

# City of Miramar Firefighters' Retirement Plan

## MINUTES OF MEETING

August 17, 2017

Chairman James Estep called the workshop to order at 9:00 A.M. in the Meeting Room of Fire Station 100 located at 2800 SW 184<sup>th</sup> Avenue, Miramar, FL. (The workshop transitioned to a meeting at 9:15 AM.) Those persons present were:

### TRUSTEES PRESENT

James Estep, Chairman  
Manuel Esparza, Secretary  
Ulises Carmona, Trustee (9:15)

Leo Nunez, Advisory Comm  
Noel Marti, Advisory Comm  
Cliff Ricketts, Advisory Comm  
Jason Swaidan, Advisory Comm

### OTHERS PRESENT

Denise McNeill; Resource Center; Admin (9:18)  
Bonni Jensen; Klausner, Kaufman, Jensen & Levinson; Attorney  
Don Dulaney; Dulaney & Co; Actuary  
Greg McNeillie, Dahab & Assoc; Consultant  
Michael Naftanial & Ian Evansmith; City of Miramar  
Members of the Plan

### TRUSTEES ABSENT

Patricia Barry, Trustee  
Susan Finn, Trustee

### INVESTMENT MANAGER PRESENTATION – INVESCO

Clair Potter of Invesco appeared before the Board to present management services. Ms. Potter introduced herself and provided information regarding her firm. She reported that she will be transitioning to handle accounts in the Northeast and the Plan is being transitioned to a new account manager. She reviewed their strategy profile of a full market term, explaining their objective is long term growth of capital and current income. She explained they look to deliver appreciation, income and preservation; further noting their portfolio manager is from fixed income so preservation is key for them.

Ulises Carmona entered the meeting at 9:15 AM and the workshop transitioned to a meeting.

Ms. Potter reviewed Invesco's investment process noting an emphasis on the company's balance sheet (focusing on firms with a sound capital structure); normalized earnings power (designed to determine a company's earnings power over a cycle) and the company's valuation (by using a stress testing analysis). She reviewed the portfolio summary noting the presentation reflects the R5 product; however the Plan is invested in the R6 and the performance results are the same for each. Ms. Potter reviewed their strategy explaining they have not done as well in the recent bull market as they focus on higher quality, and lower quality stocks have been in favor; however they protect in the down market. She reviewed the sector weight details noting they were underweight in financials and technology; both of which have done well in the recent period putting them below their bench. Ms. Potter reviewed the market downturn performance. She responded to several questions from the Trustees. Greg McNeillie noted it is not uncommon for mutual funds to hold cash and often what is held at the end of a mid-year month will be very different from what is held at year end. Ms. Potter confirmed she will have the fiscal year to date information added to the report.

### INVESTMENT MANAGER REPORT – POLEN CAPITAL

Anthony Xuereb and Steve Atkins of Polen Capital appeared before the Board to present a portfolio update. Mr. Xuereb provided information regarding their firm. He explained their large cap and small cap growth strategies are separate and completely autonomous. Mr. Atkins reviewed their philosophy and process explaining they have a concentrated strategy with only 20

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holdings; explaining their goal is high quality, long-term growth. He explained they do not make market predictions and remain fully invested at all times; generally holding 5% or less in cash. Mr. Atkins reviewed the portfolio holdings responding to several questions from the Trustees as to why specific companies such as Microsoft and O'Reilly Automotive are held. He then reviewed the performance noting it has been a good year and a number of companies in the portfolio have been doing well. Mr. Atkins confirmed he will have the fiscal year to date information added to the report.

### PUBLIC COMMENTARY

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

### MINUTES

The April and May minutes were presented for review.

- Manuel Esparza made a motion to approve the minutes for April and May as presented. The motion received a second by Ulises Carmona and was approved by the Trustees 3-0.

### DISBURSEMENTS

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

- Manuel Esparza made a motion to approve the disbursements as presented. The motion received a second by Ulises Carmona and was approved by the Trustees 3-0.

### INVESTMENT CONSULTANT REPORT

Greg McNeillie of Dahab & Associates appeared before the Board to present the quarterly report for the period ending June 30, 2017. Mr. McNeillie explained their large cap has improved a bit. He reported PNC had underperformed. He explained the Plan was up 8.9% fiscal year to date ranking the Plan in the top 26<sup>th</sup> percentile of the public fund universe. He reported quarterly returns of the following: large cap core was up 3.1%, large cap growth was up 6.7%, large cap value was up 0.9%, mid cap was up 0.9%; SMID cap was up 2.6%, small cap core was up 0.8% and 1.4%, international was up 6.3%, emerging markets was up 3.8%, real estate was up 1.2% and 2.0%, timber was -0.2%, 0.4% and 0.2% and core fixed was up 1.3%. Mr. McNeillie reminded the trustees that the older underperformance includes two managers who have been replaced. He then reviewed each manager in detail noting the following; real estate was the top performer, fixed income has improved, real assets have done much better than bonds and the plan picked up alpha in mid cap. He explained he does not like the SMID product with Northern Trust reporting it has not beat the bench over any time period on file; it has negative alpha, a poor batting average and is not doing better in up-capture or down-capture. He recommended moving from the Northern Trust SMID product. He continued reviewing each manager in detail noting the LMCG adjustment has been positive, DFA is in line with the index and PNC has not done well. He explained Parametic has not done as well relative to the bench; however as long as they capture on the downside, he is okay with their performance.

PASSIVE MANAGER SEARCH: Mr. McNeillie presented a passive manager search. He reviewed the process noting the four finalists were Charles Schwab, Northern Trust, Rhumblin Advisors and Vanguard. Discussion followed regarding each manager. Mr. McNeillie explained Rhumblin is the least expensive and seems reasonable. Discussion followed regarding exiting from Northern Trust entirely and using Rhumblin for all passive products.

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- *Manuel Esparza made a motion to replace all Northern Trust products with Rhumblin. The motion received a second by Ulises Carmona and was approved by the Trustees 3-0.*

*Lengthy discussion followed regarding recommended changes to the current asset allocation. Mr. McNeillie will provide an updated investment policy for signature and Mrs. Jensen will review the Rhumblin contracts.*

- *Manuel Esparza made a motion to reduce LMCG by 1% (from 7% down to 6%), reduce the SMID from 4% down to 0%, reduce PNC small cap by 2% (from 5% down to 3%), add two new classes for Mid-cap passive at 3% and small cap passive at 4%. The motion received a second by Ulises Carmona and was approved by the Trustees 3-0.*
- *Manuel Esparza made a motion to execute the revised Investment Policy and all documents between meetings as necessary. The motion received a second by Ulises Carmona and was approved by the Trustees 3-0.*

*Discussion followed regarding the current cash.*

- *Manuel Esparza made a motion to move \$2.5M from cash to CS McKee and \$1M to Parametric. The motion received a second by Ulises Carmona and was approved by the Trustees 3-0.*

### **ACTUARY REPORT**

*Don Dulaney presented a Section 112.664 report and reviewed the report in detail with the trustees. He explained the report is required to reflect the Fund at 2% less and the Board had requested the addition of 2% over, in order to provide a more fair representation. He reminded the Trustees the report must assume no further contributions which is not possible due to the funding rules in place. He explained the report had been sent to the State in June as per the requirement.*

### **ATTORNEY REPORT**

*LEGISLATIVE UPDATE: Mrs. Jensen reviewed a memo from her firm summarizing the changes in the recent session. She reported the legislature left public pension plans alone. Changes were made to the Public Records laws related to pre-suit notices which will require a notice be posted in a public space (for example in the building where public records can be requested and on the website). She will provide a draft notice for posting. She explained certain public safety retirees' information is now also exempt from public records. Mrs. Jensen then reported in FRS, all new general employees will not default into the DB plan and will instead default into the DC; however public safety will default into DB. She explained general employees will have nine months after hire date to change to the DB plan. Mrs. Jensen reported that related to body cameras, police officers will be allowed to view recordings before giving a statement.*

*DISABLED PUBLIC SAFETY AD VALOREM TAX EXEMPTION: Bonni Jensen reported there will now be an allowance for property tax exemption which does not affect the Plan; however it may impact some members. She explained to be exempt from the property tax; it will require the member is 100% disabled from any gainful employment. Mrs. Jensen explained the documents require the employer certify the disability as the administrator cannot certify on behalf of the employer; however some employers are refusing to sign. She further explained the requirements are much more stringent than what needed to be provided to the Board for inability to perform the duties of a firefighter and they cannot be able to have any gainful employment so the tax exemption applies to only a few people. Mrs. Jensen then reported on a proposed additional*

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*\$25K homestead exemption with the value between \$100K and \$125K. If the ballot passes in November, it will be effective January 2019.*

COMERICA SOC 1 REPORT: Mrs. Jensen explained she had requested a copy of Comerica's SOC 1 report and noticed it was a qualified report relating to not having appropriate paperwork on file four of twenty-six items tested. She noted that two of the four issues related to someone who is no longer employed there. She explained that her concern is that the issue was not reported to the clients. She has requested that Felecia Ryans report on the matter for the Board and if it was a minimal issue, why were they issued a qualified opinion; however her real concern was Comerica's lack of notice. She explained she had not yet received a clear explanation on the matter and feels it is prudent to invite Ms. Ryans to address the matter with the Board. Ms. Ryans will be invited to attend the October meeting.

MOTLEY RICE PORTFOLIO MONITORING AGREEMENT: Mrs. Jensen explained Jane Goldstein had moved back to SFMS leaving Motley Rice and upon her separation, had informed Mrs. Jensen that Motley Rice would not be continuing monitoring services without Ms. Goldstein. Mrs. Jensen explained she received notice from Motley Rice that they do plan to continue the service and they will continue to monitor the Plan accordingly. It was noted the Plan will now have SFMS, Motley Rice and Pomerantz monitoring their portfolio.

### ADMINISTRATOR REPORT

BENEFIT APPROVALS: Mrs. McNeill presented benefits for eight permissive service purchases, one new DROP member and two beneficiaries.

- Manuel Esparza made a motion to approve the benefits as presented. The motion received a second by Ulises Carmona and was approved by the Trustees 3-0.

2017/2018 DRAFT BUDGET: The 2017/2018 Draft Budget had been presented in the trustee packets for consideration.

FINANCIAL STATEMENT FEE INCREASE: Mrs. McNeill noted the administrator is also requesting a fee increase related specifically to the financial statement services being provided to the Plan and a detailed letter regarding the request had been provided to the Trustees. Discussion followed the financial statement process. Mrs. Jensen explained the Board could ask the City if they would be willing to take the process back and Mr. Evansmith advised the City does not want to do the financial statement reporting for the Plan.

- Manuel Esparza made a motion to approve the financial statement fee increase to the administrator of \$750 monthly beginning October 1, 2017. The motion received a second by Ulises Carmona and was approved by the Trustees 3-0.
- Manuel Esparza made a motion to approve the 2017/2018 Draft Budget as presented. The motion received a second by Ulises Carmona and was approved by the Trustees 3-0.

### OTHER REPORTS

*It was noted the portfolio monitoring reports were included in the Trustee packets.*

### DISABILITY APPLICATION UPDATE

*Mrs. Jensen reminded the Board that she and the administrator had a conference call with the member's workers compensation attorney a few months prior explaining that the application*

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received does not match any of the records, nor does it match the reason for the member's current work comp case. Mrs. Jensen explained the member needs to transition the information on her application and will need to confirm all of the necessary records are received related to the member's current work comp. Unfortunately the member is not responding to the administrator and the Union representative has not been able to communicate with the member either. Mrs. Jensen explained that unless the Board is notified the member is incompetent, they must do what is necessary to move forward with the application process. The Trustees instructed the administrator to send formal notice to the member informing of a hearing scheduled for the October 6, 2017 meeting.

### OLD BUSINESS

There were no other items for discussion.

### NEW BUSINESS

Mrs. McNeill presented an audit engagement for consideration with KSDT. Mrs. Jensen confirmed she had reviewed the engagement accordingly and determined it was acceptable.

- Manuel Esparza made a motion to engage Kabat Schertzer De la Torre and Taraboulos (KSDT) for audit and annual report services for the 2017 fiscal year. The motion received a second by Ulises Carmona and was approved by the Trustees 3-0.

### ADJOURNMENT

The Trustees acknowledged their next meeting date was set for October 6, 2017.

- Manny Esparza made a motion to adjourn the meeting at 12:01 PM. The motion received a second by Ulises Carmona and was approved by the Trustees 3-0.

Respectfully submitted,



Manuel Esparza, Secretary