

Lauderhill Police Officers' Retirement System

C/O Precision Pension Administration, Inc.
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ROLL CALL:

Chairman David Hennessy called the meeting of the City of Lauderhill Police Officers Retirement System to order at 2:05 p.m., on May 4, 2011 at the Lauderhill Police Department.

MEMBERS PRESENT:

David Hennessy, Chairman, Kennie Hobbs, Secretary, Gary Celetti, Trustee, Floyd Harris, Trustee, (came to meeting at 2:19 p.m.)

ABSENT & EXCUSED:

Trustee Michael Lucas

OTHERS PRESENT:

Fund Attorney Bob Klausner, Plan Administrator Bob Dorn, Steve Stack from ICC Management, Jeff Swanson from Southeastern Advisory, Don Dulaney and Yiu Lia from DuLaney & Company

It should be noted that there was a quorum for the Board to have an official meeting.

Motion by Trustee Gary Celetti to amend the agenda by adding Warrants 155 to 159, adding Southeastern Advisory and Tundra King'. Seconded by Trustee Hobbs. Motion passed 4-0

Chairman Hennessey requested to go out of order for the amended agenda so that ICC could present their information first. No-one was opposed to this request.

ICC Capital Management.

Mr. Stack reported that the first quarter perform in the market. As of March 30th, 2011, the City of Lauderhill Police Officers' Pension Fund's ICC Capital Management balanced account was valued at \$13,205,272 which represented an increase of \$872,817 from previous quarter. For the quarter, the ICC balanced portfolio had 92.9 % in equities and 7.1 % in cash. The distribution of the fund consisted of 23.7% in growth, 45.4% in value, 23.8 % in Multi-Cap and 7.1 percent in cash. The Multi-Cap portion returned 6.63% beating the bench mark of 6.24%. The value portion returned 6.63% outperforming the bench mark of 6.24%. The growth portion returned 7.09% also beating the bench mark of 6.24%. The Fiscal Year to Date had the Total Fund at 19.45% which beat the bench mark at 18.13%. Mr. Stack said energy sector was the highest individual sector return at 19.32% and consumer staples was the lowest at .64%. Attorney Bob Klausner asked Steve if he recommended any changes, which Steve replied no at this time. Attorney Klausner also asked if there were any recommendations in the investment policy which Steve replied no. Jeff Swanson also replied that he did not recommend any changes to the investment policy.

Southeastern Advisory--- Investment Performance Analysis

The presentation started by Trustee Hobbs asking about the rebalancing of the Receipt and Disbursement (R&D) account. Mr. Swanson stated that he believed moving forward that all new deposits into the pension fund are to be made into the R & D account (with exception of the note receivable from the Lauderhill Housing Authority) Mr. Swanson recommended that the balance of \$100,000 be maintained in the R & D account. On a monthly basis, if the balance exceeds \$100,000, to transfer the excess to the mutual fund account and purchase into PIMCO All Assets Fund . If the R&D account needed cash, then they will sell shares of the PIMCO Total Return Fund held in the mutual fund account. Motion made by Celetti to follow the above advice by Mr. Swanson regarding the R & D account , seconded by Hobbs, motion passed 4-0. The Plan Administrator was directed to draft the correspondence to Salem Trust regarding the rebalancing.

Mr. Swanson advised that he recommended that interest payments on its Note Receivable from the Lauderhill Housing Authority be wired into the Mutual Fund account (Salem Trust). The funds in this Mutual Fund are to be regularly swept into the R&D account. Mr. Swanson advised that there has been a problem tracking the deposits from the Lauderhill Housing Authority because the funds have been commingled with other deposits from the City. Mr. Swanson advised that this would eliminate the tracking problem. Mr. Swanson advised that there is a problem with the payments for 7/2010, 10/2010 and 1/2011. Trustee Hobbs advised that the interest payments deposits were all made by the Lauderhill Housing Authority Trustee Hobbs advised that he would get the transmittals for documentation regarding the transfers. Mr. Swanson advised that the interest payments on the Note Receivable were being held by the Fund as contributions rather than investment returns. Mr. Klausner advised that he will e-mail the Auditor and advise them that the deposits were being held as contributions rather than investment returns which will alter the financial statement and actuarial valuation. Trustee Hobbs made a motion to follow the recommendations by Mr. Swanson from the deposits on the Note receivable, second by Trustee Celetti, motion passed 4-0.

There was some discussion as to why the Auditor did not find out about this when they were conducting their audit.

Mr. Swanson reported that this the first quarter of 2011 presented multiple headwinds to global investors. The U.S economy's recovery from recession actually picked up a bit of steam. As private sector employment continued its recovery, the official U.S unemployment rate ended the quarter at 8.8% down from the year-end 2010 level of 9.4%. the price of crude oil jumped 16.85 to close the quarter at \$106.72 a barrel, leading some analysts to ponder the impact of higher fuel prices on the global economic activity.

Mr. Swanson advised that the total plan return for the quarter was 4.5% and the Fiscal Year to date was 10.3%. The one year return for the Fund was 13.5%.. The Fund had a total ending value for the quarter of \$28,761.00. Mr. Swanson advised that the current allocation of the fund was as follows: Fixed income 28.3%, Cash 3.8%, Absolute Return 9.1%, domestic equity 42.7 % and International equity was at 16.1 %.

Mr. Swanson advised that manager allocation and cash follow is as follows: PIMCO Inv Grade Bond has 11.2 % of the fund (\$3,223,684), Note Receivable has 3.5% (\$1,000,000), R&D Account has .07% (\$191,891), ICC Capital has 45.9% (\$13,204,499), Euro Pacific has 8,8%

(\$2,521,427), Nuveen TW Global All Cap has 7.3% (\$2,096,632), PIMCO All Asset has 9.1% (\$2,620,066), and PIMCO Total Return has 13.6% (\$3,902,552).

Mr. Swanson advised that the review of the equity portfolio was ICC Capital returned 7.1 % investment return outperforming the bench mark (Russell 1000) which was at 6.2% of return. Euro Pacific Growth returned 3.8% and beating the bench mark (MSCI EAFE) that was at 3.4%. The Nuveen TW Global All Cap returned 4.6% beating the bench mark (MSCI EAFE) which returned 3.4%. The PIMCO All Asset Fund returned was 3.5% beating the bench mark (Barclays Aggregate) which was at 0.4%. The Fixed Income of PIMCO Total Return Fund was at 1.1% compared to the bench mark (Barclays Aggregate) at 0.4%. The PIMCO Investment Grade Bond returned was 2.2% also beating the bench mark (Barclays Aggregate) that was at 0.4%. The Note Receivable from the Lauderhill Housing Authority is a ten year note maturing on July 1, 2020 which pays interest at 7% quarterly which is a \$17,000 amount each quarter.

Mr. Swanson advised that he recommended that all new money be transferred to the PIMCO All Asset Fund. Trustee Hobbs made a motion for Mr. Swanson's recommendation for new money to be deposited into the PIMCO All Asset Fund, seconded by Trustee Celetti, passed 4-0. Attorney Klausner asked if Jeff recommended any changes to the investment policy. Jeff advised that he did not recommend any changes currently.

Mr. Swanson advised that all six managers are beating the bench marks and it was an overall good quarter.

Presentation of Actuarial Valuation Results- DuLaney & Company

Mr. Don Dulaney presented the Valuation results for the Plan Year ending September 30; 2011. The purpose of this report is to indicate appropriate contributions levels and to satisfy State requirements.

Mr. Dulaney advised that the amount to be funded by the City and State contributions is \$2,306,698 or 25.2% of covered payroll, if the payment is made in full by September 30, 2011. Mr. Dulaney advised that they assumed that the State contribution (Chapter 185) would be \$332,466 (3.6%) of covered payroll. This is a slight decrease of State contribution from the previous year (previous year was \$350,408). The City can reduce their cost with this money up to the adjusted base amount of \$504,799. If money is less than expected from the State, then the City must make up the short fall.

The covered payroll increased by approximately 4.5%, while the number of active participants decreased by 1% (114 members to 113 members). The unfunded actuarial accrued liability increased by \$800,640 primarily due to the actuarial loss of \$887,495 for the plan year. The City minimum funding requirement increased from \$1,969,869 to \$1,974,232, but decreased as a percentage of covered payroll from 22.5% to 21.6%.

The actuarial value of the assets return was 4.2% for the plan year ended September 30, 2010, which was below the assumption of 8.0%. The market value rate of return was 9.5%. Employee turnover was 89% higher than the expected turnover during the last plan year. Average salary increase (0.5%), as compared to the assumption of 7.0%. The actuarial value of assets return was the main source of the actuarial loss while salary and turnover experience were sources of offsetting actuarial gains during the plan year.

There were 104 Tier One members and 9 Tier Two members. The average pay in 2009 was \$76,800 versus \$81,000 in 2010. The average age was 36.5 in 2009 to 36.9 in 2010. The average years of service in 2009 was 7.5 and in 2010 it was 8.1. The amount of Covered Payroll in 2009 was \$8,751,000 and in 2010 it was \$9,149,000. The Actuarial Value of Vested Benefits in 2009 was \$21,085,000 and in 2010 it was \$25,864,000. The Vested benefit Security Ratio was 96.4% in 2009 and in 2010 it is 98.2% in 2010. Mr. Dulaney advised that it is one of the most vested plans that he does work for and is one of the better vested plans in the State of Florida. Mr. Jeff Swanson also agreed with Mr. Dulaney's comment.

Mr. Dulaney advised that because of the miss classifying of the interest payments from the Note Receivable, the report will change slightly. Mr. Klausner advised that the Board can approve the Actuarial Valuation Report with the adoption of a summary with the changes with the investment earnings of the Note Receivable. Motion by Hobbs to accept the Actuarial Valuation Report and approval for the Chairman and Secretary to sign the report, Second by Celetti, Motion passed 4-0. Mr. Dulaney advised that he will also speak to the Auditor and see if they can get a fast resolution to this issue.

Trustee Hobbs was excused from the meeting and left at 4:19 P.M.

ATTORNEY'S REPORT

Attorney Klausner advised that there are several bills that are close to being completed and voted on regarding FRS and Municipalities Police/Fire/general employee plans. His officer will report when more information is gathered and the bills are passed.

PLAN ADMINISTRATOR

Bob Dorn advised that the transition is moving along and that all of the known employee files were obtained from Benefits USA last week. We are in the process of reviewing each file and all of the current forms used by the Board.

Two new police officers had their medical physicals taken and have been hired by the Lauderhill Police Department. These officers are Roby Brand and Michael Troup. The application for membership package was reviewed by the trustees. Motion by Celetti to accept the two new members and was seconded by Trustee Harris, Motion passed 3-0.

Mr. Dulaney computed the monthly income for member Tundra King with the Ten Year Certain Life thereafter benefit. The amount is \$7,447.97. Tundra King entered the DROP on January 1, 2011 which was approved by the Board. The Board now has been given the exact amount for the benefit. Trustee Harris made a motion to accept the monthly amount for Tundra King, Second by Celetti, Motion passed 3-0.

Bob Dorn advised that Benefits USA delivered medical records. It is believed that members of the plan have three locations where medical records are kept, City, Plan Administrator and US Health Works. Suggestion was made by Attorney Klausner that all medical records should be held by US health Works and if they charge a fee then it is a reasonable expense for the Board. Chairman Hennessy requested that the plan Administrator look into this matter.

CONSENT AGENDA:**For Approval:****WARRANT # 153**

Benefits USA, Inc. (April 2011 monthly administration fee)	\$ 1,500.00
Goldstein Schechter Koch (Progress Bill re: 9/30/10, Inv #79186)	\$ 1,000.00
DuLaney & Company (Services rendered during March 2011, Inv.dtd. 4/1/11)	\$ 3,460.00
Southeastern Advisory (1 st Qtr. 2011 consulting fees Inv. #1101 dtd. 4/1/11)	\$ 6,667.00
TOTAL	<u>\$12,627.00</u>

WARRANT # 154

Fiduciary Trust Co.Intl (1 st Qtr 2011 custodian fees ICC Capital-GP451030500)	\$ 1,931.16
Fiduciary Trust Co.Intl (1 st Qtr 2011 custodian fees PIMCO Funds GP451030510)	\$ 2,247.05
Fiduciary Trust Co.Intl (1 st Qtr 2011 custodian fees R&D –GP451030520)	\$ 28.06
Goldstein Schechter Koch (Final Bill completion of 9/30/10 audit, Inv#80763)	\$ 1,500.00
ICC Capital Mgmt. (1 st Qtr 2011 Investment mgmt. Fees, Inv# 57531191)	\$16,504.79
TOTAL	<u>\$ 21, 2111.06</u>

WARRANT 155

Cristian Moraga- return of contributions	\$ 36,455.49
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WARRANT 156

Precision Pension Administration (note- approved to be effective June 1, 2011 and payable each month via direct deposit for \$3,000 going forward, payment for pro-rata for the month of April 2011 and for the month of May 2011 in the sum of \$4,500)	\$4,500.00
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WARRANT 157

Klausner & Kaufman – legal services for the Board through March 31, 2011 Invoice #12949, matter 950035	\$ 4,177.25
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WARRANT 158

Anthony R. Siragusa Sr. – retirement request monthly payment	\$ 2,035.65
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WARRANT 159

VALIC FBO: Angela Rodgers—rollover – return of Pension Contribution	\$38,004.34
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Motion was made by Trustee Harris to approve Warrants 153 to 159 to be paid via the custodian bank, second by Trustee Celetti, motion passed 3-0. Note Chairman Hennessy and Trustee Celetti signed all of the warrants and necessary forms for the bank to make the distributions.

Motion was made by Celetti to move all other items on the agenda to next month's meeting, Second by Trustee Harris, motion passed 3-0

ADJOURNMENT:

Trustee Celetti moved to adjourn the meeting. Trustee Harris seconded the motion and motion passed 4-0. The meeting adjourned at 4:40 P.M.