

SUNRISE POLICE OFFICERS' RETIREMENT PLAN

13790 N.W. 4th Street, Suite 105

Sunrise, FL 33325

May 09, 2019

10:00 A.M.

Call to Order

On behalf of the Board, Mr. Dave Williams called the meeting to order at 10:06 A.M.

Public Discussion

None

Roll Call

Present were Mr. Michael West – Chairman; Mr. William Bettencourt – Secretary (left at 11:25 A.M.); Mr. Lou Berman (left at 11:55 A.M.), Mr. Eric Goldstein (arrived at 10:42 A.M.) and Mr. Kevan Sweat - Trustees.

Absent & Excused

None

Others Present

Mrs. Richelle Levy – Rice Pugatch Robinson Storfer & Cohen, PLLC.; Mr. Brendon Vavrica – AndCo Consulting (left at 12:00 P.M.); Mr. Jeff Amrose & Ms. Trisha Amrose – Gabriel Roeder Smith (left at 11:05 A.M.); Mr. Jim Haymes – Polen Capital (left at 11:25 A.M.); Mr. Brian Czekanski – J.P. Morgan (left at 11:30 A.M.); Mr. Joe Zanta – Retired Sunrise Officer (arrived at 10:10 A.M. and left at 11:05 A.M.) and Mr. Anthony Bulzone - City of Sunrise. Mr. Dave Williams - Plan Administrator; Mrs. Patty Ostrander - Recording Secretary.

Approval of Minutes

Motion to approve by minutes of 02-14-19 Mr. Bettencourt, seconded by Mr. West. Carried 4-0 (Mr. Goldstein was not present).

Approval of Payables

After review and consideration of the payables of 02-14-19 through 05-08-19, a motion to approve was made by Mr. Bettencourt, seconded by Mr. West. Carried 4-0 (Mr. Goldstein was not present).

Gabriel Roeder Smith

Actuarial Valuation Report – Mr. Amrose presented this report. Mr. Amrose stated that the seven-year funded ratio increased as we strengthened our actuarial assumptions which is positive for the Plan.

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

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	For FYE 9/30/2020 Based on 10/1/2018 Valuation	For FYE 9/30/2019 Based on 10/1/2017 Valuation	Increase (Decrease)
Required Contribution	\$ 12,504,318	\$ 11,491,369	\$ 1,012,949
As % of Contr. Year Payroll	67.61 %	64.46 %	3.15 %
Estimated State Contribution	785,047	785,047 *	0
As % of Contr. Year Payroll	4.24 %	4.40 %	(0.16) %
Net Employer Contribution if Paid Biweekly	11,719,271	10,706,322	1,012,949
As % of Contr. Year Payroll	63.37 %	60.06 %	3.31 %
Net Employer Contribution if Paid on First Day of Fiscal Year	11,258,751	10,280,254	978,497
As % of Contr. Year Payroll	60.88 %	57.67 %	3.21 %

* Updated from the prior year valuation report to reflect the state contribution received for the fiscal year ending September 30, 2018.

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, 2018.

	2018 Valuation	2017 Valuation
Required Contribution	57.28 %	55.44 %
Estimated State Contribution	3.60 %	3.79 %
Net Employer Contribution	53.68 %	51.65 %

Payment of Required Contribution

The contribution developed in this valuation has 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, 2020 is paid on October 1, 2019.

Further, the required Employer contribution has been computed with the assumption that the amount to be received from the State in 2020 will be equal to the amount received in 2018 of \$785,047. 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 \$9,431,736 from the City plus \$785,047 of annual State revenue, for a total of \$10,216,783. The total annual required contribution was \$10,216,783 reflecting an expedited payment schedule.

Revisions in Benefits

Ordinance Number 124-X-19-A amended the City of Sunrise Police Officers' Retirement System by increasing the monthly supplemental benefit payable before age 65 from \$25 per year of service (maximum of \$500) to \$35 per year of service (maximum of \$700). The monthly supplemental benefit payable at age 65 is unchanged. This change caused the required employer contribution to increase by approximately \$170,000 or 0.92% of covered payroll.

Additionally, under this Ordinance, prior police or military service buybacks may be paid through bi-weekly payroll deductions over a period of time not to exceed 60 months, and no later than DROP entry or termination of employment, whichever occurs first. There is no pre-funding impact for this change.

Revisions in Actuarial Assumptions and Methods

The investment return assumption was lowered from 7.70% to 7.65% effective October 1, 2018. The assumed rate of investment return will continue to be lowered by 0.05% each year until reaching 7.50%. This change caused the required employer contribution to increase by approximately \$144,000 or 0.78% of covered payroll.

For this valuation a long-term average annual future net investment return assumption of 7.65%, or about 8.00% before investment expenses, was used. Based on the Plan's asset allocation, an assumed net rate of return of 6.5% to 7.0% would be more in line with projected expected returns over the next several years. We recommend consideration be given to lowering the investment return assumption in a more expedited schedule.

If the investment return assumption is lowered, the required City contribution will increase in the short term and there will be a higher probability the Plan will meet or exceed its assumed return in future years. In other words, there will be a lower probability the Plan will generate investment losses which will be funded by future tax payers.

There was a net actuarial loss of \$3,089,041 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 (7.1% compared to 5.2% expected), less retiree deaths than expected, and a recognized investment return slightly below the assumed rate of 7.7%. The investment return was 7.9% based on market value of assets and 7.6% based on actuarial value of assets. The net loss caused the required employer contribution reflecting bi-weekly payments to increase by 1.33% of covered payroll.

This year's funded ratio is 68.2% compared to 67.3% last year. The ratio is equal to the actuarial value of assets divided by the actuarial accrued (past service) liability. The funded ratio before the changes in assumptions and benefits was 69.1%.

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

Contribution Rate Last Year	60.06 %
Experience (Gains) or Losses	1.33
Revision in Assumptions/Methods	0.78
Amortization Payment on UAAL	0.90
Normal Cost Rate	(0.54)
Administrative Expense	(0.24)
Benefit Changes	0.92
Change in State Contribution Rate	0.16
Contribution Rate This Year	<u>63.37 %</u>

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

PARTICIPANT DATA		
	October 1, 2018	October 1, 2017
ACTIVE MEMBERS		
Number of non-DROP members	158	155
Number of DROP members	23	20
Covered Annual Non-DROP Payroll	\$ 17,956,093	\$ 17,307,895
Average Annual Non-DROP Salary	\$ 113,646	\$ 111,664
Total Payroll Including DROP Members	\$ 21,291,451	\$ 20,206,762
Average Age (Non-DROP Members)	38.4	38.7
Average Past Service (Non-DROP Members)	10.4	11.0
Average Age at Hire (Non-DROP Members)	28.0	27.7
RETIREES, BENEFICIARIES & DROP		
Number	147	134
Annual Benefits*	\$ 8,450,206	\$ 7,454,811
Average Annual Benefit	\$ 57,484	\$ 55,633
Average Age	60.5	60.3
DISABILITY RETIREES		
Number	10	10
Annual Benefits	\$ 486,439	\$ 485,879
Average Annual Benefit	\$ 48,644	\$ 48,588
Average Age	54.6	53.6
TERMINATED VESTED MEMBERS		
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.

Mrs. Levy read from the Collective Bargaining Agreement (CBA) – “The Board hereby approves the Actuarial Assumptions, Cost Methods and Procedures to be used for the 10-01-17 valuation as recommended by the Plan Actuary and approved by the City Actuary for all purposes during the term of the agreement. Any changes in assumptions, cost methods and procedures during the term of the agreement will be reviewed and discussed by the Plan Actuary and the City Actuary and if they agree, the proposed changes will be implemented. If the Plan Actuary and City Actuary cannot agree, a third Actuary selected by mutual agreement of the other two shall review and discuss the two Actuaries positions and submit and discuss the reports with the Board. The Board shall consider the Actuaries reports and take the most appropriate reasonable and prudent final action. At that time the Board shall provide a detailed written explanation of why the action taken is most appropriate. All Actuarial assumptions, cost methods and procedures shall be individual, realistic and based on the Actuaries best estimates of anticipated future experience of the Plan.”

Mr. West asked Mr. Amrose to speak to Mr. Tierney (the City’s Actuary) and come up with a three-year plan to get the rate down to 7%. Mr. Amrose will keep Mr. Williams informed of his discussions with Mr. Tierney.

Mr. Bettencourt made a motion to approve the Actuarial Valuation Report with changes that the Board made (revised to 15% reduction with the ultimate goal being 7% in three years) pending the future amendment, seconded by Mr. West. Motion passed 5-0.

Mr. Williams reminded the Board that anyone who was in the DROP, had the opportunity to have their benefit voluntarily re-calculated. The member had to sign a form stating that they acknowledged that the benefit can go up or down. Mr. Zanta is a member who decided to do the re-calculation. His numbers went to the Actuary and regrettably his number went down. There were some additional conversations after, and Mrs. Amrose will explain.

Ms. Amrose explained the recalculation process regarding the overtime issue for Mr. Zanta. Mr. Bettencourt said that the retro payments are spread out when they are earned, not paid. Mrs. Levy stated that the Board does the AFC now and that is methodology that has been set and approved, that should be the methodology that we go with.

Mr. Bettencourt made a motion to recalculate Mr. Zanta’s AFC for all retro pay in accordance with methodology the Board has already approved, seconded by Mr. West. Motion passed 5-0.

Mr. Amrose stated that based on the above motion, they will come back to the Board with three numbers:

- 1 – New Benefit
- 2 – New DROP balance or amount owed
- 3 – Amount of employee contributions

Polen Capital

Mr. Jim Haymes indicated that as of March 31, 2019, the large cap portfolio had a market value of \$14,028,095. Net performance for the quarter was 16.93% vs. 16.11% for the Russell 1000 Growth Index. Since the inception date of December 19, 2017, the portfolio had a net annualized return of 19.20% vs. 10.25% for the Russell 1000 Growth Index.

Mr. Haymes invited the trustees to do a site inspection since they are local. Ms. Levy agreed with this and advised the trustees to do so.

J.P. Morgan International

Mr. Brian Czekanski indicated that as of March 31, 2019, the International Equity portfolio had a market value of \$6,117,187.00. Our net quarterly performance was -13.56% compared to the MSCI ACWI ex US which had 10.31%.

AndCo Consulting – Quarterly Investment Report

Mr. Brandon Vavrica advised that as of March 31, 2019 the total fund was valued at \$155,472,363. The manager allocation was 3.7% for ASB Real Estate, 4.3% for Barings Real Estate, 0.2% for Cash, 15.5% for Ceredex, 15.8% for Garcia Hamilton Fixed Account, 15.1% for Garcia Hamilton Fixed A+ Account, 4.9% for Great Lakes SMID Cap, 3.8% for J.P. Morgan, 10.0% for Mutual of America, 8.3% for Rhumblin R1000G, 9.0% for Polen, 4.9% for Vanguard R2000 and 4.5% for Vanguard Intl Equity.

For the quarter ending March 31, 2019, the total net portfolio returned 8.72% compared to the benchmark of 9.14% placing it in the 48th percentile. For the trailing year, the net portfolio returned -0.64% compared to -0.03% for the benchmark or in the 74th percentile.

Mr. Berman made a motion to move \$2 million from Polen, \$1 million from Rhumblin and put \$400,000 into Garcia A+ portfolio, \$1.8 million to Garcia Intermediate, \$300,000 into the cash account (reserved for ASB) and \$500,000 to JP Morgan, seconded by Mr. Goldstein. Motion passed 4-0 (Mr. Bettencourt was not present).

Attorney's Report

Mrs. Levy presented the changes to the SPD. Mr. Goldstein suggested inserting wording that allows for the payment of buybacks with payroll deductions. Mrs. Levy will make the changes and present the SPD for approval at the next meeting.

Mrs. Levy recommended to the Board that they adopt a policy where a new Active DROP member has 60 days from the receipt of their benefit selection form to return the form, if the form is not received at that point, she will send a letter stating that they have 30 additional days and if the form is not received, their benefit will default to a Ten Year Certain. Mr. Sweat made a motion to give members 60 days to return their benefit selection form or default will be Ten Year Certain, seconded by Mr. West. Motion failed 2-1. Mr. Williams stated that an email will be sent to the two members that have outstanding benefit selection forms about the upcoming procedure.

Mrs. Levy stated that there is an ADA act where all websites need to be ADA accessible.

Administrator's Report

Mr. Williams had no formal report

Open Board Discussion

Mr. Bettencourt asked if we can change the meetings to Monday mornings due to several trustee's work schedules. After discussion the meetings were changed to the second Monday of the month going forward. Mrs. Ostrander will update the meeting notices, update the website and inform all managers who will be presenting.

Adjournment

Motion to adjourn at 12:15 P.M. by Mr. Goldstein, seconded by Mr. West. Motion passed 3-0. (Mr. Bettencourt and Mr. Berman were not present).