

**KEY BISCAYNE POLICE OFFICERS' & FIREFIGHTERS'  
RETIREMENT PLAN**

Village Council Chambers  
560 Crandon Blvd., Key Biscayne, Fl 33149  
REGULAR MEETING OF JUNE 12<sup>TH</sup>, 2014

**1. Call to Order** – Chairman Michael Haring called the meeting of the Key Biscayne Police Officers' & Firefighters' Retirement Plan to order at 5:39 P.M.

**Roll Call**

Present

Secretary Servando Parapar  
Chairman Michael Haring  
Ramon Rodriguez

Absent

Jose L. Monteagudo  
Martha F. Broucek

**OTHERS PRESENT:** Melissa Algayer, Actuary from Gabriel Roeder Smith & Company, Frank Wan and Mitchel Brennan from Burgess Chambers & Associates, Firefighters Roberto Campos, John Bavaro, Gary Carter and David Rairden, Stephen H. Cypen, Esq., Attorney for the Plan and Joan L. Wall, Administrator.

**2. Additions/Deletions to Agenda.** Attorney Cypen distributed copies of an ordinance amending the firefighters pension benefits that was received by his office at 4:21 PM from the Village attorneys. Attorney Cypen had not had an opportunity to review the document. This ordinance was scheduled to be passed on first reading on June 24<sup>th</sup>, 2014. The actuary stated an Impact Statement would be ready by July 24<sup>th</sup>, 2014.

**3. Approval of Minutes for March 27<sup>th</sup>, 2014.** Chairman Haring presented the minutes from the previous meeting for approval. Servando Parapar moved to approve. Ramon Rodriguez seconded the motion. The motion carried unanimously.

**4. Approval of Invoices.** Chairman Haring presented the invoices listed on the agenda for approval and payment. Servando Parapar moved to approve payment. Ramon Rodriguez seconded the motion. The motion carried unanimously, authorizing payment of the following:

SunTrust Bank, Inv #256433, Dated 5/2/14	\$12,446.39
SunTrust Bank, Inv #256434, Dated 5/2/14	<u>\$ 1,000.71</u>
TOTAL	\$ 13,447.10
Gabriel Roeder Smith & Co., Inv #406895, Dated 4/8/14	\$ 2,482.00
Gabriel Roeder Smith & Co., Inv #407305, Dated 5/12/14	<u>\$ 6,842.00</u>
TOTAL	\$ 9,324.00

Burgess Chambers, Inv #14-116, Dated 4/29/14 (DROP)	\$ 391.44
Burgess Chambers, Inv #14-177, Dated 4/29/14 (SHARE)	\$ 1,358.56
Burgess Chambers, Inv #14-137, Dated 5/7/14 (DROP)	\$ 426.43
Burgess Chambers, Inv #14-138, Dated 5/7/14 (SHARE)	<u>\$ 1,323.57</u>
TOTAL	\$ 3,500.00
Holland & Knight, Inv #3028472, Dated 3/26/14	\$ 256.80
Holland & Knight, Inv #3040775, Dated 4/29/14 (IRS USER FEE)	<u>\$ 2,500.00</u>
TOTAL	\$ 2,756.80
Joan L. Wall, Administrator, 3/19 – 5/16/14; 46 hrs, plus expenses	\$ 2,189.06

**5. Refund of Pension Contributions.** Chairman Haring presented the request for refund of pension contributions from F/F Lon Rosen. Ramon Rodriguez moved to approve payment. Servando Parapar seconded the motion. The motion carried unanimously, authorizing payment of the following:

MorganStanley (FBO F/F Lon Rosen), H/D 2/26/2000, T/D 8/9/13	\$ 91,509.37
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**6. UNFINISHED BUSINESS** - None

### NEW BUSINESS

**7. Gabriel Roeder Smith & Company – Presentation of October 1, 2013 Actuarial Valuation.** Peter N. Strong was unable to attend today’s meeting due to a death in his family. Melissa Algayer presented the valuation stating that according to the City’s contribution policy, the required employer contribution is equal to the percentages multiplied by the actual pensionable payroll during the contribution year as follows:

*Required Employer/State Contribution of \$1,288,956 as 19.15% of covered payroll for FYE 9/30/15, based on 10/1/13 Valuation, less allowable credit for State Contribution of \$280,602 as 4.17% of covered payroll, leaving a required Employer Contribution of \$1,008,354 as 14.98% of covered payroll. Compared to last year there is a decrease of \$25,184 in Employer Contribution.*

If the actual amounts from the State fall below \$45,3247 for police or \$235,255 for fire, then the Village must raise its contribution by the difference.

The actual employer contribution during the year ending 9/30/13 was \$1,169,636, an amount equal to the minimum required payment (based on 18.24% of actual payroll of \$6,412,467 less the allowable State credit of \$280,602).

This report does not reflect any revision in benefits since the last valuation. The revisions to actuarial assumptions are as follows:

- The assumed investment rate of return is lowered from 7.95% to 7.90% (net of investment expenses). This rate is being lowered by 5 basis points (0.05%) per year until it reaches the target rate of 7.50% as of October 1, 2021.
- The mortality table is being updated from the 1983 Group Annuity Mortality Table to the RP 2000 Combined Healthy Participant Mortality Table with a provision for projecting future mortality improvements after the year 2000 using Scale BB. This assumption change is being phased in over a ten year period beginning October 1, 2012, so 20% of this mortality table change is recognized as of October 1, 2013.

There was a net actuarial experience gain of \$397,995 during FYE 9/30/13 due to lower than expected salary increases and fewer retirements. The actual recognized investment return on the actuarial value of assets was higher by .35% while the actual return on the market value of assets was 13.3%. Net experienced gains caused the required contribution to decrease by 0.35% of covered payroll.

The funded ratio this year was 75.6% after recognizing the changes in actuarial assumptions, compared to 73.1% last year.

Additional discussion regarding possible future changes to the pension benefits and the results of an eight year experience study ending 9/30/13, resulted in the decision to consider only the adoption of the assumption changes in the study. Servando Parapar moved to adopt the October 1, 2013 Valuation Report as a base line at this time. Michael Haring seconded the motion. The motion carried unanimously. The trustees requested that copies of the valuation be provided to both departments in Tallahassee along with the Village Clerk and the Village Manager.

Chairman Haring requested that payroll provide the firefighters' earnings from October 1, 2013 through March 10<sup>th</sup>, 2014 and that this information be sent to the actuary to use in preparation of the Annual Employee Benefit Statements as of 9/30/13 for the firefighters. Police statements would be prepared as in the past.

**7. b) SunTrust – Investment Market Report.** Mr. Myton had a conflicting appointment and was unable to attend today's meeting. The Burgess Chambers Associates representatives stated that Ridgeworth was now completely separate.

**7. c) Burgess Chambers & Associates – Performance Report for Quarter Ending March 31<sup>st</sup>, 2014.** Frank Wan reported, stating for the quarter the Fund earned \$421K or +1.9% (+1.8% net), behind the model portfolio return of +2.3%. The best three performing asset categories were: REIT, mid-cap and large-cap value. The difference was due to large cap growth and the underweight to the REIT. Fiscal year to date the Fund earned \$1.9 million or +8.7% (+8.4% net), ahead of the model portfolio of +7.5%. Large cap growth, large cap core and mid cap were the best performing assets. For the three year period the fund averages +9.3% net per year,

well ahead of the actuarial assumption rate and ranked in the top 21<sup>st</sup> percentile. For the five year period the Fund averaged +13.7%, beating the actuarial return assumption. The reports for the DROP and SHARE plans were distributed.

The plan proposal for the Fund from ING, that could replace ICMA, was distributed.

**7. d) Adopt Expected Investment Rate of Return for current year, next year and going forward** (Required by Division of Retirement). Servando Parapar moved to adopt 7.9% based on the recommendation of the plan's professionals. Ramon Rodriguez seconded the motion. The motion carried unanimously.

**7. e) Annual Review of Fee to be charged (on a monthly basis to each individual DROP Participant.** The matter was continued until the next meeting.

**7. f) Marcum LLP – Audit Issues**

- **3/28/14 Letter to Mayor, Village Council, Village Manager** (see page 3). Listed under Other Audit Findings or Issues was the comment *"As a result of our audit of the Village of Key Biscayne Police Officers and Firefighters Retirement System, we noted three matters that present an opportunity for improvement and have disclosed these observations and recommendations in a separate management letter provided to the pension board of trustees and plan administrator dated March 28<sup>th</sup>, 2014"*.
- **The 3/28/14 letter to the Board of Trustees** touched on 1) Authorized Plan Investments, 2) Valuation of Alternative Investments and 3) Recordkeeping of the SHARE and DROP accounts. Attorney Cypen stated items #1 and #2 of this letter were not accurate and should be corrected. He recommended that the administrator call Michael Futterman and voice the Board's objections, requesting the items in the letter regarding the Frontier investments be changed.
- **3/28/14 Email regarding GASB Statement No. 67.** The Board had been previously advised of this change by Gabriel Roeder Smith & Co.

**7. g) F/F Andrew J. Frosch** – Matter of retroactive contributions due on part of the employee and Village due to F/F Frosch's first year of employment not handled/reported accurately by the Village. The matter was tabled until the next meeting.

**7. h) ICMA's May, 2014 Letter – Limitation of DROP** (self-directed) that could currently affect two participants, as presently enacted. Attorney Cypen recommended taking no action at this time based on the advice of Robert Friedman, Esq., who was handling the board's IRS Determination Letter application.

**7. i) Question from participant** – ". . .hired on 6/28/2004, to be 55 years old in August of 2014. Is this member grandfathered into old pension guidelines or to the

*new ones based on F/F contract signed by the Village on 5/1/2014”?* The matter was discussed.

**7. j) Schools & Conferences** – FPPTA’s 30<sup>th</sup> Annual Conference to be held June 29<sup>th</sup> through July 2<sup>nd</sup>, 2014 at the Hilton Orlando in Bonnet Creek.

**8. Trustees’ Concerns** – Terms of Office – Michael Haring’s term expired 9/30/13 – Election Update (continued)

**9. REPORTS**

- **Attorney** – None
- **Administrator** – Status of:
  - Annual Affidavits – Lazaro Castellon still has not returned form and the records do not reflect his current address
  - Status of SPD (last 11/19/09) – Wait until Police complete negotiations
  - Financial Disclosure Forms due July 1, 2014.
- **Other** – None

**10. Input from Active Members/Retired Members/Public Comments** – None

**11. Next Meeting Date/Adjournment.** Chairman Haring announced the next regular meeting would be held on Thursday, July 24<sup>th</sup>, 2014 at 5:30 P.M.

There being no further business before the board, Servando Parapar moved to adjourn at 8:26 P.M. Ramon Rodriguez seconded the motion. The motion carried unanimously.

Respectfully submitted,

Servando Parapar, Secretary