June, 2010

POLICE AND FIRE PENSION BOARD
REGULAR BOARD MEETING
WEDNESDAY, JUNE 9, 2010, 12:30 P.M.

Michael Dew, Chairman
Ken Rudominer, Vice Chairman
Richard Fortunato, Secretary
J. Scott Bayne, Trustee
Mark Burnam, Trustee
Dennis Hole, Trustee
Jim Naugle, Trustee
Steve Cypen, Cypen & Cypen, Board Attorney
Lynn Wenguer, Administrator

Also Present:
Amanda Cintron, Assistant Administrator
Laurie DeZayas, Pension Secretary
Liz Davila, Recording Secretary, Prototype, Inc
Gregg Gurdak, Retirees' Association
Rick Schulze, Retirees' Association
George Farrell, Jr., Retirees' Association
Billl Paton, Retirees' Association
Fuzzy Larkin, Retirees' Association
Fred Nesbitt, Retirees' Association
Linda Soloman-Duffey, Retirees' Association
Frank Colleran, Retirees' Association
Eric Brogna, FLPD Police Captain
John Herbst, City Auditor
Lynda Flynn, City Interim Finance Director
Randall Stanley, Board Actuary

Pursuant to authority of Ordinance C-00-34, Article II, this regular meeting of the Police & Firefighters' Pension Board Convened at 12:30 p.m. Wednesday, June 9, 2010 in the Pension Board Conference Room, 888 S. Andrews Avenue, Suite 202, Fort Lauderdale, Florida 33316.

Communication to the City Commission

There was consensus among the Trustees that the following items should be communicated to the City Commission:

In an effort to comply with the March 15th submission deadline for their State Report, the Pension Board is considering changing their fiscal year to coincide with the City's fiscal year. The City Finance Director is going to bring a recommendation to the Board at their July meeting. The Board has also requested feedback from the City Manager.

The Pension Board has received numerous responses from their Investment Consultant RFP and has begun the evaluation process.

MINUTES:

Regular Meeting May 12, 2010

Motion made by Mr. Bayne, seconded by Mr. Naugle, to waive and accept the minutes from the April 14, 2010 regular meeting.

Mr. Hole asked that on p.16, second paragraph, "fact" should be corrected to "fax." On p.23, with regard to Fort Lauderdale office space, he noted the Board is paying $25.10 per square foot.

Chair Dew called the question. In a voice vote, the motion carried unanimously.

Benefits Review: POLICE DEPARTMENT

Vesting: Steven DeGracia

FIRE DEPARTMENT

Survivor Death: Patricia Arndt

Motion made by Mr. Rudominer, seconded by Mr. Fortunato, to grant the Police and Fire benefits as documented. In a voice vote, the motion carried unanimously.

BILLS:

Prudential	$20,417.35
BNY Mellon	$ 5,385.03
MarcumRachlin	$ 3,000.00
Ellen Schaffer	$ 1.312.50

Motion made by Mr. Hole, seconded by Mr. Fortunato, to accept and pay the bills as submitted.

Mr. Hole referred the Board to p.34, Ellen Schaffer, noting that the second item listed is one hour to recover assignment pay from 2009 that was missing from the eoy download. He requested further information. Ms. Wenguer replied when the payroll system was upgraded with a new system, the new download did not include assignment pay and the information was re-formatted. Neither benefits nor the audit were affected.

Chair Dew called the question. In a voice vote, the motion carried unanimously.

The following Item was taken out of order on the Agenda.

INPUT FROM ACTIVE & RETIRED POLICE OFFICERS & FIREFIGHTERS:

Mr. Larkin noted that a rule has changed, which now allows individuals who have gone out on disability and reached retirement age to get paid tax-free. The former rule had deducted income tax when these individuals reached retirement age. He asked if they were covered under Me Too. Mr. Cypen answered this was not a Me Too issue but a Federal tax law issue: the provision was changed to state that this benefit no longer converted to a normal benefit when the individual reached retirement age.

Chair Dew asked Mr. Gurdak if he planned to attend the June conference, and asked that he report back to the Board following the conference. Mr. Gurdak agreed to this.

SERVICE-INCURRED INFORMAL DISABILITY HEARING FOR WILLIAM WELYZCKO:

Mr. Welyzcko was in attendance telephonically.

Mr. Cypen explained that the Board must determine whether the following criteria are met:

Disability is total;
Disability is permanent;
Disability is service-incurred.

He explained further that total disability prevents an individual from performing all the regular duties of a police officer, including other duties that may be available to the officer through the Department. Permanent disability means within reasonable medical probability, the condition may not be cured or ameliorated. He added that the term service-connected is somewhat self-explanatory. If these criteria are met, a motion to grant disability would be in order, including an effective date. If any of the three criteria are not met, a motion to deny would be in order. Florida law requires that grounds be given for denial, which means the Board would be asked to specify such grounds. If information is missing or incomplete and the Board needs further clarification, a motion to defer or table the Item would be in order, which is not debatable, and is voted upon immediately.

The Board heard Mr. Welyzcko's case.

Mr. Cypen stated the Board could make one of three possible motions:

To grant disability if all three criteria are present;
To table or defer if they feel additional information is required;
To deny disability if any of the three criteria are not present.

Motion made by Mr. Hole, seconded by Mr. Rudominer, to deny the disability application based on the grounds that none of the three criteria are present. In a roll call vote, the motion carried unanimously.

Mr. Cypen advised Mr. Welyzcko that the application was denied following the informal hearing and informed him of the necessary steps for a formal hearing if he wished to have one.

ANNUAL ACTUARIAL REPORT:

Stanley Holcombe & Associates

Randall Stanley, representing Stanley Holcombe & Associates, stated he would review the January 1, 2010 Actuarial Evaluation Report.

He referred the Board to p.1, Assets, advising that as of January 1, 2010, the Trust is using an actuarial asset value of $451.6 million. The actuarial asset value is considered a “smoothed” value, as some of the peaks and valleys are lessened to an extent. Market value as of January 1 was $405 million, which means the actuarial asset value is 111% of the market. He recalled that the previous year’s actuarial asset value of $444 million was 120% of the market, and the market value in 2009 was $370 million.

Mr. Stanley explained that the Trust was in a hole the previous year, and is beginning to come out of this to some extent in 2010. It is assumed that the Trust will earn 7.75% on actuarial value, which means when the market value is less, it must grow at a higher rate than 7.75% in order to make up the deficit. The Trust has not yet made up the deficit as of January 1, 2010.

Mr. Cypen asked if last year’s asset value was a forced 120%. Mr. Stanley said it had hit the corridor limit, as State law prevents it from going below 80% or above 120% of the market.

He referred the Board to payroll, which increased from $52.8 million to $61.7 million. Coverage of active members also increased from 754 to 804. Both increases are considered to be substantial. He also noted that $799.7 million, the funding target, covers the present value of all projected targets under the system for current members as of January 1, 2010. If the trust contained this amount, theoretically it would never need the contribution of another dollar from City, State, or membership sources.

Mr. Cypen asked how the report handled DROP payroll and the comparison of total payroll v. active membership. Mr. Stanley stated the percentage of payroll numbers does not include payroll to people in trust. Mr. Cypen asked if this should not be done for comparison purposes. Mr. Stanley advised that while this is arguable, many Ordinances state the sponsor will not contribute to people in DROP.

Mr. Cypen asked how a system with no DROP, in year one, could be compared to the same system in year two which has a DROP and does not take savings between payroll and DROP from the previous year into consideration. Mr. Stanley did not feel this would be unfair: when someone has retired or entered DROP, they are theoretically fully funded anyway.

Mr. Cypen offered the example of a total payroll of $100 million, $75 million of which goes to active employees and $25 million to DROP. If the contribution for active payroll is 20% and 0% on the DROP payroll, the total amount of contribution is only really 15% of pay instead of 20%. He noted that one reason for DROP is to save on the contribution; without a comparison to non-DROP, he felt it could be misleading.

Mr. Bayne suggested the dollar amount be shown instead of the percentage amount, as the dollar amount is your true number. Mr. Cypen noted, however, that the true number is not used any longer with the Division of Retirement.

Mr. Cypen continued that the plan includes one-quarter of the police officers and firefighters are in DROP, and instead of having 16% pay for people who are covered, it is really only 12%. This appears skewed because the payroll made with zero load on it is not taken into consideration. Mr. Cypen asserted this is one of the reasons you have a DROP.

It was noted that payroll for DROP members would help with the calculation, as DROP members are normally the highest paid senior people.

Mr. Naugle felt this information should be included in an audit, but reminded the Board that this is an actuary report. Mr. Rudominer pointed out that the figure is often used to judge the health of the plan, or how the plan functions with or without a percentage of payroll. Mr. Cypen stated without this information the report is incomplete, as it can be said the Trust is 40% of pay, but when it is noted that 25% of employees are in DROP, this percentage is changed to 30% of pay.

Mr. Rudominer asked if the information belongs in the actuarial report. Mr. Cypen said there are different styles, as the information can be placed in the report or in a cover letter, or in a column to show the DROP payroll for comparision purposes.

Mr. Bayne asked how this information would be included. Mr. Stanley replied that on Exhibit 1, he would do a transition from…normal cost to the total payroll, including the pay of people in DROP. He referred the Board to p.5, where percentages are shown with the City's contribution of 48% at the top, and added that this display would be re-cast to show percentages of the payroll including DROP. It was confirmed that at the time of the report there were 70 members in DROP, although the number has increased since the beginning of the year.

Mr. Stanley referred the Board to Table 2 on p.5, which shows the detailed gain/loss analysis. In this case, the impact of the 2009 experience is shown "assumption by assumption:" for example, with regard to elements that experienced retirement and DROP, the experience for these two reduced the City's contribution by 1.1% of pay, or $154,000. The detailed gain/loss seeks to explain virtually everything that happened in the system in 2009.

He called the Board's attention to two items in particular, first noting that the unfunded liability increased by $28 million. This shows that the investment experience in 2009 on the actuarial value of assets was insufficient to meet the assumptions, and increased the unfunded liability. The City's contribution was increased by nearly $1 million.

Mr. Cypen asked if the category of "assets" was always used as opposed to "returns." Mr. Stanley stated it can be done either way, and can also be referred to as "investment returns."

Mr. Stanley pointed out the second item in Table 2, which showed salaries. The adverse salary experience increased the unfunded liability by $14.3 million, and a nearly $2 million increase to the City's contribution.

He stated that the investment return was expected, as it would have taken a very strong year to recover from the asset to market values of 2009. What was not expected, however, was the loss based on pay increases for individuals who were active on both January 1, 2009 and January 1, 2010. Mr. Stanley said his office frankly didn't believe the data, but they had determined by the middle of May that the data were good.

Chair Dew asked for a further explanation of what Mr. Stanley was referring to. Mr. Stanley explained that the pay of 227 people who were active on January 1 of both years was shown in the data to increase by more than 15%.

Mr. Naugle said this would have resulted from the approval of the contract becoming retroactive. Mr. Bayne pointed out, however, that the contract had not been approved as of January 1, 2010, so these data would not have been included.

Chair Dew asked where the information had come from. Ms. Wenguer replied it was downloaded from the City, who sent it directly to the actuary.

Mr. Bayne asked if the numbers showed people that were actually employed at that time, or if it includes individuals who were hired and would increase the overall pay. It was clarified that new hires did not contribute to this data.

Ms. Wenguer explained that if an individual is hired in the middle of the year in 2008, for example, his half-year's salary may have been $32,500; in 2009, however, the same individual could now be a full-time employee at $65,000. Mr. Stanley stated that step raises are automatically taken into account by the actuary's assumptions: for example, an average pay increase is assumed to be 6.22%, which accounts for inflation and step raises. The results found, however, were much more dramatic than that.

Ms. Wenguer stated she had spot-checked the top 25 people, and the data were exactly right. She added that the report only addresses pensionable earnings. The 2009 numbers were confirmed to be correct, and she had not been able to locate the discrepancy. She reiterated that she had received her information directly from the City; she had sent the information back to the City for clarification by the individual in IT who compiled the report to ensure nothing was missing.

Ms. Wenguer said the resources she had checked were "my payroll records," which she had downloaded. She stated her conclusion was that 2009 was correct, and perhaps the number from 2008 was underreported but not identified at that time.

Chair Dew asked if there is a way the Board can go back and revisit the information to ensure it is correct at the time. Ms. Wenguer offered to forward it to his Department so they can check further for a discrepancy.

Mr. Stanley continued, referring the Board to p.7, Table 3. He pointed out that in early 2008, the market began to decline dramatically, although actuarial value didn't go down much. When the market began to recover in 2007-09, the actuarial value climbed back up partially. The actuarial asset value rate of return was a little over 5% in 2009, although the market had recovered to a greater degree.

Mr. Stanley moved on to p.9, stating that the Trust experienced gains due to retirements, disabilities, and mortalities, along with loss due to turnover. Typically gains are experienced on retirements if individuals do not retire as early as expected, and experience loss on turnover if fewer people leave than expected. The gain on disability occurs if there is less disability than expected. He concluded that this is this is classic economy-driven, in which individuals postpone retirement and keep their jobs in an uncertain economy.

On p.8, he noted that one leg of funding is accumulated assets and its rate of return; another is contributions coming in from members; and the remainder has to come from the City and the State. Existing accumulated assets had been expected, in 2001, to carry about 85% of the load for funding; however, in January 2010 this is down to 56%. This means if the assets are funding less of the total, the City contributions have to fund more.

He showed a funded ratio chart, which detailed the actuarial value of assets as well as the accumulated liability, and stated that in 2001, the Trust was 100% funded on that measure. In 2010, this is about 70%. Mr. Stanley stated neither of these is an ideal goal, which would be around 80%. By that measure, some of the funded status has been lost. He noted if market value instead of actuarial value was used, the Trust would be closer to 60% funded than 70%. He also advised this is not a unique situation, as most funded ratios have deteriorated over the last couple of years and will undoubtedly increase as the market turns around.

Mr. Stanley called the Board's attention to p.19, which shows State distribution of Chapters 175 and 185. The amount the State distributed in earlier years could be used to offset the City's contribution, and became a baseline. Later on, minimum benefits were mandated, but only to the extent that excess distributions were coming in from the State. The Trust did not get a supplemental distribution under 175, although they were counting on getting $276,000; this must then be made up by the City. To a lesser extent, it was also discovered that the Trust didn't get as much as we needed from 185, so a bit of extra contribution from the City must be made to cover this as well.

Mr. Stanley moved on to p.37, which shows the assumptions and methods that go into constructing the figures. They use 7.75% as a return assumption; Mr. Stanley said some boards have asked if they should consider reducing this assumption to, for example, 7.5%, in order to prevent the sense that they were chasing the return assumption. He did not recommend any changes at this time, stating that 7.75% was possibly a conservative estimate when it was made.

Salary increase assumptions are 3.25%, allowing for inflation as well as service-based increases which are intended to mimic the step plan. The real return expectation is roughly 4.5%, which might be aggressive. If the 7.75% is reduced, the inflation assumption should also be reduced, and possibly the salary increase assumption as well.

He continued this can occur due to the pattern of retirements during the year, and assumptions do not increase before the end of the year if pay is increased.

Mr. Cypen asked if this meant the 7.75% return rate remains the best approach overall for the plan of the City, at present as well as for the future, or if the Board should consider adjustments. Mr. Stanley said he is recommending no adjustments at this time.

Chair Dew explained that the Board hopes that investment returns improve; they are also presently looking for a new consultant, which may mean taking some new direction. Mr. Stanley said his recommendation would be considering the rate of return when the next experience study is done. He felt the assumptions are doing a pretty good job, but agreed he would like to see gains in retirement experience.

Mr. Cypen noted assumptions are only off by .6%, which he said was terrific.

Mr. Stanley advised that a more current mortality table is also available, although he did not yet recommend that the Board use this. He referred the Board to p.38, which states once members reach 20 years, a percentage of them will start retiring. This probability was slightly increased in both the report and the actuarial impact statement in 2009, as they felt the longer DROP period could accelerate people entering DROP. He recalled, however, that opinion was not universally shared. Mr. Cypen felt DROP encourages individuals to stay longer and then enter the DROP.

Ms. Wenguer recalled that individuals seem to be waiting as long as they can before retiring. Mr. Bayne added that this could also be due to the market factor.

Mr. Hole asked if the report will be sent on to the City and State, or if the Board should wait to check 2008 employment rolls before sending it on. Chair Dew advised that they wait so they can ensure the document is accurate before submitting it.

Ms. Wenguer stated she was comfortable that the 2009 figures were correct, but could not vouch for 2008's figures.

Mr. Stanley said an issue in 2008 could have only a nominal impact on the figures; however, an error in 2009 could be significant.

Motion made by Mr. Bayne, seconded by Mr. Naugle, to table the approval with corrections pending.

It was asked if a figure, based on the report, has been forwarded to the City for inclusion in the upcoming budget. Ms. Wenguer advised she had just sent this information to the City. It was noted that any changes in the report would mean this number could be decreased.

It was also noted that the City is required to make up the shortfall of supplemental revenues, and it was asked why the supplemental benefits are not reduced instead. Mr. Cypen stated if any benefits included are not funded by tax money, the City has to make it up.

It was clarified that the Board is also requesting that Exhibit 2 be modified to show the percentage of payroll for DROP.

Chair Dew called the question. In a voice vote, the motion carried unanimously.

2009 PENSION PLAN AUDIT:

MarcumRachlin

Ms. Wenguer stated a representative from MarcumRachlin was not present, but the corrections discussed the previous month have been made and resubmitted. She had also made an additional correction.

Mr. Hole asked if the supplement received from the audit, including journal entries, would affect Mr. Stanley's report. Ms. Wenguer replied it would not, but she would provide him with a final copy.

It was noted that Schedule A includes issues such as expenses classified to the wrong accounts; in order to properly reflect the classification of this expenditure, it was suggested that certain journal entries be made. This does not affect the overall level of income. Schedule B, which addresses past journal entries, has been determined to be material in the overall scope of the financial statement.

Mr. Naugle referred to p.23, which shows the schedule of employers' contributions, and asked why this figure is different from the one shown in the actuary report. Ms. Wenguer explained that this report uses the total contribution, including the State, while the employer contribution is reduced by the State amount. Mr. Naugle noted, however, that if this is the case, the employer contribution should be $30 million instead of $28 million, as the State contribution was $4.4 million.

Mr. Herbst pointed out that the figures shown on p.5 of the audit are identical to those on p.16 of the actuary's report. He also reminded the Board that this page shows both the actual and supplemental schedules of what the required contribution should have been.

Motion made by Mr. Rudominer, seconded by Mr. Fortunato, to approve the audit. In a voice vote, the motion carried unanimously.

The following Item was taken out of order on the Agenda.

ADMINISTRATOR'S REPORT:

Retiree Frank Colleran

Mr. Colleran advised his attorney was unable to attend today's meeting. He requested a continuance. It was agreed the Item will be rescheduled when further updates are available.

Investment Consultant RFP

Ms. Wenguer reported there have been 19 responses to the RFP. She suggested they first determine how the Board should review the RFPs, then set a date.

Chair Dew said he had some recommendations for action, and recalled that Mr. Burnam had been identified as the point person on this issue; he asked who would like to take part in the review and recommendation processes that would narrow the RFPs down to a short list. Mr. Bayne, Mr. Burnam, Mr. Hole, and Chair Dew volunteered to participate.

Chair Dew moved on to the characteristics the members will need to take into consideration in order to fairly and consistently evaluate the responses. He requested the Board's input on these criteria.

Mr. Cypen suggested this should be determined by the subcommittee. Mr. Naugle felt one criterion should be that the plan must perform in the top third.

Chair Dew asked that if there are certain criteria the members would like the subcommittee to look for, they submit these to Ms. Wenguer. He emphasized that he would like everyone's participation in the process.

He asked how the subcommittee can plan to meet and review the proposals. Mr. Cypen suggested Ms. Wenguer could send out a spreadsheet with prospective dates the participants could select, and she would match them together. At that point the meeting must be posted. It was noted that this meeting would most likely not be anytime soon, possibly in July.

DROP Plan Expenses

Ms. Wenguer explained a question had arisen regarding these expenses. She has developed a schedule of how this will work, but advised that she had questions the Board should address before they reach a point at which DROP expenses must be applied to the account.

She said it is similar to the share plan in that actual costs, actuarial costs, clerical services, programming, and a portion of custodian/consultant expenses are included. A portion of administrative expenses would also be included. These expenses would apply to every participant in the DROP plan. Ms. Wenguer asked if the solution should then be to take a pro rata portion of each participant's balance rather than a flat rate.

Mr. Cypen said a flat rate would be unfair, as a larger or smaller amount could apply to some participants. Ms. Wenguer asked if the process should then be to calculate the total costs, then apply a uniform percentage to each person's balance.

Mr. Naugle noted this percentage should be expressed in basis points.

Ms. Wenguer explained the percentage will be very nominal, as there is a great deal of money and very few expenses. She added that it would only apply to individuals participating in DROP who have terminated employment.

Mr. Naugle asked if an agreement could be made that certain expenses would be included in these costs, and participants could be asked to sign a paper stating they will not seek litigation. He explained this was in case the way the fund is administered is challenged and professionals must be retained. Mr. Cypen stated this is part of the risk, and participants have the right to sue if they feel the account is being handled negligently.

Ms. Wenguer pointed out that some people sue for poor performance. Mr. Cypen felt this meant people would sue for falling below the standard of care, which is a negligence standard that would be triggered if the Board failed to diversify or took unnecessary risks.

Ms. Wenguer felt members should be made to understand that when they go out, they are investing in a plan that may have a different timeline and goals. She advised they could be made aware of these differences and asked to sign a statement to this effect. Mr. Naugle agreed that they could be informed that the Board will take due care but cannot be responsible for all investment returns.

Mr. Bayne stated that at present, there is an interpretation coming from the Assistant City Attorney on the intent of the Ordinance as discussed the previous month.

Mr. Naugle clarified that he was not recommending a release of liability, but more accurately a disclaimer. Ms. Wenguer added that from her experience of individuals coming into her office, she felt it would be helpful to ensure that they understand investing in a pension plan is done for all members based on the reports of the actuary and investment consultant.

Mr. Naugle asked Mr. Burnam if he has any similar documentation in his business. Mr. Burnam explained there is often a simple page followed by several pages of legal stuff, which are signed on all account applications. He added that it does help although it does not prevent all suits.

Chair Dew asked if Mr. Cypen could produce a similar document for the Board. Mr. Cypen agreed that he and Ms. Wenguer would work on this, although he cautioned that a contractual obligation or waiver cannot be imposed on the Ordinance.

Pension Office Timeline

Chair Dew noted that the State audit report date should be changed to March 15 to prevent the Board sending their information three months after the fact.

Mr. Hole recalled that the contract with the actuary calls for an experience study every five years, and asked when this would be due again. He also said with regard to the real estate that Chair Dew had said six months and asked if this should be revisited as well.

Chair Dew stated he had said six months, but he wanted to reconsider this, as over the past few weeks, a lot of real estate is moving now and stores are taking serious leases. He concluded that if the Board is comfortable with six months, they would adhere to this, although he was seeing contracts being signed. He asked if they should wait until it starts to look better or if it would be in the Board's best interest to look at it sooner. He asked Mr. Naugle to take a diligent look at it and bring a comprehensive report back to the Board in August 2010 with recommendations.

Mr. Bayne said it would not be harmful to continually monitor real estate, even if this meant generating a monthly report of what is occurring in the market. Mr. Naugle stated he would be glad to monitor real estate on a quarterly basis.

Mr. Hole asked if the pension verification questionnaire for widows and disabled individuals is done each year. Chair Dew said this was to be done annually.

Mr. Hole also noted that SPD should be included, as it is done every two years, so the Board does not lose sight of it. He also suggested including a note of when E&O fiduciary insurance renews, and noted the contact person listed in the insurance database entry for the Department of Revenue is incorrect.

Ms. Wenguer said she had prepared a rough draft of an RFP for the website, and distributed copies to the Board members for later discussion.

PENDING ITEMS:

NEW BUSINESS

Chair Dew stated the Board is always late with its Annual Report, which is due to the State on March 15; they are late in submitting this report due to several factors, including failure to get information sent to auditors in a timely manner. He had been informed that certain plans that are continuously late are in jeopardy of not receiving their 175 and 185 monies.

He noted that one recommendation raised the issue that the Board's fiscal year does not coincide with the City's fiscal year, although the City is a part of the plan.

Ms. Wenguer said the difference is because the City's $28 million contribution goes to its next fiscal year, which would mean the first year the Board made the change would create a double contribution. Chair Dew felt the question was what the Board could do to cut down this time frame so we can get the information to the City.

Mr. Cypen stated that the threat of losing 175 and 185 monies is made to everybody, as it is the State's business to try and get the information as quickly as possible. He added that the majority receive extensions from March 15, and it is not a big deal, it's not late as long as the report is received before the funds are distributed in July.

Chair Dew asserted that the timeline calls for submitting the report by March 15; it is now June and he was not comfortable with that, as he felt they should do whatever they can to meet the March/April timeline.

Mr. Cypen said if it is the City's responsibility, then the Board should advise them that if the City cannot provide the data in time, the Board would switch fiscal years.

Chair Dew said he would like to give Ms. Wenguer the opportunity to go back and express that to the City, and that they should at least have the mindset that they will make the timelines in a reasonable manner in the future.

Mr. Herbst asked if the actuarial report was held up because the audit was not done at a sufficiently early time to provide the actuary with information. Ms. Wenguer explained that the year ends on December 31, which makes it almost impossible to have the annual audit report by March 15.

Mr. Herbst continued that Florida Statutes allow 12 months after the end of a fiscal year for an audit to be completed; this applies to the City's audited financial statements. While everybody shoots for the March 31 code, the City's audit is not actually due to the State until one year after its fiscal year. Ms. Wenguer clarified that for the City, September 30 is the fiscal year's end. Mr. Herbst said this creates some tension regarding what the State requires of the City.

Chair Dew asserted that the Board does not want to lose its State contributions, which are in jeopardy. While he understood Mr. Cypen's point, he also noted that the funds are "first come, first served," and if it becomes necessary to make a decision about where the money goes, those cities that haven't been through the process would be left out.

Ms. Flynn characterized the problem as a timing issue. Chair Dew said they should at least think about it, although if making the change would cause the City serious financial constraints, it might not be possible at this time.

Mr. Stanley stated that the actuary had previously recommended the Board change from a calendar year, primarily so there would be some advance results for budgeting. He added that every other Florida plan they review is a 9/30, and usually there is a 12-month lag on these plans as opposed to the nine-month lag for the Board.

Mr. Naugle stated that changing would not require the City to make two contributions in a single fiscal year. It was noted that the fiscal year for general employees ends on September 30.

Chair Dew asked that Ms. Wenguer take the issue back to the City and bring a recommendation to the Board at the July meeting.

Mr. Bayne suggested the issue could be included as a communication to the City Commission.

OLD BUSINESS

Schedule A

Mr. Nesbitt recalled that the previous month, Chair Dew had approved using a professional printer for the Annual Report; there have been some difficulties working with the printer, and he would like to switch to a printer at the same cost. The new printer would be Minuteman Press, which had also submitted a bid.

Motion made by Mr. Bayne, seconded by Mr. Rudominer, to switch printers with no additional costs. In a voice vote, the motion carried unanimously.

Mr. Hole noted that a letter had been provided from the consultant, advising the Board that they will be in compliance with the requirement to report on divestitures prior to September 30, 2010. Mr. Cypen commented that this should be provided by September 10.

Mr. Hole stated SPD is being redone, and he had suggested some obvious changes. Chair Dew said he had thought there was going to be an amendment. It was decided that this issue would be tabled until DROP expenses were finalized.

Mr. Hole recalled that one item that should definitely be in there is the 30-day window after termination for applying for disability. He asked if a letter going to any such individual should advise them of this window. Mr. Cypen stated “If we haven’t made it known, then we can’t enforce it.”

Chair Dew suggested the issue be made all-inclusive, stating that the information could be included in new applications and/or letters.

Mr. Cypen clarified that a time stamp is used when applications are received in the event that individuals must be informed their applications are incomplete; they are advised they have 30 days from the stamped date to submit a complete application.

Mr. Hole asked if the policy should state there is a 30-day window after termination. Mr. Cypen agreed this part is very significant. Mr. Naugle added that there is a statement included advising individuals to consult the website for any changes that may have occurred since the document was printed.

Ms. Wenguer returned to the issue of the fiscal year, pointing out that in order to change to a 9/30 year, the Board would have already had to begin preparing for its audit.

Mr. Bayne proposed that the Board inform the State that they are looking into ways to expedite the submission of information. Chair Dew agreed, noting that whenever the Board received correspondence from the auditors or the City, this information was passed on to the State to show that they were making progress.

Ms. Wenguer clarified that the State Report did go out, but without the audit and without the actuarial report. This information would be forwarded to the State now that it has been received.

Mr. Hole asked if a letter would be issued to MarcumRachlin with regard to their service on future audits, or if this should be reconsidered. Chair Dew asserted that there should be correspondence stating the Board was very displeased that the final audit was dropped off rather than presented. He recommended the issue of going with the same auditor in the future be placed on next month’s Agenda.

It was decided that the communication to the City Commission would state the Board is looking into changing its fiscal year to coincide with the fiscal year of the City in order to comply with the March 15 State Report deadline. They would welcome input from the Finance Director and City Manager on this issue.

The communication would also advise that numerous submissions for RFP consultant were received, and the evaluation process will start shortly.

Chair Dew stated he had received Trustee evaluations from some Board members, and reiterated that this is an ongoing process to document past issues and direction for the future. He asked that all members meet with Ms. Wenguer independently to discuss the evaluations, and he hoped to be able to disseminate information at the July meeting.

There being no further business to come before the Board at this time, the meeting was adjourned at 3:45 p.m.

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