

City of Lauderhill Police Officers' Retirement Plan

Minutes

March 01, 2017

1:30 P.M.

Call to Order / Roll Call:

Mr. David Hennessy called the meeting of the City of Lauderhill Police Officers' Retirement Plan to order at 1:39 P.M. at the Lauderhill Police Department 6279 West Oakland Park Blvd in Lauderhill Florida.

Members Present:

Mr. David Hennessy - Chairman, Mr. Floyd Harris – Secretary, Mr. Brad Mitchell (left at 2:50 P.M.), Mr. Kennie Hobbs & Mr. Sam Smith – Trustees.

Absent:

None

Others present:

Mr. Paul Daragjati – Board Attorney; Mr. Dave Williams – Plan Administrator; Mrs. Patty Ostrander – Administrative Assistant; Mr. Jeff Swanson – Performance Monitor of Southeastern Advisory (arrived at 2:05 P.M. and left at 3:15 P.M.), Ms. Cynthia Borders-Byrd and Ms. Katleen Daher – Plan Auditors (left at 2:25 P.M.)

Public Discussion:

None

Approval of Minutes:

The Board of Trustees reviewed the minutes for the February 01, 2017 meeting. Mr. Harris made a motion to approve the minutes, seconded by Mr. Mitchell. The motion passed 5-0.

Consent Agenda: Warrant Ratification / Approval:

Warrant # 614

Payment of \$5,500.00 to C. Borders-Byrd, CPA, LLC for progress billing regarding audit work. Motion by Mr. Harris to approve as outlined, seconded by Mr. Mitchell. Motion passed 4-0.

Warrant # 615

Payment of \$2,737.75 to Klausner, Kaufman, Jensen & Levinson for legal services rendered through January 2017. Motion by Mr. Harris to approve as outlined, seconded by Mr. Mitchell. Motion passed 5-0.

Warrant # 616

Payment of \$784.74 to Sam Smith for reimbursement for hotel at FPPTA Conference. Motion by Mr. Harris to approve as outlined, pending receipt of additional back-up, seconded by Mr. Mitchell. Motion passed 5-0.

Warrant # 617

Payment of \$50.25 to Fifth Third Bank for purchase of postage stamps to be used for official mailing purposes. Motion by Mr. Smith to approve as outlined, seconded by Mr. Harris. Motion passed 5-0.

Warrant # 618

Payment of \$562.50 to Oakwater Technologies for IT Support to convert state audit documents and import into new state format on behalf of the plan auditor. Motion by Mr. Hobbs to approve as outlined, seconded by Mr. Harris. Motion passed 5-0.

ATTORNEY'S REPORT:

Mr. Daragjati explained the Security Litigation policy that is in the meeting packets to the Board. After discussion, Mr. Harris made a motion to approve and execute said document, seconded by Mr. Hobbs. Motion passed 5-0. Policy may be viewed on-line at:

<http://lauderhillpolicepension.org/docs/policies/Securities%20Litigation%20Policy%20Executed%2003-02-17.pdf#zoom=100>

ACTUARY'S REPORT:

None

Performance Monitor Report – Jeff Swanson, Southeastern Advisory

Mr. Swanson advised that the total fund was valued at \$59,974,647 as of December 31, 2016.

He indicated the total asset allocation for the portfolio as of December 31, 2016 was 44.4% in Domestic Equities, 12.4% in International Equities, 7.6% in Absolute Returns, 16.9% in Fixed Income, 16.5% in Real Estate and 2.3% in Cash. The total fund returned 3.2% for the cited quarter. That return ranked in the top 2 percentile.

Mr. Swanson reported Vanguard 500 Index returned 3.8% for the quarter vs. 3.8%, placing it in the 46th percentile. On a one year basis that portion of the portfolio returned 11.9% vs. 12.0% for the benchmark, placing it in the 29th percentile.

Highland Capital returned 6.0% for the quarter vs. 3.8% for the benchmark, placing it in the 16th percentile. On a one year basis, that portion of the portfolio returned 13.5% vs. 12.1% for the benchmark, placing it in the 18th percentile.

New Amsterdam returned 12.3% for the quarter vs. 6.1% for the benchmark, placing it in the 1st percentile. On a one year basis that portion of the portfolio returned 16.3% vs. 17.6% for the benchmark, placing it in the 68th percentile.

Euro Pacific Growth returned -4.1% for the quarter vs. -0.7% for the benchmark, placing it in the 58th percentile. On a one year basis that portion of the portfolio returned 1.0% vs. 1.0% for the benchmark, placing it in the 61st percentile.

Oakmark International returned 6.4% for the quarter vs. -0.7% for the benchmark, placing it in the 2nd percentile. On a one year basis that portion of the portfolio returned 7.9% vs. 1.0% for the benchmark, placing it in the 22nd percentile.

PLAN ADMINSTRATOR'S REPORT:

Mr. Williams updated the board on the scanning progress.

Mr. Williams reported that we received a bill from BDO regarding professional services rendered in connection with the successor auditor review in the amount of \$2,250.00. Ms. Borders-Byrd advised the Board that she was at their office for two hours. Mr. Williams asked BDO for a breakdown of this invoice.

Presentation of Financial Statements as of September 30, 2016 – Cynthia Borders-Byrd:

Ms. Borders-Byrd reported that she prepared the financial statements of the City of Lauderhill Police Officers' Retirement Plan (the "Plan"), which comprise the statement of fiduciary net

position as of September 30, 2016, and the related statement of changes in fiduciary net position for the year then ended and the related notes to the financial statements.

In Ms. Borders-Byrd's opinion, the financial statements presented fairly, in all material respects, the fiduciary net position of the City of Lauderhill Police Officers' Retirement Plan as of September 30, 2016, and the related statement of changes in its fiduciary net position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Excerpts to the reported financial statements:

Our discussion and analysis of the City of Lauderhill Police Officers' Retirement Plan (the "Plan") financial performance provides an overview of the Plan's financial activities and funding conditions for the fiscal years ended September 30, 2016 and 2015. It should be read in conjunction with the Plan's financial statements, which follow.

Financial Highlights

- Plan assets exceeded liabilities at the close of the fiscal years ended September 30, 2016 and 2015 by \$57,783,748 and \$51,228,241, respectively, (reported as net position restricted for pensions). Net position is held in trust to meet future benefit payments. The increase of \$6,555,507 and \$2,427,202, 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, 2016 were more than receivables at September 30, 2015 by \$192,303 (or 332.1%) due primarily to an increase in receivable for securities sold.
- Receivables at September 30, 2015 were more than receivables at September 30, 2014 by \$33,811 (or 140.3%) due primarily to an increase in receivable for securities sold.
- Liabilities at September 30, 2016 were more than liabilities at September 30, 2015 by \$173,681 (or 238.0%) due primarily to an increase in payable for securities purchased.
- Liabilities at September 30, 2015 were more than liabilities at September 30, 2014 by \$8,212 (or 12.7%) due primarily to an increase in payable for securities purchased.
- For the fiscal year ended September 30, 2016, City contributions to the Plan decreased by \$123,843 (or 5.0%) based on the actuarial valuation. Actual City contributions were \$2,342,742 and \$2,466,585 for 2016 and 2015, respectively.
- For the fiscal year ended September 30, 2015, City contributions to the Plan decreased by \$49,042 (or 1.9%) based on the actuarial valuation. Actual City contributions were \$2,466,585 and \$2,515,627 for 2015 and 2014, respectively.
- For the fiscal year ended September 30, 2016, member contributions including buybacks decreased by \$92,335 (or 9.1%). Actual member contributions were \$888,450 and \$961,701 for 2016 and 2015, respectively, and buybacks were \$33,756 and \$52,840 for 2016 and 2015, 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, 2015, member contributions including buybacks decreased by \$56,816 (or 5.3%). Actual member contributions were \$961,701 and \$1,032,977 for 2015 and 2014, respectively, and buybacks were \$52,840 and \$38,380 for 2015 and 2014, respectively. Member contributions have fluctuated from year to year, based on the number of active members, salary and buybacks.

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Excerpts to the reported financial statements:

Financial Highlights - Continued

- For the fiscal year ended September 30, 2016, net investment income was \$5,185,725 compared to \$366,152 for fiscal year ended September 30, 2015. Actual results were \$4,044,268 of net appreciation in fair value of investments and \$837,619 of net depreciation in fair value of investments for 2016 and 2015, respectively, and \$1,310,514 and \$1,346,694 of income from interest and dividends for 2016 and 2015, respectively. Investment expenses increased by \$26,134 (or 18.3%).
- For the fiscal year ended September 30, 2015, net investment income was \$366,152 compared to \$3,886,946 for fiscal year ended September 30, 2014. Actual results were \$837,619 of net depreciation in fair value of investments and \$2,732,142 of net appreciation in fair value of investments for 2015 and 2014, respectively, and \$1,346,694 and \$1,291,120 of income from interest and dividends for 2015 and 2014, respectively. Investment expenses increased by \$6,607 (or 4.8%).
- For the fiscal year ended September 30, 2016, benefit payments and refunds of contributions increased by \$489,486 (or 30.0%).
- For the fiscal year ended September 30, 2015, benefit payments and refunds of contributions increased by \$407,651 (or 33.3%).
- For the fiscal year ended September 30, 2016, administrative expenses increased \$1,883 (or 1.2%) from 2015 due primarily to an increase in fees for professional services.
- For the fiscal year ended September 30, 2015, administrative expenses increased \$26,954 (or 21.1%) from 2014 due primarily to an increase in fees for professional services.

Plan Highlights

- For the year ending September 30, 2016, the total return of the portfolio was 10.3%. Actual net returns from investments were net investment income of \$5,185,726 in 2016 compared with net investment income of \$366,152 in 2015.
- For the year ending September 30, 2015, the total return of the portfolio was 1.3%. Actual net returns from investments were net investment income of \$366,152 in 2015 compared with net investment income of \$3,886,946 in 2014.

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Excerpts to the reported financial statements:

Condensed Statements of Fiduciary Net Position

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

	<u>2016</u>	<u>2015</u>	<u>2014</u>
Cash and cash equivalents	\$ 1,303,869	\$ 510,738	\$ 876,663
Receivables	250,215	57,912	24,101
Other assets	-	25,000	29,751
Investments	<u>56,476,322</u>	<u>50,707,568</u>	<u>47,935,289</u>
Total assets	58,030,406	51,301,218	48,865,804
Liabilities	<u>246,658</u>	<u>72,977</u>	<u>64,785</u>
Net position restricted for pensions	<u>\$ 57,783,748</u>	<u>\$ 51,228,241</u>	<u>\$ 48,801,039</u>

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:

	<u>2016</u>	<u>2015</u>	<u>2014</u>
Additions:			
Contributions:			
City	\$ 2,342,742	\$ 2,466,585	\$ 2,515,627
Members	922,206	1,014,541	1,071,357
State	<u>381,449</u>	<u>365,170</u>	<u>356,564</u>
Total	3,646,397	3,846,296	3,943,548
Net investment income	<u>5,185,725</u>	<u>386,152</u>	<u>3,886,946</u>
Total additions	<u>8,832,122</u>	<u>4,212,448</u>	<u>7,830,494</u>
Deductions:			
Pension benefits paid	1,922,841	1,587,195	1,149,998
Refund of contributions	197,402	43,562	73,108
Administrative expenses	<u>156,372</u>	<u>154,489</u>	<u>127,535</u>
Total deductions	<u>2,276,615</u>	<u>1,785,246</u>	<u>1,350,641</u>
Net increase	6,555,507	2,427,202	6,479,853
Net position restricted for pensions at beginning of year, restated	<u>51,228,241</u>	<u>48,801,039</u>	<u>42,321,188</u>
Net position restricted for pensions at end of year	<u>\$ 57,783,748</u>	<u>\$ 51,228,241</u>	<u>\$ 48,801,039</u>

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.

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Excerpts to the reported financial statements:

**SCHEDULE OF CHANGES IN THE CITY'S NET PENSION LIABILITY (UNAUDITED)
 Last Two Fiscal Years**

	2016	2015	2014
Total pension liability:			
Service cost	\$ 2,026,701	\$ 2,263,617	\$ 2,410,501
Interest	5,185,302	4,759,669	4,396,768
Changes of benefit terms:			
Differences between expected and actual experience	541,452	(357,156)	-
Changes of assumptions	230,889	783,793	-
Benefit payments including refunds of member contributions	(1,630,757)	(1,630,757)	(1,223,106)
Net change in total pension liability	6,353,587	5,819,166	5,584,163
Total pension liability – beginning	67,153,703	61,334,537	55,750,374
Total pension liability – ending	73,507,290	67,153,703	61,334,537
Plan fiduciary net position:			
Contributions – Employer	2,724,191	2,831,755	2,872,191
Contributions – Member	922,206	1,014,541	1,071,357
Net investment income	5,185,725	366,152	3,886,946
Benefit payments, including refunds of member contributions	(2,120,243)	(1,630,757)	(1,223,106)
Administrative expenses	(156,372)	(154,489)	(127,535)
Net change in plan fiduciary net position	6,555,507	2,427,202	6,479,853
Plan fiduciary net position – beginning	51,228,241	48,801,039	42,321,166
Plan fiduciary net position – ending	\$ 57,783,748	\$ 51,228,241	\$ 48,801,039
City's net pension liability	\$ 15,723,542	\$ 15,925,462	\$ 12,533,498
Total pension liability	\$ 73,507,290	\$ 67,153,703	\$ 61,334,537
Plan fiduciary net position	(57,783,748)	(51,228,241)	(48,801,039)
City's net pension liability	\$ 15,723,542	\$ 15,925,462	\$ 12,533,498
Plan fiduciary net position as a percentage of the total pension liability	78.61%	76.29%	79.57%
Covered – actuarially computed employee payroll	\$ 8,479,879	\$ 9,712,011	\$ 9,671,315
City's net pension liability as a percentage of covered – employee payroll	185.42%	163.98%	129.56%

*Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

After the Trustees reviewed the statements and considered the oral presentation provided; Motion to approve September 30, 2016 Financial Statements as noted by Mr. Hobbs, seconded by Mr. Mitchell. Motion passed 5-0.

Mr. Hobbs was pleased the report was presented and accepted today. He indicated that the police plan was the first of the city plans to complete the financial statements. Mr. Williams advised that BDO slowed us down this year, and I expect the report even earlier next year. Further that the team assembled by the Board all work together to get the job done! Mr. Williams thanked Mr. Daragjati, Mr. Swanson, Mr. Dulaney and Mrs. Ostrander for dropping what they were doing to respond to any and all inquiries from the Auditor.

The report may be viewed in its entirety at:

<http://lauderhillpolicepension.org/modules/stateDocs/index.asp>

NEW BUSINESS:

None

OLD BUSINESS:

None

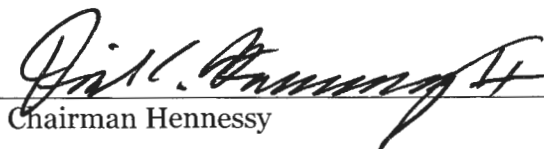
OPEN DISCUSSION:

Mr. Smith asked about the personalized statements. Mr. Williams advised the statistical exhibit that the statements are based on was reconciled by Mrs. Ostrander and Mrs. Langley February 14, 2017 and transmitted to the actuary. Mrs. Ostrander will follow up accordingly. Upon receipt the statements will be released to the membership.

ADJOURNMENT:

Being there was no other business; Mr. Harris made a motion to adjourn the meeting, seconded by Mr. Hobbs. Motion passed 4-0 (Mr. Mitchell was not present for this vote). The meeting was adjourned at 3:18 P.M.

Approved: _____


Chairman Hennessy

Date: 04-05-17