SUNRISE POLICE OFFICERS' RETIREMENT BOARD
13790 N.W. 4th Street, Suite 105
Sunrise, FL 33325
September 03, 2015
10:30 AM

Call to Order
On behalf of the Board, Mr. Dave Williams called the meeting to order at 10:30 AM.

Roll Call
Present were Mr. Michael West – Chairman, Mr. William Bettencourt – Secretary, Mr. Eric Goldstein, Mr. Dan Ransone (arrived at 10:56 AM) and Mr. Roger Torres.

Absent & Excused
None

Others Present
Mr. Dave Williams - Plan Administrator, Mrs. Patty Ostrander - Recording Secretary; Mrs. Richelle Levy – Rice Pugatch Robinson, P.A.; Mr. Jeff Amrose and Mrs. Trisha Amrose – GRS; Ms. Kelly Scapecchi City of Sunrise and Mr. Joshua Kran – Wilton Manors, Officer Darwin Arroyo (arrived at 10:35 AM).

Public Discussion
None

Approval of minutes
Motion to approve minutes of August 06, 2015 by Mr. Bettencourt, seconded by Mr. West. Motion carried 4-0 (Mr. Ransone was not present for the vote).

Approval of Payables
After review and consideration of the payables of August 05, 2015 through September 02, 2015, a motion to approve was made by Mr. Bettencourt, seconded by Mr. West. Motion carried 4-0. (Mr. Ransone was not present for the vote).

Attorney's Report
Mrs. Levy reviewed the CBA & IRS rules. She stated that she reviewed the CBA and saw that the Share Plan issue (section 1167) potentially violates the IRS rules. She stated that she cannot recommend that the Board sign off on this. Mrs. Levy asked the Board if they want her firm or a Tax Attorney to submit a letter to the City Attorney. Per the Board's direction, she will contact the City Attorney via phone and follow up in writing that they can't recommend the Board sign off on the CBA. Mr. Ransone made a motion for Mr. West to execute the CBA document pending Attorney approval, seconded by Mr. West. Motion passed 3-2. (Mr. Goldstein & Mr. Torres voted no). Mr. West stated that he will have to sign off on the Lieutenants contract as well.

Mrs. Levy asked the Board's permission that if an issue arises with this and she feels the need to consult with a Tax Attorney who is familiar with Public Pension Plans, that she can contact the Chairman and let him know what the potential cost may be involved.

Mr. Torres made a motion, seconded by Mr. Bettencourt that Mrs. Levy can consult with a Tax Attorney who is familiar with Public Pension Plans if the need arises. Motion passed 5-0.

Mrs. Levy updated the Board on the documentation regarding the Eli Vidal Disability case. She has received the majority of the City documents and received treating physician's reports that we are aware of. Mrs. Levy is waiting for the City to receive the workers compensation documents and then they will give them to her. We are now at the point where we can send him for an IME which is a little easier said than done, because this is obviously somewhat more of an out of the norm case, it is not like someone like a bad back where we have thousands of Orthopedic Surgeons in Broward County. She stated that she is working diligently with Mr. Williams to find a doctor who meets our criteria as an expert and who will perform an IME. Mr. Torres asked Mrs. Levy how many doctors we send him to and she stated that we generally send the member to two and we generally consider one of his treating physicians as one of the doctors for us to consider the evaluation. She is currently looking for two. Workers Compensation is also sending him for an IME with one of the doctors that she had considered, so we can't use him, but we will have the benefit of their evaluation also. They will forward it to us as soon as it is completed. Mr. Goldstein said he knows that there are claims of injury other than the disability claim, is there a supporting document for those injuries. Mrs. Levy stated that if there it is not part of what he is asking for in the disability pension, then she is not requesting documents on that. We are only to look at what he is requesting his disability pension be based on. Mr. Torres asked Mrs. Levy when she would expect to be able to schedule the IME's and she said that she is shooting for as quickly as she can. Mrs. Levy stated that once she receives the reports from the doctors IME reports, plus get the workers comp documents from the City, then we will schedule a special meeting for this purpose. Mr. Goldstein asked if in there, it talks about a previous injury or anything, are we going to have records showing yes, it was a real injury and that it actually occurred? Mrs. Levy said no, that injury is not what he is claiming the disability on then, Mr. Goldstein – What if that injury caused the disability. Mrs. Levy – Well then, all those records are relevant and we will get them. Whatever relevant records there are, we are requesting them. Whatever treating physicians have been named, we are requesting all of those documents as well. If those treating Physicians deem it pertinent to what he is claiming his disability is based on, then they will have those records and we will get those as well,

Mrs. Levy stated that she has talked with Mr. Williams about revising the Summary Plan Description and the Question and Answer forms, once the Tier II actually passes.

Administrator's Report

No formal report provided.

Actuary's Report

Mr. & Mrs. Amrose advised the Board that when looking at last year's report compared to this year's report, there was a modest cost increase before the assumption changes.

They had the assumption changes which resulted in the required contribution going up by $470,000.00, which is in line with what they told us so there were no surprises. He reminded the board that the reason they changed the assumptions was to get them more in line with the experience of the Plan and future expectations. The assumption changes that were made will lead to two things: 1) the cost of the funded ratio and 2) a lower probability of generating losses in future years. The investment return assumption was lowered from 8% to 7.8%. The goal is to work with the City in getting down to the ultimate rate of 7.5%.

The required employer contribution this year compared with the preceding year is as follows:

	For FYE 9/30/2016 Based on 10/1/2014 Valuation	**For FYE 9/30/2015 Based on 10/1/2013 Valuation**	**Increase (Decrease)**
Required Contribution	$ 9,899,972	$ 9,186,463	$ 713,509
As % of Contr. Year Payroll	68.06 %	66.45 %	1.61 %
Estimated State Contribution	639,176	639,176 *	0
As % of Contr. Year Payroll	4.39 %	4.62 %	(0.23) %
Net Employer Contribution**	9,260,796	8,547,287	713,509
As % of Contr. Year Payroll	63.67 %	61.83 %	1.84 %

**We have updated the amount shown in the October 1, 2013 Actuarial Valuation Report to reflect the State contribution received in August 2015.*
***Does not reflect $93,526 City prepaid contribution.*

Mr. Amrose outlined the required contributions developed in the Valuation as a percentage of payrolls, including the salaries of members who are participating in the DROP as of October 01, 2014. The table below exhibits his presentation.

	2014 Valuation	**2013 Valuation**
Required Contribution	56.30 %	51.46 %
Estimated State Contribution	3.63 %	3.58 %
Net Employer Contribution	52.67 %	47.88 %

Mr. Amrose cited that the contributions developed in this Valuation have been calculated as though payments are made at the end of each bi-weekly pay period. If the contribution for the fiscal year ending September 30, 2016 is paid on October 01, 2015, the net employer contribution is $8,888,420 or 61.11% of covered payroll.

Further stated, the required employer contribution has been computed with the assumption that the amount to be received from the State in 2016 will be equal to the amount received in 2015 of $639,176. If the actual payment from the State falls below this amount, then the employer must increase its contributions by the difference.

Mr. Amrose advised the actual contributions for the last year were $7,472,477 from the City, plus $620,714 of annual State revenue, for a total of $8,093,191. The total annual required contribution was $8,093,191 reflecting an expedited payment schedule.

Mr. Amrose advised that there were no revisions to benefits since the last valuation.

Mr. Amrose also advised that this valuation reflects the following changes and assumptions since the prior Actuarial Valuation:

- The assumed investment rate of return has been lowered from 8.0% to 7.8%.
- The salary increase assumption has been lowered by 1% by lowering each of the merit and inflation assumptions by 0.5%. In addition, the payroll growth assumption has been lowered by 1%.
- The retirement rates have been adjusted to more accurately reflect recent retirement experience.

Mr. West stated that he knows that we made a couple of these things to come to an agreement, but by lowering the salary increase assumption as we have a contract that is in play right now, we are all getting Cost of Living Increases, so that is even going to be more skewed for the next one. Mr. Amrose stated that when they did the salary increase assumption, they didn't have any information on any new contract and it was fine not to reflect that right now. We are not going to change it every year. Mr. Amrose certainly did not have any problem lowering the salary scale. He thinks it was fine to do and the way it worked out, not that we did it this way was that it offset the increase associated with the retirement rates, which he did have a big problem with and it really wasn't how you guys were retiring. Mr. Amrose – lowering the salary scale really cancelled out the retirement rates and we were telling you at the last meeting we attended that every ten basis points of lowering the investment return assumption results in $240,000 in a required contribution. Mr. Amrose indicated the assumption changes recognized in this valuation have increased the required employer contribution by 4.36% of covered payroll.

Mr. Amrose outlined the Actuarial experience as follows:

There was a net actuarial gain of $1,812,870 since the last valuation which means that actual experience was more favorable than expected. The gain was primarily due to investment returns greater than the 8.0% assumed rate and lower than expected salary increases. The investment return was 9.0% based on market value of assets and 9.9% based on actuarial value of assets. The net gain caused the required employer contribution to decrease by 1.02% of covered payroll.

The funded ratio was also discussed by Mr. Amrose. This year's funded ratio is 59.1% compared to 57.6% last year. The funded ratio was 61.7% before the changes in assumptions. The ratio is equal to the actuarial value of assets divided by the actuarial accrued (past service) liability.

When you look at the real assets of the plan, not the smooth value of assets, then it goes up to 62.5% so that is another positive. The average funded ratio for any of his clients is close to 80% as of October 01, 2014. The Board has taken steps to address this lower funded ratio by strengthening the assumptions. It will take some time. The first year that you strengthen the assumptions it actually works to lower the funded ratio but over time more money will come into the fund and it will be reset. That is a good thing that the Board is doing is creating a better set of assumptions which may initially impact the funded ratio going down and in the longer term, it will kick back up.

An analysis of the change in employer contributions was also outlined as follows:

The components of change in the required Employer contribution are as follows:

Contribution Rate Last Year	61.83 %
Experience (Gains) or Losses	(1.02)
Revision in Assumptions/Methods	4.36
Amortization Payment on UAAL	(1.66)
Normal Cost Rate	0.06
Administrative Expense	(0.21)
Change in State Contribution Rate	0.31
Contribution Rate This Year	63.67

Mr. Amrose stated that the new tier of employees hired under Tier 2 will lower the cost rate go down and there will be some savings there, however it will take a while.

The following participant data was also provided by Mr. Amrose:

PARTICIPANT DATA	October 1, 2014	October 1, 2013
ACTIVE MEMBERS		
Number of non-DROP members	145	135
Number of DROP members	26	35
Covered Annual Non-DROP Payroll	$ 14,122,280	$ 13,292,908
Average Annual Non-DROP Salary	$ 97,395	$ 98,466
Total Payroll Including DROP Members	$ 17,161,640	$ 17,318,913
Average Age (Non-DROP Members)	38.1	38.0
Average Past Service (Non-DROP Members)	10.5	10.5
Average Age at Hire (Non-DROP Members)	27.6	27.5
RETIREES, BENEFICIARIES & DROP		
Number	123	122
Annual Benefits*	$ 6,286,770	$ 6,114,626
Average Annual Benefit	$ 51,112	$ 50,120
Average Age	58.8	57.9
DISABILITY RETIREES		
Number	9	8
Annual Benefits	$ 409,696	$ 341,925
Average Annual Benefit	$ 45,522	$ 42,741
Average Age	51.5	51.4
TERMINATED VESTED MEMBERS		
Number	1	1
Annual Benefits	$ 30,627	$ 30,627
Average Annual Benefit	$ 30,627	$ 30,627
Average Age	45.1	44.1

Mr. Torres asked commented, knowing the changes that were made to the Tier 2 and how quickly we will see an impact is how quickly we hire people which over the next few years will be at a fairly good amount. We have nine people alone leaving next year. Should we continue over with the downward moving of the assumption rate or leave it at the current rate. Mr. Amrose stated that the assumptions are independent of hiring different tiers of people. It is really based on the forecast and expectations going forward. Mr. West asked Mr. Amrose for clarification that the “killer here” was the financial crisis in 2009. It was just part of business and impacted every year. We can see the hit that we took in 2009 of $29,172.763 and we still have fifteen years left on that payment. Mr. Amrose confirmed this. Mr. Amrose stated that when that goes away, the contribution goes down by that much more. Mr. West asked what year the buyout was and Mr. Torres said 98-99. Mr. West asked Mr. Amrose if back in 98-99, obviously our balance of our fund was nowhere near what it is now, so let’s just say the number is $5M, back then proportionately to the fund itself, this was extremely significant. Do we know the fund balance or our assets in 1998? Mr. Amrose looked in the presentation booklet and stated that the assets were $31,671,180, one sixth of the assets were un-funded. Mr. West asked for clarification if there was a “buyout”? No one wrote a check at all to buy anything out. Mr. Williams stated that the City did and they are paying it off over for the next five years still. Mr. Williams said that right now, they are paying $878,000.00 to continue to pay off that buyout. This created an unfunded base which we are still seeing to this day. Mr. Bettencourt asked if a buyout type thing typically falls under the state guidelines of offering a benefit and not paying for it? Mr. Amrose apologized and said that he did not have the history of the buyout. Mr. Torres explained the process to Mr. Amrose. If you were sixteen years or more, the City would give you three years of service and you bought the fourth one at a very minimal cost, to get you to twenty years of credited service. Mr. Amrose then continued that you could immediately retire with a higher benefit. Mr. Torres – To Mike’s point what you are trying to say is the City didn’t’ write a check for that and add it to the fund, but the unfunded liability increased by that percentage. Mr. West commented that what this really cost the Plan was $900,000.00 for the past fifteen years. Mr. West asked Mr. Amrose if the swing up until the point today was $20M? Mr. Amrose said if the $5M was in the fund vs. the totally acceptable way of paying it off over twenty years, then the $5M would have become guessing 10% which would be over $20M. Mr. Amrose – Keep in mind that they have been paying that off and earning some interest on that because they put in money. Mr. Williams stated that if the market did well, we wouldn’t be paying 2.7 or the City wouldn’t be paying $2.7M for the next fifteen years. Mr. Torres said that when someone from the outside looks at 60 something % of payroll, it isn’t for our education of what is being paid. Normal operating costs would be the 20 something. The extra 40 is paying the years and what is done is done. So now we know, when someone asks us what that is. Mr. Bettencourt stated that if something like this is proposed again, we can say what the long term cost may be as opposed to the initial cost. Mr. Williams said that an Impact Statement was done back in the day which was all explained to the City.

Mr. Amrose stated that the cost is 77 basis points for operating the pension plan to include everything. Mr. Amrose stated that when he compares this to his other clients, the average is closer to 100 basis points. He stated that the Board is doing a good job of controlling costs and not letting things get out of control. Mr. Williams asked Mr. Amrose if they take into account the gain from the DROP accounts, if we are paying these guys 6%, this year will be the opposite effect. Mr. Amrose said that it depends on the day or minute you look at it. The fact that the fund earned 9% in the past year, but the DROP accounts were credited at 6%, that creates a gain. It is imbedded in our gain, we don’t separately isolate it, but it is in there. Mr. Williams asked for a rough dollar amount and Mr. Amrose stated $218,000 gain from giving them 6% but the assets earning 9% for the DROP.

After fielding questions from the Board, a motion to accept the Actuarial Valuation Report as presented by Mr. Torres. Seconded by Mr. Goldstein. Motion carried 4-0. Mr. West was off the dias.

Mr. West wanted to make sure that our Personnel department has documentation regarding the new Tier II future employees and their benefits.

Mr. Williams asked Mr. Amrose to talk about the State Disclosure report. Mr. Amrose said that they are calling this report a Chapter 112.664 Compliance Report and this has to be done 60 days from when the Actuarial Valuation report is approved. The law for this report passed two years ago.'

Mr. Amrose provided an update on the Benefit Calculator. He stated that the programmer is working on calculating the three best non consecutive years of pay and they provided the City with a sample. Hopefully the City will be able to provide them with the needed information. At that point, they can use the calculator going forward and do the AFC, or whatever the Board decides on. Ms. Scappechi stated that as soon as she got the request from Mrs. Amrose, she entered a ticket into the system and she is still waiting on the Cities IT department. Mr. Amrose stated that by law, the City has to make the required contributions to the Fund and by Ordinance; the Board have to make the contribution to the fund.

Mr. Bettencourt - Once we have the program, we have to decide what we are going to do as far as implementation of it. Are we going to have the City run a number, we will run the raw data and reconcile the two numbers which he feels is the best way of doing it or if retirees who request that we re-run their numbers are we going to do that… Obviously he recognizes that it is the City Managers decision, but in the end, once they are comfortable with us getting an accurate result, he doesn't see why they wouldn't want to do it and he can only say that when you talk to past retirees, I don't think we as a Board should open a can of worms and automatically start doing everybody. However, if someone requests, that is different. Mrs. Levy – You also need to understand that it is the Board's responsibility to make sure that the benefits are accurate, and that all members are being paid correctly. It would be nice if we can get some sort of time frame as to when they can get the information over to Mr. Amrose. Mr. Williams said that the City acknowledged the fact that they were calculating it incorrectly since 2001. Mr. Goldstein asked whose responsibility it is makes sure IT is calculating any retro payments. Mr. Amrose said he is requesting that the program include retro pay, along with the start and end dates for which the pay will be counted, a breakdown of this pay by component, etc. Mr. Torres said that the program they are developing will include all those manual calculations. Mr. Torres said that the make-up of this Board has moved this process along more than it has been in the past, I think we are showing our due diligence to try to get to that point that everyone is confident in the AFC's. Mr. Williams – going forward, but it still doesn't resolve the miscalculations. Mr. Torres – I think we have to see what the end result is going to be, we may do all this processing and then see that the result the City was getting was correct, so it is premature for us to say that past retirees. Mr. Williams – When they are using three consecutive years and the definition as best three years, the bottom line is some people yes and some people no. Mr. Bettencourt – Once this program is written, it will be written on the current contract, so if someone was in a different contract when they retired, it would be probably difficult to plug them into a system and get their numbers as well. Mr. Amrose said that if the Board wants them to, they can modify it.

Impact Statement – Mr. Amrose said that the statement for the Tier II is something they are working on and ultimately the Impact Statement will immediately show that there is no impact because the new employees haven't been hired to generate the savings. Essentially the 20.72% normal cost rate will be lowered substantially for the Tier II employees and as discussed that savings will happen over time as the new employees enter the system.

Open Board Discussion
None

Adjournment
Motion to adjourn at 12:05 PM. by Mr. Bettencourt, seconded by Mr. West. Carried 5-0.