

City of Miramar Firefighters' Retirement Plan

MINUTES OF MEETING

February 27, 2014

James Estep called the workshop to order at 9:05 A.M. 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
Orlando Segarra, Trustee
Manuel Esparza, Secretary
Susan Finn, Trustee

Jason Swaidan, Advisory Comm
Ulises Carmona, Advisory Comm

OTHERS PRESENT

Denise McNeill; Resource Center; Administrator
Bonni Jensen; Perry & Jensen; Attorney
Don Dulaney; Dulaney & Co; Actuary
Steven Gordon; SI Gordon & Co; Auditor
Ian Thomas; City of Miramar HR
Eric Dodge; 9:55 AM
Members of the Plan

TRUSTEES ABSENT

Andrew Tomchick, Trustee

Leonardo Nunez, Advisory Comm

PUBLIC COMMENTARY

James Estep invited those present to address the Board with public comments. Ian Thomas addressed the recent GASB 67 and 68 changes which require that additional information be provided to the City for reporting in their CAFR. Don Dulaney confirmed he will send the request to Mr. McNeillie for confirmation on some of the information. He also explained the State's actuary is expected to release a template for the format of the information needed. Mr. Thomas explained that Celeste Lucia was unable to attend the meeting and she sends her regrets.

MINUTES

Minutes of the November 15, 2013 and January 17, 2014 meetings were presented in the Trustee packets for review.

- Sue Finn made a motion to approve the November and January minutes as presented. The motion received a second by Orlando Segarra and was approved by the Trustees 4-0.

2013 AUDITED FINANCIAL STATEMENT

Steven Gordon appeared before the Board to present the 2013 Audited Financial Report. He reported an unmodified, clean opinion and the information fairly represents the Plan activity in the prior year. Mr. Gordon reviewed the audit report in detail with the Trustees noting the pending receivables have been collected since the fiscal year end. He reported the City had overpaid contributions by \$84,000 in FYE 2012 and they did not use the funds in FYE 2013. He then reported the Plan net assets as of September 30, 2013 were almost \$78MM; almost \$15MM greater than the 2012 total assets which was mostly due to investment income. Mr. Gordon reported there was a slight increase in payroll contributions and State contributions. He explained that this is only his second Plan of 15 whose 2013 State contributions were as good as 2012. He reported the Plan received a slight litigation income from the Merrill Lynch settlement. Mr. Gordon reported that overall, the relative inflow and outflow was similar to the prior year. He then reviewed the administrative cost schedule with the Trustees noting the total cost of \$150,000, while immaterial to the Plan, is still a relatively low cost correlation overall. Mr. Gordon then explained there were no significant changes in the footnotes and he only updated the

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numbers from the prior year report. He explained if any important disclosures had come to his attention in the audit, he would have brought them to the attention of the Trustees. Mr. Gordon responded to various questions from the Trustees, noting some additional notes in the report due to GASB requirements. Mr. Gordon reminded the Board his office is local and he is open to communication with the Trustees at any time should the need arise. It was noted the November Ordinance change will be recorded in the next fiscal year report. Ian Thomas inquired as to how the GASB 67 and 68 information will be reported and Mr. Gordon explained he will be remodeling the report for the next fiscal year end audit. Mr. Gordon advised that he likes GASB 67 and feels the way to present the information is more clear. He further explained the bulk of the work on the GASB changes is on the actuary's reporting; however there will be a slight cost on the audit reporting to account for the required changes in the audit process.

- Susan Finn made a motion to approve the September 30, 2013 Audited Financial Report as presented. The motion received a second by Manuel Esparza and was approved by the Trustees 4-0.

Steve Gordon departed the meeting at 9:30 AM.

ASSET ALLOCATION – PLAN REBALANCING

Discussion followed regarding the investment consultant's recommendations from the prior meeting. Mr. McNeillie had recommended the Board fund additional timber assets and commit \$1.5MM to Molpus IV (the sister Plan of Molpus III that the Board is currently invested in); he also recommended transferring \$1.7MM from Northern Trust's S&P 500 Large Cap into Eaton Vance's emerging markets and he suggested that he do a manager search for Small Cap and core plus Real Estate. Mrs. Jensen explained Molpus' Fund IV is expected to be slightly different; Molpus may decide to utilize leverage and there will be a General Partner commitment from Molpus of \$2MM or more. The notes from the prior meeting were reviewed and discussion followed regarding all of the recommendations.

- Susan Finn made a motion to move \$1.5MM to the new Molpus IV Fund. The motion received a second by Manuel Esparza and was approved by the Trustees 4-0.
- Manuel Esparza made a motion to sell \$1.7MM from Northern Trust's S&P 500 Large Cap and transfer the funds into Eaton Vance's emerging markets as part of the rebalancing. The motion received a second by Orlando Segarra and was approved by the Trustees 4-0.
- Susan Finn made a motion for the investment consultant to do a Small Cap search to replace the Small Cap component of the Lee Munder portfolio. The motion received a second by Manuel Esparza and was approved by the Trustees 4-0.

ATTORNEY REPORT

ORDINANCE CHANGE UPDATE – Bonni Jensen explained she had sent an Ordinance Request to the City in January to revive the In-Service Distribution language to clarify the matter for the Plan records. She explained that she had communicated with the City's attorney and the language is to be presented to the City Council accordingly.

Mrs. Jensen then reported that the Resource Centers had released their SSAE-16 Audit Statement. Mrs. McNeill explained the audit is a very detailed process which reviews their internal controls and procedures. She further explained such audits are typically done by banks and larger financial institutions and the fact that such a small firm makes the effort to undergo an intense and costly review reflects their commitment to the clients they serve.

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DROP AND SHARE ACCOUNT INTEREST ACCUMULATION

Bonni Jensen explained at September 30, 2013, the provision was not in place and the change was not initiated until November 2013 with a retroactive effective date of October 1, 2012; therefore the Board had decided to make the change effective in the Plan for December 1, 2013. It was noted that all members who retired subsequent to October 1, 2012 will have their interest accumulation remain the same through November 30, 2013, then the change will be made effective December 1, 2013. Mr. Dulaney advised that he will be able to acquire the Plan returns from Mr. McNeillie on a monthly basis.

Eric Dodge entered the meeting at 9:55 AM.

SICK AND VACATION DROP FUNDING

Bonni Jensen explained the CBA allows for sick and vacation time to be rolled into the DROP or the VEBA. She explained if a member elects to roll his unused leave at the end of his DROP, then the amount must be paid to the Pension Plan first up to the maximum allowable IRS limit (currently \$52,000), then any amount over the allowable maximum may be paid into the VEBA for the member. If a member front loads the DROP, then they may have the funds transferred to the VEBA during their DROP duration while actively employed. She clarified if a member does not DROP and has a straight retirement, then the funds must be paid to the Pension Plan. It was noted that the language in the current CBA conflicts with these rules and these rules must be followed in order for the funds to be allowed as non-taxable. The Trustees had inquired if the Pension Fund could then transfer said assets to the VEBA and Mrs. Jensen advised that she believes the Pension Plan cannot transfer funds to the VEBA. Mrs. Jensen recommended the Board seek a review from a tax attorney on the matter.

- Manuel Esparza made a motion to hire Lowell Walters, tax attorney, to provide a tax opinion of the funds being credited into the DROP versus the VEBA and clarify if payments to the VEBA Plan constitute cash payments from the Pension Fund (which would then be taxable). The motion received a second by Susan Finn and was approved by the Trustees 4-0.

ACTUARY REPORT

Don Dulaney provided a brief update of the actual return versus the actuarial return relative to the five year smoothing in the Plan. He noted that the Plan had excess assets of \$7MM for two years in a row; however they can only recognize 1/5 of the asset due to the smoothing method. Mr. Dulaney then presented sample illustrations of a variable DROP account quarterly statement from 2011 to address how to report the DROP account with a potential loss. Lengthy discussion followed regarding the matter. It was noted that it will be important to educate the members that their overall earnings will not be official until the end of the year. Bonni Jensen recommended adding a comment that the statement is "subject to adjustment".

Ian Thomas departed the meeting at 10:25 AM.

Mr. Dulaney explained the issue will be for those retirees who have withdrawal activity as those will need to be adjusted at the fiscal year end. Mrs. McNeill requested the actuary provide a summary of how the accounts will be calculated to memorialize the process with the Board and help alleviate any member questions or concerns going forward. Mrs. Jensen presented information from Lowell Walters about what is happening with DROP accounts at the IRS level. He believes that any change will be prospective and how interest is credited will be a factor in how the IRS views the Plan.

James Estep inquired into the Share Statements. Mr. Dulaney reported they are mostly done and ready for posting. He explained he will need the administrators help to update the format on the

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merge file for the online program and he will provide it to the Resource Centers as soon as it is ready.

ONLINE CALCULATOR

Denise McNeill addressed a request from the Trustees to have the online benefit calculator set up to read the actual payroll data. Mrs. McNeill reminded the Trustees that the 2012 data is still an issue and she presented two options; A) use the 2011 data repeated as 2012 for the calculation or B) use 2013 data projected back as 2012 for the calculation. The Trustees instructed for the online calculator to be set up using the 2011 data overlapped for 2012 as well.

ADMINISTRATOR REPORT

Denise McNeill addressed a Share account balance of \$213.47 for deceased member, Ed Murray. Discussion followed regarding the matter and it was confirmed that he was determined to have been active at the time of death therefore the active member language applies and the Pension Plan can make payment to living children. Mrs. Jensen will provide an affidavit for the process. Mr. Estep reported that one of Mr. Murray's relatives works for the Fire Department so he will contact the member to help track down the children accordingly.

PENSION WORKSHOPS

Discussion followed regarding holding educational pension workshops for members. It was decided to hold workshops on June 3rd and 4th from 9-10 AM.

NEW BUSINESS

Bonni Jensen addressed Edgar Marshall of Molpus' notice regarding the Board being invited to their Investor Day that is expected to be held in the summer. The Trustees explained they would like for the attorney and administrator to attend the event as well to better understand the investment for management purposes.

DISBURSEMENTS

Denise McNeill presented a disbursement report for approval with additional payments to Orlando Segarra.

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

ADJOURNMENT

The Trustees acknowledged their next meeting date set for April 10, 2014. There being no further business,

- Susan Finn made a motion to adjourn the meeting at 11:24 AM. The motion received a second by Manuel Esparza and was approved by the Trustees 4 -0.

Respectfully submitted,

Manuel Esparza, Secretary