SUNRISE POLICE OFFICERS' RETIREMENT BOARD
13790 N.W. 4th Street, Suite 105
Sunrise, FL 33325
June 04, 2015
10:00 AM

Call to Order
On behalf of the Board, Mr. Dave Williams called the meeting to order at 10:03 AM

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

Absent & Excused
None

Others Present
Mr. Dave Williams - Plan Administrator, Mrs. Patty Ostrander - Recording Secretary (left at 1:35 PM), Mr. Ron Cohen – Board Attorney (left at 12:30 PM), Mrs. Richelle Levy – Rice Pugatch Robinson, P.A.; Mr. Jeff Amrose & Mrs. Trisha Amrose – GRS (left at 12:45 PM), Mr. John McCann & Mr. Brendon Vavrica – Thistle Asset Consulting, Mr. Craig Cardinale – Police Officer (left at 11:11 AM) and Mr. Stephen Allen – Police Officer (left at 12:10 PM).

Ms. Kelly Scapecchi, Ms. Wendy Dunbar & Ms. Pui King Lu - City of Sunrise (all three left at 1:15 PM). Mr. Richard Salamon – City Manager (arrived at 10:16 AM), Ms. Carla Maglio Gomez – Human Resources Director (arrived at 10:36 AM and left at 12:50 PM)

Public Discussion
None

Approval of minutes
Motion to approve minutes of April 02, 2015 by Mr. Bettencourt, seconded by Mr. West. Motion carried 5-0.

Approval of Payables
After review and consideration of the payables of April 02, 2015 through June 03, 2015, a motion to approve was made by Mr. Ransone, seconded by Mr. West. Motion carried 5-0.

Attorney's Report
Mrs. Levy presented the requested changes to the Operating rules and procedures:
Item 1 – Absence of the Chairman and / or Secretary. The Board requested that a change be made stating that the next most senior board member(s) will be delegated this authority, such delegation will only be for the purpose of authorizing payments.
Item 2 – Purchase of buyback of prior service credits. Mrs. Levy added a paragraph stating entitled "conditional purchase". Members may purchase credited services provided for in the Ordinance. A member who is not yet vested may be permitted to purchase credited service as a conditional purchase whereby the purchase service will not be credited until the member has vested. Should the member separate from service prior to vesting, he may choose to receive a return of employee contributions including those attributable to the purchased service without interest or may leave the contributions in the fund for up to five years in accordance with the Ordinance provision. Mrs. Levy asked Mr. Amrose to look at this as well and he agreed.

Mr. Ransone made a motion to approve the two changes as noted above, seconded by Mr. West. Motion carried 5-0.

Mrs. Levy provided a Legislative update. The bill that required changes to the composition of the Board and the requirements to be a Plan Administrator has died before the end of the session. The Governor did sign a bill on May 21st which requires the Board to complete an Administrative expense budget. Other reporting requirements were also outlined. Mrs. Levy suggested a link be added to the website. The statute also raised the minimum multiplier to 2.75%. We already have a higher multiplier than that so there is no issue. The Sunrise ordinance also provides for a cap maximum of 80% of your AFC. Should someone reach a point where 80% actually comes out to less than 2.75% per year, you will be grandfathered in if that cap is still in effect as of July 01, 2015. No changes need to be made if someone doesn't actually reach that cap but we need to be aware of it. Mr. Bettencourt asked what would happen if we exceeded our administrative budget? Mrs. Levy said probably just notification and an amendment to the administrative budget as well. Mr. Cohen said that there is no city approval process. Mr. Torres asked for confirmation that the budget is just for Administrative expenses and Mrs. Levy agreed. Mr. Williams stated that a draft budget will be presented at the next quarterly meeting and website design is underway.

Mrs. Levy also stated that the bill went into changes into the Premium Tax reference. There were several definitional changes. One was the base premium tax revenue. For plans such as Sunrise which were in effect as of October 01, 2003, this means that the amount received by the City for the 2002 calendar year would be our base premium tax revenue. Any additional amounts received in the 2002 calendar year are called additional premium tax revenue. A big change is the definition of the local law retirement plan. It is now just referred to as a Retirement Plan and includes a defined benefit plan and a defined benefit component, essentially a share plan. The plans will be required to institute a share plan whether or not that share plan needs to be funded is a different issue and that is based upon the agreement the bargaining representative and the plan sponsor.

Gabriel Roeder Smith:

Mr. Amrose stated that he did not prepare a formal 2014 Valuation report. He did however, hand out a summary of the results of last years Valuation report along with the baseline results from this years Valuation report before the assumption changes and then reflecting the assumption changes that were discussed at the last meeting. Based on prior discussions with the Board, and also with the City Actuary – Mr. Tierney, it seems like everyone is in agreement with the assumptions with what they are recommending. Mr. Amrose stated that we need to decide as a Board today, just how do you want to get to the assumptions that he thinks all parties have agreed to? Using a set of assumptions that has the highest probability of being met is very important for (1) if you don't have assumptions that have a high chance of being met each year, essentially what you will do is have a lower cost now and keep generating losses year after year. He explained an example – the cost of the plan is $5M, mortality table with everyone dying at the age of 50 (not what he is recommending). There is no more benefit payments because everyone is dying at 50. If this doesn't happen and people pass the age of 50, what is going to happen to the cost? Year after year after year, it will keep going up. You don't have to have the cost down here and have losses year after year. You want to deal with an accurate cost now. If you do use accurate assumptions, there is a higher probability of having gains and losses that cancel each other out over an extended period of time. What that will lead to is the cost of this Plan migrating down to the normal cost. In other words, we pay off the current unfunded accrued liability that will be paid off according to the schedule we talked about. If you have good assumptions, all future gains and losses will cancel each other out and the cost of the Plan will down to the normal cost which is roughly 20% of pay. That is obviously much more manageable obviously than what we are dealing with now. That will happen as long as we are dealing with accurate assumptions.

If we are not, then the cost won't migrate to the normal cost because we will keep generating losses year after year after year. That is why it is important to have assumptions that have a high chance of being met. Additionally, as silly as it may sound, the assumptions that you use do not control the cost of your plan. Again, using the mortalities that we use and assume that everyone dies at the age of 50, will it change your benefit payment, it won't do that. All it is doing is changing the timing of when the City has to put money into the Plan. So yes, if we lower the investment return assumption, the City is going to have to put in more now, but less lately. It is ultimately not controlling the cost of the Plan; it just controls the timing of when those contributions will be due. Between all the parties, Gabriel Roeder Smith, the Board, the City Actuary and Attorney, it seems like everyone agrees with the assumptions that we are discussing, it is really now, let's choose the path to get to these assumptions that everyone is comfortable with. Mr. Salamon stated that Mr. Tierney indicated that in concept he was okay with the first two. The third one, he still has to review the report that was the basis for it and he doesn't know if he is on board with changing the retirement ages. Mr. Amrose emailed Mr. Tierney back and forth and stated that Mr. Tierney had reviewed the retirement changes and was in general comfortable with them. This email was dated back a while but he reaffirmed that Mr. Tierney had reviewed them a while ago with minor comments, but his words were in general that he was in agreement with them. Mr. Salamon stated that he will have to discuss this with Mr. Tierney as well as the timing of the implementation. Mr. Amrose stated that that is what they are here now to discuss is the timing that would work for everyone between the retirement rates, the salary scale and the investment return assumption. Mr. Salamon wanted confirmation that any changes to the assumptions also have to be agreed to by the City's Actuary and go through the Collective Bargaining process. As part of the Collective Bargaining agreement, there is an agreement that the Pension Board will end up having to sign off on basically stating that the numbers were mutually agreed upon between the City and the Pension Board. This will be attached to the next Collective Bargaining Agreement. Mr. Amrose said that his reading of it says that the Board has to give the City notice and let them review and be involved in the process (as are doing now) but he thinks this is more in the Attorney's area that the Board set the assumption up. Mr. Amrose stated that he doesn't know if the Board needs the City's approval for changing an assumption. I think they have to involve them in the process. Mr. Salamon stated that he is pretty sure the Collective Bargaining Agreement does specifically state that the Assumptions cannot be changed unless they go through this process. Mr. Amrose stated that if at this meeting, the Board said they want to go to 7.5% and the City says no, is the Board allowed to do this. He will leave it up to the Attorneys to discuss. He thought that the Board could make that change. Not that we will be encountering that situation anyways, but. Mr. West asked if he had a copy of the contract. There was discussion between the Board about language being in the contract about the assumption rate being agreed upon. Mr. Williams stated that he thinks the provision is there in case all the parties don't agree. Mr. Williams stated that he doesn't think the CBA can hold the Board hostage, the City can hold the Bargaining Unit hostage if we do something they don't want us to do. Mr. Amrose read the Ordinance, section 11-14c. Mr. Bettencourt asked which section would be the one that would possibly need attention. Mr. Amrose stated that he didn't know because everyone seems to agree. Mr. Amrose stated that over the last ten years we expected 26 retirements but there were approximately 64. They are deviating from the actual experience of the Plan. Mr. Amrose read what Mr. Tierney emailed to him in November of 2014. "As for the retirement rate adjustments, I am in general agreement with your proposals; however it is hard to follow with regard to any consistency between the age service compartments." He talks about possibly collapsing one of the age service buckets, but at the end he says "It really doesn't matter much, but as long as we are looking at it, we might as well try to combine cells that have different exposures to rely on. I am okay with the rest of your proposed rates". So, Mr. Amrose emailed Mr. Tierney yesterday to confirm that he is fine and it seems like he was in agreement with the rates.

Mrs. Levy asked read 11-13 h2. Mr. Amrose stated that “again, I am not the Attorney, but to me it still seems like the Board has control over the assumptions, but you may have to follow the procedure of involving the City. Mr. Bettencourt inquired how we ended up on this path. Mr. Amrose said that he thinks that Mr. Allen Cohen, former City Manager, wanted to align the investment return assumption to 7.5% like the other Plans and it was Mr. Tierney’s recommendation on lowering the salary assumption by 100 basis points which we were fine with. Originally what Mr. Tierney had said in his emails was that they wanted these assumptions (meaning salary scale and investment return assumption) to be reflected in the October 01, 2013 Valuation Report. Now, we are talking about the October 01, 2014 Valuation Report. Mr. Amrose said just to re-familiarize it with the cost impact, looking line item by line item, the investment return assumption if we lowered to 7.5%, what that does again is not changing the cost of the Plan, it is going to require the City to pay 1.1M more in the first year. The change in the salary scale reduces next years required contribution by $700,000, I believe and then the retirement rates increase the required contribution by $700,000. So the retirement rate and salary scale essentially wash and then you are left with the investment return assumption of 1.1M or 1.2M. Mr. West asks if that puts us more in line with what is actually occurring in the Plan and Mr. Amrose confirmed this. Mr. Amrose stated that now instead of constantly having the built up losses every year, (of course you can still get losses) but over the long term, you will have a higher probability of having them cancel each other out and you will be dealing with a more realistic cost, more realistic funding ratio. Mr. West asked if we can also trickle down like we did from 8.5% to 8.0%. We can do 10 basis points per year as well as another option. Mr. Amrose said that this is what we are really here to discuss, it is good when the City and Board is working together and we are at a point now where it seems again, I don’t want to put words in your mouth or Mike’s mouth, but if we do agree with the Assumptions that here is where we need to be with the retirement rate salary scale and investment return assumption, now let’s just all try to get the path to get there. Mr. Amrose is prepared to talk about the cost of all those things and willing to make a decision. Mr. Bettencourt said that he doesn’t want to speak for the whole board, but he feels as a consensus we are not married to a lump sum on this as opposed to incremental assumption rates in the past. Mr. Bettencourt thinks that the rates proposed by the City are a lump sum, all at once. Mr. West stated that we just want to get where we need to be and Mr. Salamon agreed that this is all of our goals is to get the Plan on a solid footing because right now (in his mind) it is clearly not where it needs to be, having a funding level of 60 something percent. It doesn’t instill a lot of confidence in anyone and that is what we are trying to accomplish on multiple fronts. One of the issues he has is that (1) he has to speak with Mr. Tierney and he has to have enough chance to completely go through this and talk to Mr. Salamon as far as what his proposal would be but also we are in the middle of a budget process that Mr. Salamon doesn’t even know where his budget stands for next year as far as his revenue projection, so he doesn’t know as far as the City’s cost, whether or not the City is prepared to take on another hit of 1.2M or even $600,000 if reduced in half and phase it in, but what he does know is that one way or another, the City is the only party that is absorbing any of the costs here, so he would hope that the Board would not be looking to do something that would have a negative impact on the City when it is purely the City that is ultimately going to be responsible for taking care of these issues. Mr. Amrose stated that the Board does want to work with the City. It seems in the past and again it was more Mr. Allen Cohen that wanted to do the assumptions all at once and now it is different and that is fine. Mr. Amrose thinks that everyone can work together and get there but also when he goes through this, he will see some good news in terms of the City and lower costs which if you go under a phase in approach, it can make it less painful and we will have some good news meaning that there will be some downward pressure on future costs and if that is met with the upward pressure for phasing in assumptions, it won’t totally be a wash but it will be more easy for the City to handle.

Mr. Salamon still believes that getting the assumption rate on the returns down is probably a good move. The timing and amount is where he has a question. He hasn't had an opportunity to evaluate how that will impact the City at this point. He also needs to have a more robust conversation with the City's Actuary on all of these assumptions.

I know that as of yesterday when he was talking to him, he still hadn't had a resolution on the issue of the retirement rates. Mr. Torres asked when we have to make a decision on this. Mr. Salamon stated that this was supposed to be delivered to the City last month. Mr. Torres stated that obviously it is everyone's intention to work with the City which is in everyone's best interest. It is just a matter of how do we proceed to doing that, to making those decisions. Mr. West said that if we proceed as is, and just keep it the way we had it for last year, things change Richard for the better and things are in a better spot. Can we make up the difference at a later point in the year? Mr. Amrose asked if we can go through the numbers. Mr. Salamon appreciates what is being said, but again, this is the City's issue but we are in the middle of the budget process and negotiating Collective Bargaining Agreements with five units and there are a lot of numbers flying around here that we are trying to figure out what the financial impact is to the City is and whether or not it is feasible for the City to take on all these different impacts all at the same time. Mr. Salamon stated he is trying to make sure that we aren't putting everyone in a bad position by doing that. Mr. Amrose said that he thinks the goal is to get to the end point in a reasonable amount of time with the assumptions and have it not be overly burdensome on the City. He feels this can be accomplished, of course this assumes things keep going the way they are going, and that our assumptions keep being met. One danger is and he is not highlighting this as a real possibility, if the agreements are deferred lowering the assumptions of changing the assumptions, the danger in that. The reason it could be deferred is for cost reasons. What if we experience another year like fiscal year ending 2008 and we say we are going to push off the assumption changes but with what we experienced in fiscal year 2008 and now the contribution has been going up anyway and the City won't be in a better position to change the assumptions and have them increase further. So sticking to a realistic plan and again we have good news to report in terms of future required contributions, the downward pressure on them and it is somewhat substantial. Mr. Amrose reviewed the numbers (*the report is attached hereto*). Mr. Amrose likes to explain the funding of the plan and make it as simple as possible. There are two reports to a required contribution, normal costs and the amortization payments on the unfunded accrued liability. The normal cost is just the value of the accruals from the police officers every year. It should stay very level as a percentage of payrolls unless you are changing the provisions, assumption or methods. As of that we should see a very level percentage. Of course, if you are adding more officers, there is more pay in the system, the dollar amount will go up, but it should stay level as a percentage of payrolls. The other piece is the amortization payments on the unfunded accrued liability and that represents when things change the unfunded accrued liability, whether it is gains or losses, assumption changes, Plan changes, the Plan doesn't pay for that change in the unfunded accrued liability in the year it occurs, it pays for it over a period of time not to exceed 30 years and here I actually believe it is 20 years that they are paying it off over. So those are the two pieces. Now let's look at the numbers behind it. (Handed out document and discussed numbers). Mr. West said "so one option would be just go for the 8.8M number that is the minimum. That is if we don't change anything. Is it even reasonable even after things get settled with all the things going on in the City for that to get together and say okay what can we implement now and then retroactively pay it at a later date, like maybe in the second quarter of the fiscal year, is that possible? Mr. Salamon said he hasn't done that before so he isn't sure. He hasn't dealt with that even in the General Plan. Mr. Amrose – This report remember the October 1, 2014 report determines the contribution for the fiscal year ending September 30, 2016 so no decision has to be made right now based on this report.

One danger in staying with the 8.8M contribution would highlight that I have gotten letters from the State on the 8% investment return assumption for other plans (Miami Beach) saying that this 8% is unreasonable. The reasons that they say are unreasonable I don't agree with but for that particular Board, they did lower the investment return assumptions. Mr. Salamon asked if it is something that we did at the current rates without changing anything now, prior to the October 1st date, you restated with new numbers and then giving more time to the City. Mr. Amrose - It sounds like you want more time to think about it. Mr. Salamon – He wants to get with his Actuary and look at the budget. Mr. Amrose said that is fine and understandable. Mr. Torres – In the end theoretically, even though we have until October 1st to say okay we are staying, we are going, we are changing. Mr. Amrose – the truth is you probably have even until after October 1st because you can always true up a payment during that fiscal year which would then give the City time to work through those other issues. Mr. Amrose – yes and maybe what we should try to establish here is we know the minimum is 8.8M but again, that report as it is presented, I certainly have issues with it as well with the retirement rates being so far from experience and we studied it on the investment return assumptions certainly a red flag for us for different reasons so what we don't is getting into a position where we keep deferring, deferring and deferring. Mr. West – What would it cost us to go 10 basis points to 7.9%? Mr. Amrose – essentially it is 1.1M for the full 50 basis points and 20% of that is a couple hundred thousand dollars. So that would be $200 and change. So the retirement rates and salary scale cancel each other out basically and then we are talking rough numbers, if we did, maybe that is a possible solution is come in with a base line report, changing the retirements again subject to you talking about it with Mike Tierney, changing the salary scale and lowering the investment return assumption to 7.9%. That cost increase verses what would have been after the assumption changes may increase the required contribution by 2-3, something in that neighborhood. That would be a good start as a base line and then the City wants to look it over and look at the budget and say maybe we can even go down to 7.75%. Mr. Goldstein – If they put in the 1.2M right now to catch up is that increased what they have to put in 1.2M? Mr. Amrose – yes. Mr. Goldstein – So let's say if they are in contract negotiation with five unions, I guess, that number could go up based on what happens during that contract or is it already factored in because salary increases of 5.2 to 8.5 are already factored in. So that number would be pretty solid whatever we find out because we are already assuming they get salary increases all these years. Mr. Amrose – The number is going to be solid, but keep in mind it is only as solid as what's going to happen during the year. In other words, these numbers assuming that all of our assumptions will be met, in future years, if they are not, we will have deviations in the cost. Mr. Salamon – That number goes down as the unfunded liability goes down? Mr. Amrose – That is correct. So, as you pay off the unfunded, what I would term, the operational costs of the Plan, the normal cost, again the accruals are from the officers each year, it is very important obviously as it makes up 2/3 of the cost of the Plan, that is stuff that has happened in the past. As that is paid off, the cost to the City will migrate down to the normal cost of the Plan to 20% of pay. Provided you have realistic assumptions. Provided the assumptions are set in such a way that only gains and losses will cancel each other out. If you don't then the cost won't migrate down to the normal cost and will keep generating losses every future year. Mr. Goldstein – So that salary assumption would actually benefit the City because they have been putting in more money than what the salary. Mr. Amrose – Exactly, another way to say that is over the past few years there have been gains created by the increase in salaries. Again, all of these assumptions whether it is the salary or the investment return assumption, we are not trying to predict what happens next year or the year after, these are long term predictions and as I discussed with the Board, I don't have an issue with lowering the salary scale by 100 basis points, provided that the goal of getting down to 7.5% on the investment return is accomplished. Mr. Amrose asked if he can go on and talk about some of the good news. Mr. Amrose said that there is a lot that we don't know about future contribution requirements.

We don't know what the market is going to do next year or the year after. We don't know how many people will retire or die in the very short term, but there are some things that we do know. First is that the market value of assets as of October 01, 2014 was 5.3M higher than the smooth value of assets. He explained what that means. If we use the real assets of the Plan to determine the funding requirements, immediately the City contribution goes down by $450,000. So that is in there. We know that the City contribution is going down by that amount over the next four years. We know that there will be more gains to add to that downward pressure.

Break 11:00 – 11:06

Mr. Salamon just spoke with Mr. Tierney during the break and he said that he definitely has some things he wants to discuss with Mr. Amrose. He wants to review the experience study and go it. His recommendation basically is that he agrees on the first two items, the third item (being the retirement rates), he still has to review that with Mr. Amrose and figure out where those end up. He did agree to probably the most prudent thing to do is to approve the Valuation with the current assumptions that way we work through those things; we work through whether or not the Board has the right to unilaterally change them without being under the Collective Bargaining Agreement. All those issues and then with the intent that we will come back before October 1st to restate depending on what everyone comes up with. Mr. Amrose – I don't think there is a rush to get a base line Valuation Report if we definitely are going to revise it. Why not just wait until we all agree with the assumptions. Because here are the results with the baseline so we can see the results, but to go back and prepare a formal Valuation Report just to revise it, again a couple months later. Mr. Salamon – Is there a requirement that the Valuation be approved by the Board on a certain date, I am not aware that there is. There may be, I just don't know the Plan well enough to say. Mr. Ron Cohen – Mrs. Levy looked it up and it said that once every three years. But since we only really only tell you for one year going, we really need to do it every year. Mr. Salamon – We have the two extremes so we can work with that for a budget purpose and then we can resolve the other issues, bring it back with the City's agreement on where we are at and then the Board can actually adopt the Valuation. That would probably be the most prudent way to handle it. Let's see how much there is and then we will fit that into where we need to be. Mr. Salamon – We will certainly come back. We share the goals in getting the assumed rates down and Mr. Tierney isn't afraid to say that loudly himself. We just need to get through all these answers. I just don't want to put the Board in a position of taking action that isn't supported by the City at this point. If we can do it another way and work with these numbers, than that is okay with the City. Mr. Ron Cohen – Just so everyone is clear, what ever number we approve is the annual minimum required contribution. We call it different names, but it really is the AMRC (Annual Minimum Required Contribution). You can always contribute more. If you have the money and want to get it down, make a pre-pay you will be paying off the unfunded liability which is as you see the bigger part of it. I am not suggesting you do that or not, I don't know your budget. Mr. Amrose – One thing that Dave Williams brought to my attention and it is true is that the 8.8M contribution, that reflects that the contributions are made throughout the fiscal year ending 2016, so bi-weekly every week every paycheck essentially. If the City and I think the practice has been to do this in the past makes all payment on October 1, 2015, that 8.8M goes down to 8.4M. So right away, you are talking a reduction of approximately $350,000. So if you are at the 8.448M and you change the retirement rates and change the salary scale as we have recommended, you already have room to go down 15-20 basis points on the Investment Return Assumption just to get to the 8.8M that we are disclosing here. Again, the Board has a Fiduciary responsibility to set assumptions in a way that has a high probability of being met over the long term. It is not necessarily proper to set it based on the City's budget.

I know we are all trying to work together and I think that is great, I guess the point of me saying that is if we have this discussion now and then things turn south in the financial markets and there is a huge upward thunder, I would say to the Board that it doesn't take off the table, because now the City has higher contributions anyway, lowering the return assumption or the other assumptions and that is a very important part because I can tell you the State will very likely reject a report with an 8% investment return assumption. I have seen it for other Plans. Mr. Salamon – I understand and I would never ask anyone to forgo their fiduciary responsibility, we do have an agreed upon procedure for adopting revisions to the Actuarial Assumptions. What I am suggesting is let's follow that and that is fine. Mr. Amrose – The funded ratio on the bottom of section 3 on this hand out talks about how much of the liability is covered by the assets of the Plan. If you look at October 01, 2013 the smooth value of assets was almost 82M, where as the liability was 142M, so that lead to a 57.6% funded ratio. Move over one column to the left and you will see the funded ratio before making any assumption changes went up to 61.7%, again directionally it is a very good thing. If you move over one column to the left again, if we make all of the assumption changes, the funded ratio goes down to 56.6%. So you might say, why are we making assumption changes if it is hurting our funded ratio? The truth is the 56.6% is a much more realistic number and it is going to require the City to put in more money in the short term and push that funded ratio right back up. So when you are dealing with the 61.7% number, that number is slightly inflated by the assumptions being used, if we all agree that the assumptions we recommended we recommended are more accurate. So, if you use those assumptions, yes it goes down to 56.6% and it is a more realistic number and you are not going to have constant upward pressure on it because of overly aggressive assumptions. So that is the point to make about the funded ratio and if you use the real assets of the Plan, forget about the smooth value of assets, if you use the market value of assets, you will see that the funded ratio is about 4% higher in all situations. So that is not really called the funded ratio when you look at the real market value of assets. When people talk about that they are really talking about the smooth value of assets, but you should look at what the funded ratio is on the real assets of the Plan. To me, that is more important. That is really how much of your liability is covered by your real assets. If you are looking at last year 61.5% and going to this year before assumption changes is 65.2% and then a little under 60%. Mr. West – Then those numbers are obviously much higher now because we are well over 100M right now. Our actual number is 118 now, so if you plug 118 in for these. Mr. Amrose – It is not 118 because we have to take out the DROP money. It may be 118 in the assets, but some of that is ear marked for DROP, so we take that out. It is good, but not as good as going up by 20M or 20%. That is the good news that I was talking about before. We have unrecognized investment gains and the years to date numbers are good as well. One other thing is the second piece of the amortization payments, there are seven 7 basis that expire 6 years from now. The payment on those basis is 1.2M. Six years from now, that is gone. So automatically the contribution goes down by 1.2M, just something to consider. Mr. Goldstein – If through Collective Bargaining, the City and Union agree to allow that DROP money to stay in our fund, making either 1% or 0% would that greatly increase what that number would be? Mr. Amrose – If you allow officers to keep that money in the DROP even after termination, that number still needs to be included so it still will come out, it is not necessarily improving the funded status. Any money that is in the fund really earmarked for the employees has to be included in the funding requirement. It is only right to take that money out because it is not the Plans money; it is earmarked for the DROP members. One last thing on section five. Looking at the historical gains and losses and what has happened the last two years. We have had some gains 1.8M and 1.7M and if you look at the 13 years before that, every year has been a loss and this is not different from other Plans. Other Plans is a result of what happened in 2002-2003 in the financial market and 2008-2009, that is what generated this pattern. I would say specifically for the retirement rates which have not really matched what happened in experience that has contributed to these losses.

Mr. Amrose – I guess the decision we are coming to is that I am not going to prepare a final report, I will have conversations with Mr. Tierney and that the Board wants him to have and maybe at the next meeting they can come back with a tolerance level and we can reflect whatever assumption changes. The two assumption changes – the salary scale decrease and the retirement rate change, there is virtually no impact on the cost of the Plan. At least in my mind, I am viewing it like lets move that investment return assumption down by as much as possible over a 3-4 year period that we work with the City on that. Mr. Williams asked Mr. Amrose if he would be available for the next quarterly meeting which is on August 06th. Mr. Amrose is not available that day. Mr. Williams said we will see where it goes from here. Mr. Amrose – What we recommend is not looking at what has happened in the past and to set a reasonable investment return assumption.

City Manager – Mr. Richard Salamon

Payroll Deductions for Buybacks:

Mr. Amrose stated that he sent out a letter in October 2014 regarding this issue and he reviewed the current procedure. Mrs. Levy stated that we would need to amend the Ordinance because right now it states that it has to be in a lump sum payment or a direct transfer from a 457 Plan and then present it to the City. Mr. Salamon asked Mr. Amrose if they bought prior service could they use it now as one of their highest there years. Mr. Amrose said no – it is only the pay for the City of Sunrise is all that is used. Mr. Salamon confirmed that it is just the years of service. Mr. Salamon said he doesn't know if the City would have a major issue with this one. He does think it is a matter of the Collective Bargaining as it is a benefit issue so he thinks it is probably something that makes sense for the Board to talk to the Union and see if they can incorporate this into some upcoming negotiations. Mrs. Levy stated again that it is in the Ordinance and would require an Ordinance change and if the Board requests them to draft an Ordinance amendment, they would be happy to do so and present it to the City. Mr. Salamon said that most of the issues related to Pensions are handled through the Collective Bargaining as it is a change in the benefit. Mrs. Levy said that it is not a change in the benefit; it is the same benefit, just a change in how that benefit is attained. The wording as it stands right now is that the members can buy back past credit. We are not changing the benefit; we are just changing the ability for them to do that. Mr. Salamon said he understands that and he hasn't had a chance to discuss this with his legal counsel. He knows that there was a prior letter in the package from the City Attorney saying that the City wasn't willing to do it at that point. I don't that that is really going to continue being the issue for us. I don't know that I have any kind of objection. It might add a little bit of risk to the Plan and may not be significant. Mrs. Levy stated that it might add a benefit. Mr. Salamon stated that it doesn't add a new benefit in its entirety to the employee but it does by changing the mechanism, it allows on how they repay the buyback. That is potentially a benefit to the employee as they now benefit from the fact that they have an easier path or potentially adds a little bit of risk, but then again, it may be so negligible that it really isn't an issue at all for the City. We would want to discuss this with our legal folks to make sure that there is no issue with it. Mr. Salamon stated that he thinks it is a matter of the Collective Bargaining and does not have any opposition and the City can handle it mechanically. However, he needs to talk to his legal people first. We just happen to have a bunch of Collective Bargaining Agreements coming up so the timing may work out well to add that in. Mr. West asked if that would trigger an ordinance change and Mrs. Levy said yes.

Trustees made an effort to resolve this matter, the Union representative(s) were present and understood the foregoing.

Real Estate Investing:
Mr. McCann & Mr. Vavrica explained the difference in REIT and REIF accounts. Mr. McCann stated that he likes to do as much diversification for the Fund as possible. Mr. McCann said that in 2006-2007 when the market crashed we were worried about fixed income interest rates going up which meant the value of the fixed income portfolio would go down. So they came up with an idea to take money from Fixed Income and give it to Real Estate Managers as an alternative to Fixed Income Investing. He feels the Real Estate generates yields and we take that money out like a bond every quarter and we use it for expenses. That is a realized gain and has been running between 5-8% historically. The other thing with Real Estate is the value of the properties has been going up since the 2006-2007. That has been going up 3-5%. Mr. McCann stated that another Plan handled earned about 11% from Real Estate and the Fixed Income made about 4-4.5%. So it has been a really good move. Mr. McCann stressed that he has no affiliation with any managers and does not get paid by anyone else.

He asked a few Real Estate Managers to send him a Power Point presentation to present to a Board and he reviewed their presentations.

Mr. West asked how the 10% would help us to be more diversified and whether it would increase or reduce our risk. Mr. McCann said that it increases your risk a little bit because you are taking the money from fixed income, but your return will hopefully be much better. That is what they as consultants are always trying to do is to find ways of not putting your money all in one basket like domestic stocks. Mr. West stated that by having other asset classes, we will be further diversify which overall should decrease risk. Mr. Vavrica said that there is another risk – interest rates which have declined for 33 years and we are essentially at historic lows, so one of the risks is that rates go back the other way and the pressure that that will put on the fixed income portion of the fund, so this is just one way to try to alleviate some of that pressure if we can diversity some portion of the assets into an investment that has a direct relationship with inflation or rising rates.

Mr. Vavrica stated that REIT's (which are traded daily) have small cap volatility. These are 2/3 of the way closer to Bonds. They are a little more volatile than Bonds but significantly less than Stocks. So if you are talking about taking fixed income assets which are your low volatility asset and diversifying away from that, you don't want to put small cap volatility on it. Because then you have significant swings. We would rather have the same return but the lowest possible volatility. Mr. West stated that we made this request to the city three years ago and to be honest, we just got a complete "no" without literally absolutely no answers from Mr. Allen Cohen (former city manager). It was just like I don't want to talk about it at all. Mr. Bettencourt said that we know the interest rates are going to go up and we know the effect rising interest rates will have on our bonds. If we don't take proactive steps, we wouldn't be doing our jobs.

Mr. Salamon asked what makes Real Estate Investment Funds different than a REIT? Mr. Vavrica said it is their structure and how they are traded, how you invest. So a REIT you buy like a stock, this is like a limited partnership type arrangement where it is still a pool of assets with multiple investors, but you have a contract with the company and you commit to investing so much money and once that money is committed, you get a statement that lists how many shares you have and so on, so it is similar in structure as to how it kind of ends up, but the mechanism and the way you do it is different. Mr. Salamon asked if this is considered more of a long term investment. Mr. Vavrica – Because there is less liquidity in this type of investment than there would be in stocks or REITS, because you can trade out on a daily basis, so yes from a liquidity standpoint, you would not want to go into this with the prospect saying you might get out in three months.

That would not make sense; certainly it would be a longer term investment. Mr. McCann – If you ever need that 10% to be liquid, we have bigger problems. We are never going to need that money; it is only 10% of the fund. We take money usually from the fixed income or the from the large cap managers. All of our managers we like to think are long term. Mr. Vavrica – The other side of that is if you do decide whether you want to just reduce your exposure, let's say you invest that 10% as an example and five years down the road, you have a continued nice run, interest rates are higher so now you are more interested in putting back, you can reduce your real estate exposure. You just essentially are putting them on a quarter's notice that you want to redeem either all or a portion of your assets and that you be paid out. Mr. Salamon asked what the fees are that are associated with these types of funds. Mr. Vavrica said they are about 1% generally. The fee for the real estate is about the same. They are a little higher than certainly your fixed income and generally higher than your large cap equities, more in line with small and mid cap.

Mr. Salamon asked how the liquidity is and Mr. Vavrica said that it is better than direct investment real estate because you have a large pool with hundreds of investors so that if any one person wants to get out, there is cash being generated by a couple billion dollars worth of assets that is already sitting in the account, so if any small fraction of the investors want out, it is very easy on a quarterly basis. The issue becomes in a situation like 2008-2009, where 20-30% of the fund there investors all raise their hands and they say we want some money out at the same time, you own a $400M office building on Park Avenue, you can't just push a button and say sell to raise the cash. What they do is, if there is a rush, they institute a queue, a waiting line, and then as they sell off property or bring in rent, they pay off in a proportional way. In the history of these funds, they really go back about 20 years; this has only happened one time where there has been an exit queue in the 2008 range. The vast majority of the queue requests were cancelled before any money was actually redeemed because the market turned around. Most of it was actually rebalancing. So the folks that had it in real estate, those assets fell less than their stocks so their stocks that were supposed to be 60% of the plan were now 45-50%, so they were trying to take real estate money and put it over into equities to rebalance but stocks re bounded and so a lot of them just cancelled the request and everything is back in line. That is really the only time that this has happened. Mr. Salamon – It sounds a little familiar with what the City experienced with the Florida Prime and the fact that we basically couldn't get our money out, went into pool and we just finally got our last payment out of that. Mr. Vavrica – That is why that for this type of investment that is less liquid, you would never want to expose 30-40% of the fund to it where if in a short term situation you needed money, you have now where to go but to try to get it from this vehicle. Even if down the road, you eventually were talking about other liquid investments – private equity and all these things, you would still want to keep that relatively constrained in terms of the portion of the assets, so if there is a cash need, you have 80-90% of the fund elsewhere that is liquid that you can have on a daily basis to handle any short term need.

Mr. Torres asked if we change the ordinance, it would in effect, affect all three pension plans? Mrs. Levy said she didn't know, that is not our call. Mr. Torres said that what he is saying is that the Ordinance governs right now all three pension plans. Mrs. Levy stated that this particular provision governs all three and if you direct her to draft an Ordinance, she would do it specific to this Fund and the City can change it to make it applicable to all three, but she would only draft it specific to us. Mr. Salamon – Explain to me why you would be characterizing this more significantly to fixed income because REIT's are clearly in the equity class, correct? Mrs. Levy asked Mr. Salamon if he is talking about a REIF. Mr. Vavrica said this one example is called US REIF. Mr. Salamon apologized stating that the name is similar to REIT.

Mr. Vavrica explained similar concept in terms that it is a pooled vehicle of real estate investments. That is the similar part, the cash flow and return over time will be similar. The difference is your bonds have a volatility of about 6-7% standard deviation. Your real estate has a standard deviation of about 8-9%. Stocks REITS are 16-17%. That is the difference. Mr. Salamon asked why does this have the lower volatility. Mr. Vavrica –Because the valuations of the property are done by a third party appraiser. Every property has to valued at least once per year and so the value of the fund is based on the independent appraiser coming in and saying this office building or complex is worth this month. A REIT is traded quite frankly on emotion, the way the stock market does. So REIT's in 2008 went down 80%, was that because the value of the property within them were 80% less, no, it is because everybody was selling and they just kind of jumped in and drove the price down and then in 2009, the REIT's were up 110%. Did the value of the properties really go up, no it is because that is the way publicly traded securities have the volatility because of emotion and buying. These are valued and the price fluctuates based on appraisals, so you have slower movement up and down.

Mr. Salamon – You are not suggesting that the fund should ever invest in and do direct real estate investment? Mr. Vavrica – No, we would suggest investing in a vehicle that you are getting diversified exposure, not only with a type of property, office building, etc. This fund is just one example and you can see how it is diversified not only geographically but also by type. Mr. Salamon – In a typical market, do you want to get out and actually realize your hopeful gains on this, how long it will take you to get out of this. Mr. Vavrica – next opening which is the next first of the quarter. Mr. West asked what the minimum investment is. Mr. Vavrica – 1M. Mr. Salamon – If the city were to agree to this and say it were to come out of the equity side of this and that it can't be part of the 35%, (the City has some limits in there). Mrs. Levy said the Statute said no more than 25% of assets may be vested in foreign security and no more than 5% in any one issuing company. Mr. Salamon – If the City were to characterize this as an alternate that is more akin to equities, would you still be recommending this in lieu of other equity investments? Mr. Vavrica – No. Here is the issue, from a timing perspective; the big reason to do this is the interest rate environment. You have a portion 35-40% of our assets that at best are going earn 2% annually which is the coupon rate on bonds right now. So if interest rates don't rise and they just stay where they are, we will earn roughly 2% on our bonds. The equities are yielding about 2% plus you have the appreciation potential, so we are expecting somewhere in that 10-11% range. The real estate yields about 5-6% so you are almost tripling your yield over the fixed income and your expected rate of return, long term is about 8-8 ½%. Mr. Salamon said that we have given him something to talk and think about on our side and obviously if we have more questions, we will reach out. Mr. McCann said if he needs any answers from them to feel free to contact them.

Mr. West thanked the representatives for coming, and Mr. Salamon thanked everyone for having them at the meeting.

<u>Average Final Compensation (AFC):</u>
Mr. Amrose provided the background. The Ordinance was changed around 2000 for the Police Plan to make the AFC based on the three highest years of pay, not consecutive years of pay. The City calculates the AFC for all employees. The City program used was never changed to reflect this ordinance, so in other words before 2000, the City program was used to capture just the three highest consecutive years of pay. The Ordinance changed in 2000 to basically change it to consecutive or non consecutive, but the City program did not change to reflect that and I think part of the reason was that general and fire to remain as consecutive and police changed.

Sometime in 2012 (not sure of the dates) a member who entered the DROP reviewed his calculation and he questioned his AFC in that calculation. At this point, it was discovered that the City calculation was not reflecting the three highest years of pay, it was reflecting the three highest consecutive years of pay, so at that point, I think the City went back and they did a review and acknowledged that there was an issue, that they were doing the calculations to represent consecutive years when it should have been picking and choosing the three highest not necessarily consecutive. At this point, the City went back and they reviewed all calculations after 2000 (when the Ordinance change occurred) and they came to the conclusion that the only consecutive vs. non consecutive issue only impacted a couple of employees. About two years ago, we checked some of the test cases and we confirmed that the City was using the non consecutive methods and how they were doing non consecutive, not just consecutive any more. We did question the methodology that they were using and we will get into that in a little bit. Ultimately with our plans, it seems very easy to get pensionable pay. In other words, the officers contribute 9.84% of the pensionable earnings, so to get that pay and calculate the AFC, is a lot easier on our other plans than it appears to be here in Sunrise.

I think we can get these pays but the issue is that the City makes many adjustments to these pays so right now I believe the City can get the pay that the members made the contribution on but (not saying it is right or wrong) they make these adjustments and the issue is that they make a lot of adjustments. The City came up with an Administrative procedure and it documents how they calculate the AFC. (*Hand out attached*) There are two issues. The first is the programming issue and the second is methodology issues. Today, the Board with the help of Mr. Ron Cohen and Mrs. Levy will decide if these issues are in compliance with the Ordinance or not. Methodology issues – The first one is should retro pay be spread. I am not here to tell you it should or it shouldn't. I am just telling you that right now when someone gets a retro pay check for $20,000, it is not counted when it is paid, it is spread over a period of time. Is this in compliance with the Ordinance or is it not and what should be done about it? The same can be said for the Holiday pay. It is paid twice a year, but it is spread over the six months. That is probably not as big of a deal as the retro pay. I think we need to get these out of the way before we go to programming issues. Mr. West – Aren't' those things the major basis of the confusion? If they weren't spreading things back when they were earned instead of when they were paid, this whole process would be fast. Mr. Amrose – the last methodology identified is the basis for limiting over time to 300 hours. Is it fiscal year, calendar year; so I think that those are the three major methodologies that we have to agree on. If we get to a point where the Board says they aren't happy that retro pay gets spread, we can say alright this is how it is being done right now, and it would require some changes. I think you need a starting point because if you don't, then when do you stop taking member contributions? Mr. Goldstein – Mrs. Levy had a point last time about taking member contributions that a brand new officer who is earning overtime and they are taking the contribution out but he / she will never realize it. We as the Pension fund get a benefit, but if I am brand new, that's not part of my top 3. I am getting overtime, so her point was that you just continually take it out even if you have conceded the 300 because there is really no good way how to determine it and even though I am not getting a benefit out of it, the Fund is getting the benefit. Mr. Bettencourt – If I don't take a pension contribution from an hour of overtime, then I can't use that hour of overtime in the AFC calculation. And we are saying that there are many hours of overtime that never enter into the AFC in which 9.8% so why if Officer Smith works 300 hours of overtime but is consecutive for a payroll period is not concurrent with the fiscal year, it is impossible for him to get 300 hours of overtime factored in as it states in the contract. So, we are on two difference clocks – making a pension contribution and hours counting for AFC, they really have nothing to do with each other. Mr. Amrose stated that the Ordinance states that the member pays 9.84% on their pensionable earnings. Sometimes that contribution will be part of their AFC and sometimes it is not.

It is all of our plans, not just this one. Mr. Torres asked Mr. Amrose if he is suggesting a change. Mr. Amrose thinks it is illegal to take out the monies and then when it is figured out, it is paid back without interest to the employee. Mr. Amrose said that he thinks it is illegal to take it out because you would not be complying with SB 1128. The City is not allowed to take out pensionable earnings over 300 hours. Mr. Torres asked if we are creating an issue that doesn't really exist and how many people does this really affect? Mr. Amrose asked if anyone knows on average how far back it is typically spread? After discussion, Mr. Amrose said that there is a chance that you guys will be doing a big retro bank and that will be spread back. In general before this, is it more customary that it would be six months or a year? There might not be too much of a difference in counting the AFC or the earnings when it is paid versus spreading it out. If you only spread it out for a year, likely it will be included in that period anyway. Now a three year period would be different of course. Mrs. Levy said that the issue is not the spreading out, the issue is that they were spreading it out after they had determined it. Mr. Salamon – The issue of the retro pay. This was to the city's belief back in 2002 time frame and subsequently readdressed. We actually had multiple opinions from various Attorneys citing case law where retro pay should be spread out over the time period when it is accrued, not when it is paid out.

So doing when it is paid out actually serves the greatest spike potentially in pensions that is not appropriate. In looking back over documents in 2002 and 2003, I even had a document from Klausner and the General Board when he laid out that we need to be spreading it out over time not doing it when it is paid. I have documents in here that go back to 2003 from the City Attorney saying the same thing. So, from the City's prospective, this was resolved 12-13 years ago. Although ERISA doesn't govern public pension plans, it is consistent with the ERISA and that provides guidance and that is also mentioned in here. So based on case law, based on our own Attorney's, General Employees Pension Board and etc, the City and City Attorneys of the past that it is considered to be a resolved issue that the City is paying it out and has historically paid it out appropriately. Mr. Goldstein – I don't know if that is consistent with GAP, because if I get paid this year I have to pay taxes on it this year, right? What guidelines are we going on, based on which case law? Mr. Salamon said he will be more than happy to provide copies of the letters, public documents, there is no issue there. Mrs. Levy – We have actually researched this extensively in the past also on this fund a couple years ago and other funds and we agree that the case law dictates that it should be spread out when it is earned as opposed as to when it is received for various reasons. One of which is benefit spiking as well, but also just the theory behind pension plans dictate that it be spread out when it is earned. Mr. Amrose – Can we agree that we are okay with the retro pay being spread for now? Yes, the Board agreed by consensus. Mr. Amrose – the 300 hour overtime seems like it is being done fine. Mr. West – We get paid for our Holiday checks 6 and 6. Would it be easier for us to get paid one Holiday check per month? Mr. Torres said that is a contractual issue, not a Board issue. Mr. Amrose – That is not making a big impact because (1) I assume the Holiday pay is not an actual check and it is being spread over six months. It is likely not included in your AFC. Was something said about setting up a rolling 26 for the 300 hours which is another programming issue. Mr. Bettencourt asked if the senate bill was fiscal or calendar year. Mrs. Levy stated that it just says year. Mr. Williams – 300 hours whether it being fiscal, calendar or rolling. I don't see that being a big issue. The big issue is manually identifying the best three years and then backing everything out "assuming" that is still the best three years. Mr. Amrose – (1) Resolve the writing of this Administrative procedure so anyone can use it to calculate the AFC. I think the City did a very good job and as luck would have it, it is before you right now. One comment is some initial examples could be included. (2) It is not necessarily a computer program doing all the calculations, it is partially manual, so the Board really has to decide if they are okay with the manual effort that is being done, (3) Is the method of picking the best three, so what they do right now, is they pick the highest twelve months and then they pick the next two months.

If you don't lock into those first twelve months and you take six months of one and six months of another, it frees up some pays that you can use as the next and there are examples which we can show where you can come up with a higher pay by not locking into the highest twelve months, because if your highest twelve months is $150,000, you may be better off using a different twelve months maybe slightly overlapping with $149,000 because that brings you up to another $149,000 and $148,000 whereas the other way you couldn't. Long story short, and again this is an Administrative procedure, in which the Board has to decide if they are okay with that or is this unacceptable. Then from there, the decision would be made respectively let's change it or going back, let's... The bigger issue is really selecting the best three years of pay before adjusting pays as Mr. Williams cited. Some of the adjustments are made before selecting the best three years and I wasn't always under the impression that the adjustments that were made before adjustment pays did not include retro pay. In other words, they take the highest twelve month period with the retro pay in there and then they take the next two. The way I read this Administrative document, on the non consecutive method way of doing things, I was under the wrong impression. It almost seems like they are adjusting for retro pay and then choosing the highest twelve month period. But I guess we can ask them exactly how they are doing it.

Mr. Amrose asked the city representatives – Is every pay adjusted for retro pay (taken out and then spread over the period and then you choose the twelve month highest, next highest and next highest? Ms. Gomez said yes – We adjust retro pay and over time are done before. Mr. Ron Cohen asked if that was new because he has always understood that wasn't being done and has been our discussion for a couple years. Ms. Amrose said she thinks that ever since the document on consecutive method we have been doing those adjustments before selecting the best three non consecutive years. It is true though in the consecutive method that you pick the best three years before the adjustments? Do you test it afterwards to make sure it is okay after you make the adjustments? The City said that they pick the highest one for the consecutive before the adjustment. Mr. Amrose said that is problematic – it seems to him that for the consecutive three, they keep doing consecutive threes, but there it seems like they don't make the adjustment so there is a chance that someone has a big amount of retro pay in one year and for that reason it is locked into those twelve months but then they go and spread it and maybe it won't be included in that period. Ms. Amrose said the second set of pages shows the consecutive method. Mr. West asked the Mr. & Mrs. Amrose if they can edit this, and put their notes in red and the Board can review and agree on the changes that need to be made from this methodology. Mr. Steve Allen asked the City if they maintain the calculations and how they got to that number and that if he was to go to the City and ask to see his calculations that were used to reach his number, could they give them to him and he could have them reviewed by whomever. Ms. Scappechi said they might need notice (because there is a storage site in Miami where documents are kept and they don't keep them all in the office) but it wouldn't be a problem. Mr. Bettencourt asked if this can be expedited so maybe some change verbiage can be entered into the Collective Bargaining process so that things aren't as vague as they are now. Mr. West said the union can adopt this as an appendix to the whole thing. Mr. Torres asked what it would take to do the automated process, even if the Board had to be the one to purchase the software. Mr. Amrose said that the problem with their involvement is that they can't get into the payroll system. They don't understand it and don't know it. If the bi-weekly pensionable earnings were provided to them, for the whole history of someone's career, and also with that the methodology of spreading retro pay and holiday pay. We can certainly create a program for the Board. Mr. Torres asked if the stumbling block is that the City doesn't have the information electronically? Ms. Amrose said that some of the adjustments are very manual and she doesn't know how a program can be created to encounter every situation.

From what I have seen and the reason it hasn't been done so far is because the manual process is prevented from being done and in a perfect world, we make every adjustment to every possible year of pay and then pick the best. Those adjustments that happen after they pick the best three years are still manual and it can't possibly be done for every combination of pay. Mr. Torres – Is it because the City is still using time cards and we all know that the effort is being made to change that, but is this the reason. Mr. Amrose said it is more of the methodology that has been established. A lot of our other plans don't encounter this. They take whatever the person paid pension contributions on and that is the pay. They don't worry about spreading retro pay. I am not criticizing the methodology; I am just saying the fact that you are making all these adjustments. Mr. Torres asked if a computer can do this. Mr. Amrose said they are happy to do it as long as they get all the information behind it. Mr. Torres asked how we can get a program to do this and Mr. Amrose said his suggestion is that we develop a sheet saying what we need, you need to give us this and then we will create a program and compare our results to what they are getting now and see what the differences are and reconcile them. Mr. Torres said that once we start doing that and present it to the City, then if there is some discrepancy he is sure that we can come to a common ground, because once we develop the program, we are done and the discussion is over. Mr. Salamon said he does not know what the process is now.

He knows they are doing spreadsheets and he isn't sure if that is sufficient for us or if that data needs to be transferred to another system as well that is maintained separately so that it can do essentially the same type of calculation. You will never have a completely automated process here. No ERP that the City buys, no electronic system is going to do it unless we have a custom made system. But, it is also not going to be the City's system because we are not going to custom build any kind of package for the broader payroll processing or anything like this. That doesn't make any sense from the City's prospective so we need to use standard products and no standard product does this type of calculation that we are aware of. We may have a spreadsheet now that is completely sufficient for the Board's purpose that we can take a look at to see if that is all the Board needs. Maybe there would be a benefit to some custom built system. I have no idea but would be happy to work with the Board to figure it out. Mr. Torres said he thinks that this is what has stalled this up until now is that we talk about doing this and that and it is getting to that point so what he is suggesting is for Mr. Amrose to be able (obviously working with Wendy or whoever) to say this is the information I need, I can plug this in are we all working together? It can't happen once a quarter at this meeting. Mr. Salamon said realistically and this is beyond him but there may not be a need for the Board to spend money to have Mr. Amrose build a system and taking the information, inputting it and doing these calculations if what the Finance department is already doing with the spreadsheet is already completely sufficient. Maybe you should identify someone to work with Finance to figure that out, whether it is Mr. Amrose or someone on the Board. Mr. Torres thinks that our best resource is for Mr. Amrose to take what the City is already doing and make suggestions. I am sure there is a common ground we can come to. No one in this room wants to keep going around in circles. Mr. Williams asked if they can test off the excel program and Mrs. Amrose said they have already done that. Mr. Amrose said it feels like they have come full circle with them going back to test. Mr. Williams said he doesn't know if the mechanisms that are in place today were in place when we started. Mr. Torres said that if Mr. Amrose develops a program for the Board and we put the same numbers in that the City puts in, we should come up with the same results. Mr. Bettencourt said we need something to verify when someone says "I don't think these numbers are right". Mr. Salamon said that when he was Chairman of the General Employees board, he developed completely independent of his Actuaries who were doing all the calculations for the pension benefits. He did his own spreadsheet and it was basically my test of their calculations. If he couldn't come with a couple dollars of their numbers then something was wrong and they would have a discussion to figure out what that was.

Mr. Ron Cohen said that if the Board decides to use a fiscal year and stop taking it out after 300 hours, then the Board has every right in the world to do that and he thinks the Board is fine. The Board of Trustees is given the right to interpret the statute and to interpret the ordinance and to apply it. He thinks that decision is fine. The Board needs to decide if they want to give it to Mr. Amrose and say get the information from the City and we are satisfied.

Mr. Torres made a motion that Mr. Amrose provides the Board with a fee schedule, seconded by Mr. Ransone. Motion passed 5-0. Mr. Amrose will follow up with the city accordingly to determine what data the city can provide and how labor intensive the process will be.

Thistle Asset Consulting – Quarterly Investment Report

Contract / Annual COLA Increase:
No Discussion Ensued.

International Manager Search:
Mrs. Levy advised the Board that WHV has a favored nation's clause and they had approached the Board and asked if they can reduce their fee and we would do away with the favored nation's clause. The Board directed Mr. McCann to go back and negotiate a fee in which he did a great job and they came back with some performance based fee in lieu of a set rate of 85 basis points and still getting rid of our favored nations clause, however they have not been doing well so she deferred to Mr. McCann. Mr. McCann stated that their quarter was negative. Mr. McCann's recommendation is to terminate WHV. The Board concurred. Mr. McCann presented an International Equity Manager Search. Mr. Ransone made a motion to interview Harding Loevner, Boston Company, RBC and JP Morgan at the August meeting, seconded by Mr. Bettencourt. Motion carried 5-0.

Investment Consulting Basics:
No Discussion Ensued

Quarterly Investment Report:
Mr. McCann & Mr. Vavrica advised that as of March 31, 2015 the total fund was valued at $118,310,000. He indicated the total asset allocation for the portfolio was 27.4% in large cap equities, 38.5% in Fixed Income, 11.8% in small cap equities, 12.9% in mid cap equities, 7.6% in International Equity and 1.7% in cash. The manager allocation was 4.0% for Vanguard, 3.8% for Wentworth Hauser, Violich 31.9% for Garcia Hamilton Balanced Account, 18.3% for Garcia Fixed A+ Account, 12.9% for Mutual of America, 16.5% for Ceredex, 12.2% for New Amsterdam SMID and 0.3% for Cash. For the quarter ending 03-30-15, the total portfolio returned 2.36% compared to the benchmark of 2.32% placing it in the 28th percentile. For the trailing year, the portfolio returned 2.36% compared to 2.32% for the benchmark or in the 28th percentile. For equities, the fund returned 3.08% for the quarter compared to the benchmark of 2.77% or the 21st percentile. For fixed income, the fund returned 1.71% for the quarter compared to 1.48% for the benchmark or the 23rd percentile. On a fiscal year basis the total fund returned was valued at 5.91% vs. the Benchmark of 5.70% or the 11th percentile. On the three and five year basis the total fund return exceeded the assumed rate of return as follows: 10.00% and 9.57%.

Open Board Discussion
Mr. Williams reported that he was contacted by a member Eli Vidal, who wants to apply for Disability. Mr. Williams notified the Chairman and the Board Attorney and all the appropriate paperwork was sent to him almost a month ago. Mr. Williams communicated with him this week via e-mail asking the status of his application and he has not heard back as of yet.

Mrs. Levy reminded the Board that the documents cannot leave the office and they cannot discuss whatever is read in the binders. Mrs. Levy explained how the disability procedure works. Generalized discussion followed.

Mr. Torres voiced his opinion on replacing the furniture. He said he doesn't think there is anything wrong or no need to replace the furniture. Mr. West said we should put this on hold.

Adjournment

Motion to adjourn at 1:29 PM. by Mr. Torres, seconded by Mr. West. Carried 5-0.