

SUNRISE POLICE OFFICERS' RETIREMENT BOARD

10440 West Oakland Park Blvd.

Sunrise, FL 33351

May 12, 2016

10:00 AM

Call to Order:

On behalf of the Board, Mr. Mike West called the meeting to order at 10:05 AM

Roll Call:

Present were Mr. Michael West – Chairman, Mr. Bill Bettencourt – Secretary, Mr. Roger Torres & Mr. Eric Goldstein - Trustees.

Absent:

Mr. Dan Ransone

Others Present:

Also present were Mr. Ronald Cohen – Board Attorney; Mrs. Patty Ostrander – Administrative Assistant, Mr. Brendon Vavrica – The Bogdahn Group, Mrs. Janna Hamilton – Garcia Hamilton (left at 10:20 AM), Mrs. Trisha Amrose – Gabriel Roeder Smith, Mr. Eddy Marill - City of Sunrise (left at 11:05 AM), and Ms. Kelly Scapecchi – City of Sunrise, Finance Department.

Public Comment:

Mr. Marill attended the meeting in order to address the Board on his outstanding AFC calculation. He stated that he has received calculations four different times and has yet to receive a final calculation; therefore he has not been able to select a retirement option. He stated that the Board is accepting calculations that may not 100% correct. Ms. Scapecchi stated that the raw data has not been given to GRS yet. The update she got from the IT department is that they are working on a request that they received from the Fire Department prior to her request. Ms. Amrose stated that their program is ready to go, they are just waiting (over a year) on the numbers from the City of Sunrise. Mr. West asked what can be done to fast track this request. After discussion, Mr. West asked Mr. Cohen to send an email to the City Manager stating that this has been ongoing for several years.

Mr. West asked Ms. Scapecchi if we can just send GRS the raw data for Mr. Marill and she stated that the raw data has been sent. Ms. Amrose will check to see if Mr. Marill's information is included.

Mr. West stated that he will email Wendy Dunbar a request that they send GRS all the raw data for Eddy Marill from 1998 – December 2013.

Mr. Marill then stated that he understands that once a retirement decision is made, it cannot be changed. He is asking the Board that due to his situation, can he make a decision now (so his family is protected in case something happens to him) and then once the final correct numbers are received, possibly change his decision.

Mr. Torres then asked the Board if a decision has to be made once you enter the DROP, or can your decision wait until you get ready to leave the DROP. Mr. Cohen will check on this and report back to the Board.

Mr. Cohen suggested letting Mr. Marill make his decision based on the last set of calculations he received (Ms. Amrose will send them to Mrs. Ostrander) and then give him the option to make a change once the final calculation is received. Motion by Mr. Bettencourt to let Mr. Marill make his decision and change it once the final calculation is received, seconded by Mr. Torres. Motion passed 4-0.

Approval of Minutes:

Motion to approve minutes of February 11, 2016 and March 31, 2016 by Mr. Goldstein, seconded by Mr. Bettencourt. Motion passed 4-0.

Approval of Payables:

After review and consideration of the payables of March 31, 2016 through May 11, 2016, a motion to approve was made by Mr. Bettencourt, seconded by Mr. West. Motion passed 4-0.

Break 11:41 AM – 11:48 AM

Attorney's Report:

Mr. Cohen distributed a letter that he presented to the Board regarding the situation of a retired Police Officer serving as a City Commissioner.

Based upon the initial review of the Ordinance as written at this time, available case law and past precedent, it is not the present intent of the Board to order the suspension of the Member's benefit should the Member be elected to the City Commission. The Board reserves the right to hear future arguments and / or objections should they be raised in the future and confirm or amend its decision. This motion was made by Mr. Bettencourt, seconded by Mr. Torres. Motion passed 4-0.

Administrator's Report:

Mrs. Ostrander stated that her desktop computer is in need of replacement. Per Mr. Williams, our IT vendor provided two quotes to replace this desktop computer.

Motion to purchase a computer from Dell in the amount of \$879.00 by Mr. Torres, seconded by Mr. West. Motion passed 4-0.

Garcia Hamilton – Balanced Account Report:

Mrs. Janna Hamilton advised the Board that they received the Institutional Investor Fixed Income award for the third year in a row.

Mrs. Hamilton indicated that as of March 31, 2016, the Balanced Account portfolio had a market value of \$37,115,843.46. Our asset allocation was 42.3% in equities, 56.9% in fixed assets and 0.7% in cash. Our total gross quarterly performance was 2.5%. Equities returned 1.7% compared to the Russell 1000 which had 0.7%.

The Fixed Income Account returned 3.1% compared to the Barclays Capital Int. Gov / Credit which returned 2.4%.

Gabriel Roeder Smith:

Actuarial Valuation Report – Mr. Amrose presented the September 30, 2015 Valuation report (via phone conference call).

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

	For FYE 9/30/2017 Based on 10/1/2015 Valuation	For FYE 9/30/2016 Based on 10/1/2014 Valuation	Increase (Decrease)
Required Contribution	\$ 10,311,111	\$ 9,899,972	\$ 411,139
As % of Contr. Year Payroll	65.85 %	68.06 %	(2.21) %
Estimated State Contribution	639,176	639,176	0
As % of Contr. Year Payroll	4.08 %	4.39 %	(0.31) %
Net Employer Contribution	9,671,935	9,260,796	411,139
As % of Contr. Year Payroll	61.77 %	63.67 %	(1.90) %

The following table shows the required contribution developed in this valuation as a percentage of payroll including the salaries of members who are participating in the DROP as of October 1, 2015.

	2015 Valuation	2014 Valuation
Required Contribution	56.60 %	56.30 %
Estimated State Contribution	3.51 %	3.63 %
Net Employer Contribution	53.09 %	52.67 %

Mr. Amrose cited that the contributions developed in this valuation have been calculated as though payments are made at the end of each biweekly pay period. If the full contribution for the fiscal year ending September 30, 2017 is paid on October 01, 2016, the net required employer contribution is \$9,285,171 or 59.30% of covered payroll.

Further, the required Employer contribution has been computed with the assumption that the amount from the State in 2017 will be equal to the amount received in 2015 of \$639,176. If the actual payment from the State falls below this amount, then the Employer must increase its contribution by the difference.

Mr. Amrose advised that the actual contributions for the last year were \$8,194,759 from the City plus \$639,176 of annual State revenue, for a total of \$8,833,935. The total annual required contribution was \$8,833,935 reflecting an expedited payment schedule.

Mr. Amrose advised the following Revisions in Benefits:

Revisions in Benefits

Under Ordinance No. 124-X-15-B adopted on September 15, 2015, the following changes in benefit provisions were made:

- For police officers hired on or after September 30, 2015, with the exception of the three named candidates who must be hired on or before December 30, 2015 to obtain the first tier benefits, a second tier is created with the following benefit provisions:
 - The normal retirement date is age 55 with 10 years of service or age 52 with 25 years of service.
 - The early retirement date is age 50 with 10 years of service. The early retirement benefit is reduced by 3% for each year by which the member's age precedes age 55.
 - The benefit formula is 3% of average final compensation for the first 20 years of credited service plus 2% of average final compensation for each year thereafter, with a maximum benefit of 70% of average final compensation. The benefit shall not be less than 2.75% for each year of credited service.
 - There is no monthly supplemental benefit paid from the Plan.
 - The normal form of payment is a 10-year certain and life annuity.
 - The average final compensation is based on the best 5 consecutive years of the member's last 10 years of credited service.
 - Salary excludes all overtime pay.
 - The annual Cost of Living Adjustment is eliminated.
 - The member contribution rate is 8% of pay.
 - The maximum period of DROP participation is 4 years. If DROP participation is not elected within 6 months after reaching the member's earliest normal retirement date, the eligibility to elect DROP participation is forfeited.
 - The DROP interest crediting rate is 0% until the Plan is 100% funded. If the Plan is 100% funded, the DROP interest crediting rate shall be the same as the actual return of the Plan with a minimum of 0% and a maximum of 4%.
 - A 13th Check Benefit will be paid to retired police officers if the Plan is at least 100% funded. The amount distributed shall equal the amount of investment earnings that exceed the assumed rate of return for a plan year, limited to 100% of the monthly retirement benefits payable to the eligible retirees.
 - Service-connected disability benefits shall equal 70% of Salary less offsets, with a minimum of 42% of average final compensation.
 - Non-service connected disability benefits shall equal the accrued benefit, but not less than 25% nor more than 50% of average final compensation. The eligibility requirement for non-service connected disability benefits is 10 years of credited service.
 - Service-connected pre-retirement death benefits shall equal the accrued benefit, up to 75% of average final compensation, actuarially adjusted for the beneficiary's age, payable immediately.

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- Non-service connected pre-retirement death benefits shall equal the accrued benefit, actuarially adjusted for the beneficiary's age commencing on the date the member would have attained early or normal retirement age. The eligibility requirement for non-service connected pre-retirement death benefits is 10 years of credited service.
- Effective September 15, 2015, Salary for current members shall exclude all payments for accrued unused sick and annual leave.
- A Share Plan is created in accordance with Chapter 185. All Chapter 185 revenue received during each fiscal year up to \$2,137,895 shall be used to reduce the City's actuarially determined employer contribution. Any Chapter 185 revenue in excess of \$2,137,895 shall be held in reserve and may be used to provide defined contribution benefits through the Share Plan. The City and the Fraternal Order of Police shall negotiate the use of excess Chapter 185 revenue.
- Provisions are established for current members who leave employment and are subsequently rehired after September 30, 2015.
- The financial impact of this Ordinance was discussed in the Actuarial Impact Statement dated September 4, 2015.

Mr. Amrose stated that there have been no changes in actuarial assumptions or methods since the last valuation.

Mr. Amrose outlined the Actuarial experience as follows:

There was a net actuarial loss of \$749,184 since the last valuation which means that actual experience was less favorable than expected. The loss was primarily due to higher than expected average salary increases (6.3% compared to 5.2% expected). The investment return was 0.3% based on market value of assets and 7.8% based on actuarial value of assets. The net loss caused the required employer contribution to increase by 0.38% of covered payroll.

The funded ration was also discussed. This year's funded ration is 61.9% compared to 59.1% last year. The ration is equal to the actuarial value of assets divided by the actuarial accrued (past service) liability.

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

Contribution Rate Last Year	63.67 %
Experience (Gains) or Losses	0.38
Revision in Assumptions/Methods	0.00
Amortization Payment on UAAL	(2.57)
Normal Cost Rate	0.00
Administrative Expense	(0.02)
Change in State Contribution Rate	<u>0.31</u>
Contribution Rate This Year	61.77

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

PARTICIPANT DATA		
	October 1, 2015	October 1, 2014
ACTIVE MEMBERS		
Number of non-DROP members	150	145
Number of DROP members	24	26
Covered Annual Non-DROP Payroll	\$ 15,202,411	\$ 14,122,280
Average Annual Non-DROP Salary	\$ 101,349	\$ 97,395
Total Payroll Including DROP Members	\$ 17,760,147	\$ 17,161,640
Average Age (Non-DROP Members)	38.6	38.1
Average Past Service (Non-DROP Members)	10.9	10.5
Average Age at Hire (Non-DROP Members)	27.7	27.6
RETIRES, BENEFICIARIES & DROP		
Number	123	123
Annual Benefits*	\$ 6,384,051	\$ 6,286,770
Average Annual Benefit	\$ 51,903	\$ 51,112
Average Age	59.5	58.8
DISABILITY RETIREES		
Number	9	9
Annual Benefits	\$ 410,224	\$ 409,696
Average Annual Benefit	\$ 45,580	\$ 45,522
Average Age	52.5	51.5
TERMINATED VESTED MEMBERS		
Number	1	1
Annual Benefits	\$ 30,627	\$ 30,627
Average Annual Benefit	\$ 30,627	\$ 30,627
Average Age	46.1	45.1

Mr. Amrose recommended lowering the Investment Return Assumption going forward. Mr. Amrose stated that he will talk to Mr. Tierney regarding this. The Board agreed by consensus to continue the step plan until we reach 7.5%.

Motion to accept the Valuation report by Mr. Torres, seconded by Mr. West. Motion passed 4-0.

415 Issue – Mr. Torres inquired at a prior meeting about the possibility of Mr. James Hughes being affected by this issue. After Board discussion, Mrs. Amrose stated that she will do a 415 calculation on Mr. Hughes and report back to the Board.

Mr. Amrose left the conference call at 12:36 PM.

JP Morgan – Quarterly Investment Report:

JP Morgan rescheduled and will be at a future meeting. No report presented.

The Bogdahn Group - Quarterly Investment Report:

Mr. Vavrica advised that as of March 31, 2016 the total fund was valued at \$118,211,829. He indicated the total asset allocation for the portfolio was 29.2% in large cap equities, 37.5% in fixed income, 11.3% in SMID cap equities, 12.5% in mid cap equities, 8.8% in International equity and 0.4% in cash.

The manager allocation was 4.5% for Vanguard, 4.3% for JP Morgan, 31.4% for Garcia Hamilton, 19.7% for Garcia Hamilton A+ Account, 12.5% for Mutual of America, 15.9% for Ceredex, 11.3% for New Amsterdam SMID and 0.4% for Cash.

For the quarter ending December 31, 2015, the total portfolio returned 2.54% compared to the benchmark of 2.79% placing it in the top 66th percentile. For the trailing year, the portfolio returned -0.68% compared to -0.09% for the benchmark in the 44th percentile. For equities, the fund returned 5.11% for the quarter compared to the benchmark of 4.98% in the 19th percentile. For fixed income, the fund returned -0.43% for the quarter compared to -0.59% for the benchmark in the 56th percentile. On a three and five year basis the total fund return exceeded the assumed rate of return as follows: 7.66% and 7.17%.

Motion for Mr. West to review and execute the updated Investment Policy by Mr. Goldstein, seconded by Mr. Bettencourt. Motion passed 4-0.

Open Board Discussion:

The Final Disability hearing is set for July 05, 2016 at 1:00 PM at the Police Department. Mr. Goldstein expressed his concern for the meeting starting late in the afternoon and the possible length of the meeting. Mr. Bettencourt stated that he will be working midnight for the holiday the night before. Mr. Torres will try to adjust Mr. Bettencourt's hours and report to Mrs. Ostrander so the meeting can be properly posted.

Adjournment:

Motion to adjourn at 1:18 PM by Mr. Torres seconded by Mr. West. Motion passed 4-0.