

SUNRISE POLICE OFFICERS' RETIREMENT BOARD

13790 N.W. 4th Street, Suite 105

Sunrise, FL 33325

November 06, 2014

10:00 A.M.

Call to Order:

On behalf of the Board, Mr. Dave Williams called the meeting to order at 10:05 A.M.

Roll Call:

Present were Mr. Michael West – Chairman, Mr. Bill Bettencourt – Secretary (arrived at 10:15 a.m.), Mr. Louis Berman & Mr. Eric Goldstein (left at 10:50 a.m.)

Absent:

Mr. Roger Torres

Others Present:

Also present were Mr. Ron Cohen & Mrs. Richelle Levy – Board Attorney; Mr. Dave Williams - Plan Administrator, Mrs. Patty Ostrander – Administrative Assistant, Mr. Jeff Amrose & Mrs. Trisha Amrose – GRS (left at 11:21 a.m.); Mr. John McCann – Thistle Asset Consulting (left at 12:30 p.m.), Mrs. Janna Hamilton & Mr. Curt Rohrman – Garcia Hamilton (left at 12:02 p.m.). Ms. Minal Shah – City of Sunrise Finance Director (left at 10:42 a.m.) & Ms. Kelly Scapecchi – City of Sunrise Finance Department.

Public Comment:

No comments

Approval of minutes:

Motion to approve minutes of August 07, 2014 by Mr. Berman, seconded by Mr. Goldstein. Motion passed 3-0. (Mr. Bettencourt was not present for this vote). October 02, 2014 minutes tabled.

Approval of Payables:

After review and consideration of the payables of October 02, 2014 through November 05, 2014, a motion to approve was made by Mr. Berman, seconded by Mr. Goldstein. Motion passed 3-0. (Mr. Bettencourt was not present for this vote).

Attorney's Report:

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 advised the board that the contract for New Amsterdam has been executed.

Mrs. Levy advised that the Board Chairman executed a litigation agreement with Robbins Geller. The firm will be filing action against CompuWare for a breach of fiduciary duty. Mrs. Levy sought ratification from the Board as a result of Mr. West's action. A motion to ratify Mr. West's execution of the litigation agreement by Mr. Bettencourt, seconded by Mr. Berman. Motion passed 3-0. (Mr. Goldstein was not present for this vote).

Administrative Report:

No report

Actuary's Report:

Calculation of AFC – Mr. Amrose & Mrs. Amrose met with the City and based on the meeting with Ms. Shah and Mrs. Scapecchi (who were very cooperative & helpful), we all appear to be on the same page. If we use the current Administrative Procedure in place we can't match Mr. Marill's numbers. It was conveyed that currently there is no written Administrative procedure in place. Further, the procedure that is followed was reportedly handed down from employee to employee within the Finance Department. Mr. Amrose feels he cannot give the Board the confidence that the City calculations for the AFC are correct.

Ms. Shah stated that she was made aware of the AFC issue after speaking to Mr. Williams. Ms. Shah did some due diligence, started questioning dates and was then able to pull a better report. Ms. Shah reviewed the manual procedure as well as explaining the overtime cap procedure. Mr. Goldstein & Mr. Bettencourt had questions regarding the 300 overtime being included in the pension. Mr. Amrose explained his procedure. Mr. Amrose & Mrs. Amrose recommended that the City create an Administrative Procedure document on how the calculations are being performed and bring this document to the Board for review and approval. Once the document is approved, GRS can double check.

Mr. Williams asked Ms. Shah for her thoughts and she stated that they can develop a written procedure as they want to be transparent. Ms. Shah asked for a little more time and Mr. West stated that the only problem is that if Mr. Marill decides he wants to leave tomorrow, he won't have his final numbers. Mr. Williams stated that we can always adjust him. Mr. Amrose stated that numbers can also be wrong for past retirees as well. Mr. West stated that we can adopt a second procedure for all prior retirees. Mr. Williams stated that the right way is to go back to the beginning and recalculate everyone. Mr. Cohen asked Ms. Shah for an estimate of when the Administrative Procedure would be presented to the Board. Ms. Shah stated the February 05, 2015 meeting would give her ample time. Mr. Williams stated that the more we look into this matter, the more we find different findings. Mr. Williams advised Ms. Shah that most Pension Boards do their own calculations and Ms. Shah said that is something to think about. Ms. Shah informed the Board that her staff is working on creating procedural documentation as well as their regular day to day work.

Assumptions – Mr. Amrose stated that they looked at assumption changes because they want to have the highest probability of attaining these assumptions over the long term. We are not trying to increase or decrease costs, in fact assumptions don't change the cost of the plan; they just change the time when contributions are due. If you use aggressive assumptions ultimately what will happen is you will lower your cost now, but he can guarantee it will rise in the future.

He said they look at three major assumptions 1 – Investment return assumption and lowering that from 8% to 7½%. 2 – Lowering the salary increase assumption by 1% in conjunction with that lowering the inflation by ½% and the payroll by 1%, and 3 – retirement rate. The Board asked Mr. Amrose to share his study with the City Actuary, Mr. Mike Tierney and get his input. Based on his email from the past Monday, he looked at and agreed with the study. He had a minor adjustment which Mr. Amrose stated he doesn't mind adjusting, as it is a cosmetic issue. He feels we are in agreement with the recommended retirement rates.

The rough impact on the first year required contributions – lowering the investment return assumption from 8 – 7 ½ % will increase the first year required City contribution by \$1.1M, lowering the salary scale by 1%, inflation by .5% , and payroll and growth assumption by 1% would reduce the first year required contribution by \$700,000.00. If we look at those together, it will be an increase of \$400,000.00. The next step is the retirement rates. This is where it stopped in terms of the Cities point of view. The net result of all three assumptions is a 1.1M increase. Mr. Cohen asked if the Board would consider a two year step down and Mr. Amrose said it was his third option.

The Board directed Mr. Amrose to email the City Manager and copy Mr. Tierney to get their feelings and input.

SB 534 Letter – Mr. Amrose reviewed the letter from October 27th and the fee to prepare the information for this will range from \$2,500 - \$3,000. Motion to approve by Mr. Berman, seconded by Mr. Bettencourt. Motion passed 3-0. (Mr. Goldstein was not present for this vote).

Mike Tierney's Study – The City requested that Mr. Tierney put together a comprehensive study of where the current costs are for all three City Pension Plans and where they are expected to go, and alternative plan designs for all three plans. Seven alternatives were listed in which six included changes to current employees.

Mr. Williams asked the Board if they want Mr. Amrose to participate or be available to attend the City Commission meeting(s) when they happen. The Board agreed by consensus. Mr. Williams asked Mr. Amrose to send a letter to the City Manager letting him know that he would be representing the Police Pension Board at any and all future meetings.

Mr. Bettencourt asked if they can go back and change the COLA for past earnings. Mr. Cohen stated that he believes they cannot go back, only forward. Mr. Cohen believes you can't change benefits for Retirees or DROP members.

Garcia Hamilton – Balanced Account Report:

Mrs. Janna Hamilton commented that they have been handling our assets for 20 years. Mrs. Hamilton also advised that board that Mr. Kallus has left the business and Mr. Rohrman has taken over our Plan. Mr. Rohrman was co-managing the portfolio with Mr. Kallus.

Mrs. Hamilton & Mr. Curt Rohrman indicated that as of September 30, 2014, the Balanced Account portfolio had a market value of \$30,001,708.76. Our asset allocation was 41.7% in equities, 56.8% in fixed assets and 1.6% in cash. The total gross quarterly performance was 1.4%. Equities returned 3.2% compared to the Russell 1000 which had 1.5%. The Fixed Income fund returned 0.2% compared to the Barclay's Capital Int. Gov/Credit, which returned 0.0%.

Thistle Asset Consulting – Quarterly Investment Report:

As the New Amsterdam agreement has been fully executed, a motion by Mr. Bettencourt to have Mr. McCann notify Kayne Anderson of the termination and for Mr. Williams to affirm notification, seconded by Mr. Berman. Motion passed 3-0. (Mr. Goldstein was not present for this vote).

Discussion ensued regarding the retainment of State Street for transition management for the Kayne Anderson / New Amsterdam account. Motion for Mr. McCann to contact with State Street to perform transition management by Mr. Berman, seconded by Mr. Bettencourt. Motion passed 3-0. (Mr. Goldstein was not present for this vote).

As a result of the Kayne Anderson / New Amsterdam transition, Mr. McCann provided an updated Investment Policy that was reviewed by the Board. Mr. Bettencourt made a motion to accept the updated Investment Policy, seconded by Mr. Berman. Motion passed 3-0. (Mr. Goldstein was not present for this vote).

Mr. McCann presented his Annual Equity Analysis and a comprehensive review was undertaken by the Board.

Mr. McCann reminded the Board that all his plans currently have Real Estate and are having better returns. Mr. West asked if we should re-contact the City Manager regarding Real Estate. Mr. McCann will create a letter to the City Manager outlining what we have missed by not having Real Estate. Mr. West asked that this letter include the approximate loss for lack of participation.

John McCann advised that as of September 30, 2014 the total fund was valued at \$105,312,000. He indicated the total asset allocation for the portfolio was 29.4% in large cap equities, 35.9% in fixed income, 11.3% in small cap equities, 13.0% in mid cap equities, 8.6% in International equity and 1.8% in cash. The manager allocation was 4.5% for Vanguard, 4.3% for Wentworth Hauser, Violich, 48.2% for Garcia Hamilton, 13.0% for Mutual of America, 18.2% for Ceredex, 11.5% for Kayne Anderson Rudnick and 0.3% for Cash. For the quarter ending September 30, 2014, the total portfolio returned -1.54% compared to the benchmark of -1.54% placing it in the 57th percentile. For the trailing year, the portfolio returned 8.72% compared to 8.98% for the benchmark or in the 77th percentile. For equities, the fund returned -2.52% for the quarter compared to the benchmark of -2.66% or the 52nd percentile. For fixed income, the fund returned 0.4% for the quarter compared to 0.09% for the benchmark or the 37th percentile. On a fiscal year basis the total fund returned was valued at 8.72% vs. the Benchmark of 8.98%. On the one, three and five year basis the total fund return exceeded the assumed rate of return as follows: 8.72%, 13.25% and 9.87%.

Open Board Discussion:

Mr. Williams reminded the Board that the Real Estate Investment Report was given to the City Manager.

We also had a Buyback analysis prepared by Mr. Amrose and was also provided to the City Manager for consideration. As a reminder, the Buyback is already in the Ordinance and what we are looking for is a payroll component to do payroll deductions to allow people to buyback their previous Police or Military time through payroll deductions and not in a lump sum. Mr. West asked if we have received a response and when we sent this out. Mr. Williams said the letter was sent out the first week of October.

Mr. Bettencourt said a member asked him about Bac-Drop and Mr. Williams provided a basic explanation. Mr. Cohen provided his interpretation as well.

Adjournment:

Motion to adjourn at 12:36 p.m. by Mr. Bettencourt seconded by Mr. Berman. Motion passed 3-0. (Mr. Goldstein was not present for this vote).