[[***THE FOLLOWING SUMMARIZED MINUTES WERE CONDUCTED IN PUBLIC SESSION. THERE WAS NO PORTION OF THE MINUTES THAT WERE IN EXECUTIVE SESSION.***]

A regular meeting of the Board of Trustees of the Fire and Police Disability and Retirement Fund was called to order on the 21st day of March, 2017 at 1:30 p.m.

Board Members Present Included:

Chairperson Jennifer Cooperman (Mayor's Designee)
Citizen Trustee Justin Delaney
Police Trustee Brian Hunzeker
Fire Trustee Jason Lehman
Citizen Trustee Catherine MacLeod

Board Members Absent Were:

None

Also Present Were:

Samuel Hutchison, FPDR Director
Kimberly Mitchell, FPDR Claims Manager
Stacy Jones, FPDR Finance Manager
Franco Lucchin, Deputy City Attorney
Lorne Dauenhauer, FPDR Outside Legal Counsel
Crystal Viuhkola, FPDR Police Liaison
Hank Kaplan, Attorney
Nelson Hall, Attorney
Alan Fershweiler, President, PFFA
Isaac McLennon, PFFA
Ty Walthers, Retired Fire Member
Del Stevens, Retired Fire Member
Dave Short, Retired Fire Member
Joe Gymkowski, Retired Fire Member
Anil Karia, Attorney
Larry Fellows, Fire Liaison

Jennifer Cooperman called the meeting to order. Trustee Cooperman is the City Treasurer and also the Mayoral designee to chair the FPDR Board meetings in the Mayor's absence. Chairperson Cooperman then asked for a motion to approve the minutes if there were no corrections or objections.

Trustee Delaney made a motion that was seconded by Trustee MacLeod and unanimously passed to approve the minutes of the January 24, 2017 Board meeting.

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Aye	*Chairperson Cooperman, Trustee Delaney, Trustee Hunzeker, Trustee Lehman, Trustee MacLeod*
Nay	*None*
Abstain	*None*
Absent	*None*

Introduction of visitors in attendance at the meeting was then made. There were no general public comments.

Action Item No. 1 – Resolution No. 515

FPDR Finance Manager Stacy Jones explained that the FPDR has a contract with Milliman, Inc. to provide biannual plan valuations and tax levy adequacy analyses, annual accounting schedules, plan experience studies, domestic relations order calculations, and other general actuarial consultation and advisory services. Stacy explained that Milliman, Inc. was awarded the contract through the City's RFP process in 2013. Stacy explained that the contract was for a four-year period that will be expiring on March 31, 2017 and that Resolution No. 515 would extend the contract for another four years and would increase compensation for an additional $325,000. Stacy also stated that Milliman has been timely, has adapted to changing schedules, has developed a particular expertise with the FPDR tax system, are also PERS' actuary, and have an outstanding working relationship with FPDR's partners (external financial auditors, City staff at OMF). Stacy added that the only substantive change in terms of the work scope was for Milliman to submit the GASB schedules in a two-week turn around instead of a one-month turnaround. Stacy also thanked Trustee MacLeod who helped evaluate the contract amendment.

Trustee Delaney made a motion which was seconded by Trustee Hunzeker and unanimously passed to approve Resolution No. 515.

Aye	*Trustee Cooperman, Trustee Delaney, Trustee Hunzeker, Trustee Lehman and Trustee MacLeod*
Nay	*None*
Abstain	*None*
Absent	*None*

Action Item No. 2 – Annual Adjustment Review

Stacy explained that the purpose of a COLA is to prevent or limit the erosion of purchasing power and that a dollar today is not the same as 30 years ago. Stacy explained that FPDR has two kinds of retirees: FPDR One's and FPDR Two's. FPDR One's are those members mostly retired by the middle of 1991, they are an older group and their

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COLA is explicitly defined in City Charter. Stacy explained that there was no decision for the Board to make with regards to FPDR One COLAs as they get the percentage increase that is in step with the percentage increase in wages that an active duty firefighter or police officer would receive. Therefore, on July 1, 2017 FPDR One Police will receive a 5.2% increase as a result of a 3 percent raise in the new PPA contract, plus the July 1, 2017 COLA of 2.2 percent. Stacy explained that the increase for FPDR One Fire is yet unknown as PFFA has been operating without a contract since June 30, 2016.

With respect to FPDR Two members, Stacy stated that FPDR Two members were mostly retired since 1991. Stacy explained that the Board has broad discretion over the timing and amount of the FPDR Two benefit adjustment, with the exception that it cannot exceed the PERS COLA rate. Stacy went over the history of FPDR Two COLA and explained that the FPDR Board has, for the most part, followed the PERS methodology. However, in July 2016, PERS came up with a new method, and the FPDR Board decided to apply a modified PERS method instead.

Stacy then went over the modified PERS method and stated that it was also the staff recommendation. Stacy added that the modified PERS method was consistent with last year, maintains a connection to the PERS method and avoids a COLA that declines each year for individuals who retired post-2013.

<u>Public Comment</u>:
Joe Gymkowski addressed the Board and questioned if FPDR has a modified COLA plan that is different than PERS, would that make FPDR subject to an ETOB test.

Director Hutchison responded that FPDR staff has spoken with PERS to understand their system and as far as ETOB is concerned, if FPDR goes lower than PERS, that may prompt an ETOB test. However, the modified PERS methodology is more generous than PERS so it would not trigger an ETOB test. Joe Gymkowski also had a question about Resolution No. 510 that was adopted at a prior meeting regarding Tax Anticipation Notes (TANs). Joe Gymkowski stated that the resolution stated that it borrows from the General Fund to pay the bond off. Stacy explained the TANs process, why they use it and that the General Fund is never involved in repaying those notes back.

Attorney Hank Kaplan appeared on behalf of the PFFA and just wanted to underscore one of the things Stacy said which is that there is value in adopting a stable approach. Attorney Kaplan added that the actions of the Board have been the subject of litigation outside their forum and to the extent the Board can take the attitude of adopting a stable approach, it will help alleviate some of those issues. Attorney Kaplan also humorously noted that the Milliman contract cap is 2 percent per year, so obviously the FPDR has difficultly living within a constraint less than 2 percent and the fact that retirees have to deal with the same cost of living increases that the FPDR does in obtaining its services.

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Chairperson Cooperman stated there is value in stability not only for members but for the plan itself and appreciated Stacy's presentation going over reference points for the plan and the levy rate.

Trustee MacLeod agreed that COLA is a very valuable benefit and also a very expensive benefit and acknowledged that needs to be taken into account. However, Trustee MacLeod stated the PERS $60,000 threshold doesn't make sense and felt like a back door way of insidiously lowering COLA without actually saying you're lowering it. Trustee MacLeod added that the fact that the modified PERS method is more stable, the new PERS method is more complex and Tier Two members don't really have a meaningful defined contribution type of account balance that can help them weather inflation increases, all go to the fact that 1.25 COLA across the board for post-2013 service does not seem extreme in any means and seems like it was meant to be built into the benefit from the get go and should be supported.

Trustee Lehman felt that modified PERS is a good thing but stated that moving forward COLA benefits are going to be reduced and asked that they keep an eye on it and if there is a way to protect or enhance buying power for members, they should look at it.

Trustee Delaney made a motion which was seconded by Trustee Lehman and unanimously passed to apply the modified PERS COLA formula for the next 12-month period effective July 1.

Aye	*Chairperson Cooperman, Trustee Delaney, Trustee Hunzeker, Trustee Lehman and Trustee MacLeod*
Nay	*None*
Abstain	*None*
Absent	*None*

The Board thanked Stacy for her presentation before moving on to the next agenda item.

Information Item No. 1 – FPDR Updates

Director Hutchison provided an update on the FPDR member portal and stated that it was formally rolled out 2 weeks ago and 290 people have already signed up to use the portal. With the portal members can log in and see information about benefits, make changes and also look at biographical and demographical information.

Director Hutchison also provided an update on the legislative agenda and went over the type of bills that are monitored:

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- Workers compensation. Sometimes workers' compensation bills apply to FPDR. In addition, Director Hutchison looks at trends in workers' compensation.
- Retirement benefits. Looking at bills that may be directed at PERS and anything that would impact FPDR 1 or 2 plans. Director Hutchison also went over the tax offset benefit.
- PERS (OPSRP) bills. FPDR pays OPSRP contributions to the City so FPDR is watching bills relating to OPSRP. Director Hutchison explained a bill regarding workers' compensation service credit for OPSRP members.
- FPDR funding. Director Hutchison stated there are a couple of bills that could have significant impact on FPDR. One bill is about prefunding of retirement benefits outside of PERS and the other relates to property tax reform.

  First, the legislature has proposed a constitutional amendment that would require property taxes to be levied on a properties real market value. This increase in the property tax base would be offset by a homestead exemption. FPDR has three concerns with this bill. First, the bill provides a cap on the tax levy rate but the bill is not clear on what FPDR's cap would be. It could be the maximum rate of $2.80 defined in the City Charter or $1.19, the rate used by FPDR this year. This needs to be clarified in the bill.

  Second, the homestead exemption amount is to be set by statute, not be the constitution. If the exemption is too high, the tax base could be reduced to such a degree that compression becomes a significant issue that the FPDR may not be able to levy sufficient funds to pay benefits.

  Third, the Randy Leonard provision. Director Hutchison explained that Randy Leonard helped write Measure 50 and had a provision added to that measure that separates FPDR and the City as two tax entities. Director Hutchison stated that it looks as if that provision has been thrown out in a proposed bill and if passes, would lump FPDR with the City as a single tax entity.

Director Hutchison stated that he would provide an update on the bills at the May board meeting. Trustee Delaney asked that the Board be provided any letters sent regarding pending legislation and also be kept updated on PERS legislation, particularly for OPSRP members.

<u>Information Item No. 2 – Future Meeting Agenda Items</u>

Director Hutchison stated that approval of Tax Anticipation Notes and legislative update will be items on the May meeting agenda.

<u>Information Item No. 3 – FPDR Summary of Expenditures</u>

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There was no discussion on this Information Item.

There being no further business, the meeting was adjourned at 3:07 p.m.

Samuel Hutchison
Director

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