

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

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

Sunrise, FL 33325

May 10, 2018

10:00 A.M.

### **Call to Order**

On behalf of the Board, Mr. Dave Williams called the meeting to order when a quorum was established at 10:06 A.M. As a result of the loss of a quorum at 10:33 A.M, the meeting was adjourned, no further action was taken, and a workshop was conducted for the remainder of the time.

### **Roll Call**

Present were Mr. Michael West – Chairman (arrived at 10:06 A.M.), Mr. William Bettencourt – Secretary & Mr. Eric Goldstein – Trustee (arrived at 10:14 A.M. and left at 10:32 A.M.).

### **Absent & Excused**

Mr. William Bates & Mr. Lou Berman

### **Public Discussion**

None

### **Others Present**

Mr. Dave Williams - Plan Administrator, Mrs. Patty Ostrander - Recording Secretary, Mrs. Richelle Levy – Rice Pugatch Robinson Storfer & Cohen, PLLC; Mr. Jeff Amrose (via conference call), Mr. Anthony Xuereb – Polen Capital, Mr. Nick Field – JP Morgan & Mr. Anthony Bulzone - City of Sunrise.

### **Approval of Minutes**

Motion to approve by minutes of 03-08-18 by Mr. Goldstein, seconded by Mr. West. Motion passed 3-0.

### **Approval of Payables**

After review and consideration of the payables of 03-08-18 through 05-09-18, a motion to approve was made by Mr. Goldstein, seconded by Mr. West. Motion passed 3-0.

### **Gabriel Roeder Smith**

Actuarial Valuation Report – Mr. Amrose presented the Actuarial Valuation report via Conference call.

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

	For FYE 9/30/2019 Based on 10/1/2017 Valuation	For FYE 9/30/2018 Based on 10/1/2016 Valuation	Increase (Decrease)
Required Contribution	\$ 11,491,369	\$ 10,619,577	\$ 871,792
As % of Contr. Year Payroll	64.46 %	64.33 %	0.13 %
Estimated State Contribution	724,891	724,891 *	0 (0.32)
As % of Contr. Year Payroll	4.07 %	4.39 %	%
Net Employer Contribution if Paid Biweekly	10,766,478	9,894,686	871,792
As % of Contr. Year Payroll	60.39 %	59.94 %	0.45 %
Net Employer Contribution if Paid on First Day of Fiscal Year	10,340,410	9,498,495	841,915
As % of Contr. Year Payroll	58.00 %	57.54 %	0.46 %

\* Updated from the prior year valuation report to reflect the state contribution received for the fiscal year ending September 30, 2017.

The following table shows the required contribution developed in this valuation as a percentage of payroll including the salaries of members who are participation in the DROP as of October 01, 2017.

	2017 Valuation	2016 Valuation
Required Contribution	55.44 %	54.55 %
Estimated State Contribution	3.50 %	3.72 %
Net Employer Contribution	51.94 %	50.83 %

Mr. Amrose stated that the contributions developed in this valuation have been calculated as though payments are made at the end of each biweekly pay period. Also shown is the required amount if the full contribution for the fiscal year ending September 30, 2019 is paid on October 01, 2018.

Further, the required Employer contribution has been computed with the assumption that the amount to be received from the State in 2019 will be equal to the amount received in 2017 of \$724,891. If the actual payment from the State falls below this amount, then the Employer must increase its contribution by the difference.

Actual contributions for the last year were \$9,199,456 from the City plus \$724,891 of annual State revenue, for a total of \$9,924,347. The total amount required contribution was \$9,924,347 reflecting an expedited payment schedule.

There was a net actuarial loss of \$3,374,172 since the last valuation which means that actual experience was less favorable than expected. The loss was primarily due to greater than expected average salary increases (7.6% compared to 5.2% expected), less employment terminations than expected and less retiree deaths than expected. The liability loss was partially offset by gains due to a member retiring from the DROP with a benefit being limited by the IRC 415 limit and greater than expected recognized investment return. The investment return was 11.1% based on market value of assets and 8.0% based on actuarial value of assets. The net loss caused the required employer contribution reflecting bi-weekly payments to increase by 1.50% of covered payroll.

This year's funded ratio is 67.3% compared to 65.6% last year. The funded ratio was 67.7% before the investment return assumption change described above. The ratio is equal to the actuarial value of assets divided by the actuarial accrued (past service) liability.

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

Contribution Rate Last Year	59.94 %
Experience (Gains) or Losses	1.50
Revision in Assumptions/Methods	0.76
Amortization Payment on UAAL	(1.95)
Normal Cost Rate	(0.30)
Administrative Expense	0.12
Change in State Contribution Rate	0.32
Contribution Rate This Year	60.39

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

<b>PARTICIPANT DATA</b>		
	<b>October 1, 2017</b>	<b>October 1, 2016</b>
<b>ACTIVE MEMBERS</b>		
Number of non-DROP members	155	153
Number of DROP members	20	21
Covered Annual Non-DROP Payroll	\$ 17,307,895	\$ 16,027,155
Average Annual Non-DROP Salary	\$ 111,664	\$ 104,753
Total Payroll Including DROP Members	\$ 20,206,762	\$ 18,988,468
Average Age (Non-DROP Members)	38.7	38.5
Average Past Service (Non-DROP Members)	11.0	10.8
Average Age at Hire (Non-DROP Members)	27.7	27.7
<b>RETIREES, BENEFICIARIES &amp; DROP</b>		
Number	134	130
Annual Benefits*	\$ 7,454,811	\$ 6,958,022
Average Annual Benefit	\$ 55,633	\$ 53,523
Average Age	60.3	59.9
<b>DISABILITY RETIREES</b>		
Number	10	10
Annual Benefits	\$ 485,879	\$ 485,329
Average Annual Benefit	\$ 48,588	\$ 48,533
Average Age	53.6	52.6
<b>TERMINATED VESTED MEMBERS</b>		
Number	0	0
Annual Benefits	\$ 0	\$ 0
Average Annual Benefit	\$ 0	\$ 0
Average Age	0.0	0.0

\* Does not include deferred supplemental benefits for DROP members.

Mr. Amrose recommended lowering the assumption rate over the next few years. Mr. Amrose will speak to Mr. Tierney regarding this and report back at the August meeting.

Mr. Bettencourt made a motion to approve the Actuarial Valuation Report as presented, seconded by Mr. Goldstein. Motion passed 3-0.

Mr. Amrose reported that his office is continuing to calculate AFC's that have been pending in accordance with the Board's direction.

### **Polen Capital**

Mr. Anthony Xuereb indicated that as of March 31, 2018, the large cap portfolio had a market value of \$11,426,084. Net performance for the quarter was 3.56% vs. 1.42% for the Russell 1000 Growth Index. Since the inception date of December 19, 2017, the portfolio had a net annualized return of 1.96% vs. 0.50% for the Russell 1000 Growth Index.

### **J.P. Morgan International**

Mr. Field indicated that as of March 31, 2018, the International Equity portfolio had a market value of \$6,088,756.00. Our net quarterly performance was -1.67% compared to the MSCI ACWI ex US which had -1.18%. Mr. Williams asked Mr. Field to include a page for Sunrise and the asset amount in the presentation booklet.

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

Mr. Brandon Vavrica advised that as of March 31, 2018 the total fund was valued at \$146,719,201. The manager allocation was 3.5% for ASB Real Estate, 4.3% for Barings Real Estate, 0.4% for Cash, 15.1% for Ceredex, 0.0% for Garcia Hamilton Balanced Account, 16.2% for Garcia Hamilton Fixed A+ Account, 15.7% for Garcia Hamilton EXCL A+ Fixed Income, 4.1% for J.P. Morgan, 10.2% for Mutual of America, 10.2% for New Amsterdam SMID, 7.8% for Rhumblin, 7.8% for Polen and 4.5% for Vanguard.

For the quarter ending March 31, 2018, the total net portfolio returned -0.98% compared to the benchmark of -0.59% placing it in the 86<sup>th</sup> percentile. For the trailing year, the net portfolio returned 2.07% compared to 3.13% for the benchmark or in the 88<sup>th</sup> percentile. For equities, the fund returned -1.49% for the quarter compared to the benchmark of -0.73%. For fixed income, the fund returned -0.54% for the quarter compared to -1.17%.

Mr. Vavrica suggested changing the Assumption rate to 7.7%. Mr. Goldstein made a motion to change the Assumption rate to 7.7%, seconded by Mr. Bettencourt. Motion passed 3-0.

Mr. Williams asked Mr. Vavrica to bring a search to possibly replace New Amsterdam to the next meeting.

Mr. Vavrica distributed an AndCo table to the Board for their information.

### **Attorney's Report**

Mrs. Levy stated that a question was posed by one of the trustees asking how to respond to the question on Form 1 regarding elected municipal officers have attendance at ethics training programs. Mrs. Levy stated that according to the Commission on Ethics, the

Form's reference to elected municipal officers is to officials who are elected by the public at large, the trustees are considered appointed. Therefore, the question does not apply to them.

Mrs. Levy has provided the administrator with a memo that had been given to the Board a few years ago regarding what the questions on intangible assets are referring to.

Mrs. Levy informed the Board about a decision rendered in the case of Transparency for Florida vs. City of Port St. Lucie regarding one of the citizen action groups who was suing the City of Port St. Lucie for violations of the sunshine law. Mrs. Levy discussed the facts of the case and the decision regarding what violates sunshine laws. The reasonable notice requirements and what constitutes a curative meeting. She reminded the Board of their obligations and restrictions under the Sunshine law.

Mrs. Levy updated the Board on Senate Bill 376 which has been signed by the Governor and provided workers compensation indemnity benefits for first responders diagnosed with PTSD. She discussed the extensive requirements which must be met to be qualified for these benefits and that while it is a worker's compensation statute it may have implications with disability cases before the Board. The Trustees engaged in discussion and asked several questions.

Mrs. Levy discussed the tax liability issue that has come before the Board regarding who gets assessed the tax liability when an Income Deduction Order (IDO) required that the Fund pay the ex-spouse directly for alimony or child support. The issue arose when a member's ex-spouse questioned her 1099. Mrs. Levy said she consulted with the tax attorney often consulted by this Fund and had extensive conversations with the custodian. The tax code treats an IDO as a qualified domestic relations order and the ex-spouse as an alternative payee, so the Fund must comply with the applicable tax code provisions. These provisions require that the tax liability be assessed to the payee. Going forward the custodian will be taking out taxes for whoever receives the monies and that person will receive the appropriate 1099.

Mrs. Levy received a question as to whether we can allow a member who is entering the DROP to split their money between self-directed and fixed return options. The form from the City is asking the member to pick one or the other. Mrs. Levy read the ordinance and she believes that it can be interpreted to allow a member to split the money between the two funds. Mrs. Levy also advised the Board the Ordinance is very clear a one-time irrevocable election. She was asked what changes may need to be made to allow members to choose to list a percentage of their DROP account between the two options. She reminded the Board that the City generates and distributes the form which currently asks the member to choose between the two options. She was asked by the Board to revise the form and it will be provided to the city representative present.

Mr. West asked Mr. Williams what we need to do on the Administrative side. Mr. Williams stated that if someone selects this, whatever the percentage is, will be sent out monthly to the provider and then once it is over there, it is between the member and provider. Mr. West asked if the member will get a new chart and Mr. Williams stated

that the chart will be created based on the percentage they are leaving in. The member will get the fixed number right up front and every month we will send over the monthly drop payment to the members account. Mrs. Levy stated that she believes that VOYA will provide the member with their monthly statement and the Board will provide the member with the one-time chart. Mr. West asked if a member could possibly have to leave on a short notice if the 415 kicks in? Mrs. Levy stated that the actuary will need to determine if the member may be hitting the 415 limits.

Mr. West asked about members who are asking for an AFC who aren't close to 20 years or close to retirement age. Mr. Williams stated that generally members not asking about their AFC unless they were close to retiring. The only exception is members who are getting divorced and need their benefit valued for that marital purpose. Mr. Williams stated that the Board can come up with an actual policy that can be incorporated into the policy manual. Mrs. Levy also stated that she will review the policies and see if we can charge for a calculation if it's not about something specific.

### **Administrator's Report**

Mr. Williams presented the list of new names to be added to the Honor Wall and asked for the Boards approval. Mr. Goldstein made a motion for the names to be added at the Chairman's discretion on a case by case basis. Mrs. Levy then asked that what the past practice been. Mr. Goldstein withdrew the motion after discussion. Mr. Williams stated that the Board has been the one to determine who goes on the Honor Wall and who doesn't. Mrs. Levy asked if the past practice has been to add disability members on the Honor Wall and Mr. Williams said that there are some on the board and he is not sure if all disability members are or not. Mr. Bettencourt stated a little discretion is reasonable. Mr. West suggested the possibility of bringing the Honor Wall back to the Pension office. Mr. Williams stated that he was approached by Mr. Berman who was contacted by the Chief asking what names were going on the Honor Wall.

Mr. Goldstein made a motion to have normal or early retirement members added to the Honor Wall going forward, seconded by Mr. Bettencourt. Motion passed 3-0.

Mr. Goldstein made a motion that any member who goes out on Disability would have to petition the Board to be added to the Honor Wall, seconded by Mr. Bettencourt. Motion passed 3-0.

Mr. Williams stated he has inundated the Actuary with benefit calculations under the new procedure. Mr. Williams stated that procedurally everything is seamless, just a bit of a back log from the Actuary.

### **Old Business**

Mr. Williams presented the Data Services Agreement to the Board for approval. Mr. Goldstein made a motion to accept the contract, seconded by Mr. Bettencourt. Motion passed 3-0.

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**Open Board Discussion**

None

**Adjournment**

Workshop concluded at 11:47 A.M.