

SUNRISE POLICE OFFICERS' RETIREMENT BOARD

13790 N.W. 4th Street, Suite 105

Sunrise, FL 33325

October 02, 2014

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

None

Roll Call

Present were Mr. Bill Bettencourt – Secretary, Mr. Louis Berman, Mr. Eric Goldstein & Mr. Roger Torres – Trustees.

Absent

Mr. Mike West

Others Present

Also present were Mrs. Richelle Levy – Board Attorney; Mr. Dave Williams - Plan Administrator, Mrs. Patty Ostrander – Recording Secretary, Mr. Jeff Amrose & Mrs. Trisha Amrose – GRS (arrived at 11:55 A.M.); Mr. John McCann (departed at 12:57 P.M.); and Ms. Kelly Scapecchi - City of Sunrise, Mr. Richard Burgess & Ms. Margaret Champagne from Earnest Partners, Mr. Jon Quigley & Ms. Laurie Watson from Great Lakes, Mr. Todd McCallister & Mr. Jordan Loh from Eagle Asset and Ms. Michelle Clayman & Mr. William Lynch from New Amsterdam.

Approval of minutes

August 07, 2014 Minutes - Tabled

Approval of Payables

After review and consideration of the payables of August 07, 2014 through October 01, 2014, a motion to approve was made by Mr. Berman, seconded by Mr. Goldstein. Carried 4-0.

Attorney's Report

Mrs. Levy spoke about a letter from the Accountant regarding the audited financial statements and GASB67 to GASB25. She explained that there will be a delay and additional costs will be involved due to the changes. It was also suggested that a special meeting for the presentation of the financial statements be scheduled so it can get to the City earlier for the CAFR report preparation. Mr. Williams stated that we always release the numbers to the City once they are available so it doesn't necessarily have to be accepted at a special meeting.

Administrative Report

Mr. Williams advised the Board that the field audit dates have been set and we are in the process of gathering information and sending it to them.

Mr. Williams stated that an update will be provided regarding Mr. Marill when the Actuary report is presented.

Thistle Asset Consulting – SMID Cap Investment Search

Mr. McCann advised that the perspective managers were present to give their presentations. Mr. Burgess & Ms. Champagne from Earnest Partners, Mr. Quigley & Ms. Watson from Great Lakes, Mr. McCallister & Mr. Loh from Eagle Asset and Ms. Clayman & Mr. Lynch from New Amsterdam. They were all provided an opportunity to address the Board with regard to their firm's SMID Cap Equity Strategy. The representatives provided details about their respective firms, the firm's investment team experience, philosophy, investment process and history were outlined in detail. All candidates provided thought provoking presentations to the Board of Trustees.

After discussion, by consensus the Board of Trustees eliminated Great Lakes from further consideration.

A Motion to retain the Investment Services of New Amsterdam was made by Mr. Torres & seconded by Mr. Berman. After a voiced vote, it was determined to be a 2-2 tie. The Trustees had further discussion which leads to another motion to retain the Investment services of Eagle Asset by Mr. Goldstein, seconded by Mr. Bettencourt. After a voiced vote, it was determined to be a 2-2 tie. After lengthy dialogue and a lively debate, Mr. Berman made a motion to retain the Investment Services of New Amsterdam, which was seconded by Mr. Torres. Vote passed 4-0 unanimously at this juncture. In the event the contract negotiations fail with New Amsterdam, Mr. Berman made a motion to retain the Investment services of Eagle Asset, which was seconded by Mr. Goldstein and the vote passed 4-0.

Actuary's Report

The Board gave Mr. Amrose direction to talk to Mr. Tierney (City Actuary) regarding change in the Actuarial Valuation Report. Mr. Amrose will update the Board at the meeting on November 6th.

Mrs. Amrose presented her findings regarding the City's calculations for Mr. Eddy Marrill.

She started by going over the different AFC amounts provided by the City (see attached):

- The first amount was provided for his benefit estimate. It was based on non-consecutive pays. This amount was expected to be updated since it was only an estimate and his benefit calculation would be based on his actual final earnings.
- The second amount was provided for Mr. Marrill's benefit calculation. It is based on consecutive pays (the City also checked the AFC using non-consecutive pays but this method did not produce a greater amount).
- The third amount was a revision provided by the City. There was a small correction that the City determined was needed.

The Board asked GRS to review the calculation of Eddy Marrill's AFC. The second sheet on the attachment shows their preliminary review:

- The first amount was calculated on a non-consecutive basis using a combination of pays from items #1 and #2 from the City's calculations. This produced a greater total than the amount provided by the City.
- The second amount was calculated using the bi-weekly adjusted pays provided by the City in an excel file. Our approximate total was closer to the amount provided by the City but was still greater. It was determined that we needed more information on the adjustments and methods used by the City in their calculations. The Board authorized us to have a meeting with Minal Shah to find out more information and the to go over the details at the November Board meeting.

Mr. Amrose talked about changing the Salary Assumption rate by 100 basis points. He does not feel we have to do this right now. If the Board chooses to adopt the new assumptions, it basically would increase the first year required contribution by about \$700,000. Mr. Goldstein stated that the City was talking about changing the assumption of the return with a one time lump sum. Mr. Amrose stated that based on what he has heard; he thinks the City's preference would be in the 2013 report which has already been approved to lower the investment return assumption by 50 basis points and lower the salary scale by 100 basis points. The resulting cost increase would be \$400,000. Mr. Amrose's issue with that is they are not looking at the retirement rates and we know that this is a big deal and when that gets factored in, it is another \$700,000. So we are up to \$1.1M. Mr. Amrose is not saying that this has to be done right now, we don't have to go back and revise the 2013 report, but we can. The faster the money gets in, the better the funded ratio will look and more healthy with the Plan. If someone comes in and puts that \$1M in today, that is a good thing for the Plan and he would have no problem revising his 2013 Valuation Report, alternatively, the Board can say let's do it on the

2014 report. This can be paid off in 20 years which is relatively short as compared to other plans. Mr. Williams stated that for this Board to have a 20 year plan is very good. Mr. Torres asked if we went from 8 1/2 % to 8%, without increments, what is the difference between doing that in increments vs. now going right from 8% to 7 1/2 %? Mr. Amrose said the cost to go to 7 1/2% is roughly \$1.1M. If you go down by 10 basis points a year, instead of the 50, it will be a little over \$200,000. Mr. Torres asked if the City understands the liability that changes. Mr. Torres asked if this negatively or positively affects the Plan. Mr. Amrose said that we have a low funded ratio, if we lower the interest rate, the liability goes up immediately. Mr. Amrose said to keep in mind that if we lower to 7 1/2 %, change the retirement rate and the salary scale, he is telling the Board that there is a higher probability that the assumptions will be met over the 20 year period and the Plan will be fully funded. However, if don't meet the assumptions the Plan will not be fully funded in 20 years because it will keep generating these losses each year.

Mr. Amrose reviewed the Collins' Report. Mr. Amrose does not agree with the way they are rating the Plans.

Buyback: Mr. Amrose presented the Service Purchase Provision. Currently the officers can purchase their prior military service or prior police service as long as they pay the full actuarial cost. The way the Ordinance is written is the only way to pay for this is a lump sum payment, not payroll deductions. At the last meeting, the Board asked about enabling officers to pay this off over a period of years instead of a lump sum. Mr. Amrose was asked to come up with the advantages and disadvantages for this. The advantages are 1) that it helps with recruitment; 2) help retain current officers. If all the assumptions are met, there is no cost to the Plan. If the City allows payroll deductions which will enable members to pay it off over a number of years, certainly more people will take advantage of it. If there are more people doing this, there is an increased risk to the City. The disadvantage is if the assumptions are not met than there would be a cost. Mr. Williams is going to forward this to the City Manager for their consideration. Mr. Amrose further stated that most of the Plans they work with do allow payment plans over time through payroll deductions.

Open Board Discussion

None

Adjournment

Motion to adjourn at 1:23 P.M. by Mr. Torres seconded by Mr. Goldstein. Carried 4-0.