

SUNRISE POLICE OFFICERS' RETIREMENT BOARD

13790 N.W. 4th Street, Suite 105

Sunrise, FL 33325

August 06, 2015

9:30 AM

Call to Order

On behalf of the Board, Mr. Dave Williams called the meeting to order at 9:30 AM.

Roll Call

Present were Mr. Michael West – Chairman, Mr. William Bettencourt – Secretary, Mr. Eric Goldstein (arrived at 10:50 AM), Mr. Dan Ransone and Mr. Roger Torres (arrived at 9:34 AM and left at 12:50 PM).

Absent & Excused

None

Others Present

Mr. Dave Williams - Plan Administrator, Mrs. Patty Ostrander - Recording Secretary; Mrs. Richelle Levy – Rice Pugatch Robinson, P.A.; Mr. John McCann – Thistle Asset Consulting, Mr. Brendon Vavrica – Thistle Asset Consulting (arrived at 11:15 AM); Ms. Janna Hamilton & Mr. Jeff Detweiler – Garcia Hamilton; Mr. Steve Loncar – Ceredex; Mr. Kevin Quinn & Ms. Jaime Zandel – Mutual of America; Ms. Kelly Scapecchi City of Sunrise and Mr. Dan Rakofsky – Eli Vidal's Attorney (left at 1:05PM).

Public Discussion

None

Approval of minutes

Motion to approve minutes of June 04, 2015 by Mr. Ransone, seconded by Mr. Bettencourt. Motion carried 3-0 (Mr. Goldstein and Mr. Torres were not present for the vote).

Approval of Payables

After review and consideration of the payables of June 04, 2015 through August 05, 2015, a motion to approve was made by Mr. Bettencourt, seconded by Mr. West. Motion carried 5-0. (Mr. Goldstein and Mr. Torres were not present for the vote).

Ceredex Ridgeworth – Quarterly Investment Report

Mr. Steve Loncar indicated that as of June 30, 2015, the large cap portfolio had a market value of \$19,419,024.46. Our allocation at the end of the quarter was 2.7% in cash, 97.3% in equities

Net performance for the quarter was -0.05% vs. 0.10% for the Russell 1000 Value Index. Since the inception date of November 03, 2011, the portfolio had a net annualized return of 16.98% vs. 17.89% for the Russell 1000 Value Index.

Mr. Loncar stated that the numbers as of June 30, 2015 aren't as good as they would have liked and that is due to volatility impacting the markets.

Garcia Hamilton – Balanced Account Report

Mrs. Janna Hamilton & Mr. Jeff Detweiler indicated that as of 08-06-15, the Balanced Account portfolio had a market value of \$36,438,189.97. Our asset allocation was 36.7% in equities, 63.1% in fixed assets and 0.2% in cash. Our total gross quarterly performance was -0.4%. Equities returned 1.0% compared to the Russell 1000 which had 0.1%.

The Fixed Income Account portfolio had a market value of \$21,077,012.84. Our asset allocation was 0.0% in equities, 98.2% in fixed income and 1.8% in cash. Our total gross quarterly performance was -2.8%. Fixed Income returned -2.8% compared to the Barclays Capital Aggregate which had -1.7% and the Barclays Capital A+ Aggregate Bond Index which had -1.5%.

Received the Institutional Investor Award for Fixed Income Investment Grade Manager of the Year for the second year in a row.

Mutual of America - Quarterly Investment Report

Mr. Kevin Quinn indicated that as of June 30, 2015, the large cap portfolio had a gross market value of \$15,151,201. Our allocation at the end of the quarter was 0.2% in cash, 99.8% in equities and our performance for the quarter was -1.08% vs. -1.06% for the S & P Mid Cap 400 Index. Since the inception date of March 31, 2008, the portfolio had an annualized return of 10.49% vs. 10.52% for the S & P Mid Cap 400 Index. Investment changes since inception has been positive with an increase of \$7,960,550.

Thistle Asset Consulting – International Manager Search

Mr. McCann advised that the perspective managers were present to give their presentations. Mr. John Parsons from Harding Loevner, Mr. William Adams & Mr. Carol O'Connell from The Boston Company, Mr. Mike Schantz & Mr. Donald Sanya from RBC Global Asset Management and Mr. Clay Cochran & Mr. Ryan Donohue from J.P. Morgan International. They were all provided an opportunity to address the Board with regard to their firm's International 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 RBC Global Asset Management from further consideration.

A Motion to retain the Investment Services of J.P. Morgan International was made by Mr. Goldstein & seconded by Mr. West. Motion passed 3-2 (Mr. Bettencourt & Mr. Ransone voted no).

Mr. Ransone made a motion to terminate WHV when administratively practical, seconded by Mr. Goldstein. Motion passed 5-0.

Thistle Asset Consulting – Quarterly Investment Report

Mr. John McCann & Mr. Brandon Vavrica advised that as of June 30, 2015 the total fund was valued at \$116,396,000. He indicated the total asset allocation for the portfolio was 27.7%% in large cap equities, 37.5% in Fixed Income, 12.3% in small cap equities, 13.0% in mid cap equities, 7.7% in International Equity and 1.7 % in cash. The manager allocation was 4.1% for Vanguard, 3.8% for Wentworth Hauser, Violich 31.3% for Garcia Hamilton Balanced Account, 18.1% for Garcia Hamilton Fixed A+ Account, 13.0% for Mutual of America, 16.7% for Ceredex, 12.6% for New Amsterdam SMID and 0.3% for Cash.

For the quarter ending June 30, 2015, the total portfolio returned -0.58% compared to the benchmark of -0.51% placing it in the 84th percentile. For the trailing year, the portfolio returned 1.76% compared to 1.80% for the benchmark or in the 55th percentile. For equities, the fund returned 0.39% for the quarter compared to the benchmark of -0.17% or the 40th percentile. For fixed income, the fund returned -1.91% for the quarter compared to -1.04% for the benchmark or the 98th percentile. On the three and five year basis the total fund return exceeded the assumed rate of return as follows: 10.73% and 10.68%.

Mr. McCann stated that at the next meeting he will bring a good overview and an equity analysis of all managers and aggregated so we can see exactly where we are with respect to our stocks.

Attorney's Report

Mrs. Levy updated the Board on the Disability Claim of Mr. Eli Vidal. Mr. Rakofsky stated that the application was submitted (which was a little sparse at first and then Mrs. Levy asked for a supplement to include a little more detail and this was submitted right away). Mrs. Levy sent out records requests to treating Physicians listed on the application as well as Risk Management and Personnel with the City. The main treating physician did say that she was going to meet with Mr. Vidal next week and then will submit all of the records. The City had an issue with the records request form that Mrs. Levy forwarded to them and then requested a notarized and original form which nobody else had requested. Mr. Vidal provided that to the City. Mrs. Levy's last contact with the City Clerk was that they would get us all the records in the next couple of days as they are waiting to determine what needs to be redacted. She informed them that as the Pension Board, nothing needs to be redacted and they took that under advisement and she will contact them when she returns back to the office. Mrs. Levy told the Board that all she has so far is the application and a summary from one of the doctors. Mr. Vidal is stating his injury is PTSD.

Mr. Rakofsky stated that he has been under the care of a Psychologist and Psychiatrist for many months. He also stated that there was also a new Psychiatrist who gave an evaluation and gave the addendum part and then there was an additional Psychiatrist that we also had him go to that was sent over last week. He has had two actual work ups

from two Psychiatrists that weren't actually treating him. Mrs. Levy stated that part of the reason for that is because we require a physician's report.

The Ordinance requires a medical doctor (Psychiatrist as opposed to a Psychologist). Mr. Rakofsky stated that the Psychologist is Judith Marquie and the Psychiatrist is Dr. Simani. The issue is that he was primarily prescribing medication and the result wouldn't give a full testament to his condition. Mr. Rakofsky asked Mrs. Levy what records the Board will be able to see and Mrs. Levy stated that the Board will be able to see everything that she receives. Mrs. Levy explained the way the disability is handled (member sent to doctors who submit a report that the Board reviews). Mr. Ransone asked why Mr. Vidal has been treated by so many doctors and Mr. Rakofsky stated that the first doctor is a Psychologist who diagnosed him and because she is a Psychologist and not a medical doctor, this doesn't meet the requirements, so at the same time he was being treated by a doctor but it was only for medication and wasn't really in depth, therefore this doctor wasn't comfortable giving an in depth report. Mr. Rakofsky went and found a doctor that has a lot of experience with law enforcement and fitness for duty, etc. This Psychiatrist evaluated him and gave a full report that was submitted with the application. Then, he had a family member who is a PTSD expert and a Psychiatrist come in at a very low price and evaluate Mr. Vidal and he submitted a report. Mrs. Levy stated that the only Physician report she has is from Dr. Melnick. Mr. Rakofsky stated that he will resend the other report.

Once the records are received, he will be sent for an IME. Once that is done, the Board will invite Mr. Vidal to attend a meeting where we will consider his disability.

Mrs. Levy updated the Board on the CompuWare case in which we attempted to be the lead plaintiff. There were other plaintiffs that had more losses and the Judge denied our Attorney's motion to be the lead plaintiff. Therefore other Attorney's took over this case and they negotiated a very quick settlement agreement. Our Attorney's are monitoring this agreement and not at the filing point yet. If they get to the point where they might file objections, it might require the Chairman to execute some affidavits.

Mrs. Levy briefed the Board on required disclosures under Florida Statute 112.664 and provided a memo which gives an overview to the Board.

Mr. Goldstein asked where we are with the 300 hour issue. Mrs. Levy stated that she doesn't think that she was directed to discuss this, that the Actuary might have been. Mr. Williams stated that he thinks the minutes covered it pretty well. Mr. West stated that what is looking at what is to happen with the contract we are about to settle, looks like everyone may possibly be in the same boat as Eddy Marrill because we are going to have this problem with a retro payment over the past three years with over time people that had 300 hours, exceeded 300 hours, etc.

The Board directed Mrs. Levy to send an email to the City Attorney since we learned that the Management Plan has the opportunity to do a lump sum payment or to have payroll deductions and that we would like to be treated in the same manner as the Management Plan.

Mrs. Levy stated that at the last meeting the Board directed the Actuary to determine whether or not he can take over doing the benefit calculations. Mrs. Levy stated that the board is doing everything they possibly can to make sure that they are doing their due diligence and Fiduciary duty and that they are not shouldering the blame for mistakes that essentially that the City is doing because they are not willing to look into how they are determining the AFC. Mrs. Levy stated that the Actuary came back and said he can do it and provided a price for what it would cost to implement the program from this point forward and he can go back and check numbers and those would be the numbers that are used to determine the benefit.

Mrs. Scappechi stated that the only communication she has had with the Actuary since the last meeting was a couple of weeks Mrs. Amrose asked for an excel spreadsheet of pensionable earnings for everyone. Mr. Goldstein said that they are about to have a huge nightmare coming because if this contract gets signed, there is three years of retro that you are going to have to figure out.

Mr. Bettencourt asked if we can set up a cutoff date for the City that we will begin doing our own calculations.

Mr. Williams said that he has a report from Mr. Amrose regarding his firm doing independent calculation and create a calculator in their office. After going back and forth with the City, they are estimating that they can do it and that they are estimating the cost being about \$6,500.00. This will take about eight weeks to create it. Once it is up and running, it will be about \$100.00 per calculation. Mr. Williams said that he thinks the cost is higher now. Mr. West said it will cost about \$400.00 for each member that goes through the system. Mr. Williams said not to exceed that. Mr. West suggested that we get this up and running and put Mr. Marrill's numbers through to see what comes out.

Motion by Mr. Goldstein to retain the services of GRS to create an AFC calculator not to exceed \$6,500.00, seconded by Mr. Bettencourt. Motion carried 4-0. (Mr. Torres was not present for this vote). Mr. Williams will notify Mr. Amrose.

Administrator's Report

Valuation Report –Mr. Williams reminded the Board that they went back and forth with the Assumption changes, trying to adapt more reasonable assumptions. The City Manager was present and stated that he didn't know what kind of budget he is up against. They went back and forth and apparently Mr. Amrose and Mr. Tierney (City Actuary) came to some consensus. This has since been reaffirmed that the City Manager is on board. There were some minor changes to the retirement rates which Mr. Amrose

agreed with. Then there was talk about changing the basis points from 8% to maybe 7.75%. This will be phased in with a goal over a five year period. Mr. Amrose emailed Mr. Tierney who agreed to the lowering approach indicating the City wants the flexibility to get there and in the end the City wants to entertain lowering another 1% which is 100 basis points for the 2015 Valuation. This is the 2014 Valuation they are talking about doing it to.

Mr. Williams said it may actually come before the five year schedule but they just want flexibility to do the five years. At the end of the day, he thinks we are where they want to be which was on the same page with the City and moving in a downward place to put less pressure on the City overall.

By consensus, the Board directed Mr. Williams to give Mr. Amrose the go ahead and proceed with the 2014 Valuation based on these changes and present this to the Board at the meeting on September 3rd.

GASB67 Report – Mr. Williams stated that he did not see a formal approval in past records. The cost will not exceed \$2,000.00 Motion to approve by Mr. Bettencourt, seconded by Mr. Goldstein. Motion carried 4-0. (Mr. Torres was not present for this vote).

GASB68 Report – Tabled – No Action

Administrative Budget – This is a requirement under the Florida law. This is the first year that we are creating an Administrative expenses budget. This is for administrative expenses only and does not include investment expenses. This does not need to be approved by the City. Mr. West reaffirmed that Mr. Williams increased every line item, added \$100,000 buffer and we are still less than .50% for Administrative expenses which 1.00% is the acceptable standards.

Once this is adopted, it has to be posted on the website. On the website, we created a new page called Disclosures. On this page, Mr. Williams' thought process is that we cannot make people read this, but they will have to scroll through it to get to the reports. On the reporting page, we have Actuarial Summary which is the State Report (State requirement that this is on the website). The other requirement is to post the Valuation, which we have always posted this on the Announcement page, now we have a formal page for it. The Budget will go here, the 112 report which is required 60 days after the Valuation is approved, and that will follow. Mr. Williams explained the documents on this Disclosure page. Mr. Williams stated that we are in compliance and have until September 30th to approve the budget and we are in compliance with that as well.

Motion to approve the Administrative Budget by Mr. Ransone, seconded by Mr. Bettencourt. Motion passed 4-0. (Mr. Torres was not present for this vote).

Open Board Discussion

Mr. West brought up the idea that it might be time to start exploring the option of changing Investment Consultants. He feels that Mr. McCann has served us well but he feels there are some things that need improvement – reports and the way he treats providers were mentioned. Mr. Williams asked Mr. West if he has spoken to Mr. McCann about this to give him the opportunity to respond and Mr. West said that he has not. Mr. West said that he has not spoken to any board members about this and he wanted to hear their thoughts.

The Board asked Mr. Williams his thoughts as he deals with other monitors. Mr. Williams said this is the first he is hearing about it. Mr. Williams stated since he has been on the board in 1986, we have had several monitors but he thinks Mr. McCann goes out of his way to try to accommodate people. Mr. Williams stated that Mr. McCann maybe doesn't come across as maybe a polished individual like others may be perceived, but we don't really care about the polish, we care about the performance and whether or not he is acting in the Plan's best interest. Mr. Bettencourt stated an issue with Mr. McCann's presentation to the City regarding Real Estate and that he didn't seem like he was prepared and had to be corrected. Mr. Vavrica saved that discussion. Mr. West brought up the fact that he feels like Mr. McCann has his universe and doesn't go out of it. Mr. Williams stated that all monitors act in the same manner. Mr. West said that he has always requested why none of the major players make it into the search and he said it is because Mr. McCann doesn't know them. Mr. West said we have never had the opportunity to work with these people because of that. Mr. Goldstein asked if it would hurt to talk to others and ask them to make a presentation. Mr. Torres said that before we do that, we need to talk to Mr. McCann to tell him what we as the Board believe the issue is and give him the opportunity to resolve it. Mr. Williams said if it is a personality issue with Mr. McCann then ask Mr. Vavrica to be assigned to our account. Mr. West stated that he doesn't know what else is out there. Mr. West said that he feels Mr. McCann can be a little crass sometimes with some of the providers. Mr. Williams asked if they were talking about Mutual of America (MOA) and Mr. West said yes. Mr. Williams said let me be frank – he didn't think they should have been there today. With all the items we have on the agenda we didn't need to hear from an Index Fund. Mr. Williams asked (MOA) to defer to the next meeting where we would have more time. Mr. West said that since they have been brought up, Mr. McCann has been pushing to get rid of them for absolutely no reason. Mr. Williams said that we were trying to lower fees and Mr. Williams said that Mr. McCann has nothing against MOA from their past conversations. Mr. Williams said that Rhumblin was another outstanding manager that is out there. Mr. Williams has no affiliation with them but he knows they do a good job and get the job done for less. MOA came in here today and made it sound like it is mad scientist work to run an index fund.

Mr. Ransone asked if we can put Mr. McCann on notice like we do with the managers. Mr. Ransone asked Mr. West if he is looking to do a full search. Mr. West said he doesn't know if anyone knows anyone else out there and he doesn't know his other options. He doesn't know the other services, the reports, etc. Mr. Bettencourt said that if we do a

search and we keep Mr. McCann there is a possibility that we will ruin the professional relationship that we have with him. Mr. Williams confirmed that this is a business decision. Mr. Bettencourt said that by maybe giving someone else information on our fund and asking what their ideas are and if they recommend changes, etc. If nothing else, it gives us perspective on what we are doing. It might be beneficial if even after the search we stay with Mr. McCann, we have some different perspectives; we have different opinions, what worked and what hasn't worked. Mr. Bettencourt suggested that we tell Mr. McCann that we want to bring in other people, hear some other ideas and see what is going on. After that information is received, maybe make a decision. He doesn't think that that will be unreasonable.

Mr. Goldstein made a motion to send out an RFP for a new Monitor. No second, so the motion died. Mrs. Levy asked if he is asking if the Administrator should send out an RFP and he said yes. Mr. Torres said if that is the case, then Mr. McCann's firm would actually have to submit also.

Mr. Torres said that the things that were outlined, they just want to take a look at someone else; they haven't outlined a problem with him that he sees as significant issue or deficiency that has been identified at least not in his mind.

Mr. West said he believes that there could potentially be other people who would be able to maybe provide a more in depth overview of our Plan. Mr. Williams – What do you mean more in depth? Mr. West – Honestly, I don't know how to answer that, but there has to be others. Mr. Williams – Don't get me wrong, I know the Board's time is extremely valuable, but he can go over that book from cover to cover, but the Board chooses not to hear that report. Mr. Torres – I am sure that he is capable or his firm is capable of doing a more detailed analysis but the reality is, he is preparing a report based on our level of understanding.

Mr. Williams reminded the board about his "detail analysis book". Mr. West was asked about the comfort level with Mr. Vavrica. Mr. West said he likes Mr. Vavrica and he thinks he is the only reason why this hasn't been brought up earlier. Mr. Ransone stated that he thinks this is not a Thistle issue we are having from what I understand, it is a John issue. Mr. Williams asked if Mr. Goldstein was going to FPPTA because all these monitors will be there and that time could be used as a networking session. Mr. Williams suggested that he forward the Board reports from other monitors and provide dates to public meetings that they can attend. Mr. Williams said that he agrees with Mr. Torres where as we are not to the point that if we have an issue(s) with Mr. McCann, tell him, or what you do or don't like. Discussion ensued about the trustees attending other public meetings where different monitors are to hear their presentations. Mr. Williams will provide various reports to the trustees and along with meeting dates and locations.

Mr. Goldstein stated that the new contract is going to have an impact on the Pension in the future. He asked if we can have Mr. Amrose figure out what savings the City or the Pension will have over the next thirty years to see what that actual impact will be and

how much the City will save. Mr. Williams said that the Actuary is required to do the Impact Statement between the first and second reading of any Ordinance. Mrs. Levy said that this will require an Ordinance change and once the Ordinance is prepared usually by the City Attorney. Mr. Williams said the City will come and say Board you are not authorized to have the Actuary do this study, it is not required and you are spending money that you are not supposed to be spending as they have in the past. Mr. Williams said that in general terms, the only time he really has the authority to do something like that is when he is doing the Impact Statement. Mr. Williams said that this is an instrument that the Union should be doing and paying for.

Adjournment

Motion to adjourn at 1:40 PM. by Mr. Ransone, seconded by Mr. West. Carried 4-0.