

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 – JULY 17, 2014

The four hundred twenty ninth 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. <u>Roll Call</u> –	<u>Fire Members</u>	<u>Police Members</u>	<u>City Members</u>
	Steve Dougherty Frank Musumeci	Carl Heim Al Xiques	Gary Arenson Jack McCluskey Vicki Minnaugh

Others Present: Steve Cypen, Attorney for the Fund; Robert Friedman, Holland & Knight (Special Tax Counsel); Kevin Packman, Holland & Knight; Larry Wilson, Gabriel Roeder Smith (Plan Actuary); Glenn Mealer, City Employee (Videographer); James Fisher, Plan Administrator and Rachel Maldonado, Assistant Plan Administrator.

Motion by Frank Musumeci, second by Vicki Minnaugh, to excuse the absences of Trustees Adam Cabeza and Kevin Venema. The motion carried unanimously. Trustees Arenson and McCluskey attended the meeting via teleconference. Attorneys Friedman and Packman also attended the meeting via teleconference on the discussion of Item 8. The following people attended the meeting as part of the audience, as well.

Jim DeSilva, Pines Police Dept. (Retired)	Robert Johnson, Pines Fire Dept.
Robert Scopa, Pines Police Dept. (Retired)	Rick Burke, Gray Robinson, Esq.
Bernie Kraemer, Pines Police Dept. (Retired)	Walter Yester, Pines Police Dept. (Retired)
Dan Rotstein, City HR Director	Richard Lebel, Pines Police Dept. (Retired)
Ron Cohen, Rice Pugatch Robinson Schiller, Esq.	Richard Davis, R.S Davis Financial Services

2. **Approval of Minutes for June 19, 2014** – Chairman Dougherty presented minutes from the June 19, 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:

- F/F Jaime Friedman***
- F/F David Moss ***

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

Motion by Vicki Minnaugh, second by Frank Musumeci, 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 Walter Yester (Monthly) ***
- P/O Valerie Toth (Lump Sum) ***

- F/F Robert Kern (Lump Sum & Monthly) ***
- F/F Mariano Santos (Lump Sum) ***
- F/F Louis Nettina (Lump Sum) ***
- F/F Joseph D'Onofrio (Lump Sum) ***

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

- F/F Michael Hohl (Lump Sum) ***
- P/O Michael Johnson (Lump Sum) ***
- F/F Robert Welter (Lump Sum) ***
- F/F John Deegan (Lump Sum) ***

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

Motion by Vicki Minnaugh, second by Carl Heim, to add the last four 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 Vicki Minnaugh, second by Frank Musumeci, to approve the account distributions as presented. The motion carried unanimously.

5. **Refund of Contributions** – The refund of pension contributions for the member listed below was approved for immediate rollover.

- F/F Luis Hormilla

Motion by Vicki Minnaugh, second by Al Xiques, to approve the refund as presented for Mr. Hormilla. The motion carried unanimously.

6. **Approval of Vendor Warrant #600** – Chairman Dougherty presented Warrant #600 in the amount of \$316,465.31 for approval and payment. Motion by Vicki Minnaugh, second by Frank Musumeci, to approve Warrant #600 as presented. The motion carried unanimously. Gary Arenson abstained from voting due to a voting conflict.

Cypen & Cypen – Monthly Retainer for July 2014	\$3,250.00
Hampton Professional Center Condo #2, Ste 104 (Monthly Maintenance – August 2014)	\$407.72
Twilight Industries, LLC – (Maintenance – July 2014)	\$152.00
SunTrust (J. Fisher)	\$2,296.80
SunTrust (R. Maldonado)	\$2,346.49
SunTrust (A. Xiques)	\$1,122.98
Lee Munder, Mid Cap Fees for Q/E 6/30/14	\$42,054.49
Lee Munder, Large Cap Fees for Q/E 6/30/14	\$34,776.51
City Fire, Annual Service Fee	\$30.00
Inverness, Fixed Income Fees for Q/E 9/30/14	\$66,364.42
Inverness, Equity Fees for Q/E 9/30/14	\$149,150.34
City of Pembroke Pines, Annual Business Tax Renewal	\$112.50
Holland & Knight Invoice# 3058967	\$4,400.00
GRS – June 2014	\$6,920.00
James Fisher – Conference Reimbursement	\$614.44
Rachel Maldonado – Conference Reimbursement	\$609.96
Gary Arenson – Conference Reimbursement	\$1,245.04
McConnell Air Conditioning – June Service Call	\$198.25
Accelerated Business Solutions – July 2014 Lease	\$234.69
FP&L, 5/28 – 6/26/14	\$178.68
GRAND TOTAL	\$316,465.31

7. **Approval of Member Warrant #601** – Chairman Dougherty presented Warrant #601 in the amount of \$233,367.61 for approval and payment. Motion by Vicki Minnaugh, second by Gary Arenson, to approve

Warrant #601 as presented. The motion carried unanimously.

Plan Benefits:	
P/O Valerie Toth - Normal Retirement Benefit Commencing 8/1/2014	***
DROP Withdrawals:	
P/O Valerie Toth – Lump Sum DROP Withdrawal less FIT	***
P/O Walter Yester – Monthly DROP Withdrawal commencing 8/1/14	***
F/F Robert Kern – Increasing Monthly DROP Withdrawal commencing 8/1/14	***
F/F Robert Kern – Lump Sum DROP Withdrawal less FIT	***
F/F Mariano Santos – Lump Sum DROP Withdrawal less FIT	***
F/F Louis Nettina – Lump Sum DROP Withdrawal less FIT	***
F/F Joseph D'Onofrio – Lump DROP Withdrawal less FIT	***
F/F Michael Hohl – Lump Sum DROP Withdrawal less FIT	***
P/O Michael Johnson – Lump Sum DROP Withdrawal less FIT	***
F/F Robert Welter – Monthly DROP Withdrawal commencing 8/1/14	***
F/F John Deegan – Lump Sum DROP Withdrawal less FIT	***
U.S. Treasury – FIT W/H (Toth, Kern, Santos, Nettina, D'Onofrio, Hohl, Johnson, Deegan)	***
DROP Loans:	
F/F Jaime Friedman - DROP Loan Less Documentary Stamp	***
F/F David Moss – DROP Loan Less Documentary Stamp	***
Documentary Stamp for DROP Loans:	
Florida Department of Revenue – Documentary Stamp (Friedman)	***
Florida Department of Revenue – Documentary Stamp (Moss)	***
Refund of Contributions:	
F/F Luis Hormilla – Rollover of Pension Contributions	***
TOTAL	
	\$233,367.61

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

UNFINISHED BUSINESS

8. **1099-R Discussion:** This discussion was deferred until a later part of the meeting.

NEW BUSINESS

9. **Trustee Election Timeline:** The Assistant Administrator presented a timeline for trustee election. The seats occupied by F/F Steve Dougherty and P/O Kevin Venema expire on 10/1/2014. Motion by Vicki Minnaugh, second by Frank Musumeci, to approve the election timeline as presented. The motion carried unanimously.
10. **Review and Approve DROP Loan Interest Rate for Q/E 9/30/2014** – 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 Vicki Minnaugh, to approve a 4.25% DROP Loan interest rate for loans approved by the Board during July, August, and September of 2014. The motion carried unanimously.
11. **Reports:**
- Actuary** – Larry Wilson reviewed correspondence from the State on gain sharing with the Board. The Florida Statutes allow a Pension Fund to pay a benefit that is sourced from actuarial gains from investment returns as long as the Fund experiences cumulative actuarial gains to support it. The ordinance allows payment of a supplemental benefit that is sourced from investment returns above the threshold if, and only if, it does not exceed a cumulative net actuarial experience from all Plan liabilities. In 2004-2005, the State instructed the Board that an excess benefit could not be paid. Since then, the Board has not been in a position to pay this supplement.

Attorney – No additional report from the attorney at this meeting.

Chairman – Chairman Dougherty distributed in writing some of his thoughts on a possible resolution to the issue with the 72(t) tax penalty for members that were rehired.

Plan Administrator – None.

**Brief recess 2:21 to 2:27.*

8. **1099-R Discussion (Revisited)**: Robert Friedman and his partner, Kevin Hackman, from Holland & Knight opened the discussion on the Forms 1099-R. They reported to the Board that they had not yet secured a contact at the IRS to discuss a successful Voluntary Disclosure application. Multiple phone calls had been made but various offices claimed that they did not have jurisdiction over this particular issue. Mr. Packman was waiting to speak to the head of the Southeast Region for exempt and governmental organizations.

Attorney Rick Burke, special counsel for the City, suggested that in the interest of time the Board should allow individuals to amend their returns. Mr. Burke was concerned that getting a definitive response from the IRS could prove to be a lengthy wait. The Board did not want to explore that avenue because it meant that the liabilities for 72(t) taxes and possibly penalties would not be uniform across the board for the members.

The Board discussed paying the 72(t) taxes up front and then recouping a portion of the money from the member over time. Trustee McCluskey recommended that the Board pick a finite date before that decision was made so that the liability for the Board would not continue until an unspecified time. Mr. Cypen assured Mr. McCluskey that would be the case.

The Board deliberated for a while on other scenarios. A few members that were hired back had since separated after their second position. Two of those members had not yet reached the age of 50. Therefore, the monthly pension would also be subject to a 10% 72(t) tax, not just their DROP distributions, until they reach age 59 ½. The Board and City personnel discussed whether at least one of those members could be hired back so that, upon separation after attaining 50 years of age, the 10% 72(t) tax on monthly pension would no longer continue to the age of 59 ½.

Another member, former office Richard Lebel, who was part of this original group voiced his concern that he asked for a separate 1099-R for the tax year 2013 to reflect his DROP distributions. Since the 1099-Rs reported all pension and DROP distributions together as "normal distributions", Mr. Lebel said he was not able to report his DROP funds separately and pay his 10% 72(t) tax.

There was a consensus that the Board would pay upfront fees to immediately satisfy the IRS and would then deal with the member separately. As a motion was being formulated to include each scenario, Mr. Burke interjected. He notified the Board that some in attendance that were rehired retirees had just informed him that other members who were retirees and had not been rehired have also not paid a 72(t) tax on their DROP distributions. (A 72(t) tax on pension payments would not apply in this case.) The Board suspended its discussion of the motion. Seeing as the possibility of a second group had been identified, the Board asked the Administrator and the Assistant Administrator to identify all possible retirees who received DROP distributions during the years 2010-2013. Ms. Maldonado confirmed that she would identify any additional members who satisfy the age and timeframe and provide the 1099-Rs for those with DROP distributions.

12. **Input from Retirees**: None.

13. **Input from Active Members**: None.

14. **Input from Trustees**: None.

15. **Public Comment**: None.

16. **Adjournment** – Chairman Dougherty announced that the next regular meeting would be held on

Thursday, August 21, 2014 at 2:00 p.m. The next meeting is a quarterly investment meeting with the following expected present.

- Herndon Capital
- TA Associates
- Inverness Counsel
- Dahab Associates

There being no further business to come before the Board, motion by Vicki Minnaugh, second by Carl Heim, to adjourn the meeting at 4:22 p.m. The motion carried unanimously.



Steve Dougherty – Chairman



Frank Musumeci – Secretary