

City of Miramar Firefighters' Retirement Plan

MINUTES OF MEETING HELD

May 19, 2011

James Estep called the meeting to order at 9:01 AM in the Conference Room of Fire Station 100 located at 2800 SW 184th Avenue, Miramar, FL. Those persons present were:

TRUSTEES PRESENT

James Estep, Chairman
Orlando Segarra; Trustee
Andrew Tomchik; Trustee

TRUSTEES ABSENT

Manuel Esparza, Secretary
Andrew Soterakis; Trustee

Chris Armstrong; Advisory Comm
Jason Swaiden; Advisory Comm
Leo Nunez; Advisory Comm

OTHERS PRESENT

Bonni Jensen; Perry & Jensen; Counsel
Denise McNeill & JC Louissaint; Resource
Center; Administrator
Don Dulaney; Dulaney & Company; Actuary

Greg McNeillie; Dahab; Consultant
Marc Sydnor; Herndon Capital; Investment
Manager
William Keyes, Member

MINUTES

Minutes of the April 6, 2011 meeting were presented in the Trustee packets for review.

- Orlando Segarra made a motion to approve the minutes as presented. The motion received a second by Andrew Soterakis and was approved by the Trustees 3-0.

HERNDON CAPITAL MANAGEMENT

Marc Sydnor appeared before the Board to present an update from Herndon Capital. Mr. Sydnor explained the firm has changed quite a bit since being hired by the Board a few years ago. He reviewed the corporate status of the company and the assets under management. Mr. Sydnor reviewed their stock selection process, noting there are 31 steps in their process. It was noted that the Herndon portfolio holds an investment in Eaton Vance, the same company the Board has recently hired for emerging markets. Mr. Sydnor then reviewed their philosophy of selling stocks. He noted that once the valuation comes too close to the value on equity, the stock is sold. Mr. Sydnor reviewed the company's historical record noting they have outperformed the bench on average by 6% over time. Marc Sydnor departed the meeting at 9:30 A.M.

INVESTMENT CONSULTANT REPORT

Greg McNeillie presented the Investment Report for the quarter ending March 31, 2011. Mr. McNeillie reviewed the recent portfolio changes with Mr. Tomchik explaining the changes are expected to add alpha to the portfolio. Mr. McNeillie went on to review the report in detail. He advised the Plan is in the top two percentile of the public pension client view with a return of 5.5% net of fees, mainly due to the high equity allocation. He noted the Plan is currently up 15.6% for the fiscal year to date. Discussion followed regarding the asset allocation. Mr. McNeillie explained it is a younger department with positive cash flow and the higher equity allocation has been good overall for the Plan. He noted that over time, he may recommend changes to adjust the volatility. Mr. McNeillie explained the Plan's equity index change to

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the Russell 3000 more appropriately reflects the asset comparison for the Plan. Discussion followed regarding interest rates and the inflation affect on the portfolio. He explained the rising rates will affect the short term Northern Trust portfolio. The Board discussed looking for a different bond portfolio instead of the one-three year portfolio they currently hold with Northern. Mr. McNeillie with look for a Barclays Aggregate Index at Northern Trust.

- Orlando Segarra made a motion to approve moving the funds currently held in the NTGI Fixed Income investment to an index relative to Barclays Aggregate if Northern Trust has such a fund available. The motion received a second by Andrew Tomchik and was approved by the Trustees 3-0.

Mr. McNeillie continued with the report. He noted that Lee Munder had changed their investment process and it appears to be working out well. He will continue to monitor their progress. Mr. McNeillie then noted NTGI's small cap portfolio is doing well for a passive portfolio and he is not sure how they have been able to outperform the index by such a significant amount.

Mr. McNeillie reviewed the upcoming (expected) capital calls for the timber investments. Molpus is expected to call for funding the end of June or early July and Hancock is expected to call for funding in the fall.

It was noted that the rate of return needs to be adjusted in the quarterly report to 8.5%. Mr. McNeillie will have it corrected for future reports.

ACTUARY REPORT

Don Dulaney appeared before the board to present the October 1, 2010 Actuarial Valuation Report. He presented the Trustees with a detailed report along with a summary for review. Mr. Dulaney reviewed the summary report with the Trustees. He noted a rate of return of 1.97% (due to the smoothing method used). He explained the City's contribution increased from 33.5% to 35.5% of covered payroll. Mr. Dulaney noted an increase of almost 15% in the 175 premium tax revenue received in comparison to the prior year; however no supplemental revenue was received in 2010. Mr. Dulaney reviewed the active member statistics and the contribution summary. Discussion followed regarding the funded ratio of 56% which was down 1% from the prior year. Mr. Dulaney provided a historical detail of the 175 premium tax contributions and the supplemental funds received from the State. He then reviewed the investment and salary experience. He noted the 2009 payroll was slightly skewed higher due to one additional payroll period in the plan year (27 pay periods instead of the typical 26). Discussion followed regarding the current assumption rate of 8.5%. Mr. Dulaney advised that the State recently challenged an 8.5% rate in another pension plan that he works with. He recommended the Board address the rate with their investment consultant. Discussion followed regarding the investment return earned versus the actual amount applied to the valuation of assets. Mr. Dulaney explained that he will consider changing the methodology in the future, however a change now would increase the City's required contribution rate. Mr. McNeillie explained that he feels the 8.5% assumption rate is valid with long term views, however when the time is right, (when the change will not increase the City's cost), it may be a good idea to lower the rate. Mr. Dulaney reminded the Trustees that the 2008 and 2009 market losses will continue to impact the plan for a few more years.

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- Orlando Segarra made a motion to approve the October 1, 2010 Valuation Report as presented. The motion received a second by Andrew Tomchik and was approved by the Trustees 3-0.

Mr. Dulaney advised that he will contact Mr. Beckendorf with the State and explain why the Plan is using 8.5% as their assumption rate.

ATTORNEY REPORT

NORTHERN TRUST ADDENDUM: Mrs. Jensen presented updated Northern Trust agreements from the custody change, ready for signature. The forms were executed.

FORM 1 FILING: Mrs. Jensen reminded the Trustees the Form 1 Filing is due by July 1, 2011.

LEGAL UPDATES: Bonni Jensen advised the recent Legislative Session was a wild ride with several changes being made at the last moment prior to the final Bills being approved. She noted that most changes do not directly affect this pension plan. Mrs. Jensen reviewed the updates in detail with the Trustees. She noted that a new page will need to be added to the valuation report comparing the Plan to the FRS 7.75% assumption rate. Mrs. Jensen then noted that employee contributions to the Plan may be increased without a corresponding benefit increase.

PAYROLL DATA: Bonni Jensen reported the payroll matter remains unresolved. Denise McNeill addressed the ongoing payroll data issue explaining the most recent status. Mr. Estep noted that he too had reviewed the list of nine members whose data was not accurate and the reason for the payroll difference does not appear to be consistent for each member. Mrs. McNeill and Mr. Estep will continue to follow up on the matter.

TRUSTEE APPOINTMENT: Mrs. Jensen explained her recent communication with the City regarding the Trustee appointment. The City will need to correct Andrew Tomchik's appointment from two years to four years.

OLD BUSINESS

DROP UPDATE: William Keyes appeared before the Board to inquire into the DROP. Lengthy discussion followed regarding his eligibility and allowable DROP time. He had already submitted part of his DROP packet to the administrator and he explained that he is unsure if he will be following through and entering the DROP. He explained that he will hold his remaining papers for another week while he decides.

NEW BUSINESS

Bonni Jensen reported the Division of Retirement Trustee School was well attended in Tallahassee. She reminded the Trustees of the upcoming FPPTA conference scheduled for June.

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ADMINISTRATIVE REPORT

Denise McNeill presented the revised Eaton Vance authorized signature form listing the updated trustees. The form was signed by all Trustees present.

DISBURSEMENTS

Denise McNeill presented a disbursement report for approval. Mr. Tomchik advised that the Division of Retirement (FSU) had him pay another registration fee when he attended the conference. The administrator will address the billing matter for Mr. Tomchik.

- Orlando Segarra made a motion to approve the disbursements as presented. The motion received a second by Andrew Tomchik and was approved by the Trustees 3-0.

ADJOURNMENT

The Trustees acknowledged their next meeting date, previously set for July 5, 2011. There being no further business,

- Orlando Segarra made a motion to adjourn the meeting at 12:20 PM. The motion received a second by Andrew Tomchik and was approved by the Trustees 3-0.

Respectfully submitted,

Manuel Esparza, Secretary