

Miramar Firefighters Pension Fund

MINUTES OF MEETING HELD

June 12, 2007

Alan Park called the meeting to order at 9:07 AM in the Conference Room of Fire Station 100 located at 2800 SW 184th Avenue, Miramar, FL. Those persons present were:

TRUSTEES PRESENT

Alan Park, Chairman
Jay Gillette, Secretary
S. Robert Rubin
Noel Marti

Susan Finn; Advisory Board
Steven Wells; Advisory Board

OTHERS PRESENT

Bonni Jensen; Hanson, Perry & Jensen; Counsel
Denise McNeill; Resource Center; Administrator
Dan Johnson; Merrill Lynch
Don Dulaney; Dulaney & Company; Actuary
Luis Rodriguez
James Estep
Leo Nunez
Peter Gurdak
Other members of the Plan

TRUSTEES ABSENT

None

MINUTES

- Robert Rubin made a motion to approve the minutes of April 2007. The motion received a second by Jay Gillette and was approved by the Trustees 4-0.

Alan Park informed the Trustees that Don Bellantoni of Koch Reiss had passed away. The administrator had sent a plant to Koch Reiss on behalf of the Board to extend condolences for his loss. Koch Reiss had responded with a letter thanking the Board for their warm wishes.

INVESTMENT MONITOR REPORT

Dan Johnson of Merrill Lynch presented the Fund's Summary Report for the quarter ending March 31, 2007 noting small to mid cap stocks continued to dominate the market. Mr. Johnson reported that the fund increased by \$1.8M from contributions and growth resulting in a total portfolio of \$45,830,890. He explained that the strong positive cash flow is one reason why the plan's strong equity allocation works well compared to a retirement plan with a high retiree volume. He advised that 2000 through 2002 the plan lost value, however even though there was much volatility, the strategy paid off on returns. The Fund's return of 2.7% ranked the plan in the top 3% in Merrill Lynch's universe of public clients. The fiscal year to date return was 9.9%. Mr. Johnson explained that he added a blended equity index in an effort to reflect more of a comparison for the plan. Mr. Johnson reported on the real estate portfolio not reflected in the book. The 3.3% earned for the quarter in the real estate portfolio was consistent with other such funds. It was discussed that the reports being received from Principal are not inclusive of actual value and current appraisal. Dan Johnson suggested that he invite Principal to report to the Board at the August meeting.

Mr. Johnson reviewed the fees noting that Merrill Lynch had corrected their fees in the first quarter. Mrs. McNeill advised that she had reported the correction to the Trustees at the prior meeting.

Lengthy discussion followed regarding the current asset allocation. The Board's target for real estate had been 10% therefore the Trustees discussed adding funds to Principal. The real estate is currently at 7.3% of the plan and adding another \$1M would bring the allocation to 9.4%, below the maximum allowance of 10%. The Trustees discussed potential limitations on investments in specific countries. Mr. Johnson will inquire into the country weightings to confirm compliance. Mr. Johnson advised that through May 31, 2007, the Fund balance was up to \$48M. He explained that the plan is doing well and getting close to the \$50M milestone. Mr. Johnson advised that the real estate queue would be first quarter of 2008. He will invite Principal to the next meeting and will notify them that the board is considering adding an additional \$1M to the portfolio.

- Robert Rubin made a motion to invite Principal to the August meeting to present a portfolio update. The motion received a second by Jay Gillette and was approved by the Trustees 4-0.

Mr. Johnson provided the Trustees with an update on the SEC investigation. He explained that Merrill Lynch has an open-door policy with the SEC and they have provided extensive documentation. Mr. Johnson reported that Merrill Lynch has an internal legal team and internal auditors, but also hired an external legal team and external auditors to review the matter. He further explained that Merrill Lynch will be sending out CD ROM reports quarterly and will change to annual billing cycles vs. the current quarterly process. Denise McNeill advised that CD reports from Merrill Lynch have recently been received. Merrill Lynch will no longer be accepting 12b-1 fees for mutual funds and will be returning all such fees to the mutual fund client. He explained that some plans had a soft dollar commission recapture agreements where fees were offset by trading. Mr. Johnson explained that the issues do not relate specifically to this plan as this plan is invested in indexed funds.

Mr. Johnson further reported that 22 basis points as the average portfolio fee with Northern Trust is cost effective. Discussion followed regarding Northern Trust's client services. Mr. Johnson advised that many custodians are not willing to do the automatic rebalancing as Northern does for this plan. Mr. Johnson will follow up with Northern to confirm if there will be any affect to the plan for transferring \$1M to Principal. Bob Rubin would like to invite Northern to a Board meeting.

Meeting break 10:07 to 10:15.

Dan Johnson presented a Manager Identification Review. It was discussed by the Board to review an active management strategy to compliment the existing portfolio. Mr. Johnson explained that although Northern Trust has done well in the past five years, active management tends to have better performance in down markets. Mr. Johnson advised that by investing 10% (\$5M) of the portfolio, it could enhance the overall return by a full percent. Additional costs will be approximately \$50,000 annually for the portfolio management and \$6,000 annually for Merrill Lynch to monitor the additional manager. The goal of using active management is to further diversify the plan reducing the plan's volatility during down markets. Lengthy discussion followed and careful consideration was given to the SMID (small to mid) Cap managers listed, reviewing each company's results in the one, three, five, seven and ten year view. Mr. Johnson recommended inviting two or three managers in for review. He explained that the key is to understand how each manager could add value to the overall plan.

- Robert Rubin made a motion to invite Atlanta, Denver, Independence and Penn to present to the Board for manager interviews. The motion received a second by Noel Marti and was approved by the Trustees 4-0.

A special meeting was scheduled for Wednesday, July 18th at 9 A.M. Dan Johnson will handle inviting each manager and will schedule the presentations. Dan Johnson departed the meeting at 11:30 A.M.

OLD BUSINESS

DROP APPLICATIONS: The current status of DROP applications for Cochran, Gurdak, Gillette and Huber was reviewed. A few of the members had significant adjustments on their retro pay which did not appear to be accurate adjustments reducing their overall retro pay. The administrator had not received Mr. Cochran's retro pay information. On both Mr. Gurdak's and Mr. Gillette's retro pay, the report included reversals which did not appear accurate and Mr. Dulaney advised that the information could be changed to what is believed to be a reasonable interpretation of the data. Bonni Jensen requested that Mr. Dulaney document the record by supplying written documentation as to what he will do to process the retro payroll data. Mr. Gurdak requested clarification on how the City will process his unused leave pay should he choose to roll it over into the plan at the beginning of his Drop. Mrs. Jensen explained that the Board has no control over how the City will process the request. Mr. Gurdak signed his benefit election information and departed the meeting at 11:55 A.M.

Mr. Huber requested to change his Drop date to January 1, 2007 and advised that he is resigning from employment within the next couple of days. Mr. Huber will provide the administrator with a written request to amend his Drop date along with all missing forms to complete his DROP process.

The Trustees instructed Mr. Dulaney to recalculate the pending DROP members in the manner the Board believes the benefit should be calculated.

OPEN TRUSTEE SEAT (CITY APPOINTED): It was discussed that the City was expected to appoint all Board seats as of June 1, 2007. The administrator will follow up with the City regarding the current vacancy on the Board. Sue Finn reported that she had submitted her interest to the City through their website.

PAYROLL DATA: Denise McNeill reported that the data files are mostly complete however she is awaiting recent data from the City and a final process of how the administrator will receive bi-weekly files is yet to be determined.

EMAIL DOMAIN: Mrs. McNeill advised that test emails being sent through the mfpf.org site are not reaching the Trustees. Mr. Rubin will follow up on the matter with the vendor.

TRUSTEE ELECTION: Noel Marti was recently elected to the Board replacing the expired seat of L. Keith Tomey. The Trustees welcomed Mr. Marti to the Board.

ADVISORY BOARD SEATS: A notice had been posted in April to fill the seat vacated by Kelly Byrne. The City advisory seat vacated by Noel Marti will need to be posted as well. Mrs. McNeill will have the Advisory Board vacancy posted for the open City seat. The Board reviewed the resumes presented from James Estep and Luis Rodriguez.

- Robert Rubin made a motion to appoint James Estep to the Advisory Board as the firefighter member. The motion received a second by Noel Marti and was approved by the Trustees 4-0.

Leo Nunez had submitted his request to be appointed in the vacated seat of Noel Marti as a City member of the Advisory Board.

NEW BUSINESS

It was discussed that Salvatore Caliendo would be retiring. Mr. Nunez inquired if it is fair practice for the City to offer a retirement incentive package to someone in the Drop plan. Mrs. Jensen advised that once a member is in the Drop, they are already retired and this specific issue, is not related to this Board. It was further clarified that Mr. Caliendo is not in the Drop plan.

The Trustees were reminded that the FPPTA conference is scheduled for June.

Alan Park advised that he recently had a conversation with Bonni Jensen regarding the attorney fee agreement. Her firm had recently reviewed the rate and since they are no longer performing many of the administrative duties of the plan, the Board may wish to change to an hourly rate. The hourly fee would be \$200 per hour and \$100 per hour for travel. The Trustees thanked Mrs. Jensen for her honesty but advised they would prefer to keep the rate as it is as they feel the retainer fee is more appropriate.

ACTUARY REPORT

Don Dulaney reported that the City's expected contribution requirement effective October 1, 2007 will be 30.41% of payroll. Mr. Dulaney advised that the actuarial valuation will be presented at the August meeting. Mr. Dulaney will also provide the annuity tables to the administrator to be programmed into their benefit calculation system. Lengthy discussion followed regarding Drop entry and end dates. It was determined that both Matty and Burns "Drop clock" began when the benefit was initially offered to them therefore both Mr. Matty's and Mr. Burns' end date is August 31, 2009. Mr. Conlan attempted to immediately participate, however the Board experienced delays initiating the benefit therefore Mr. Conlan is eligible to receive the full five years ending November 30, 2009. Mr. Lasseter is also scheduled to receive a full five years ending September 30, 2009. The amended Drop dates will be added to the quarterly Drop statements.

ATTORNEY REPORT

Bonni Jensen reported that a third copy of the amendment to the Ordinance had been sent to the City. The Trustees discussed the current communication issues with the City and a recent appointment of Erica Bradley as the Fire Department HR representative.

Mrs. Jensen addressed the pending issue of upgrade pay. She advised that upgrade pay had been included in the pension plan document, however does not appear to be calculated as pensionable pay in member's payroll. Mrs. Jensen reviewed the language in the plan.

- Jay Gillette made a motion to request the rescue salary and upgrade pay separately from payroll and for the actuary to calculate the additional salary less 8.47% for pension deductions that should have been received. The motion received a second by Noel Marti and was approved by the Trustees 4-0.

The Board instructed the administrator to request the detail of pay codes 112, 113 and 115 for all pending Drop members.

Mrs. Jensen addressed the Pension Protection Act (PPA) related to health insurance premium deductions from pension payments. Northern had responded to the administrator that they are awaiting further instruction from the IRS. The administrator will work with Northern to initiate the monthly deductions for interested members.

Mrs. Jensen presented a draft revised Summary Plan Description. The Trustees will review the document for discussion at the next regular meeting.

DISBURSEMENTS

Denise McNeill presented a disbursement report for review.

- Bob Rubin made a motion to approve the disbursements as presented. The motion received a second by Jay Gillette and was approved by the Trustees 4-0.

ADMINISTRATOR REPORT

The Board executed the annual report as presented. The administrator will forward the report to the State.

Lengthy discussion followed regarding the Drop enrollment process and the timing of the processing. Mrs. McNeill presented two member packets to be reviewed by the Trustees; one for entry into the Drop and one for normal or early retirement. The packets contained all necessary forms to be used for each process as well as a checklist and an explanation of the processing time-line. Mrs. Jensen will provide a copy of the City Code to be added to the packet

Mrs. Jensen advised that discussion was held at the FPPTA conference that the IRS had issues with guaranteed rates contained in pension plans being lower than the plan's assumption rate. She will look into the matter for the Board.

ADJOURNMENT

There being no further business,

- Bob Rubin made a motion to adjourn the meeting at 2:09 P.M. The motion received a second by Noel Marti and was approved by the Trustees 4-0.

Respectfully submitted,

Jay Gillette, Secretary