

**City of Lauderhill Police Retirement Plan**  
**Minutes**  
**May 02, 2012**  
**2:00 PM**

**Roll Call:**

Mr. David Hennessy called the meeting of the City of Lauderhill Police Officers' Retirement Plan to order at 2:10 p.m. at the City of Lauderhill Police Department.

**Members Present:**

David Hennessy - Chairman, Michael Lucas - Trustee and Kennie Hobbs - Trustee

**Absent & Excused:**

Gary Celetti – Trustee, excused absence. Floyd Harris – Trustee, excused absence.

**Others Present:**

Adam Levinson – Attorney (left at 3:30), Bob Dorn - Plan Administrator, Patty Ostrander – Administrative Assistant, Don Dulaney and Yiu Lu (arrived at 3:50 and left at 4:15) – Dulaney & Company. Steve Slack – ICC Investment Manager (left at 3:45), Jeff Swanson – Southeastern Advisory (left at 3:45).

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

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

**Warrant 234**

Payment of \$16,986.27 to ICC Investment for investment services rendered 01-01-12 / 03-31-12. Motion made by Mr. Hobbs to approve as outlined, seconded by Mr. Lucas. Motion passed 3-0.

**Warrant 235**

Payment of \$4,900.00 to Goldstein Schechter & Koch. Final bill regarding audit work. Motion made by Mr. Hobbs to approve as outlined, seconded by Mr. Lucas. Motion passed 3-0.

**Warrant 236**

Payment of \$500.00 to FPPTA for Mr. Lucas to attend the June FPPTA Annual Conference. Motion made by Mr. Hobbs to approve as outlined, seconded by Mr. Lucas. Motion passed 3-0.

**Warrant 237**

Payment of \$7,420.00 to Dulaney & Co. for Actuarial services rendered through April 30, 2012. Motion made by Mr. Lucas to approve as outlined, seconded by Mr. Hobbs. Motion passed 3-0.

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

**ICC - Investment Manager Report:**

Mr. Stack, ICC indicated that as of March 31, 2012, the portfolio had a market value of \$13,590,796. The allocation at the end of the quarter based on each asset class is as follows: 5.9% in cash, 23.6% in growth equity, 46.6% in value equity and 23.9% in multi-cap equity. Investment performance by asset category is as follows: Value 12.50% vs. the benchmark of 12.90%, multi-cap 13.31% vs. the benchmark of 12.90%, growth 13.29% vs. 12.90%, which equates to a quarterly return of 12.87% vs. 12.90%.

The investment return on a year basis - Value -1.20% vs. the benchmark of 7.86%, multi-cap -4.07% vs. the benchmark of 7.86%, growth 0.21% vs. the benchmark of 7.86%, which equates to an annual return of -1.60% vs. 7.86%.

On a five year basis the total account return was 1.84% vs. the benchmark of 2.19%. Mr. Stack reviewed the top ten holdings and portfolio sector diversification.

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### Southeastern Advisory – Performance Monitor Report:

Mr. Swanson advised the Board that the fund is up 14.7% for the fiscal year return. He also advised that the fund is at an all-time high today.

Mr. Swanson advised the total fund was valued at \$32,654,580. He indicated the total asset allocation for the portfolio as of 03-31-12 was 15.0% in absolute returns, 28.3% in Fixed Income, 39.9% in domestic equities, 13.5% in international equities, and 3.3% cash.

ICC Capital returned 12.9% for the quarter vs. 12.9% for the benchmark, placing it in the 39<sup>th</sup> percentile. ICC Capital returned 20.9% and 1.7% respectively on a three and five year basis. During that same time frame the Benchmark returns was 24.0% and 2.2% respectively. Mr. Swanson advised that for the one year period, ICC Capital is at -2.1% and the benchmark is at 7.9%. Mr. Swanson advised that ICC Capital is still under review. Mr. Swanson advised that in his opinion, they still need to make improvements over the next 2-3 quarters.

Euro Pacific Growth returned 12.4% for the quarter vs. 10.9% for the benchmark, placing it in the 44<sup>th</sup> percentile. On a one year basis that portion of the portfolio returned -5.9% vs. -5.8% for the benchmark, placing it in the 38<sup>th</sup> percentile. On a 3 & 5 year basis, the return was 17.9% and 0.8% vs. 17.1% and -3.5% respectively placing it in the 50<sup>th</sup> percentile and 25<sup>th</sup> percentile.

Mr. Swanson advised that PIMCO All Asset Fund returned 6.2% and trailed the benchmark which was at 11.9%. Mr. Swanson advised that PIMCO Total Return Fund was at 2.9% and this beat the benchmark of 0.3%. Mr. Swanson advised that PIMCO Investment grade Bond was at 3.6% and this also beat the benchmark of 0.3%. Mr. Swanson advised that he would like the investment manager for PIMCO to come to the next meeting. The Board agreed to this. Mr. Swanson advised that he would contact the management for PIMCO.

The quarterly return for Nuveen TW Global All Cap was 2.0% vs. 10.9% for the benchmark, placing it in the 99<sup>th</sup> percentile. On a one year basis that portion of the portfolio returned -9.7% vs. -5.8% for the benchmark, placing it in the 74<sup>th</sup> percentile. Mr. Swanson advised that Nuveen had a bad quarter because of their gold position in the market. Mr. Swanson advised that there are other things happening with this fund that he needs to bring to the Board's attention and his opinion of this fund. Mr. Swanson recommended that the Board terminate the Nuveen fund today. Mr. Swanson advised that the Nuveen fund main principal behind the investment side of the fund is leaving and taking some of the fund's top analysts with him to a privately held fund. Mr. Swanson advised that the fund has done well for the plan, but now is the time to sell this fund and move into another fund. Mr. Swanson presented to the Board the Oakmark International fund which was high on their list during their last manager search in this area of investing. Mr. Swanson gave the Board the option of investing the funds from Nuveen to Oakmark or doing a complete new manager search or keeping Nuveen if the Board chooses. The Board discussed the options and decided to take the advice of Mr. Swanson and sell the Nuveen fund and purchase the Oakmark International fund. Mr. Hobbs made a motion to sell the Nuveen fund and the proceeds of this sale to invest in the Oakmark International fund. The motion was seconded by Mr. Lucas. Motion passed 3-0. Mr. Swanson advised the Board that he will work with Mr. Dorn and Salem Trust to get the sale of the Nuveen fund and the purchase of Oakmark International fund completed before the end of the month.

Mr. Swanson recommended not rebalancing or changing the percentage of new money invested into the fund. Mr. Swanson advised that he will review with the Board next month the allocation of the fund.

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Mr. Levinson asked Mr. Swanson whether the plan can make the assumption rate. Mr. Swanson advised that historically the investment rate of 60% stocks and 40% bonds were the typical investment plan to reach this assumption rate. Mr. Swanson advised that the problem is that the bonds are not producing any numbers near this amount which bring down the rate of return for the total fund returns. Mr. Swanson advised that he will review the assumption rates with the actuary and speak about this at the next meeting.

### Attorney Report:

Mr. Levinson advised that the IRS issued an IRS Notice 2012-29 on "Proposed Normal Retirement Age Rules". Mr. Levinson advised that another client wanted the following information clarified by the IRS. Mr. Levinson advised that the purpose of the proposed Normal Retirement Age Regulation (NRA) is to ensure that all qualified retirement plans, including government retirement plans, are truly meant for retirement. The rule was issued in response to the growing incidence of "retire-re-hire" practices by state and local government employees. In many of those instances, the rehire of a retiree was accompanied by the continued payment of the retirement benefit along with the salary for the rehired service.

In the past, the Division of Retirement for the State of Florida has opposed these practices unless the member changed professions in receiving Chapter 175/185 insurance premium tax distributions.

Mr. Levinson advised that the ruling by the IRS on this subject, has led to the conclusion that the rule will not affect service based retirement (20 and out, for example), except for those systems that will pay officers a pension along with a salary if rehired. Mr. Levinson advised that Section 402 of the Tax Code allows in service distribution after normal retirement age. The new regulation, which is scheduled to take effect in January/2013, will not affect nor require attainment of any age for the purpose of entering the DROP or simply separating from service. Mr. Levinson advised that if the plan was to provide for an in-service distribution, that would be permissible if the officer retired and was rehired in the year in which he or she turned 50 years of age, or older.

The new rule will not affect the DROP. Participation in the DROP is not a "distribution". It is the deferred receipt of the defined benefit. The member has no ability to access the DROP money while employed and it is a permissible subject for a post-separation "roll-over." Mr. Levinson advised that to summarize the new rule in its current draft would be that the new rule will not prevent or affect retirement, including entry into the DROP, based on service regardless of age.

Mr. Levinson updated the board on the Moraga case. Mr. Levinson advised that Mr. Moraga had a court date which only his attorney appeared, thus they could not serve him with the court lawsuit. Mr. Levinson advised that another date has been scheduled. Mr. Levinson received a response from the letter that was sent to FTIS. He will forward a copy to the Plan Administrator.

Mr. Levinson updated the board regarding proposed 505 bill which did not pass.

Mr. Levinson advised that the State is making a close review of the assumption rates for all of the public plans in the State of Florida. Mr. Levinson advised that 64% of the plans have an assumption rate of 8.0% or higher and 36% have it lower than 8.0%. Mr. Levinson advised that there are 491 define benefit (DC) plans in the State of Florida. Mr. Levinson advised that with the changes to the plan, should please the State regarding this matter for this plan.

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Mr. Levinson updated the board on the Merrill Lynch lawsuit. The Board will be receiving a packet that needs to be completed and returned by September 11, 2012. Mrs. Ostrander asked Mr. Levinson to please verify the packet is being mailed to the Sunrise address as we are still receiving mail at the Davie address. Mr. Dorn asked the Board if they wanted to propose a Motion to the Chairman to execute the documents for this lawsuit. The Board agreed to execute the documents at the next meeting.

### Actuary's Report:

Mr. Dulaney appeared before the Board to present the Actuarial Valuation of the Lauderdale Police Officers' Retirement System as of October 1, 2011. The report determines the contribution for the plan year ending September 30, 2012.

Mr. Dulaney reported that he anticipates the member's contribution to be valued at \$881,878 (10% of covered payroll). The required funding amount for the plan/fiscal year ending September 30, 2012 was valued at \$2,561,522 (29% of covered payroll). The State contribution is valued at \$258,072 (3.2% of covered payroll). This leaves a City contribution of \$2,276,450 (25.8% of covered payroll).

Mr. Dulaney reported that in the valuation they recognized the benefit improvements mandated by Ordinance 110-09-170. Those improvements were to change the retirement benefit multiplier for years of credited service prior to October 1, 2011 from 3.0% to 3.5% per year for members employed by the City as of April 25, 2011. Additionally it recognized a monthly post retirement supplement of \$10.00 per month, per year of credited service, to be paid to members employed by the City on or after April 25, 2011. The supplement would commence five (5) years after the member's separation from employment and would end at age 65.

Mr. Dulaney indicated that he reviewed the assumptions/methods used by the plan and made several changes based on the Board's approval:

1. The assumed rate of return was changed from 8.0% to 7.75%, per annum, net of investment fees.
2. The assumed annual salary increase was changed from 7.0% to 6.0% and the assumed salary increase in the last year of employment due to cash outs was changed from 40% to 30%.
3. The assumed inflation was changed from 4.0% to 3.5%
4. The assumed mortality rates were updated to a more modern set of tables rates (RP-2000) with generational improvements.

Mr. Dulaney advised that the Board didn't give him direction of when the change would occur. Mr. Dulaney advised that it could be April 1, 2012 or you could make it a date in the future. A discussion occurred between the Board members and it was decided that it would take effect on April 1, 2012. Mr. Lucas made a motion to approve the assumption changes to the plan to take effect on April 1, 2012. Mr. Hobbs seconded the Motion. The Motion passed 3-0. Mr. Hennessy asked Mr. Dulaney to write a letter to the members regarding lowering the Assumption Change which is effective April 01, 2012. Mr. Dulaney agreed to this.

Mr. Dulaney highlighted the plan experience and advised the actuarial value of assets return was 1.0% for the plan year ended September 30, 2011, which is lower than the assumption of 8.0%. The market value rate of return was -4.4%. Employee turnover was 30% lower than expected during the last year. The average salary increase was 0.3%, in comparison to the assumption of 7.0%.

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Mr. Dulaney advised the active participant data as of 10/1/2011 is as follows: There are 98 active Tier One employees and 12 Tier Two employees. The covered payroll is \$8,819,000. The average pay for an employee in the plan is \$80,200. The average age is 37.9 and the average years of service are 8.8 years.

Mr. Dulaney advised that the market value of assets is \$26,881,000 and the actuarial value of assets is \$30,071,000. The present value of vested benefits is \$34,640,000. The vested benefit security ratio is 77.6%.

Motion to accept the Actuarial Valuation Report of October 1, 2011, which determines the contribution for the plan year ending September 30, 2012 as stated by Mr. Hobbs, seconded by Mr. Lucas. Motion passed 3-0.

Mr. Dulaney gave two copied of the Actuarial Valuation Report to Mrs. Ostrander to send to the State of Florida. Mrs. Ostrander advised that she would send these reports via mail to the State.

Mr. Dulaney advised the Board that there will be no 13<sup>th</sup> check to retirees since there was an actuarial loss of \$1,794,093 to the plan. Mr. Hennessey advised the Mr. Dorn to inform the retirees regarding this information.

**Plan Administrator Report:**

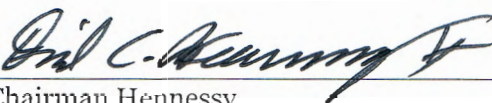
No formal report.

**Open Discussion:**

None.

**Adjournment:**

Mr. Hobbs moved to adjourn the meeting. The motion was seconded by Mr. Lucas. The motion passed 3-0. The meeting was adjourned at 4:25 p.m.

Approved:   
Chairman Hennessy

Date: 07-11-12