

City of Lauderhill Police Officers' Retirement Plan
Minutes
February 04, 2015
2:00 PM

Call to Order / Roll Call:

Mr. David Hennessy called the meeting of the City of Lauderhill Police Officers' Retirement Plan to order at 2:06 PM at Lauderhill City Hall, 5581 West Oakland Park Blvd in Lauderhill, Florida.

Members Present:

David Hennessy - Chairman, Floyd Harris - Secretary, Gary Celetti (left at 4:05 PM) & Kennie Hobbs - Trustees.

Absent:

Sam Smith

Others Present:

Paul Daragjati - Board Attorney; Dave Williams - Plan Administrator & Patty Ostrander - Administrative Assistant, Don Dulaney - Board Actuary, Steve Stack - ICC Investment Manager & Clement Johns - Board Auditor (left at 3:15 PM)

Public Discussion:

No Comments Provided

Approval of Minutes:

The Board of Trustees reviewed the minutes for the January 07, 2015 meeting. Mr. Hobbs made a motion to approve the minutes, seconded by Mr. Celetti. The motion passed 4-0.

Consent Agenda: Warrant Ratification / Approval:

Warrant 427

Payment of \$450.00 to FPPTA Registration fee for Kennie Hobbs to attend the February Conference. Motion by Mr. Harris to approve as outlined, seconded by Mr. Celetti. Motion passed 4-0.

Warrant 428

Payment of \$8,293.44 to ICC Capital Management, Inc for Quarterly Management Fees for the Fourth Quarter of 2014. Motion by Mr. Harris to approve as outlined, seconded by Mr. Celetti. Motion passed 4-0.

Warrant 429

Payment of \$7,867.42 to New Amsterdam for Quarterly Management Fees for the First Quarter of 2015. Motion by Mr. Hobbs to approve as outlined, seconded by Mr. Celetti. Motion passed 4-0.

Warrant 430

Payment of \$756.70 to Kennie Hobbs for reimbursement for the FPPTA Conference. Motion by Mr. Celetti to approve as outlined, seconded by Mr. Harris. Motion passed 4-0.

Warrant 431

Payment of \$5,700.98 to Salem Trust for Custodial fees from 10-01-14 to 12-31-14. Motion by Mr. Celetti to approve as outlined, seconded by Mr. Hobbs. Motion passed 4-0.

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Warrant 432

Payment of \$3.38 to Sun Credit Union – Sam Smith (Travel and education). Motion by Mr. Harris to approve as outlined, seconded by Mr. Celetti. Motion passed 4-0.

Warrant 433

Payment of \$5,000.00 to Goldstein Schechter Koch for Progress billing in connection with the Audit Services for year ended 09-30-14. Motion by Mr. Celetti to approve as outlined, seconded by Mr. Harris. Motion passed 4-0.

Warrant 434

Payment of \$1,000.00 to Goldstein Schechter Koch for Progress billing in connection with the Audit Services for year ended 09-30-14. Motion by Mr. Harris to approve as outlined, seconded by Mr. Celetti. Motion passed 4-0.

Warrant 435

Payment of \$2,567.75 to Klausner, Kaufman, Jensen & Levinson for Attorney services for the month of January 2015. Motion by Mr. Harris to approve as outlined, seconded by Mr. Celetti. Motion passed 4-0.

Warrant 436

Payment of \$3,900.00 to Dulaney & Company for Actuarial services for the month of December 2014. Motion by Mr. Celetti to approve as outlined, seconded by Mr. Harris. Motion passed 4-0.

Warrant 437

Payment of \$7,572.82 (as per Board Actuary), effective March 01, 2015 to Lisa O'Brien for Normal Retirement (final calculation). Motion by Mr. Hobbs to approve as outlined, seconded by Mr. Celetti. Motion passed 4-0.

Warrant 438

Payment of \$728.00 (as per Board Actuary), one time retroactive payment due for the months of November 2014 – February 2015 to Lisa O'Brien. Motion by Mr. Celetti to approve as outlined, seconded by Mr. Harris. Motion passed 4-0.

Warrant 439

Payment of \$2,510.34 (as per Board Actuary), effective March 01, 2015 to Michael Gordon for Normal Retirement (estimated calculation). Motion by Mr. Hobbs to approve as outlined, seconded by Mr. Harris. Motion passed 4-0.

Financial Statements Presentation Fiscal Year ending September 30, 2014:

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, 2014.

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.

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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 Lauderdale Police Officers' Retirement Plan as of September 30, 2014 and 2013 (restated), 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, 2014 and 2013 by \$48,801,039 and \$42,321,186, respectively, (reported as net position held in trust for pension benefits). Net position is held in trust to meet future benefit payments. The increase of \$6,479,853 and \$7,800,776, of the respective years has resulted primarily from changes in the fair value of the Plan's investments due to volatile financial markets.

- Receivables at September 30, 2014 were less than receivables at September 30, 2013 by \$289,380 (or 92.3%) due primarily to a decrease in receivable for securities sold.

Receivables at September 30, 2013 were greater than receivables at September 30, 2012 by \$115,424 (or 58.3%) due primarily to an increase in receivable for securities sold.

- Liabilities at September 30, 2014 were less than liabilities at September 30, 2013 by \$413,716 (or 37.5%) due primarily to a decrease in payable for securities purchased.

Liabilities at September 30, 2013 were greater than liabilities at September 30, 2012 by \$443,809 (or 1280.0%) due primarily to an increase in payable for securities purchased.

- For the fiscal year ended September 30, 2014, City contributions to the Plan increased by \$56,466 (or 2.3%) based on the actuarial valuation. Actual City contributions were \$2,515,627 and \$2,459,161 for 2014 and 2013, respectively.

For the fiscal year ended September 30, 2013, City contributions to the Plan increased by \$112,643 (or 4.8%) based on the actuarial valuation. Actual City contributions were \$2,459,161 and \$2,346,518 for 2013 and 2012, respectively.

- For the fiscal year ended September 30, 2014, member contributions including buybacks increased by \$20,930 (or 2.0%). Actual member contributions were \$1,032,977 and \$995,578 for 2014 and 2013, respectively, and buybacks were \$38,380 and \$54,849 for 2014 and 2013, respectively. Member contributions have fluctuated from year to year, based on the number of active members, salary and buybacks.

For the fiscal year ended September 30, 2013, member contributions including buybacks decreased by \$677,138 (or 39.2%). Actual member contributions were \$995,578 and \$1,100,462 for 2013 and 2012, respectively, and buybacks were \$54,849 and \$627,103

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for 2013 and 2012, respectively. Member contributions have fluctuated from year to year, based on the number of active members, salary and buybacks.

- For the fiscal year ended September 30, 2014, net investment income was \$3,886,946 compared to \$5,486,210 for fiscal year ended September 30, 2013. Actual results were \$2,732,142 and \$4,165,726 of net appreciation in fair value of investments for 2014 and 2013, respectively, and \$1,291,120 and \$1,421,871 of income from interest and dividends for 2014 and 2013, respectively. Investment expenses increased by \$12,523 (or 10.1%).

For the fiscal year ended September 30, 2013, net investment income was \$5,486,210 compared to \$4,759,671 for fiscal year ended September 30, 2012. Actual results were \$4,165,726 and \$3,858,750 of net appreciation in fair value of investments for 2013 and 2012, respectively, and \$1,421,871 and 1,011,341 of income from interest and dividends for 2013 and 2012, respectively. Investment expenses increased by \$13,373 (or 12.1%).

- For the fiscal year ended September 30, 2014, benefit payments and refunds of contributions decreased by \$167,272 (12.0%).

For the fiscal year ended September 30, 2013, benefit payments and refunds of contributions decreased by \$675,283 (94.4%).

- For the fiscal year ended September 30, 2014, administrative expenses increased \$12,559 (or 10.9%) from 2013 due primarily to an increase in fees for professional services.

For the fiscal year ended September 30, 2013, administrative expenses decreased \$15,503 (or 11.9%) from 2012 due primarily to a decrease in fees for professional services.

The following Plan highlights were reviewed:

For the year ending September 30, 2014, the total return of the portfolio was 9.4%. Actual net returns from investments were net investment income of \$3,886,946 in 2014 compared with net investment income of \$5,486,210 in 2013.

For the year ending September 30, 2013, the total return of the portfolio was 16.3%. Actual net returns from investments were net investment income of \$5,486,210 in 2013 compared with net investment income of \$4,759,671 in 2012

Statements of Plan Net Position:

The table below reflects condensed comparative statements of fiduciary net position as of September 30:

	2014	2013 (Restated)	2012 (Restated)
Cash and cash equivalents	\$ 876,663	\$ 1,477,806	\$ 1,063,129
Receivables	24,101	313,481	198,057
Other assets	29,751	-	-

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<u>Investments</u>	<u>47,935,289</u>	<u>41,008,380</u>	<u>33,293,896</u>
Total assets	48,865,804	42,799,667	34,555,082
<u>Liabilities</u>	<u>64,765</u>	<u>478,481</u>	<u>34,672</u>
Net position restricted for pensions	\$48,801,039	\$ 42,321,186	\$ 34,520,410

Condensed Statements of Changes in Fiduciary Net Position

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

	2014	2013 (Restated)	2012 (Restated)
Additions:			
Contributions			
City	\$ 2,515,627	\$ 2,459,161	\$ 2,346,518
Members	1,071,357	1,050,427	1,727,565
State	356,564	310,332	303,327
Total	3,943,548	3,819,920	4,377,410
Net investment income	3,886,946	5,486,210	4,759,671
Total additions	7,830,494	9,306,130	9,137,081
Deductions:			
Pension benefits paid	1,149,998	1,388,265	533,297
Refund of contributions	73,108	2,113	181,798
Administrative expenses	127,535	114,976	130,479
Total deductions	1,350,641	1,505,354	845,574
Net increase	6,479,853	7,800,776	8,291,507
Net position restricted for pensions at beginning of year, restated	42,321,186	34,520,410	26,228,903
Net position restricted for pensions at end of year	\$48,801,039	\$ 42,321,186	\$ 34,520,410

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. 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, 2014, the domestic equity portion comprised 55.3% (\$27,007,022) of the total portfolio. The allocation to fixed income securities was 16.5% (\$8,066,067) while cash and cash equivalents comprised 1.8% (\$876,663). The portion of investments allocated to international equity, note receivable and real estate was \$7,544,427, \$1,000,000 and \$4,317,773 or 15.5%, 2.0%, and 8.9%, respectively of the total portfolio.

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At the end of the fiscal year ended September 30, 2013, the domestic equity portion comprised 57.0% (\$24,213,544) of the total portfolio. The allocation to fixed income securities was 21.0% (\$8,931,674) while cash and cash equivalents comprised 3.5% (\$1,477,806). The portion of investments allocated to international equity, note receivable and real estate was \$5,775,522, \$1,000,000 and \$1,087,640 or 13.6%, 2.4%, and 2.5%, respectively of the total portfolio.

The target asset allocation as of September 30, 2014 and 2013 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 \$2,872,191 and \$2,769,493, for the years ended September 30, 2014 and 2013, respectively. The actual amount of annual covered payroll for the years ended September 30, 2014 and 2013 were approximately \$10,329,000 and \$9,956,000, respectively. City and State contributions consisted of the following for the years ended September 30:

2014		
	Amount	Percent of Actual Covered Annual Payroll
City contributions	\$ 2,515,627	24.35%
State contributions	356,564	3.45
Total City and State	\$ 2,872,191	27.80%
2013		
	Amount	Percent of Actual Covered Annual Payroll
City contributions	\$ 2,459,161	24.70%
State contributions	310,332	3.12
Total City and State	\$ 2,769,493	27.82%

For the fiscal years ended September 30, 2014 and 2013, member contributions were \$1,032,977 and \$995,578, respectively and buybacks were \$38,380 and \$54,849, respectively.

The new GASB67 requirements were also presented by Mr. Johns.

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 Draft Financial Statements of September 30, 2014 by Mr. Harris, seconded by Mr. Celetti. Motion passed 4-0.

Note: Subsequently to the meeting, the Plan Administrator learned of an issue with the custodian's independent audit report. As such, Mr. Johns will report further developments at the March 4, 2015 meeting.

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Attorney's Report:

Mr. Daragjati updated the Board on a case that Mr. Klausner argued in the State Supreme Court regarding Public Records.

Actuary's Report:

Mr. Dulaney presented an AFC breakdown for a member. Mr. Dulaney asked for direction in calculating the benefit. Mr. Hennessy deferred to Mr. Daragjati for his interpretation. Mr. Daragjati feels that there is no tie to one method over the other, he stated which ever method will give the higher AFC and present that to the member with leave time added to it. Motion to direct the Actuary to calculate the AFC based upon two methods previously used and approved by the Board to include snapshot by Mr. Harris, seconded by Mr. Celetti. Motion passed 4-0.

Mr. Hennessy asked Mr. Daragjati to follow up with the proper authority regarding a date in Ordinance 140-09-152. Mr. Daragjati will review the matter and act accordingly.

Mr. Hennessy had a conversation with Mr. Swanson relative to the long term expected rate of return. Mr. Hennessy asked Mr. Dulaney to do a cost study on investment assumption changes and be prepared to present it at the March meeting.

Mr. Dulaney confirmed that he will have the annual statements by the end of February.

Mr. Dulaney presented the Board with a new three year contract proposal. The proposal reflected a 2.7% increase for the Actuarial Valuation. All other rates for services would not be increased. Motion to accept the proposal by Mr. Hobbs, seconded by Mr. Harris. Motion passed 3-0. Mr. Celetti was not present.

ICC Investment:

Mr. Stack advised the Board that Highland Capital Management, LLC bought ICC on January 21, 2015 and they specialize in private wealth business teams doubling in size on the fixed income side. The Portfolio Management team is still in place. The Orlando office will not relocate. The majority of the operations will be going out of the Memphis office. The name will change to Highland Capital Management, LLC.

Motion for the Chairman to execute the Assumption Agreement which was reviewed and approved by the Board Attorney by Mr. Harris, seconded by Mr. Celetti. Motion passed 4-0.

Mr. Stack indicated that as of December 31, 2014, the portfolio had a market value of \$6,634,753. The allocation at the end of the quarter based on each asset class is as follows: 3.5% in cash, 30.8% in growth equity, 65.7% in value equity.

Investment performance for the quarter cited above by asset category is as follows: Value 6.63% vs. the benchmark of 4.88%, growth 5.73% vs. 4.88% for the benchmark. This equates to a quarterly return of 6.35% vs. 4.88%. These numbers are gross basis.

Investment performance for the last year through December 31, 2014 by asset category is as follows: Value 12.66% vs. the benchmark of 13.24%, growth 9.06% vs. 13.24% for the benchmark. This equates to a quarterly return of 11.52% vs. 13.24%. These numbers are gross basis.

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The investment performance on a three year basis by asset category is as follows: Value 20.36% vs. the benchmark of 20.62%, growth 19.72% vs. the benchmark of 20.62%. This equates to a total return of 19.87% vs. 20.62%. These numbers are gross basis.

Plan Administrator's Report:

No formal report was provided due to the late hour of the meeting.

New Business:

New member – Vincent Henderson – Motion to accept Mr. Vincent Henderson into the Plan based on receipt of all appropriate paperwork by Mr. Hobbs, seconded by Mr. Harris. Motion passed 3-0. (Mr. Celetti was not present). Note – All required forms were later received.

RFP – Custodian Bank – Mr. Hennessy asked the Board to table this for the March meeting.

Old Business:

Meet & Greet Date – After conferring with all participants it was determined that April 08, 2015 at 6:30 PM would be suitable. Mr. Dulaney will donate HEAT tickets for a raffle. Mr. Daragjati will donate pizza and beverages.

Open Discussion:

No formal open discussion ensued.

Adjournment:

Being there was no other business; Mr. Hennessy adjourned the meeting at 5:12 P.M.

Approved: _____

Chairman Hennessy

Date: 03-04-15