

**City of Lauderhill Police Officers' Retirement Plan
Minutes
August 01, 2012
2:00 PM**

Roll Call:

Mr. David Hennessy called the meeting of the City of Lauderhill Police Officers' Retirement Plan to order at 2:11 p.m. at the City of Lauderhill Police Department.

Members Present:

David Hennessy - Chairman, Michael Lucas - Secretary (arrived at 2:17), Floyd Harris - Trustee, Kennie Hobbs - Trustee (left at 2:53) and Gary Celetti - Trustee (left at 2:48).

Absent & Excused:

None

Others Present:

Bob Klausner - Board Attorney (left at 3:25); Dave Williams & Patty Ostrander - Precision Pension Administration; Don Dulaney - Board Actuary; Steve Stack - ICC Investment Manager; and Ken Kornheisl - Oakwater Technologies.

Consent Agenda: Warrant Ratification / Approval:

Approval of Minutes:

Approval of the minutes for July 11, 2012 were tabled.

Warrant 248

Payment of \$1,500.00 Oakwater Technologies, Inc. for website design and setup. Motion made by Mr. Hobbs to approve as outlined, seconded by Mr. Harris. Motion passed 4-0. (Mr. Lucas was off the dias).

Mr. Hennessy and Mr. Celetti executed all of the aforementioned warrant.

ICC - Investment Manager Report:

Mr. Stack, ICC indicated that as of June 30, 2012, the portfolio had a market value of \$13,045,233. The allocation at the end of the quarter based on each asset class is as follows: 2.4% in cash, 24.4% in growth equity, 48.6% in value equity and 24.5% in multi-cap equity.

Investment performance for the quarter by asset category is as follows: value -6.14% vs. the benchmark of -3.12%, multi-cap -7.51% vs. the benchmark of -3.12%, growth -5.21% vs. -3.12%, which equates to a quarterly return of -6.25 vs. -3.12%. The investment return on a fiscal year basis - value 19.41% vs. the benchmark of 22.34%, multi-cap 11.05% vs. the benchmark of 22.34%, growth 20.35% vs. the benchmark of 22.34%, which equates to an annual return of 17.48% vs. 22.34%. On a five year basis the total account return was -0.81% vs. the benchmark of 0.39%. The cited returns were reported on a gross basis.

Mr. Stack reviewed the top ten holdings and highlighted the portfolio sector diversification. It was reported that the investments were over-weighted in materials, industrials, telecommunications, consumer discretionary, financials, health care and utilities. Further the Plan was under-weighted in consumer staples, energy and information technology. The foregoing was relative to the Russell 1000 Index.

Attorney Report:

Mr. Klausner reported that the Merrill Lynch case was settled on July 31st and the Lauderhill Police Officers' Retirement Plan will receive approximately \$20,000.00 in September 2012.

City of Lauderhill Police Officers' Retirement Plan— Minutes
August 01, 2012
Page 2 of 3

Mr. Klausner stated that the Administrative Rules regarding the Travel Policy are currently being updated and will be presented at a future meeting.

Mr. Klausner also indicated that the Summary Plan Description is in draft form and will be formally presented for approval at a future meeting.

Mr. Hobbs raised the question about stop / start provision in order to access accumulated reserves under Chapter 185. Mr. Klausner used the Town of Jupiter as an example. Essentially an ordinance would be passed to close the Plan then immediately thereafter, another ordinance would be enacted to re-start the Plan fresh in order to attain accumulated money in reserve under Chapter 185. It was conveyed that in the case of this Plan, there are no such reserves. Mr. Hobbs made the statement that at some point the benefits in the Plan outweigh the benefit received under Chapter 185.

An issue was raised with regard to members buying back time in the system who may be in the negative amortization position. In short, the member's buyback payment does not cover the interest being charged to finance the buyback. Buybacks are monitored by the Plan Actuary.

Actuary Report:

Mr. Dulaney advised that he received a letter from the State of Florida concerning the October 01, 2011 Actuarial Valuation Report. Mr. Dulaney prepared a response to the State of Florida and outlined same to the Trustees which is cited below:

Issue 1 Amortization period:

We agree that the 30 year amortization period for the October 01, 2011 plan amendment and assumption change bases should be lower. We propose using a 25 year amortization period for the assumption change base and a 20 year amortization period for the plan amendment base (since it applies to Tier One members only, who have a "20 and out" normal retirement provision).

Issue 2 Inflation Assumption:

We meant to show a reduction in the inflation assumption to 3.75%, not 3.5%, so there is no assumed increase in the real rate of return, and merit increases in salary are assumed to decrease by 0.75%.

Issue 3 Actuarial Value of Assets:

We agree with your analysis regarding the effect on the actuarial value of assets, if the decrease in receivable buyback contributions is reflected in the non-investment cash flows. Our computations result in a reduction of \$416,080 in the actuarial value of assets (AVA) as of October 01, 2011. This would, of course, result in an increase in the actuarial loss for the October 01, 2010 – September 30, 2011 plan year of the same amount, \$416,080, and an increase in the annual amortization payment of \$33,495 (30 years). However, we are not sure it is appropriate to include the decrease in receivable buyback contributions in this manner in the non-investment cash flows. We performed some "what-if" calculations, as if the total outstanding buyback amount of \$797,486 was paid off on September 30, 2011. The result was a further reduction in the AVA of \$840,499. The interest of the AVA smoothing methodology is to smooth out the differences between the actual and expected earnings. Is it really the intended result that when buyback payments are made (at an underlying interest of 8.0%

City of Lauderhill Police Officers' Retirement Plan— Minutes
August 01, 2012
Page 3 of 3

per annum) that a more than dollar-for-dollar decrease in the AVA occurs, relative to the reduction in the total outstanding balance? This does not seem quite right to us, but let us know your decision.

Mr. Dulaney informed the Board that he has been working with Ms. Fennell, City of Lauderhill Human Resources Director with regard to the service purchase of Darrell Walker.

Plan Administrator Report:

Mr. Williams reported that inquiries were received from the State of Florida, Division of Retirement relative to the State Report. Responses are being provided as warranted.

Mr. Williams introduced Mr. Kornheisl as the IT Representative to the Board. Mr. Williams indicated that the Board wanted to activate a new module on the website which would allow pension members access to various personnel pension documents. As there was a cost associated with this request Mr. Williams sought Board approval before engaging Mr. Kornheisl. Mr. Kornheisl indicated the new module could be added which would allow members to access documents scanned into the system through the website. Member's information would only be posted upon their formal request. Further, safeguards will be taken to redact confidential information to avert any security risk for identity theft. The cost to add this module would be \$1,000.00 and would be completed in approximately two weeks once the project begins. Motion to approve this new module by Mr. Lucas, seconded by Mr. Harris. Motion passed 3-0. (Mr. Celetti and Mr. Hobbs of the dias). Mr. Kornheisl said the time frame should be about two weeks. Once this new module is complete, members will be notified.

Open Discussion:

None.

Adjournment:

Being there was no other business; the meeting was adjourned at 3:40 PM.

Approved: 
Chairman Hennessy

Date: 07-05-12