

## GENERAL EMPLOYEES' RETIREMENT SYSTEM

### TRUSTEE BOARD MEETING

July 29, 2015

Page 1 of 5

Acting Chair Travis Woods called the board meeting to order. In attendance were Trustee Terry Anderson; Trustee Commissioner Tommy Chastain; Pension Attorney Ron Cohen; Deputy Clerk/Assistant Board Administrator Brenda Wiggins; Tyler Grumbles from Bogdahn Consulting, David Kelly from Bowen Hanes, Larry Wilson and Kelly Adams GR&S. Trustee Alicia McMillian and Chairman Scott Roberts were absent.

Acting Chair Woods entertained a motion to approve the minutes of the April 29, 2015, meeting.

Trustee Chastain made the motion to approve the minutes as published, second by Trustee Anderson; passed 3-0.

Acting Chair Woods entertained a motion to approve the warrants for April, May and June 2015.

Trustee Chastain made the motion to approve the warrants, second by Trustee Anderson; passed 4-0.

David Kelly reviewed the portfolio.

He reminded the board we have had a pretty good run and the average balanced account does 8 or 9 percent and we have been well above that for the past few years. If we have a single digit year we will still have a good 5 and 6 year run.

Acting Chair Woods entertained a motion to accept the report from Bowen Hanes as presented by David Kelly

Motion was made by Trustee Anderson, second by Trustee Chastain; passed 3-0

Tyler Grumble presented the reported the asset allocation for the last quarter 75.3% a little over the 75% allocation but it was brought back down to 72.5%. The Fixed Income was at 18.7% and went up a little to 20.5%, which took from the equity portion of the portfolio. Cash equivalent went to 5.9% to 7%.

Bowen Hanes remains over weight vs. the long-term target of 60% they are at 72.5% in under weight fixed income; 19.5% again in there call of interest rates rising and trying to be defensive in that area.

In dollar terms for the quarter; started with \$9.7 million; contribution in of \$117,782; payments out of \$216,267; net cash flow out of plan of \$98,485; management fees \$11,990; expenses \$10,027; net income \$45,416; capital loses \$70,797; net income return on investments (\$25,381)

Fiscal Year to Date; \$9,285,381; contributions \$429,501; distributions \$626,908; net cash flow out \$497,407; management fees \$11,990; expenses \$24,866; net income \$117,927; capital gains \$399,150; total return on investment for the fiscal year \$517,077.

## GENERAL EMPLOYEES' RETIREMENT SYSTEM

### TRUSTEE BOARD MEETING

July 29, 2015

Page 2 of 5

Acting Chair Woods entertained a motion to accept Bogdahn's Report as presented by Tyler Grumbles

Motion was made by Trustee Chastain, second by Trustee Anderson; passed 3-0.

Pension Attorney Cohen presented a memo regarding the mortality table. All local law pension plans are to use mortality tables that have been issued by the Florida Retirement System (FRS). The table will be used for the reporting done year end September 2016. There can be a cost, which Larry Wilson can address.

Mr. Wilson reported the FRS Actuary uses a mortality table that they breakdown into different categories; Special Risk, Police and Fire and then everyone else. When using this table there will be a slight moderate cost.

FRS updates the table every five years based on experience study. The law is requiring using one of the two most recent actual valuations.

Attorney Cohen suggested using the new table for the year ended 2015 with the increase you can implement the increase in steps instead of waiting until 2016 and having the increase hit all at one time.

Mr. Wilson added to get an estimate of the cost; if the board goes through with the study it will be included into the experience study.

If we recommend updating any assumptions we express the cost of updating that assumption. We uniquely update and if we recommend more than one increase, what would be the affect if we adopt all of them; so that would automatically be included.

Chair Woods asked if there were any estimated cost.

Mr. Wilson responded they have seen with police and fire plans not being as current as Starke's increases above 5%. We expect it to be 5% or below, but until numbers are run it would just be guessing.

Attorney Cohen reported there seems to no signed agreement between the board and my office. He will be drawing up a new one and bring it to the next meeting and it will be the same terms as we have had.

Mr. Wilson introduced Actuary Kelly Adams that does work for the city's program, and she will present the Compliance Report.

Ms. Adams reported the Compliance Report is for reporting not for funding. There are four scenarios and three pieces of information.

- Regular funding
- Department of Management Services has come in with the mortality tables that have to be used.

## GENERAL EMPLOYEES' RETIREMENT SYSTEM

### TRUSTEE BOARD MEETING

July 29, 2015

Page 3 of 5

- Using the interest rate 2% lower than currently using.
- Using the interest rate 2% higher than currently using.

The last is the fourth scenario and it isn't required but will give a round of numbers.

Out of the four scenarios the three pieces of information will be shown is the GASB 67 & 68 the net pension liability number which is the difference between the asset and liability. The second item is fictitious number; it would be if the city or anyone doesn't make any additional contributions to the plan how long you would have benefits for.

The third shows how these pieces of information would affect actuary report funding.

In summary with the mortality table change the city's contribution would go up \$4,491; 0.54%. Changing the mortality table and interest rate decreased the 2% then contribution would go up \$900,094 and 21.56%. Changing the mortality table and increase the interest rate 2% the contribution would go down \$156,000. She stated the important thing to remember is the plan is funded to never run out of money.

Acting Chair Woods entertained a motion to accept the Compliance Report as presented by Ms. Adams.

Trustee Chastain made the motion, second by Trustee Anderson; passed 3-0.

Mr. Wilson also reported on a COLA provision from the last meeting for retirees, which would include the DROP.

There are different ways; there is an ad-hoc cola, which is an increase given today to the people who are retired including the drop and there is no guarantee there would be a similar increase next year, they would continue to get the increased benefit for the rest of option period.

The other option is an automatic cola and it would be given every year. The last cola was ad-hoc cola back in 1994 of \$75 per month.

He reviewed different scenarios; if everyone was increase 3% with a minimum of \$50 per month increase based on the current retirees the average annual benefit is \$17,320 but the 3% would equate to a \$20,000 benefit. For most a \$50 would be paid but there are some over that \$20,000 that would be more than \$50 they would get 3%.

Scenario 2; we took a look at 1% for each year retired with a minimum \$50 benefit.

We also looked at a 3% automatic cola; it is very expensive and the difference is this would be paid to future retirees. We would have to start funding for the active people. You could put in the option you have to be retired for five years before the cola would start.

## GENERAL EMPLOYEES' RETIREMENT SYSTEM

### TRUSTEE BOARD MEETING

July 29, 2015

Page 4 of 5

Ms. Adams added the first two scenarios are one time and the third and fourth would be annual.

Trustee Anderson commented that this board could make a recommendation to the commission regarding the cola.

Attorney Cohen responded yes the commission would have the final say.

After additional discussion on retiree cola a cost scenarios the board requested additional information from GR&S on the cost for retired for 10 years or more with dollar amount \$100, \$75 & \$50

Acting Chair Woods entertained a motion to accept the cola report as presented by Mr. Wilson.

Trustee Chastain made the motion, second by Trustee Anderson; passed 3-0.

Mr. Wilson reported at the last meeting there was discussion on an experience study. An experience study is an analysis of what our experience has been to align the assumptions to what the experience has been. This study should be done every five years and certain reporting requires you expose why you are making those assumptions.

There is a fee and it runs around \$10,000 based on the size of the plan; we recommend it not exceeds \$7,220; if we do the other plans on the same day we reduce it by \$400.

We would like to get the assumption done so we can reflex it in the 2015 evaluation. It takes 60 days to complete this study.

Acting Chair Woods entertained a motion to approve GR&S to move forward with the experience study.

Trustee Anderson made the motion, second by Trustee Chastain; passed 3-0.

Acting Chair Woods announced the terms for Alicia McMillian and Terry Anderson expire in November so election will be held.

The next meeting was scheduled for Wednesday, October 28, 2015 at 9:00 AM.

Attorney Cohen reported on retiree Satpaul Atwal who picked a 10-year certain benefit. Upon his death the benefit went to his wife Mary Lou Atwal, who also passed away and all the payments had not been paid.

He obtain a gentlemen information regarding the estate and heard from his attorney which was Dudley Hardy and it looks that an estate will have to be opened and the benefits can not be paid in one lump some. We are going to have to pay it out for the ten years. He wanted the board to know he will be working to get this settled.

GENERAL EMPLOYEES' RETIREMENT SYSTEM

TRUSTEE BOARD MEETING

July 29, 2015

Page 5 of 5

Attorney Cohen also requested how the board wanted to proceed on the draft document relating to the website. It will be used for now and can change it later if needed.

There being no further discussion a motion was made to adjourn the meeting by Trustee Anderson, seconded by Trustee Chastain; passed 3-0.

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Trustee Travis Woods, Acting Chairman

ATTEST:

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Ricky Thompson, Administrator/City Clerk