

SUNRISE POLICE OFFICERS' RETIREMENT BOARD

13790 N.W. 4th Street, Suite 105

Sunrise, FL 33325

February 05, 2015

10:00 A.M.

Call to Order:

On behalf of the Board, Mr. Dave Williams called the meeting to order at 10:07 A.M.

Roll Call:

Present were Mr. Michael West – Chairman, Mr. Bill Bettencourt – Secretary, Mr. Eric Goldstein & Mr. Roger Torres (left at 11:35 a.m.).

Absent:

Mr. Lou Berman

Others Present:

Also present were Mrs. Richelle Levy – Board Attorney; Mr. Dave Williams - Plan Administrator, Mrs. Patty Ostrander – Administrative Assistant, Mr. John McCann – Thistle Asset Consulting (left at 12:10 p.m.), Mr. Brandon Vavrica – Thistle Asset Consulting (arrived at 10:30 a.m. and left at 12:10 p.m.), Mr. Steve Loncar – Ceredex Ridgeworth (left at 10:25 a.m.), Ms. Jeanine Bittinger & Mr. Richard Cristini – Board Auditors (left at 11:20 a.m.), Mr. Dan Ransone – City of Sunrise, Ms. Kelly Scapechi & Ms. Olga Vernitskaya – City of Sunrise, Finance Department.

Public Comment:

No comments

Approval of Minutes:

Motion to approve minutes of October 02, 2014 & November 06, 2014 by Mr. Goldstein, seconded by Mr. West. Motion passed 4-0.

Approval of Payables:

After review and consideration of the payables of November 06, 2014 through February 04, 2015, a motion to approve was made by Mr. Bettencourt, seconded by Mr. West. Motion passed 4-0.

Attorney's Report:

Mrs. Levy stated that she was contacted by Wentworth Hauser regarding their favored nation's clause and reducing their fees to .85 basis points. Mrs. Levy indicated enforcement of the favored nation's clause is extremely difficult and a reduction in fees would be beneficial to the Plan. Mr. McCann indicated while this is positive news, he would like to seek a further reduction. After further discussion and consensus by the Board, Mr. Bettencourt made a motion to accept .85 basis points if Mr. McCann's efforts fail, seconded by Mr. Goldstein. Motion passed 3-0 (Mr. Torres was not present).

Mrs. Levy stated that the Summary Plan Description was approved at the last meeting after the Actuary made minor changes. Motion to finalize the report by Mr. Goldstein seconded by Mr. West. Motion passed 3-0. Mr. Torres was not present.

Ms. Levy updated the Board on the CompuWare case and advised the Board that our Plan is no longer the lead plaintiff in this litigation.

Administrative Report:

No formal report.

Financial Statements – September 30, 2014 Davidson, Jamieson & Cristini, P.L.

Mr. Richard Cristini and Ms. Jeanine Bittinger, of Davidson, Jamieson & Cristini appeared before the Board. Mr. Cristini stated that the firm has issued a clean unqualified opinion on the *pension plan*, the *DROP plan*. As of September 30, 2014, combined trust assets exceed its liabilities with a total of \$105,563,905.00. A total of \$8,765,729 was received in employer / employee contributions. Employer contributions were valued at \$7,472,477; employee contributions were valued at \$1,293,252. The State excise revenue received was valued at \$620,714. Investment income for the fiscal year was \$8,705,647. The foregoing resulted in total additions of \$18,092,090. After total deductions were made the net increase realized was \$9,069,704. GASB67 which is a new requirement was introduced to the Board. The percentage of the Plan's net position was valued at \$66.69%.

As of September 30, 2014, the Plan had 142 retired members and beneficiaries. The Plan also had 92 vested active members and 57 non-vested members as of September 30, 2014. As of September 30, 2014, the DROP Account balance was valued at \$7,274,060, in comparison to \$8,890,314 as of September 30, 2013. Board discussion ensued and Mr. West asked if our 67% - Plan Net Position as a Percentage is average for Police & Fire Plans across the State and Mr. Cristini confirmed.

Mr. Torres inquired with regard to the Plan expenses. Ms. Bittinger responded that administrative expenses remained the same for the plan year ending September 30, 2014 at 0.21% of net assets. Ms. Bittinger further expounded that the expenses continue to be well below the acceptable standard in the industry. With that, Mr. Torres made a motion to accept the Financial Statements for the Plan for September 30, 2014, which was seconded by Mr. Goldstein. Motion carried 4-0.

The Memorandum on Review of Internal Control Structure was presented to the Board to consider. The report stated "During the fiscal year ended September 30, 2012, the City acknowledged that its AFC calculations were based on the best three consecutive years rather than the best individual three years that consists of 12 consecutive months. Although this AFC definition changed on October 1, 2000, the City never reprogrammed its system to coincide with the City ordinance." It should be noted that the Board continues to pursue this matter with the City in an effort to ensure full compliance with all applicable laws. Motion to accept the Memorandum on Review of Internal Control Structure by Mr. Bettencourt, seconded by Mr. West. Motion carried 4-0. A copy of this report was provided to Ms. Kelly Scapecchi & Ms. Olga Vernitskaya, City representatives.

Mr. Williams indicated there was a Representation letter that requires the Chairman's signature. This letter was reviewed by legal counsel. Motion to authorize the Chairman to sign the representation letter by Mr. Bettencourt, seconded by Mr. Goldstein. Motion carried 4-0.

Mr. Cristini advised the Board that Ms. Bittinger was asked to be a speaker at GFOA. Mr. Cristini told the Board that the Sunrise Report(s) will be used at future GFOA training sessions.

Ms. Bittinger indicated that her firm incurred additional time as a result of the GASB67 which was not part of her standing engagement agreement. As a result she is respectfully requesting a one time fee for the additional work. Ms. Bittinger reflected that now that GASB67 templates are set up, the cost will be absorbed by the firm. Mr. Bettencourt made a motion for the Auditors to submit a one time charge of \$3,000.00 due to GASB67 preparation. Motion was seconded by Mr. West. Motion passed 4-0.

Ceredex Ridgeworth – Quarterly Investment Report:

Mr. Steve Loncar indicated that as of December 31, 2014, the large cap portfolio had a market value of \$20,016,275.48. Our allocation at the end of the quarter was 4.9% in cash, 95.1% in equities. Net performance for the quarter was 4.89% vs. 4.98% for the Russell 1000 Value Index. Since the inception date of November 03, 2011, the portfolio had a net annualized return of 20.65% vs. 21.25% for the Russell 1000 Value Index. Investment changes since inception have been positive with an increase of \$986,249.04.

Mr. Loncar updated the Board on the investment team and the addition of new staff.

Thistle Asset Consulting – Quarterly Investment Report:

Mr. John McCann advised that as of December 31, 2014 the total fund was valued at \$116,965,000. He indicated the total asset allocation for the portfolio was 28.1% in large cap equities, 38.6% in fixed income, 11.3% in small cap equities, 12.4% in mid cap equities, 7.6% in International equity and 2.1% in cash. The manager allocation was 3.9% for Vanguard, 3.9% for Wentworth Hauser, Violich, 50.6% for Garcia Hamilton, 12.4% for Mutual of America, 17.1% for Ceredex, 11.4% for Kayne Anderson Rudnick (New Amsterdam) and 0.7% for Cash.

For the quarter ending December 31, 2014, the total portfolio returned 3.4% compared to the benchmark of 3.3% placing it in the top 10th percentile. For the trailing year, the portfolio returned 6.10% compared to 6.90% for the benchmark in the 57th percentile. The benchmark ranked in the 34th percentile. For equities, the fund returned 4.81% for the quarter compared to the benchmark of 4.6% or the top 14th percentile. For fixed income, the fund returned 1.9% for the quarter compared to 1.37% for the benchmark or the top 2nd percentile. On a three and five year basis the total fund return exceeded the assumed rate of return as follows: 12.16% and 9.8%.

Mr. McCann reported that the Plan could reduce the fees paid to the mid cap index manager if the Board was willing to change index managers. Mr. McCann reflected that Mutual of America is our current manager and that they do not hold custody of the assets. As a result, in addition to the investment fee, we are paying a custodial fee. Mr. McCann indicated that he would recommend Rhumblin who would index the portfolio in the same manner and hold custody which ultimately saves the Plan money. While negligible over the long term would benefit the Plan. Mr. Bettencourt made a motion to move the monies. No second was made, so the motion died. Further discussion ensued; as a result Mr. McCann will contact Mutual of America regarding the possibility of lowering their basis points in order to be competitive. He will also inquire if the transfer can be “in kind”. Mr. McCann will report back at the next meeting.

Discussion ensued relative to the performance of WHV. After considering the foregoing, a motion was made for Mr. McCann to do a search for an International Manager by Mr. Goldstein, seconded by Mr. West. Motion passed 3-0. Mr. Torres was not present.

Mr. McCann stated that he researched what the Plan could have received if invested in Real Estate. His results revealed the Plan would have enjoyed a gain of \$1.7M additional dollars if the ordinance permitted this investment. After reviewing this information, Mr. Bettencourt made a motion for Mr. Williams to send this information to the City Manager, Mayor and City Commissioners and Union, seconded by Mr. Goldstein. Motion passed 3-0. (Mr. Torres was not present).

Old Business:

Actuarial Assumptions - Mr. Williams advised the Board that Mr. Amrose has emailed the new Richard Salamon, City Manager several times asking his input regarding the Actuarial Assumptions and has received no response. Mr. Williams will give Mr. Amrose direction to proceed with the report and Mr. Amrose will be invited to the next meeting to present his report. Mr. Williams reminded the Board about the actions that Mr. Amrose is suggesting.

New Business:

Proposed Administrative AFC Rule - Mr. Williams reminded the Board that at the November 06, 2014 meeting, Mr. Amrose had previously asked Ms. Minal Shah, Finance Director, about creating a rule so everyone can be on the same page. Since that time, Mr. Williams has been advised that Ms. Shah is on Administrative leave and the department is reportedly short staffed. Ms. Scappechi said that a proposed Administrative Rule should be available at the May 07, 2015 meeting. Mr. Williams suggested creating a draft and sending same to Finance. Ms. Scappechi will talk to Ms. Wendy Friedman and let Mr. Williams know if that is a good idea. The Board by consensus agreed to have a special meeting on April 02, 2015 at 10:00 A.M. to work on the Administrative Rule Draft. Mr. Williams will contact Mr. Amrose to see if he available.

Open Board Discussion:

Mr. Torres stated that he feels that the Board should reach out to the new City Manager and Finance Director regarding our outstanding issues. The Board by consensus agreed that we should re-establish an open dialogue with the City. Mr. Williams will extend an invitation to the City Manager, Acting Finance Director and Union Representatives to attend our next meeting (May 07, 2015 at 10:00 A.M.). A complete packet of the issues will also be transmitted accordingly.

Mr. Goldstein asked if there was a benefit to the member and the Plan if their DROP assets were permitted to remain invested post employment. Through an exchange the pros and cons were touched upon. It was confirmed that an Ordinance change would be required. Mrs. Levy will look at some other plans, see what they are doing this and report back to the Board.

Mr. Goldstein raised his concern about the age and the comfort level of the furniture being utilized by them. It was expressed that the current furniture was purchased on or about 1998, so it certainly surpassed its life expectancy. As a committee of one, Mr. West asked Mr. Goldstein to do his due diligence and present viable options for the Board to discuss and consider at a future meeting.

Adjournment:

Motion to adjourn at 1:00 p.m. by Mr. Bettencourt seconded by Mr. West. Motion passed 3-0. Mr. Torres was not present for this vote.