

City of Miramar Firefighters' Retirement Plan

MINUTES OF MEETING

November 9, 2015

James Estep called the meeting to order at 9:00 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 (9:01)
Patricia Barry, Trustee

Leo Nunez, Advisory Comm (11:25)

OTHERS PRESENT

Denise McNeill; Resource Center; Administrator
Bonni Jensen; Perry & Jensen; Attorney
Don Dulaney; Dulaney & Co; Actuary
Greg McNeillie; Dahab & Assoc.; Consultants
Ian Thomas; City of Miramar (10:25)
Members of the Plan

TRUSTEES ABSENT

There were no trustees absent.

PUBLIC COMMENTARY

James Estep invited those present to address the Board with public comments. There were no comments at this time.
Susan Finn entered the meeting at 9:01 AM.

MINUTES

Minutes of the May 13, August 20 and October 8, 2015 meetings were presented in the Trustee packets for review.

- Manny Esparza made a motion to approve the May 13, August 20 and October 8, 2015 minutes as presented. The motion received a second by Orlando Segarra and was approved by the Trustees 5-0.

DISBURSEMENTS

Denise McNeill presented the disbursement report and financial statements for review. Additional disbursements were added related to meeting expense reimbursement for Mr. Esparza and Mr. Estep.

- Manny Esparza made a motion to approve the November 2015 disbursements as amended. The motion received a second by Susan Finn and was approved by the Trustees 5-0.

LMCG INVESTMENTS

Jeff Davis of LMCG (previously Lee Munder) appeared before the Board to present a portfolio update. He reported it has been a good year for LMCG and they have increased assets in a couple of areas allowing more diversification. He provided an update of the company as well as additions to the team. Mr. Davis reported the portfolio is a blend of Mid Cap Value and Small/Mid Cap Growth strategy resulting in a Mid Cap Core and he explained the blend allows for lower volatility than a concentrated single strategy. He reviewed the investment process of each strategy in detail noting both use a bottoms-up approach. The blended portfolio was down -8.3% for the quarter ending September 30, 2015 below the bench of -8.0% and down -4.2% for the year to date beating the bench of -5.8%. He further reported the Mid Cap Core has improved quarter to date. Mr. Davis then reviewed the portfolio characteristics in detail noting the energy

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stock selection had worked well for them and the energy and tech stocks had done well. He explained overall, the decision to move to the Mid Cap blend has helped. Mr. Davis responded to various questions from the trustees and departed the meeting at 9:25 AM.

INVESTMENT CONSULTANT REPORT

Greg McNeillie of Dahab & Associates appeared before the Board to present the quarterly report for the period ending September 30, 2015. Mr. McNeillie reported the Plan ended the fiscal year up 0.9%, ranking the plan in the top 16th percentile of the public fund ranking. He noted the average range was 1% to -1% for the fiscal year. He reported the Plan was down -4.7% for the quarter explaining equities did not do well. Mr. McNeillie reminded the Trustees they have altered the portfolio to help reduce the equity exposure and the recent changes have helped to reduce the downside of the market drop. Mr. McNeillie reviewed the asset allocation, then reviewed each manager in detail. Discussion followed regarding Northern Trust and how they will not release the listing of holdings in their fund. Mrs. Jensen inquired if there was an alternate to the Northern Trust Small Cap and Mr. McNeillie confirmed the Plan could move assets to another Russell 2500 Indexed fund which is a well-used fund even though it is now owned by London Exchange. He explained he is not a fan of the Wilshire overall due to their lack of transparency of what is in the portfolio. Mr. McNeillie will look into alternatives to the Northern Trust Small Cap Index. Discussion followed regarding the passive funds and Mr. McNeillie explained there is little volatility around the index and they are getting benchmark returns inexpensively. Discussion followed regarding fees and it was noted the active portfolio cost averages approximately 75 basis points and this Plan is currently at 50 basis points due to the passive portion of the portfolio. Mr. McNeillie then addressed Herndon's performance explaining the fourth quarter of 2014 and first quarter of 2015, they were very heavy in energy due to the perceived "value" in the market. He explained energy then went down due to oil prices while tech stocks did well. He explained Herndon's recent quarter has improved and he is disappointed with their performance; however he understands how they got to those performance numbers. He further reported that, calendar year to date, they are the only manager who has outperformed the bench so he will continue to watch them closely; however he does not feel they should act at this time. Discussion followed regarding the current allocation and Mr. McNeillie reported the cash being held will be going to Molpus and Intercontinental's upcoming capital calls. He continued reviewing each manager in detail advising Principal has done very well while the international component of Hancock has not done well. Mr. McNeillie explained on close ended funds in timber and real estate, at the end of the close, plans typically begin to have growth; however timber is not as efficient as real estate since the actual asset is not known until afterwards. He then reported the bond manager CS McKee has outperformed ten of the last fourteen quarters. Mr. McNeillie noted that overall, he is happy with the portfolio. Discussion followed regarding pension plan returns across the industry and Mr. McNeillie noted the lowest he has seen was -3% which was a plan that held REITS instead of direct real estate (REITS have not done well in recent periods).

ACTUARY REPORT

Don Dulaney explained the CPI-U was released with a slight decrease and the Plan remains with the high watermark so there will be no increase to the post retirement subsidy (PRS) for 2016.

Mr. Dulaney explained at a previous meeting, the Trustees had recommended he inquire with the State's actuary about adjusting to the Entry Age Normal (EAN) method by adjusting, similar to an amortization schedule, for the unfunded liability over a fifteen year period. Mr. Dulaney reviewed the letter sent to the State actuary.

Ian Thomas entered the meeting at 10:25 AM.

The State responded stating the Aggregate Entry Age Normal funding method is not allowed. Mr. Dulaney then referred to letters from the State dated July 6, 2012 and July 16, 2014 of which

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neither letter ever mentioned that methodology was not allowed. Mr. Dulaney reviewed the revenue ruling in detail and then noted what the Plan uses is a variation of the Aggregate EAN. He has reached out to the State and currently awaiting a response. Bonni Jensen explained the issue is how to move from the current methodology being used to the EAN without creating more issues for the Plan, City or State. Discussion followed regarding other methods being used in the industry. Mr. Dulaney explained a change to the projected unit credit would lower the liability measure; however it would have led to a 6% increase in payroll while a full change to the EAN would cost an additional 11%. Mrs. Jensen recommended Mr. Dulaney emphasize with the State that they are trying to change; however they need assistance and not hurdles.

Mr. Dulaney reported he has the member data from the City. Mr. Thomas requested the Board consider having earlier reports to help meet the GASB deadlines. Mrs. McNeill explained the schedule for plan reporting had been set for a couple of months so she is not sure if all parties will be able to meet an earlier deadline. Mr. Dulaney explained he was not certain he could commit for a January deadline at this time. It was agreed they would work toward having the GASB report for the City in January.

ATTORNEY REPORT

FICA UPDATE: Mrs. Jensen addressed the communication with Gray Robinson explaining she is not sure what is left to be completed; however she believes the process is mostly finished. She reviewed a communication from Rick Burke confirming members cannot receive cash out of the sick and vacation final pay. Discussion followed regarding negotiations and Mrs. Jensen explained if members are currently allowed to take cash, then it must be grieved. Mr. Thomas explained it will need an Ordinance change regarding the termination leave account. Mrs. Jensen noted the Plan can deal with the issue via policy; however they need to make changes to the Ordinance due to Collective Bargaining. Mrs. Jensen explained at this time, the City can control the management separations for those not governed by a CBA. Mr. Estep explained the City processed Chief Huff's DROP rollover treating it with the 415 limitation and taking taxes from the payment. He explained the City was supposed to have re-run the adjusted payroll last week. Mrs. Jensen explained according to Rick Burke of Gray Robinson, there should be no cap on the unused leave rolling into the Plan; therefore all of Chief Huff's time should have rolled into the Plan. She further explained the Union and City need to be dealing with the issues ASAP. Mr. Thomas explained that Gray Robinson is also helping to review the language for all necessary Ordinance and policy changes. Mr. Estep explained the original process the Board agreed to is resolved and feels the City should pay for any ongoing or additional items. Mrs. Jensen explained Gray Robinson is currently billing approximately \$12,000 to each Fire and Police Pension Funds for a total cost of \$24,000. Mr. Thomas explained the City still needs assistance dealing with the policies and the Ordinance language. Mr. Estep expressed his concern with the cost for the initial need which has expanded to these other items for the City. Mrs. Jensen noted she is concerned with next year's reporting when the City reviews the Plan's administrative costs and sees the additional increase, they want to be sure the City remembers all of this cost was a direct relation to the City's need and not the Pension Plan specifically.

- Susan Finn made a motion to authorize up to an additional \$6,000 for the pending billing for October and November. The motion received a second by Manny Esparza and was approved by the Trustees 5-0.
- Orlando Segarra made a motion to approve payment of the \$12,175 for the services billed through September. The motion received a second by Susan Finn and was approved by the Trustees 5-0.

NCPERS CODE OF CONDUCT: Bonni Jensen presented information from NCPERS regarding a Code of Conduct. She presented a list from NCPERS of service providers or groups advocating the fall of defined benefit plans. NCPERS recommends defined benefit plans nationwide adopt

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their Code of Conduct Policy. Mrs. Jensen explained the Board could adopt the policy or take it under advisement to be aware and ask specific questions of future service providers. She then reviewed potential actions that the Board could initiate. Lengthy discussion followed regarding the listed companies or groups who actively advocate against DB plans.

- Susan Finn made a motion to add the language to all future RFP's as part of the base criteria and if the company is selected for the short list, then invite them in to present and ask the specific questions in the interview. The motion received a second by Orlando Segarra and was approved by the Trustees 5-0.
- Susan Finn made a motion to send an inquiry to all current managers at the beginning of each fiscal year inquiring of their involvement with any of the listed organizations. The motion received a second by Orlando Segarra and was approved by the Trustees 5-0.

Greg McNeillie confirmed he will handle the notices to the existing managers and will add the RFP criteria accordingly.

DISABILITY DECISION PROCESS: Mrs. Jensen presented a Disability Review Process memo and reviewed the steps in detail with the Trustees. Mrs. McNeill addressed the pending status of a current application explaining there are still pieces missing from the required packet and the member has reported a few different times that the documentation was going to be sent. Additionally, the physician of whom the member is basing the application on did not provide a letter and is refusing to release the records explaining the member waived their rights to the information and all documents belong to the City. She hopes the information will then be provided by the City when they respond to the request sent to HR. Mrs. Jensen returned to reviewing the process in detail with the Trustees. Lengthy discussion followed regarding the process and potential circumstances that could arise. Mrs. Jensen explained if information is missing, the Board may have to deny the claim and go into a formal hearing stage.

PROXY VOTING: Mrs. Jensen explained it would be difficult to develop a local proxy voting policy and it would take up an excessive amount of Board time. She explained there are services that would do the voting for the Board; while currently, all managers have authorization and direction to vote in the best interest of the Plan. Mr. McNeillie explained he has other plans doing a separate proxy voting process and he feels it is a waste of both time and money. Mrs. Jensen explained managers tend to vote with the management's desire in the proxy as that tends to be beneficial to the portfolio. Mrs. Jensen explained the process is very complicated and she feels it is best to continue in the current process of instructing managers to vote in the best interest of the portfolio and then the Board may address specific trades in the Investment Policy (I.E. instruct the manager not to purchase companies with an ambulance service). The Trustees will leave the process as status quo and can ask the managers for a list of how they voted.

ADMINISTRATOR REPORT

HUFF DROP PAYROLL PROCESSING: Discussion followed regarding Huff's rollover to the DROP as the City had processed with the 415 limit and they took taxes from the distribution. Mrs. Jensen explained he should go back to the City and have the limit addressed in their management agreement. Discussion followed regarding the pending negotiation to hold one year of sick and vacation time from the distribution and there is a person coming up on the DROP who is subject to the CBA. Mrs. Jensen explained they could do a memo of understanding to keep the hours on the books and then include into the Policy from the CBA changes. She recommended Chief Huff address directly with the City.

2016 MEETING SCHEDULE: The 2016 schedule was presented in the Trustee packets.

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COLA 2016: A copy of the 2016 COLA schedule was presented in the Trustee packets. Mrs. McNeill explained the list was pending confirmation from the actuary. There were no questions regarding the 3% COLA for 2016.

SCHENDEL PAYMENT ERROR: Mrs. McNeill presented a revised Benefit Approval for Donna Schendel, widow of recently deceased James Schendel. She explained Mr. Schendel had 100% joint and survivor benefits so Mrs. Schendel had been set up for payment with the full amount that Mr. Schendel had been receiving; however Mrs. Schendel was not eligible to receive the post retirement subsidy so she had been overpaid initially. Mrs. McNeill explained she had spoken with Mrs. Schendel and she agreed to use her 2016 COLA to repay the overage for the first few months of 2016 so her monthly amount will be adjusted accordingly to repay the plan for the overpayment.

- Patricia Barry made a motion to approve the Revised Benefit Approval for beneficiary Donna Schendel as presented. The motion received a second by Manny Esparza and was approved by the Trustees 5-0.

OLD BUSINESS

PAYROLL DATA UPDATE: Mrs. McNeill confirmed the bi-weekly detailed files are being provided to the auditor accordingly. There was no new information for discussion at this time.

NEILSON CONVERSION UPDATE: Mrs. McNeill explained the member had responded requesting a conversion calculation; however he had not included a beneficiary form for the calculation so the process was pending receipt of additional information from the member at this time. Mrs. Jensen explained the calculation is effective as of the normal retirement date and the Board should not have to address a retro payment as the calculation will be based on the salary at disability and the member has been receiving monthly pension payments as well as COLA benefits.

NEW BUSINESS

PARSONS SHARE ACCOUNT: Mrs. McNeill explained Christine Parson's Share account ended up being overdrawn after the earnings were reprocessed retroactively back to October 1, 2013. Mrs. McNeill explained Mrs. Parsons had closed her account in March 2015; and while the amount at that time was a valid amount for her account according to what had been posted, once the adjustments had been made applying the collared rate, the adjustments left her account overpaid. The Board instructed Mrs. McNeill to reach out to Mrs. Parsons to offer options on paying back the \$2,894.79 to the Plan accordingly.

Discussion then followed regarding validating delivery of information such as SPD's and allowing a document signature program. James Estep had requested to use a Docu-sign service and Mrs. Jensen explained that would meet the rules for distributing documents; however going to a link requiring a person sign a document will not work. It was agreed that the distribution of the documents will be sent with the requested email signed receipt process.

ADJOURNMENT

The Trustees acknowledged their next meeting date was set for January 15, 2016. The meeting was adjourned at 12:24 P.M.

Respectfully submitted,
Manuel Esparza, Secretary

