

## City of Lauderhill Police Officers' Retirement Plan – Minutes

March 07, 2012  
2:00 P.M.

### **Roll Call:**

Mr. David Hennessy called the meeting of the City of Lauderhill Police Officers' Retirement Plan to order at 2:08 p.m. at the City of Lauderhill Police Department. 6279 W Oakland Park Blvd., Lauderhill, FL 33313

### **Members Present:**

David Hennessy - Chairman, Michael Lucas – Secretary, Floyd Harris – Trustee, Kennie Hobbs –Trustee (left at 3:25), and Gary Celetti – Trustee.

### **Absent & Excused:**

N/A

### **Others Present:**

Adam Levinson - Board Attorney of Klausner, Kaufman, Jensen & Levinson; Clement Johns – Auditor of Goldstein Schechter Koch; Yiu Lai – Board Actuary of Dulaney and Company (arrived at 2:25); Dave Williams - Plan Administrator, Patty Ostrander – Administrative Assistant.

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

### **Approval of Minutes:**

The Board of Trustees reviewed the minutes for the February 01, 2012 meeting. Mr. Hennessy asked if there were any changes required to the minutes. Mr. Hobbs made a motion to approve the minutes. Mr. Celetti seconded the motion. The motion passed 5-0.

### **Consent Agenda: Warrant Ratification / Approval:**

**Warrant 213:** Payment of \$650.00 to NCPERS for Annual Conference & Exhibit – Michael Lucas. Motion made by Mr. Harris, seconded by Mr. Hobbs. Motion passed 5-0.

**Warrant 214:** Payment of \$9,184.30 to Michael Cochran, monthly recurring benefit payment as determined by Dulaney & Company. Motion made by Mr. Harris, seconded by Mr. Celetti. Motion passed 5-0.

**Warrant 215:** Payment of \$5,052.90 to Michael Cochran final benefit calculation retroactive payment. Motion made by Mr. Lucas, seconded by Mr. Celetti. Motion passed 5-0.

**Warrant 216:** Payment of \$2,190.00 to Klausner, Kaufman, Jensen & Levinson for Services through August 2011. Motion made by Mr. Harris, seconded by Mr. Celetti. Motion passed 5-0.

**Warrant 217:** Payment of \$2,460.00 to Klausner, Kaufman, Jensen & Levinson for services through October 2011. Motion made by Mr. Harris, seconded by Mr. Celetti. Motion passed 5-0.

**Warrant 218:** Payment of \$2,070.00 to Klausner, Kaufman, Jensen & Levinson for services through January 2012. Motion made by Mr. Harris, seconded by Mr. Celetti. Motion passed 5-0.

**Warrant 219:** Payment of \$12,925.90 to ICC Capital Management, Inc for quarterly services July 2011 – September 2011. Motion made by Mr. Lucas, seconded by Mr. Harris. Motion passed 5-0.

**Warrant 220:** Payment of \$7,600.00 to Goldstein Schechter & Koch related to the September 30, 2011 financial statements. Motion made by Mr. Lucas, seconded by Mr. Celetti. Motion passed 5-0

**Warrant 221:** Payment of \$350.00 to NCPERS for Trustee Educational Seminar for Gary Celetti. Motion made by Mr. Harris, seconded by Mr. Lucas. Motion passed 5-0

**Warrant 222:** Payment of \$1,203.98 to Kennie Hobbs for reimbursement for FPPTA Conference. Motion made by Mr. Lucas, seconded by Mr. Celetti. Motion passed 5-0

**Warrant 223:** Payment of \$1,740.00 to Dulaney & Company, Inc for services through February 2012. Motion made by Mr. Harris, seconded by Mr. Celetti. Motion passed 5-0

**Warrant 224:** Payment of \$6,467.92 to Michael Troup for return of contributions as determined by Dulaney & Company. Motion made by Mr. Harris, seconded by Mr. Celetti. Motion passed 5-0

**Warrant 225:** Payment of \$2,100.00 to Klausner, Kaufman, Jensen & Levinson for services through February 2012. Motion made by Mr. Hobbs, seconded by Mr. Lucas (based on amendment). Motion passed 5-0

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

**Auditor's Report:**

Ms. 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 years ended September 30, 2011 and 2010.

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, 2011 and 2010, 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, 2011 and 2010 by \$26,083,202 and \$24,579,380, respectively, (reported as net assets held in trust for pension benefits). The increase of \$1,503,822 and \$5,320,651, 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 78.6% as of the October 1, 2008 valuation to 75.4% as of the October 1, 2009 valuation and 76.5% as of the October 1, 2010 valuation.

- 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 accounts receivable and city contributions receivable.
- Receivables at September 30, 2010 were less than receivables at September 30, 2009 by \$10,393 (or 42.7%) due primarily to decreases in City contributions receivable.
- 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.
- Liabilities at September 30, 2010 were less than liabilities at September 30, 2009 by \$116,982 (or 65.3%) due primarily to a decrease in prepaid city contributions.
- 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, 2010, City contributions to the Plan increased by \$262,107 (or 15.2%) based on the actuarial valuation. Actual City contributions were \$1,987,812 and \$1,725,705 for 2010 and 2009, respectively.
- For the fiscal year ended September 30, 2011, member contributions including buybacks decreased by \$65,050 (or 5.3%). Actual member contributions were \$925,555 and \$965,580 for 2011 and 2010, respectively, and buybacks were \$225,632 and \$250,657 for 2011 and 2010, respectively. Member contributions have fluctuated from year to year, based on the number of active members and salary.
- For the fiscal year ended September 30, 2010, member contributions including buybacks increased by \$199,599 (or 19.6%). Actual member contributions were \$965,580 and \$944,982 for 2010 and 2009, respectively, and buybacks were \$250,657 and \$71,656 for 2010 and 2009, respectively. Member contributions have fluctuated from year to year, based on the number of active members and salary.
- 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 for 2011. Investment expenses increased by \$22,391 (or 25.8%).
- For the fiscal year ended September 30, 2010, net investment income was \$2,315,516 compared to \$348,585 for fiscal year ended September 30, 2009. Actual results were \$1,575,294 and (\$229,436) of net appreciation (depreciation) in fair value of investments for 2010 and 2009, respectively, and \$826,963 and \$656,053 of income from interest and dividends for 2010 and 2009, respectively. Investment expenses increased by \$8,709 (or 11.2%).
- 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, 2010, benefit payments and refunds of contributions increased by \$89,972 (or 27.1%).

- 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.
- For the fiscal year ended September 30, 2010, administrative expenses increased \$9,171 (or 9.2%) from 2009 due primarily to an increase 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:

	2011	2010	2009
Cash and cash equivalents	\$ 829,624	\$ 803,055	\$ 521,038
Receivables	114,376	55,227	65,620
<b>Investments</b>	<b>25,373,235</b>	<b>23,783,260</b>	<b>18,851,215</b>
Total assets	26,317,235	24,641,542	19,437,873
<b>Liabilities</b>	<b>234,033</b>	<b>62,162</b>	<b>179,144</b>
Net assets held in trust for pension benefits	<b>\$ 26,083,202</b>	<b>\$ 24,579,380</b>	<b>\$ 19,258,729</b>

Statements of Changes in Plan Net Assets were reviewed as follows:

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

	2011	2010	2009
<b>Additions:</b>			
Contributions			
City	\$ 2,047,326	\$ 1,987,812	\$ 1,725,705
Member	1,151,187	1,216,237	1,016,638
State	285,072	332,466	350,408
Total	3,483,585	3,536,515	3,092,751
Net investment (loss) income	(1,158,704)	2,315,516	348,585
Total additions	2,324,881	5,852,031	3,441,336
<b>Deductions:</b>			
Pension benefits paid	563,461	337,823	252,181
Participants' contributions refunded	148,865	84,274	79,944
Administrative expenses	108,733	109,283	100,112
Total deductions	821,059	531,380	432,237
Net increase	1,503,822	5,320,651	3,009,099
	2011	2010	2009
Net assets held in trust for pension benefits at beginning of year	24,579,380	19,258,729	16,249,630

	2011	2010	2009
Net assets held in trust for pension benefits at end of year	\$ 26,083,202	\$ 24,579,380	\$ 19,258,729

Asset Allocation was reviewed as follows:

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 was \$3,987,562 or 15.2% and to notes receivable was 3.8% (\$1,000,000) of the total portfolio.

At the end of the fiscal year ended September 30, 2010, the domestic equity portion comprised 47.5% \$11,696,638 of the total portfolio. The allocation to fixed income securities was 33.1% (\$8,085,104) while cash and cash equivalents comprised 3.3% \$ 803,055. The portion of investments allocated to international equity was \$3,001,518 or 12.2% and to notes receivable was 3.9% (\$1,000,000) of the total portfolio.

The target asset allocation as of September 30, were as follows:

	2011	2010
Domestic equity securities	45%	50%
Fixed income securities	30%	40%
Foreign equity securities	15%	10%
Absolute return		

Actual Contributions were reviewed as follows:

The actual City and State contributions amounted to \$2,332,398 and \$2,320,278, net of amount reclassified to prepaid city contribution of \$0 and \$19,853 for the years ended September 30, 2011 and 2010, respectively. The actual amount annual covered payroll for the years ended September 30, 2011 and 2010 were approximately \$9,256,000 and \$9,406,000, respectively. City and State contributions consisted of the following for the years ended September 30:

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

2010		
	Amount	Percent of Actual Covered Annual Payroll
City contributions	\$ 1,987,812	21.13%
State contributions	332,466	3.53
<b>Total City and State</b>	<b>\$ 2,320,278</b>	<b>24.67%</b>

For the fiscal years ended September 30, 2011 and 2010, member contributions were \$925,555 and \$965,580, respectively and buybacks were \$225,632 and \$250,657, respectively.

After the detailed report to the Board, Mr. Levinson asked Mr. Johns if he and his staff received full cooperation by management. Mr. Johns replied that he did so.

A management representation letter was provided to the Board for approval and execution. Mr. Levinson advised that Mr. Williams sent him a draft of the letter and he has reviewed and approved the language contained therein.

Mr. Johns reviewed the SAS90 Fraud Letter with the Board. The Trustees did not have any information to provide to Ms. Johns, and went on the record to advise that they “the Board” always welcome input to improve our internal controls.

Mr. Hobbs made a motion to approve the September 30, 2011 Financial Statements as presented by Mr. Johns, to approve & direct the authorized signors to execute the GSK Management letter and the State Annual Report. The foregoing motion was seconded by Mr. Lucas. Motion passed 5-0.

**Attorney’s Report:**

Mr. Levinson advised the Board that Mr. Kaufman drafted a letter to Fiduciary Trust of the South (FTIS). The letter outlines the signature error made by FTIS regarding the return of pension contributions for a former employee Mr. Moraga. Mr. Levinson also explained that Mr. Moraga will be served with notice of the lawsuit in the near future.

Mr. Levinson commented on the W-9 form attached to a recent invoice. The change in taxpayer identification was caused due to the change in the law firm. Mr. Williams commented that the updated information would be shared with the plan custodian.

Mr. Levinson reminded Trustees of his firm’s educational conference.

Mr. Levinson highlighted the recent ruling with regard to the 3% FRS - *Williams v. Scott* case. Defendants have already filed a notice of appeal to the First District Court of Appeal.

Mr. Levinson advised that the Department of Management Services' Division of Retirement monitors Florida’s local government pension plans for actuarially sound funding under Part VII of Chapter 112, Florida Statutes. An actuarial summary fact sheet is available for each local government pension plan. The fact sheets summarize basic information about each plan and compare that information to the average of Florida’s other local government pension plans. This comparison helps to provide a frame of reference for the plan’s performance relative to other plans. The fact sheet is prepared in accordance with section 112.665(1)(e), Florida Statutes, and includes the following information:

- The plan’s actuarial status
- The most current actuarial and benefit data
- The minimum funding requirements as a percentage of pay
- A five-year history of funded ratios

Mr. Levinson suggested that the link to this data be placed on the pension web site. Mr. Williams will follow up.

**Actuary’s Report:**

Mr. Yiu Lai did not provide a formal report. Mr. Lai did advise the 6a report was pending the statistical exhibit.

**Plan Administrator's Report:**

Mr. Williams briefed the Board on a matter concerning Mr. Dorn, the administrator assigned to the Lauderhill Police Pension Plan. Mr. Williams advised that a fellow trustee of the Sunrise Police Pension Fund raised an issue with the Sunrise Police Pension Board Attorney. The Trustee felt that there was a conflict of interest that Mr. Dorn had outside employment with Mr. Williams, while Mr. Dorn was still an active Board Trustee in Sunrise. The Sunrise Board Attorney reviewed the matter and approached Mr. Dorn with the assertion being made. Mr. Dorn on his own accord decided to simply step down from the Sunrise Board in lieu of seeking an opinion from the ethics commission. Further, Mr. Dorn filed a letter with the ethics commission advising him of the foregoing, for disclosure and transparency issues. As Mr. Dorn is still an employee of the City of Sunrise, he is required to complete "outside employment forms". Mr. Dorn advised that he did in fact complete said forms, however his ability to conduct outside employment has been suspended pending a review. Mr. Dorn met with Mr. Kaufman & Mr. Celetti to advise them of the situation. Mr. Williams advised the Trustees that he would be handling the day to day operations of the plan until further notice. Mr. Williams assured the Board that there will not be any disruption of service.

Mr. Williams explained to the Board that he and IT staff have been working for months trying to get accurate payroll uploads from the city. The data is required to begin an extensive database on the membership. A database of information was nonexistent with the prior administrator. As such there is virtually no electronic information available to date. The upload files being provided by the city had active drop members included as well as non-pension members who work at the police department. As manual entry is error prone and time prohibited, Mr. Williams is pleading to the Board for intervention. Mr. Hobbs advised that he would assist in the matter.

**Open Discussion:**

Mr. Lucas asked about the status of Board credit cards. Mr. Williams explained that American Express will not approve the Board because they do not have an actual lease agreement. Mr. Williams will explore other options.

Mr. Hennessey commented on the delay to receive a benefit projection for a plan member. Mr. Hennessey felt the delay was not warranted. Mr. Williams advised that this was apparently a carryover issue from Mr. Dorn and that when he (Williams) was made aware of the request, the process moved forward in a timely manner to the actuary. Mr. Williams apologized to Mr. Hennessey for the delay and assured him that this issue and all matters are paramount to him and his staff.

Mr. Hennessey indicated that the city clerk requested copies of Board minutes. Mr. Williams advised that each city has different requirements. That now that he has been made aware of the request, that all minutes

**Adjournment:**

Mr. Celetti moved to adjourn the meeting. The motion was seconded by Mr. Lucas. The motion passed 4-0. The meeting was adjourned at 3:50 p.m.

Approved:  Date: 04-04-12  
Chairman Hennessey