

SUNRISE POLICE OFFICERS' RETIREMENT BOARD

13790 N.W. 4th Street, Suite 105

Sunrise, FL 33325

May 11, 2017

10:00 A.M.

Call to Order

On behalf of the Board, Mr. Dave Williams called the meeting to order at 10:08 A.M.

Public Discussion

None

Roll Call

Present were Mr. Michael West – Chairman, Mr. William Bettencourt – Secretary, Mr. Lou Berman, Mr. Eric Goldstein (arrived at 10:45 A.M.) and Mr. Dan Ransone (left at 12:15 P.M.)

Absent & Excused

None

Others Present

Mr. Dave Williams - Plan Administrator, Mrs. Patty Ostrander - Recording Secretary; Mr. Richelle Levy – Rice Pugatch Robinson Storfer & Cohen, PLLC; Mr. Jeff Amrose – GRS; Mr. Brendon Vavrica – AndCo Consulting (left at 12:20 P.M.); Mrs. Janna Hamilton – Garcia Hamilton; Mr. Field and Ms. Morgenier of J.P. Morgan (left at 10:50 A.M.) and Mr. Anthony Bulzone - City of Sunrise.

Approval of minutes

Motion to approve by minutes of February 09, 2017 by Mr. Ransone, seconded by Mr. Berman. Carried 4-0 (Mr. Goldstein was not present).

Approval of Payables

After review and consideration of the payables of February 09, 2017 through May 10, 2017, a motion to approve was made by Mr. Bettencourt, seconded by Mr. Ransone. Carried 4-0 (Mr. Goldstein was not present).

Attorney's Report

Cyber Insurance – Mrs. Levy reviewed the Cyber Policy that Mr. Williams received in the amount of \$2,242.00. She feels that this is a great idea and she highly recommends the Plan get this policy. Mrs. Levy feels that we should have this policy is because we have a large database of personnel information and the three things that cyber-attacks target are personnel information, financial information and health information. Mr. Bettencourt made a motion to approve this Cyber Policy, seconded by Mr. West. Carried 4-0 (Mr. Goldstein was not present).

ACF Update – Mrs. Levy stated that the Public Records request was sent to the City asking for records which Mr. Amrose outlined in his letter indicating what he needs to review the AFC as determined by the City. The City Clerk stated that they would be happy to do this, but they need a check for \$45,000.00. Mrs. Levy spoke to the City Attorney and City Clerk who sent us a sample of what they will provide to us. This

included 160 pages per member. Mrs. Levy sent the sample to Mr. Amrose and Mrs. Amrose and they reviewed the pages and narrowed down to what they actually needed. Mr. Amrose suggested that we receive information on just two employees, let him look at it and make the calculations and he can give us a better idea what he will need after this is done. Mrs. Levy then sent a request for information on two retirees (Merrill and Torres) and they responded that they need a check for \$1,500.00 and they will not start preparing the paperwork until they receive the money. The warrant was approved at today's meeting and will be sent via Fed Ex. Mrs. Levy further stated that the City told her it will take six hours per member and she expects we should have the documents next week and she will forward them to Mr. Amrose. Mr. Williams asked if this was provided electronically and he was told that they are providing hard copies.

415 Update – Mrs. Levy stated that with Mr. Amrose's immeasurable help, we have submitted an ordinance amendment which takes the COLA out of the 415 calculations and a preservation of benefits to the City. She would like to stop a rumor that is going around which is that self-directed drop money is not included in the 415 calculations and that is not correct. It is included in the 415 calculations.

Mr. Amrose reviewed the letter he sent on May 05th regarding the estimated AFC amounts at DROP Entry that would cause a member's benefit to exceed the 415 limit if the member participates in the DROP for seven years.

Real Estate Update – The ASB contract has been signed and is ready for investments. Clarion did not agree with the side letter because as a policy they do not engage in side letters with companies investing in less than \$10M. Mrs. Levy then moved to the Board's third choice which is Cornerstone and a side letter is in the process. She expects to have the side letter completed in the next few days to present to the Chairman for his signature.

Mrs. Levy also reminded the Trustees to complete their annual forms.

Ms. Levy stated that the City has the two draft ordinances – One that will remove the COLA from the 415 limitation and calculation and the excess benefit plan. They got it and the City Attorney didn't respond so she inquired as to where it stands and she was informed that the people in the City are currently looking at it.

Garcia Hamilton – Balanced Account Report

Mrs. Janna Hamilton indicated that as of March 31, 2017, the Balanced Account portfolio had a market value of \$39,972,813.45. Our asset allocation was 41.6% in equities, 56.3% in fixed income and 2.1% in cash. Equities returned 7.6% compared to the Russell 1000 which returned 8.9%.

Mrs. Janna Hamilton indicated that as of March 31, 2017, the Fixed Account portfolio had a market value of \$24,399,585.20. Our asset allocation was 0.0% in equities, 97.9% in fixed income and 2.1% in cash. Fixed Income returned 1.0% compared to the Barclays Capital Int. Gov. / Credit which returned 0.8%.

J.P. Morgan International

Mr. Field and Ms. Morgenier indicated that as of March 31, 2017, the International Equity portfolio had a market value of \$5,696,132.46. Our net quarterly performance was 9.03% compared to the MSCI ACWI ex US which had 7.86%.

AndCo Consulting – Quarterly Investment Report

Mr. Brandon Vavrica advised that as of March 31, 2017 the total fund was valued at \$134,651,313. The manager allocation was 5.2% for Vanguard, 4.2% for J.P. Morgan 18.1% for Garcia Hamilton Fixed Account, 29.7% for Garcia Hamilton Fixed A+ Account, 13.2% for Mutual of America, 16.3% for Ceredex, 11.9% for New Amsterdam SMID and 1.3% for Cash.

For the quarter ending March 31, 2017, the total net portfolio returned 5.38% compared to the benchmark of 5.13% placing it in the 33rd percentile. For the trailing year, the net portfolio returned 9.56% compared to 10.01% for the benchmark or in the 55th percentile. For equities, the fund returned 9.88% for the quarter compared to the benchmark of 9.92%. For fixed income, the fund returned -1.23% for the quarter compared to -1.83%.

Mr. Vavrica presented the search that will replace Garcia large cap for the Board's review. Mr. West would like to see a further search to include more managers that are available. Mr. Vavrica will bring this search to the August meeting.

Gabriel Roeder Smith – Actuarial Valuation Report

Mr. Amrose reviewed the Actuarial Valuation Report.

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

	For FYE 9/30/2018 Based on 10/1/2016 Valuation	For FYE 9/30/2017 Based on 10/1/2015 Valuation	Increase (Decrease)
Required Contribution	\$ 10,495,767	\$ 10,311,111	\$ 184,656
As % of Contr. Year Payroll	63.58 %	65.85 %	(2.27) %
Estimated State Contribution	693,248	693,248	0
As % of Contr. Year Payroll	4.20 %	4.43 %	(0.23) %
Net Employer Contribution	9,802,519	9,617,863	184,656
As % of Contr. Year Payroll	59.38 %	61.42 %	(2.04) %

The following table shows the required contribution developed in this valuation as a percentage of payroll including the salaries of member who are participating in the DROP as of October 01, 2016.

	2016 Valuation	2015 Valuation
Required Contribution	53.91 %	56.60 %
Estimated State Contribution	3.56 %	3.81 %
Net Employer Contribution	50.35 %	52.79 %

Mr. Amrose stated 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, 2018 is paid on October 01, 2017, the net required employer contribution is \$9,407,979 or 56.99% of covered payroll.

Further, the required Employer contribution has been computed with the assumption that the amount to be received from the State in 2018 will be equal to the amount received in 2016 of \$693,248. If the actual payment from the State falls below this amount, then the Employer must increase its contribution by the difference.

Actual contributions for the last year were \$8,834,348 from the City plus \$693,248 of annual State revenue, for a total of \$9,527,596. The total amount required contribution was \$9,527,596 reflecting an expedited payment schedule.

There was a net actuarial loss of \$700,203 since the last valuation which means that actual experience was less favorable than expected. The loss was primarily due to greater than expected average salary increases (7.6% compared to 5.2% expected), more retirements than expected, and less employment terminations than expected. The liability loss was partially offset by gains due to greater than expected recognized investment return. The investment return was 8.8% based on market value of assets and 8.9% based on actuarial value of assets. The net loss caused the required employer contribution to increase by 0.34% of covered payroll.

This year's funded ratio is 66.0% compared to 61.9% last year. The funded ratio was 65.2% before the mortality assumption change described above. The ratio 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	61.42 %
Experience (Gains) or Losses	0.34
Revision in Assumptions/Methods	(1.71)
Amortization Payment on UAAL	(0.88)
Normal Cost Rate	(0.31)
Administrative Expense	0.29
Change in State Contribution Rate	0.23
Contribution Rate This Year	<u>59.38</u>

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

PARTICIPANT DATA		
	October 1, 2016	October 1, 2015
ACTIVE MEMBERS		
Number of non-DROP members	153	150
Number of DROP members	21	24
Covered Annual Non-DROP Payroll	\$ 16,027,155	\$ 15,202,411
Average Annual Non-DROP Salary	\$ 104,753	\$ 101,349
Total Payroll Including DROP Members	\$ 18,988,468	\$ 17,760,147
Average Age (Non-DROP Members)	38.5	38.6
Average Past Service (Non-DROP Members)	10.8	10.9
Average Age at Hire (Non-DROP Members)	27.7	27.7
RETIREES, BENEFICIARIES & DROP		
Number	130	123
Annual Benefits*	\$ 6,958,022	\$ 6,384,051
Average Annual Benefit	\$ 53,523	\$ 51,903
Average Age	59.9	59.5
DISABILITY RETIREES		
Number	10	9
Annual Benefits	\$ 485,329	\$ 410,224
Average Annual Benefit	\$ 48,533	\$ 45,580
Average Age	52.6	52.5

TERMINATED VESTED MEMBERS		
Number	0	1
Annual Benefits	\$ 0	\$ 30,627
Average Annual Benefit	\$ 0	\$ 30,627
Average Age	0.0	46.1

** Does not include deferred supplemental benefits for DROP members.*

Mr. Amrose recommended lowering the assumption rate and redo the report that he is presenting today. Mr. Williams asked Mr. Amrose if he represents another City plan and if so what is their position. He stated the he represents the General plan and they are at 7.5%.

The Board gave direction for Mr. Amrose to speak to Mr. Tierney, give him a copy of the draft report and say that the Board would like to reflect another 10 basis points lowering and ask him what his thoughts are. Mr. Williams stated that based on the discussion between the two Actuaries and the consensus thereof, authority will be given to Mr. Amrose to go ahead and restate the report with the new assumption rate. Ms. Levy stated that the Board should approve the report and put in the caveat that should the City agree to lowering the assumption rate it will be approved with that change. Motion by Mr. Goldstein, seconded by Mr. Bettencourt. Motion passed 5-0.

Mr. Williams asked for an update on the status of the annual statements. Mr. Amrose said they will be working on them in the next couple of weeks.

Open Board Discussion

Mr. Williams informed the Board that the State Report was approved on April 05, 2017. This is the first year this was done electronically and he thanked Mr. Cristini and Ms. Bittinger for their help with this new procedure.

Mr. Goldstein inquired about the 300-hour issue and asked when it is being counted. Ms. Levy stated that in the contract it says nothing about how the 300-hour is being counted. Ms. Levy stated that if we feel it should be done differently then we can approach the City and discuss it with them. Ms. Levy quoted the statute “up to 300 hours per year”. Mr. Williams asked what a year is defined as? Ms. Levy said that it is not defined. Mr. Goldstein – So it isn’t defined as October – October and in our contract, it is the best 12 months so it can be June – May. Mr. Goldstein said that it needs to be defined in the contract, so by them arbitrarily saying October – October people can be losing out on getting their whole 300 depending on how they do it. We have been having this argument for a long time. Ms. Levy asked how would you like to determine when to stop pensionable pay. Mr. Goldstein – I don’t and this is his argument, I don’t want them to stop pensionable pay. Ms. Levy stated that by law they should, the statute requires. Mr. Bettencourt said the argument is “do they have to make a pension deduction in order for money to be pensionable”? Ms. Levy – yes. Mr.

Bettencourt reinstated by law they have to deduct it because they're only using that to calculate the average final compensation. There are many years in which they don't count into my average final compensation in which they are making pension deductions from my overtime and those years never end up into my final calculations because they are not one of my top three years. So, our pensions are based upon our highest consecutive twelve months, Ms. Levy – Yes. Mr. Bettencourt – So at the beginning of our highest consecutive twelve months, the first month, from that date forward should be 300 hours counted into our pension for overtime. So, my first month is say January, then January – January will be my highest consecutive twelve months and that should include 300 hours of overtime, but the City says that they chose to use fiscal year and unless my highest consecutive twelve months exactly coincide with the fiscal year, it is impossible for me to get 300 hours of overtime. Ms. Levy asked why it is impossible. Mr. Bettencourt stated that only if it exactly coincides, if I have any over time, say before my highest consecutive start, say between October – June I have 50 hours of overtime, then I can only possibly get 250 hours on that rolling consecutive twelve-month calendar. Since they are counting only in the fiscal year October – October, 300 hours, so if March my highest consecutive starts, then I have already had 300 hours of overtime, now it is only possible for me to get 200 hours into that because once we pass that October, it doesn't reset. Ms. Levy – First of all, if you are stating that October 1st you are starting overtime, so you may not have any over time until March. There has to be a way for them to, why are you assuming that your highest months would not include overtime? Mr. Bettencourt – They most certainly will include overtime, but. Mr. Goldstein stated that so for them to arbitrarily do something that makes it easier for them because they still do things on pen and paper and time cards this way instead of having an automated system, doesn't make it right. The Union has a contract and within the contract it says "does not define a year", so the City had decided to define the year as they want but that is not by what the contract is. Mr. Williams – So the rolling twenty-six pay periods would be to look back on the last twenty-five if you had 280 hours of overtime and you had in this pay period 40 hours of overtime, they would charge you for 20? And every pay period they look back. Ms. Levy – How do they take out the pensionable contribution then. Mr. Williams – The pension contribution on overtime is based on the previous twenty-five pay periods, they get a total of overtime so like I said if you have 280 hours in the last twenty-five pay periods, this pay period you had 15 hours, all that would be pensionable. Ms. Levy – Are you saying they don't take out the pensionable contribution until after the fact? Mr. Williams – Said at the time when they are getting paid, this is your new paycheck. You are up for review and in theory the computer would say you had 290 hours of overtime and this pay period you had 15 so we are going to do an auto deduction on pension contributions of 10 hours, five hours would be not contributable. That is the rolling twenty-six pay periods. Mr. Goldstein – This argument has been going on since the implementation of 300 hours and needs to be resolved. Ms. Levy – What is interesting is in your Ordinance, it says for Police Officers overtime pay for hours earned in excess of 300 hours of overtime per year should not be included in salary and for the general employees, it says 300 hours per fiscal year should not be included. Mr. Goldstein – That is a benefit that was made at some point that they are no longer giving us because they can't figure out how to do it and it is not our fault, they need to figure it out. Ms. Levy – Let me understand what you propose is the better

solution. Mr. Goldstein – What Mr. Williams said, the rolling twenty-six is the best solution which Mr. West said would have to be done for every member, every paycheck. Ms. Levy – The rolling twenty-six, they pick a start date, there are twenty-six pay periods and when someone hits the 300 hours, they stop it and then a year from that state date, they start again? Mr. Williams – No every two weeks they look back twenty-five pay periods, the paycheck in question is paycheck number twenty-six, so it is a rolling twenty-six pay periods.

Mr. Goldstein – We talked about getting peoples AFC prior to people going into the DROP, someone like me when I am in my twentieth and if I want to know what my numbers are, based on this I won't know what my true numbers are, so are we going to have to pay like we are doing for Mr. Merrill and Mr. Torres when we want to get a calculation? Ms. Levy – Do members normally request for an estimated calculation? Until you actually put in your retirement date, he is not going to be able to give you completely accurate numbers. Mr. Williams – For an estimate, yes, you will get a calculation based on your payroll through whenever we do the estimated date, so this will be based on what your AFC is when you request it. Mr. Williams explained the procedure that is followed for an AFC. Mr. Williams said that the yearly benefit statements will be out next month.

Adjournment

Motion to adjourn at 12:45 P.M. by Mr. Bettencourt, seconded by Mr. West. Carried 4-0 (Mr. Ransone was not present).