

# City of Miramar Firefighters' Retirement Plan

## MINUTES OF MEETING

September 11, 2014

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

Leo Nunez, Advisory Comm (9:35 AM)  
Jason Swaidan, Advisory Comm (10:43 AM)  
Ulises Carmona, Advisory Comm

### TRUSTEES ABSENT

None

### PUBLIC COMMENTARY

James Estep invited those present to address the Board with public comments. There were no comments at this time.

### LEE MUNDER

Jim Gribbel appeared before the Board to present an update of Lee Munder. Mr. Gribbel explained their small cap has performed well in relation to their peers; however the asset class is down as a whole in the market. He reviewed the portfolio explaining the portfolio has been up since their visit with the Board in February; however the small cap is still an issue. He went on to review the MID cap explaining parts of the MID cap market are over-valued; most utilities and REITS in the market have high relative value. Mr. Gribbel noted the parts with the high yield are expensive so Lee Munder is not chasing yield in that part of the market. He then explained Greg McNeillie had been requesting they remove the minutia in the portfolio for the past few years and they have finally done so. Mr. Gribbel explained other changes in the portfolio noting it will look and feel like a MID cap core portfolio with 30% SMID cap growth and 70% with a value tilt. Jim Gribbel departed the meeting at 9:24 AM.

### SMALL CAP MANAGER SEARCH

Greg McNeillie addressed the companies who had been invited in to present for the small cap search. He reviewed the dynamics of each company noting which have also been hired by other Dahab clients. He noted there would be no wrong decision at this point since all three companies are good companies and have made it to this point in the review process.

DIMENSIONAL FUND ADVISORS: Gary Gustovich and Emily Cornell appeared before the Board to present services from Dimensional Fund Advisors. Mr. Gustovich provided a history of the company and their philosophy explaining they originally partnered with clients in the academic arena. He explained they remain true to the strict processes of their philosophy. He reviewed their stock selection process noting they built the portfolio to exclude the higher cost stocks determined to have the least profitability. Mr. Gustovich explained they avoid recent IPO for up to 18 months, describing potential issues that can arise from such changes. He explained they trade constantly

# City of Miramar Firefighters' Retirement Plan

## MINUTES OF MEETING

September 11, 2014

to account for more immediate market transitions. Mr. Gustovich reviewed their daily process noting that due to the number of holdings (average 2,200), they can be more flexible about the purchases by delaying buys when the market is in a negative momentum and delay purchases when in a positive momentum. He reviewed in detail the stock selection, trading costs and characteristics of their portfolio. Mr. Gustovich reported they cap all purchases at 4% of the portfolio and the current max is 2.8%. The Trustees asked various questions regarding the portfolio. Mr. Gustovich noted they have a \$10MM floor with exposure to micro-companies and currently hold 2,163 stocks. Mr. Gustovich advised the mutual fund fees are 37 bps and they will be a fiduciary to the Plan. He explained there is \$9B in assets in the product and they have no plan to close any time soon since their process allows for much flexibility. Gary Gustovich and Emily Cornell departed the meeting at 10:05 AM.

PNC CAPITAL ADVISORS: James Mineman and Dick Loebig appeared before the Board to present services from PNC Capital Advisors. Mr. Loebig took a moment to recognize firefighters who had given their lives in service. He then provided a history of their firm noting they have \$843MM in the small cap strategy. He noted they have a strong down side capture and have outperformed eight of the last ten years. Mr. Mineman reviewed their investment philosophy explaining the fund holds 45 to 70 holdings and currently has 48 in the portfolio. He reviewed their investment process in detail noting they pay close attention to the companies' cash flow since that is how corporate America runs their businesses. Mr. Mineman noted 25% of the portfolio has an average four year holding period. He then reviewed the portfolio construction parameters noting they typically avoid utilities, bio-techs and semi-conductors. He then reviewed their sell discipline. They responded to several questions from the Trustees. Mr. Loebig confirmed the cost for the separately managed account would be 90 bps and PNC will be a fiduciary to the Plan. James Mineman and Dick Loebig departed the meeting at 10:32 AM.

RBC GLOBAL ASSET MANAGEMENT: Gerry Cosgrove and Michael Schantz appeared before the Board to present services from RBC Global Asset Management. Gerry Cosgrove provided a history of their company and Michael Schantz reviewed their investment team. Mr. Schantz then reviewed their investment philosophy and investment process in detail. He explained they concentrate in the \$200MM to \$1B range. He explained they typically hold 70 to 80 companies and have held as few as 50. The portfolio currently holds 79. Mr. Schantz reviewed the sell discipline providing specific examples of the process. He noted they did adjust their process to look in more depth at commodity pricing. Mr. Schantz then reviewed the portfolio characteristics and sector weightings in detail. Mr. Cosgrove and Mr. Schantz responded to various questions from the Trustees. Mr. Schantz advised the cost would be 90 bps on the separately managed account and they would be a fiduciary to the Plan. He confirmed the fees are negotiable. Mr. Cosgrove advised they are currently at \$2.5B and expect to close the Fund at \$3B. He further explained they just entered into a soft close; however this Plan would be allowed to invest since they had already quoted services to the Board prior to the soft close being initiated. Gerry Cosgrove and Michael Schantz departed the meeting at 11:05 AM.

### EATON VANCE

Jason Chalmers and Greg Johnson appeared before the Board to present an update of Eaton Vance. Mr. Chalmers explained their CIO will be retiring in November 2015 and they currently have a co-CIO working with him until the retirement. Mr. Chalmers reviewed their performance in the recent quarter. He then reviewed the 2010 acquisition of Parametric and the company dynamics. Mr. Johnson reviewed the portfolio characteristics noting they follow specific rules to ensure diversification. He reviewed the weights in each country, noting a few more have been added in the past six months and explaining the process limits exposure to very small countries at 15%. Mr. Johnson went on to review their rebalance triggers and how they administer the potential political environment and shareholder freedoms. He then reviewed the portfolio

# City of Miramar Firefighters' Retirement Plan

## MINUTES OF MEETING

September 11, 2014

attributes. He explained the frontier markets are smaller and less liquid; however they have strong GDP growth. Mr. Johnson reported they typically hold 1,100 to 1,600 companies. An investment committee reviews monthly and there is quarterly review of the countries. Mr. Johnson advised they can identify pretty quickly which stocks to invest in when a country is added to the list. Mr. Johnson then reviewed specific examples of holdings in the portfolio. After answering questions from the Trustees, Jason Chalmers and Greg Johnson departed the meeting at 11:44 AM.

### SMALL CAP MANAGER SEARCH

Greg McNeillie addressed the small cap presentations. Discussion followed regarding the dynamics of each presenter. It was noted that DFA is close to the index and has a completely automated process. Lengthy discussion followed regarding passive versus active management and the different styles presented. Mr. McNeillie provided five, seven and ten year reviews of each of the three small cap presenters. He explained he is recommending the Board move \$5MM from Lee Munder for the small cap piece.

- Manuel Esparza made a motion to hire PNC and for the separate account fees to be negotiated to 80 bps (85 bps maximum). The motion received a second by Andrew Tomchik for discussion. Discussion followed regarding passive versus active management. It was noted in a mutual fund, the manager is a fiduciary to the Fund and not to the Plan. The Motion was approved by the Trustees 5-0.

Mr. McNeillie will review the allocation in more detail and will check with Northern Trust to see if they have a MID cap product and will report back to the Board. Mr. McNeillie recommended a target date of January 1, 2015 for the investment transition.

### MINUTES

Minutes of the May 23, 2014 meeting were presented in the Trustee packets for review.

- Manny Esparza made a motion to approve the April 10, 2014 minutes as presented. The motion received a second by Sue Finn and was approved by the Trustees 5-0.

### DISBURSEMENTS

Denise McNeill presented a disbursement report for approval with additional payments to Orlando Segarra and James Estep for the meeting expenses.

- 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 5-0.

There was a meeting break from 12:18 PM to 12:34 PM.

### INVESTMENT CONSULTANT REPORT

Greg McNeillie of Dahab Associates appeared before the Board to present the quarterly portfolio review for the quarter ending June 30, 2014. He reported much has happened since the close of the quarter with low quality outperforming high quality stocks. Discussion followed regarding the ten year view now that 2002 has dropped off of that period. Mr. McNeillie noted the Plan was \$99MM at the end of June and had a slight drop in July and August. He reminded the Board they have a pending capital call for real estate. Mr. McNeillie advised the Plan is in line with the policy. He then reviewed each manager in detail. He reported he is not concerned with Herndon Capital explaining he had a recent conversation with Randy Cain about his increased appearances on CNBC and if that exposure may transition him away from the portfolio; however Mr. Cain assured Mr. McNeillie that is not an issue. Mr. McNeillie addressed the real assets

# City of Miramar Firefighters' Retirement Plan

## MINUTES OF MEETING

September 11, 2014

noting Principal's leverage is low. He plans to present another real asset allocation to the Board at some point in the near future. The Trustees inquired into the type of other assets and Mr. McNeillie advised he will look at everything and may push toward agriculture before commodities. Mr. McNeillie then reviewed domestic equities reporting that poor performance was mostly due to Rushmore and the downside capture should be stronger with the replacement of Rushmore. Mr. McNeillie reported much improvement in the portfolio since they had taken funds from Northern Trust and placed them with CS McKee. Discussion followed regarding the cash being held by each manager. Discussion followed regarding inverse ETF's. Mr. McNeillie advised his primary objective is to deal with the small cap and SMID cap. He may also recommend slightly reducing equities and increasing fixed income. He reported the estimated fiscal year return through August of 13.4%.

### ATTORNEY REPORT

ORDINANCE CHANGE UPDATE: Bonni Jensen explained there has been no further response and the City had decided not to take any action on in-service distributions.

ADMINISTRATIVE AGREEMENT: Mrs. Jensen addressed the updates to the administrator contract to include the DROP and Share account tracking. She explained the agreement was re-written to incorporate the prior two amendments as well.

- Manuel Esparza made a motion to approve the revised administrative services agreement with the Resource Centers as presented. The motion received a second by Andrew Tomchik and was approved by the Trustees 5-0.

FICA WITHHOLDING: James Estep inquired with Ian Thomas. Mr. Thomas advised the City will be hiring a tax attorney to review the matter. Mr. Estep requested the City also have the attorney review the in-service distribution matter as well. Discussion followed regarding the basis for the in-service distributions. Mr. Thomas recommended the Board submit the request to Mr. Hines.

POLICY OF CREDITING DROP AND SHARE ACCOUNTS: Lengthy discussion followed regarding the options of how to credit the service. Scott Baur of the Resource Centers had submitted options of the interpretation. Lengthy discussion followed regarding the Board's intent. The Trustees confirmed it was the intent to help the Plan recover losses when investment time is good. Discussion followed regarding possibly having funds set aside to stabilize the City's cost when the Fund has lost assets. Mrs. Jensen noted it may be a good conversation to have when the fixed income market improves. The Trustees confirmed the interest is to be processed on a rolling twelve month return in order to capture a true 8% maximum ceiling. The Board then discussed the process of crediting the Share accounts. The DROP and Share policies will use the same earnings language. It was confirmed the Share accounts are to be credited as of October 1<sup>st</sup>.

- Susan Finn made a motion to approve the Share policy as presented. The motion received a second by Manuel Esparza and was approved by the Trustees 5-0.

Bonni Jensen reported of a legal transition from the Law Offices of Perry & Jensen to the firm of Klausner, Kaufman, Jensen & Levinson. She assured the Trustees that the change will not affect their client relationship and Mrs. Jensen will remain as their attorney.

- Susan Finn made a motion to allow the contract assumption to Klausner, Kaufman, Jensen & Levinson as requested. The motion received a second by Orlando Segarra and was approved by the Trustees 5-0.

# City of Miramar Firefighters' Retirement Plan

## MINUTES OF MEETING

September 11, 2014

### 2013 ACTUARIAL VALUATION REPORT

Don Dulaney appeared before the Board to present the 2013 Actuarial Valuation Report. A report was provided to Mr. Thomas for the City as well. Mr. Dulaney reviewed the value of assets noting the Plan has a strong inflow of cash since it is a young plan with few retirees. He addressed the experienced income versus the actual income due to the smoothing process. Mr. Dulaney noted there is an additional \$8MM in assets still to be recognized. He reported the Plan has grown \$30MM since 2007. He reported an almost 20% increase in the actuarial value of assets. Mr. Dulaney will bring an assumption review to the Board for their next meeting. Discussion followed regarding the turnover and expected growth. The Trustees reported the department hired ten new members the prior year and eight more are expected in the coming year. Mr. Dulaney then reviewed the summary of plan costs, the actuarial accrued liability and the amortization for the valuation. He noted the payroll growth will eventually level off near 2028 and the assumption can be changed at that time for no additional cost. Mr. Dulaney reported the City's contribution reduced slightly down to 43.31%. He then reported the vested benefit funded ratio was 86.3%, up from 77% in the prior valuation; and he expects that number to be in the low to mid 90's with the next valuation. Mr. Dulaney reported the unfunded accrued liability is 58%; up from 54% the prior year. Ian Thomas inquired into the timing of the reporting for the new GASB 67 requirements..

- Susan Finn made a motion to approve the October 1, 2013 Actuarial Valuation Report as presented. The motion received a second by Manuel Esparza and was approved by the Trustees 4-0. (Orlando Segarra had departed the meeting at 2:40 PM)

Mr. Thomas inquired into how quickly the new GASB 67 report information will be provided to the City and if there will be an additional cost. Discussion followed regarding the changes. Mrs. Jensen reported the State is having a rule hearing on September 26<sup>th</sup> on SB 534 for October 1, 2014. Don Dulaney explained he is hoping to have the information for the City in October.

DIVISION OF RETIREMENT – ASSUMED RATE OF RETURN: Don Dulaney addressed the letter received from the State regarding the Plan's assumed rate of return. It was noted the State is looking at a short view and Mr. Dulaney will send a response regarding the Plan's actual earnings explaining the Trustees have considered the ARR and feel it is reasonable for their Plan. Mr. Dulaney noted he will address the GAM83 mortality table with the Board and will provide some assumption changes at the November meeting.

### ADMINISTRATOR REPORT

AUDIT ENGAGEMENT: Denise McNeill presented an audit engagement received from SI Gordon & Co for the 2014 Audit and Annual report filing.

- Andrew Tomchik made a motion to accept and execute the audit engagement with SI Gordon & Co as presented. The motion received a second by Manuel Esparza and was approved by the Trustees 4-0.

FIRE MARSHALL POSITION – PENSION RELATION: Mrs. McNeill addressed a pending matter related to the current Fire Marshall recently hired by the City. The rules require this position be a member of the Fire Pension Fund; however it appears the City had placed the new Fire Marshall into the GAME Plan. Mrs. Jensen will send a letter to Sam Hines to address.

SHARE BENEFICIARY – CHILDREN: Denise McNeill explained she is still trying to track down beneficiary children of one of their deceased members who had a balance in the Share account. James Estep believes one of the active members of the Plan may be able to help with this matter and may know how to reach them. He will reach out and attempt to resolve.

# City of Miramar Firefighters' Retirement Plan

## MINUTES OF MEETING

September 11, 2014

### OLD BUSINESS

*There were no additional New Business items for discussion.*

### NEW BUSINESS

*James Estep addressed having an Apple TV for the meetings to improve the electronic access. Discussion followed regarding the access that would be available.*

- *Manuel Esparza made a motion to purchase an Apple TV for the meetings. The motion received a second by Susan Finn and was approved by the Trustees 4-0.*

*Lengthy discussion followed regarding the Investor Day held by Molpus in June. The Trustees reviewed the visit and how the process is nothing like a typical timber farm. The Trustees were shown the following processes: Various staging areas from two years ago and five years ago; educated on how the trees are chosen for removal; taken to an active sight to witness the removal and on site sort of the product; shown a concentration yard where all final logs are sorted for sale and they were educated on how the timber is harvested in an environment where much attention is given to the care and future growth of the forest being harvested. The Trustees were also provided details of other types of income generated by the property; such as leases to the State for hunting and snow-mobile usage. The Trustees agreed the trip was extremely educational and provided helpful details into the type of process being utilized in the Molpus Fund III.*

### ADJOURNMENT

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

- *Manuel Esparza made a motion to adjourn the meeting at 3:36 PM. The motion received a second by Susan Finn and was approved by the Trustees 4 -0.*

*Respectfully submitted,  
Manuel Esparza, Secretary*