

# City of Miramar Firefighters' Retirement Plan

## MINUTES OF MEETING HELD

October 6, 2010

James Estep called the meeting to order at 9:12 AM in the Conference Room of Fire Station 100 located at 2800 SW 184<sup>th</sup> Avenue, Miramar, FL. Those persons present were:

### TRUSTEES PRESENT

James Estep, Chairman  
Manuel Esparza, Secretary  
Susan Finn, Trustee  
Orlando Segarra; Trustee  
Andrew Soterakis; Trustee

Leo Nunez; Advisory Board

### OTHERS PRESENT

Bonni Jensen; Perry & Jensen; Counsel  
Denise McNeill; Resource Center; Administrator  
Don Dulaney; Dulaney & Company; Actuary  
Greg McNeillie; Dahab Associates; Consultant  
Alan Park  
Jay Gillette  
Rocky Gurdak  
Other Members of the Plan

### TRUSTEES ABSENT

N/A

### PLAQUE PRESENTATION

The Board presented a plaque to Alan Park and thanked him for his many years of dedicated service and tireless effort on behalf of the members of the plan.

### ACTUARIAL VALUATION

Don Dulaney presented a copy of a letter sent to the City advising of a new State requirement that the pension plan must be funded on a percentage of emerging covered payroll basis, and not as a fixed dollar amount computed based on a projected covered payroll. The minimum required contribution for the October 1, 2010 through September 30, 2011 plan year is 35.56% of that plan year's actual pension earnable compensation.

Mr. Dulaney presented a draft sample for the September 30, 2010 Share Account Statement. Discussion followed regarding future Share account allocations and it was confirmed that members with a partial year will receive the appropriate portion of payroll (I.E. 1/26<sup>th</sup>) for the time employed during the fiscal year. He then noted the Post Retirement Subsidy calculation will be available for the Board at the next regular meeting.

### CUSTODIAN PRESENTATIONS

COMERICA: Felecia Relief and James Adkins appeared before the Board to present custody services for the Pension Plan. Mr. Adkins introduced Comerica providing historical information about their company. Ms. Relief noted their long client and employee tenure. Ms. Relief then reviewed the list of services and systems technology available to clients. Ms. Relief will be the relationship manager and Dan Berd will be her backup. Ms. Relief and Mr. Adkins responded to various questions posed by the Board. Discussion followed regarding the process for funding transfers. Mr. Adkins noted that he does not want the fees to stand in the way of a relationship with the Pension Fund. Ms. Relief and Mr. Adkins departed the meeting at 10:25 A.M.

**FIFTH THIRD BANK:** Kimberly Kutlenios and David Hart appeared before the Board to present custody services for the Pension Plan. Mr. Hart introduced Fifth Third Bank providing historical information about their company. Ms. Kutlenios advised she has been with the company for five years and some clients that she currently services followed her from a prior trust company. Mr. Hart reviewed the company's online reporting ability noting daily accounting values can be provided if needed. He noted they are well versed in Northern Trust conversions. Ms. Kutlenios reviewed their list of Florida clients. Mr. Adkins and Ms. Kutlenios answered various questions posed by the Trustees. Mr. Adkins and Ms. Kutlenios departed the meeting at 10:50 A.M.

### **TIMBER PRESENTATIONS**

Greg McNeillie addressed a timber overview for the Trustees. Mrs. Jensen advised that currently she does not have any clients in timber and she has some concern about the Unrelated Business Income Tax (UBIT) that may arise. She recommended the Board seek that advice from their audit firm or from another tax specialist. It was noted that the timber investment is substantially similar to real estate and commingled funds where they manage leases, buildings and spaces. Mr. McNeillie reminded the Trustees that timber is a long term investment taking 12-14 years for the investment to be fully realized.

**MOLPUS:** David Scott and Randy Austin of Coker & Palmer Investment Securities Hart appeared before the Board to present timber investments to the Pension Board. Mr. Scott and Mr. Austin spent much time describing the timber investment process in detail. Mr. Austin explained 48% of their staff are forest experts. He explained the biggest risk is in the process of acquisitions and they have an extensive process of assessing property before a purchase is made. He then explained they review approximately 200 deals per year and will close five to eight. Mr. Austin noted 60% of the US paper demand comes from the southern region of the US. He noted that Molpus will not invest internationally as they feel there are too many risks and plenty of good opportunities in the US and Canada. Mr. Austin explained the expected income; 65%-75% is based on biological growth, 25%-30% is based on the timber price change and 2%-5% is based on the land value change. Mr. Austin reviewed their process of land acquisition. He advised if the Pension Fund invests, they will be required to fulfill the committed capital when called as well as any additional costs required. Mr. Austin confirmed the management fee will not begin until the capital call has been placed for funding. He noted they expect a capital call for the new fund in three to six months. Mr. Scott noted that he and Mr. Austin would be account contacts for the group as well as a person at Molpus. Mr. Scott responded to several questions from the Board. Mrs. Jensen inquired into the Unrelated Business Income Tax (UBIT) and what other tax exempt entities have experienced. Mr. Scott advised it has not been a problem in the first two Molpus funds as the UBIT is handled through their management practices. Discussion followed regarding the properties held. Mr. Scott and Mr. Austin departed the meeting at 12:00 P. M.

**TIMBERVEST:** Joel Shapiro of Timbervest appeared before the Board to present timber investments to the Pension Board. He introduced himself and provided a description of the company, noting they are not invested in international properties and are well diversified here in the US with no leverage. He went on to explain his management approach. He provided examples of locations and access which is critical to the land clearing process. Mr. Shapiro explained there are a total of four partners in the company with an investment of \$5M of their own money into the fund. He then reviewed their process and the various ways the land is leased to increase overall return. He noted they expect to have 200-300 timberland tracks in their Timbervest III

Fund. Mr. Shapiro answered various questions for the Board. He noted their emphasis on income is on the timber, buying wisely and not overpaying for parcels. Discussion followed regarding the capital call. Mr. Shapiro explained the capital call process takes approximately 30 months; 35%-40% the first 12 months, 35%-40% the second 12 months and the balance in the final six months. He advised a management fee will be charged on uncalled capital as well as the called capital during the acquisition period. Mr. Shapiro noted the Plan should not have an issue with UBIT since there is no leverage and no operational income. He explained some offshore clients have used UBIT blockers, however he does not feel that is an issue for the Plan since additional income is typically offset by expenses. Mr. Shapiro departed the meeting at 12:40 P.M.

HANCOCK: Tim Cayen appeared before the Board to present timber investments to the Pension Board. He introduced himself and provided historical information regarding the firm. He noted that he is a forrester by training. He noted Hancock is the third largest timber investor globally. Mr. Cayen reviewed their portfolio noting that opportunities arise in various regions around the world. He noted Hancock's management costs are 15%-20% lower than the industry. He then explained a majority of the income is from timber and minimum from other avenues such as wind energy. Mr. Cayen feels their broad international exposure provides less volatility. He then went on to review their process in detail. Mr. Cayen then addressed the portfolio expectation for Hancock Timberland XI. He expects 30%-50% international due to the market and up to 35% is allowed for leverage on non-US investments. Mr. Cayen noted currently yield is 18% however 10%-14% is a typical return. Mr. Cayen advised they are expecting one close date of March 31, 2011; possibly \$200M with four to eight properties. He noted their three year returns are currently low due to Hancock Timber VIII & IX. Mr. Cayen explained it is typically a two year investment period (50% each year). He noted the fees are charged on called capital only, all assets are individually valued annually and appraisers are changed every three years. Mr. Cayen responded to various questions from the Trustees. He noted that UBIT should not be an issue for the Pension Fund. Mr. Cayen departed the meeting at 1:40 P.M.

Meeting break 1:40 P.M. to 2:40 P.M.

The Board discussed the custodian presentations and the service capabilities and fee structure of each. Lengthy discussion followed regarding the apparent strengths of both companies.

- Sue Finn made a motion to contract with Comerica for custody services with a fee reduction. The motion received a second by Manuel Esparza and was approved by the Trustees 5-0.

Greg McNeillie will address the fee with Comerica.

The Board discussed the timber investment presentations. Mr. McNeillie recommended investing 4% into timber using funds from bonds. He explained it will be considered another real estate investment class. Mrs. Jensen advised that the timber investment could potentially require a tax filing with the international income however she is aware that Comerica handles such filing for another client. Lengthy discussion followed regarding the timber presentations, each Trustee's interpretation of the information provided and the desire to have both local US as well as international exposure. Mrs. Jensen reminded the Board there will be several contract matters to address with any of the companies chosen.

- Manuel Esparza made a motion to invest \$2M each with Hancock and Molpus. The motion received a second by Sue Finn and was approved by the Trustees 5-0.

The Board instructed the administrator to schedule and post a special meeting for November 8, 2010 at 9 AM to review the timber investment contracts. Greg McNeill departed the meeting at 3:15 P.M.

### **OLD BUSINESS**

**DROP UPDATE:** Denise McNeill reported of a DROP ending November 30, 2010 for Jay Gillette. Discussion followed regarding the process if a member refuses to terminate employment within the allowable DROP time. Mrs. Jensen advised the Board could consider a refusal to leave a breach of contract. Mr. Gillette had requested an extension of DROP time allowing him to separate service in January 2011 instead of November 2010. Lengthy discussion followed regarding the request.

**TRUSTEE SEAT:** The Board discussed the open seat held by an appointed Trustee. The Board had received a letter of interest from Orlando Segarra who is currently a member of the advisory board.

- Sue Finn made a motion to appoint Orlando Segarra as the fifth Trustee. The Motion received a second by Andy Soterakis and was approved by the Trustees 5-0.

Andy Soterakis departed the meeting at 3:31 P.M.

**DROP UPDATE (Continued):** Discussion returned to the request from DROP member, Jay Gillette. Mrs. Jensen explained the Board has no grounds of which to allow an extension. Mr. Dulaney noted that it could be an actuarial gain to the pension fund allowing the member to remain longer than their DROP agreement; however it would be an issue with the current DROP rules. The Board determined no allowances can be made at this time.

**PAYROLL DATA:** Denise McNeill reviewed the payroll report matter with the Trustees. Currently, the data reports being received still do not match the fiscal year end report being processed by Finance. A special payroll issued in November 2009 of \$2400 paid to all members is one specific amount that can be manually removed. Lengthy discussion followed regarding the matter and Mrs. McNeill recommended using the Finance Department's data for the fiscal year end and she will continue to work with Payroll to have the ADP file corrected.

### **ATTORNEY REPORT**

**ADMINISTRATIVE AGREEMENT:** Mrs. Jensen presented the revised Administrative Agreement for signature which had been approved at the previous meeting. The agreement was signed accordingly.

James Estep departed the meeting at 4:05 P.M.

**FEDERAL UPDATES:** Bonni Jensen reviewed the details of recent Federal updates regarding Pay to Play rules. Mrs. Jensen will have the consultant add specific language related to such on all future RFP's and will have the current managers disclose the information quarterly.

**GASB CHANGES:** Mrs. Jensen reported that two meetings are scheduled in October to address GASB rule changes. She explained the new rules appear to be designed for pension costs to be carried on the books of the municipality CAFR. The detail that will be carried in the City's CAFR reports will not match the pension fund's valuation reports.

**PUBLIC RECORDS REQUEST POLICY:** Mrs. Jensen explained that the Board has the right under Public Law to create a Public Records Policy. Discussion followed regarding the need for such a policy due to recent changes in the public pension environment. Mrs. McNeill described examples of requests being received by the Administrator for other clients. Mrs. Jensen will create a policy for review by the Board.

### **MINUTES**

Minutes of the July meeting were presented in the Trustee packets for review. Mr. Dulaney recommended a correction to a description listed under the Actuary Report.

- Sue Finn made a motion to approve the minutes as amended. The motion received a second by Manuel Esparza and was approved by the Trustees 3-0.

### **DISBURSEMENTS**

Denise McNeill presented a disbursement report for approval with the addition of manual notes to reimburse Mr. Estep for expenses.

- Sue Finn made a motion to approve the disbursements inclusive of the new reimbursement. The motion received a second by Manuel Esparza and was approved by the Trustees 3-0.

### **ADMINISTRATIVE REPORT**

**NORTHERN TRUST LENDING ACCOUNT TRANSFERS:** Denise McNeil reported that Northern Trust had confirmed the transfer from lending to the non-lending accounts was nearly complete, however they did not provide an actual dollar amount of the funds remaining in the lending account.

**WEBSITE:** Mrs. McNeill advised the mfpf.org site is back up and points directly to the Miramar Fire site on the Resource Centers website. Mrs. McNeill noted the online access for member statements should be up and running within the next week.

**BENEFIT PAYMENT TRANSITION:** Mrs. McNeill reported on the transition of benefit payments from Northern Trust to the Resource Center. She explained the Chairman had received a complaint from a retired member who resides in a state that charges a state tax for the pension income. Mrs. McNeill explained that as a third party benefit payment processor, the Resource Center is not processing state tax payments and has instead suggested the member open a separate savings account in the same bank equivalent to the amount that had been previously deducted for the state tax amount and the same amount may be deducted from the member's pension check and placed into their savings account for their year end tax payment. The member was not pleased with this recommendation and is unhappy that the pension plan cannot process state tax payments on his behalf.

### **ADJOURNMENT**

The Trustees acknowledged the special meeting date set for November 8, 2010.

There being no further business,

- Sue Finn made a motion to adjourn the meeting at 4:39 P.M. The motion received a second by Manuel Esparza and was approved by the Trustees 3-0.

Respectfully submitted,

Manuel Esparza, Secretary