

**SUNRISE POLICE OFFICERS' RETIREMENT BOARD**

13790 N.W. 4<sup>th</sup> Street, Suite 105

Sunrise, FL 33325

May 08, 2014

10:00 A.M.

**Call to Order**

On behalf of the Board, Mr. Dave Williams called the meeting to order at 10:03 A.M.

**Public Discussion**

None

**Roll Call**

Present were Mr. Michael West – Chairman, Mr. Louis Berman, Mr. Eric Goldstein & Mr. Roger Torres

**Absent & Excused**

Mr. Bill Bettencourt

**Others Present**

Also present were Mrs. Richelle Levy – Board Attorney; Mr. Dave Williams - Plan Administrator, Mrs. Patty Ostrander - Recording Secretary; Mr. Jeff Amrose – GRS; Mr. John McCann – Thistle Asset Consulting; Mr. Janna Hamilton & Mr. Daniel Kallus – Garcia Hamilton; and Ms. Kelly Scapecchi - City of Sunrise.

**Approval of minutes**

Motion to approve minutes of February 06, 2014 & March 06, 2014 by Mr. Goldstein, seconded by Mr. West. Carried 4-0.

**Approval of Payables**

After review and consideration of the payables of February 07, 2014 through May 07, 2014, a motion to approve was made by Mr. Berman, seconded by Mr. Torres. Carried 4-0.

**Attorney's Report**

Mrs. Levy advised the Board that they merged with Rice Pugatch Robinson & Schiller, P.A. Law Firm and presented an Addendum to Professional Services Agreement for approval. Mrs. Levy indicated that there will be no change in cost, service or personnel. Motion to accept and execute the addendum as cited by Mr. Torres, seconded by Mr. Berman. Carried 4-0.

**Actuarial Valuation Report** – Gabriel Roeder Smith

Mr. Jeff Amrose, Board Actuary of Gabriel Roeder Smith came before the Board and presented the September 30, 2013 Actuarial Valuation Report.

The required employer contribution this year compared with the preceding year is as follows:

	For FYE 9/30/2015 Based on 10/1/2013 Valuation	For FYE 9/30/2014 Based on 10/1/2012 Valuation	Increase (Decrease)
Required Contribution	\$ 9,186,463	\$ 8,421,087	\$ 765,376
As % of Contr. Year Payroll	66.45 %	60.61 %	5.84 %
Estimated State Contribution	568,388	568,388 *	0
As % of Contr. Year Payroll	4.11 %	4.09 %	0.02 %
Net Employer Contribution	8,618,075	7,852,699	765,376
As % of Contr. Year Payroll	62.34 %	56.52 %	5.82 %

*\*We have updated the amount shown in the October 1, 2012 Actuarial Valuation Report to reflect the State contribution received in August 2013.*

Mr. Amrose outlined the required contributions developed in the Valuation as a percentage of payroll, including the salaries of members who are participating in the DROP as of October 01, 2013. The table below exhibits his presentation.

	2013 Valuation	2012 Valuation
Required Contribution	51.46 %	47.15 %
Estimated State Contribution	3.18 %	3.18 %
Net Employer Contribution	48.28 %	43.97 %

Mr. Amrose cited that the contributions developed in this Valuation have been calculated as though payments are made at the end of each bi-weekly pay period. If the contribution for the fiscal year ending September 30, 2015 is paid on October 01, 2014, the net employer contribution is \$8,265,547 or 59.79% of covered payroll.

Further stated, the required employer contribution has been computed with the assumption that the amount to be received from the State will be equal to the amount received in the previous year which was valued at \$568,388. If the actual payment from the State falls below this amount, then the employer must increase its contributions by the difference.

Mr. Amrose advised the actual contributions for the last year were \$6,863,371 from the City, plus \$568,388 of annual state revenue, for a total of \$7,431,759. The total annual required contribution was \$7,431,759 reflecting an expedited payment schedule.

Mr. Amrose advised that there were no revisions to benefits since the last evaluation.

Mr. Amrose also advised that this valuation reflects the following changes and assumptions since the prior Actuarial Valuation:

- The assumed investment rate of return has been lowered from 8.1% to 8.0%.
- Starting with our October 1, 2009 Actuarial Valuation Report, the mortality table was updated from the 1983 Group Annuity Mortality Table to the RP-2000 Combined Healthy Participant Mortality Table using Scale AA after 2000 to reflect future mortality improvements. The change in the mortality rates is being phased-in over five years, this being the fifth and final year.

Mr. Amrose indicated the assumption changes recognized in this valuation have increased the required employer contribution by 2.72% of covered payroll.

Mr. Amrose outlined the Actuarial experience as follows:

There was a net actuarial gain of \$1,666,097 since the last valuation which means that actual experience was more favorable than expected. The gain was primarily due to investment returns greater than the 8.1% assumed rate and lower than expected salary increases. The investment return was 11.3% based on market value of assets and 9.8% based on actuarial value of assets. The actual average salary increases were 3.8% and the assumed increases were 6.3%. The net gain caused the required employer contribution to decrease by 1.02% of covered payroll.

The funded ratio was also discussed by Mr. Amrose. This year's funded ratio is 57.6% compared to 54.9% last year. The funded ratio was 58.9% before the changes in assumptions. The ratio is equal to the actuarial value of assets divided by the actuarial accrued (past service) liability.

An analysis of the change in employer contributions was also outlined as follows:

The components of change in the required Employer contribution are as follows:

Contribution Rate Last Year	56.52 %
Experience (Gains) or Losses	(1.02)
Revision in Assumptions/Methods	2.72
Amortization Payment on UAAL	4.35
Normal Cost Rate	(0.06)
Administrative Expense	(0.15)
Change in State Contribution Rate	(0.02)
Contribution Rate This Year	<u>62.34</u>

The following participant data was also provided by Mr. Amrose:

PARTICIPANT DATA		
	October 1, 2013	October 1, 2012
<b>ACTIVE MEMBERS</b>		
Number of non-DROP members	135	139
Number of DROP members	35	35
Covered Annual Non-DROP Payroll	\$ 13,292,908	\$ 13,359,510
Average Annual Non-DROP Salary	\$ 98,466	\$ 96,112
Total Payroll Including DROP Members	\$ 17,318,913	17,325,480
Average Age (Non-DROP Members)	38.0	37.4
Average Past Service (Non-DROP Members)	10.5	9.9
Average Age at Hire (Non-DROP Members)	27.5	27.5
<b>RETIREES, BENEFICIARIES &amp; DROP</b>		
Number	122	118
Annual Benefits*	\$ 6,114,626	\$ 5,781,402
Average Annual Benefit	\$ 50,120	\$ 48,995
Average Age	57.9	57.2
<b>DISABILITY RETIREES</b>		
Number	8	8
Annual Benefits	\$ 341,925	\$ 339,113
Average Annual Benefit	\$ 42,741	\$ 42,389
Average Age	51.4	50.4
<b>TERMINATED VESTED MEMBERS</b>		
Number	1	1
Annual Benefits	\$ 30,627	\$ 30,627
Average Annual Benefit	\$ 30,627	\$ 30,627
Average Age	44.1	43.1

\* Does not include deferred supplemental benefits for DROP members.

After fielding questions from the Board, a motion to accept the Actuarial Valuation Report as presented by Mr. Torres. Seconded by Mr. Berman. Motion carried 4-0.

Mr. Amrose indicated that he would like to have discussions with Mr. Tierney, City Actuary to review the assumptions. Mr. West concurred and by consensus the Board agreed and directed Mr. Amrose to proceed.

Mr. Amrose outlined the new GASB 67 requirement for future valuations. As this will be additional work. Mr. Amrose asked the Board to sanction the work. Motion by Mr. Goldstein to direct Mr. Amrose to proceed with the required GASB 67 report, seconded by Mr. Torres. Motion carried 4-0.

### **Garcia Hamilton – Balanced Account Report**

Mrs. Janna Hamilton & Mr. Daniel Kallus indicated that as of March 31, 2014, the Balanced Account portfolio had a market value of \$32,287,928.62. Our asset allocation was 41.4% in equities, 54.5% in fixed assets and 4.0% in cash. The total gross quarterly performance was 0.1%. Equities returned -1.8% compared to the Russell 1000 which had 1.1%. The Fixed Income fund returned 1.6% compared to the Barclay's Capital Int. Gov/Credit, which returned 1.0%.

Market Review: For the quarter, stocks delivered modest returns - S&P 500 up 1.8%, Russell 1000 Growth up 1.1%. While high beta momentum stocks led during January and February, March witnessed a rotation into more defensive areas of the market. Commodity stocks (oil, metals, grains, etc.) rallied after lagging in 2013. Utilities, Energy, and Health Care were leaders while Consumer Discretionary and Telecom were laggards. Market outlook remains constructive based on reasonable stock valuations, an accommodative Federal Reserve, and high single digit corporate earnings growth expectations

Mr. Williams congratulated Garcia Hamilton on receiving the Fixed Income Manager of the Year which was awarded by Institutional Investor. The Board echoed Mr. Williams's sentiment.

### **Mutual of America - Quarterly Investment Report**

No report.

### **Thistle Asset Consulting – Quarterly Investment Report**

Mr. John McCann advised that as of March 31, 2014 the total fund was valued at \$106,870,000. He indicated the total asset allocation for the portfolio was 29.5% in large cap equities, 35.0% in fixed income, 10.7% in small cap equities, 12.8% in mid cap equities, 8.6% in international equity and 3.5% in cash. The manager allocation was 4.5% for Vanguard, 4.2% for Wentworth Hauser, Violic 49.2% for Garcia Hamilton, 12.8% for Mutual of America, 17.3% for Ceredex, 11.9% for Kayne Anderson Rudnick and 0.1% for Cash. For the quarter ending March 31, 2014, the total portfolio returned 0.75% compared to the benchmark of 1.77% placing it in the 99<sup>th</sup> percentile. For the trailing year, the portfolio returned 12.37% compared to 12.55% for the benchmark or in the 80<sup>th</sup> percentile. For equities, the fund returned 0.20% for the quarter compared to the benchmark of 2.0% or the 99<sup>th</sup> percentile. For fixed income, the fund returned 2.06% for the quarter compared to 1.31% for the benchmark or the 90<sup>th</sup> percentile.

On a fiscal year basis the total fund returned was valued at 6.81% vs. the Benchmark of 7.17%. Mr. McCann reflected we are well on our way to attain or surpass our assumed rate of return. Breaking down equity for the fiscal year, the return was 10.06% vs. the Benchmark of 11.26%. Fixed income for the fiscal year was 2.92% vs. the Benchmark of 1.3%. On a positive note, the fiscal year return for Fixed Income was in the upper 40 percentile of the Investment Universe.

On the one, three and five year basis the total fund return exceeded the assumed rate of return as follows: 12.37%, 9.01% and 13.67%.

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Mr. Goldstein was disappointed with the performance of Kayne Anderson and initiated discussion relating to their termination. Mr. McCann concurred and will present a new search for the Board to consider at the next meeting.

Mr. West wanted to go on record by stating that the Plan is actually losing money because we do not have Real Estate Investments. Mr. West like the other trustees were disappointed with the City's inaction to our long standing requests to modify the Ordinance to permit such investments.

Mr. McCann will send a copy of the Investment Policy that was approved on February 06, 2014 to Mr. Williams.

**Open Board Discussion**

Mr. West asked if we have heard back from the Mr. Alan Cohen, City Manager on any of the five items that were discussed with him at the last meeting and Mr. Williams replied that we have not. Mr. Williams will send a letter along with the original packet to Mr. Alan Cohen for follow up.

Mr. Goldstein asked if we have an update on Mr. Eddy Marrill's AFC and Mr. Williams responded no. Mr. Williams reminded the Board that Mr. Alan Cohen said that he can't send anything electronically and that they would see about getting us a hard copy.

Mr. Williams reminded the Board to complete their annual financial forms.

Mr. Torres advised that he will be in the FBI Academy starting July 13<sup>th</sup>.

Mr. Williams received a call from Mr. Ron Cohen who had a conversation with Mr. Stu Kaufman, Attorney for the General and Fire Boards. Mr. Kaufman asked Mr. Ron Cohen if we would like to join their pursuit in working to invest in Real Estate. Mr. Ron Cohen updated him on our situation. Mr. Williams sent Mr. Kaufman the entire packet that went to the City Manager and minutes from the meeting so he can see the efforts that this Board is taking.

Mr. Williams received approval from the Board to order a Bull and Bear for Mr. Robert Dorn's time and service on the Board.

**Adjournment** - Motion to adjourn at 11:57 A.M. by Mr. Berman seconded by Mr. Torres. Carried 4-0.