

City of Miramar Firefighters' Retirement Plan

MINUTES OF MEETING

April 10, 2014

James Estep called the workshop to order at 9:13 A.M. in the Meeting Room of Fire Station 100 located at 2800 SW 184th Avenue, Miramar, FL. Those persons present were:

TRUSTEES PRESENT

James Estep, Chairman
Orlando Segarra' Trustee
Manuel Esparza, Secretary
Susan Finn, Trustee

Jason Swaidan, Advisory Comm
Ulises Carmona, Advisory Comm

OTHERS PRESENT

Denise McNeill; Resource Center; Administrator
Bonni Jensen; Perry & Jensen; Attorney
Don Dulaney; Dulaney & Co; Actuary
Cindy Naraine; City HR Dept
Members of the Plan

TRUSTEES ABSENT

Andrew Tomchick, Trustee

Leonardo Nunez, Advisory Comm

PUBLIC COMMENTARY

James Estep invited those present to address the Board with public comments. There were no comments at this time.

MINUTES

Minutes of the February 20 and February 27, 2014 meetings were presented in the Trustee packets for review.

- Manny Esparza made a motion to approve the February 20 and February 27, 2014 minutes as presented. The motion received a second by Sue Finn and was approved by the Trustees 4-0.

DISBURSEMENTS

Denise McNeill presented a disbursement report for approval with additional payments to Orlando Segarra for the meeting expenses.

- Manuel Esparza made a motion to approve the disbursements as amended. The motion received a second by Sue Finn and was approved by the Trustees 4-0.

ATTORNEY REPORT

MOLPUS ADDITIONAL FUNDING AGREEMENT: Bonni Jensen presented documents for the additional funding with Molpus previously approved by the Board. She reviewed the details of the differences between the new investment in Fund IV versus the Plan's current investment in Fund III. She explained it is still a partnership relationship and the UBIT tax relationship exists. The documents were endorsed accordingly. It was noted that Molpus could offer a special deal to close the Fund which would interfere with the "most favored nations" clause. Discussion followed regarding the Molpus Investor Day. Denise McNeill explained Molpus had requested confirmation of attendance by mid May. She will coordinate with Molpus on the hotel arrangement once the headcount has been confirmed.

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ORDINANCE CHANGE UPDATE: Bonni Jensen explained she had sent an Ordinance Request to the City in January to revive the In-Service Distribution language to clarify the matter for the Plan records. She explained she is still awaiting a response from the City at this time.

SICK AND VACATION DROP FUNDING: Mrs. Jensen reminded the Trustees at the prior meeting she was tasked to hire Tarcza and Associates for a tax opinion. She explained that she began by reviewing the prior communication received from that firm dated June 4, 2012 and realized the matter had been addressed in their prior communication. She reviewed the response in detail noting the following: The letter states that there are two IRS letter rulings that discuss the transfer of accumulated sick and vacation leave and makes specific note that "the contributions of unused time were automatic and the employee had no discretion over whether the unused time was paid into the retirement system. The 2002 Ruling regarding accumulated sick and vacation leave stated: "At no time does the retiring employee have a choice of contributions to the supplemental medical benefit or the deferred compensation plan." The 2003 Ruling regarding accumulated sick and vacation leave which finds that the conversion is automatic and mandatory. "The employee's receipt of the accumulated vacation leave is not constructively received because under no circumstances will an employee be eligible to receive any of the unused vacation credits accumulated before separation from service or retirement in cash." The Ruling concludes that therefore neither the accumulation of the time nor the transfer to the 401(a) plan results in the inclusion of these amounts in income. In summary, all of the accumulated sick and vacation leave must be transferred to the Pension Fund up to the IRS annual contribution limits (taking into account any other DC type contributions). Mr. Estep inquired into the FICA tax and Mrs. Jensen explained the 2003 IRS letter addresses employer contributions noting they are not exempted from wages and therefore the point of opinion is that sick and vacation payouts are mandatory and not subject to FICA. Discussion followed regarding a recent payout from the City to DROP member, Ross Reger noting the payment had withdrawn FICA. Mrs. Jensen will forward the detailed information to Cindy Naraine so that the matter can be corrected with the City. Mr. Estep reported that member's VEBA contributions are being reported on their W2's as taxable and they are experiencing some other Union deduction issues therefore he will broadcast the information to membership to educate personnel accordingly. Mr. Estep confirmed with Eric Dodge and the Union is fine with the Chairman's action.

Bonni Jensen then reminded the Trustees of the Division of Retirement's upcoming Trustees School in May.

Bonni Jensen reported on a recent change with her firm affiliation with Klausner and Kaufman. She explained that attorney Steve Cypen has also joined the firm affiliation of Klausner and Kaufman in a strategic alliance. Discussion followed regarding pension plans and attorneys across the country.

LEGAL UPDATE: Mrs. Jensen then addressed the recent State Legislative session noting another Pension Bill had been filed in October; however nothing had happened in the session. She explained there has been more discussion at the League of Cities and a report was expected this afternoon; however at the moment, all was relatively static.

ACTUARY REPORT

Don Dulaney reported the annual benefit statements are ready and a list was presented to Mr. Estep and Mrs. Naraine for review. A question was raised about a few members and Mrs. Naraine will look into the details and confirm for the actuary.

Mr. Dulaney then addressed the revised DROP statements for the active DROP members for fiscal year ending 2013. He explained the administrator was able to pull the detailed payroll

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contribution information from the prior year and he was able to identify the pending difference had related to a missing payroll period in July of 2013. Discussion followed regarding the DROP and Share account roll forward reports needed by the auditor to finish the annual report. Mr. Dulaney explained that he believes the auditor has all information needed to finish the annual report; however he will follow up with the auditor.

Mr. Dulaney then addressed the language on the DROP statements related to the new interest accumulators. Lengthy discussion followed regarding the language to be used in the explanation on the member statements due to the floor and ceiling caps which are not final until the end of the fiscal year. The following language was agreed upon by the Board: "Earnings are credited at the Fund's actual monthly returns on a quarterly basis, net of investment expenses, with an annual floor of 0.0% and an annual maximum rate of 8.0%, for each plan year ending on September 30. The fund's rate of return thus far this plan year has already exceeded 8.0%. Future quarterly losses could reduce the earnings for this plan year." And for investment losses: "Earnings are credited at the Fund's actual monthly returns, net of investment expenses, with a floor of 0.0% and a maximum rate of 8.0%, for each plan year ending on September 30. The fund's rate of return this plan year has been less than 0.0%. Future quarterly gains could result in positive earnings for this plan year."

- Orlando Segarra made a motion to approve the DROP explanation language related to quarterly investment gain as amended. The motion received a second by Manuel Esparza and was approved by the Trustees 4-0.
- Manuel Esparza made a motion to approve the DROP explanation language related to a quarterly investment loss as amended. The motion received a second by Sue Finn and was approved by the Trustees 4-0.

James Estep inquired into the pending Share and DROP statements in need of correction. Mr. Dulaney will look into the needed changes and provide the revised reports accordingly.

ADMINISTRATOR REPORT

Denise McNeill explained the recent action of rebalancing has been completed and the additional Molpus funding is pending.

Mrs. McNeill presented sample calculations from the administrator's system for the Trustees so they would have an idea of how the detail would be listed for membership. She explained that there a couple more items which need to be updated before the system can be activated live for membership.

OLD BUSINESS

Denise McNeill addressed the 2012 payroll data. She explained that she had not finished the final effort to reconcile the data differences; however if she was unable to clarify, the payroll audit will be initiated with Steve Gordon's office as previously instructed by the Board.

NEW BUSINESS

Denise McNeill reported on a payroll matter related to Francesca Rogers. Mrs. Rogers had initially been a GE employee and transitioned into Fire in August of 2013; however Mrs. Rogers' payroll had not been properly transitioned and back contributions were due to the Plan. It was noted that the City is addressing the corrections.

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James Estep inquired into the pension workshops scheduled for June 3rd and 4th from 9-10 AM. Mrs. McNeill will provide a notice for posting.

ADJOURNMENT

The Trustees acknowledged their next meeting date set for May 23, 2014. There being no further business,

- Manuel Esparza made a motion to adjourn the meeting at 11:15 AM. The motion received a second by Susan Finn and was approved by the Trustees 4 -0.

Respectfully submitted,

Manuel Esparza, Secretary