

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

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

## REGULAR MONTHLY MEETING – APRIL 17, 2014

The four hundred and twenty sixth meeting of the Firefighters and Police Officers Pension Fund in the City of Pembroke Pines was called to order at 2:04 p.m. by Chairman Steve Dougherty.

1. <u>Roll Call –</u>	<u>Fire Members</u>	<u>Police Members</u>	<u>City Members</u>
	Adam Cabeza	Carl Heim	Gary Arenson
	Steve Dougherty	Kevin Venema	Jack McCluskey
	Frank Musumeci	Al Xiques	

**Others Present:** Steve Cypen, Attorney for the Fund; Robert Friedman, Special Tax Counsel for the Fund (via teleconference); Larry Wilson, Plan Actuary; James Fisher, Plan Administrator and Rachel Maldonado, Assistant Plan Administrator.

Trustee Minnaugh asked to be excused for this meeting. Motion by Jack McCluskey, second by Frank Musumeci, to excuse Ms. Minnaugh's absence at this meeting. The motion carried unanimously.

The following people also attended the meeting as part of the audience.

Reynold Zamora, Pines Police Dept. (Retired)	Pete Desmond, Pines Police Officer (Retired)
Ruben Zamora, Citizen	Walter Yester, Pines Police Officer (Retired)
Bernie Kraemer, Pines Police Dept. (Retired)	Jacqueline Sanchez, Fort Lauderdale Police Officer
Robert Scopa, Pines Police Dept. (Retired)	

- Approval of Minutes for March 20, 2014** – Chairman Dougherty presented minutes from the March 20, 2014 meeting for approval. Motion by Gary Arenson, second by Jack McCluskey, to approve the minutes as presented. Trustee Cabeza noted two typographical errors in the minutes. The original motion failed. Motion by Jack McCluskey, second by Frank Musumeci to approve the amended minutes. The motion carried unanimously.
- Approval of Warrant #594** - Chairman Dougherty presented Warrant #594 in the amount of \$251,488.46 for approval and payment. Motion by Gary Arenson, second by Kevin Venema, to approve Warrant #594 in as presented. The motion carried unanimously.

Cypen & Cypen – Monthly Retainer for April 2014	\$3,250.00
Hampton Professional Center Condo #2, Ste 104 (Monthly Maintenance – May 2014)	\$407.72
Twilight Industries, LLC – (Maintenance – April 2014)	\$152.00
Holland & Knight: Invoice # 3008079	\$100.00
Holland & Knight: Invoice # 3008078	\$8,164.60
Holland & Knight: Invoice # 3028435	\$3,403.96
Holland & Knight: Invoice # 3028436	\$1,075.00
GRS – March 2014	\$26,412.00
FP&L 2/26 – 3/27/14 *Already Paid via R&D Acct*	\$130.38
Inverness Counsel: Equity 4/1/14 – 6/30/14	\$142,969.54
Inverness Counsel: Fixed Income 4/1/14 – 6/30/14	\$65,423.26
<b>TOTAL</b>	<b>\$251,488.46</b>

4. **Approval of DROP Benefit(s)** – The following DROP benefit was presented for approval.

- P/O Donna Velazquez, Joint & 25% Contingent, effective 11/1/13

Trustee Musumeci asked why Ms. Velazquez's benefit was up for approval at such a late date, since she entered the DROP in November. Ms. Velazquez needed to sign for the chosen benefit after entering the DROP but delayed her visit to the office. The Board discussed implementing rules or penalties for late selections, such as the loss of DROP interest beyond 30 days. The Board asked the Administrator to suggest ways to discourage late DROP benefit selection at the next meeting. Motion by Carl Heim, second by Adam Cabeza, to approve the DROP benefit as presented for Ms. Velazquez. The motion carried unanimously.

5. **Approval of DROP Loan(s)** – The following DROP loans were presented for approval.

- P/O William Bucknam \*\*\*
- P/O Michael Scopa \*\*\*
- F/F Joseph Montopoli \*\*\*

Motion by Carl Heim, second by Kevin Venema, to approve the DROP loans as presented. The motion carried unanimously.

6. **Approval of DROP Account Distributions** – The following DROP distributions were presented for Board consideration:

▪ P/O Louis Sorangelo	(Lump Sum)***	▪ F/F Ben. Joseph DeStefano	(Lump Sum)***
▪ P/O David Belusko	(Lump Sum)***	▪ F/F Joseph D'Onofrio	(Lump Sum)***
▪ P/O Warren McLoughlin	(Lump Sum)***	▪ F/F John McCarthy	(Lump Sum)***
▪ P/O Chad Cunningham	(Lump Sum)***	▪ F/F David Smith	(Lump Sum)***
▪ P/O James Ryan	(Lump Sum)***	▪ F/F Robert Bauman	(Monthly)***
▪ P/O Ruben Alvarez	(Lump Sum)***		

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

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 Carl Heim, second by Jack McCluskey, to approve the DROP account distributions as presented. The motion carried unanimously.

## NEW BUSINESS

7. **Staff Annual Evaluations** – Chairman Dougherty discussed the annual evaluation and contracted salary increases for the office staff. He expressed his satisfaction with the performances of Mr. Fisher and Ms. Maldonado; the Trustees agreed in this assessment. As well, the final leave report was presented for the contract year, detailing rollover days and payout, if any. Motion by Al Xiques, second by Gary Arenson, to accept the leave report as presented. The motion carried unanimously.
8. **Review and Approve DROP Loan Interest Rate for Q/E 6/30/2014** – Agenda packets included information that the Wall Street Journal prime rate at the beginning of the current quarter remained at 3.25%. The DROP Loan Rules state 1% interest will be added to the WSJ rate. Motion by Frank Musumeci, second by Jack McCluskey, to approve a 4.25% DROP Loan interest rate for loans approved by the Board during April, May and June of 2014. The motion carried unanimously.
9. **February 2014 Minutes** –Greg McNeillie called the office with clarification on the February minutes approved last month. Item 2 of the minutes was changed to reflect the correct initial investment amount allotted to each new manager. Motion by Gary Arenson, second by Jack McCluskey to approve amend the February 2014 minutes. The motion carried unanimously.

## UNFINISHED BUSINESS

None



10. **Reports:**

**Actuary** – Larry Wilson met with the attorney for the City and the Board insurance attorney prior to the meeting to discuss Fritz litigation. Mr. Fritz believes he was discriminated against in the form of his pension payment because of his marital status. Separately, Mr. Wilson also discussed the expectations for the next actuarial report with the application of the GASB 67 accounting rules.

Mr. Wilson discussed the status of the impact statement created for the current Ordinance change. HR Director Mr. Rotstein disputed the accuracy of the first impact statement because he felt there was no cost to implement the Ordinance. Additional data was given to GRS with the expectation that an updated statement would be provided. Mr. Wilson asked the Board to give direction if they agreed the impact statement should be updated. Motion by Jack McCluskey, second by Gary Arenson, to authorize Mr. Wilson to update the impact statement. The motion carried unanimously.

**Attorney** – It is possible that the IRS Form 1099-R provided to certain members by the Plan in prior years contained an incorrect code. The Plan is required to enter a code in Box 7 of the Form 1099-R. The code number used indicates whether the payments to the member from the Plan are subject to the "early distribution tax." Under Section 72(t) of the IRC, the general rule is that payments to a member by the Plan prior to age 59 1/2 are subject to an additional 10% income tax. If the member has not reached age 59 1/2, the additional tax applies unless an exception is available. One exception is for payments to a police officer or fire fighter who separated from service after attaining age 50. Another exception is for regular monthly payments after age 55 and after separation from service. If payments are made to a member who is at least age 59 1/2, the Plan should use code 7 in Box 7 on the Form 1099-R. If the payments are made to a member who is younger than 59 1/2, the Plan should use either code 1 or 2 in Box 7. A code 1 means that the Plan is not aware that any exception to the 72(t) tax is available. A code 2 means that the Plan knows that an exception to the 72(t) tax applies. With respect to the Form 1099-R's which were provided to retired members who were rehired by the City and were younger than age 59 1/2, the Plan should have used code 1 in Box 7. However, it is possible that the Plan used a different code number.

Attorney Bob Friedman joined the meeting via teleconference. He explained that Box 7 of the 1099-R shows a distribution code which classifies the pension payment for purposes of the 72(t) tax. Mr. Friedman said the codes 1 & 2 are the codes that should be used in Box 7 for our retirement payments to members who are younger than age 59 1/2.

Mr. Friedman said the following options may be available to the Board to correct the Form 1099-R's which have the wrong code number in Box 7:

- 1- Issue revised Form 1099-R's to the affected members and each member can decide if he needs to amend previous income tax returns. The Pension Board will have no further responsibility.
- 2- Submit a voluntary disclosure to the IRS in which the Plan offers to pay the 10% additional tax for the affected members (plus interest). If the IRS agrees, the members would not need to file amended returns and the Pension Board will have the responsibility for dealing with the IRS and paying the taxes (and interest). The IRS would agree to waive any penalties on the affected members for failing to pay the 72(t) taxes and on the Plan for providing incorrect Form 1099-R's.

Mr. Friedman also said that there is a statute of limitations for filing corrected tax returns. The current "open" years would be 2011, 2012, and 2013. Anything beyond 3 years is considered closed and there is no obligation to address it.

The Board asked that this discussion be added to the agenda next month. As well, the Administrator will notify the police and fire departments, unions, and the City that the Board will likely take action on this issue at the next meeting. The custodian, Fiduciary Trust, will also be notified of the potential liability of the issue.

In reference to the issue of In-Service Distributions, Trustee Musumeci asked Mr. Cypen if he thought the Board did all it could to protect the Plan and the Board members. Mr. Cypen agreed that the Board had. Mr. Musumeci was concerned about pending lawsuits as well as negative comments that have been made at City Commission meetings regarding the Board's responses to the issue.



**Chairman** – Chairman Dougherty said he would meet with Finance Director Rene Gonzalez during the week following the meeting.

**Plan Administrator** – The Pension Office is in receipt of additional bills for payment and other disbursements for approval. Administrator Fisher presented Warrant #595 for addition to the agenda and approval for payment. Motion by Jack McCluskey, second by Gary Arenson, to add Warrant #595 to the agenda. The motion carried unanimously. Motion by Jack McCluskey, second by Gary Arenson, to approve the payment of Warrant #595 as presented in the amount of \$479,037.81. The motion carried unanimously. The authorized payment includes:

<b>Plan Benefits:</b>	
F/F David Smith - Normal Retirement Benefit Commencing 5/1/2014	***
P/O James Ryan - Normal Retirement Benefit Commencing 5/1/2014	***
P/O Ruben Alvarez - Normal Retirement Benefit Commencing 5/1/2014	***
F/F John McCarthy – Normal Retirement Benefit Commencing 5/1/2014	***
F/F Pete Suarez – Deferred Vested Retirement Benefit Commencing 5/1/2014	***
F/F Maurice Washington - Normal Retirement Benefit Commencing 5/1/2014	***
<b>DROP Withdrawals:</b>	
P/O Louis Sorangelo – Lump Sum DROP Withdrawal less FIT	***
P/O David Belusko – Final Lump Sum DROP Withdrawal less FIT	***
P/O Warren McLoughlin – Lump Sum DROP Withdrawal less FIT	***
P/O Chad Cunningham – Lump Sum DROP Withdrawal less FIT	***
F/F Joseph DeStefano – Lump Sum DROP Withdrawal less FIT	***
F/F Joseph D’Onofrio – Lump Sum DROP Withdrawal less FIT	***
F/F Robert Bauman – Monthly DROP Withdrawal commencing 5/1/14	***
F/F John McCarthy – Lump Sum DROP Withdrawal less FIT	***
F/F David Smith – Lump Sum DROP Withdrawal less FIT	***
P/O James Ryan – Lump Sum DROP Withdrawal less FIT	***
P/O Ruben Alvarez – Lump Sum DROP Withdrawal less FIT	***
U.S. Treasury – FIT – W/H (Sorangelo, Belusko, McLoughlin, Cunningham, DeStefano, D’Onofrio, McCarthy, Smith, Ryan, Alvarez)	***
<b>DROP Loans:</b>	
P/O William Bucknam - DROP Loan Less Documentary Stamp	***
P/O Michael Scopa – DROP Loan Less Documentary Stamp	***
F/F Joseph Montopoli – DROP Loan Less Documentary Stamp	***
<b>Documentary Stamp for DROP Loans:</b>	
Florida Department of Revenue – Documentary Stamp (Bucknam)	***
Florida Department of Revenue – Documentary Stamp (Scopa)	***
Florida Department of Revenue – Documentary Stamp (Montopoli)	***
<b>Various:</b>	
Richard Ziff – April 2014 Loans	\$525.00
Accelerated Business Solution, Lease for April 2014	\$234.69
Accelerated Business Solution, 4/14/14 Supplies	\$13.10
Lee Munder – MidCap Mgmt Fees for Q/E 3/31/14	\$41,162.84
Lee Munder – LargeCap Mgmt Fees for Q/E 3/31/14	\$33,826.96
SunTrust (J. Fisher)	\$1,212.57
SunTrust (R. Maldonado)	\$295.72
Mileage Reimbursement – (Maldonado) 8/9/13 – 4/7/14	\$60.89
Wells Capital, Mgmt Fees for Q/E 3/31/14	\$42,601.37
<b>TOTAL</b>	<b>\$479,037.81</b>

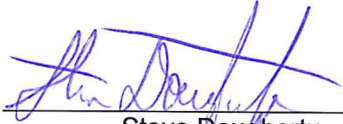
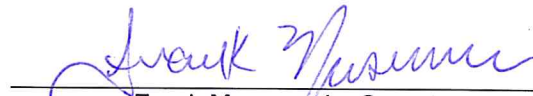
\*\*\* Schedule A is available upon request. Please contact the Pension Office if you wish to view it.

The Assistant Administrator informed the Board that there were two outstanding annual affidavits. In accordance with Board instruction given at the March meeting, the benefit will cease as of May 1 and thereafter until the form is returned. As well, she reminded the Board that the FPPTA June conference is scheduled for June 29<sup>th</sup> through July 2<sup>nd</sup>.

11. **Input from Retirees:** Retired Police Officer Reynold Zamora came before the Board to ask if he could rescind his election to receive a 13<sup>th</sup> check and instead elect the annual COLA. The Board informed Mr.

Zamora that it was not within their authority to allow the change. Mr. Zamora would have to petition the City for change in the Ordinance.

12. **Input from Active Members:** None.
13. **Input from Trustees:** Trustee Venema asked how to handle attending PBA meetings when other police trustees are present. He was reminded that he is not to speak to another trustee about Pension Board business. Also, if a trustee is scheduled to present or otherwise speaks at the meeting, the other trustee should leave the room until such time as the first has finished speaking.
14. **Public Comment** – None.
15. **Adjournment** – Chairman Dougherty announced that the next regular meeting would be held on **Thursday, May 15, 2014 at 1:00 p.m.** The trustees requested an earlier meeting due to important agenda items. There being no further business to come before the Board, motion by Carl Heim, second by Al Xiques, to adjourn the meeting at 4:12 p.m. The motion carried unanimously.

  
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Steve Dougherty – Chairman  
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Frank Musumeci – Secretary