



Employees Pension Board

Regular Board Meeting Minutes

January 27, 2009

Chairman Ron Tomlin called the Employees Pension Board to order for a regular meeting, Tuesday, January 27, 2009 at 8:30 a.m., in the City Commission Conference Room, City Hall, 228 South Massachusetts Avenue, Lakeland, Florida. Present: Vice Chairman Kerry Charlet, Board Members Tory Bombard, Jeffrey Stearns, Robert Bertrand, and Tim Hart, Mr. Robert Sugarman of Sugarman & Susskind, P.A., Mr. Stephen Palmquist of Gabriel Roeder Smith & Co., Retirement Services Staff: Director Jennifer Kerr, Dana Blydenburgh.

Board member Bertrand gave the invocation.

City Clerk, Kelly Koos, provided the oath to board members Tory Bombard, Jeffrey Stearns and Tim Hart.

Vice Chairman Charlet made a motion to retain Chairman Tomlin as the 2009 Chairman. Motion passed unanimously. Board Member Hart made a motion to retain Vice Chairman Charlet as the 2009 Vice Chairman. Motion passed unanimously.

1. Consent Agenda – Board member Charlet made a motion to approve the Consent agenda with November 24, 2008 minutes amended to reflect the attendance of Board Member Hart. Motion passed unanimously.

- a. November 24, 2008, December 1, 2008 and December 17, 2008 Employees Pension Board Minutes
- b. John Huls pension plan buy back in the amount of \$16,129.46 (Repurchase Dates January 21, 2003 – February 24, 2006)
- c. Retirement Refunds & Retirements

NAME	DOR	AMOUNT	JOB TITLE	CSD
DROP Employee				
Ayscue,Allen D	12/20/2008	\$3,890.54	Driver Engineer	5 /15/1983
Begenau,William W	1/17/2009	Pending	Apparatus Repairer 1st Class	12/4 /1988
Benniefield, Frank J	1/17/2009	Pending	Operations Support Tech I	10/1 /2008
Bibby,Richard Wayne	12/20/2008	\$6,477.84	Energy Delivery Operations	8 /13/1978
Gore,Larry R	12/20/2008	\$3,484.72	Lineman 1st Class	7 /2 /1989
Jones,Richard Edward	12/20/2008	\$3,610.50	Lineman 1st Class	8 /27/1978
Jordan,M Barbara	12/20/2008	\$2,346.72	Occupational Health Nurse	7 /25/1993
McLeod,Steve Wayne	1/3/2009	\$4,271.51	Water Plant Supervisor	10/1 /2008
Mock,Jimmy E	1/17/2009	Pending	Police Officer	8/14/1988
Monroe,Blake D	12/20/2008	\$3,747.46	Fire Lieutenant	12/26/1982
Retired				
Borchert,Linda M	1/1/2009	\$2,212.98	Customer Service Rep II	11/22/1987
Greubel,Stephen R	12/31/2008	\$3,773.63	Chief Wastewater Plant Oper	9 /14/1986
Wenk,Jeffrey A	12/31/2008	\$2,884.20	Driver Engineer	1 /3 /1985
DROP Retiree				
Clark,Raeford	12/31/2008	\$1,668.44	Power Production Foreman	12/11/1994
Lokken,Timothy J	1/2/2009	\$5,266.50	Manager of WW Treatment	10/15/1973
Cantrell,LuAnn	12/19/2008	\$1,998.04	Account Clerk IV	9/17/1973
Vested				
Hughes,Hoyt O	5/24/2014	\$3,246.50	Control Center Operator	4 /12/1987
DROP Retirement Pending Final Pay				
Mitchell,Kathryn A	1/17/2009	Pending	Library Associate	1 /4 /1998
Retirement Pending Final Pay				
Allison,Timothy A	8/26/2010	Pending	Contracts Manager	10/1 /2008
Hess,Kenneth I	7/13/2010	Pending	Fire Lieutenant	9 /30/1984



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Pension Refunds

NAME	CHECK DATE	REASON	AMOUNT
Day,Randy A	12/20/2008	TER	\$5,431.43
Emery,Susan A	11/22/2008	TER	\$4,232.90
Fowler,Melissa C	12/6/2008	TER	\$8,676.00
Hart,Timothy J	1/3/2009	TER	\$15,670.80
Holmes Jr, Lucious E	12/20/2008	TER	\$1,184.39
Jackson,Nicole L	12/6/2008	TER	\$3,073.52
Kershaw,Scotty A	1/3/2009	TER	\$8,282.66
Mason,Wendell C	1/3/2009	TER	\$3,949.54
Mercer,Jonathan D	11/22/2008	TER	\$1,035.31

2. **Actuarial Valuation Report – Stephen Palmquist, Gabriel Roeder Smith & Co** - Mr. Palmquist presented the City of Lakeland Employees Pension and Retirement System Actuarial Valuation Report as of October 1, 2008 to the Board.

The required employer contribution as a percentage of covered payroll was represented as 17.28% or \$18,786,744.

There was a net actuarial loss of \$23,766,875 since the last valuation which means that actual experience was less favorable than expected. The loss is primarily due to recognized investment return below the assumed rate of 7.25%. The investment return was -18.2% based on market value of assets and 2.3% based on actuarial value of assets. The net loss caused the required employer contribution to increase by 2.72% of covered payroll.

The funded ratio, one measure of the Plan's financial health, is equal to the actuarial value of assets divided by the actuarial accrued (past service) liability. This liability is calculated using the Entry Age Normal Cost Method which differs from the method being used for funding purposes. The funded ratio is 84.1% this year compared to 87.5% last year.

The Plan provides for a COLA if there is an experience gain for the year and if cumulatively since 1996 there is a net gain. Since there was a net loss for 2008, a COLA will not be payable under this provision this year. The cumulative net gain since 1996 is \$(89,385,681).

The Actuarial Value of Assets exceeds the Market Value of Assets by \$89,126,894 as of the valuation date. This difference will be gradually recognized in the absence of offsetting gains. In turn, the computed employer contribution rate will gradually increase by approximately 10% of covered payroll.

Another potential area of variability has to do with the annual payment on the unfunded accrued liability (UAL). This payment is computed as a level percent of covered payroll under the assumption that covered payroll will rise by 3.50% per year. The actual payroll over the prior ten years is 3.64%. If the ten-year average falls below 3.50% next year the amortization payments will increase. For example, if the payroll growth assumption is lowered to 0%, the UAL payment will go from \$3,196,249 next year to \$4,355,674.

Mr. Palmquist discussed the differences between the Frozen Entry Age Cost Method versus the Entry Age Normal Cost Method. The current funding method is Frozen Entry Age which results in the plan recognizing the "pain and benefits" sooner than the Entry Age Normal Method. He pointed out that the Entry Age Normal Method reduces volatility of contributions and will produce an immediate reduction in Employer cost to the Plan. Chairman Tomlin asked if a study could be performed to compare the costs associated with changing the cost method to Entry Age Normal.

Board Member Stearns made a motion to table the approval of the valuation report pending the results of the study regarding the implementation of the Entry Age Normal Method. Motion passed unanimously.

Mr. Palmquist discussed the need to proactively maintain the actuarial soundness of the Plan through a five year projection study which will show the impact the poor asset returns will have on required contributions.



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Board Member Stearns made a motion to engage Gabriel Roeder Smith to perform the five year projection study. Motion passed unanimously.

3. **INVESCO, International Manager Presentation** – Ms. Lauren Hooks and Mr. Christian Ulrich appeared before the board. Invesco has \$410 billion in assets under management and employs more than 500 investment professionals in 13 distinct investment centers operating in 25 cities across 12 countries. The City of Lakeland 4Q08 portfolio performance was -18.4% versus the MSCI EAFE Index of -20.0%. The ending market value for the 4Q08 was \$17,136,334. Invesco has achieved strong relative performance in up markets, if failing to fully participate in the most sharply rising markets. Since the product's inception, Invesco has consistently delivered downside protection in difficult market climates. Since the low in March 2003, international markets have experienced 11 corrections in excess of 5%. Invesco has outperformed on a gross fee basis in 10 out of the 11 periods. Mr. Ulrich commented that additional time is required for stabilization in financial markets; further downside can not be ruled out due to severity of global macroeconomic climate.
4. **Consultant Report** – Mr. Mike Welker and Mr. Joe Bogdahn, Bogdahn Consulting Group, Inc. appeared to give the investment performance review. **Board Member Tim Hart made a motion to accept the Bogdahn Group contract at \$95,000 per year and authorized Chairman Tomlin to sign the contract on behalf of the Board. Motion passed unanimously.** As of December 31, 2008 the total fund assets were approximately \$383,795,000. Net of fees, the total fund returns were 3.9% versus the allocation index of 2.9% for the month of December. For the fourth quarter of 2008, the total fund returned (14.2)% versus the benchmark of (12.5)%. Mr. Welker proposed that at the next board meeting he discuss a reallocation study and perhaps a more in-depth examination of the plan's need for better diversification. It was agreed that the February 24 meeting will be dedicated to this review.
5. **Legal Report** – Mr. Robert Sugarman of Sugarman & Susskind, P.A. presented a legal report to the Board. Mr. Sugarman provided the board with contracts for the Chairman to sign on the securities litigation firms he will work with on behalf of the board. These firms will work on behalf of the board to recoup dollars lost from the trust due to matters related to negligent investments. Mr. Sugarman provided a copy of the proposed resolution relating to the Police Officers' Pension Plan transition of assets from the Employees' Pension Plan. The proposed document is yet to be reviewed by the City Attorney and the other stakeholders. Mr. Sugarman reported that he is working on updating the language in the plan's ordinance regarding the DROP program to better reflect the current practice Retirement Services Staff is applying in the processing of DROP plan participants. The board will be apprised as progress occurs. Mr. Sugarman reported that he will present the board with a collection policy to formally adopt at the next board meeting. Mr. Sugarman recommended our involvement in the International Foundation of Employee Benefit Plans organization. The upcoming conference in November will be held in Orlando and is a great training opportunity considering the proximity to Lakeland. Retirement Services will provide the trustees with the conference information as the summer approaches.



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6. **Director Report** – Director Kerr reported that provisions currently applied toward a member’s pension benefit of accrued time is not recorded in any formal documentation and believes that the actuary may not be accounting for these costs accurately. Ms. Annette Wieck, Pension Benefits Specialist, is examining the application of accrued time of pension benefits for retired members over the last year. This will provide a snapshot of the influence of accrued time on the benefit. Further research may be needed.

Director Kerr presented the board with a budget summary review reflecting costs associated with the trust for the first, second and third quarters of 2008.

Director Kerr provided the board a copy of the Florida Commission on Ethics Handbook.

Director Kerr introduced the idea of formally appointing an investment committee.

7. **Miscellaneous**

Boards and Committees Annual Dinner, March 10, 2009, 6 p.m. at CHGC

8. **Adjournment** – Upon motion the meeting adjourned at 11:50 a.m.

Respectfully Submitted

Approval Date: _____

Signed: _____

Ronald Tomlin, Chairman

Signed: _____

Kerry Charlet, Secretary