MINUTES
CITY OF KISSIMMEE GENERAL EMPLOYEES PENSION BOARD
COMMISSION CHAMBERS – Thursday, February 24, 2022, 9:39 AM

I. **CALL MEETING TO ORDER**

II. **ROLL CALL**

Chris Wilson - Chairman
Craig Holland - Secretary
Beth Stefek – Trustee
Janin Butler – Trustee - Absent
Tony Curtis – Vice Chairman
Rodney Henderson- Trustee
Joe Walk- Trustee - Absent

III. **HEAR THE AUDIENCE** – No one in the audience

IV. **FINANCIAL AGENDA**

Boyd Watterson Asset Management - Casey Wendeln, Deputy Chief Investment Officer presented the GSA fund federal leaded asset (Exhibit "A"). Starting with page 1 which has an overview of their firm. Pages 3 and 4 have the real estate timeline and a review of the executive management. The Federal Billing fund allows the Government to continue to pay us even if we have a shutdown. There is not a lot of competition in the area and page 14 shows that, the research lab spent a lot of time on this. Our target range for the fund is 25M to 125M. On page 18 you have the risk management overview. Last with page 38 you have the summary on why to invest with the GSA fund.

Motion made by Rodney Henderson to approve a 5M allocation with Boyd Watterson and have Scott Christiansen review and approve the documents seconded by Beth Stefek 5-0

AndCo – Dave West starting with page 14 of the December 31, 2021, quarterly report. With the real estate allocation, we are on policy target. My objective is to increase the real estate allocation. We had a market correction in January. On page 22 there was a great start to the December 31, 2021, quarter. Page 24 has the comparative performance trailing returns and on page 26 you have the financial reconciliation quarter to date. On to the flash report page 2 has the current comparative performance trailing returns through January 31, 2022.

Put simply, stasis is not an effective strategy, and we are convicted in our belief that a firm not focused on moving forward in our industry is moving backward. In closing we are coming into uncertain times with this morning events.

GRS – Trisha Amrose Gabriel, Roeder, Smith & Company Actuary presented the October 1, 2021, Actuarial Valuation Report. An overview was given indicating that the Plan was in good shape due to the funding level and cost level. The funded ratio in total is 90.3% as of October 1, 2021 (up from 86.7% last year). This is based on the actuarial (smoothed) value of assets. The funded ratio is 99.5% using the market value of assets. The overall required contribution is under 20% of payroll and has been in a pretty tight range since the 2013 actuarial valuation (between 17.74% and 21.51% of covered payroll over the last nine valuations). These metrics are based on the actuarial assumptions adopted in connection with the Experience Study performed in 2020, including a 7% investment return assumption which we are continuing to monitor.

The details of the valuation report were discussed. This report determines the required contribution for the fiscal year ending September 30, 2023. The required contribution for City employees decreased from $3.8 million for FYE 2022 to $3.6 million for FYE 2023. The required contribution for Toho employees decreased from $1.5 million for FYE 2022 to $1.3 million for FYE 2023. The decrease in the required contributions for both the City and Toho is primarily due to investment gains. The investment return on the actuarial (smoothed) value of assets was more than expected (9.8% actual return vs. 7% assumed return). The return on the market value of assets was 21.5%, and a portion of the excess above the assumed 7% was recognized in the smoothed value this year, and the rest is unrecognized investments gains that will be recognized over the next few years.

There was discussion of the level of future required contributions. The level of future required contributions will be largely dictated by the investment returns generated by the Plan. One thing we know about the level of future required contributions is that the smoothed value of assets is lower than the market asset value by $14.5 million as of October 1, 2021. This represents unrecognized investment gains which will be gradually recognized over the next few years. We just don't know if there will be more gains to add to them or offsetting losses. The $14.5 million of unrecognized investment gains will help to act as a cushion if there is adverse experience.

There was discussion regarding the investment return assumption. The rate was lowered to 7% in the 2020 report after the Experience Study was prepared. We agreed to monitor this assumption and discuss it each year. There was discussion about targeting 6.25% or 6.5% for the assumption, with the possibility of doing a similar phase-in approach as was done previously to get from 7.5% to 7%. The Board discussed revising this valuation report to use a 6.8% investment return assumption.

Motion made by Beth Stefek to revise the October 1, 2021, Actuarial Valuation Report to use an investment return assumption of 6.8% seconded by Craig Holland 5-0

Another item was discussed by the actuary regarding the Tier 2-member contribution rate. This year is a re-evaluation year for the Tier 2-member contribution rate, as the ordinance states that it must be analyzed every three years. The Tier 2 rate was set to 7.5% in the last analysis three years ago, and based on the analysis performed this year, it is remaining at 7.5%. Scott Christiansen stated that it is not necessary to amend the ordinance since the rate is unchanged, but the results should be noted in the Plan's records. The actual cost to the plan is 8.37%.

V. **ADMINISTRATIVE AGENDA**

Approval of the November 16, 2021, Minutes

Motion made by Beth Stefek to approve the November 16, 2021 minutes seconded by Craig Holland.

Approval of the December 14, 2021, Minutes

Motion made by Beth Stefek to approve the December 14, 2021 minutes seconded by Craig Holland 5-0

Approval of the 1st Quarter Expenses (October, November, and December 2021)

Motion made by Craig Holland to approve the 1st Quarter Expenses seconded by Beth Stefek 5-0

Approval of the 1st Quarter Retirements, DROP, for (October, November, and December 2021) and the return of contributions.

Motion made by Beth Stefek to approve the 1st Quarter Retirements, Drop, and the return of contributions seconded by Craig Holland 5-0

VI. **HEAR THE ATTORNEY** – Scott Christiansen reminder to add to the agenda to select the Officers of the Board. The members from the St Cloud water department will be moved to the Toho Water Authority as I understand it, they will be able to stay in the St Cloud pension plan that won't have an impact on this plan. Marlene (Madison) Cannon was a previous employee with the housing department. When the housing department was moved to Osceola County, she was allowed to stay with the city pension plan. She has now moved to another position within the County. When the County tried to move her to the FRS the FRS informed her that because she previously chose to stay with the City pension that decision was irrevocable, and she would need to stay on the City pension plan. I sent this information to the City Attorney Olga Sanchez de Fuentes and the City Manager for their review. Olga's option was that the interlock agreement did not refer to her having to stay within the same position in the housing department. Therefore, Marlene Cannon may remain on the City pension plan as long as she remains with the County.

VII. **OLD BUSINESS** – Mike Steigerwald City Manager for the City of Kissimmee, I previously accepted the invitation for the June 7, 2022, pension meeting, to discuss the consideration of the 30 year and 55 plus drop options. As a member who would be eligible for that benefit, I thought it would be inappropriate for me to attend. I will request that either the Deputy City Manager or the Finance Director attend instead.

VIII. **NEW BUSINESS -** none

IX. **ADJOURN MEETING** 11:25

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Vice Chairman – Tony Curtis

ATTEST: ______________________