CITY OF LAUDERHILL FIREFIGHTERS RETIREMENT SYSTEM

FIRE PENSION MEETING

February 8, 2016

I. Call to order

Sean Henderson called to order the regular meeting of the CITY OF LAUDERHILL FIREFIGHTERS RETIREMENT SYSTEM at 4:30PM on February 8, 2016 at Lauderhill Fire Headquarters, 2nd Floor Training Room, 1980 NW 56 Avenue, Lauderhill, Fl. 33313.

II. Roll call

The Plan Administrator conducted a roll call. The following persons were present:

Sean Henderson, Chairman
Michael Taussig, Vice Chairman
Karen Pottinger, Secretary
Ryan Gabner, Trustee
John Leicht, Trustee
Ronald J Cohen, Rice Pugatch Robinson Storfer & Cohen, PLLC
Clement Johns & Rosa Salum, GSK Advisors
Greg McNeillie, Dahab Associates
Chad Little, Freiman Little Actuaries
Pater Hapgood, Intercontinental Real Estate Corp

III. Approval of minutes from meeting dated January 12, 2016

Motion to table minutes by John Leicht, seconded by Ryan Gabner. Passed unanimously.

IV. New business

a) Financial Report given by GSK Advisors

Clement Johns handed out a draft financial report for the trustees to follow his presentation. GSK Advisors have audited the financial statements of the City of Lauderhill Firefighters' Retirement System. In their opinion, the financial statements referred to presented fairly, in all material respects, the fiduciary net position of the Plan as of September 30, 2015 and 2014, and the related statements of changes in fiduciary net position for the years then ended in accordance with accounting principles generally accepted in the United States of America. In other words, they have rendered a clean unmodified opinion. Nothing in the financial report caused them to qualify a change in the audit. Mr. Johns went over the financial activities that went on during the fiscal year. Next, he moved to pages 8-11 of the report going over the financial positions of the plan. Page 8 & 9 are the Balance sheet of the plan. Total assets of the plan were $64,337,792. Total liabilities of the plan were $455,907. Net position held in trust for pension benefits were $63,881,885, an increase of $1,038,913 from prior year.

Rosa Salum addressed the highlights of the footnotes in the report. Unlike last year when GASB67 was implemented, which caused a major change in the notes, (some had to be removed, some had to be updated, and some added) this year was fairly consistent (with what was implemented in fiscal year 2014).

The annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was -0.66%. The money weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested. This was the trend that they have seen in auditing plans this year.

The biggest note that came on last year because of implementing GASB67 is on page 22. Note 7- Net Pension Liability of the City, which is a calculation done by the Actuary starting with the total pension liability totaling $81.9 million, subtracting the plan fiduciary net position totaling $63.9 million. This gives the City net pension liability total $18million. Details of this are in the back of the report. The net position as a percentage of total pension liability is 77.99% which is higher than the average 75% they have been seeing this year. The Required Supplementary Information is a mimic of the Actuary's information so there is little accounting or opinion in this section. The Other Supplemental Schedules is where GSK does issue a non-qualified opinion because they do perform procedures on it in relation to the audit. These are schedules of Investment expenses and Administrative expenses, which have also been used in past years.

For final discussion Ms. Salum discussed the letter that is issued after the financial statements are approved. This is a letter they are required to issue to governments and to the board of directors. The letter tells you things about the audit that you can't see from the report. The letter represents a good clean representation. They understand that the attorney likes to review the letter prior to the Chairman and Administrator signing it. The attorney reviewed and approved the letter for signatures. This concluded the auditor's report.

Motion to approve the Financial Report by Ryan Gabner, seconded by John Leicht. Motion passed unanimously.

b) **Dahab Associates Report given by Greg McNeillie**

Investment Return- on December 31, 2015 the fund was valued at $66,605, 614.

Relative Performance for the total fund-in the fourth quarter the total fund portfolio gained 4.2%, which was 0.3% above the Lauderhill Policy Index's return of 3.9% and ranked in the 5th percentile of the Public Fund universe. Over the trailing year the portfolio returned 1.6%, which was 0.4% greater than the benchmark's 1.2% performance, and ranked in the 12th percentile. Since December 2010, the portfolio returned 8.3% on an annualized basis and ranked in the 10th percentile. For comparison, the Lauderhill Policy Index returned an annualized 8.6% over the same period. The report is on file in the pension office and posted on the pension website.

Any weakness in the portfolio was addressed during the year. It was the underperformance of the Large Cap portfolio. Moving Brown and Systematic pieces to a passive fund was a significant move. Passive Index funds were in the top of the growth and value universe. So taking from the active and going more passive addressed some of the underperformance. Manning & Napier was replaced with Artisan. They have had some good quarters. The alternatives to fixed income, such as Real Estate and Agriculture, have done better than other plans in the Public Fund universe.

The Plan Administrator gave Mr. McNeillie notice that she will be needing approximately $1.2 in R&D cash account for DROP withdrawals in April and May.

c) **Actuary Report given by Chad Little**

Chad Little went over the summary of the Valuation beginning on page one of his report. Good news due to 4 year smoothing verses 5 year market basis. The assumed rate of investment return is still at 8%. In previous discussions there was the thought of going to a net return rather than a gross return. GASB67/68 says eventually the plan needs to go to net returns. If the plan changes to net returns, Mr. Little's goal is to come up with a number that provides the same contribution to the City before and after.

Note that although the average individual salary increases were 4.2% over the last five years, the average was 6.5% over the last ten years and 7.0% over the last 18 years. Overall, there was a demographic gain primarily due to salary increases less than expected and the death of two retirees. Demographic gains were offset a disability during the year. In general, should a pattern of consistent gains or losses develop, assumptions may require revision.

Asset changes were zero for the year, the investment return associated with the Actuarial Value of Assets was 10.6%. This was actually good in comparison to other plans. The mortality table continues to be the RP-2000 Combined Mortality Table. Scale AA has been applied to reflect mortality improvements to the valuation year.

Note that GASB statements and required State reporting under FS 112.664 specifically require use of a long-term expected rate of return that is net of investment expenses. The Actuary recommends the board work toward determination of a long-term rate of return that is net of investment expenses for future valuations and disclosures.

The Actuary recommends, effective October 1, 2016, any new amortization bases set up for unfunded accrued liability be amortized over no more than 25 years.

The Estimated Minimum Required City Contribution assumes that the premium tax money received from the State will be in the same amount received in the prior year. Should the amount received in the fiscal year ending September 30, 2016 be less than $167,361, the City will need to contribute any potential shortfall to the Plan.

Motion to approve the Valuation by John Leicht, seconded by Ryan Gabner. Motion passed unanimously.

John Leicht asked how a survivor benefit with a pop-up is calculated when a beneficiary passes before the retiree. Mr. Little explained that a pop-up benefit is relative to where the benefit is at the time. It pops up to what the life benefit would have been plus COLAs.

After the Audit and Valuation have been approved, the Declaration of Returns letter can be written. The board must submit to the State, the Plan Sponsor and the Actuary, a letter based on the advice of the consultant and actuary, a determination of the total expected annual rate of investment return of the fund for the next year, the next several years and the long-term thereafter. Mr. McNeillie said that rate is 8% gross of the investment expenses. He will write a letter as backup to attach to the Declaration letter prepared by the administrator and signed by the Chairman. A motion is in order to declare the 8% rate of return.

Motion to determine the rate of return for the declaration of returns letter to be 8%. Motion made by Mr. Gabner, seconded by Ms. Pottinger. Motion passed unanimously.

There was some discussion regarding DROP Policies. There may or may not be a policy explaining how fixed rate interest and interest on rate of the return of the fund is determined upon separation of service and disbursement of DROP money. If a DROP member separates from service, for example, February 15th, they must wait until the end of that quarter plus the middle of the month after the end of the quarter for the rate of return of the fund to calculate the interest. In the case of a fixed rate of return, the factors are immediately available for a calculation. There are no tier one members who have elected the rate of return of the fund at this time, however, this does need clarification going forward. Tier one members are eligible to select a rate of return of the plan if they chose to. This will affect tier two members as the only option they have is the rate of return of the fund. The Actuary understands the member's question. If they are in a fixed rate of return on their DROP account, are they able to leave their money in the fund until the end of the quarter that they separated to earn additional interest. In reference to the distribution of DROP money, section (b) of the Ordinance reads "Within thirty (30) days following the end of any calendar quarter after the termination of the participant's employment as a firefighter, for any reason, the balance credited to the participant's DROP account shall be payable at the participant's option in either of the following fashions:" This applies to the rate of return of the plan, not the fixed rate of interest. Mr. Little thinks the board should put a policy in place at some point so they don't have to question it in the future. The administrator said they also have a form in the withdrawal package that may need to be revised. The form reads "I understand that my DROP payment shall be calculated at the end of the quarter that I withdraw from, after the interest has been determined and credited to my account. Once the total payment is determined, I shall receive payment or rollover within 30 days."

(d) **Intercontinental Report given by Peter Hapgood**

Real Estate has been a very good asset class for this fund. As of December 2015, this portion of the fund was valued at $4,828,413. This was an increase of $207,556 from the prior quarter. Intercontinental US Real Estate Investment fund gained 5.9%, which was 2.6% greater than the NCREIF NFI-ODCE Index's return of 3.3%. Over the trailing 12 month period, the portfolio returned 14.8%, which was 0.2% below the benchmark's 15.0% return. Since March 2014, the account returned 14.9% on an annualized basis, while the NCREIF NFI-ODCE Index returned an annualized 14.2% over the same time frame. If interest rates go up the portfolio will do even better. Mr. Hapgood gave a summary of the report which is on file in the pension office.

V. Attorney's report given by Ronald Cohen

- The Ordinance in regard to creating a Defined Contribution Plan has passed. This means the plan has a section named "defined contribution plan" and it is not funded. If it ever is going to be funded they will have to work on the details of it. Mr. Cohen recommended adding a discussing regarding Mutual Consent to the July agenda (for discussion and notice to the Collective Bargaining Unit to remind them that Mutual Consent was extended until September 30). If they don't agree on a contract by September 30th then Mutual Consent ends. The board should see what is happening in July. If the CBU has not reached a contract agreement, the board should notify them of the consequences if an agreement is not met by September 30th. This will give them 60 days if they may need to make a new agreement regarding the Mutual Consent that will expire. Mr. Cohen will look at the actual language regarding the time frame of the Mutual Consent Agreement they are in now.

- Ninger disability Status. The Functional Capacity Test was received. This test was forwarded to the Reviewing doctor with a letter. They expect to get a report from Dr. Hyde in a couple of weeks. If the report is received in time, the next thing to do is schedule the Informal Hearing for the March 8th meeting.

- S&D Mac Services LLC contract. Mr. Cohen has a contract but has not sent it to Barbara White for review yet. He added a dispute provision. If there is any litigation over any dispute it shall be held in Broward County. He also put in a provision for a 60 day notice if S&D Mac Services LLC terminates their contract, and 30 day notice if the Plan terminates the contract. Additionally, minor changes were in the duties of the administrator. There is a blank on the contract fee until the board makes a motion on the fee. The administrator spoke about her fee at the previous meeting and reiterated that the fee went from $27 per hour to $32 per hour. The contract can be retroactive back to January 8th under the oral agreement at the previous meeting. After some discussion, Vice Chairman Michael Taussig entertained a motion.

  Motion to approve the contract at $32 per hour, seconded by Karen Pottinger. Rollcall vote: Taussig yes, Gabner yes, Leicht yes, Pottinger yes. Motion Passed

  Motion to allow the Chairman to sign the contract retroactive to January 8th, 2016, seconded by Karen Pottinger. Motion passed unanimously.

- Mr. Cohen mentioned that the name of his firm has changed. It is now Rice Pugatch Robinson Storfer & Cohen PLLC. Mr. Cohen will provide an assignment.

- Shane Vaughn came to the meeting. He stepped outside with Mr. Cohen during a break. Mr. Vaughn stated he had returned to active status with the Fire Department and provided the attorney with some documents showing when he left on deployment and when he returned to the Fire Department. Under USERRA you can receive five years of credited service when you return form military deployment. There are certain exceptions where they may be credited for more than five years. There may be an exception in this case, or, there may not be. Because Mr. Vaughn is a fighter pilot in the reserves at this time, he can be recalled into service from time to time. Mr. Cohen will have to review Mr. Vaughn's orders and fire department documents, then advise Mr. Vaughn and the board on his credited service. It depends on Mr. Vaughn's military orders.

- Richard Grove came to the meeting. He had questions regarding his DROP withdrawal. He has a divorce decree that outlines a division in DROP disbursements. He would like to direct a rollover for his portion and have his ex-wife direct a rollover for her portion. Mr. Cohen is not certain that a direct assignment to the ex-spouse is allowed. There may have to be an Income Deduction Order. Mr. Cohen asked the administrator to send Mr. Grove's documents to him for review and his opinion.

This concluded the Attorney's report.

The warrant was taken out of order earlier for the benefit of presentations from outside service providers. The Vice Chairman entertained a motion to approve the warrant at this time.

Motion by John Leicht to approve the warrant amending the fees for S&D Mac Services LLC. The total of the amended warrant is $99,223.59. Seconded by Ryan Gabner. Passed unanimously.

VI. Plan Administrator's report

The administrator stated anything she had to report on was covered under earlier discussions. This concluded the Administrator's report.

VII. Old business

VIII. Communications

IX. Adjournment

Karen Pottinger adjourned the meeting at 7:39PM.