefighters and Police Officers Retirement Plan.

Mr. Schweder made a motion for Chairperson Easom sign the letter. Officer Roberts seconded the motion and the motion carried 4 – 0.

Mr. Schweder asked Mr. Shamoun if he was familiar with the Florida Public Pension Trustee Association. Mr. Shamoun responded he was a member of the organization and was a Certified Public Pension Trustee with the organization. Mr. Shamoun described the requirements, fees and process associated with becoming and maintaining the Certified Public Pension Trustee with the Florida Public Pension Trustee Association. Mr. Shamoun added, the Annual Police Officers' and Firefighters' Pension Conference as well as the Annual Police Officers' and Firefighters' Pension Trustees' School offered by the Municipal Police Officers' and Firefighters' Retirement Trust Funds Office, Division of Retirement, Florida Department of Management Services provided an equivalent level of education without the encumbering certification requirements or expense.

Mr. Schweder and Ms. Dillon both relayed their recent attendance at the Annual Police Officers' and Firefighters' Pension Conference was an informative, enlightening and worthwhile experience.

Mr. Schweder made a motion this Board automatically reimburse any member of this Board for reasonable expenses to attend either the Annual Police Officers' and Firefighters' Pension Conference or the Annual Police Officers' and Firefighters' Pension Trustees' School offered by the Municipal Police Officers' and Firefighters' Retirement Trust Funds Office, Division of Retirement, Florida Department of Management Services. Ms. Dillon seconded the motion and the motion carried 4 – 0.

Mr. Schweder asked Mr. Shamoun to differentiate this Board from the plan administrator and plan sponsor with a brief explanation of their various roles and responsibilities. Mr. Shamoun replied the plan

administrator (Florida Municipal Pension Trust Fund, Florida League of Cities) works for this Board. Mr. Shamoun added the plan administrator coordinates the activities of the actuary, investment manager, performance monitor, custodial bank, attorney and other necessary professionals and specialists needed to administer the plan. Mr. Shamoun further added the plan administrator prepares reports, financial statements, employee statements as well as distributing benefits and paying fees. Mr. Shamoun said the plan sponsor (City of Dunnellon) establishes the plan, funds the plan as well as provides enrollee and payroll information to the plan administrator. Mr. Shamoun concluded by saying this Board oversees the plan administrator, reviews investment reports, annual reports as well as disability claims and authorizes benefit and fee payments.

AGENDA ITEM NUMBER 11 – PUBLIC COMMENT

Mr Shamoun praised the conscientious involvement of the City of Dunnellon Firefighters and Police Officers Retirement Plan participants that attended this and other meetings of this Board.

AGENDA ITEM NUMBER 12 – ADJOURNMENT

This Board agreed to schedule their next meeting in the City Council Chambers, Dunnellon City Hall, 20750 River Drive, Dunnellon, Florida 34431 at 8:30 a.m. on Tuesday, May 10, 2016.

Mr. Schweder made a motion to adjourn this Board meeting at 9:49 a.m. Ms. Dillon seconded the motion and the motion carried 4 – 0.

Attest:

Mr. Mark Schweder, Secretary

Mr. Jay Easom, Chairperson