

SUNRISE POLICE OFFICERS' RETIREMENT BOARD

13790 N.W. 4th Street, Suite 105

Sunrise, FL 33325

August 07, 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.

Roll Call:

Present were Mr. Michael West – Chairman, Mr. Bill Bettencourt – Secretary, Mr. Louis Berman & Mr. Eric Goldstein

Absent & Excused:

Mr. Roger Torres

Others Present:

Also present were Mrs. Richelle Levy – Board Attorney; Mr. Dave Williams - Plan Administrator, Mr. Jeff Amrose & Mrs. Trisha Amrose – GRS; Mr. Brian Forth – Wentworth Hauser, Mr. Steve Loncor – Ceredex, Mr. John McCann & Mr. Brendon Vavrica – Thistle Asset Consulting.

Public Comment:

No comments

Presentation – Robert J. Dorn:

The Board of Trustees recognized Robert Dorn for his dedicated service to the Sunrise Police Officers' Retirement Plan.

Approval of minutes:

Motion to approve minutes of May 08, 2014 by Mr. Bettencourt, seconded by Mr. West. Carried 4-0.

Approval of Payables

After review and consideration of the payables of May 08, 2014 through August 06, 2014, a motion to approve was made by Mr. Bettencourt, seconded by Mr. West. Carried 4-0.

Attorney's Report

Summary Plan Description / FAQ Draft - Mrs. Levy stated that she is working on an update of the Summary Plan Description. The final draft will be presented to the Board at the next meeting.

Mrs. Levy indicated that at the direction of the Chairman, she prepared a Plan Reference Summary Pamphlet. This document is a quick reference for members to access via our website.

Motion to approve by Mr. Bettencourt seconded by Mr. Berman. Carried 4-0.

Actuary's Report

Assumption Update - Mr. Amrose stated that the mortality table is now at 8%. At the last meeting he discussed looking into the some of the investment returns, salary scale and retirement. The Board directed Mr. Amrose to start conversations with Mr. Tierney (City Actuary) about these assumptions. Mr. Amrose emailed Mr. Tierney focusing on the above three assumptions. They talked about taking small steps in reductions. They went back and forth with emails and it seems like Mr. Tierney was hoping for was a more aggressive approach to the assumptions, basically going to 7 ½ % with the October 01, 2013 Valuation report. Mr. Amrose stated this report has been already approved by the Board. Mr. Tierney also suggested lowering the salary scale by 100 basis points. Mr. Amrose stated that lowering the investment returns from 8 to 7 ½% increases the next years required contribution by about 1.1Million. We have no issue with lowering the salary scale by 100 basis points, which is Mr. Tierney's recommendation. If you take those two together, that will increase next year's contribution by a little over \$400,000. It mutes the effect of lowering the investment return assumption. Mr. Amrose reminded the Board that it is not going to change the cost of the plan or how much is being paid to retirees. It is just changing when the contributions are due. Mr. Amrose commented back to Mr. Tierney regarding the retirement assumption. Mr. Amrose explained how the retirement rate assumption was calculated. Mr. Amrose stated that we keep generating losses because more

members are leaving or entering the DROP. Since the current rates were adopted, there have been 57 members who have retired or entered the DROP and based on the current assumptions, only 15 were expected. Mr. Amrose recommended next year visit the retirement rates. Mr. Amrose did state that the sooner we make the changes, the more money will come in, and so we will do it all at once.

Mr. Goldstein asked questions regarding the calculations / not receiving raises, etc. Mr. Williams stated that he met with the City Manager (with the Chairman's approval) and Mr. Alan Cohen fully endorses the change in the assumptions because what he is trying to do is maintain a level cost. His thought process is to put more into the plan now and not less because if it goes down, then next year if it goes up again, then they will make up that difference plus. So if he is putting it now and it is something that he has forecasted over five years. Mr. Williams explained to him that they are stakeholders and that the Board would listen to them, but the thought process was maintaining cost or lowering cost. He is basically saying if we put more money in now, we don't have to put additional monies in the future. Mr. Amrose stated that the general plan went from 8 – 7 ½ % in one year and made other modifications. Mr. Williams stated that we have members in the DROP plan that receives the rate of return based on the investment assumption. Mr. Cohen stated that he was willing to modify the Ordinance to Grandfather in those members with the current assumption rate. Mr. Williams advised Mr. Cohen that if the City puts in additional money now, not to hold it against us later. Mr. Cohen felt a second Tier would be phased in. Mr. Cohen advised Mr. Williams that he knows there will be no immediate satisfaction with a Second Tier but in the long run, they will be able to sustain the pensions. Mr. Cohen further advised Mr. Williams that he was anticipating the receipt of a long term cost study from Mr. Tierney, and that would be shared with the Board upon receipt. Mr. Williams would like Mr. Amrose to review this study once it becomes available. Mr. Amrose stated that what they really need to know to make any kind of educated decisions about bringing in a second tier and what benefits to provide for them is "What is the real cost of this Plan?". We should get our assumptions more in touch with reality. The way a Tier Two structure works is anyone hired after some future date will be covered under the new Tier. Mr. West asked if it will be a separate account or comingled in with our current fund. Mr. Amrose said one set of assets will cover everyone. Mr. Amrose stated that Mr. Palmquist would always say that very often what happens with the Tier Two structures is that they put them in place when times are bad and then years later when things start to improve and the members have two different benefits then they go bargain for the original and get it back. Mr. Bettencourt stated that he would like something in writing from the City Actuary saying that the City is agreeable to this. Mr. Williams asked if the Board would direct Mr. Amrose to have a conversation with Mr. Tierney regarding phasing in the assumptions, restating the report with the Cities approval and then discussing the other items of mutual concern in the next report. By consensus, direction was provided by the Board.

Buyback

Mr. Williams asked Mr. Amrose to put into writing pros and cons regarding the buyback program. This request is being made due to a conversation Mr. Williams had with Mr. Cohen. Once correspondence is received, Mr. Williams will forward same to Mr. Cohen for his review and consideration.

Administrative Report

Mr. Williams stated that the annual retirement letters were mailed to all retirees as part of the audit process. Mr. Williams reminded the Board that all retirees need to sign and notarize the form stating they are still alive and receiving a pension benefit.

Internally, monthly death checks were being made electronically through the GRS Social Security database. In May of 2014, the site went down and was reactivated on August 01, 2014.

Mr. Williams advised the Board that the field work for the Independent Audit will be conducted on site November 17th and 18th. All Board members are welcomed to come by.

Mr. Williams reported that due to the expiration of our AT & T Contract, we were able to switch to Comcast. The internet speed is tremendously more efficient and the overall cost for telephone and DSL service was reduced.

Ceredex Ridgeworth – Quarterly Investment Report

Mr. Steve Loncar updated the Board on the transition of the firm. They bought themselves away from Sun Trust which was announced in December of 2013 and the transaction closed on May 31, 2014. He stated that they have gone from Ridgeworth Capital Inc. to Ridgeworth Capital Management LLC. The home office in Atlanta has not changed. The Orlando office will be relocating from the SunTrust property to their own property. At the end of the transaction, 22% of equity is employee held. He stated that they are in line with our interest therefore, when we do well, they do well. Everyone is invested the same way.

He indicated that as of June 30, 2014, the large cap portfolio had a market value of \$19,409,323.85. Our allocation at the end of the quarter was 2.5% in cash, 97.5% in equities and our gross performance for the quarter was 5.66% vs. 5.10% for the Russell 1000 Value Index. Since the inception date of November 03, 2011, the portfolio had a gross annualized return of 24.04% vs. 23.61% for the Russell 1000 Value Index. Investment changes since inception have been positive with an increase of \$480,847.96. Net performance for the quarter was 5.51% vs. 5.10% for the Russell 1000 Value Index. Since the inception date of November 03, 2011, the portfolio had a net annualized return of 23.25% vs. 23.61% for the Russell 1000 Value Index.

Wentworth Hauser - Quarterly Investment Report

Mr. Brian Forth introduced himself to the Board and indicated that he is taking over the responsibilities from Mr. Schwartzenberger.

Mr. Forth stated that as of June 30, 2014, the International Equity portfolio had a market value of \$4,951,693. Our net quarterly performance was 8.93% compared to the MSCI EAFE which returned 4.09%. On a rolling twelve month basis, the portfolio returned 28.13% compared to 23.57% for the same index. Since inception, April 29, 2010 the portfolio returned 8.67% in comparison to the index return of 9.23%.

Thistle Asset Consulting – Quarterly Investment Report

Mr. John McCann advised that as of June 30, 2014 the total fund was valued at \$107,309,000. He indicated the total asset allocation for the portfolio was 29.6% in large cap equities, 34.6% in fixed income, 11.2% in small cap equities, 13.3% in mid cap equities, 9.1% in international equity and 2.1% in cash. The manager allocation was 4.7% for Vanguard, 4.6% for Wentworth Hauser, Violich 47.0% for Garcia Hamilton, 13.3% for Mutual of America, 18.1% for Ceredex, 11.9% for Kayne Anderson Rudnick and 0.4% for Cash. For the quarter ending June 30, 2014, the total portfolio returned 3.37% compared to the benchmark of 3.28% placing it in the 40th percentile. For the trailing year, the portfolio returned 16.12% compared to 15.85% for the benchmark or in the 62nd percentile. For equities, the fund returned 4.49% for the quarter compared to the benchmark of 4.43% or the 24th percentile. For fixed income, the fund returned 1.93% for the quarter compared to 1.55% for the benchmark or the 57th percentile.

On a fiscal year basis the total fund returned was valued at 10.42% vs. the Benchmark of 10.69%.

On the one, three and five year basis the total fund return exceeded the assumed rate of return as follows: 16.12%, 9.99% and 12.39%.

Mr. McCann advised the Board that ING changed their name to VOYA Financial. Mr. McCann reminded the Board that this is the firm that provides Self Directed DROP investments to the membership. To date, no members have enrolled.

Mr. McCann reviewed a SMID Cap search in order to replace Kayne Anderson. Discussion was held regarding Atlanta Capital who will not negotiate. Mr. Williams asked Mr. McCann to talk about the affiliation with the Atlanta capital and League of Cities. Mr. Vavrica explained this is a comingled fund that they run for the Florida League of Cities. It is open to other Investors but it is a Florida League of Cities product and it is 65 basis points. After discussion, the Board selected Earnest Partners, Great Lakes, Eagle & New Amsterdam to interview for a SMID Cap Investment Manager.

Mr. McCann presented the Vanguard REIT to the Board for consideration. This is not property management, and it acts like a Small CAP Stock. Mr. Williams stated that he had a conversation with the City Manager (Mr. Cohen) regarding Real Estate Investments. Mr. Cohen informed Mr. Williams that other City Pension Boards have approached him as well. Mr. Williams indicated that Mr. Cohen appears to be a little more open to discussion than he was before. Mr. Williams told Mr. Cohen that he will send him some quarterly reports of firms the Board may consider. Mr. Cohen advised Mr. Williams he would like to see what they are buying. Mr. McCann will provide information for Mr. Williams to forward to Mr. Cohen.

Approval of Separated Member / DROP Members

Pertinent data related to Mr. Brian Stewart was provided to the Board for consideration. After reviewing same, Motion to approve by Mr. Berman, seconded by Mr. Goldstein. Motion carried 5-0.

Salary Review

Mr. Williams asked Mr. Amrose to prepare a Cost of Living analysis over the last year and this was shared with the Board. After reviewing the report, Mr. Goldstein made a motion to approve a 3% Cost of Living Increase for staff effective 10-01-14, seconded by Mr. West. Motion carried 4-0.

Open Board Discussion

Fifth Member Appointment – Before considering this matter, Mrs. Levy stated that since the Fifth Member is elected by the Board of Trustees and there are only three Trustees present that can vote, it must be unanimous. Motion by Mr. Bettencourt to re-elect Mr. Goldstein as the Fifth member, seconded by Mr. Berman. Motion carried 3-0.

Mr. Goldstein stated that a former board member (Lt. Dan Ransone) would like to keep his FPPTA certification up to date. Would it be possible for him to continue his education through the Plan? After a debate amongst the Board, Mrs. Levy will check the Operating Rules.

Mr. Williams stated that another conversation he had with the City Manager was about the calculation of the AFC which may adversely affect everyone. Mr. Williams explained that we have a member who has been in the DROP for two years (Mr. Eddy Marrill) and still does not have his final numbers. Mr. Williams explained his past relationship with the prior Finance Director who he blamed for this problem. Mr. Cohen got on the phone with the new Finance Director and said to her to give Mr. Williams whatever he asked for and gave Mr. Williams her cell phone number. She said she will accommodate us the best she can based on the current limitations of the system. Mr. Williams feels this is the first step in the right direction. Mr. Williams advised the Board that he has been keeping this member up to date and stated that he has not made his selection because he doesn't have the correct numbers. Mrs. Levy stated that this is a concern because he has been in the DROP for two years now. Mr. Williams indicated that once he receives the historical payroll numbers, he will forward them to Mr. Amrose. Once Mr. Amrose reviews the numbers, Mr. Williams will have Mr. Amrose and the City get together and come to a consensus. It was noted that the City Manager did concede and agreed it is ridiculous that manual calculations were being made.

While on the topic of AFC, Mr. Cohen also informed Mr. Williams that they are making this major investment in new software (which he previously told the Board about). Mr. Cohen feels that it won't be an overnight fix. Mr. Williams told him that he doesn't think that the City should be in the business of calculating benefits however, they disagreed on this. Mr. Williams stated that if we are able to access that information, then we can have our Actuary independently come to a consensus

Sunrise Police Retirement Board - Minutes

August 07, 2014

Page 5

then we are good. We have a duty to the members and the Plan to make sure we are providing a benefit that they are entitled to.

Adjournment - Motion to adjourn by Mr. Berman seconded by Mr. Goldstein. Carried 4-0.