SUNRISE POLICE OFFICERS' RETIREMENT BOARD
13790 N.W. 4th Street, Suite 105
Sunrise, FL 33325
March 06, 2014
1:00 P.M.

Call to Order
On behalf of the Board, Mr. Dave Williams called the meeting to order at 1:26 P.M.

Public Discussion
None

Roll Call
Present were Mr. Michael West – Chairman, Mr. William Bettencourt – Secretary, Mr. Eric Goldstein & Mr. Roger Torres

Absent & Excused
Mr. Lou Berman

Others Present
Also present were Mr. Dave Williams - Plan Administrator, Mrs. Patty Ostrander - Recording Secretary, Mr. Ron Cohen – Board Attorney, Mrs. Richelle Levy – Ronald J. Cohen, P.A., Mr. Alan Cohen – City Manager (arrived at 1:26 P.M. and left at 2:20 P.M.), Mr. John McCann – Thistle Asset Consulting, Mr. Mr. Jeff Amrose & Mrs. Trisha Amrose – Gabriel Roeder Smith and Ms. Kelly Scapecchi - City of Sunrise.

Approval of minutes
Motion to approve minutes of February 06, 2014 - tabled.

Approval of Payables
Motion to approve payables of 02-07-14 through 03-05-14 – tabled.

Attorney's Report
No report.

Report to City Manager
Mr. Cohen apologized for being late to the meeting.

Average Final Compensation (AFC) & 300 hours – Mr. Williams introduced Mr. Amrose & Mrs. Amrose of Gabriel, Roeder, Smith and Co. Mr. Amrose explained the process of determining the AFC. Mr. Williams provided a historical perspective for the Benefit of Mr. A. Cohen and stated that the ordinance changed in approximately 2001 from the best three consecutive to the best three individual years. It was learned that the City was not complying with the Ordinance when calculating the AFC. Apparently, the Finance Department was still calculating the AFC based on consecutive years of pay. Mr. Williams acknowledged that the consecutive three years and the best three years may be one in the same; the Board needs absolute assurance and compliance with the Ordinance. The Board has been trying to ascertain how many people this has may have impacted. As such, Mr. & Mrs. Amrose were engaged to audit how the Finance Department derives the AFC. The on site review found three issues.

1: Issue - Under the City's methodology; the highest three-year total of earnings is first calculated using unadjusted salaries. After the highest total is selected, there are several adjustments that are made to the earnings to account for retro pay and other pay adjustments, and a proration is made to ensure the total represents exactly three years. If the selection of the three best years of earnings were made after these adjustments rather than before, the highest three-year total of earnings could be different. Recommendation - We recommend that the determination of the highest three-year total be performed using earnings that already reflect the pay adjustments.

2: Issue – Under the new methodology, the City develops the highest non-consecutive three year total of earnings by first selecting the greatest 12-month total, then manually selecting the next two greatest non-overlapping 12 month totals. Recommendation - We recommend that a computer program be developed to perform this determination.

3: - Issue – In the sample study of Mr. Eddy Marrill, Mr. Amrose was able to select an AFC greater than provided by the Finance Department just by visually reviewing the reported final AFC and a prior AFC provided by the Finance Department. Recommendation - We recommended that the City provide the data for Eddy Marrill as soon as possible so that we can calculate the correct AFC for him and determine his final benefit amount.
Mr. A. Cohen wanted clarification on the adjusted pay. He stated that the only thing he was aware of was the fact that Gabriel, Roeder, Smith and Co. (GRS) may not have all the information of the payroll adjustments. If raw data is provided, it might not necessarily show you that monies were retroactive. Mr. A. Cohen stated that "the bottom line is the money we are talking about is the officers' money, not our money so there is no reason why we would want to hold it back." The Officers should get what they are entitled to get. Mr. A. Cohen wholeheartedly agrees with Mr. Amrose. Mr. A. Cohen stated that he was able to convince the Commission last year to reserve significant monies for IT and in bringing forward a new timekeeping system in the next few months. The program is called Chronos, which is well respected nationally by agencies all over the country. He is hoping to buy the Public Safety packet with it as well. Unfortunately things take time when working with the government. Mr. A. Cohen told Mr. Amrose that he is welcome to come in and sit next to the City employees and look at the same information. Mr. Amrose stated that he has done that. Mr. Amrose has offered to do the calculations however, they need everything – the raw data, retro pay, etc and they will be happy to do it. From that point, they can develop a program and do it themselves, however it seems like what he is hearing is that the City is working on getting rid of the archaic program and developing a new program. Mr. A. Cohen agreed and said that new changes will be seen. Mr. A. Cohen mentioned that a new director is coming in next week who is focused on motivation. Ms. Minal Shah will be a Director of Finance and Administrative Services. Ms. Toebe is retiring this week. Mr. A. Cohen stated that Ms. Shah takes a lot of pride in the work that she does professionally and makes sure things are done right the first time. He further stated that it is going to take a little while to work out some bugs, but we will get there. Mr. Amrose stated that the quicker this can be addressed, the better because we are going back to some retirees who are already receiving money. Mr. Williams stated an example which has been going on since March 2013 and we still don't have a calculation for him. This guy has not been able to make a decision, not been able to establish a DROP account, etc. He is essentially in the DROP but has no idea what his true benefit is. Mr. Williams stated that we asked for the electronic payroll for him in any format and Mr. A. Cohen stated that he does not think that they have it electronically. Mr. Williams disagreed because paychecks are being issued. Mr. A. Cohen stated that the City is still using time cards, etc. Mr. Williams stated that the data from the time card gets entered into a computer. Our IT representative has been trying for months to communicate with the City IT representatives and they don't even have the courtesy to return phone calls. Mr. A. Cohen said he will look into the matter and see what he can do. Mr. A. Cohen said that he was briefed before this meeting and wasn't aware that the data exists electronically. If it does exist electronically then he will be happy to make sure the Board. Mr. Amrose stated that this one individual is the best place to start. Mr. Williams stated that this is the whole point, let us do our independent review and then Mr. Amrose can get with the Finance Department to reconcile any differences.

Mr. Williams further stated that this Board is approving benefits that they are responsible for and they cannot say are accurate as this juncture.

300 Hours - Mr. Amrose stated that regarding the 300 hours with his Plans when they calculate the AFC you need to begin with pensionable earnings. One of these items is overtime. Most of his plans start the 300 hour clock ticking on January 01st of any calendar year and once 300 hours is reached, there is no more contributions taken out of the paycheck. After you go over the 300 hour mark, you are not charged employee contributions. Mr. Williams interjected that the Board was informed that the City of Sunrise uses fiscal year, but this has not been independently confirmed. Mr. A. Cohen stated that he does not know the answer, but he can find out. Mr. Bettencourt stated that the concern is that the 12 consecutive months that are being used for the calculations don't run exactly concurrent with whatever the Finance Department uses to calculate the 300 hours. If the Finance Department starts in October but the best consecutive 12 months start in April, which might be their first pensionable hour for the calculation but it might be their 60th hour of overtime being counted, so now we are at a cap. Mr. Goldstein interjected that the calendar is not defined as a calendar year. Mr. Bettencourt stated that two separate clocks are ticking. Mr. A. Cohen confirmed that there is a difference between charging someone retirement contribution on overtime and stopping at 300 hours vs. paying actual retirement which still continues during the course of the year regardless. The Board agreed. Mr. Bettencourt stated that the overtime may not count towards the pension. Some of the 300 hours of overtime may be earned before the twelve consecutive month's start. Mr. Goldstein stated that there is no definition of year within our Collective Bargaining Agreement. Since there is no definition of when the year is, the Finance Department predetermined that they are going to use the fiscal year (October 01st – September 30th), so if you earned your 300 hours overtime from October 01st to August 30th, they stop taking out your pension contribution from August to September 30th, but that should still be pensionable because maybe his best year might be January – December or some other time not within that time frame, so we are not getting the overtime taken out of our pension and it is not being calculated towards the pension even though it still may be part of one of the best three years. Mr. A. Cohen stated that he is not a pension expert, but it sounds like we are talking about apples and oranges. He stated that we are the Pension Board and he is still learning. Mrs. Levy stated that she thinks the issue is that if pension contributions are not being taken out, the income is not considered pensionable so the Finance Department would not be submitting that or not including that as part of their AFC, even if the overtime was paid. Mr. A. Cohen restated apples to oranges because over time is still being considered. Mrs. Levy disagreed. Mr. A. Cohen did not understand why. Ms. Scapecchi intervened and stated that the 300 hour overtime is not considered pensionable and they pull it out of the pensionable earnings. Mr. Torres stated that they pull it out with pencil and paper and that is what the Board's concern is. Mr. Cohen stated that it is now applesauce. He asked Ms. Scapecchi if she is saying that the example the Board is giving if they earn 300 hours between October and let's say April, but the year that they use for pension calculations is March – February the following year, then the overtime that is earned beyond April is not even considered as far as AFC? Ms. Scapecchi agreed with the example provided by Mr. A. Cohen. Mr. A. Cohen stated that this is a clear cut issue that he will address. Mr. A. Cohen stated to Ms. Scapecchi that he is not sure why she was given that directive but it is something that he will address. Mr. Goldstein stated that along the same lines in May he earned over time but for whatever reason payroll got it late and he didn't get paid until February of the following year for that overtime. Where will that count in his overtime (earned or paid)? Mr. A. Cohen stated that this will count when it was earned. How that was going to be verified was not shared with the Board.

Real Estate Investing – Mr. Williams introduced Mr. John McCann of Thistle Asset Consulting. Mr. McCann is the Investment Monitor for the Board. It was conveyed that the

Board listens to our consultants & managers & that as a Board, we are striving for the largest return without taking additional risks. Real Estate investing by Pension Plans is done nationwide, it is something that the Florida Retirement System does, and it is done quite well. Real Estate Investment would replace a portion of our fixed income investments. We asked our Attorney to communicate with the City to say here is the data we would like to expand the definition of the ordinance to allow us to invest a small portion of the money into Real Estate and we get a response back "We're not interested" with no explanation, no nothing, just thanks but no thanks. Mr. A. Cohen stated that the City feels that investigating in Real Estate is a risky venture. Mr. A. Cohen reflected the Board can currently invest in REIT's. Mr. A. Cohen feels that just buying a piece of real estate can be speculative, it can be risky and we don't want to take on that risk alone and that is the key word. It is not a matter of right or wrong, it is a matter of this is our perception. Mr. McCann stated that Mr. A. Cohen has the investment idea wrong. Mr. McCann stated that we would be buying with many other clients from Real Estate Investment Managers who own about 65 properties or more all over the United States. Mr. A. Cohen stated that if something happens like it did in 2008, the entire portfolio will tank. Mr. McCann's counterpoint to Mr. A. Cohen was that the rest of the market did also. Mr. A. Cohen said he understands that and he understands how Mr. McCann has it structured is safer than buying an individual property. Nonetheless, he feels that there is a higher level of risk but the City is open to it, if through the bargaining agreement process, there is a willingness to share the risk. Mr. A. Cohen explained that right now, if we experience a loss in the portfolio, the City has to make up 100% of that loss. If this is important enough and you want to invest in Real Estate and share in the risk for that portion of the portfolio, further to share in any of the losses that might take place, they (the City) is very open to it. He thinks that is a very reasonable decision. Mr. West asked Mr. A. Cohen if he can cite any documents that supports the City's stance on this and how it increases the risk and how not to through proper diversification that you actually decrease your risk. Mr. A. Cohen said that he could not cite any studies. Mr. West asked Mr. A. Cohen "when you say the City, you are the CEO of the City, who are they, that you are referring to?" Mr. A. Cohen stated that he has a team of folks that he works with, consults with on financial issues and based on their best advice; he does not pretend to be a financial wiz. Mr. Williams asked Mr. McCann if he could review his study and the actual asset allocation report. Mr. A. Cohen interjected and said that what he is saying is the City is open to this. Mr. Williams asked "What if there are rewards?" Mr. A. Cohen stated that the rewards will go to the Plan. Mr. Williams reiterated that right now the Board does not have to do anything and that the City is responsible for 100% of the liability. Adding up to 10% in Real Estate would further diversify the investments of the Plan. Mr. A. Cohen stated that he understands. Mr. A. Cohen asked how different Real Estate is from buying a REIT Stock. Mr. McCann provided a detailed explanation how volatile the market place can be relative to REIT's vs. REIF's. Mr. McCann distributed a client list that all have Real Estate. These clients are similar to our Plan. Mr. McCann suggested the Board have an opportunity to invite Real Estate Managers to a meeting and decide whether they want to proceed or not. Mr. A. Cohen stated that they are open to giving the Board that opportunity as well under the terms that he expressed. So the option is there if the Bargaining Unit wants to engage in that discussion. Mr. McCann engaged Mr. A. Cohen about his perspective of Real Estate being riskier than the market. Mr. A. Cohen stated that he is happy to look at Mr. McCann's material and maybe his perspective will change over time, but stated that this is our perspective right now. Perhaps, that is more weighted on recent history and maybe as time goes on, maybe that will change. Mr. Williams stated at least Mr. A. Cohen explained it a little more than what we received in the past which was "we are not interested". Mr. Williams said at least we know your position and thanked Mr. A. Cohen. Mr. Bettencourt stated that "Ultimately our goal (City and the Board) want the best performance of the plan, we just have a difference of opinion how best to do that. Mr. Bettencourt expressed his opinions on Real Estate, but spoke about diversification in general – the more diversified we can be, in different asset classes, the more protection we have.

Payroll Deductions for Buybacks – Mr. Williams explained that there is a provision to allow Police Officers to buyback military or police time in the system. However, there is no mechanism to collect the money other than a lump sum payment. What we would like to do is to allow members to do that through payroll deductions over a period of time determined by the Board to allow more members to take advantage of that benefit. Once again, we asked the city in the past and they said they were not willing to participate. Mr. Williams cited that we are all here to do the right thing for the empl0yees and we have a benefit that is not being used right now. Mr. A. Cohen confirmed buyback of military or prior police time. Mr. A. Cohen said “He hasn’t given this a lot of thought so I am speaking off the cuff”. When we were talking earlier about making sure essentially every officer got his due that is specific to the work that they are doing for the City of Sunrise. Now you are talking about enhancing the pension benefit in the long run for the officer based on work that was not done for us that we are going to have to ultimately pay the bill on. Mr. Williams stated that the member is actually paying the bill. Mr. A. Cohen stated that the member is making a contribution to buyback time. Mr. Williams interjected that it is the actuarial accrued value of that time; therefore the member is paying for the full benefit. Mr. A. Cohen said he needs to understand that in greater detail. Mr. Williams stated that the buyback provision is a recruiting tool. When the City brings in people that are already certified, they are reportedly coming to a better place and actually being able to buy time from the other city they came from. The employee is absorbing the cost of that benefit and we are just trying to come up with an affordable way for the officer to buy that time. Mr. A. Cohen said that he will look into it. He needs to understand what impacts there are and you are saying there is none. Mr. Amrose stated that we calculate based on no cost impact on all of their actuarial assumptions. Mr. A. Cohen stated that he understands, it is just that we would essentially be making it easier to access that benefit. He stated that he would be more amenable for considering that assumptions that are being used are more realistic. Mr. Williams stated that the assumptions of the plan are determined by Mr. Amrose and the City’s Actuary, so the assumptions have already been mutually agreed upon. Mr. A. Cohen said that the City’s Actuary is actually going to be having a conversation with Mr. Amrose in the future, we started conversations with one of the other Actuaries and they are going to be reaching out to the Police & Fire Boards next to talk about that. We are trying to right size the assumptions to make them more realistic so that we know what our liability is. Mr. Amrose comes as well to us with proposals. Mr. A. Cohen stated that Mr. Amrose has a sense of direction that we are going in and assumptions are more in line with reality. Mr. Williams stated that an agreement was made many years ago that the two Actuaries get together and in unison determine reasonable assumptions. Mr. A. Cohen reiterated that he is going to look into what our exposure is and then there will be a larger discussion about assumptions. The Board’s position was clear in this matter that they were trying to simply set up a mechanism for payment for a benefit that has been in place for many years and that is being enjoyed in this manner throughout the State of Florida.

DROP Loans – Mr. Williams explained the City allows payroll deductions to repay 457 Deferred Compensation Loans. Members that are in the DROP plan have approached the Board and have asked about DROP Loans which is a permissible item. Similar to the previous discussion, there is no payroll mechanism in place. We are trying to establish a payroll deduction so that members could repay these DROP Loans into our system. Mr. A. Cohen said that this is the first he is hearing of this one so he has no information on this. He asked if an Officer borrows $50,000 from their DROP and then for whatever reason they decide to leave six months later, how do you actually handle this. Mr. Williams said that this becomes a taxable event for them. Mr. A. Cohen asked if this is recognized as income. Mr. Williams said that if they separate service or default on a loan then it become income and is taxable. Mr. A. Cohen said that is pretty similar to the previous item and that we are looking for a payroll deduction mechanism. Mr. Williams agreed and said that the key here is to set up a process where there are internal controls and we know the money will come into the Plan and we can audit. These are things that are done in other cities and we would like it to be reconsidered. Mr. A. Cohen said he is not going to close the door on this or other things. He will make a general statement that at times it is appropriate and other times inappropriate to link these discussions with other items that might be at a different table so to speak. Mr. Williams said that he did not think that we would receive an answer today. We simply wanted an open ear and mind and ask that you give it consideration.

Mr. A. Cohen said that he will look at the particulars and come back to the Board with some more definitive information. Mr. Williams thanked Mr. A. Cohen for coming and told him we appreciate his time. Mr. A. Cohen said he will get us whatever information he can and also let the Board know what direction we want to go with these items. Mr. Williams said that Mr. McCann is willing to speak to Mr. A. Cohen's financial staff.

Open Board Discussion
Mr. Williams asked Mr. Torres if he had an update on speaking with the City Manager regarding the IT. Mr. Torres said that he was told that the City Manager will look into it.

Adjournment - Motion to adjourn at 2:26 P.M. by Mr. Bettencourt seconded by Mr. Goldstein. Carried 4-0.