

SUNRISE POLICE OFFICERS' RETIREMENT PLAN

13790 N.W. 4th Street, Suite 105

Sunrise, FL 33325

May 15, 2019

2:00 P.M.

Call to Order

On behalf of the Board, Mr. Dave Williams called the meeting to order at 2:01 P.M.

Public Discussion

None

Roll Call

Present were Mr. Michael West – Chairman; Mr. William Bettencourt – Secretary; Mr. Eric Goldstein and Mr. Kevan Sweat - Trustees.

Absent & Excused

Mr. Lou Berman

Others Present

Mrs. Richelle Levy – Rice Pugatch Robinson Storfer & Cohen, PLLC; Mr. Jeff Amrose via telephone (2:05 P.M. – 2:22 P.M.); Mr. Anthony Bulzone - City of Sunrise and Ms. Emilee Smith – City of Sunrise Assistant City Manager. Mr. Dave Williams - Plan Administrator; Mrs. Patty Ostrander - Recording Secretary.

Gabriel Roeder Smith – Actuarial Valuation Report

Mr. West stated that he had a phone call with the City Manager last week regarding the decrease that the Board agreed on lowering the basis points from 5 basis points to 15 basis points. The City Manager stated that he was not anticipating that, and it would be a logistical nightmare to have that changed by the deadline. Mr. West stated that he was asked to bring these facts back to the Board to inform them of the Cities position.

Ms. Smith spoke on behalf of the City and said the City always wants to work with the Board.

Mrs. Levy suggested getting Mr. Amrose on the telephone. She stated that she knows Mr. Amrose has been communicating with Actuary and the Actuary with the City has not been responsive.

Mrs. Levy informed Mr. Amrose that she wanted to make it clear on the record that he did make attempts to speak with Mr. Tierney (City Actuary) prior to this date. Mrs. Levy stated that Ms. Smith was in attendance and made a statement as to the May 15th date and to the fact that they requested 60 days prior that the Board get in touch with their actuary and she just wanted to make it clear that he had made several attempts to do that long before the May 15th date. Mr. Amrose stated that he would have to look back in his emails, but he knows that he began trying to contact Mr. Tierney in late 2018. He stated that he wanted to meet with him and talk about the Investment Return Assumption and he said at that point that he would speak to the City Manager. Mr. Amrose followed up several times unsuccessfully.

Mr. West stated that the reason behind our action is our Assumption rate is in the higher level of most plans within the State and Mr. Amrose confirmed this and stated that we are in the top 5 of his 90 plans. Mr. West discussed that with the City Manager and the City Manager asked for a comparison sheet of our Assumption Rates which Ms. Levy was able to provide. Mr. West asked what we can do going forward to get to 7 ½ basis points. Mr. Amrose said he believes that in a year or two, the General Plan will be going down to 7% and Ms. Smith said that in two years they will go to 7%. She stated that the basis for their plan of action to reduce it was largely their

experience study and the likelihood of them achieving 7 ½ %. The Police Pension plan has done far better in terms of meeting our rate of return over the last ten years. Our average was 8.02%, when their average was 6%. Mr. Amrose said when they set that assumption, it is a forward looking assumption so they don't look at the past years, it is based on capital market forecast and she brings up a very valid point that we have not studied the exact portfolio make up for Sunrise Police Plan and come up with what the expected return will be based on their portfolio, where as they did do that for the General Plan as far as the experience study. Mr. Amrose can state that without running the numbers for the Sunrise Police Plan, he said that the 50th percentile will be significantly lower than 7.7% that they are at right now and below 7%. That is why if they want to do the study to substantiate that, 7% is in the range of reasonableness and they would have no problem doing that. Mr. Amrose said that the purpose of lowering the assumption certainly is not to get the City to put more money into the plan, that is not the goal. The goal is (right now there is a bill), that the unfunded liability for the Police plan is 70 million dollars. If we get the assumption down to 7%, and that is truly in a range of reasonableness which he is pretty confident it is, and over the next 20-30 years, we have gains and losses cancelling each other out, we will pay up that 70 million dollar bill according to the schedule in our report and after that gains and losses should cancel out, so the City cost will go down to the normal cost minus the state contribution, which is very positive. If we don't do that, we have a slightly aggressive assumption, whether it is 7.65% or 7.5%, from all of the studies that we are doing, what will happen is the City will pay off the unfunded of 70 million dollars and over the next 20-30 years, they will keep layering on new layers of unfunded accrued liability called actuarial losses and it will re-establish another bill for the City to pay, this is what we are trying to avoid and have been talking about for many years and we have gone slower than most plans.

Ms. Smith asked when the five basis points per year, was determined what was the basis for that? Mr. Amrose said that was something that Mike Tierney had mentioned, and he would prepare a report that way, but he wanted to talk to the Board and express his concerns. His concern is that five basis points per year is that that is to slow and it will take 13 years to get to 7% and if he is correct, with saying that the average will be 7%, there will be loss after loss for 13 years, which he thinks puts the Board and the City as well in not the best situation.

Mr. West asked Mr. Amrose to speak about the salary assumption where we have missed the mark with the actual impact. Mr. Amrose said that there are gains and losses caused by salary increases more or less than expected each year and Mr. Amrose said he thinks Mr. West's point is that the actual salary increases have been more than assumed over the last two years and should we adjust that to raise the assumption which would increase the required contributions and Mr. Amrose stated that he would rather do everything at once, he doesn't want to cherry pick an assumption and do them all as part of a comprehensive experience study in the next year or two. Mr. Bettencourt asked Mr. Amrose to confirm that there will be a 1.3 million of unfunded liability coming off next year. Mr. Amrose stated that it is 1.7 million and with interest it is 1.8 million, so next year the required city contribution will go down by 1.8 million dollars. For every ten basis points that we lower the assumption, the required city contribution will go up by \$300,000. If the Board is working with the City as it has in the past, next year it will provide a really good opportunity to move it down more than we have in any other year. This provides a really good opportunity in next years Valuation Report which determines the required contributions for fiscal year ending 2021.

Mr. West asked Mr. Amrose when the next time would be to do that experience study and Mr. Amrose said that 2020 would be the ideal time. Mr. Amrose's professional opinion would be to leave the report as is and work with the City Manager, Assistant City Manager and City Actuary to relay his thoughts and what would be the best possible way to get to 7%.

Mr. Williams asked Mr. Amrose to include Ms. Smith in all emails going forward, hoping Mr. Tierney will be a little more attentive to his requests.

Mr. Amrose left the meeting (via telephone).

Mr. Bettencourt made a motion to amend the motion to accept the Valuation report at 7.65%, seconded by Mr. Goldstein. Motion passed 4-0.

Attorney's Report

Mrs. Levy presented the Summary Plan Description with the amendments conforming with the latest Collective Bargaining Agreement Provisions including Tier II Medical. Mr. Goldstein made a motion to accept the amended SPD, seconded by Mr. Bettencourt. Motion passed 4-0.

Administrator's Report

Mr. Williams stated that the transition of funds that the Board approved at the last meeting is under way. He will keep the Board updated¹.

Open Board Discussion

None

Adjournment

Motion to adjourn at 2:25 P.M. by Mr. Goldstein, seconded by Mr. West. Motion passed 3-0. (Mr. Bettencourt and Mr. Berman were not present).

¹ Mr. Berman made a motion to move \$2 million from Polen, \$1 million from Rhumblin and put \$400,000 into Garcia A+ portfolio, \$1.8 million to Garcia Intermediate, \$300,000 into the cash account (reserved for ASB) and \$500,000 to JP Morgan, seconded by Mr. Goldstein. Motion passed 4-0 (Mr. Bettencourt was not present).