

# City of Miramar Firefighters' Retirement Plan

## MINUTES OF MEETING HELD

November 15, 2013

James Estep called the meeting to order at 9:05 AM in the Meeting 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  
Orlando Segarra, Trustee  
Susan Finn, Trustee

Jason Swaidan, Advisory Comm  
Leonardo Nunez, Advisory Comm

### TRUSTEES ABSENT

Andrew Tomchick, Trustee  
Ulises Carmona, Advisory Comm

### OTHERS PRESENT

Denise McNeill; Resource Center; Administrator  
Bonni Jensen; Perry & Jensen; Attorney  
Don Dulaney; Dulaney & Company; Actuary  
Steve Roth; Dahab & Associates; Investment  
Consultant

It was noted the Board has implemented a paperless environment using the conference room smart board for the meeting.

### MINUTES

Minutes of the August, September and October meetings were presented in the Trustee packets for review.

- Manuel Esparza made a motion to approve the August 15, 2013 minutes as presented. The motion received a second by Susan Finn and was approved by the Trustees 4-0.
- Manuel Esparza made a motion to approve the September 19, 2013 minutes as presented. The motion received a second by Orlando Segarra and was approved by the Trustees 4-0.
- Manuel Esparza made a motion to approve the October 10, 2013 minutes as presented. The motion received a second by Orlando Segarra and was approved by the Trustees 4-0.

### DISBURSEMENTS

Denise McNeill presented a disbursement report for approval with additional payments to Orlando Segarra, James Estep and Dulaney and Company.

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

### PRINCIPAL GLOBAL INVESTORS

Paul Stover and Darren Kleis appeared before the Board to present an update of Principal Global Investors. Mr. Stover provided a staff update and noted the fund is a core private equity real estate portfolio. Mr. Kleis reviewed the presentation noting the firm currently has 17.1% leverage due a recent large loan being paid off. He explained their debt is typically 20-25%. He reported they have 93.3% occupancy and noted they are looking for more return from rent and leases and are slightly above the bench in occupancy. Mr. Kleis then reviewed specific holdings and recent purchases. He reported the fund did well in the recent recession due to their level of quality. Mr. Kleis then reviewed their strategic outlook noting they are looking to increase their net operation

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income and explained they look for locations where it is hard to build another new building that could draw tenants away; they are also looking for good rate adjusted areas. Mr. Kleis then reviewed the portfolio diversification; 3% hotel, 2% land, 17% industrial, 18% multifamily, 19% retail and 41% office. He explained most of the retail in the portfolio is grocery and shopping centers. He then reviewed the top ten assets and the rollover percentages expected for the coming year. Mr. Kleis reported low debt at 3.99% interest with maturities extended out as long as possible. He reported in the one year view, the portfolio net was 12.11% and they slightly underperformed their peers in the recent quarter. Mr. Stover and Mr. Kleis responded to several questions from Mr. Roth and the Trustees. Mr. Kleis confirmed there is still too much office space available in some areas. A Trustee inquired if they are looking to purchase warehouse space on the Southeast coast due to the widening of the Panama Canal. Mr. Kleis explained they have bid on some property recently to find out what is being paid and some businesses are paying high prices for that space so Principal has not been as interested due to the cost. Discussion followed regarding the portfolio debt. Mr. Kleis explained some of the debt in the portfolio must wait until the maturity date while other debt can be paid off with no pre-payment penalty. Discussion followed regarding locations and Mr. Kleis explained they are looking to add in markets where they currently have holdings, except for the Phoenix market where they are slightly overweight currently and are looking to sell off. He advised the challenge now is looking for new purchases; they currently have a \$240M inbound queue and are looking for some South Florida retail, apartment options and industrial locations. Mr. Kleis and Mr. Stover departed the meeting at 9:50 AM. Mr. Roth reported that Principal currently ranks among the middle of their peers in return.

### HANCOCK TIMBERLAND XI LP

Jonathan Aggett and Amy Haynes appeared before the Board to present an update of Hancock Timberland. Mr. Aggett provided a company update noting they are a wholly owned subsidiary of Manulife Financial. He explained Hancock owns 6.5M acres across the US, Canada, Australia, New Zealand and Brazil. Ms. Haynes explained that over 50% of the aggregate capital is invested in the US. She then reviewed acquisitions and properties held in the portfolio. She explained the Fund closed in March of 2012 and 59% (\$1.2M) of the Fund's remaining capital is yet to be called. She explained a wholly owned REIT is holding the asset; all non US holdings fall under a limited partnership and all US holdings fall into the REIT. Ms. Haynes then reviewed the various regions and specific holdings. She noted this fund did not have investments out of the US yet as they have not found the right properties for purchase; however there is one currently pending in Chile. Ms. Haynes reported all domestic properties will be valued in the fourth quarter. Mr. Aggett described the purchase process noting they can run into environmental issues when an old mine or timber mill are a part of the parcel. Mr. Aggett then reviewed the projected performance based on current holdings. He then reviewed the acquisition profile explaining they brought on a competitor (Molpus) for the purchase. He addressed the dynamics of purchases in areas like the Pacific Northwest; the cost to truck timber to port versus partnering with a local log yard to process. Mr. Aggett then reviewed the types of timber, growth and maturation; noting that smaller trees are typically sold to pulp and paper companies. The then reported that existing home sales have trended lower with 2009's new housing starts being the lowest reported since the 1940's. He explained they expect the market to transition and increase back to the 2003 and 2004 levels. They are currently seeing mills begin to increase productivity again. Mr. Aggett reported that due to the demand in China, the Pacific Rim export markets have been a saving grace for some timber investments. China previously received much raw material from Russia; however Russia began imposing import tariffs which increased the demand from other markets. He explained the US South is tied to the domestic market which is still down while the Pacific Northwest export is doing well. Mr. Aggett responded to several questions from Mr. Roth and the Trustees explaining the March 2014 deadline can be delayed up to one year if they are not ready

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for the additional capital. Discussion followed regarding the possibility of an Investor Day. Jonathan Aggett and Amy Haynes departed the meeting at 10:35 AM.

The meeting continued after a ten minute break.

### MOLPUS WOODLANDS GROUP

Edgar Marshall appeared before the Board via Skype to present a portfolio update. He explained that personally, he is a forester by trade. Mr. Marshall reviewed the properties and acquisitions and he provided details of properties pending as well as recent sales in the portfolio. Mrs. Jensen inquired into the Hancock-TriStar purchase. Mr. Marshall explained it is a good partnership, they are not competing on assets, there is no overlap from the equity standpoint and the land is completely split. He went on to review the portfolio allocation. Mr. Marshall explained the model reflected an expected return of 2.46% while the actual return was 7.81%. He then addressed housing markets internationally, noting that China has a need for 46M houses and they expect to continue to need 10M annually. Mr. Marshall explained wood pellets are going to Europe to be used next to coal for renewable energy as it burns clean; however he does not see pellets as being too popular in heating due to the abundance of natural gas. Mr. Marshall explained Molpus did not purchase much between 2006 and 2009 and they have had 32 transactions since inception due solely to creative situations. Mr. Marshall reported they expect to close on Fund IV in November and he expects prices to begin to trade up and activity to begin to taper off. Regarding their international markets, they are confined to South America, Southeast Asia, some Africa and Australia. He noted that the political environment, currency, naturalization and mill capabilities are all risks in those environments. Discussion followed regarding the possibility of an Investor Day. The Skype conference with Mr. Marshall ended at 11:10 AM.

### INVESTMENT CONSULTANT REPORT

Steve Roth of Dahab Associates appeared before the Board to present the quarterly portfolio review for the quarter ending September 30, 2013. Mr. Roth reported the GDP was up slightly in the last quarter and unemployment was still high. He reported it was great quarter and feels the Fed will keep rates low and inflation will gradually increase. He reported small cap had an outstanding quarter; however the market has transitioned to large cap in the current period. Mr. Roth went on to review the quarterly report in detail. He noted the Plan was up 6% for the quarter matching the index, ranking the Plan number seven in the public fund universe. Domestic equities were up 6.7% beating the index of 6.4%; large cap equities were up 6.2%, SMID cap equities were up 8% below the index of 9.1%; international was up 10%, real assets were up 2.7% and fixed income was up 0.6%. Mr. Roth noted the Plan was up 18% fiscal year to date ranking the Plan second in the public fund universe. Discussion followed regarding the Plan's actuarial rate of return of 8.5%. It was noted the comment on page eight of the report referring to an actuarial blend was confusing. Mr. Roth will have Dahab amend the report for future reporting. Mr. Roth recommended the Board move \$1.7M from cash to CS McKee to rebalance the portfolio. Discussion followed regarding their current asset allocation.

- Manuel Esparza made a motion to move \$1.7M from cash to CS McKee as per the consultant's recommendation to rebalance. The motion received a second by Susan Finn and was approved by the Trustees 4-0.

Discussion followed regarding Lee Munder's performance in relation to their peers. The Trustees instructed the consultant to invite Lee Munder to the February 2014 meeting. Mr. Roth continued reviewing each manager individually. He explained that an expectation of 2% per year in fixed income is a reasonable expectation going forward. Mr. Roth feels the Plan may see 7% to 10%

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growth in the next year and not the rapid correction growth of 2013. Mr. Roth explained if Lee Munder attends the January meeting, he can also attend via Skype.

### ACTUARY REPORT

Don Dulaney presented the Post Retirement Subsidy calculation to the Trustees scheduled to be increased effective January 1, 2014. He then provided an updated actuarial summary for the fiscal year ending 2012 to be included in the updated SPD. Denise McNeill recommended holding the SPD revision to see if the Ordinance change passes since the second reading is scheduled for November 18<sup>th</sup>.

Mr. Dulaney then reported he had received a request from the City for various detail related to the retiree group. He had quoted the City \$2,000 - \$4,000 to provide the information for both Police and Fire Pension Plans and the amount would be billed directly to the City. Denise McNeill explained she had also recently replied to a similar request from the City. Mr. Dulaney advised he will copy the administrator on the City's request to ensure there is no duplication of efforts. Discussion followed regarding the September 30, 2013 Share account updates. The administrator will confirm the Share withdrawals for the actuary.

DROP AND SHARE INTEREST – ORDINANCE CHANGE: Discussion followed regarding the recent Ordinance change. Lengthy discussion followed regarding a potential process of using monthly returns versus quarterly returns. Discussion on the matter paused to address the Polen contract since Steve Roth had to leave to catch a flight.

### ATTORNEY REPORT

POLEN CAPITAL: The Board had tabled action on the Polen contract from their prior meeting. Mrs. Jensen had reported that her main concern related to the contract was the low amount of bond coverage Polen held and they were not willing to increase the coverage. Mrs. Jensen had explained that several other managers have increased their coverage to \$3M or \$5M over the years while Polen is holding \$500K in coverage. It was noted that Rushmore had \$3M and CS McKee has \$5M. Lengthy discussion followed regarding what a crime bond is for and whether or not the Trustees would be comfortable with the lower amount of coverage. Mrs. Jensen explained it possibly is not a deal breaker; however if something goes wrong, it could become an issue for the Plan therefore she wanted to be sure the Board was aware as it could limit the funds to be recovered.

- Manuel Esparza made a motion to approve and ratify the Polen Capital contract as presented. The motion received a second by Orlando Segarra and was approved by the Trustees 4-0.

Steve Roth departed the meeting at 1:11 PM

Discussion returned to the DROP and Share interest matter and the best way to track the information. It was noted the Ordinance reflected a prior effective date which become problematic. Mrs. Jensen addressed the issues with implementing the new Ordinance change as written. She then explained all members eligible for retirement on October 1, 2012 are locked into the benefits as of that date. Mr. Dulaney will issue the statement for Chris Armstrong along with the September 30<sup>th</sup> batch accordingly. The matter will be added to the January agenda for further discussion.

PUBLIC COMMENTARY: Mrs. Jensen explained the Board has always allowed for public commentary and therefore it is not necessary to adopt a separate policy related to the matter.

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IN SERVICE DISTRIBUTIONS: Mrs. Jensen reported she had received information from the City regarding retired member, Frank Sullivan who was rehired by the City. It does not appear that he would fall into the exception category as he is not full time. Mrs. Jensen requested the Board invite Mr. Sullivan to the next meeting to discuss with the Board and clarify he had a bona-fide separation from the City. Mrs. Jensen explained there is no issue with retiree Jose Cabrera as he resigned from the City as soon as he realized it was a problem. Mrs. Jensen suggested requesting the City address the matter in the Ordinance. The Trustees instructed her to provide draft language and a Policy of how the Board will handle the process in an effort to be compliant with IRS rules.

ATTORNEY FEE INCREASE: Bonni Jensen addressed her fee request submitted to the Board. She explained that her retainer fee would remain the same and her change only affects travel time related to litigation.

- Manuel Esparza made a motion to approve the fee increase accordingly. The motion received a second by Susan Finn and was approved by the Trustees 4-0.

Discussion followed regarding investment managers. Mrs. Jensen reminded the Trustees the Fund can only allow a manager to spend a maximum of \$75 on each Trustee.

SURVIVORSHIP EARNINGS DROP AND SHARE ACCOUNTS: Mrs. Jensen explained according to the Plan language, the DROP must be distributed as a lump sum upon death of the member while he Share account is allowed to remain in the Plan.

### ADMINISTRATOR REPORT

FINANCIAL STATEMENTS: Mrs. McNeill referred to the draft Financial Statements in the Trustee packets reflecting detail through September 30, 2013.

SECURITIES MONITORING REPORTS: Mrs. McNeill explained the securities monitoring reports had been emailed to the Trustees and copies were available in their packets.

### NEW BUSINESS

2014 MEETING SCHEDULE: The 2014 meeting schedule was presented for discussion.

- Orlando Segarra made a motion to approve the 2014 Meeting Schedule as presented. The motion received a second by Susan Finn and was approved by the Trustees 4-0.

The Trustees were instructed to turn in their old Mi-Fi units at the next meeting. Mrs. McNeill will send a reminder email prior to the meeting.

### ADJOURNMENT

The Trustees acknowledged their next meeting date set for January 17, 2014. There being no further business,

- Manuel Esparza made a motion to adjourn the meeting at 2:40 P.M. The motion received a second by Orlando Segarra and was approved by the Trustees 4 -0.

Respectfully submitted,



Manuel Esparza, Secretary