

# City of Miramar Firefighters' Retirement Plan

## MINUTES OF MEETING HELD

November 18, 2010

James Estep called the meeting to order at 9:04 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

Leo Nunez; Advisory Board  
Chris Armstrong; Advisory Board

### OTHERS PRESENT

Bonni Jensen; Perry & Jensen; Counsel  
Denise McNeill; Resource Center; Administrator  
Yiu Lai; Dulaney & Company; Actuary  
Greg McNeillie & Bill Dahab; Dahab Associates;  
Consultant  
Ian Thomas; City of Miramar Fire (9:16 AM)  
Other Members of the Plan

### TRUSTEES ABSENT

Andrew Soterakis; Trustee

### ATTORNEY REPORT

MOLPUS AGREEMENT: Bonni Jensen reported that the Molpus agreement had been completed and Molpus will provide a side letter to address the remaining items.

COMERICA CUSTODY AGREEMENT: Mrs. Jensen reported that she is very disappointed that she does not have a custody agreement from Comerica for the Board to sign. She explained that both she and the administrator are concerned with the delay and they may need to transition later than the original January 1<sup>st</sup> date. Mr. McNeillie noted that transitions can typically be done in a matter of two weeks and we may still be able to meet the initial deadline. Discussion followed regarding the process. Mr. Thomas had entered the meeting during the conversation and he confirmed the account change can be made on the City's end immediately therefore he does not expect any issues from the Finance Department when the transfer takes place.

CITY PAYROLL PUBLIC RECORDS DATA REQUEST: Mrs. Jensen reported she had sent a Public Records request to Mr. Thomas regarding the current payroll data issue. Mr. Thomas explained that upon further research, the City found the parameters used to create the ADP report were incorrect. He explained the fiscal year end report provided to the actuary and auditor have been reconciled and are definitely correct. Mr. Thomas reviewed the payroll process with ADP (the City's payroll vendor). Lengthy discussion followed regarding the reason why the Pension Board is attempting to acquire and track the data through the Administrator. The Board expressed their frustration that the discrepancy was brought to the City's attention in January of 2010 and after much communication the matter still has not been resolved. Mr. Thomas acknowledged there have been other problems with ADP and this is one of issues that occur when dealing with an outsourced payroll vendor. The Trustees discussed instructing the attorney to send a letter to the City Finance Director and the City Manager to inform them of the ongoing payroll issue and delays with ADP.

**SEC “PAY TO PLAY” RULES:** Mrs. Jensen reported that she will work with the investment consultant to address the recent SEC rule changes with the investment managers.

**POST RETIREMENT SUBSIDY:** Yiu Lai presented two separate options regarding the Post Retirement Subsidy (PRS) benefit for 2011. He explained that while the CPI-U for 2010 increased over 2009, it is not as high as 2008 and under the current guidelines, there would not be an increase to the PRS benefit for 2011. Discussion followed regarding the matter. The Board feels the purpose of the PRS is to keep up with inflation. Lengthy discussion followed regarding the matter and the desire for a new policy to address the PRS benefit.

- Manuel Esparza made a motion to keep the Post Retirement Subsidy rate the same as 2010 for 2011. The motion received a second by Orlando Segarra and was approved by the Trustees 4-0.

Mrs. Jensen will present a policy for review by the Board at the next meeting.

### **EMERGING MARKET PRESENTATIONS**

Greg McNeillie explained Eaton Vance out-sources their marketing and subcontracts with Parametric. He advised that Parametric also manages Eaton Vance funds and there is accountability between Parametric and Eaton Vance.

**EATON VANCE:** Chris Sunderland and Joe Furey appeared before the Board to present an emerging market investment. Mr. Sunderland introduced himself and Mr. Furey and proceeded to provide historical information related to their company. He described the details and characteristics of emerging market investments noting that while the market may be tough in the US, other markets are doing well globally. Mr. Sunderland reviewed the risk and the process followed to select the specific investments. He noted the selection process is rules based and un-biased. He believes Eaton Vance has limited exposure with less risk than the index and their peers. Mr. Furey reviewed their target model in detail noting that countries are moved out of the Fund when deemed to be “developed”. He noted there is much investment flow coming in to the portfolio therefore automatic rebalancing is taking place as new funds are received. He explained they have broad exposure among five main sectors in each country. Mr. Furey reported 15% of the portfolio is in frontier markets and 85% is in emerging markets. Mr. Furey and Mr. Sunderland responded to several questions from the Trustees. Mr. McNeillie disclosed that he has known Joe Furey for a long time and they had worked together at another investment consulting firm. Mr. Furey confirmed that Eaton Vance would be a fiduciary to the Pension Fund. Chris Sunderland and Joe Furey departed the meeting at 10:32 A.M.

**STATE STREET GLOBAL ADVISORS:** Noel Henry and Gaurav Mallik appeared before the Board to present an emerging market investment. Mr. Henry introduced himself and Mr. Mallik and provided historical information regarding their company. Mr. Henry noted they are focused on institutional clients and currently have 26 in Florida. Mr. Gaurav reviewed their investment diversification and investment process in detail. He noted that 70% of their investment decision is based on data and 30% is from experts in the marketplace with knowledge of the country. Currently their product has 21 countries represented and Mr. Gaurav explained they are overweight in smaller countries and underweight in larger countries. He went on to review their diversification noting they have approximately 150 stocks in 10 different sectors. Mr. Henry and Mr. Mallik responded to various questions from the Trustees. Mr. Henry noted that currently, none of their other Florida institutional clients are invested in the emerging markets product. Mr. Henry noted the funds being proposed is a lending fund. Mr. Henry and Mr. Mallik departed the meeting at 11:10 A.M. Greg McNeillie disclosed that he worked at State

Street several years ago and his brother in law currently works for State Street Global Advisors.

**VONTOBEL ASSET MANAGEMENT:** Amit Mukadam appeared before the Board to present an emerging market investment. Mr. Mukadam introduced himself and provided historical detail regarding Vontobel. He reviewed the company's philosophy and objectives as well as the product profile. Mr. Mukadam reviewed the stock screening and selection process in detail, noting they use a bottoms-up selection style. He noted their over weights tend to be in consumer staples. Mr. Mukadam described a sample of a specific holding to explain their process. He noted they have beat the bench mark in the three, five and ten year views. He explained they have 40-60% turnover annually and have investments in ten countries. Mr. Mukadam responded to several questions from the Trustees. Mr. Mukadam confirmed Vontobel would be a fiduciary to the Pension Fund. Mr. Mukadam departed the meeting at 11:55 A.M.

Bonnie Jensen departed the meeting. There was a break from 11:55 A.M. to 12:10 P. M.

The meeting continued and the Trustees discussed the presentations in detail. Mr. McNeillie advised all three companies who presented use very different styles however their returns are relatively close. Discussion followed regarding each company's strategy.

- Manuel Esparza made a motion to invest 5% of the Pension Funds assets into emerging markets with Eaton Vance's commingled fund using a portion of the large cap domestic equity funds from Northern Trust. The motion received a second by Orlando Segarra and was approved by the Trustees 4-0.

### **INVESTMENT CONSULTANT REPORT**

Greg McNeill presented the Investment Report for the fiscal year ending September 30, 2010. Mr. McNeillie reviewed the asset allocation noting the Plan has accumulated a large amount of cash and there is currently an underweight in Real Estate due to the pending timber investment. Mr. McNeillie recommended rebalancing most of the cash by moving \$1.3M into international and \$1M to the Northern Trust S&P account.

- Sue Finn made a motion to transfer \$1.3M from cash into the Northern Trust International Fund. The motion received a second by Orlando Segarra and was approved by the Trustees 4-0.
- Sue Finn made a motion to transfer \$1M from cash into the Northern Trust S&P account. The motion received a second by Manuel Esparza and was approved by the Trustees 4-0.

Mr. McNeillie continued reviewing the quarterly report. He noted the Fund was up 10.1% for the fiscal year end (\$53,480,282) and over \$55M for the current quarter to date. Lengthy discussion followed regarding the Fund's asset allocation and the recent investment decisions made by the Board. Mr. McNeillie noted Herndon has done very well for the Plan since hired. He advised that Lee Munder has a new process effective October 1, 2010 and he will monitor the product closely. He noted the small cap portfolio is not doing well. Mr. McNeillie advised lack of emerging market investment in the recent quarter reduced some of the portfolio's ability to earn money. Mr. McNeillie advised he is comfortable with the current asset allocation, inclusive of the Board's recent changes. He will continue to monitor and may suggest changes to part of the bond portfolio at some point. Mr. McNeillie reviewed the real estate portfolio noting that the problem may have more to do with the way the index is priced. He reminded the Board there is no perfect comparison for the real estate portion. He advised that

overall, it was a good quarter and ended up being a relatively good fiscal year considering the market turmoil.

- Sue Finn made a motion to accept the Investment Consultant Report for the quarter ending September 30, 2010. The motion received a second by Manuel Esparza and was approved by the Trustees 4-0.

Greg McNeillie advised he will update the investment guidelines to include timber and emerging markets accordingly.

### **ACTUARY REPORT**

Yiu Lai appeared before the Board to present the actuary report. He advised the September 30, 2010 numbers should be available by the end of the month. He then presented DROP statements for the quarter ending September 30<sup>th</sup>. The administrator will send to all with a notice advising this will be the last set of statements distributed to each member. Going forward, statements will be made available through the website for all members. The Board discussed the 2010 Share account statements. Mrs. McNeill advised that the final programming process is on hold until all files and the final forms are received from the actuary.

Mr. McNeillie requested the Board authorize for him to release the fiscal year end numbers to the actuary and the administrator prior to Board review. The Board instructed Mr. McNeillie to release the information accordingly to both parties upon receipt of such a request, even if the numbers have not been released to the Board.

### **NEW BUSINESS**

FPPTA NEWSLETTER: James Estep informed the other Trustees that he has been working with the FPPTA to do a bi-annual newsletter to the public and members of the Plan on behalf of the Pension Board. Mr. Estep has requested feedback from the attorney, administrator, actuary and investment consultant. He explained this is intended to be a general informational notice regarding the Pension Plan. He hopes the first newsletter can be released early in 2011.

Greg McNeillie and Bill Dahab departed the meeting at 1:30 P.M.

### **OLD BUSINESS**

DROP UPDATE: Denise McNeill reported that Jay Gillette was scheduled to leave the DROP in November and he has been set up to receive his first pension check effective December 1, 2010.

SHARE ACCOUNT UPDATE: Denise McNeill reported on the recent programming set up for the online Share Account statements. She noted that the initial programming allowance of \$2500 has been reached and the 2010 statement format has been revised for the third time. Mr. Estep acknowledged that the 2010 statement format required additional changes not initially expected.

- Sue Finn made a motion to approve an additional programming cost for the final 2010 share account statement format and for the cost not to exceed \$1,000. The motion received a second by Manuel Esparza and was approved by the Trustees 4-0.

### **NEW BUSINESS (Continued)**

The Board discussed pending items for the upcoming meetings. Mr. Estep noted Herndon Capital had requested to attend an upcoming meeting. The administrator will

confirm with Greg McNeillie if Herndon Capital should be invited to the February meeting and if any other managers should be invited to attend.

FPPTA: The Trustees discussed the FPPTA and the need for additional education. Discussion followed regarding the Certified Public Pension Trustee (CPPT) certification.

- Sue Finn made a motion to approve the cost for any pension trustee and advisory board member interested in acquiring the CPPT certification with the FPPTA. The motion received a second by Manuel Esparza and was approved by the Trustees 4-0.

## **ADMINISTRATIVE REPORT**

WEBSITE: Mrs. McNeill was informed during the meeting that there seems to be an issue accessing annual statements on the website. She explained that she will address the matter when she returns to the office.

ADVISORY BOARD SEATS: Mrs. McNeill reported that the two open Advisory Board seats will be posted.

COLA: Mrs. McNeill presented the 2011 COLA report. She explained the reason why one of the members has multiple accounts as it related to a disability income and the member's taxable status.

Yiu Lai noted the 175 funds for 2009 total \$953K, \$747K of which is to be distributed among the Share Accounts resulting in approximately \$6800 per person.

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 equivalent to the amount that had been previously deducted for the state tax. The same amount may be deducted from the member's pension check and placed into the special 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.

## **MINUTES**

Minutes of the November 8, 2010 meeting were presented in the Trustee packets for review.

- Sue Finn made a motion to approve the minutes as presented. The motion received a second by Manuel Esparza and was approved by the Trustees 4-0.

## **ADJOURNMENT**

The Trustees acknowledged their next meeting date set for January 12, 2011. There being no further business,

- Sue Finn made a motion to adjourn the meeting at 2:15 P.M. The motion received a second by Manuel Esparza and was approved by the Trustees 4-0.

Respectfully submitted,

Manuel Esparza, Secretary