

# City of Miramar Firefighters' Retirement Plan

## MINUTES OF MEETING

August 20, 2015

James Estep called the meeting to order at 9:02 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  
Manuel Esparza, Secretary  
Orlando Segarra, Trustee  
Susan Finn, Trustee  
Patricia Barry, Trustee

Leo Nunez, Advisory Comm  
Ulises Carmona, Advisory Comm (9:20)

### TRUSTEES ABSENT

Jason Swaidan, Advisory Comm

James Estep welcomed the new appointed City Trustee, Patricia Barry, to the Board.

### PUBLIC COMMENTARY

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

### POLEN CAPITAL MANAGEMENT

Jim Haymes and Todd Morris of Polen Capital Management appeared before the Board to present an update of their firm. Todd Morris explained their employees are invested in the same products as the client. He reviewed their company philosophy explaining they currently hold 20 high quality companies and in 26 years have owned a total of 125 companies. He then addressed their portfolio characteristic advising they have produced higher return with less debt than the index. Mr. Morris reviewed the holdings and performance explaining that although the period in the market over the last six years has not been attractive for quality companies, as the market begins to shift back to quality, their style will be in favor. He explained they are comfortable with their portfolio capability and expect double digit returns in their long term perspective, even with the short term market corrections. He explained they performed well coming out of the recession and while companies with poor balance sheets are more risky, they have been in favor in the recent period. Mr. Haymes reviewed the capital drawdown and recovery periods through the tech bubble and the global financial crisis explaining during those periods, Polen was not down as much as the market and therefore they added much value during those periods. Mr. Haymes and Mr. Morris responded to several questions from the Trustees. David Lee noted the Plan's timing of hiring Polen has worked in their favor. When asked how they compare to the bench Mr. Morris explained they intentionally do not consider the bench and focus solely on their strategy. Mr. Haymes and Mr. Morris departed the meeting at 9:20 AM.

### HERNDON CAPITAL MANAGEMENT

Randell Cain and Marc Sydnor of Herndon Capital Management appeared before the Board to present an update of their firm. Mr. Sydnor reviewed the Plan's time with Herndon explaining 2014 was their worst year in 20 years of the strategy. He explained they have repositioned their portfolio and through August 18<sup>th</sup> are up 1.81% for the quarter while the bench was down 31

# City of Miramar Firefighters' Retirement Plan

## MINUTES OF MEETING

August 20, 2015

basis points. Mr. Sydnor then reviewed the portfolio characteristics. Mr. Cain explained they are a bottom up, fundamental manager and the valuation of solid companies does not mean they will do well on the timing. He noted they are currently doing much better than 2014. Mr. Cain returned to the sector allocations describing the types of companies held in each sector. He explained the portfolio is not any different, they will not be asset chasers and they will continue with their strategy. Mr. Cain responded to several questions from the Trustees. Mr. Cain explained he does not feel their growth has been a detractor and they will have a soft close at \$12-12.5B to current clients and will completely close the fund at \$15B. He explained they are currently at \$7.5B and do not see their size as a detraction. Mr. Cain explained when they repositioned their portfolio, they reordered the companies held in terms of risk and when they needed to adjust the portfolio, they began with the companies considered to have the highest risk. He then went on to review each of the holdings in detail providing a corporate update of each. Randell Cain and Marc Sydnor departed the meeting at 10:05 AM.

The meeting continued at 10:20 after a brief break.

### MINUTES

Minutes of the February 16 and April 17, 2015 meetings were presented in the Trustee packets for review.

- Manny Esparza made a motion to approve the February 26, 2015 minutes as presented. The motion received a second by Susan Finn and was approved by the Trustees 5-0.
- Susan Finn made a motion to approve the April 17, 2015 minutes as presented. The motion received a second by Manny Esparza and was approved by the Trustees 5-0.

### DISBURSEMENTS

Denise McNeill presented the disbursement report and financial statements for review.

- Susan Finn made a motion to approve the August 20, 2015 disbursements as presented. The motion received a second by Manny Esparza and was approved by the Trustees 5-0.

Discussion followed regarding the balance sheet and assets held. Mrs. Jensen reported state 185 contributions were up while 175 contributions were down across the state and the Plan is scheduled to receive \$981,781 for 2014.

### INVESTMENT CONSULTANT

David Lee of Dahab & Associates appeared before the Board to present the quarterly report for the period ending June 30, 2015. Mr. Lee reported the most significant item of note for the quarter was the GDP was up 2.3%. He reviewed market matters noting the first quarter was down and had been impacted by the cold weather in the North, port issues on the West Coast, China slowing down, Middle East challenges and South America issues. He reported the US is still the strong economy that everyone wants to invest in. Non-US citizens can earn citizenship by purchasing land resulting in much foreign money coming into the country. Mr. Lee reported the plan ended the quarter up 0.4% explaining the difference between the best and worst in the market was only around 2% with the best being just under 1.0% and the worst being -1.2%. Mrs. Jensen explained FRS' plan year closed June 30, 2015 with 3.67% earnings for the fiscal year. Mr. Lee continued with the report noting the Plan was up 5.5% fiscal year to date, ranking the plan in the top 13<sup>th</sup> percentile of the public fund ranking. Mr. Lee reported on each asset class in relation to their indexes; domestic equity was up 0.6% beating the index of 0.1%, large cap equity was up 0.6% beating the relative indexes, MID cap was down -0.1% beating the index of -1.5%, SMID cap equity was down -0.5% below the index of -0.3%, small cap was up 1.9% beating the

# City of Miramar Firefighters' Retirement Plan

## MINUTES OF MEETING

August 20, 2015

*index of 0.4%, foreign equity was up 0.9% beating the relative indexes, real assets were up 2.3% and fixed income was down -1.2%. Mr. Lee reviewed each manager in detail noting stocks have been the place to be in the past five years while bonds have not done well and the real asset diversification has been good for the Plan. It was noted the assumed rate of return needs to be corrected on the report to 8.25%. Mr. Lee noted the Intercontinental capital call will more than likely be a two quarter queue. He reported Herndon's challenges have been centered around a handful of companies held and the commitment to energy; however he believes they will bounce back if the Board has the tolerance to allow more time. Overall, he believes the Plan's allocation is good. Mr. Lee explained when the market is more volatile, active managers tend to do better and when there is a clear trend up, indexed funds tend to do better. Mrs. Jensen noted Herndon holds Eaton Vance stock and Mr. Lee explained Eaton Vance is publicly traded, the percentage is modest and he does not feel it is an issue for the Plan. He reported Molpus information had not been received in time for this report; so the final report will be copied to all of the Trustees inclusive of the Molpus detail when available. Mr. Lee explained the Plan is healthy as far as cash flow and the high amount of cash is currently on hold for the Intercontinental investment. Mr. Lee explained in the future, they may recommend moving more of the money from indexed to active managers and possibly increasing real assets which are currently at 15%.*

### **ACTUARY REPORT**

*2014 ACTUARIAL VALUATION: Don Dulaney appeared before the Board to present the 2014 Actuarial Valuation Report. A report was provided to Mr. Thomas and Ms. Hastings for the City's records as well. Mr. Dulaney noted the Plan's positive cash flow is expected to continue for some time. He noted the assumed rate of return (ARR) was adjusted to 8.25% from the Plan's prior 8.5% as per the Board's instruction from the prior meeting. He addressed the experienced income versus the actual income due to the smoothing process. Mr. Dulaney noted there is an additional \$8.6M in assets still to be recognized over the next four years. He reviewed the assumptions used in the report which had been updated according to the Board's instruction at the prior meeting. He reported the Plan had strong retention as well as a positive salary experience; however the positive salary experience was offset by the lower employee turnover. He reported the City's contribution to be 42.72% of payroll effective for the October 1, 2015 Plan year. Mr. Dulaney reviewed the impact of the assumption changes. Mr. Estep explained he had a recent meeting with the City and the City had explained they were hoping to see the costs lower more than they had. Discussion followed with Mr. Thomas and Ms. Hastings. Mr. Estep explained the Board is making an effort to reduce cost and at the same time attempting to reduce the ARR to accommodate the state's request. Discussion followed regarding the dynamics for the City related to bond review and ratings in relation to the pension plans. Mr. Dulaney reminded the Trustees they have not been able to change to an entry age on the amortization schedule due to the expected cost to make the change to the Plan. He advised it is a challenging methodology and difficult to explain and the overall goal is to change to the entry age methodology as soon as the cost will permit. Ms. Hastings inquired into the expected cross over period explaining while the City cares about the cost, they care more about having a Plan that is strong. It was noted the state had denied the Board's prior attempt to adjust the schedule at 20 years when the actuary attempted to adjust the schedule a couple years ago. Mr. Dulaney explained the upcoming mandated mortality change now required by recent legislation is an unfunded mandate that will cost the Plan and the City more money. He explained they may be able to blend the tables and will discuss with the Board of potentially using collared adjustments. Mr. Dulaney reported using the FRS table is expected to increase the Plan's cost around 5% as it has increased the life expectancy yearly and has generational improvements built into the table. Lengthy discussion followed regarding the matter and impact of costs. Mrs. Jensen explained the Plan has 60 days from now to have the additional GASB report posted. Mr. Dulaney confirmed he will provide within 60 days accordingly.*

# City of Miramar Firefighters' Retirement Plan

## MINUTES OF MEETING

August 20, 2015

- Susan Finn made a motion to approve the 2014 Actuarial Valuation Report as presented. The motion received a second by Orlando Segarra and was approved by the Trustees 5-0.

Mr. Dulaney advised he will submit a copy of the report to the State and he will bring blended mortality table information to the Board in consideration of the needed changes.

CITY REQUEST FOR COST ESTIMATES: Mr. Dulaney addressed requests received from the City dated June 15, 2015 and July 30, 2015 regarding the changes in reporting requirements and requested cost studies. Mrs. Jensen explained she had provided the City with actuary information from the May meeting reflecting some of the information and it was noted some of the items requested had already been addressed by the Board overall. Mr. Dulaney explained the rest of the information could be provided in approximately two weeks for a cost not to exceed \$5,000. Discussion followed regarding the request with Mr. Thomas and Ms. Hastings explaining the reason why requested. Mr. Thomas noted the Moody's bond rating process which uses 7% as the base ARR for comparison; advising the City only received an Aa3 rate due to the pension. It was clarified that the City is not requesting the Plan change the ARR down to 7%; however they are interested in seeing how best to address the matter. Mr. Estep explained it is not the Board's intent to drive up the City's cost and the board is open for suggestions if the City is requesting a further reduction to the ARR from the current 8.25%. Lengthy discussion followed regarding the City's request.

- Susan Finn made a motion to allow the actuary to produce the calculations for the City in response to their request dated July 30, 2015. The motion received a second by Manny Esparza and was approved by the Trustees 5-0.

Mr. Dulaney agreed to reduce the cost of the calculations down, not to exceed \$4,000.

- Susan Finn made a motion for the Plan to pay for the actuary cost to complete the study in response to the City's request dated July 30, 2015. The motion received a second by Manny Esparza and was approved by the Trustees 5-0.

### ATTORNEY REPORT

ACTUARY FEE ADDENDUM: Mrs. Jensen presented the actuary contract endorsement inclusive of the fee change previously approved by the Board.

- Orlando Segarra made a motion to approve and endorse the actuary agreement accordingly. The motion received a second by Manny Esparza and was approved by the Trustees 5-0.

FICA UPDATE: Mrs. Jensen recommended the Board retain Gray Robinson to review the tax matter and create a policy for the Plan related to the matter. She reported Gray Robinson is already working with the Police Plan for same. She further reported Gray Robinson will be working with the City to adjust their internal policy to address how they pay the salaries. She explained Gray Robinson has already done much ground work on the matter and it makes sense to engage with them for the creation of the needed policy. Mrs. Jensen presented an engagement for consideration; explaining the hourly rate would be split between the police and fire pension plans; the hourly rate typically ranges from \$140 to \$750 per hour (averaging \$440) with a government rate of \$320 per hour. She explained in the preliminary evaluation of the Ordinances, it was determined the Plan will not need to change the Ordinance and instead should be able to address the matter by internal policy. Mrs. Jensen noted part two of the request will be how to address the prior action taken.

- Susan Finn made a motion to engage Gray Robinson to review and write the policy to address the tax matter. 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

August 20, 2015

IRS DETERMINATION UPDATE: Mrs. Jensen explained the Plan received a favorable IRS determination letter in July 2015 which was extended to 2016. She explained the IRS is moving away from issuing determination letters on individual plans and the 2016 round will be the last round of letters they issue as they have found the process to be too expensive for them to continue.

SHARE POLICY: Mrs. Jensen reviewed the changes to the policy explaining that, as determined at their prior meeting, they needed to amend the language of non-vested versus vested members and the policy had been updated accordingly.

- Manny Esparza made a motion to approve the revised Share Policy as presented removing the non-vested versus vested language. The motion received a second by Orlando Segarra and was approved by the Trustees 5-0.

US REAL ESTATE / INTERCONTINENTAL AGREEMENT: Mrs. Jensen reported the Intercontinental agreement had been reviewed and was ready to be executed. She explained this is a partnership and the agreement does recognize the Plan is a governmental, qualified Plan.

- Susan Finn made a motion to execute the real estate agreement with US Real Estate/Intercontinental. The motion received a second by Manny Esparza and was approved by the Trustees 5-0.

WEBSITE DISCLOSURES AND PENSION REPORTING: Mrs. Jensen addressed a memo she had sent to the Trustees in May regarding the new Florida pension reporting under Florida Statutes 112.664. She addressed the website disclosures noting the Resource Centers had taken care of the posting requirements by the deadline of June 30, 2015 accordingly for the Plan. It was noted the final GASB disclosure would be due within 60 days due to the approval of the valuation report. Ms. Hastings inquired into the reporting and discussion followed regarding the GASB disclosure and the sensitivity rate. Discussion followed regarding the differences between the Fire, Police and General Employee pension plans.

AUDIT ENGAGEMENT: Mrs. Jensen presented an updated audit engagement for consideration. She reported the letter was issued from SI Gordon and Company; however Mr. Gordon had recently announced a merger with another firm, Kabat, Schertzer, De La Torre, Taraboulos & Co. Mrs. McNeill confirmed the fees for the prior year reporting, noting they were slightly lower than the prior year with the inclusion of the GASB changes.

- Susan Finn made a motion to engage with SI Gordon for the annual audit and annual report processing for 2015 as presented. The motion received a second by Orlando Segarra and was approved by the Trustees 5-0.

CLASS ACTION MONITORING: Bonni Jensen provided details of class action monitoring from Bernstein Litowitz Berger and Grossman (BLBG) as requested from the prior meeting. Discussion followed regarding the portfolio monitor process.

- Susan Finn made a motion to engage with Bernstein Litowitz Berger and Grossman for portfolio monitoring services. The motion received a second by Manny Esparza and was approved by the Trustees 5-0.

# City of Miramar Firefighters' Retirement Plan

## MINUTES OF MEETING

August 20, 2015

LEGAL UPDATES: Mrs. Jensen addressed the new rules in SB172 regarding the Share Plans explaining Share Plans created after December 1, 2000 are to use the new frozen amount for the year 2002. Since this Share Plan was created in 2007, the new frozen amount will be the 2002 number. She explained they may opt out of the Bill by mutually consenting with the City in a CBA and as reported in the May meeting, this Plan will need mutual consent.

### OLD BUSINESS

PAYROLL DATA UPDATE: Discussion followed regarding the payroll data matter and the electronic files to be reviewed by SI Gordon & Company with each bi-weekly payroll process. Mrs. McNeill reported they had received a file the prior evening and will review accordingly. The file will be copied to Mr. Gordon as well for review. She will provide the Board with an update once the file has been reviewed. Discussion followed regarding the timing and Ms. Finn expressed her concern that it took over six months to receive the detail. Ms. Hastings explained in February Munis had quoted the City that it would not be able to do the report until May for a cost of \$5,000 and the City chose to go a different route with the process as they felt they would be able to provide the requested detail in a more timely manner. Mr. Estep reminded Ms. Hastings the Board had agreed to pay for the report. Ms. Hastings explained the City has spent a significant amount of time on the request internally. Mrs. Jensen addressed the recent payroll errors related to Plan members. Ms. Barry inquired into the process of the internal checks and balances for processing payroll and Mrs. Hastings explained there are three staff members involved in the payroll process. Mr. Nunez recommended if the file is found to be incomplete, the Board request authorization to go directly to Munis and pay for the cost of the report. Mrs. McNeill explained a similar request was made back in February in the meeting the City; however the City explained that all requests must be made by them with Munis.

SHARE ACCOUNT REVISION: Mrs. McNeill reported the Share accounts had been revised accordingly through September 30, 2014 and the accounts were available online. A detailed report of the adjustments made to each account was presented in the Trustee packets for review.

### ADMINISTRATOR REPORT

BENEFIT APPROVAL: A Benefit Approval for DROP entry for Guy Scott Rector was presented for consideration.

- Manny Esparza made a motion to approve the Benefit Approval for Mr. Rector's DROP entry as presented. The motion received a second by Orlando Segarra and was approved by the Trustees 5-0.

10/01/14 SHARE ALLOCATION REVIEW: Denise McNeill presented an allocation report for review by the Trustees for the October 1, 2014 allocation. She explained the manual adjustment noted for Francesca Rogers due to the fact that she had initially been continued under the GE pension plan and was not transitioned into the Fire Plan records until after the plan year had closed therefore the administrator had to provide a retro adjustment inclusive of interest to her Share account accordingly. The Trustees inquired into the payroll reporting errors related to Mr. Perez and Mrs. McNeill explained when such errors occur transitioning from one plan year to another as they did with Ms. Rogers, the corrections carry over a full year due to fiscal year end reporting requirements so they take longer to resolve in the plan records; however Mr. Perez's issue was determined and corrected within the same fiscal year so the adjustments are not expected to carry beyond the current fiscal year. Mrs. McNeill requested the Trustees review the report and let her know within the next week or so if there are any questions or concerns before the file is posted.

# City of Miramar Firefighters' Retirement Plan

## MINUTES OF MEETING

August 20, 2015

2015-2016 BUDGET DRAFT: A proposed budget was presented for consideration. Mrs. Jensen explained the budget relates to one of the new legislative requirements. Discussion followed regarding the pending new actions discussed earlier in the meeting and the additional costs expected for the actuary and tax attorney projects. The Trustees discussed adjusting the actuary budget to \$39,000 plus 25% for a total of \$48,750 and increasing the attorney fees to \$42,000 to account for the expected increase for Gray Robinson.

- Sue Finn made a motion to approve the 2015-2016 budget as amended. The motion received a second by Orlando Segarra and was approved by the Trustees 5-0.

### NEW BUSINESS

The trustees welcomed new member, Patricia Barry to the Board. She introduced herself and provided some detail of her background and knowledge of payroll, grants and budgets. Each of the trustees introduced themselves to Ms. Barry accordingly.

TRUSTEE SEATS: Denise McNeill explained the posting for James Estep was way behind and she inquired if the Plan could consider allowing the seat to be filled beginning with the date the term should have begun in an effort to keep the seats staggered since Mr. Esparza's seat is also up renewal. Mrs. Jensen and Mrs. McNeill will review the Plan and see if that is a possibility.

Barbara Hastings departed the meeting at 2:00 PM.

DISABILITY CONVERSION: Denise McNeill addressed a recent request received from a member who had retired under the disability benefit. She explained the member should have been offered to convert the disability benefit to a normal pension when he reached normal age; however the offer had not yet been made to the member. The administrator will address an internal process to track if there any other such members and determine a process to ensure such changes are captured timely in the future. Mrs. Jensen reviewed the process and explained their disability time is credited in the normal service conversion so members may consider the change to their benefit. Mrs. McNeill confirmed a disability conversion notice is being sent to Mr. Neilson accordingly.

Ian Thomas departed the meeting at 2:25 PM.

Discussion followed regarding Trustee email correspondence. Mrs. Jensen recommended each trustee and advisory board member use an mfpf.org email address which can be forwarded to their personal email, that way there is archive capability related to the Plan records.

### ADJOURNMENT

The Trustees acknowledged their next meeting date was set for October 8, 2015. The meeting was adjourned at 2:25 P.M.

Respectfully submitted,

  
Manuel Esparza, Secretary