

City of Miramar Firefighters' Retirement Plan

MINUTES OF MEETING HELD

February 16, 2012

James Estep called the meeting 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

James Estep, Chairman
Manuel Esparza, Secretary
Orlando Segarra; Trustee
Chris Armstrong; Advisory Comm
Leo Nunez; Advisory Comm (09:09)
Andrew Soterakis; Trustee (09:17)

OTHERS PRESENT

JC Louissaint; Resource Center; Administrator
Bonni Jensen; Perry & Jensen; Counsel
Don Dulaney; Dulaney & Company; Actuary
Greg McNeillie; Dahab; Investment Consultant
David Lee; Dahab; Managing Director
Clement Johns, Director; Goldstein Schechter Koch
Ian Thomas; Finance Dept.; City of Miramar (9:22)
Cindy Naraine; HR Coordinator; City of Miramar

TRUSTEES ABSENT

Andrew Tomchik; Trustee
Jason Swaiden; Advisory Comm
Susan Finn; Advisory Comm

~~JORGE~~ George Llorens; Miramar Fire
John Zimmerman; Miramar Fire

INVESTMENT CONSULTANT REPORT

Greg McNeillie appeared before the Board on behalf of Dehab Associates to present the portfolio's performance report for the quarter ending December 31, 2011. Mr. McNeillie stated that the last quarter was a good one with the total fund performance up 7.8% but there were some weaknesses in the portfolio mainly in the Large Cap concentrating with Herndon Capital and Rushmore. Herndon Capital had their worst quarter ever as far as their percentage falling below the Index; they have outperformed for January and February, 2011 but underperformed as much during the 4th quarter 2011. As for Rushmore, their big issue for the quarter was Oracle which missed their estimate for quite a bit and Oracle was down 10.0% for the quarter so this had a big impact on Rushmore.

Mr. McNeillie went on to review the fourth quarter explaining that the portfolio gained 7.8%, which was 1.0% below the Policy Index's return of 8.8% and ranked in the 2nd percentile of the Public Fund Universe. The Large Cap equity portfolio returned 9.5%, less than the S&P 500 Index's return of 11.8% and ranked the 80th percentile of the Large Cap universe. The combination of the three Large Cap features are the Index fund with Northern Trust; the large Cap Value with Herndon Capital and the Large Cap Growth with Rushmore.

~~One of the Trustees~~ ^{JAMES ESTEP} commented that Herndon Capital had brought in some new people and went through some structural changes recently so he wanted to know if that was the cause of their underperformance in the fourth quarter. David Lee, the managing Director of Dahab Associates responded by stating that it is correct that Herndon got rid of a couple of people and hired four new analysts with a little more experience which brought greater strength to the team but Randy Cain, the Portfolio Manager responsible for managing the Large Cap is the one pulling the trigger, so he does not believe that the new analysts had anything to do with the poor performance in the fourth quarter.

City of Miramar Firefighters' Retirement Plan

MINUTES OF MEETING HELD

February 16, 2012

The SMid Cap equity portfolio did better than the Large Cap and gained 15.0%, 0.5% above the Russell 2500 Index's return of 14.5% and ranked in the 49th percentile of the Smid Cap universe. The Foreign Equity returned 3.0% which was a tough quarter for International especially with what's happening in Greece with their fiscal policy. That return was 0.7% below the Foreign Equity Hybrid Index's return of 3.7% and ranked in the 69th percentile of the International Equity universe. The Real Assets portfolio returned 1.9%, which was 0.1% less than the Real Asset Blended Index's return of 2.0%. The combination of the Real Assets is the plan's Real Estate and Timber. The Fixed Income gained 0.6%, which was 0.3% below the Intermediate Aggregate Index's return of 0.9% and ranked in the 56th percentile of the Fixed Income universe.

Mr. McNeillie continued with reporting the performance of some of the fund managers for the fourth quarter, 2011 and mentioned the underperformance of the Fixed Income fund with Northern Trust which is more of an Intermediate Aggregate; it does not have the mortgage portion and mortgages are outperformed Treasuries. Mr. McNeillie stated that the Fixed Income had a poor performance looking out three years and that's one of the reasons why the plan is replacing the fund manager with C.S. McKee. Mr. McNeillie reported that the plan has some good positive cash flow and it keeps building up. At some point of time the plan will have enough money it needs for Timber investment, and if it takes much longer the plan can put the money in a Bond fund on a temporary basis at C.S. McKee.

There was a discussion about the money managers to be prudent as possible in managing the funds to forestall losses. Ms. Bonni Jensen commented that Dahab Associates need to reach out to the fund managers and let them know how much the Board is concerned about the performance of the Fund. The Board would like the numbers to be better this year coming to September 30, 2012 than they were last year and that they should not stay idle and watch the financial markets deteriorate and not do anything to prevent more losses as it happened during the third quarter of last year. Ms. Jensen stated that the money managers should be more proactive and should create some tools to be more flexible when the financial markets are volatile as it was last year. Mr. McNeillie agreed to speak with the fund managers to discuss the Board of Trustees' concern. Mr. McNeillie also stated that he will put together a schedule to bring in the fund managers before the Board throughout the year. He will contact the money managers and report back to the Board at the next meeting.

AUDIT PRESENTATION

Mr. Clement Johns of Goldstein Schechter Koch (GSK) appeared before the Board to present the draft of the audited financial statements for the plan year ending September 30, 2011. Mr. Johns gave an overview of the firm and stated that GSK is one of the oldest and largest local public accounting firms based in South Florida. They have a dedicated group of about 130 professionals and the firm has numerous public pension plans as clients. He noted that the Net assets of the plan and activities during the fiscal year ending September 30, 2011 are fairly stated in all material aspects in accordance with auditing standards generally accepted in the United States of America. Mr. Johns noted no instance of weaknesses in internal control and nothing came to his attention

City of Miramar Firefighters' Retirement Plan

MINUTES OF MEETING HELD

February 16, 2012

that would make him declare that the plan has not been in compliance with the ordinance and all the laws and regulations.

Mr. Johns reviewed the Statements of Plan Net Assets which also include the Share Plan and reported that the Plan has total assets of \$56,044,707 and total liabilities of \$6,571,014 as of September 30, 2011. The total net assets held in trust for the pension benefits as of September 30, 2011 was \$49,473,693 compared to \$47,993,313 as of September 30, 2010 for an increase of \$1,480,380. Mr. Johns noted an investment loss of \$588, 513 versus a gain of \$4,418,112 the prior fiscal year mainly due to the poor performance of the stock market. Mr. Johns noted that there were no major changes to the plan during the period and stated that the funded ratio based on the October 1, 2010 valuation report was 56% a little below comparing to the previous year which was at 57%.

Mr. Johns explained that in addition to the financial statements, a SAS 114 which is a communication letter with governance will be issued directly to the board members; however it will not reflect any problems as there was nothing to report.

Chairman Estep thanked Mr. Johns for the Audit presentation and let him know that the board is satisfied with his firm's services to the plan. Mr. Estep also discussed the audit RFP that the board had initiated and informed Mr. Johns that the reason for doing it had been born solely on due diligence and looking to reduce fees and not as a service related matter. Mr. Estep asked Mr. Johns if he wanted to take this opportunity to address the board one more time on the RFP issue. Mr. Johns stated that his firm does an excellent job for all his clients, the firm has dedicated and experienced professionals working for them; the firm is the best around and he looks forward to continuing to provide the plan with excellent audit services. Chairman Estep thanked Mr. Johns one more time for his good services to the plan.

- Manuel Esparza made a motion to approve the audited financial report as presented. The motion received a second by Orlando Segarra and was approved by the Trustees 4-0.

Mr. Johns presented a management letter for approval. Ms. Jensen noted that she reviewed the management letter and it is okay to be approved.

- Andrew Soterakis made a motion to approve the Management Letter. The motion received a second by Orlando Segarra and was approved by the Trustees 4-0.

ACTUARY REPORT

Mr. Dulaney noted that he forwarded the current actuarial data report to Ms. Jensen late yesterday so she can insert it to the updated Summary Plan Description.

DROP STATEMENTS: Mr. Dulaney reported that he issued eighteen (18) DROP statements for the period ending December 31, 2011. There are eight (8) active participants and ten (10) exited members. The statement will be uploaded to Resource Centers' secure website sometime during the day. Two statements were not issued due

City of Miramar Firefighters' Retirement Plan

MINUTES OF MEETING HELD

February 16, 2012

to some issues that need to be clarified or corrected. JC Louissaint explained the issue relating to Mr. Louis Tomey who entered the DROP on December 1, 2011 and had elected to roll his maximum allowable unused leave in the amount of \$37,665.63 into the DROP at the beginning of his DROP. Since Mr. Tomey had already contributed \$11,331.84 to the DB plan through November 30, 2011, his total contributions amounted to \$48,997.47 for the year; therefore the City was instructed to change Mr. Tomey's payroll contribution rate from 8.47% to 0.00% and did not make any contribution for the month of December because he reached the IRS 415(c) limit for the year.

According to the actuary, Mr. Tomey should have contributed to the DROP plan in December as the \$11,331.84 contributions were made to a DB plan; therefore the DB contributions should not be subjected to the annual DC limit. After a lengthy discussion, Mr. Estep asked Ms. Jensen to verify the correct interpretation of the rules and confirm to the board how to proceed with this matter.

The second issue was with Mr. John Tague who entered the DROP on December 1, 2011 but the City did not decrease his contribution rate from 8.47% to 4.0% for the months of December 2011 and January 2012. The payroll department informed JC Louissaint that adjustments will be made for January 2012 but they cannot go back to 2011 to refund December's contributions as the fiscal year was already closed. After much discussion, it was agreed that Mr. Dulaney can prepare Mr. Tague's December 31, 2011 DROP statement reflecting the December contributions at 8.47% as it was deducted from payroll.

Mr. Leo Nunez mentioned that Captain James Dragon had requested that payroll put in the maximum amount that he can front load into the DROP but Mr. Dragon claimed that this wasn't done. Mr. Estep stated that he was aware of the DROP front load issue and had spoken with the payroll department, but payroll told him that they need an outline from Mr. Dragon to let them know how many hours he wants to build and from what bank. Mr. Estep will contact Ms. Andrea Pedlar in payroll as a follow up on Mr. Dragon's DROP issue.

MILLIMAN, INC. LETTER: Mr. Dulaney reported that he responded to a letter from Milliman, Inc., an outside actuary that the State used to do work for them. Milliman, Inc wanted Dulaney & Company to respond to the following three questions:

- 1) Illustrate how the funded liabilities will be amortized over twenty years.
- 2) Gain/Loss calculation method used for the plan
- 3) Actuarial value of Assets method used for the plan.

Mr. Dulaney responded with an explanation to each of the questions on January 13, 2012 and is waiting to hear from Milliman, Inc.

PROPOSED FEE INCREASE: Mr. Dulaney requested approval from the Board for a revised fee schedule for actuarial services for the plan. Mr. Dulaney stated that the last fee increase was in 2009 and was guaranteed for three (3) years. The proposed fee increase will also be guaranteed for three (3) years and reflects an overall increase of roughly 10% or 3.2% per year, compounded annually over three (3) years. The

City of Miramar Firefighters' Retirement Plan

MINUTES OF MEETING HELD

February 16, 2012

proposed annual fee will be \$16,900 versus the current \$14,900, which represents a 3-year annualized of 4.3% increase. The first 5 Benefit Calculations will continue to be free and each additional calculation will be \$95.00 per hour versus \$85.00 currently. The Senior Consulting Actuary will stay at \$295.00 per hourly rate. The Senior Actuarial Analyst will increase to \$195.00 versus \$175.00 currently and the Clerical/Support Staff will be billed at \$90.00 versus \$80.00 currently.

Mr. Estep stated that he had a discussion with Mr. Dulaney regarding the monthly actuary invoice where he noticed that there are some swings because it's a new quarter or DROP statements are issued so he would like for Mr. Dulaney to add more things into the annual fee to spread it out evenly during the year.

- Manuel Esparza made a motion to approve the Actuary agreement for Dulaney & Company, Inc. The motion received a second by Orlando Segarra and was approved by the Trustees 4-0.

AUDIT RFP PRESENTATION

Mr. Steven Gordon introduced himself to the board and gave an overview of his firm and the services they provide. Mr. Gordon stated that his firm is fairly small with 5 or 6 full time employees including himself and two part-timers. All employees, both full and part time are CPA's. The firm has no clerical staff as all processes are digitized and paperless, so there is not much paper filing to be done. Mr. Gordon has been doing Municipal pensions since mid 80's for about 25 years but has been practiced longer than that. Mr. Gordon stated that his firm has been doing a fantastic job for his clients and the Board is free to contact all or any clients from the reference list printed on the RFP letter.

Mr. Estep explained to Mr. Gordon that the Board requested the Audit RFP not because they are dissatisfied with the services currently provided by the current audit firm but solely on cost consideration because the board wants to conduct due diligence as its fiduciary responsibility by making sure they are paying the right price for the audit services. Mr. Estep asked Mr. Gordon to explain the reason why his cost is so much lower than the competitors. Mr. Gordon responded by saying that: 1) it depends on the firm that is bidding on the RFP because his cost may not be much lower than every one audit firm out there; 2) the firm does not have expensive offices; 3) the firm has a small office and eight percent (80%) of the firm's expenses is payroll. Overall, the firm operates efficiently and able to keep its overhead very low.

Mr. Estep invited the board members to ask questions if they have any. After the Q&A's were ended, Mr. Estep thanked Mr. Gordon for coming before the Board and he invited the board members for an open discussion about the presentation and also to review the RFP chart one more time for a final comparison. After all the comments and issues have been presented, Mr. Estep asked the board to move forward with a vote.

- Manuel Esparza made a motion to retain Steven Gordon as the new Audit Firm for the Miramar Firefighters' Retirement Plan. The motion received a second by Orlando Segarra and was approved by the Trustees 4-0.

City of Miramar Firefighters' Retirement Plan

MINUTES OF MEETING HELD

February 16, 2012

ATTORNEY REPORT

C.S. MCKEE: Ms. Jensen reported that Mr. McNeillie negotiated the contract fee with C.S. McKee and they agreed to come down to 30 bps from 35 bps. Mr. McNeillie had hoped that C.S. McKee could come down to 25 bps but they were not able to due to most favored nations clauses and fee arrangements with other clients. The Investment Manager Agreement fee schedule will be 30 bps on the 1st \$10 million and 25 bps over \$10 million.

- Orlando Segarra made a motion to execute the Agreement with C.S. McKee The motion received a second by Andrew Soterakis and was approved by the Trustees 4-0.

LEGISLATION NEWS: Ms. Jensen reported that she is not sure that too much is going to come out of the legislative session because there is about four to five weeks left and they still have to go through the pending bills relating to Pensions and nothing is happening yet.

Ms. Jensen also reported that the House Bill 1499 was filed on January 18, 2012 and was already eight days late when it was filed on January 10th but nothing has happened on this bill since January 19, 2012. Ms. Jensen explained that this bill provides frequency of actuarial reports for retirement systems and creates pension watch list for retirement and pension plans failing to meet the 80% funded ratio requirement. Ms. Jensen noted that this bill should be a concern to the Miramar Fire plan as the plan current ratio is now at 56% which is below the required 80%; therefore the plan would have to be reported to the Division of Management Services and be placed on the pension watch list. Ms. Jensen informed the board that she will keep them up to date as to the status of this bill as well as all other pending pension bills.

TAX EXEMPT STATUS: Ms. Jensen informed the Board that the State approved the Plan's application for State Tax exemption. JC Louissaint let the members know that the Sales Tax Exempt Certificate has been uploaded to the website for their use. JC Louissaint told the board members that since the sales tax exemption was effective December 31, 2011 then he will request a refund from the Hyatt Hotel in Jacksonville, FL for the taxes paid by the trustees while they stayed there for the trustees' school program beginning of February, 2012.

NEW BUSINESS

DRAFT OF SPD: Mr. Estep had forwarded some changes to be made to the Summary of Plan Description and Ms. Jensen updated the current SPD and brought a draft for discussion. After a lengthy discussion, Mr. Estep requested a motion to approve the changes.

- Manuel Esparza made a motion to approve all the changes that Bonni made to the SPD. The motion received a second by Orlando Segarra and was approved by the Trustees 4-0.

City of Miramar Firefighters' Retirement Plan

MINUTES OF MEETING HELD

February 16, 2012

Ms. Jensen told the board members that the updated copy of the SPD can be distributed to the members electronically but to make sure to request a delivery receipt.

OLD BUSINESS

EMAIL ADDRESSES: Mr. Estep reminded the board members of the discussion they had during the last meeting regarding the options of providing email addresses for the non-city employees so that they can send or receive emails, also capture pension materials for public requests through one email address rather than having the pension materials to pass through personal email addresses. Mr. Estep explained that Denise McNeill and JC Louissaint had done some research and came up with a solution where the non-city employees can use email addresses through network solutions but there is a small cost associated to the service. The cost will be \$5.00 per month per email address for a total of \$15.00 per month for the three email addresses.

After a lengthy discussion, Mr. Estep requested a motion to move ahead with the option presented.

- Manuel Esparza made a motion to move forward with the three email addresses at a cost of \$5.00 per email address per month. The motion received a second by Orlando Segarra and was approved by the Trustees 4-0.

BENEFIT CALCULATOR: Mr. Estep explained to the board members that there is a Benefit Calculator at MFPPF.ORG where a member can put in some simple information such as the final 3 years of salary, date of birth, date of hire and retirement date. The system will calculate and display the member's projected benefit amount based on the information entered. Mr. Estep stated that he was talking to Bonni about it and she told him to try the calculation with early retirement date which he did but got an error saying "Invalid Retirement Date. After speaking with JC Louissaint and Denise McNeill he was told that this is a generic program and was not built to work for early retirement age. In the meantime, JC Louissaint informed us that beneficiary information is being loaded to make the calculation more accurate and the result will be based on the data that we receive from payroll at this time.

DROP ENTRY: JC Louissaint informed the Board that Captain James Dragon entered the DROP effective February 1, 2012 and the application will be forwarded to Dulaney & Co. for benefit calculation.

PAYROLL DATA: JC Louissaint informed the Board that the payroll issue is still the same. Mr. Estep asked JC Louissaint to find out from Denise McNeill the current status of the payroll data; if there is a reason why the matter cannot be closed out since the discrepancy is insignificant and move on to this year to start loading the data.

ADMINISTRATIVE REPORT

JC Louissaint gave a brief overview to the board members of the client survey result conducted by Pension Resource Center and also an overview of SSAE-16 Type II Audit Report recently completed by Pension Resource Centers.

City of Miramar Firefighters' Retirement Plan

MINUTES OF MEETING HELD

February 16, 2012

MINUTES

Minutes of the January 12, 2012 meeting were presented in the Trustee packets for review.

- Manuel Esparza made a motion to approve the January 12, 2012 minutes as presented. The motion received a second by Orlando Segarra and was approved by the Trustees 4-0.

FINANCIAL STATEMENTS

The Financial Statements for the quarter ending December 31, 2011 were presented in the Trustee packets for review.

DISBURSEMENTS

JC Louissaint presented a disbursement report for approval with three additions including reimbursements for food to Orlando Segarra.

- Manuel Esparza made a motion to approve the disbursements with the three additions as amended: \$7,200.00 to GSK for audit work; \$67.92 to Manuel Esparza for FPPTA travel reimbursements and \$34.90 to Orlando Segarra for food. The motion received a second by Orlando Segarra and was approved by the Trustees 4-0.

BENEFIT APPROVALS

A DROP application for Mr. John Tague was presented to the Board for approval.

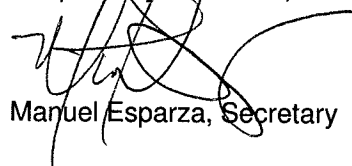
- Manuel Esparza made a motion to approve Mr. John Tague's Benefit Approval. The motion received a second by Orlando Segarra and was approved by the Trustees 4-0.

ADJOURNMENT

The Trustees acknowledged their next meeting date, previously set for April 5, 2012. There being no further business,

- Manuel Esparza made a motion to adjourn the meeting at 12:10 PM. The motion received a second by Andrew Soterakis and was approved by the Trustees 4 -0.

Respectfully submitted,



Manuel Esparza, Secretary