

SUNRISE POLICE OFFICERS' RETIREMENT BOARD

13790 N.W. 4th Street, Suite 105

Sunrise, FL 33325

November 08, 2018

10:00 A.M.

Call to Order

On behalf of the Board, Mr. Dave Williams called the meeting to order at 10:04 A.M.

Roll Call

Present were Mr. Michael West – Chairman, Mr. William Bettencourt – Secretary, Mr. Louis Berman & Mr. Eric Goldstein - Trustees.

Absent & Excused

Mr. Keven Sweat

Public Discussion

A member of the public who attended the meeting: Mr. Christopher Fetes – Bolderwood Capital Management introduced himself. His background is fixed income and high yield. He has launched his own hedge fund in the last year. He has background experience which he can provide if need be.

Others Present

Mr. Dave Williams - Plan Administrator, Mrs. Patty Ostrander - Recording Secretary, Ms. Richelle Levy – Rice Pugatch Robinson Storfer & Cohen, PLLC; Mr. Brendon Vavrica – AndCo Consulting, Ms. Janna Hamilton – Garcia Hamilton (left at 10:31 A.M.), Mr. Anthony Bulzone - City of Sunrise, Mr. James Hughes – Sunrise Retiree (arrived at 10:24 A.M. and left at 11:38 A.M.) & Mr. Christopher Fetes – Bolderwood Capital Management (left at 10:50 A.M.).

Approval of Minutes

Motion to approve by minutes of 08-09-18 by Mr. Bettencourt, seconded by Mr. Berman Motion passed 4-0.

Approval of Payables

After review and consideration of the payables of 08-09-18 through 11-07-18, a motion to approve was made by Mr. Bettencourt, seconded by Mr. West. Motion passed 4-0.

Garcia Hamilton – Fixed Income - Aggregate Report

Ms. Janna Hamilton indicated that as of September 30, 2018, the Fixed Income – Aggregate Account portfolio had a market value of \$23,814,397.37. Our asset allocation was 00.0% in equities, 99.5 in fixed income and 0.5% in cash. Fixed Income returned -0.1% compared to the Bloomberg Barclays Aggregate which returned 0.0%.

Garcia Hamilton – Fixed Account Report

Ms. Janna Hamilton indicated that as of September 30, 2018, the Fixed Account portfolio had a market value of \$18,986,239.04. Our asset allocation was 0.0% in equities, 99.9% in fixed income and 0.1% in cash. Fixed Income returned 0.2% compared to the Barclays Capital Int. Gov. / Credit which returned 0.2%.

Mutual of America

Mr. Joe O’Rielly and Ms. Jaime Zindell indicated via conference call that as of September 30, 2018, the large cap portfolio had a gross market value of \$16,239,232.30. Our allocation at the end of the quarter was 0.1% in cash, 99.8% in equities, accrued income receivables were 0.1%, and net of payables / receivables were -0.0%. Our performance for the quarter was 3.83% vs. 3.89% for the S & P Mid Cap 400 Index. Since the inception date of March 31, 2008, the portfolio had an annualized return of 10.70% vs. 10.77% for the S & P Mid Cap 400 Index.

Mr. O’Rielly advised the Board that Mr. Amir Lear who was the President and CEO will now be the CEO and Mr. Steven Rich who was the CEO will now be the President of Capital Management. Mr. Joseph Gaffoglio has been promoted to COO.

Rhumblin

No Report

AndCo Consulting – Quarterly Investment Report

Mr. Brandon Vavrica advised that as of September 30, 2018 the total fund was valued at \$150,719,028. The manager allocation was 15.8% for Ceredex Equity, 15.8% for Garcia A+ Fixed Income, 12.6% for Garcia EXCL A+ Fixed Income, 10.8% for Mutual of America Equity, 9.1% for Polen Capital, 8.8% for Rhumblin R1000G, 5.4% for Great Lakes SMID Cap, 5.2% for Vanguard R2000, 4.4% for Vanguard Intl Equity, 4.3% for Barings Real Estate, 3.8% for JP Morgan International Equity, 3.6% for ASB Real Estate, 0.4% for R & D Cash and 0.0% for New Amsterdam Equity.

For the quarter ending September 30, 2018, the total net portfolio returned 3.42% compared to the benchmark of 3.45% placing it in the 46th percentile. For the trailing year, the net portfolio returned 8.01% compared to 9.00% for the benchmark or in the 59th percentile.

Mr. Vavrica asked the Board if they wanted him to talk about the Self-Directed Drop and this has been placed on hold for now.

Attorney’s Report

Ms. Levy stated that she was directed by the Board to look into the questions that Mr. Hughes had regarding the excess benefit plan. Mr. Hughes was present and first asked about IRC 415. Ms. Levy explained the IRC 415 again for the benefit of Mr. Hughes and to refresh the Board. Mr. Hughes then stated that he was present to ask about the deductions from his check that the City sent him for the excess benefit plan benefit. He stated that he spoke to Mr. Anthony Bulzone, from the finance department and the city representative who attends pension meetings to ask about the deductions. Mr. Hughes again questioned “why can’t the Pension just continue to pay the Pension”?

Ms. Levy responded that the answer is because he has hit the IRC 415-limit that she explained previously and that prohibits the pension fund from paying anything more than what the actuary determines to be the 415-limit based upon adjustments.

The City has created an Excess Benefit Plan which is governed under 415M. Mr. Williams reviewed the payments made to Mr. Hughes for this calendar year. Mr. Williams stated that he coordinated this with the City and that Mr. Bulzone was very helpful in setting that up. Ms. Levy stated that this can potentially change every year, the IRS can even reduce the limit although historically they haven't. As a pension fund we are governed by the limitations set.

Mr. Hughes stated that he is retired, and he wants to know if he is subject to be penalized for taxes. Ms. Levy stated that Mr. Hughes might want to have his Accountant address this with the City. Mr. West stated that he asked Ms. Levy to do some research to educate the Board and all of us, so she has researched and spoke with the Board tax attorney on her own to get an understanding of exactly how this all goes on, but this issue is going to be with the City ultimately. Mr. Hughes would like it if the Board can work out with the City a mechanism that can be suitable for the people not being charged Social Security or Medicare. Ms. Levy said the issue of when FICA, Social Security, Medicare, comes out of a payment is based on whether that payment is considered wages. I understand that you are retired, but it isn't that black and white in terms of payments that are made. My understanding is that the city's response to you was that once an employee, always an employee. I understand why they said that but it also simplistic. In order to determine whether something is wages, you need to go to the tax code and the first provision I looked is at 26 USC 3121 which is the tax provision that deals with what constitutes wages. So 3121(A) (5) (E) states that wages mean employment including the cash value of remunerations paid in any medium other than cash except for those things that such term shall not include such any payment made to or on behalf of an employee or his beneficiary under or to an exempt governmental deferred compensation plan which is not what the pension plan is but what the city's Excess Benefit plan is. That Plan falls under 263121A5E which is an exempt governmental deferred compensation plan. Mrs. Levy continued in detail going over the IRC codes. Mr. Hughes appreciated Mrs. Levy researching this, but he stated that he is not an employee. Mrs. Levy corrected him and stated that for these purposes, he is an employee. It has nothing to do whether you are a current employee. This has to do with payments that are being made to you by your employer, past or present. Mrs. Levy continued to provide the Board with information that she has found in her research. Mrs. Levy also researched Private Letter Rulings and reported those to the Board as well. Mrs. Levy stated that her interpretation of the IRS Rules and she has spoken to the Tax Attorney as well is that the City may not have to take out certain taxes but as of right now the IRC has not ruled on this issue, so it is not clear. The most conservative position for the city is to deduct the taxes, but it is not clear that it is required. Mr. Hughes asked Mr. Williams if there are any other clients in any of his other plans that are affected by this and Mr. Williams replied no, that Mr. Hughes is the only person that is in this situation. Mr. Bulzone explained the city has investigated this situation before. He informed the Board that there are six general employees who fall into this plan and they are getting the same deductions. Ms. Levy asked Mr. Bulzone to ask why the City believes these taxes should be taken out given 26USC3121 (a) (5) (e), if they still believe after researching this.

Mr. Hughes thanked Mrs. Levy for doing her research, however he feels that the City's ruling isn't in favor of the employees. She asked Mr. Bulzone to come back with an answer to that.

Ms. Levy told Mr. Hughes that the Pension Board understands with his issues of taxes being taken out of his excess benefit plan benefit, but this is a City Plan and is outside the scope of this Board.

Mr. Bulzone told Mr. Hughes that he is also going to get a W2 from the City. Ms. Levy stated that he can submit a W4 form to them and depending on his election it may reduce the taxes.

Mr. Hughes stated that he would like to ask the Board if his AFC was calculated in late 2009 – 2010 and he understands the lady who was responsible for this was murdered during this time period. He doesn't know if the mechanisms have changed as far as what supporting documentation the City provides to the members to see if the numbers are accurate. He would like to know if he can have the numbers redone. Mrs. Levy stated that he is already out of the DROP, so it is not the policy of this Board to recalculate people who are already retired and receiving their benefit unless they have a basis to state believe their calculation is erroneous. Ms. Levy stated that the Board is calculating the AFC for people who are currently entering the DROP or retiring. Mr. Hughes brought up Mr. Torres who was recalculated. Mr. Hughes departed the meeting.

Recess 11:48 A.M. to 11:53 A.M.

Mrs. Levy updated the Board on the Emergent Biosystems Litigation – Class Action where we are a lead plaintiff. Mr. Bettencourt made a motion to approve the ratification, seconded by Mr. West. Motion passed 4-0.

Summary Plan Description - Mrs. Levy presented the revised Summary Plan Description. Motion to approve as presented by Mr. Goldstein, seconded by Mr. West. Motion passed 4-0.

Item may be viewed:

<http://www.sunrisepolicepension.com/newsite/modules/planDesc/index.asp>

Operating Rules & Procedures - Mrs. Levy presented the revised document. Motion to approve as presented by Mr. Goldstein, seconded by Mr. Berman. Motion passed 4-0.

Recalculation Form – Mrs. Levy presented the form for Board approval. A few changes were requested. Motion to approve form after changes made by Mr. Goldstein, seconded by Mr. West. Motion passed 4-0.

Administrator's Report

Mr. Williams advised the Board that the audit field work will be next week.

Mr. West asked Mr. Williams to explain his annual stipend payment. Mr. Bettencourt made a motion to raise his annual stipend payment to \$2,500.00, seconded by Mr. Goldstein. Motion passed 4-0.

Old Business

None.

Open Board Discussion

Mr. Berman made a motion to re-appoint Mr. Goldstein as the Fifth member, seconded by Mr. West. Motion passed 3-0. (Mr. Goldstein did not vote).

Adjournment

Motion to adjourn at 12:23 P.M. by Mr. Bettencourt, seconded by Mr. West. Carried 4-0.