City of Lauderhill Police Officers' Retirement Plan
Minutes
January 09, 2013
9:00 A.M.

Roll Call:
Mr. David Hennessy called the meeting of the City of Lauderhill Police Officers' Retirement Plan to order at 9:12 a.m. at the City of Lauderhill Police Department.

Members Present:
David Hennessy - Chairman, Michael Lucas – Secretary, Floyd Harris – Trustee, Gary Celetti – Trustee (arrived at 9:36 a.m.) & Kennie Hobbs – Trustee (arrived at 9:18 a.m.).

Absent & Excused:
None

Others Present:
Stu Kaufman – Board Attorney; Dave Williams & Patty Ostrander – Precision Pension Administration; Clement Johns – Goldstein Schechter Koch (left at 9:55 a.m.) Jeff Swanson – Performance Monitor, Southeastern Advisory (arrived at 9:30 a.m.) & Don Dulaney – Dulaney & Co. (arrived at 12:15 p.m.).

Consent Agenda: Warrant Ratification / Approval:

Approval of Minutes:
The Board of Trustees reviewed the minutes for the December 05, 2012 meeting. Mr. Hennessy asked if there were any changes required to the minutes. Mr. Harris made a motion to approve the minutes. Mr. Lucas seconded the motion. The motion passed 3-0. Mr. Hobbs & Mr. Celetti were not present during this vote.

Warrant 272
Payment of $5,000.00 to Goldstein Schechter Koch for Progress billing related to September 30, 2012 audit work. Motion by Mr. Harris to approve as outlined, seconded by Mr. Lucas. Motion passed 3-0. Mr. Hobbs & Mr. Celetti were not present during this vote.

Warrant 273
Payment of $7,243.64 per month to newly retired member Tundra King. Mr. Williams advised that this benefit was previously approved by the Board, and this was a DROP transfer to Retirement. Motion by Mr. Harris to approve as outlined, seconded by Mr. Lucas. Motion passed 4-0. Mr. Celetti was not present during this vote.

Warrant 274
A one-time payment of $75,000.00 to Tundra King – DROP Plan direct distribution request. Mr. Williams indicated the DROP account balance was obtained by Dulaney & Co. Motion by Mr. Hobbs to approve as outlined, seconded by Mr. Lucas. Motion passed 4-0. Mr. Celetti was not present during this vote.

Warrant 275
DROP Plan Rollover in the amount of $113,268.25 to Tundra King. Mr. Williams indicated the DROP account balance was obtained by Dulaney & Co. Motion by Mr. Harris as outlined, seconded by Mr. Hobbs. Motion passed 4-0. Mr. Celetti was not present during this vote.

Warrant 276
Payment of $3,335.25 to Klausner, Kaufman, Jensen & Levinson for legal services rendered through December 27, 2012. Motion by Mr. Harris to approve as outlined, seconded by Mr. Hobbs. Motion passed 4-0. Mr. Celetti was not present during this vote.

Warrant 277
Payment of $8,613.00 to Southeastern Advisory Services, Inc through December 31, 2012 for Performance Measurement & Related Investment Consulting Services. Motion made by Mr. Harris to approve as outlined, seconded by Mr. Lucas. Motion passed 5-0

Mr. Hennessy and Mr. Lucas executed all of the aforementioned warrants.

Financial Statements Presentation Fiscal Year ending September 30, 2012:
Mr. Clement Johns of Goldstein Schechter Koch (GSK) began his discussion and analysis of the City of Lauderhill Police Officers' Retirement Plan (the "Plan") financial performance, and provided an overview of the Fund's financial activities for the fiscal year ended September 30, 2012. The report was prefaced by Mr. Johns as still pending final employee contributions and buybacks from the City of Lauderhill.

Mr. Johns stated that GSK conducted their audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that GSK plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement(s). Mr. Johns outlined that an audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. Mr. Johns also stated the audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. Mr. Johns advised that he believes that the GSK audit provides a reasonable basis for his opinion.

Mr. Johns was of the opinion that the financial statements presented fairly, in all material respects, the plan net assets of the City of Lauderhill Police Officers' Retirement Plan as of September 30, 2012 and 2011, and the changes in its plan net assets for the years then ended in conformity with accounting principles generally accepted in the United States of America.

The following financial highlights were reviewed:

- Plan assets exceeded liabilities at the close of the fiscal years ended September 30, 2012 and 2011 by $34,026,905 and $26,083,202, respectively, (reported as net assets held in trust for pension benefits). The increase of $7,943,703 and $1,503,822, of the respective years has resulted primarily from changes in the fair value of the Plan's investments due to volatile financial markets.

- The Plan's funded ratio, a comparison of actuarial value of assets to actuarial accrued liability, changed from 75.4% as of the October 1, 2009 valuation to 76.5% as of the October 1, 2010 valuation and 70.8% as of the October 1, 2011 valuation.

- Receivables at September 30, 2012 were greater than receivables at September 30, 2011 by $83,681 (or 73.2%) due primarily to an increase in member contributions receivable and receivable for securities sold.

Receivables at September 30, 2011 were greater than receivables at September 30, 2010 by $59,149 (or 107.1%) due primarily to an increase in member contributions and city contributions receivable.

- Liabilities at September 30, 2012 were greater than liabilities at September 30, 2011 by $294,144 (or 125.7%) due primarily to an increase in deferred retirement option plan payable.

  Liabilities at September 30, 2011 were greater than liabilities at September 30, 2010 by $171,871 (or 276.5%) due primarily to an increase in deferred retirement option plan payable.

- For the fiscal year ended September 30, 2012, City contributions to the Plan increased by $299,192 (or 14.6%) based on the actuarial valuation. Actual City contributions were $2,346,518 and $2,047,326 for 2012 and 2011, respectively.

  For the fiscal year ended September 30, 2011, City contributions to the Plan increased by $59,514 (or 3.0%) based on the actuarial valuation. Actual City contributions were $2,047,326 and $1,987,812 for 2011 and 2010, respectively.

- For the fiscal year ended September 30, 2012, net investment income (loss) was $4,735,524 compared to ($1,158,704) for fiscal year ended September 30, 2011. Actual results were $3,858,750 and ($2,425,020) of net appreciation (depreciation) in fair value of investments for 2012 and 2011, respectively, and $1,011,341 and $1,379,187 of income from interest and dividends for 2012 and 2011, respectively. Deferred retirement option plan participants' earnings were $24,147 and $3,739 for 2012 and 2011, respectively. Investment expenses increased by $1,288 (or 1.2%).

  For the fiscal year ended September 30, 2011, net investment (loss) income was $(1,158,704) compared to $2,315,516 for fiscal year ended September 30, 2010. Actual results were ($2,425,020) and $1,575,294 of net (depreciation) appreciation in fair value of investments for 2011 and 2010, respectively, and $1,379,187 and $826,963 of income from interest and dividends for 2011 and 2010, respectively. Deferred retirement option plan participants' earnings were $3,739 and $0 for 2011 and 2010, respectively. Investment expenses increased by $22,391 (or 25.8%).

- For the fiscal year ended September 30, 2012, benefit payments and refunds of contributions increased by $326,426 (or 45.8%).

  For the fiscal year ended September 30, 2011, benefit payments and refunds of contributions increased by $290,229 (or 68.8%).

- For the fiscal year ended September 30, 2012, administrative expenses increased $21,746 (or 20.0%) from 2011 due primarily to an increase in fees for professional services.

  For the fiscal year ended September 30, 2011, administrative expenses decreased $550 (or 0.5%) from 2010 due primarily to a decrease in fees for professional services.

Statements of Plan Net Assets were reviewed as follows:

The table below reflects condensed comparative statements of plan net assets as of September 30:

	2012	2011	2010
Cash and cash equivalents	**$ 1,063,129**	$ 829,624	$ 803,055
Receivables	**198,057**	114,376	55,227
Investments	**33,293,896**	25,373,235	23,783,260
Total assets	**34,555,082**	26,317,235	24,641,542
Liabilities	**528,177**	234,033	62,162
Net assets held in trust for pension benefits	**$34,026,905**	$26,083,202	$24,579,380

Statements of Changes in Plan Net Assets

The table below reflects condensed comparative statements of the changes in plan net assets and reflect the activities of the Plan for the fiscal years ended September 30:

	2012	2011	2010
Additions:			
Contributions			
City	**$ 2,346,518**	$ 2,047,326	$ 1,987,812
Members	**1,727,565**	1,151,187	1,216,237
State	**303,327**	285,072	332,466
Total	**4,377,410**	3,483,585	3,536,515
Net investment income (loss)	**4,735,524**	(1,158,704)	2,315,516
Total additions	**9,112,934**	2,324,881	5,852,031
Deductions:			
Pension benefits paid	**856,954**	563,461	337,823
Refund of contributions	**181,798**	148,865	84,274
Administrative expenses	**130,479**	108,733	109,283
Total deductions	**1,169,231**	821,059	531,380
Net increase	**7,943,703**	1,503,822	5,320,651
Net assets held in trust for pension benefits at beginning of year	**26,083,202**	24,579,380	19,258,729
Net assets held in trust for pension benefits at end of year	**$34,026,905**	$26,083,202	$24,579,380

The Plan's investment activity, measured as of the end of any month, quarter or year, is a function of the underlying marketplace for the period measured and the investment policy's asset allocation. Actual returns increased from those of fiscal years 2011 and 2010.

The benefit payments are a function of changing payments to retirees, their beneficiary (if the retiree is deceased) and new retirements during the period.

Asset Allocation

At the end of the fiscal year ended September 30, 2012, the domestic equity portion comprised 53.4% ($18,333,496) of the total portfolio. The allocation to fixed income securities was 27.7% ($9,533,701) while cash and cash equivalents comprised 3.1% ($1,063,129). The portion of investments allocated to international equity and note receivable was $4,426,699 and $1,000,000 or 12.9% and 2.9%, respectively of the total portfolio.

At the end of the fiscal year ended September 30, 2011, the domestic equity portion comprised 50.4% ($13,209,205) of the total portfolio. The allocation to fixed income securities was 27.4% ($7,176,468) while cash and cash equivalents comprised 3.2% ($829,623). The portion of investments allocated to international equity and note receivable was $3,987,562 and $1,000,000 or 15.2% and 3.8%, respectively of the total portfolio.

The target asset allocation as of September 30, 2012 and 2011 was as follows:

Domestic equity securities	45%
Fixed income securities	30%
Foreign equity securities	15%
Absolute return	10%

Actual Contributions

The actual City and State contributions amounted to $2,649,845 and $2,332,398, for the years ended September 30, 2012 and 2011, respectively. City and State contributions consisted of the following for the years ended September 30:

	2012	
	Amount	**Percent of Actual Covered Annual Payroll**
City contributions	**$ 2,346,518**	**%**
State contributions	**303,327**	
Total City and State	**$ 2,649,845**	**%**

	2011	
	Amount	Percent of Actual Covered Annual Payroll
City contributions	$ 2,047,326	22.12%
State contributions	285,072	3.08
Total City and State	$ 2,332,398	25.20%

Mr. Hennessy advised he received a SAS 99 Questionnaire from the Auditor that he would like the entire Board to participate & answer in a public forum.

1. What are the BOD's views about the risks of fraud?
   The Board replied that they have monthly meetings; warrant system & those measures are in place to eliminate fraud risk.

2. Does the BOD have knowledge of any fraud or suspected fraud affecting the Plan?
   No, and if suspected would be investigated immediately.
3. Does the BOD have an active role in oversight of the plan's assessment of the risks of fraud and the programs and controls established to mitigate those risks, and if so, how the committee exercises such oversight activities?
   The Board replied that they have monthly meetings; warrant system & those measures are in place to eliminate fraud risk.
4. If someone were going to overstate or understate income/expenses, how would they do it?
   The Board advised that the Performance Monitor carefully measures the investment management returns. The Plan Administrator reviews the expenses of the Plan. With these internal controls in place, in addition to the procedures cited prior, any over statement of income & expenses are mitigated. With the foregoing being said, the Board also felt that they should have read access to the Salem Trust statements for further independent review. Board members, Mr. Hennessy & Mr. Harris indicated that they would like access. Mr. Williams will contact Salem Trust accordingly.

Mr. Hobbs questioned Mr. Johns with regard to the buyback schedule. Mr. Johns was uncertain & Mr. Williams interjected that a manual hard copy is being sent to his office. However, just like the payroll data issue having to retype electronic data was not efficient, effective & calls into question its accuracy for the financial statements. Mr. Williams suggested & Mr. Johns agreed that the buyback schedule be sent electronically like the payroll data is being sent. Mr. Hobbs advised that he would follow up personally with Mr. Doug Downs & report back.

A discussion was also held with regard to the increase in Actuary expenses & the possibility of changing attendance to quarterly meetings. Mr. Williams reflected that all charges to the Plan are reported to the Board on a monthly basis & included in the Trustee packet.

Mr. Johns concluded his presentation by stating that he had no disagreements with management (Plan Administrator) during this audit process and received full cooperation.

Motion to approve the Financial Statements of September 30, 2012 pending the final insertion of member contributions and buyback contributions by Mr. Hobbs, seconded by Mr. Harris. Motion passed 5-0.

Mr. Hobbs made a motion to direct the Chairman to sign the audit representation letter once it is approved by Mr. Kaufman, seconded by Mr. Lucas. Motion passed 5-0.

Real Estate Presentations:
Mr. Swanson informed the board that there are three Real Estate companies presenting today. John Berg & Richard Wilkins from Principal; Michael Duignan & Greg Pittenger from JP Morgan and Jay Butterfield & Richelle Hayes from American. The representatives provided details about their respective firms, the firm's investment philosophy, & their investment history. Mr. Swanson recommended allocating $4 million to Real Estate. Discussion ensued and there was a consensus among the trustees to retain two firms. The Trustees felt a multiple engagement would further diversify the Plan in the Real Estate sector. Motion to retain JP Morgan for $3 million, Principal for $1 million & directing Chairman to execute all required documents upon the review & approval of Mr. Kaufman by Mr. Hobbs, seconded by Mr. Lucas. Motion passed 5-0.

Attorney's Report:
Mr. Kaufman stated that a motion was filed with the court system to extend the time to serve Mr. Maraga. Mr. Hennessy asked Mr. Kaufman to check on the amount of time spent on this case.

Mr. Kaufman indicated he received an e-mail from Ms. Trish Shoemaker, State of Florida regarding the legislation to be filed. Further details will be provided as warranted.

Actuary's Report:
Mr. Dulaney announced that Yiu Lai resigned effective immediately. Mr. Dulaney retained the professional services of Ms. Faye Albert. Mr. Dulaney indicated at this juncture that her tenure was temporary in nature.

Mr. Dulaney indicated he is still having conversations with the State Actuary with regard to the last actuarial valuation. Once a consensus is reached he will report to the Board.

Mr. Hennessy & Mr. Hobbs asked about the increase in unfunded liability on the Financial Statements (pg. 20). Mr. Dulaney said it is due to the amendment change /benefit multiplier change between October 2010 & September 2011. Mr. Hobbs asked Mr. Dulaney to provide him a copy of the Impact Statement. Mr. Dulaney acknowledged and said he would send to Mr. Hobbs.

Plan Administrator's Report:
No formal report.

Open Discussion:
Mr. Hennessy posed a question regarding a former Tier 1 vested member possibly being re-hired. Mr. Hennessy asked if the member would be treated as a Tier 1 or Tier 2 member. Mr. Kaufman stated the ordinance was silent on the question. Mr. Hobbs said the City would treat the former member as a new employee. Mr. Kaufman believes it is a labor related issue. Mr. Lucas will bring the issue to the attention of the union. Mr. Hobbs will review the matter with City Administration. No further action taken at this juncture. A report will be forthcoming from Mr. Lucas & Mr. Hobbs.

Mr. Celetti was approached by two members who had pension questions (Joe Clark & Davlin Session). At the suggestion of Mr. Williams, Mr. Celetti will have the members contact the Office of Retirement for assistance.

Adjournment:
Being there was no other business; the meeting was adjourned at 12:45 p.m.

Approved: [signature]
Chairman Hennessy

Date: 03-11-13