

City of Miramar Firefighters' Retirement Plan

MINUTES OF MEETING HELD

February 19, 2008

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
S. Robert Rubin
Noel Marti
Frank Espinosa

James Estep; Advisory Board
Steven Wells; Advisory Board
Leo Nunez; Advisory Board

OTHERS PRESENT

Bonni Jensen; Hanson, Perry & Jensen; Counsel
Denise McNeill; Resource Center; Administrator
Don Dulaney; Dulaney & Company; Actuary
Dan Johnson; Merrill Lynch; Monitor
Clement Jones; Schector Koch; Auditor
Ian Thomas & Dawn George; City of Miramar
Other members of the Plan

TRUSTEES ABSENT

Jay Gillette, Secretary
Susan Finn; Advisory Board

MINUTES

- Bob Rubin made a motion to approve the minutes of the meeting held December 18, 2007. The motion received a second by Frank Espinosa and was approved by the Trustees 4-0.

INVESTMENT MONITOR REPORT

Dan Johnson of Merrill Lynch presented the Fund's Summary Report for the quarter ending December 31, 2007. Market concerns for the economy caused investors to move away from risky investments resulting in a lower equity market for the quarter. The Plan was down \$1,521,047 for the quarter ending with \$50,666,590. Mr. Johnson explained that he does not recommend the Board take a tactical stance to re-allocate the portfolio unless there is a fundamental change to the Plan to be discussed. It was discussed that the Plan's asset allocation has resulted in strong returns over the past five years. The quarter ended with 10.6% fixed income, 79.9% equity, 7.6% real estate and 1.9% cash. Mr. Johnson advised that the ranking referenced on the Merrill Lynch report ranks against other public plans nationally. It was noted that the Global Equity Portfolio was the strongest underperformer for the quarter. Mr. Johnson explained that the Board should expect to see more disparity between the Plan and the index due to the new active management in the portfolio. He then noted that the Plan's long term performance of 10.3% since inception is a strong result, therefore he feels the actuarial assumption of 8.66% is reasonable considering the Plan's higher equity allocation. He noted that any reduction in the current equity allocation may require a reduction in the Plan's assumption rate as well. The Board discussed their concern of the current status in the market, feeling as though the economy is currently in a recession. The Trustees discussed the current asset allocation at length. Mr. Johnson explained that moving assets from equity to fixed income at this time would not be conducive to the Plan's

overall strategy. The bond portfolio performed well ending the quarter with a 3.5% increase.

Mr. Johnson went on to review the Independence SMID performance. Tom Capobianco had a scheduling conflict and was not able to attend this meeting, however will be present for the April meeting. Mr. Johnson noted that the Independence portfolio did not perform well for the quarter, it is too early to make a determination on their overall performance as this was the first quarter of investment for the Plan. It was noted that both Dan Johnson and Alan Park had spoken with Mr. Capobianco regarding the portfolio performance. Mr. Johnson advised that according to the preliminary January reviews, Independence was down -10% versus the index which was down -6.4%.

Mr. Johnson reviewed the real estate performance noting that the occupancy level was 80%. Although the occupancy rate was down from the prior quarter, Mr. Johnson advised he is not concerned as 80% is the average occupancy rate therefore he will continue to monitor the matter.

Discussion followed regarding Merrill Lynch's current issues with the SEC investigation. Mr. Johnson explained that Mr. Callaway had responded to the SEC, however there has been no further update from the SEC at this time. Mr. Johnson will advise the Board of any updates. He further explained that he understands the Board's situation and their need to process an RFP. Mr. Johnson departed the meeting at 10:15 A.M.

AUDIT PRESENTATION

Clement Johns of Schector Koch reviewed the draft audit for the fiscal year ending September 30, 2007. Mr. Johns reviewed the financial highlights in detail. He noted a large amount of \$11M held in cash at the end of the fiscal year was due to a pending purchase of assets for funding with Independence into the new SMID portfolio. Mr. Johns reported an overall net increase to the Plan of \$10,124,330 resulting in total net assets of \$49,753,088 for the fiscal year. Lengthy discussion followed regarding the Plans funded ratio. Mr. Dulaney reviewed the five year actuarial smoothing method explaining that only one-fifth of the Plan's earnings can be recognized for the year therefore the actual market value is significantly higher than the actuarial value. It was noted that the Plan's name was to be corrected on the report.

- Bob Rubin made a motion to approve the audited Financial Statements with the correction of the Plan name to City of Miramar Firefighters' Retirement Plan. The motion received a second by Frank Espinosa and was approved by the Trustees 4-0.

Mr. Johns advised that his company, Schector Koch (formerly known as Koch Reiss), had recently merged with a firm out of Miami. He explained that the merger will create access to more resources.

Denise McNeill questioned the current process of monthly financial statements. In the past, Koch Reiss had prepared the statements, however due to changes required by GASB (Government Accounting Standards Board), such financial statements should be reviewed by the Board monthly. The financial statements must be produced by the Board, administrator or another entity, however they should not be produced by the same firm who is handling the audit. Mr. Thomas explained that the City monitors the information monthly and can provide that information to the Plan's administrator to be distributed to the Board on a monthly basis. Mrs. Jensen explained that the standards have changed due to circumstances created by Enron. The monthly financial

statements do not require board approval, however the Trustees must record the statements on a regular basis.

- Bob Rubin made a motion to utilize the offer of the City's Finance Department to process monthly financial statements and for the information to be provided to the Board monthly. The motion received a second by Frank Espinosa and was approved by the Trustees 4-0.

OLD BUSINESS

DROP APPLICATIONS: Mrs. McNeill advised of a recent DROP application received from Mr. Rafuls. Discussion followed regarding his DROP "clock". Mrs. McNeill explained there appeared to be conflicting information on Mr. Rafuls request therefore a revised application may be the most appropriate. It was determined that Mr. Rafuls' five year DROP time began May 1, 2007 therefore his ending date would be April 30, 2012. Alan Park recommended the Board allow an effective date of March 1, 2008 and he will follow up to discuss the dates with the member.

DROP statements for the quarter ending December 31, 2007 were provided by the actuary. Mr. Matty's statement had been processed using proper payroll, however it was noted that there was an outstanding payroll issue as he had received additional compensation that should not have been included as pensionable even though it was reported as such. Mrs. McNeill will follow up with the City on the most appropriate way to resolve since the City would owe Mr. Matty a refund.

Mr. Park addressed Ian Thomas explaining the Plan's current issue with the payroll deductions. He explained the Bargaining Unit's and the Pension Board's interpretation of pensionable upgrade pay, however he explained the City has not been in agreement and has not been reporting as pensionable. Mr. Park explained that the Pension Board is having the information manually processed and tracked by the actuary each quarter. Mrs. Jensen reviewed the Ordinance related to the matter.

Mr. Park noted that the new DROP procedures appear to be working well.

BENEFIT COST REQUESTED BY THE UNION: Mr. Dulaney reported that he had been working on costing the benefits with guidance from the Union however he needs to clarify a few final items with the Union to release the information. Mr. Dulaney confirmed that the Board will be copied on all of the information provided to the Union.

NEW BUSINESS

The next meeting was confirmed as April 22, 2008.

Mr. Park reported on upcoming conferences.

Mr. Park explained the quarterly payment to Independence has been set up as a recurring payment therefore secondary authorization should not be necessary for each quarterly payment.

Mr. Park advised there have been numerous inquiries regarding the definition of retirement especially as it relates to members who are hired at an older age and the affect on their ability to DROP. For those members who wish to take full advantage of the DROP, the benefit is calculated at 45%. Mr. Park requested that the actuary review

the matter to consider an alternate access to benefits. Discussion followed regarding members who separate service and wish to access their DROP funds. There may be tax consequences related to their withdrawal. Mrs. Jensen will provide a special tax notice for the Plan to be used and distributed to members when requesting distributions.

RETIREMENT CENTER: Ian Thomas introduced himself and Dawn George from the City of Miramar. He explained that the City is developing a new retirement center. Their mission is to provide educational information to members, to work with members close to retirement and to act as a liaison between the Pension Board and the City when needed. The City feels the retirement center will help all members with a smooth retirement process. Mr. Thomas explained that they will work with accounting in review of the Plan's financials. He further explained that the center would coordinate activity with the Plan's administrator in an effort to work with the Plan and not create conflicts for the Trustees. Ian Thomas and Dawn George will be added to the Board's distribution list. Mr. Park explained that when Fire Pension plan members inquire, they should always be referred to the Plan's administrator, Denise McNeill at the Resource Center.

INVESTMENT MONITOR RFP:

Bonni Jensen presented a draft RFP to the Trustees for review inclusive of a list of potential Monitors the request can be sent to. Lengthy discussion followed regarding the type of consultants to be included. The RFP will be amended allowing broker dealer affiliated consultants to respond. Mrs. Jensen will include a request that the responding firm should report receipt of a Wells notice from the SEC in their response.

Mr. Espinosa departed the meeting at 12:15 PM.

ACTUARY REPORT

Don Dulaney reported that, as per the administrator's request, he had responded to an inquiry from United Members Insurance regarding the Plan's current funding status. The request relates to the Plan's fiduciary liability insurance renewal. Mrs. McNeill explained that the insurance carrier had approved the policy renewal contingent upon receiving a response about the funding. A final policy document will be released by the broker upon receipt of the actuary's explanation.

Mr. Dulaney explained that he will review the DROP eligibility as per Mr. Park's request.

Discussion followed regarding the need for payroll earnings information on Brett Berwick for 10/01/01 through 9/30/02. Mr. Thomas will look into the matter for the Board.

ATTORNEY REPORT

Bonni Jensen reported that the pending plan amendment is scheduled for the second reading and is on the City's agenda for the February 20th meeting. Mr. Park explained that two actuarial statements have been provided confirming there is no cost, however this change has been pending with the City for four years.

Discussion followed regarding Mr. Espinosa's candidacy in an upcoming election. Mrs. Jensen advised that he is not required to resign his position as a Trustee to run in an election.

Mrs. Jensen advised of pending legislative changes to allow an increase in foreign investments. She will report to the Board at the next meeting.

ADMINISTRATIVE REPORT

Denise McNeill presented a revised Trustee list to be signed by the Board notifying Northern Trust of all Trustees eligible to authenticate a transfer.

Mrs. McNeill reported that the insurance deduction change was not processed by Northern Trust on two retirees, however the COLA and subsidy increases on the same request had been properly processed. According to Northern, the deductions have recently been corrected.

DISBURSEMENTS

Denise McNeill presented a disbursement report for review.

- Noel Marti made a motion to approve the disbursements as presented. The motion received a second by Bob Rubin and was approved by the Trustees 3-0.

ADJOURNMENT

There being no further business,

- Bob Rubin made a motion to adjourn the meeting at 12:23 P.M. The motion received a second by Noel Marti and was approved by the Trustees 3-0.

Respectfully submitted,

Jay Gillette, Secretary