

City of Miramar Firefighters' Retirement Plan

MINUTES OF MEETING HELD

February 19, 2010

Alan Park called the workshop to order at 9:00 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
Andrew Soterakis; Trustee
Manuel Esparza, Trustee (10:45)

Leo Nunez; Advisory Board
James Estep; Advisory Board

OTHERS PRESENT

Bonni Jensen; Hanson, Perry & Jensen; Counsel
Denise McNeill; Resource Center; Administrator
Don Dulaney; Dulaney & Company; Actuary
Greg McNeillie; Dahab Associates; Consultant
Clement Johns; Goldstein Schechter Koch; Auditor
Jayne Goldstein; Shepherd, Finkelman, Miller &
Shah; Portfolio Monitor
Ian Thomas; City of Miramar (10:06)
Members of the Plan

TRUSTEES ABSENT

James Gillette, Secretary
Susan Finn, Trustee

Steven Wells; Advisory Board

Alan Park reported that the Ordinance 10-05 had passed the prior week and he thanked Jay Gillette and James Estep for the extensive work involved in helping to set up the information.

INVESTMENT MONITOR

Greg McNeillie appeared before the Board on behalf of Dahab Associates to present the portfolio's performance report for the quarter ending December 31, 2009. Mr. McNeillie reported that three of the investment managers had responded to the scrutinized investment inquiry (Rushmore, Lee Munder and Atlanta Life), however no response had been received from Northern Trust. He noted that Principal will have no such holdings in their real estate portfolio. Mr. McNeillie then advised the investment policy and guidelines had been updated and will be presented for Board review. Mr. McNeillie reminded the Trustees that the foreign investment allowance will be updated in the policy to 25% as per State allowance. He then reviewed the scrutinized company matter noting the managers have been instructed to use the list provided by the State of Florida quarterly. He reviewed the process to be followed to divest of any such investments. Mr. McNeillie explained some pharmaceutical companies such as Bayer and Proctor and Gamble will be on the list due to the medicine and personal care items supplied to the scrutinized countries. Mr. McNeillie then addressed the revisions being made to the investment policy, noting there are 17 specific points in the law addressing investment managers therefore he has added all 17 points into the revised policy. Mr. McNeillie explained that he is recommending the Board increase international to 15% target, adding 5% to international in emerging markets with an active manager. He explained it can become expensive for passive funds to trade on International emerging markets and active managers have the opportunity to divest of a specific stock or country if the

need arises. He noted that domestic managers will have access to ADR's. He will return with information at the next meeting for the Trustees to consider.

Mr. McNeillie reviewed the quarterly report in detail. He noted the plan was up 3.8% for the quarter, behind the policy which was up 3.9%. He noted that cash was transferred to both Atlanta Life and Rushmore during the quarter and since it is tough to buy into a rising market, he did not expect either to report well for the quarter. Mr. McNeillie reported equities were up 5.8% versus the Wilshire 5000 index of 5.8% and the Russell 3000 index of 5.9%. Mr. McNeillie reported the international was up 2.3% for the quarter beating the index of 2.2%. He then noted that real estate was down -4.7% while the index was only down -3.85% and the fixed income was up .3% beating the Barclays Intermediate Government index which was down -.4% and the Barclays Aggregate which was up .2%. Mr. McNeillie explained that overall, the Plan underperformed the index for the quarter due to the higher amount of cash held in the portfolio. He advised that the cash has since been invested with Rushmore and Atlanta Life. Mr. McNeillie explained the new guidelines will allow the managers to hold Russell 2000 Ishares in lieu of cash up to a maximum of 5%. In summary he noted the Plan is in line with the policy due to the recent rebalancing with the exception of the real estate portfolio. He feels it will be another year before the real estate hits bottom. When the Plan is ready to allocate additional funds to real estate, he may not recommend Principal. Mr. McNeillie will continue to monitor the portfolio and will provide rebalancing and cash investment instruction when necessary.

Mr. McNeillie reported the transition from Independence to Lee Munder should be a positive change for the Plan as Lee Munder will provide the portfolio with more oversight. He explained that while Lee Munder had a rough start with the Plan, their portfolio has improved.

Discussion followed regarding the need to monitor the actual stocks held. Mrs. Jensen expressed concern over Northern Trust not providing the stock detail and therefore not providing transparency to the Plan. Mr. McNeillie explained he is working on Northern Trust's costs. He noted that replacing asset management is not that big of an issue and he would recommend utilizing a smaller custodian with indexed funds. He will have more information for the Board at the next meeting.

Mr. McNeillie noted that inflation is on the rise as the high amount of stimulus must have an impact on the economy, however he does not expect the 8-9% as in the 80's since there is much more hands-on monitoring over such matters now. Mr. McNeillie explained instead of real estate, he may recommend commodities; precision metal, steel, infrastructure or timber. He noted that timber investments are closed investments however they are attractive asset classes.

Greg McNeillie departed the meeting at 10:11 A.M.

AUDIT PRESENTATION

Clement Johns appeared before the Board to present the draft of the audited financial statements for the plan year ending September 30, 2009. He noted that the financial statements present fairly in all material respects. Mr. Johns reported a slight decrease from the prior year mainly due to investments. He reviewed the financial highlights in detail, noting the funded ratio remained 57%, the same as the prior year. Mr. Johns explained the funded ratio is similar to what many other clients are currently experiencing. He advised the City contributed more than was necessary. Mr. Johns noted an investment loss of -7.6% versus a loss of -18.4% the prior year. Mr. Johns reviewed the assets and liabilities between 2009 and the prior year, 2008. Total

additions to the Plan in 2008 reflected an overall reduction of \$-5.2M versus an actual income in 2009 of \$1.5M. Mr. Johns noted the administrative cost declined to .2% of the Plan, explaining it is a low cost in comparison to other public pension plans. Mr. Johns also presented the annual report noting there were a few items which needed to be completed in addition to the Trustee signatures. The Board discussed the need to have a special meeting since there was no quorum present at the moment to approve the audit report. Mr. Johns explained there were no issues with the audit process or with information received from other pension plan service providers. The audit representation letter was presented for discussion. Mrs. Jensen explained that in the past, auditors used to be part of the Board's team of providers however the recent changes to accounting standards require the auditor act as more of an overseer. She explained the new standards push back many more decisions onto the Board. Alan Park and Denise McNeill signed the audit representation letter accordingly.

SECURITIES MONITORING – NIGHTHAWK LITIGATION

Jayne Goldstein appeared before the Board to discuss securities litigation with a company called Nighthawk. Jayne Goldstein introduced herself and her firm, explaining that she was hired in 2008 to monitor the investments held in the portfolio. She explained how her firm is compensated, by a percentage of the recovered assets. She explained the process of filing as lead plaintiff noting she rarely recommends that small plans participate. She advised that a \$30,000 loss was filed regarding a company called Nighthawk, however any institution with a higher loss can move for lead plaintiff. Ms. Goldstein explained Nighthawk has radiologists who review X-rays, CT Scans and similar reports by employees working from their homes. Nighthawk was going to acquire another company called Radlinks for approximately \$53M and the combination was expected to increase Radlinks by 25%. The following year did not go well and it was reported the CEO and CFO were doing major insider trading, selling their company stock when the price was up. She explained this Plan lost almost half their investment, close to \$140,000 (the amount is determined by a special calculation governed by PSLRA). She explained that other Plans have moved for lead with three other funds experiencing more of a loss; however the other firm can only file as lead plaintiff five times in a three year period and they have already exceeded that maximum allowance.

Manny Esparza entered the meeting at 10:45 A.M. The workshop turned into a meeting with a quorum present.

Ms. Goldstein described the litigation process. She explained that a recent case against Sara Lee began in 2003 and just ended while another case settled in six months. She explained the investment manager is not sued since they purchased based on market value and they were duped just like everyone else. Alan Park explained that Ms. Goldstein had contacted Bonni Jensen regarding the matter explaining the paperwork needed to be filed by February 16th. After discussion with Bonni Jensen, Mr. Park gave approval to Ms. Goldstein to file the necessary paperwork for the litigation since it would be no cost to the Board to initiate. Ms. Goldstein explained the documents have been signed; however the Board has the right to rescind. Mr. Estep asked if the Board could have a process to automate such litigation filing and Mrs. Jensen explained that a litigation policy could be created to address such matters. Ms. Goldstein advised that if the Board decides to change custodians, the old custodian will stop filing and therefore her firm will help by completing the forms on the Plan's behalf. Ms. Goldstein explained that no fee is paid to her firm if the litigation process is not a success. If successful, they will move for attorney fees up to 33 1/3 %. She explained the judge must always approve the attorney fees and cost. She explained that she will return to the Board for further approval as needed. Ms. Goldstein explained if the case is lost, attorney costs are their firm's loss, therefore there is great risk involved for them. Ms. Goldstein

explained that Perry and Jensen would be paid a finders fee if the case is won due to the extra time Mrs. Jensen will be spending in communication with Ms. Goldstein on the matter. The Plan would receive their pro-rata share and they could also request payment for the Board's time. Discussion followed regarding inflation of the stock price and due to omission, they will not receive 100% and will not know specifically of the overall market loss (I.E. long term loss had investment not been misrepresented). She explained in this case, the individuals are also being sued. Mrs. Jensen explained that her time spent on the matter will be fully documented even though she is on retainer. She wants the Board to be comfortable with the referral fee situation. Ms. Goldstein explained that the judge will need to approve and it is his responsibility to look out for the members not present, therefore the Trustees may attend if they wish, however it is not necessary.

- Manuel Esparza made a motion to move forward with the class action suit. The motion received a second by Andrew Soterakis and was approved by the Trustees 3-0.

Ms. Goldstein explained she will keep the Board posted on the progress and they will still be part of the class action suit even if they are not chosen as lead plaintiff. Ms. Goldstein departed the meeting at 11:18 A.M.

- Manuel Esparza made a motion to accept and approve the audited financial statement and annual state report. The motion received a second by Andrew Soterakis and was approved by the Trustees 3-0.
- Manuel Esparza made a motion for the chairman and administrator to sign the annual report. The motion received a second by Andrew Soterakis and was approved by the Trustees 3-0.
- Andrew Soterakis made a motion to elect Manuel Esparza as the new Board secretary. The motion received a second by Manuel Esparza and was approved by the Trustees 3-0.

Clement Johns departed the meeting at 11:25 A.M.

FIFTH TRUSTEE SEAT

Denise McNeill reported only one resume was received for the seat vacated by James Gillette. The resume was received from James Estep, currently a member of the Advisory Board.

- Manuel Esparza made a motion to appoint James Estep to finish the term of James Gillette. The motion received a second by Andrew Soterakis and was approved by the Trustees 3-0.

Mrs. Jensen explained that due to recent changes, all future terms will be four year terms.

Leo Nunez requested approval to attend the FPPTA conference. Alan Park and Manuel Esparza reported that they are also attending the conference. The Board approved Mr. Nunez's attendance.

Ian Thomas addressed the Board explaining that a GASB27 disclosure previously not included in the actuary report is now required. He requested the Board approve for the actuary to report as part of the valuation report. Mr. Dulaney explained it will not result in a significant fee increase.

Andy Soterakis departed the meeting at 11:34 A.M.

OLD BUSINESS

DROP UPDATE: Denise McNeill reported Mr. Conlan's rollover of unused leave time has been received by the Plan. The Board instructed the actuary to credit interest as of the dates the funds were received. Mr. Thomas requested the administrator re-send copies of all existing DROP files to both himself and Dawn George so that they may track all members in an effort to ensure the situation is not repeated. Discussion followed regarding the process. Mrs. McNeill explained that both Mr. Thomas and Ms. George have been copied on all such files since the new retirement group was established with the City.

ORDINANCE AMENDMENT UPDATE: Alan Park reported the Ordinance has been approved and the members previously provided with the 75% purchase power benefit are to receive a COLA increase as of 1/1/10. Mrs. Jensen explained her office is sending the Ordinance and impact statement to the State. Mrs. Jensen advised the Summary Plan Description will need to be updated reflecting the changes. Mrs. Jensen requested the Board review the Share Account language to be included in the Revised SPD.

DROP/SHARE POLICY: Mrs. Jensen presented a DROP/SHARE Distribution Policy. She explained that she used the original DROP policy, and then added the language for the Share account and the 415 limits. Discussion followed regarding the 415 limits.

Alan Park noted with the change of Mr. Estep to a Trustee, there are now two seats vacant on the advisory board due to the long outstanding City advisory position that has not been filled. The administrator will post for both seats.

ACTUARY REPORT

Don Dulaney presented the impact statement to be signed by the Board. Alan Park signed the impact statement. Mr. Dulaney will file with the State. Mr. Dulaney then advised the original DROP roll forward was completed in December; however it was revised to address the belated rollover for Mr. Lassetter. Mr. Dulaney presented the annual benefit statements. The Trustees will distribute to members.

Mr. Dulaney presented two sample Share Account statements which reflected the initial credit history since 1998. The Trustees requested a notation be added to identify the one year waiting period, if not employed by September 30th of the year on the "build-back" process. Mr. Dulaney then presented a draft of the Share statement format going forward. Discussion followed regarding the future pro-rata shares. Mrs. Jensen reviewed the Ordinance noting that going forward; the share should be calculated directly related to the number of payroll periods participated. Ian Thomas inquired what will happen if a person retires, separates service and begins to receive a monthly benefit, and then is rehired as a contractor with the City. Mrs. Jensen explained there are significant issues related to the matter and she feels it has become an extremely poor trend and she has much concern regarding the implications. Discussion followed regarding when a member can access the funds in their SHARE account. Mrs. McNeill explained that upon separation of service and when the member begins receiving a retirement benefit from the Plan. She explained that a vested, terminated member cannot access the funds until they begin receiving a monthly pension benefit. The Board then discussed the interest to be credited to the Share accounts. The Board

noted the assumed interest of the Plan will be used until September 30, 2010 when the members will be given an option to elect the interest process.

ATTORNEY REPORT

Mrs. Jensen received a notice from Phil Rosenberg regarding the job of Mr. Cabrera as the Emergency Service Director. Mrs. Jensen is awaiting a job description regarding the position.

Mrs. Jensen reported in December 2009 the Attorney General issued a notice regarding the Sunshine Law and the letter was directed to Pension Boards. She explained the Pension Board may hold workshop meetings without the Trustees being physically present (however she would never recommend the Board hold a workshop meeting). She explained there must be a public access point, for example, a computer monitor or conference phone available accessing the meeting. Mrs. Jensen explained for scheduled meetings, the Board must have a quorum present to vote and the people via remote would be able to vote. The attorney will provide language for the administrator to add a disclaimer to the bottom of the agenda.

NEW BUSINESS

Alan Park requested approval to order a plaque for James Gillette.

- Manuel Esparza made a motion to approve ordering a plaque for Mr. Gillette. The motion received a second by James Estep and was approved by the Trustees 3-0.

ADMINISTRATIVE REPORT

Denise McNeill informed the Trustees that a proposal has been included in the Trustee packets to reflect the benefit payment and accounts payable services offered by the administrator should the Board choose to not have the custodian issue payments. This quote was provided as per the Board's prior request.

DISBURSEMENTS

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

- Manuel Esparza made a motion to approve the disbursements inclusive of the two new reimbursements. The motion received a second by James Estep and was approved by the Trustees 3-0.

ADJOURNMENT

There being no further business,

- Manuel Esparza made a motion to adjourn the meeting at 2:35 P.M. The motion received a second by James Estep and was approved by the Trustees 3-0.

Respectfully submitted,


Manuel Esparza, Secretary