

City of Miramar Firefighters' Retirement Plan

MINUTES OF MEETING HELD

November 16, 2012

James Estep called the meeting to order at 3:00 PM in the Meeting 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
Andrew Tomchick; Trustee

Leonardo Nunez; Advisory Comm
Christopher Armstrong; Advisory Comm
Susan Finn; Advisory Comm

OTHERS PRESENT

Denise McNeill; Resource Center; Administrator
Bonni Jensen; Perry & Jensen; Counsel
Don Dulaney; Dulaney & Company; Actuary
Steve Roth; Dahab & Associates; Consultant
John Vann & Steve Mergler; Rushmore Investments
Members of the Plan

TRUSTEES ABSENT

Andrew Soterakis; Trustee
Jason Swaidan; Advisory Comm

MINUTES

Minutes of the October 5, 2012 meeting were presented in the Trustee packets for review.

- Manuel Esparza made a motion to approve the October 5, 2012 minutes as presented. The motion received a second by Andrew Tomchik and was approved by the Trustees 4-0.

DISBURSEMENTS

Denise McNeill presented a disbursement report for approval with an addition of reimbursements to Orlando Segarra and James Estep.

- Manuel Esparza made a motion to approve the disbursements as amended. The motion received a second by Andrew Tomchik and was approved by the Trustees 4-0.

INVESTMENT CONSULTANT REPORT

Steve Roth appeared before the Board on behalf of Dahab & Associates to present the portfolio's performance report for the quarter ending September 30, 2012 and to address changes with Rushmore Investment Advisors. He referred to notice that had recently been sent to the Board explaining that the portfolio manager had left Rushmore. Mr. Estep explained he had spoken with Greg McNeillie of Dahab and Mr. McNeillie advised he did not have any immediate concerns with the transition.

RUSHMORE INVESTMENT ADVISORS:

John Vann and Stephen Mergler appeared before the Board to address the portfolio management change at Rushmore. Mr. Vann explained they use a quantitative and team approach and therefore they do not expect any issues with the management change. He went on to review the prior manager's history and relationship with the firm. He then explained there were challenges in the large cap growth performance last year resulting in the fund being 400 basis points off the market. Mr. Vann advised they had first examined their model in detail and determined the model still operates as it should. Rushmore then reviewed their internal investment team process; which

City of Miramar Firefighters' Retirement Plan

MINUTES OF MEETING HELD

November 16, 2012

uses the same process as the international and equity portfolios, and they determined that the team process is working as it should. Mr. Vann then began working alongside the manager in an effort to determine why the portfolio was not reflecting better results and he determined that the prior manager was buying late and selling late. Mr. Vann then reviewed the recent quarterly results noting the portfolio was up 6.26% beating the bench which was up only 6.11%. He then went on to review the product attribution, historical market details and the current market situation. Mr. Vann explained he is back to running the portfolio and will remain the lead until the portfolio is functioning as expected. Mr. Vann then reviewed the portfolio characteristics noting that 89% of the stocks held met or exceeded earnings. He explained that while he understands the Board may elect to replace Rushmore, he believes the manager change was the proper action for Rushmore to take. Mr. Vann responded to questions from the Trustees noting that he will be training someone to take over and manage the portfolio and eventually expects his son will be the replacement. He advised that 80% of the process is quantitative and he reviewed the sell process. Mr. Vann presented a piece of information regarding the pending "Fiscal Cliff". Discussion followed regarding the stocks held. Mr. Vann noted that the indexes are continually holding companies viewed as partial growth and partial value. Mr. Vann and Mr. Mergler departed the meeting at 3:46 PM.

Steve Roth explained growth stock and value stocks alternate frequently. Discussion followed regarding Rushmore's presentation and the current depth of experience at the firm. Mr. Roth explained that he feels the portfolio should turn around and Dahab will monitor their progress closely.

Mr. Roth went on to review the quarterly report noting it was a good quarter and all indices were up. He noted a slight improvement in housing. He reported the plan was up 5.2% for the quarter and 20.9% for the fiscal year ranking the Plan in the top 6th percentile of the public fund universe. For the fiscal year end, domestic equities were up 28.6% below the index of 30.2%; SMID cap equities were up 32.3% beating the index of 30.9%; international was up 14.9%, real assets were up 9.7% and fixed income was up 4.3%. Mr. Roth noted it was a tough quarter for timber and that industry may pick up when housing increases. He explained he recently met with Principal and reported they are keeping their leverage low and properties are coming back. He explained valuations are coming in "cheap" and companies are still holding high amounts of cash. Discussion followed regarding an addendum for Rushmore sent to the Trustees by Greg McNeillie.

- Manuel Esparza made a motion to approve the amended addendum as presented. The motion received a second by Andrew Tomchik and was approved by the Trustees 4-0.

ATTORNEY REPORT

LEGAL UPDATES: Bonni Jensen addressed a memo she had sent to all Trustees in October. At the last meeting, the Board had inquired about the impact of retired members being rehired by the City as employees. She explained the FPPTA had a presentation on IRS issues at the recent Trustees School. Mrs. Jensen reviewed the information in detail and explained some governmental plans have requirements for certain periods of time that must elapse before the member can be rehired. Lengthy discussion followed regarding the language. Mrs. Jensen explained that she feels a retired firefighter should not return to the City's employment, even as a civilian employee, to avoid any potential IRS issues. She noted the IRS allows for in-service distributions and the Plan language can be changed to allow for such. She explained the municipality is the Plan Sponsor so technically being rehired by the City into any department creates an issue. Mrs. Jensen explained that in order to allow in service distributions, the Plan will need to have a normal retirement age and if a member meets the years of service but not the age, then they would not qualify. Mrs. Jensen explained she feels that within the pension fund

City of Miramar Firefighters' Retirement Plan

MINUTES OF MEETING HELD

November 16, 2012

realm, they should allow no in-service distributions until age 62 and if an employee stays, then their pension benefit should stop until they reach age 62. Discussion followed regarding potential situations. She noted that the Union may need to address the matter and she noted language may need to be added to the contract. Mrs. Jensen reminded the Trustees their role is to be compliant with the IRS. She also noted they can make suggestions to the Union.

- Andrew Tomchik made a motion to have the attorney draft language change to present to the Union and City advising no distributions of pension benefit will be paid to members while employed by the Plan Sponsor prior to age 62. The motion received a second by Manuel Esparza and was approved by the Trustees 4-0.

ACTUARY REPORT

Don Dulaney presented a review of the Post Retirement Subsidy reflecting an increase from the current \$223.37 to \$230.05 effective January 1, 2013.

- Andrew Tomchik made a motion to approve the Post Retirement Subsidy increase to \$230.05 effective January 1, 2013. The motion received a second by Manuel Esparza and was approved by the Trustees 4-0.

Mr. Dulaney then reviewed a sample of the new DROP statement format designed to separate the DROP transfers into the Plan. He then reported there was a slight issue on Alan Park's final payroll which caused his contribution amount to be off by a few dollars. He discussed the matter with Mr. Park and both agreed the amount was minimal and at this point may not be worth attempting to have corrected with the City. Mr. Dulaney then advised that he is still awaiting the member data from the City and will be prepared to work on the Share accounts once received.

SECURITIES MONITORING

Mr. Estep explained the Trustees were approached by another securities monitoring firm at the recent FPPTA Trustees School. Mrs. Jensen explained the process of securities monitoring and noted that the Plan would only be plaintiff in small cap related matters since the Plan with the biggest loss is generally the claimant. She explained it does not cost the Plan to have multiple monitoring services however it will increase the reporting to the Plan.

- Manuel Esparza made a motion to invite Rebecca Katz from Motley Rice to the next meeting to present. The motion received a second by Andrew Tomchik and was approved by the Trustees 4-0.

ADMINISTRATOR REPORT

Denise McNeill reminded all Trustees of the email sent regarding the 2013 meeting schedule. She explained there has been no movement on the payroll data; they are still awaiting individual payroll files for 10/01/11 through July 2012 as well as the fiscal year end detail for the auditor and actuary. Mrs. McNeill reviewed upcoming DROP terms noting Cabrera was scheduled to leave by 12/31/12 and Stewart Kelly should be departing by 1/31/13. Mrs. McNeill confirmed she has been in communication with Chief Cabrera and everything was underway for his final transition on the pension side.

Mrs. McNeill presented an administrative fee increase request sent to the Board along with their meeting packets. She reviewed the history of fees and service levels received from the Resource Centers since the company was hired in June 2005.

- Manuel Esparza made a motion to approve the administrative fee increase of 3.5% effective January 1, 2013 and each year thereafter. The motion received a second by Andrew Tomchik and was approved by the Trustees 4-0.

City of Miramar Firefighters' Retirement Plan

MINUTES OF MEETING HELD

November 16, 2012

NEW BUSINESS

Denise McNeill reported of a recent notice from Northern Trust advising that a new account representative "team" has been assigned to the Plan.

Steve Roth explained that Dahab is continuing to look into options to further diversify the portfolio in an effort to help reduce risk. He addressed PUTS and CALLS and advised how the process helps to reduce cost. Lengthy discussion followed regarding the process. Mr. Roth explained that he recommends such a process over a hedge fund. He advised that Greg McNeillie will bring additional information to the Board at a future meeting.

ADJOURNMENT

The Trustees acknowledged their next meeting date set for January 10, 2013. There being no further business,

- Manuel Esparza made a motion to adjourn the meeting at 5:35 P.M. The motion received a second by Orlando Segarra and was approved by the Trustees 4 -0.

Respectfully submitted,

Manuel Esparza, Secretary