

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

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

Sunrise, FL 33325

February 08, 2018

10:00 A.M.

### **Call to Order**

On behalf of the Board, Mr. Dave Williams called the meeting to order at 10:03 A.M.

### **Public Discussion**

None

### **Roll Call**

Present were Mr. Michael West – Chairman, Mr. William Bettencourt – Secretary, Mr. Lou Berman (left at 11:39 A.M.) and Mr. Eric Goldstein.

### **Absent & Excused**

None

### **Others Present**

Mr. Dave Williams - Plan Administrator, Mrs. Patty Ostrander - Recording Secretary, Mrs. Richelle Levy – Rice Pugatch Robinson Storfer & Cohen, PLLC; Mr. Richard Cristini and Ms. Jeanine Bittinger – Davidson, Jamieson & Cristini (left at 10:40 A.M.); Mr. Jeff Amrose & Mrs. Trisha Amrose – GRS, Mr. Brendon Vavrica – AndCo Consulting, Mr. Steve Loncar – Ceredex Ridgeworth, Ms. Michele Clayman – New Amsterdam (left at 10:50 A.M.), Mr. Dan Ransone – Sunrise Police; Mr. Anthony Bulzone, Ms. Kelly Scappechi and Ms. Wendy Dunbar - City of Sunrise (left at 1:05 P.M.).

### **Approval of Minutes**

Motion to approve by minutes of 08-10-17, 10-12-17 & 11-09-17 by Mr. Berman, seconded by Mr. Bettencourt. Carried 4-0.

### **Approval of Payables**

After review and consideration of the payables of 10-12-17 through 02-17-18, a motion to approve was made by Mr. Bettencourt, seconded by Mr. West. Carried 4-0.

### **Jeff Amrose – Gabriel Roeder Smith**

AFC – Mr. & Mrs. Amrose

Recess 11:36 A.M. – 11:40 A.M.

### **Attorney's Report**

Mrs. Levy presented an abbreviated time line regarding the AFC as follows:

- March 29, 2013 –Mr. Marrill entered the DROP without a correct benefit calculation.
- March 06, 2014 - The City Manager attended a Pension Board meeting at the invitation of the Board to discuss several issues, one of which is the AFC
- May 30, 2014 - Follow up letter sent to the City Manager by the Board requesting that the City Manager address the AFC issues discussed at the meeting
- October 02, 2014 - Mrs. Amrose presented her findings to the Board regarding the review of the City's calculations of Mr. Marrill's AFC at the meeting
- February 19, 2017 - GRS reported that they are still waiting for the data from the City
- April 24, 2017 - Mrs. Levy sent a Public Records Request to the City for payroll records data as directed by the Board since they had still not been provided to the actuary – received the records in June

- December 2017 – Mr. Jeff Amrose, Mrs. Trisha Amrose & Mrs. Ricki Levy met with Mr. Jim Linn, City Manager and Finance Department
- Follow up from Mrs. Levy throughout January with Attorney for the City
- February 02, 2018 – Mrs. Levy received an email from the attorney regarding the City's proposal to change the methodology for calculating the AFC.

Mrs. Levy stated that the Ordinance states that the AFC equals the average salary of the three best contributing years. The Board first needs to determine if the manner in which the City is doing the AFC is or is not compliant with the statute, and in accordance with your interpretation of the statute.

Mrs. Levy then reviewed the email from the city in detail with the Board. She said that the email specifies that the City is not stating they did calculations wrong but is agreeing to change their procedure for calculating the AFC.

In review of the email, the City states:

- a. Implementation of any change in the calculation is contingent on IT Department being able to provide the data in the form requested. Mrs. Levy asked the City representatives if they can give any indication as to when the IT department can provide the information. City Rep Wendy Dunbar stated that she didn't know when they could provide it, or even if they could. It may require going to the previous payroll company, but the City has not discussed it with anyone yet.
  - The proposal from the City still is a manual process even though at the meeting in December, the ability to provide a program to the City was discussed
  - The email does not provide a time for IT and in fact says as of this date, City has not determined what would be required despite it being 2 months since our meeting with the City Manager and more than 5 years since this has been an issue
- b. The City states there would be delay in implementation because a change in the AFC could impact benefit, must be bargained and agreed to by 2 unions. Mrs. Levy explained that it may be true that the City would have to bargain but she was not giving an opinion on that. The City may be exercising a management right to change method of calculating the AFC, and if so they need to bargain over the impact of it – maybe. But, the pension board doesn't have to bargain over it. The Board is not the employer, it doesn't bargain, it administers. In fact, the City and the Union did bargain over benefits, one of which was the AFC and they give it to the Board in the form of an ordinance to administer. Mrs. Levy stated that the Board's duty to administer the plan is in the governing documents of the plan and she read the relevant provision in Chapter 185 and the provision in the ordinance and stated that there is also well-established case law that states that the power to administer is the power to interpret, in the case of Palombis v. City of Miami Beach.

Mrs. Levy discussed the Board's decision before them.

1. The Board should consider whether they believe that the City's methodology is compliant with their interpretation of the ordinance.
2. Take over calculations of AFC – either permanently or until the City can demonstrate they can do it in a manner that the Board believes is compliant.

Motion that the Board take over the responsibility of calculating the AFC's going forward by Mr. Bettencourt, seconded by Mr. Goldstein. Motion passed 3-0. (Mr. Berman not present for this vote). Mr. Bettencourt stated that he feels that since we are the administrators and responsible to the members that we should do the calculations.

The Board discussed and decided to give members who have already selected their benefit the option to be recalculated. If the numbers change, we will give them the option to change their benefit.

Mr. Goldstein asked about the 300-hour overtime and how the city counts it. Mrs. Levy said they do so on a fiscal year basis. Mr. Goldstein asked Mrs. Levy for something in writing regarding a legal opinion for the determination of what 300 hours is pensionable. He wants to consider other options and maybe collect contributions and then a return of unused contributions if all overtime is counted. Mrs. Levy discussed why this is problematic.

Motion to change how the City counts the 300 hours to calendar year vs. fiscal year by Mr. Goldstein. There was no second to this motion, motion dies.

Motion to calculate the AFC with 26 consecutive pay periods by Mr. Bettencourt, seconded by Mr. West. Motion passed 3-0. (Mr. Berman not present for this vote).

Motion to continue to assign retro payments when it is earned by Mr. Bettencourt, seconded by Mr. West. Motion passed 3-0. (Mr. Berman not present for this vote).

Motion to assign holiday pay when it is earned by Mr. Bettencourt, seconded by Mr. Goldstein. Motion passed 3-0. (Mr. Berman not present for this vote).

The actuaries have been directed to prepare a document outlining the procedures for the AFC calculations and present it at the March 08, 2018 meeting.

Motion not to lock in the first 26 pay periods but for the actuaries to have a program which determines the highest AFC for three 26 pay periods by Mr. Goldstein, seconded by Mr. Bettencourt. Motion passed 3-0. (Mr. Berman not present for this vote).

Mr. Williams and Mrs. Levy will prepare a letter that will go to Active DROP members giving them the option to have their benefit recalculated.

Mr. Amrose will present Mr. Marrill and Mr. Torres' numbers at the March 08<sup>th</sup> meeting.

The Board decided that once the AFC calculation methodology and program has been finalized, discussion will be held about recalculating retirees.

Mrs. Levy stated that she was asked to review DROP options for fixed vs. self-directed and to review Voya agreement to determine how fees were paid. She will work with the consultant on this issue.

### **Administrator's Report**

Mr. Williams advised the Board that the lease on the current copier is up in April 2018. He presented a new lease to the board for approval. Motion to accept the new lease by Mr. Goldstein, seconded by Mr. Bettencourt. Motion passed 3-0. (Mr. Berman not present for this vote).

### **Financial Statements – September 30, 2017 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, 2017, combined trust assets exceed its liabilities with a total of \$138,217,216. A total of \$10,864,325 was received in employer / employee contributions. Employer contributions were \$9,199,456; employee contributions were valued at \$1,664,869. The State excise revenue received was \$724,891. Investment income for the fiscal year was \$14,258,027. The foregoing resulted in total additions of \$25,847,243. After total deductions were made the net increase realized was \$15,555,357.

As of September 30, 2017, the Plan had 119 retired members and beneficiaries. The Plan also had 81 vested active members and 74 non-vested members as of September 30, 2017. As of September 30, 2017, the DROP Account balance was \$6,005,358, in comparison to \$7,925,337 as of September 30, 2017.

Mr. Berman made a motion to accept the Financial Statements for the Plan for September 30, 2017 as presented, which was seconded by Mr. Bettencourt. Motion carried 4-0.

**Web Link:**

[http://www.sunrisepolicepension.com/docs\\_state/FinancialStatements/2017%20Sunrise%20Police%20Retirement%20FS.pdf#zoom=100](http://www.sunrisepolicepension.com/docs_state/FinancialStatements/2017%20Sunrise%20Police%20Retirement%20FS.pdf#zoom=100)

**Ceredex Ridgeworth – Quarterly Investment Report**

Mr. Steve Loncar indicated that as of December 31, 2017, the large cap portfolio had a market value of \$23,107,667.16. Our allocation at the end of the quarter was 2.80% in cash, 97.2% in equities. Net performance for the quarter was 6.13% vs. 5.33% for the Russell 1000 Value Index. Since the inception date of November 03, 2011, the portfolio had a net annualized return of 15.43% vs. 14.91% for the Russell 1000 Value Index.

**New Amsterdam - Quarterly Investment Report**

Ms. Michele Clayman Yee indicated that as of December 31, 2017, the portfolio had a market value of \$14,977,013.12.

The allocation at the end of the quarter based on each asset class is as follows: 1.1% in cash, 45.5% in growth equity, 52.5% in value equity and 0.0% in multi-cap equity.

Investment performance for the quarter by asset category is as follows: Value -0.2% vs. the benchmark of 4.0%, growth 6.0% vs. 6.4% which equates to a quarterly return of 2.5% vs. 3.2%. These numbers are gross basis.

The investment return on a fiscal year basis is as follows: Value 11.2% vs. the benchmark of 10.5%, growth 8.6% vs. the benchmark of 23.3%, which equates to an annual return of 10.3% vs. 16.8%. These numbers are gross basis.

**AndCo Consulting – Quarterly Investment Report**

Mr. Brandon Vavrica advised that as of December 31, 2017 the total fund was valued at \$151,068,658. The manager allocation was 3.4% for ASB Real Estate, 4.1% for Barings Real Estate, 6.3% for Cash, 15.3% for Ceredex, 14.9% for Garcia Hamilton Balanced Account, 14.9% for Garcia Hamilton Fixed A+ Account, 4.4% for J.P. Morgan, 10.4% for Mutual of America, 9.9% for New Amsterdam SMID, 5.5% for Rhumblin, 5.4% for Polen and 5.4% for Vanguard.

For the quarter ending December 31, 2017, the total net portfolio returned 3.08% compared to the benchmark of 3.74% placing it in the 89<sup>th</sup> percentile. For the trailing year, the net portfolio returned 3.08% compared to 3.74% for the benchmark or in the 89<sup>th</sup> percentile.

For equities, the fund returned 5.20% for the quarter compared to the benchmark of 5.97%. For fixed income, the fund returned 0.52% for the quarter compared to 0.03%.

It was noted that New Amsterdam has underperformed for the past year. Mr. Vavrica advised the Board that he will look at their numbers next quarter and possibly make an adjustment.

Mr. Vavrica presented the updated Investment Policy Guidelines to the board for approval. He noted that there is now a page for each manager to sign vs. a page for all managers to sign.

Mrs. Levy asked Mr. Vavrica to review the VOYA options and report back at the next quarterly meeting.

**Open Board Discussion**

None

**Adjournment**

Motion to adjourn at 01:06 P.M. by Mr. Goldstein, seconded by Mr. Bettencourt. Carried 4-0.