BOARD OF TRUSTEES OF THE CITY PENSION FUND FOR FIREFIGHTERS & POLICE OFFICERS

In the City of Pembroke Pines
Hampton Professional Center
1951 NW 150th Avenue – Suite #104
Pembroke Pines, FL 33028

REGULAR MONTHLY MEETING – JUNE 19, 2014

The four hundred twenty eighth meeting of the Firefighters and Police Officers Pension Fund in the City of Pembroke Pines was called to order at 2:03 p.m. by Chairman Steve Dougherty.

1. **Roll Call** –

Fire Members	Police Members	City Members
Adam Cabeza	Carl Heim	Gary Arenson (2:06 PM)
Steve Dougherty	Kevin Venema	Jack McCluskey
Frank Musumeci	Al Xiques	Vicki Minnaugh

Others Present: Steve Cypen, Attorney for the Fund; Robert Friedman, Special Tax Counsel for the Fund; Kelly Adams, Gabriel Roeder Smith (Plan Actuary); John O'Bright, City Employee (Videographer); James Fisher, Plan Administrator and Rachel Maldonado, Assistant Plan Administrator.

Trustee Xiques attended the meeting via teleconference. The following people also attended the meeting as part of the audience.

Jim DeSilva, Pines Police Dept. (Retired)	Dara VanAntwerp, Pines Police Dept. (Retired)
Richard Fortunato, Fort Lauderdale P & F Pension	Robert Laichak, Pines Police Dept. (Retired)
Jack Lokeinsky, Fort Lauderdale Police Dept.	Rick Burke, Gray Robinson, Esq.
Scott Bayne, Fort Lauderdale P & F Pension	John Sammarco, Pines Police Dept. (Retired)
Bernie Kraemer, Pines Police Dept. (Retired)	Walter Yester, Pines Police Dept. (Retired)
Dan Rotstein, City HR Director	Jacqueline Sanchez, Fort Lauderdale Police Dept.
Louis Sorangelo, Pines Police Dept. (Retired)	Adam Feiner, Pines Police Dept. & PBA Rep.
Ron Cohen, Rice Pugatch Robinson Schiller, Esq.	Richard Davis, R.S Davis Financial Services

2. **Approval of Minutes for May 15, 2014** – Chairman Dougherty presented minutes from the May 15, 2014 meeting for approval. Motion by Vicki Minnaugh, second by Carl Heim, to approve the minutes as presented. The motion carried unanimously.

3. **Approval of DROP Loans** – The following DROP loans were presented for Board consideration by Chairman Dougherty:

   - P/O Carl Schelling ***
   - P/O Jeff Desilets ***
   - P/O Kim Diaz ***

   **** Schedule A is available upon request. Please contact the Pension Office if you wish to view it.*

   Motion by Vicki Minnaugh, second by Jack McCluskey, to approve the DROP Loans as presented. The motion carried unanimously.

4. **Approval of DROP Account Distribution(s)** – The following DROP Distributions were presented for Board consideration:

- P/O Kevin King (Lump Sum) ***
- P/O Nelson Martinez (Lump Sum) ***
- P/O Chris Abbruzzese (Lump Sum) ***
- P/O George Soubasis (Lump Sum) ***
- P/O David Parsons (Lump Sum) ***
- P/O Joseph Covino (Lump Sum) ***
- P/O James Dilenge (Lump Sum) ***
- P/O John Hess (Lump Sum) ***
- P/O James Gort (Monthly) ***
- P/O Carl Schelling (Monthly) ***
- F/F Robert Griffin (Lump Sum) ***
- F/F David Saxon (Lump Sum) ***

Assistant Administrator Maldonado asked the Board to add the following distributions to the agenda.

- P/O Kim Diaz (Lump Sum) ***
- P/O James Fisher (Lump Sum) ***
- F/F Charles Cozzati (Lump Sum) ***

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Motion by Kevin Venema, second by Frank Musumeci, to add the last three distributions to the agenda The motion carried unanimously.

The IRC 415 screening tool results were provided to Actuary Larry Wilson. When appropriate, his office will provide the necessary letters to members indicating distributions will not pose a problem with the IRC 415 limitation at the present time. Motion by Frank Musumeci, second by Jack McCluskey, to approve the account distributions as presented. The motion carried unanimously.

5. **Approval of Vendor Warrant #598** – Chairman Dougherty presented Warrant #598 in the amount of $140,522.11 for approval and payment. Motion by Vicki Minnaugh, second by Gary Arenson, to approve Warrant #598 as presented. The motion carried unanimously. Adam Cabeza abstained from voting due to a voting conflict.

Cypen & Cypen – Monthly Retainer for May 2014	$3,250.00
Hampton Professional Center Condo #2, Ste 104 (Monthly Maintenance – June 2014)	$407.72
Twilight Industries, LLC – (Maintenance – May 2014)	$152.00
SSGA International, Mgmt Fees for Q/E 3/31/14	$70,247.60
SSGA Value Index, Mgmt Fees for Q/E 3/31/14	$4,327.90
SSGA Midcap Index, Mgmt Fees for Q/E 3/31/14	$2,198.11
Pitney Bowes (Postage Refill)	$453.02
Richard Ziff, June Loans	$525.00
SunTrust (J. Fisher)	$1,620.91
SunTrust (R. Maldonado)	$1,374.02
SunTrust (A. Cabeza)	$565.00
Fiduciary Trust – Custody Fee through 3/31/14 for Stewart Capital	$10,517.86
Fiduciary Trust – Custody Fee through 3/31/14 for Atlanta Capital	$5,254.24
ProShred 5/21/14	$55.00
Ultimate Security – 3 mos. from 6/21/14	$75.00
Holland & Knight Invoice# 3049359	$5,750.00
Accelerated Business Solutions – June 2014	$234.69
GRS – May 2014	$12,940.00
Plastridge Insurance – Fiduciary Liability insurance 7/18/14 through 7/18/15	$20,162.01
FP&L , 4/28 – 5/28/14	$177.34
Accelerated Business Solutions – May 2014	$234.69
GRAND TOTAL	**$140,522.11**

6. **Approval of Member Warrant #599** – Chairman Dougherty presented Warrant #599 in the amount of $398,531.63 for approval and payment. Motion by Vicki Minnaugh, second by Jack McCluskey, to approve Warrant #599 as presented. The motion carried unanimously.

Plan Benefits:	
P/O Chris Abbruzzese - Normal Retirement Benefit Commencing 7/1/2014	***
P/O John Hess - Normal Retirement Benefit Commencing 7/1/2014	***
DROP Withdrawals:	
P/O Kevin King – Lump Sum DROP Withdrawal less FIT	***
P/O Nelson Martinez – Lump Sum DROP Withdrawal less FIT	***
P/O Chris Abbruzzese – Lump Sum DROP Withdrawal less FIT	***
P/O George Soubasis – Lump Sum DROP Withdrawal less FIT	***
P/O David Parsons – Lump Sum DROP Withdrawal less FIT	***
P/O Joseph Covino – Lump Sum DROP Withdrawal less FIT	***
P/O James Dilenge – Lump DROP Withdrawal less FIT	***
P/O John Hess – Lump Sum DROP Withdrawal less FIT	***
P/O James Gort – Monthly DROP Withdrawal less FIT	***
P/O Carl Schelling – Monthly DROP Withdrawal less FIT	***
F/F Robert Griffin – Lump Sum DROP Withdrawal less FIT	***
F/F David Saxon – Lump Sum DROP Withdrawal less FIT	***
P/O Kim Diaz – Lump Sum DROP Withdrawal less FIT	***
P/O James Fisher – Lump Sum DROP Withdrawal less FIT	***
F/F Charles Cozzati – Lump Sum DROP Withdrawal less FIT	***
U.S. Treasury – FIT – W/H (King, Martinez, Abbruzzese, Soubasis, Parsons, Covino, Dilenge, Hess, Grifin, Saxon, Diaz, Fisher, Cozzati)	***
DROP Loans:	
P/O Carl Schelling - DROP Loan Less Documentary Stamp	***
P/O Jeff Desilets – DROP Loan Less Documentary Stamp	***
F/F Kim Diaz – DROP Loan Less Documentary Stamp	***
Documentary Stamp for DROP Loans:	
Florida Department of Revenue – Documentary Stamp (Schelling)	***
Florida Department of Revenue – Documentary Stamp (Desilets)	***
Florida Department of Revenue – Documentary Stamp (Diaz)	***
TOTAL	**$398,531.63**

**** Schedule A is available upon request. Please contact the Pension Office if you wish to view it.*

UNFINISHED BUSINESS

7. **1099-R Discussion** – The discussion on Form 1099-Rs for 22 rehired individuals continued from the previous month. Special tax attorney Robert Friedman presented a letter summarizing his findings for the group of members affected. Due to differing facts and circumstances for those rehired members, not every member was found to have incurred a 72T tax penalty. The members with possible liability for the 10% 72T tax were listed under "Schedule II" of Mr. Friedman's packet. Mr. Friedman noted that if a member retired but was rehired and didn't have a true separation from service before pension payments began, that member will not be exempt from the 72T tax. If that member and then subsequently separates from employment from the rehired position before the beginning of the year in which he reaches age 50, that member would pay the 10% 72T tax on both DROP distributions and monthly pension payments until the member reaches 59 ½ years of age. If the member leaves the rehired position after the beginning of the year in which he attains 50 years of age but before 59 ½, the 72T tax will only be payable from the time benefits commenced to the final separation date.

   As for the few members found to be subject to the 72T tax, the Board discussed whether or not it would assist the members with paying the tax and interest owed from 2010 and 2013. The Board considered the implications for those individuals anticipating on-going future 72T tax liability.

   Attorney Ron Cohen presented the Board with his own letter, drafted to address certain members he represents that are within this group of 22. Mr. Cohen asked the Board to consider filing a Voluntary Disclosure with the IRS, as he stated the City did on May 27, with the intention that the Board would pay the 10% 72T tax for the members.

Discussing his review of the Form 1099-Rs for the group in question, Mr. Friedman confirmed that the distribution codes used to codify the distributions were in fact incorrect. Amed Avila, of Fiduciary Trust addressed the Board as the Plan Custodian. He discussed past practice on codifying distributions with other plans that ultimately impact the rest of the public pension plans handled by Fiduciary Trust. Mr. Avila said he would gather any questions the Board wanted him to address and discuss with his company's experts.

The Board discussed possible ways of approaching a settlement with the impacted members. The Board authorized Mr. Friedman to speak to his contact at the IRS about the probability of a successful settlement under a Voluntary Disclosure. <u>Motion by Vicki Minnaugh, second by Gary Areson, to table the discussion until Mr. Friedman spoke to his IRS contact. The motion carried unanimously.</u> Although the Board had an estimated figure of 72T tax liability incurred from 2010 through 2013, the Board wanted to also view estimates for the members that will incur future liability as well. Mr. Cypen also noted that any potential settlement agreement between the Board and its members would not exclude the Board's custodian of any liability, should it be found liable as the issue is further explored.

Adam Feiner of the PBA asked a few questions to clarify his understanding of the need for 100% member participation in a settlement and the age factor of the prospective participants. Mr. Cypen said that any possible settlement would be specified up to a certain date and no dates beyond that, as the Board would determine.

NEW BUSINESS

8. **<u>Budget</u>** – Ms. Maldonado discussed the new budget format that will include projected income going forward, beginning with the FYE 9/30/2015. <u>Motion by Vicki Minnaugh, second by Jack McCluskey, to approve the budget as presented. The motion carried unanimously.</u>

9. **<u>Reports</u>:**

<u>Attorney</u> – No additional report from the attorney at this meeting.

<u>Actuary</u> – Kelly Adams represented GRS and discussed items that will impact the upcoming October 1, 2014 valuation process. She indicated under Government Accounting Standards Board Statement No. 67 (GASB 67) implemented with the October 1, 2013 valuation a "true up" will be needed at the end of the fiscal year. GRS will need assets, contributions, benefit payments and expenses for the fiscal year ending September 30, 2014 and that depending on the timing needs for the "trued up" GASB 67 information these items may need to be provided more quickly than the regular census data. Also the investment advisor will need to justify the investment rate as of the end of the fiscal year. Kelly also noted that GASB 68 will be effective for the City for September 30, 2015 and that GRS will be providing a letter with the October 1, 2014 data request outlining the needs and fees for the GASB 68 work.

Finally, Kelly spoke about Florida HB 534. In particular she noted the state requires the numbers to be disclosed at 2% less than the current discount rate and GRS is suggesting that the valuation report include both 2% less and 2% more to provide a more fair picture of the impacts. The state will only report the 2% less but if someone requests or is given a copy of the valuation report they would see both 2% less and 2% more. The state also requires the disclosure of how long the current market value of assets will last assuming no future contributions to the plan. This disclosure item could bring negative reactions and the Board may need to be prepared to explain this item.

<u>Chairman</u> – Chairman Dougherty inquired of the status of the impact statement that was sent to the State. He also asked about lowering the minimum DROP distribution from $5,000. The Board felt lowering the amount would encourage people to take smaller distributions more frequently. The Board was not interested in lowering the minimum amount.

<u>Plan Administrator</u> – The Assistant Administrator announced the passing of police beneficiary Amy Tighe. Mrs. Tighe was the widow of former Police Chief John Tighe. The benefit ceases after Mrs. Tighe; no further payments will be made.

The Fiduciary Liability insurance is up for renewal on July 18th. Ms. Maldonado said the application had been approved pending payment and a letter confirming plans to address the unfunded liability.

10. Input from Retirees: None.

11. Input from Active Members: None.

12. Input from Trustees: Mr. Cabeza noted the passing of former trustee Isadore Nachimson. Mr. Nachimson was a long-time Board member who served with distinction until 2013. Ms. Maldonado informed the Board that a sympathy card was sent on its behalf to Mrs. Nachimson that morning.

Mr. Cabeza also requested a copy of the City's VCP referenced in Attorney Ron Cohen's letter.

Mr. Musumeci asked that the office communicate with the City the need for official notification of an employee's "rehired" status, beyond an email discussing health insurance premiums. Motion by Jack McCluskey, second by Vicki Minnaugh, to implement new exit procedures with the City and the members that ensure the Board is properly informed of a rehire. The motion carried unanimously.

13. Public Comment: None.

14. Adjournment – Chairman Dougherty announced that the next regular meeting would be held on **Thursday, July 17, 2014 at 2:00 p.m**. There being no further business to come before the Board, motion by Vicki Minnaugh, second by Gary Arenson, to adjourn the meeting at 4:05 p.m. The motion carried unanimously.

Steve Dougherty – Chairman

Frank Musumeci – Secretary