

## **SUNRISE POLICE OFFICERS' RETIREMENT BOARD**

13790 N.W. 4<sup>th</sup> Street, Suite 105

Sunrise, FL 33325

February 09, 2017

10:00 A.M.

### **Call to Order**

On behalf of the Board, Mr. Dave Williams called the meeting to order at 10:00 A.M.

### **Public Discussion**

Mr. West presented Mr. Torres with a Bull and Bear (Trustee Service Award) and thanked him for all his service on the Board.

### **Roll Call**

Present were Mr. Michael West – Chairman, Mr. William Bettencourt – Secretary, Mr. Eric Goldstein (arrive at 10:04 A.M.) and Mr. Dan Ransone.

### **Absent & Excused**

None

### **Others Present**

Mr. Dave Williams - Plan Administrator, Mrs. Patty Ostrander - Recording Secretary, Mr. Ron Cohen (arrived at 10:56 A.M.) & Mrs. Richelle Levy – Rice Pugatch Robinson Storfer & Cohen, PLLC; Mr. Jeff Amrose & Mrs. Trisha Amrose – GRS (left at 11:56 A.M.), Mr. Brendon Vavrica – AndCo Consulting, Mrs. Janna Hamilton – Garcia Hamilton, Mr. Steve Loncar – Ceredex Ridgeworth (left at 12:32 P.M.), Mr. Rich McCloskey – New Amsterdam, Ms. Kelly Scapecchi (left at 11:56 A.M.) & Mr. Anthony Bulzone - City of Sunrise. Ms. Jeannine Bittinger & Mr. Richard Cristini – Davidson, Jamieson & Cristini Auditors (left at 10:53 A.M.), Mr. Roger Torres (left at 11:56 A.M.), Mr. Eddy Marrill (arrived at 10:45 A.M. and left at 11:56 A.M.), Mr. James Hughes (arrived at 10:23 A.M. and left at 11:56 A.M.), Mr. Donald Miller – Sunrise Police Officer.

### **Approval of minutes**

Motion to approve by minutes of 11-10-16 by Mr. Bettencourt, seconded by Mr. West. Carried 4-0. (Mr. Torres off the dias).

### **Approval of Payables**

After review and consideration of the payables of 11-11-16 through 02-08-17, a motion to approve was made by Mr. Bettencourt, seconded by Mr. West. Carried 4-0.

### **Actuary Report – Gabriel Roeder & Smith**

**415 Issue:** Mr. Amrose distributed and explained his Excess Benefit Plan Study dated December 13, 2016 regarding the 415 limits. Mr. Amrose stated that in his conversation with Mr. Tierney, he was more interested in scenario number two which is good because this does not reduce the 415 limit by the value of the COLA. Mr. Cohen stated that he thinks that Mr. Linn agrees. Mr. Amrose stated that Mr. Tierney might want to run some other numbers with different assumptions and he would be happy to do that.

Mr. Torres suggested that the Attorney prepare a notice informing a member entering the DROP that this is something they need to examine and review with their tax advisor.

Mr. West reminded the Board that we have a self-directed DROP available and if a member chooses this, that those funds will be leaving the Plan monthly.

If those funds are leaving the Plan and going to VOYA, would that be handled in the same manner and Mr. Amrose said that he would have to check on this.

Mr. West would like to set up a draft ordinance and an additional meeting to get this going with the City and both Actuaries. Mr. Amrose and Mr. Cohen will attempt to set up this meeting. Mr. West would like to fast track this to get it completed, up and running before November. Mr. West also asked Mr. Cohen to bring examples from other cities so he can refer to those as well.

Mr. Torres stated that he thinks the Board's goal should be to work with the City and push the City to resolve this as soon as possible.

Mr. Williams stated that Mr. Amrose has been trying unsuccessfully to set up a meeting one on one with the City Manager and Mr. West stated that Mr. Cohen might need to step in.

Mr. Amrose asked if the City Actuary or City Manager wants to see another scenario does he have the Board's authority to prepare this. Mr. West stated, "whatever it takes". Mr. West asked to also see if Mr. Amrose can prepare a threshold amount for 2017 for a member today and if we can prepare that number each calendar year as well.

**AFC Update:** The Board had requested Gabriel Roeder Smith come up with a program to independently calculate the AFC. On August 04, 2015, they sent out a letter saying that they will do this but here is the data they need to be able to do this. Obviously, they cannot calculate a members AFC without the data. He stated that he was aware that the City was going through issues with the payroll system and the most recent information he received from Ms. Scapocchi is that the IT department will not be able to provide them with the data that they need to be able to prepare the calculations. They built a lot of the benefit calculator but they need data to be able to put in and test to make sure everything is working properly. Mr. Amrose stated that Mrs. Amrose corresponded via email with Ms. Scapocchi for updates. Mr. Amrose is asking if they "can't do any of what they are requesting in the letter" or if there is a work around of one piece that they can't do or can they literally not provide us with any of this. If they can't get the data, they can't do the calculations. Mr. Bettencourt asked if they verified what they mean by they can't provide the data. Ms. Scapocchi stated that she doesn't know all of this but she was given the direction from the IT director (Lourie Gagner) to send the email. From the conversations, Ms. Scapocchi has had with the IT department when they were working on it, she thinks the issue is a lot of the manual adjustments that should be done for spreading the retroactive payments for two or three years since they are out of contract. Any other kind of manual adjustments that have to be made once in the payroll system and the payroll system doesn't tell you when something was earned or in some cases necessarily if it is pensionable. Mr. Bettencourt said that it sounds like the solution would be for us to get the digital data and relevant copies that they do have plus copies of the documents needed to calculate this. It might take some manual calculations on our side but we should if everything is right, come up with the same number. Mr. Bettencourt asked if we should do a Public Records Request on this. This has been ongoing for four years. Members don't feel the normal payroll is an issue, it is the second run for the retroactive and then when there is a retro payment that is received, if the City can identify the date range of that then it can be divided up. It was suggested that if the retro pay is coded differently it can be easily identified and the date range would only have to be assigned to that and then spread out. Mr. Williams stated that he thought the Board's position was that we will calculate it and share it with the City to see if they have an issue with our findings.

Mr. Goldstein started to make a motion to get all the effected employees, Mr. Williams interjected stating all payroll from before we had the cap

Mr. Torres: Can I make a comment, rather than ask for all payroll, do you want to do a select test to limit the cost and then later ask again for what you need

Mr. Williams: I thought we tried that already, didn't we test them already?

Mr. Amrose: I think we tested

Mr. Merrill: I have paperwork and you identified one high year on their final AFC and all you did was respond to it and say even if your other two years are right, you still don't even have the third high year in the final AFC, so maybe that wasn't even put in the final AFC. There is like a \$9,000.00 a year difference just in that one year. The other issue is this and I will speak for all the members on this one. You have a situation where payroll is calculating overtime fiscally October – September. Most people AFC's are being done or looked at by payroll not in the twelve consecutive highest months' number one which is in the contract and the second thing is they are being done January – December, so if you go back with a bunch of people as the more years that go on and nothing gets settled by the Union or the Board to calculate that final AFC on peoples cap and overtime for the year.

Mr. Goldstein: What he is saying is that payroll stops taking out overtime and they stop taking out the pension contributions once we hit that 300-hour cap. But that can happen in July so from July – October you are not taking that money out and you are just assuming that we won't be able to count those months, but we may have our best months September – August and you are not counting that and per the contract that isn't fair, that is not the right way to do it.

Ms. Scappechi: We are counting the months, but we are not counting the non-pensionable overtime.

Mr. Williams: Correct

Mr. Goldstein: Right, but that overtime may be part of their higher months.

Mr. Williams: If you are already capped, you can't count

Mr. Bettencourt: Here is the other way it works. If my overtime, say my best months are February – February and I hit my 300 hours before October, then October 1<sup>st</sup> they are going to start pensioning the hours that count. So, it can't work one way and not the other way. Not to mention all these years that aren't in my final compensation in that I am still paying pension deduction for my overtime. Either way it works, the City is taking out a lot more pension deduction from hours of overtime than we are getting credited for in our pension and they are coming out ahead either way, so I don't think it is necessarily fair to say that you can exclude an hour because we didn't take that.

Mr. Goldstein: What he is saying is in the beginning ten years, twelve years of any officer that earns overtime none of that will count towards their final AFC which is fine because it makes the pension fund healthier, it is okay to do it, but then don't on the back end say we didn't take the pension out of that over time so we aren't going to give you credit for it. I am really not going to get anything for the first twelve years to, so that is what he is saying in a nutshell.

Mr. West: And then you bring in retro or a promotion and you are in a higher salary rate and that gap just makes it more complicated.

Mr. Merrill: Then they stop taking the pension part of the taxation out in July so I am thinking to myself if I had let's just say 40-50 hours of overtime, from July – October, I am thinking this is counting as my high year and it stopped right there and then whatever I got from July – October counted again for the following year, because they are already starting a new year.

Mr. Goldstein: We have a benefit in our contract that says it is consecutive months, any twelve months but the City like you are saying is doing January – December so we are not getting the benefit that we negotiated.

Mr. Williams: I think there is two different issues.

Mr. Goldstein: Why don't we just do a public records request for every vested officer and into the DROP.

Mr. Williams: This is a payroll dump so we should get everything that we can get and on a biweekly basis so the first payroll dump will be all the historical and then after that we should get it on a biweekly basis every paycheck.

Mr. Torres: Once we go to the new timekeeping electronics, will getting the data be a problem?

Ms. Scappechi: That I do not know because part of the conversations in that email is that she said at this time we don't even know if they will be able to provide the data.

Mr. Torres: That just boggles the mind

Mr. Hughes: I recently made an inquiry to Finance to decide if my numbers are based on consecutive (36) or best (3) twelve month periods. I exchanged a couple of emails and within a week she came back and said she compared the numbers and yes, your consecutive is the better of those figures, so I am just curious if this mechanism is not right, how did she determine this?

Ms. Scappechi: Before the City had us go back and recalculate everybody from the time the Ordinance change and the word consecutive came out, it was calculated consecutively. Once the City realized that the word consecutive had come out, they had us go back and recalculate every person that had gone in the DROP or was hired since that date of the ordinance change. So, a consecutive calculation had already been done and then a nonconsecutive calculation was done.

Ms. Scappechi: In Mr. Merrill's case, his calculation was done consecutively and nonconsecutively and both calculations are in his file.

Mr. Merrill: We shouldn't be waiting years for the accurate numbers.

Mr. Williams: So, we need a clear motion Eric.

Mr. Goldstein: Jeff will tell us

Mr. Amrose: I can tell you what I want. All the data that is in that letter, now it sounds like there is a lot of manual, it's not easy, obviously, it's not easy otherwise they would have done it. I am not sure

Mr. Williams: So, the data items as outlined in your August 04, 2015 memo.

Mr. West: and on a biweekly basis going forward.

Mr. Cohen: You can't have a continuing Public Records Request. The City may agree to it.

Mr. Goldstein: So how about every six months we get it updated?

Mr. Cohen: They City may say no we know you need this and we will send it to you, but the law doesn't provide for it.

Mr. Goldstein: It would be nice for an Officer to know and easier for Dave to have your numbers when you hit your 20.

Motion to requesting Mr. Cohen to draft and send a letter to the City requesting that we receive payroll data on a biweekly basis going forward by Mr. Bettencourt, seconded by Mr. West. Motion carried 4-0. Mr. Cohen will prepare the request.

Break 12:00 P.M. – 12:02 P.M.

### **Attorney's Report**

**Real Estate Agreements:** Mrs. Levy stated that we selected ASB and Clarion at the last meeting. Mrs. Levy received the documents and are almost at completion as the process with these types of investments, we get a large document to review and no changes can be made, therefore a "side letter" will address certain specific issues that are important to our Plan. Mrs. Levy asked that once we have a completed "side letter" that the Board authorizes the chairman to execute the documents and authorize Mr. Williams to fill out the subscriber documents as well. A motion to direct Mr. West and Mr. Williams to execute and complete the documents as stated by Mrs. Levy was made by Mr. Goldstein, seconded by Mr. Ransone. Carried 4-0 (Mr. Torres off the dias). Mr. Vavrica stated that at the last meeting, the Board voted for the funding to be as follows: \$6M going to Clarion from our intermediate portfolio and \$5M to ASB from the long duration portfolio. A motion was made to direct the Chairman and Administrator to transfer the funds from the intermediate account in the amount of \$6m to Clarion and from the long duration portfolio in the amount of \$5M to ASB when administratively practical by Mr. Ransone, seconded by Mr. Goldstein. Carried 4-0 (Mr. Torres off the dias).

**Pre-Retirement Election Form:** Mrs. Levy stated that this form was created for members to be able to make a selection in case they pass away prior to retirement. Mr. Torres asked if a member can change their selection and Mrs. Levy stated that they can make a change up until they receive their first check. This form will be sent to all active members and will be included in the new member welcome packages. Mr. Bettencourt asked if there are any restrictions on choosing a beneficiary and Mrs. Levy stated that it depends on the option chosen.

### **Administrator's Report**

No Formal Report Provided.

### **Financial Statements – September 30, 2016 Davidson, Jamieson & Cristini, P.L.**

Mr. Richard Cristini and Ms. Jeanine Bittinger, of Davidson, Jamieson & Cristini appeared before the Board. Mr. Cristini stated that the firm has issued a clean (unqualified) opinion on the *pension plan*.

As of September 30, 2016, combined trust assets exceed its liabilities with a total of \$122,661,859. A total of \$10,345,015 was received in employer / employee contributions. Employer contributions were \$8,834,348; employee contributions were valued at \$1,510,667. The State excise revenue received was \$693,248. Investment income for the fiscal year was \$10,187,217. The foregoing resulted in total additions of \$21,225,480. After total deductions were made the net increase realized was \$12,422,795.

As of September 30, 2016, the Plan had 115 retired members and beneficiaries. The Plan also had 81 vested active members and 70 non-vested members as of September 30, 2016. As of September 30, 2016, the DROP Account balance was \$7,925,337, in comparison to \$8,689,598 as of September 30, 2015.

Mrs. Levy stated that she asked that future reports be classified a little differently in terms of IME fees being a very specific term example Legal fees for her firm and special counsel if required.

Mr. Goldstein made a motion to accept the Financial Statements for the Plan for September 30, 2016 as presented, which was seconded by Mr. West. Motion carried 4-0 (Mr. Torres off the dias).

Ms. Bitteringer explained due to the GASB 72 standards and report preparation time, they are asking for approval of a onetime charge of \$2,000.00. Motion to approve this payment by Mr. Bettencourt, seconded by Mr. West. Motion carried 4-0 (Mr. Torres off the dias).

#### **Garcia Hamilton – Balanced Account Report**

Ms. Hamilton advised the Board that they will be discontinuing their equity accounts at the beginning of 2018.

Ms. Hamilton indicated that as of December 31, 2016, the Balanced Account portfolio had a market value of \$42,006,334.90. Our asset allocation was 41.0% in equities, 57.5% in fixed income and 1.4% in cash. Equities returned -0.5% compared to the Russell 1000 which returned -0.1%. Fixed Income returned -1.5% compared to the Barclays Capital Int. Gov. / Credit which returned -2.1%.

#### **Ceredex Ridgeworth – Quarterly Investment Report**

Mr. Steve Loncar indicated that as of 12-31-16, the large cap portfolio had a market value of \$21,353,347. Our allocation at the end of the quarter was 2.9% in cash, 97.1% in equities. Net performance for the quarter was 6.78% vs. 6.68% for the Russell 1000 Value Index. Since the inception date of November 03, 2011, the portfolio had a net annualized return of 15.12% vs. 15.15% for the Russell 1000 Value Index.

Mr. Loncar presented a Consent letter and explained the letter to the Board stating that it should not affect the Plan. Mr. Vavrica agreed with the letter. Motion to approve and execute said Consent letter by Mr. Goldstein, seconded by Mr. Bettencourt. Motion passed 4-0. Mr. Loncar will send Mrs. Ostrander the letter.

#### **New Amsterdam - Quarterly Investment Report**

Mr. McCloskey informed the Board that Mr. Lynch left the company in October and that he is our new contact person.

Mr. McCloskey indicated that as of 12-31-16, the portfolio had a market value of \$16,113,640.

The allocation at the end of the quarter based on each asset class is as follows: 2.0% in cash, 43.8% in growth equity, 51.8% in value equity and 0.0% in multi-cap equity.

Investment performance for the quarter by asset category is as follows: Value 14.7% vs. the benchmark of 10.7%, growth 11.5% vs. 1.9% which equates to a quarterly return of 12.4% vs. 6.1%. These numbers are gross basis.

The investment return on a fiscal year basis is as follows: Value 21.9% vs. the benchmark of 26.5%, growth 12.2% vs. the benchmark of 8.7%, which equates to an annual return of 16.6% vs. 17.6%. These numbers are gross basis.

### **AndCo Consulting – Quarterly Investment Report**

Mr. Brandon Vavrica advised that as of 12-31-16 the total fund was valued at \$133,042,222. The manager allocation was 4.9% for Vanguard, 3.9% for J.P. Morgan 31.6% for Garcia Hamilton Balanced Account, 18.2% for Garcia Hamilton Fixed A+ Account, 12.9% for Mutual of America, 16.0% for Ceredex, 12.1% for New Amsterdam SMID and 0.4% for Cash.

For the quarter ending 12-31-16, the total net portfolio returned 2.36% compared to the benchmark of 1.49% placing it in the TOP 4<sup>th</sup> percentile. For the trailing year, the net portfolio returned 9.05% compared to 8.58% for the benchmark or in the TOP 6<sup>th</sup> percentile. For equities, the fund returned 5.29% for the quarter compared to the benchmark of 4.16%. For fixed income, the fund returned 2.09% for the quarter compared to -2.54%. On the three and five-year basis, the total fund return exceeded the assumed rate of return as follows: 4.74% and 8.85%.

Mr. Williams asked Mr. Vavrica what the Real Estate queues are and he stated that ASB has no queue and Clarion has one quarter queue.

Due to the change in the firm at Garcia Hamilton, Mr. Vavrica will bring a manager search to the next meeting to replace Garcia Hamilton equities account.

### **Open Board Discussion**

Mr. Goldstein asked about a new Board member and Mr. Williams stated that it is up to the City to appoint someone.

### **Adjournment**

Motion to adjourn at 12:46 P.M. by Mr. Ransone, seconded by Mr. West. Carried 4-0 (Mr. Torres off the dias).