

City of Miramar Firefighters' Retirement Plan

MINUTES OF WORKSHOP

February 20, 2015

James Estep called the meeting to order at 9:01 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
Manuel Esparza, Secretary
Orlando Segarra, Trustee
Susan Finn, Trustee

Jason Swaidan, Advisory Comm (10:10AM)

OTHERS PRESENT

Denise McNeill; Resource Center; Administrator
Bonni Jensen; Perry & Jensen; Attorney
Don Dulaney; Dulaney & Co; Actuary
Greg McNeillie; Dahab & Assoc; Consultant
Members of the Plan

TRUSTEES ABSENT

Andrew Tomchik, Trustee
Leo Nunez, Advisory Comm
Ulises Carmona, Advisory Comm

PUBLIC COMMENTARY

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

MINUTES

Minutes of the November 2014 and January 2015 meetings were presented in the Trustee packets for review.

- Manny Esparza made a motion to approve the November 2014 minutes as presented. The motion received a second by Orlando Segarra and was approved by the Trustees 4-0.
- Manny Esparza made a motion to approve the January 2015 minutes as presented. The motion received a second by Susan Finn and was approved by the Trustees 4-0.

DISBURSEMENTS

Denise McNeill presented the disbursement report for approval. Discussion followed regarding the Verizon bill which was high due to the purchase of the replacement iPads and an overcharge for monthly service for the old wireless units. Mrs. McNeill then addressed an addition of \$21.02 to be reimbursed to James Estep for the meeting expense.

- Susan Finn 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.

INVESTMENT CONSULTANT

Greg McNeillie of Dahab & Associates appeared before the Board to present the quarterly report for the period ending December 31, 2014. Mr. McNeillie reported the Plan ended the quarter up 2.4% and is now over the \$100MM threshold. He explained the plan was rebalanced inclusive of the new managers at the end of December; however due to the timing of the rebalance, not all of the allocation changes hit the report for the quarter end. He noted the transition was coordinated with the plan administrator and the process went well. Mr. McNeillie then reported on each manager. He noted Herndon had a terrible December resulting in a poor quarter mostly due

City of Miramar Firefighters' Retirement Plan

MINUTES OF WORKSHOP

February 20, 2015

to their overweight in the energy sector and the drop in oil prices. Mr. McNeillie has been in communication with the portfolio manager and is receiving weekly updates at this time. He recommended the Board keep Herndon at this time and he explained that he will continue to keep a close watch on their performance. Mr. McNeillie reported the Plan is currently up 300 basis points over the market for the quarter to date. He reported Polen was doing well, up 10% for the quarter. Mr. McNeillie explained the report is incomplete as it is missing the Molpus detail due to the Molpus December 31st plan year end delays and he will provide the revised report to the administrator as soon as he is able. Discussion followed regarding Herndon's track record and Mr. McNeillie noted the managers who have done well in that class the last few years are more core value. It was noted the Northern Trust numbers will also need to be updated and the SMID cap return should improve once the corrections are made to the report. Mr. McNeillie reported a slight underperformance in bonds; however bonds have bounced back in the current quarter to date. He explained there is much volatility in the bond market due to oil prices. He noted the Dimensional Fund Advisors and PNC were funded in December and they are not listed in the detail yet since it wasn't a full quarter of returns to report; however the total portfolio does reflect the assets held at DFA and PNC accordingly.

Hancock Extension Request: Bonni Jensen addressed an extension request received from Hancock. She explained in order to extend the period, 66 2/3% of the limited partners have to agree to extend the purchase period. She inquired how much the extension could impact the return and if Mr. McNeillie had any recommendations regarding the matter. Mr. McNeillie recommended allowing the extension, explaining he believes they have a target purchase and need time to close the deal. He explained if the extension is approved by the partners and they do not make the additional purchase, they will not call for the remaining cash investment.

- Manny Esparza made a motion to approve the Hancock extension request. The motion received a second by Orlando Segarra and was approved by the Trustees 4-0.

It was noted there was a deposit being received from Hancock for their quarterly distribution and a copy of the notice was included in the Trustee packets.

Core Plus Real Estate Search: Mr. McNeillie presented a detailed manager search, beginning with the criteria used in the process of elimination to narrow down the candidates. He reported American Real Estate and Intercontinental are both in the Miramar Police Pension Plan; however the police plan has the American RE core fund, not the core plus. He reviewed each manager in the summary in detail. He explained that he prefers open ended funds where a plan may exit the fund if necessary. Discussion followed regarding private REITS which are not sold on the stock exchange. Mrs. Jensen advised she has not dealt with private REITS for any of her clients. Discussion followed regarding the various types of assets held in the real estate portfolios. Mr. McNeillie recommended the American RE; however he noted it is a newer fund and not as diversified. He explained the difference between core and core plus is the leverage; with core it is 25% total leverage and core plus leverage extends from 25% to 70%. He explained paying debt down does not help when interest rates are rising and value is determined where less preferred properties are purchased and then fixed up. Mr. McNeillie noted that unique to Intercontinental, they have much property in healthcare, urgent care, nursing homes and retirement communities. Lengthy discussion followed regarding the dynamics of each portfolio. Mr. McNeillie recommended the Board consider a \$5MM investment commitment into to the asset.

- Susan Finn made a motion to invite American Real Estate, Intercontinental and Principal to present to the Board at their May meeting. The motion received a second by Manny Esparza and was approved by the Trustees 4-0.

City of Miramar Firefighters' Retirement Plan

MINUTES OF WORKSHOP

February 20, 2015

Discussion followed regarding the May agenda and that three existing managers are also scheduled to present. It was noted each manager will be given fifteen minutes for presentation and five minutes for Q&A. The Board agreed May was expected to be a long meeting.

OLD BUSINESS

PAYROLL DATA UPDATE: Bonni Jensen and James Estep provided an update to the Board of the meeting held with the City on February 11, 2015 to discuss payroll data. Mr. Estep explained it appeared those in upper management seemed to understand the situation. Lengthy discussion followed regarding the communication with the City. Mr. Estep noted that he, the attorney and administrator had a conversation with the police pension trustees and they also expressed their concern regarding their payroll as well. Mr. Estep expressed his frustration that he had not received an update in time for this meeting. He explained they have requested a full and complete raw data dump of the detail for each payroll period. Discussion followed regarding the process. Mrs. McNeill explained the Resource Centers can help create a program to read the raw data and generate a report of any/all differences for the auditor to review and address with the City as needed. Discussion followed regarding involving the Union or other State governing body. Mrs. Jensen recommended setting up a conference call with the City for a follow up. Susan Finn explained she would like to be involved in the process to express her concern as a City appointed Trustee to the Board. She explained after all that has transpired and the multiple report differences, she is not comfortable with the data being provided by the City which is being used to provide benefits to retirees.

ATTORNEY REPORT

FICA UPDATE: Mrs. Jensen explained there has been no further update on the FICA matter at this time. She explained that she has spoken with the attorney researching for the City and he wants to help resolve the matter. She explained if it is determined the social security and Medicare taxes should not be taken from the unused sick and vacation leave pay, then she will ask the attorney if there is any way to address the people who have had the taxes withheld by the City.

IRS DETERMINATION: Mrs. Jensen explained she had responded to the IRS questions. The IRS will either let the Board add the language needed or they will want to enter a closing agreement and charge sanctions. She explained the letter had been sent to the IRS in 2009 and they are now coming back with questions. She explained other pension plans have paid between \$1500 and \$4500 and some of the fiduciary liability policies have covered the sanctions. Mrs. Jensen then addressed the DROP plan explaining the Plan allows 4% contributions to continue. She explained the IRS wants to address if the benefit is definitely determinable and she feels the varied rate is definitely determinable by considering the formula (number of months times the monthly deposit times the interest rate) and the interest rate can point to a specific return. She explained the interest rate cannot be manipulated. Mrs. Jensen explained self-directed DROPs have specific criteria they need to meet as well.

STATE OF THE PENSION FUND REPORT: Bonni Jensen presented a draft brochure of the project being handled in coordination with the FPPTA to create the informational brochure regarding the pension plan. She reviewed the draft brochure with the Trustees. Discussion followed regarding the layout and content. Additional updates were discussed and approved.

Greg McNeillie departed the meeting at 11:15 AM.

City of Miramar Firefighters' Retirement Plan

MINUTES OF WORKSHOP

February 20, 2015

Mrs. Jensen and Mrs. McNeill then addressed the management representation letter received from the auditor. Mrs. McNeill explained the purpose of the letter.

- Susan Finn made a motion to approve and sign the audit representation letter accordingly. The motion received a second by Manny Esparza and was approved by the Trustees 4-0.

LEGAL UPDATE: Mrs. Jensen reported the two Senate Bills previously discussed are in process. She explained the mortality table piece could be problematic for the Plan. Don Dulaney explained that the change, if passed, would increase the cost of the Plan.

Mrs. Jensen explained they are still waiting for the City to respond on how they are addressing the two employees who were overpaid.

IN SERVICE DISTRIBUTIONS: Mrs. Jensen advised there has been no update on the matter from the City at this time.

ACTUARY REPORT

Don Dulaney presented the GASB 67 Report and reviewed the report in detail with the Trustees. He addressed the GASB67 report requirements explaining it is ongoing communication between the auditor and actuary. He explained the auditor must provide a trial balance to the actuary; then the actuary can complete the GASB67 report for the auditor to finish the audit report. Mr. Dulaney reviewed the GASB 67 and 68 report changes with the Board explaining some the information is also needed from the investment consultant. He explained the Plan's funded ratio with this process in the GASB 67 report is 89.11%. Lengthy discussion followed regarding the report requirements.

- Orlando Segarra made a motion to accept the GASB 67 Report as presented. The motion received a second by Manny Esparza and was approved by the Trustees 4-0.

Mr. Dulaney explained he will need to present various assumptions for review at the April meeting and once decided; the valuation can be presented at the May meeting. He explained that he will have a few firm figures (depending upon the assumptions chosen by the Board) that can be provided to the City.

POST RETIREMENT SUBSIDY: Don Dulaney had presented the Post Retirement Subsidy at the November meeting; however it had not been approved due to lack of quorum. It was noted that the PRS had been adjusted for January 1, 2015 pension payments accordingly.

- Susan Finn made a motion to approve the Post Retirement Subsidy for 2015 as presented. The motion received a second by Manny Esparza and was approved by the Trustees 4-0.

ADMINISTRATOR REPORT

Steve Gordon joined the meeting via conference call to address the pending audit presentation. Dates for a special meeting were discussed and it was tentatively set for February 26th or 27th.

CUSTOMER SERVICE REPRESENTATIVE: Denise McNeill reported that they have a customer service representative answering all incoming member calls in their Palm Beach Gardens office. She introduced the representative as Brittany Park, daughter of the Plan's retiree Alan Park.

Mrs. McNeill reported the retro pension contributions from two members, Rogers and Perez; have been received. This related to members who were initially not transferred into the Fire Pension Plan timely resulting in contributions being paid to the wrong pension plan.

City of Miramar Firefighters' Retirement Plan

MINUTES OF WORKSHOP

February 20, 2015

NEW BUSINESS

It was noted there was a problem with the quality of the pension shirts ordered for the Board. Orlando Segarra will look into the cost to replace with another vendor.

ADJOURNMENT

The Trustees acknowledged their special meeting date for the audit review was pending for February 26, 2015. There being no further business, the workshop was adjourned at 12:22 PM.

Respectfully submitted,

Manuel Esparza, Secretary