

**Howey in the Hills Police Pension Board Meeting  
May 11, 2021**

**Board Members Present:** Chief Rick Thomas - Chairman  
William Herrington – Secretary  
Trey Purser  
Lieutenant George Brown

**Board Members Absent:** Clay Ormsbee

**Others and Members of the Public:** Mrs. Francesca Sabatini (attorney with Stone & Gerken)  
Mr. Sean O’Keefe (Town Finance Manager)

Chief Thomas called the meeting to order at 4:00 pm. The meeting agenda is attached.

Chief Thomas requested a motion for approval for the 4 February 2021 meeting minutes. Mr. Purser moved for approval and Lt. Brown seconded the motion. The motion carried unanimously.

Chief Thomas requested a motion for approval of the 23 February 2021 meeting minutes. Lt. Brown moved for approval and Mr. Purser seconded the motion which carried unanimously.

Chief Thomas noted that the Investment Reports had been sent to each Board member electronically. Mr. Herrington reported that the investment returns for the first six months on the fiscal year 2021 were 14.78 percent which exceeds the assumed return of 6 percent annually. This bodes well for maintaining the funding status of the Pension Fund and for lowering the minimum required contribution by the Town.

Ms. Sabatini reported that proposed revisions to the plan were submitted to the Town. These revisions would allow the Chief to opt out of the plan, would allow for in service distributions upon attainment of retirement age and a change in the age for required minimum distribution pursuant to the SECURE Act. The state declined to approve the plan revisions as the revised plan does not comply with the state definition of retirement and additionally failed to comply with some IRS requirements. Ms. Sabatini recommended that Town consider adoption of the Florida League of Cities (FLC) DROP plan. Adoption of the FLC DROP Plan would relieve the Town of the expenses associated with modifying the plan whenever legislation changed.

Ms. Sabatini noted the Legislative session has ended and there were no changes that would impact the Police Pension Plan.

The Chief requested that Ms. Sabatini bring the FLC DROP plan to the next meeting.

Mr. Herrington noted that he received an email from Jeremy Langley on 29 March advising that the proposed Opt-Out revisions to the plan would not be approved by the State. Mr. Herrington expressed concern that the Police Pension Board had expended considerable time and money (legal fees and actuarial opinion) addressing revisions to the plan that was not viable from the start and it appeared that better communications between the Town and consultants would have avoided several thousand dollars in expenses.

Mr. Herrington commented that a recent presentation in the Annual Police Officer's and Firefighters Pension Conference (2016) by a Gray Robinson attorney noted that IRS rules preclude any governmental pension plan from containing a Cash or Deferred Arrangement (CODA). WHH noted that he suspects this is the reason the proposed plan revisions could not be approved.

The Police Chief noted that he was not in agreement with the opinion rendered by Mr. Langley and would like to discuss the questions posed by Mr. Langley that resulted in the decision that the plan would not be approved.

Mr. Herrington also noted that in further communications with Mr. Langley, it was determined that if the Chief could opt-out of the plan, then the Town would not have to make any future contributions to fund the Chief's retirement plan since it would be frozen as of the date of the opt-out. Mr. Herrington noted that this would reduce the Town's minimum required contribution by about \$15,000 per year which is significant when compared to the current minimum required contribution of about \$75,000. Mr. Herrington noted he believed that this information was an important consideration as the Board considered adopting the revisions and was disappointed this information was not brought forward by the Town's consultants.

Mr. O'Keefe enquired why the Plan was pursuing the opt-out plan as opposed to a DROP. The Chief responded that the Florida statutes allow for the Chief to exercise an Opt-out.

Under old business, the Chief opened the discussion of a DROP Plan for the Howey in the Hills Police force. Following some discussion, Mr. Herrington asked why would the Town adopt a DROP plan when no one in Howey was eligible to participate. Mr. Herrington questioned several other town managers and felt that in general they were not supportive of a DROP plan. The Chief advised that since the DROP plan tends to extend the length of service it relieves the burden of acquiring new officers which is becoming increasingly difficult. Lt Brown also noted that he felt a DROP plan would be viewed favorably by new hires.

The Chief solicited a motion to approve a DROP Plan. Lt. Brown moved for the Town to adopt a DROP Plan. The motion failed for lack of second. The Chief moved that a DROP Plan be tabled and reconsidered in the future. Mr. Herrington seconded the motion which carried unanimously.

Lt. Brown expressed his concern that a DROP plan diminished the perceived compensation to the Town's police officers. He noted that State plans include both DROP and COLA's. Mr. Herrington noted that he believed a DROP did not increase the compensation to police officers but merely shifted the timing of the payment. He stated that the present value of payment was approximately equal.

The Chief noted the Audit was delayed because of a typo but will be complete by the end of the weeks.

The Chief noted that the actuarial report should be approved by the Board. Mr. Herrington moved for approval of the actuarial report, Mr. Purser seconded the motion which carried unanimously. The Chief advised that the annual report is complete but is awaiting the audit which needs to be included with the annual report.

The Chief announced that two officers have announced their departure and will be withdrawing their contributions to the Police Pension Plan

The Chief reported the following items on the consent agenda:

- Stone & Gerken PA, 506.25, legal fees
- Stone & Gerken PA, 1631.25, legal fees
- Florida Municipal Pension Trust, \$1425.00, GASB 67/68 reports
- Florida Municipal Pension Trust, \$5625.00, Actuarial Evaluation
- Stone & Gerken PA, 5850.00, legal fees
- Florida Municipal Pension Trust, \$412.50, no impact letter

Upon motion to approve by Mr. Purser and seconded by Lt. Brown, the consent agenda was approved unanimously.

The Chief solicited Board member comments.

Mr. Purser had no comments.

Lt. Brown noted at the prior meeting, the consideration of a DROP plan was tabled to allow additional time to research the issue and again the issue has been tabled. He requested that Board members be prepared at the next meeting to discuss DROP plans so that consideration of a DROP plan can be addressed.

Mr. Herrington advised that since 2011 the Leroy Collins Institute at FSU has monitored and issued grades for most of Florida’s municipal pension plans. The Institute uses five measures to assess the financial condition of public pension plans in Florida. These are:

1. Funded Ratio (max points: 2.5)
2. Unfunded Actuarial Accrued Liability Relative to Active Payroll (max points: 1.0)
3. Annual Contribution Relative to Active Payroll (max points: 1.0)
4. Assumed Return on Asset Investments (max points: 0.5)
5. Employee Contribution Levels (max points: 0.5)

Although most of Florida’s public pension plans were included in the study the Howey Police Pension fund was not included. The latest report included the scale used to assign the points for each factor which allowed Mr. Herrington to grade the Howey Police Pension Fund. The results are as follows:

<b>Leroy Collins Institute Performance Indicators</b>		<b>Howey Police Plan</b>	<b>Possible Points</b>	<b>Howey Plan Points</b>
1	Funded Ratio >100%	120%	2.50	2.50
2	Unfunded Liability s as % of Payroll <100%	0%	1.00	1.00
3	Contribution as % of Payroll < 20%	22%	1.00	0.50
4	Assumed Rate of Return <7.60%	6.00%	0.50	0.50
5	Employee Contribution Level 5% or >	5.00%	0.50	0.50
		<b>Total</b>	<b>5.50</b>	<b>5.00</b>

The Institute assigned a letter grade based on the number of points awarded for each factor based on the following table.

**Total Points Assigned Grade**

4 to 5.5	A
3 or 3.5	B
2 or 2.5	C
1 or 1.5	D
0 or 0.5	F

Only 28 percent of the public pension plans survey were awarded an “A” grade. Mr. Herrington estimates that the Howey Police Pension Fund awarded point total was in the top 7 percent of the plans surveyed and commended the Chief and other Board members for the excellent results.

Mr. Herrington also noted that since the Town budget process will begin soon, that the budget should reflect that Town's contribution rate has declined to 22.68 percent of Police payroll from over 27 % currently.

The Chief solicited comments from Mr. O'Keefe. Mr. O'Keefe noted he was focusing on retaining employees. He was reviewing various alternatives for improving the Town's health plans.

The Chief advised that there would be a Pension Conference this year although the location has not been determined. Prior years conferences were cancelled due to Covid 19.

There being no further business and a motion to adjourn was made by Mr. Purser, the Chief adjourned the meeting at 4:50.

Respectfully Submitted,

A handwritten signature in blue ink, appearing to read 'William Herrington', is written over a light yellow rectangular background.

William Herrington  
Secretary