

City of Lauderhill Police Officers' Retirement Plan
Minutes
January 08, 2014
10:00 a.m.

Call to Order / Roll Call:

Mr. David Hennessy called the meeting of the City of Lauderhill Police Officers' Retirement Plan to order at 10:09 a.m. at the City of Lauderhill Police Department.

Members Present:

Mr. David Hennessy - Chairman, Mr. Gary Celetti & Mr. Floyd Harris – Trustees.

Absent & Excused:

Mr. Michael Lucas & Mr. Kennie Hobbs

Others Present:

Paul Daragjati, Board Attorney - Klausner, Kaufman, Jensen & Levinson; Brad Rinsem & Karen Russo, Custodial Bank – Salem Trust, Clement Johns, Auditor – Goldstein Schechter & Koch; Dave Williams & Patty Ostrander – Precision Pension Administration.

Public Discussion:

None

Consent Agenda: Warrant Ratification / Approval:

Approval of Minutes:

The Board of Trustees reviewed the minutes for the December 04, 2013 meeting. Mr. Hennessy asked if there were any changes required to the minutes. Mr. Harris made a motion to approve the minutes as outlined, seconded by Mr. Celetti. Motion passed 3-0.

Warrant 336

Payment of \$10,000.00 to Goldstein Schechter & Koch for progress billing in connection with Audit services for 09-30-13. Motion by Mr. Celetti to approve as outlined, seconded by Mr. Harris. Motion passed 3-0.

Warrant 337

Payment of \$1,180.00 to Dulaney & Company, Inc. for services rendered through November 2013. Motion by Mr. Celetti to approve as outlined, seconded by Mr. Harris. Motion passed 3-0.

Warrant 338

Payment of \$10,556.00 to Southeastern Advisory Services, Inc. for Performance Management for Fourth Quarter 2013. Motion by Mr. Harris to approve as outlined, seconded by Mr. Celetti. Motion passed 3-0.

Warrant 339

Payment of \$2,010.00 to Klausner, Kaufman, Jensen & Levinson for services rendered through December 2013. Motion by Mr. Celetti to approve as outlined, seconded by Mr. Harris. Motion passed 3-0. (This warrant was amended to remove a charge not applicable to the Plan).

Warrant 338

Payment of \$10,556.00 to Southeastern Advisory Services, Inc. for Performance Management for Fourth Quarter 2013. Motion by Mr. Harris to approve as outlined, seconded by Mr. Celetti. Motion passed 3-0.

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Warrant 340

Payment of \$14,003.26 to ICC Capital Management for Quarterly management fees 10-01-13 through 12-31-13. Motion by Mr. Celetti to approve as outlined, seconded by Mr. Harris. Motion passed 3-0.

Warrant 341

Payment of \$2,230.00 to Dulaney & Company, Inc. for services rendered through December 2013. Motion by Mr. Celetti to approve as outlined, seconded by Mr. Harris. Motion passed 3-0.

Financial Statements Presentation Fiscal Year ending September 30, 2013:

Mr. Clement 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 year ended September 30, 2013. The report was prefaced by Mr. Johns as still pending final employee contributions and buybacks from the City of Lauderhill.

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, 2013 and 2012, 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, 2013 and 2012 by \$42,145,078 and \$34,026,905, respectively, (reported as net position held in trust for pension benefits). The increase of \$8,118,173 and \$7,943,703, 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 76.5% as of the October 1, 2010 valuation to 69.5% as of the October 1, 2011 valuation to 71.2% as of the October 1, 2012 valuation.
- Receivables at September 30, 2013 were greater than receivables at September 30, 2012 by \$115,424 (or 58.3%) due primarily to an increase in receivable for securities sold.

Receivables at September 30, 2012 were greater than receivables at September 30, 2011 by \$83,681 (or 73.2%) due primarily to an increase in member contributions receivable and receivable for securities sold.

- Liabilities at September 30, 2013 were greater than liabilities at September 30, 2012 by \$126,412 (or 23.9%) due primarily to an increase in payable for securities purchased.

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Liabilities at September 30, 2012 were greater than liabilities at September 30, 2011 by \$294,144 (or 125.7%) due primarily to an increase in deferred retirement option plan payable.

- For the fiscal year ended September 30, 2013, City contributions to the Plan increased by \$112,643 (or 4.8%) based on the actuarial valuation. Actual City contributions were \$2,459,161 and \$2,346,518 for 2013 and 2012, respectively.

For the fiscal year ended September 30, 2012, City contributions to the Plan increased by \$299,192 (or 14.6%) based on the actuarial valuation. Actual City contributions were \$2,346,518 and \$2,047,326 for 2012 and 2011, respectively.

- For the fiscal year ended September 30, 2013, member contributions including buybacks decreased by \$677,138 (or 39.2%). Actual member contributions were \$995,578 and \$1,100,462 for 2013 and 2012, respectively, and buybacks were \$54,849 and \$627,103 for 2013 and 2012, 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, 2012, member contributions including buybacks increased by \$576,378 (or 50.1%). Actual member contributions were \$1,100,462 and \$925,555 for 2012 and 2011, respectively, and buybacks were \$627,103 and \$225,632 for 2012 and 2011, 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, 2013, net investment income was \$5,463,866 compared to \$4,735,524 for fiscal year ended September 30, 2012. Actual results were \$4,165,726 and \$3,858,750 of net appreciation in fair value of investments for 2013 and 2012, respectively, and \$1,421,871 and 1,011,341 of income from interest and dividends for 2013 and 2012, respectively. Deferred retirement option plan participants' earnings were \$22,344 and \$24,147 for 2013 and 2012, respectively. Investment expenses increased by \$13,373 (or 12.1%).

For the fiscal year ended September 30, 2012, net investment income was \$4,735,524 compared to a loss of (\$1,158,704) for fiscal year ended September 30, 2011. Actual results were \$3,858,750 and (\$2,425,020) of net appreciation (depreciation) in fair value of investments for 2012 and 2011, respectively, and \$1,011,341 and \$1,379,187 of income from interest and dividends for 2012 and 2011, respectively. Deferred retirement option plan participants' earnings were \$24,147 and \$3,739 for 2012 and 2011, respectively. Investment expenses increased by \$1,288 (or 1.2%).

- For the fiscal year ended September 30, 2013, benefit payments and refunds of contributions increased by \$11,885 (1.1%).

For the fiscal year ended September 30, 2012, benefit payments and refunds of contributions increased by \$326,426 (or 45.8%).

- For the fiscal year ended September 30, 2013, administrative expenses decreased \$15,503 (or 11.9%) from 2012 due primarily to a decrease in fees for professional services.

For the fiscal year ended September 30, 2012, administrative expenses increased \$21,746 (or 20.0%) from 2011 due primarily to an increase in fees for professional services.

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Statements of Plan Net Position

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

	2013	2012	2011
Cash and cash equivalents	\$ 1,477,806	\$ 1,063,129	\$ 829,624
Receivables	313,481	198,057	114,376
Investments	41,008,380	33,293,896	25,373,235
Total assets	42,799,667	34,555,082	26,317,235
Liabilities	654,589	528,177	234,033
Net position held in trust for pension benefits	\$42,145,078	\$34,026,905	\$26,083,202

Statements of Changes in Plan Net Position

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

	2013	2012	2011
Additions:			
Contributions			
City	\$ 2,459,161	\$ 2,346,518	\$ 2,047,326
Members	1,050,427	1,727,565	1,151,187
State	310,332	303,327	285,072
Total	3,817,920	4,377,410	3,483,585
Net investment income (loss)	5,463,866	4,735,524	(1,158,704)
Total additions	9,283,786	9,112,934	2,324,881
Deductions:			
Pension benefits paid	1,048,524	856,954	563,461
Refund of contributions	2,113	181,798	148,865
Administrative expenses	114,976	130,479	108,733
Total deductions	1,165,613	1,169,231	821,059
Net increase	8,118,173	7,943,703	1,503,822
Net position held in trust for pension benefits at beginning of year	34,026,905	26,083,202	24,579,380
Net position held in trust for pension benefits at end of year	\$42,145,078	\$34,026,905	\$26,083,202

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.

The 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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Asset Allocation

At the end of the fiscal year ended September 30, 2013, the domestic equity portion comprised 57.0% (\$24,213,544) of the total portfolio. The allocation to fixed income securities was 21.0% (\$8,931,674) while cash and cash equivalents comprised 3.5% (\$1,477,806). The portion of investments allocated to international equity, note receivable and real estate was \$5,775,522, \$1,000,000 and \$1,087,640 or 13.6%, 2.4%, and 2.5%, respectively of the total portfolio.

At the end of the fiscal year ended September 30, 2012, the domestic equity portion comprised 53.4% (\$18,333,496) of the total portfolio. The allocation to fixed income securities was 27.7% (\$9,533,701) while cash and cash equivalents comprised 3.1% (\$1,063,129). The portion of investments allocated to international equity and note receivable was \$4,426,699 and \$1,000,000 or 12.9% and 2.9%, respectively of the total portfolio.

The target asset allocation as of September 30, 2013 and 2012 was as follows:

	2013	2012
Domestic equity securities	45%	45%
Fixed income securities	30%	30%
Foreign equity securities	15%	15%
Absolute return	10%	10%

Actual Contributions

The actual City and State contributions amounted to \$2,769,493 and \$2,649,845, for the years ended September 30, 2013 and 2012, respectively. The actual amount of annual covered payroll for the years ended September 30, 2013 and 2012 were approximately \$9,956,000 and \$11,005,000, respectively. City and State contributions consisted of the following for the years ended September 30:

	2013	
	Amount	Percent of Actual Covered Annual Payroll
City contributions	\$ 2,459,161	24.70%
State contributions	310,332	3.12
Total City and State	\$ 2,769,493	27.82%

	2012	
	Amount	Percent of Actual Covered Annual Payroll
City contributions	\$ 2,346,518	21.32%
State contributions	303,327	2.76
Total City and State	\$ 2,649,845	24.08%

For the fiscal years ended September 30, 2013 and 2012, member contributions were \$995,578 and \$1,100,462, respectively and buybacks were \$54,849 and \$627,103, respectively.

The Board reviewed the SAS 99 Inquiries of Management. A copy has been made a part of this report.

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Mr. Johns concluded his presentation by stating that he had no disagreements with management (Plan Administrator) during this audit process and received full cooperation.

Motion to approve the Draft Financial Statements of September 30, 2013 by Mr. Celetti, seconded by Mr. Harris. Motion passed 3-0.

Attorney's Report:

Mr. Darajati confirmed with Mr. Hennessy that the Collective Bargaining process is underway between the Union and the City.

Actuary Report:

Not present, no report provided.

Plan Administrator's Report:

Fifth Member Appointment – Mr. Hennessy announced that Mr. Lucas will be resigning from the Board effective immediately. Mr. Williams will reach out to him regarding completing Retirement paperwork as well as his Final Financial Form. In terms of the Fifth Member appointment, Mr. Hennessy stated that he has been contacted by a member of the Plan who has expressed an interest in joining the Board. Mr. Hennessy also stated that he contacted a business person outside of the Department. Mr. Hennessy felt that a full Board should be present to appoint a Fifth Member.

New Business:

Mr. Williams provided the estimated benefit payment (Warrant # 342) for Mr. Rick Sessions per Mr. Dulaney's calculations effective February 01, 2014. The final benefit will be calculated once Mr. Sessions is off the payroll books. Motion by Mr. Harris to approve the foregoing, seconded by Mr. Celetti. Motion carried 3-0.

Old Business:

Mr. Harris inquired about the status of the credit cards. Mr. Hennessy stated that he intends to follow up with Regions Bank.

Salem Trust:

Mr. Rinsem & Mrs. Russo provided a transitional update on their Service / Disaster Recovery Program. Mrs. Russo presented a three year fee proposal of 4.5 basis points. Mr. Hennessy stated that based on the input received at the December meeting, he feels the Trustees are satisfied with Salem Trust. Mr. Darajati stated that he is okay with the new proposal. Mr. Hennessy & Mr. Harris executed same.

Open Discussion:

None

Adjournment:

Being there was no other business; the meeting was adjourned at 11:30 a.m.

Approved: _____

Chairman Hennessy

Date: _____

2-12-14