

Miramar Firefighters Pension Fund

MINUTES OF MEETING HELD

August 29, 2007

Alan Park called the meeting to order at 9:06 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

James Estep; Advisory Board
Steven Wells; Advisory Board

OTHERS PRESENT

Bonni Jensen; Hanson, Perry & Jensen; Counsel
Denise McNeill; Resource Center; Administrator
Don Dulaney; Dulaney & Company; Actuary
Doug Vander Beek & Paul Stover; Principal
L. Keith Tomey
Luis Rodriguez
Leo Nunez
Other members of the Plan

TRUSTEES ABSENT

Frank Espinosa
Susan Finn; Advisory Board

Alan Park presented a plaque to Keith Tomey thanking him for his years of service and dedication to the Miramar Firefighters Pension Fund.

PRINCIPAL GLOBAL INVESTORS

Paul Stover and Doug Vander Beek introduced themselves to the new members of the Board. Mr. Stover advised that there have been no organizational changes since the Board hired Principal in 2006. He went on to review Principal's formal valuation process in detail. Bonni Jensen advised that the State's actuary, Charles Slavin, has inquired as to the appraisal process of other plans and requested an update on Principal's process. Mr. Stover confirmed that properties are appraised annually. He explained that economic activity is factored into the property valuation and that an outside valuation consultant is engaged to handle the process. For formal appraisals, Principal will work with a local appraiser located within the area where the property resides. Since inception of the \$3M investment in March of 2006, the portfolio has earned \$641,503, slightly below Principal's peers. Mr. Stover explained that there is no sub-prime exposure in the portfolio therefore the current issues with sub-prime do not have a direct impact on the plan. Mr. Stover reviewed Principal's U.S. Property account composition of 40% office, 26% multi-family, 18% retail and 16% industrial. He explained that the fund is slightly overweight in office, however that has been the best performing sector for the plan. Mr. Stover went on to review current holdings in the plan including recent purchases and sales. He explained that while Principal may not be the top performer in their group each quarter, they experience less volatility providing more stability to the overall plan. The Trustees explained that they have decided to transfer an additional \$1M to the existing portfolio. Mr. Vander Beek advised that Principal will give as much notice as possible for the first quarter 2008 queue. Mr. Stover and Mr. Vander Beek departed the meeting at 9:38 A.M.

MINUTES

The minutes of the June meeting were presented. Approval of the minutes was tabled to the October meeting.

ACTUARIAL VALUATION REPORT

Don Dulaney advised that the actuarial tables used to do the benefit calculations will be forwarded over to the administrator as requested. He explained that the tables are complex and vary depending upon the age of both the member and their beneficiary. Mr. Dulaney presented four re-calculations inclusive of the adjusted payroll relating to the retro pay. He reviewed the information related to each re-calculation in detail. Lengthy discussion followed regarding the additional pay for codes 112, 113 and 115. The administrator will request the additional pay information related to each code when a member applies for retirement/DROP. Alan Park advised that the grievance that had been filed relating to the upgrade pay has been rescinded and the Union will allow the pension fund to address the matter when dealing with the employee's benefit calculation upon retirement.

Mr. Dulaney presented both a detailed report as well as a summary of the actuarial valuation for the fiscal year ending September 30, 2006. He reported the plan's rate of return as 10.8% and noted a slight decrease in the City's contribution rate from 30.4% to 29.0%. Mr. Dulaney then reported \$699,269 received from Chapter 175 funds in 2006, an increase of almost \$70,000 from the prior year. Mrs. McNeill advised that the \$707,356 for the current year is scheduled to be paid by the State in their next Chapter 175 payment run (expected this week). Mr. Dulaney reviewed the smoothing method used in the plan's calculation. He then reported that the Chapter 175 funds, inclusive of interest, have reached a total of \$1,617,349 excess funds to be used for additional benefits. It was determined that pages nine and ten of the summary report were not accurate as they did not include employee contributions made to the plan. The Trustees discussed the sense of urgency to spend the excess funds by purchasing additional benefits. Lengthy discussion followed regarding Union negotiations and the potential use of the funds. The Trustees discussed Share accounts and how such funds could be distributed. Mrs. Jensen explained that it would depend upon how the benefit is negotiated as to whether or not past retirees would be eligible for the benefit. Bonni Jensen will send a letter to the Union outlining the specific data and recommending that the funds be used as soon as possible. Mr. Dulaney explained that although the last poor performance year (2002) will have dropped from the smoothing method for the next valuation, the group's salary increases for the recent year will be recognized therefore the Board should not necessarily expect the employer's contribution to be reduced in the next valuation report. Leo Nunez expressed his concern with the average salary increase of 12.8% reflected in the report. Lengthy discussion followed regarding the process used to calculate future salary increases. Mr. Dulaney reported that the plan has a funded ratio of 52% while the majority of his other clients are 70-75% funded.

- Robert Rubin made a motion to accept the 2006 valuation report as presented. The motion received a second by Jay Gillette and was approved by the Trustees 4-0.

After a five minute break, the meeting continued at 10:16 A.M.

INVESTMENT MONITOR REPORT

Dan Johnson of Merrill Lynch had informed the Board at the July meeting that he had a scheduling conflict on this date. The administrator provided the June 30, 2007 quarterly

reports to the Trustees for review. The report reflected a quarterly return of 5% and 15.4% for the fiscal year to date resulting in a total fund value of \$48,728,110. It was further noted that the fund again ranked number one in Merrill Lynch's universe of public clients.

- Jay Gillette made a motion to accept the quarterly report as presented. The motion received a second by Noel Marti and was approved by the Trustees 4-0.

OLD BUSINESS

PAYROLL DATA: Denise McNeill reported that the data files are mostly up to date and she is awaiting confirmation from the City of who will be responsible to send the bi-weekly files to the administrator after each payroll.

DROP APPLICATIONS: The revised calculations provided by the actuary will be processed with each DROP member, requiring that the member elect a benefit from the revised form. Mrs. McNeill reported that Mr. Gurdak requested his unused leave be transferred at the entry into the DROP plan. The City had cut a check directly to Mr. Huber for his amount instead of rolling the funds over to the pension plan as instructed. Mrs. McNeill explained that she has been in communication with the City in an attempt to have Mr. Huber's payment reissued properly to the plan.

ADVISORY BOARD SEAT: A notice had been posted to fill the vacated City seat, however the administrator noticed that the seat had not been clearly posted as being the City advisory seat requiring that the person be a resident of the City of Miramar. The posting will be amended and resumes will be presented to the Board at the next meeting. Mrs. McNeill advised that, at this time, one resume has been received from Leo Nunez for the position. Mr. Marti was reminded to file a FORM1 form related to his newly appointed Trustee seat.

SUMMARY PLAN DESCRIPTION:

Alan Park advised of a typo in the draft version of the SPD.

- Robert Rubin made a motion to approve the revised SPD as amended. The motion received a second by Jay Gillette and was approved by the Trustees 4-0.

Trustees, requiring the employee sign that the document has been received, will personally deliver the revised SPD's.

NEW BUSINESS

COLA & 75% PURCHASE POWER BENEFIT: Alan Park addressed the COLA and 75% Purchase Power calculations needed by December 1st for the January 1, 2008 benefit payments. Mr. Dulaney will provide the information to the administrator by the end of November for the 75% Purchase Power benefit. The administrator will prepare the 3% COLA benefits.

BOND RENEWAL: Denise McNeill reported that the Fidelity Bond coverage was due to renew for a fee of \$513 covering a three-year policy. Bonni Jensen advised that the cost is minimal and due to the added level of protection it provides to the Board, she recommended the Board continue the coverage.

- Robert Rubin made a motion to renew the policy for three years in the amount of \$513. The motion received a second by Jay Gillette and was approved by the Trustees 4-0.

RETIREMENT APPLICATIONS: Mrs. McNeill advised that a retirement application is being processed for Salvatore Caliendo effective August 1, 2007. Mrs. McNeill reviewed the time frame required to process retirement and/or DROP applications explaining that such processes typically take six to eight weeks to process from the date of retirement/DROP. She explained that the information is clearly relayed in the new retirement and DROP packets created for members. Mrs. McNeill reported that a DROP application is being processed for Alan Park effective September 1, 2007. Payroll has confirmed all information for Mr. Park has been received and they are in the process of handling the changes and providing the payroll data to the administrator accordingly.

DEATH SEARCH: Alan Park advised that a death search report had been received from Northern Trust. It appeared that Mrs. Murray had passed away just after the report had been processed therefore her death was not reflected in the report.

UPCOMING CONFERENCES: A list of upcoming conferences was provided in the Trustee's packets. It was discussed that the FPPTA Trustees school was being held October 8, 9 & 10th in Palm Beach Gardens and the Division of Retirement annual conference was being held October 22, 23 and 24th in St. Petersburg. Mr. Park recommended that new Trustees and new advisory board members attend.

- Robert Rubin made a motion authorizing James Estep attend either of the upcoming conferences. The motion received a second by Jay Gillette and was approved by the Trustees 4-0.

BUYBACK: Mr. Gillette advised that he had received an inquiry from Mr. Rodriguez related to the Hallandale Fire plan and the purchase of time into that plan. Information had been forwarded to the plan's attorney and actuary for review. Mrs. Jensen reported that the State does not have a provision allowing for the purchase of "air time". Lengthy discussion followed regarding such a purchase. Mr. Dulaney advised that the purchase at the end of a member's career, inclusive of the compounded costs, could be significant. It could be designed to allow 457 funds to be rolled over into the plan to make the purchase.

AUDIT ENGAGEMENT: Denise McNeill presented an audit engagement letter from Koch Reiss for the fiscal year ending 9/30/07 audit.

- Robert Rubin made a motion to execute the engagement letter. The motion received a second by Jay Gillette and was approved by the Trustees 4-0.

TAX CUTS: Alan Park advised that recent tax cuts were a hot topic for discussion at the June FPPTA conference. It appears that several cities are threatening the termination of their defined benefit plans. Mr. Park provided some literature for the Trustees to review relating to this as well as other topics discussed at the conference.

PORTFOLIO MONITORING: Noel Marti inquired into the need to have the portfolio monitored for class action suits. Mrs. Jensen explained that by being a part of an indexed fund, the company who owned the fund was responsible to handle for all clients, however now that the plan will have a separately managed SMID account, it would be appropriate to have such a service for those equities. Mrs. Jensen explained that, according to reports, \$1.6B is left in settlements due to lack of filing. She explained there is no cost to the plan to have the service. Mr. Marti will invite a monitor to address the board at the next meeting and will notify the administrator of the details for the agenda.

DISBURSEMENTS

Denise McNeill presented a disbursement report for review. She also requested authorization for an additional amount of \$1,024.55 to be paid to Alan Park for reimbursement for the FPPTA conference in June.

- Bob Rubin made a motion to approve the disbursements inclusive of the additional payment to Alan Park. The motion received a second by Jay Gillette and was approved by the Trustees 4-0.

REVISED INVESTMENT POLICY: Bonni Jensen reviewed the updated Investment Policy provided by the monitor. She has reviewed the revised Investment Policy Guidelines as well as the Addendums for Northern Trust and Independence and recommended the following changes; 1) revise to include instruction for the investment manager to monitor the custodial report and 2) revise to require the manager provide quarterly reports confirming that the custodian's reporting is accurate.

- Jay Gillette made a motion to approve and execute the Investment Policy Guidelines as amended. The motion received a second by Robert Rubin and was approved by the Trustees 4-0.
- Jay Gillette made a motion to approve and execute the Addendum for Northern as amended. The motion received a second by Robert Rubin and was approved by the Trustees 4-0.

VALUE OF BENEFITS: Noel Marti explained that the Union has requested benefits be re-valued inclusive of the most recent valuation. Discussion followed regarding the cost valuation provided by the actuary in July 2006. The Union's request will be provided to the actuary for the update to be processed.

ATTORNEY REPORT

Bonni Jensen advised that the Pension Fund had received a letter from Alice Murray, first wife of deceased Edward Murray; requesting payment of Mr. Murray's benefit since Helen Murray has also now passed away. Lengthy discussion followed regarding the request. It was determined that there is no such provision in the plan and therefore no benefit can be paid to the ex-spouse. No action was necessary in this matter. Mrs. Jensen will send a response to Ms. Murray.

Mrs. Jensen reported that she had received notice Mr. Berwick had settled a Workers Compensation case with the City. Mrs. Jensen has requested details of the information from the City on the matter. The Fund may need to process an offset to Mr. Berwick's benefit as stated in the plan.

Mrs. Jensen explained that Independence has requested their quarterly fee structure be calculated at the end of each quarter based upon the assets at the last day of that prior quarter. Independence had also advised that their Fiduciary Liability policy is under a pooled umbrella policy and therefore they are unable to add the Pension Fund as an additional insured. Lengthy discussion followed regarding the matter.

- Robert Rubin made a motion to execute the Independence agreement as amended. The motion received a second by Jay Gillette and was approved by the Trustees 4-0.

Discussion followed regarding the pending ordinance change. Due to the delays experienced to date, Mrs. Jensen is uncertain if the item has been scheduled for the next agenda.

ADMINISTRATIVE REPORT

Denise McNeill advised of a recent situation with another pension fund where a public records request had been received requesting the names and addresses of non-active members of the plan. She recommended that the Pension Fund utilize a confidentiality request form to be included in the retirement/DROP packets. Mrs. Jensen advised of changes to the public records law and recommended that the Union request confidentiality for all Union members in the next bargaining session to cover the active fire personnel. Mr. Nunez will request that the Union address the matter. Mrs. McNeill will have the form sent to all retirees with their annual COLA information and the Trustees will distribute the form to active members along with the revised SPD.

ADJOURNMENT

There being no further business,

- Bob Rubin made a motion to adjourn the meeting at 12:50 P.M. The motion received a second by Noel Marti and was approved by the Trustees 4-0.

Respectfully submitted,

Jay Gillette, Secretary