

City of Miramar Firefighters' Retirement Plan

MINUTES OF MEETING

May 19, 2017

Chairman 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
Patricia Barry, Trustee
Susan Finn, Trustee

Leo Nunez, Advisory Comm (9:26)
Noel Marti, Advisory Comm

TRUSTEES ABSENT

Ulises Carmona, Trustee
Cliff Ricketts, 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 Thomas (9:45); City of Miramar
Members of the Plan

INVESTMENT MANAGER REPORT – HANCOCK TIMBERLAND

Eric Dooley of Hancock Timberland appeared before the Board to present the March 31, 2017 report. Mr. Dooley provided an update of the firm. He reminded the Trustees that the fund is international and explained the tariffs and duties were priced into the portfolio. He reported there will be an additional 5% tariff hitting exports from Canada in 2017 which will help the pricing in the US supply. Mr. Dooley touched on their investment strategy and current geographic diversification. He reported 7.9% average yield in the five year and 6.4% in the 10 year view. He explained post-election fundamentals remain healthy and expect growth in 2017. He explained housing is positioned to benefit from key presidential objectives of the economic stimulus and 19.9% tariff on Canadian softwood imports. Discussion followed regarding the timing of the Fund and process if the Board were to exit prior to the 2026 scheduled end. Mr. Dooley explained they have a 45-day exclusive, with an offer to other partners in the fund; then they can offer to other peers. He explained they would need a 5% to 15% discount off of the NAV to transact. Mr. Dooley then reviewed specific holdings in the portfolio and responded to various questions regarding the properties held. He explained they do not hold a formal Investor Day; however they would be willing to set something up for the Board if desired. Mr. Dooley departed the meeting.

INVESTMENT MANAGER REPORT – MOLPUS WOODLANDS

Edgar Marshall of Molpus Woodlands appeared before the Board to present the March 31, 2017 report. Mr. Marshall provided an update of the firm explaining in 2015 they had a management buyout and 13 members of management purchased 51% from the founder. Bob Lyle will be the new president. He explained this year the investor meeting will be via conference call. He reported Fund IV is still in the investor stage. He reported in British Columbia, a beetle outbreak killed half of the timber there which will be a head-wind for the Fund. He also addressed the increased tariff cost for Canada which is also good for the US product. He explained that 94% of "post it" note pads come from the timber harvested from the Tristar MN property. Mr. Marshall explained the export of wood pellets to Europe remains strong. He further noted they have a direct alignment with how their organization is paid; if the Fund does well for investors, then the income is good for the organization as well. Mr. Marshall then reviewed the fund returns reporting 5.56% since inception, due almost entirely to parcel sales. He confirmed all Funds at Molpus are independent and do not purchase properties from each other. Mr. Marshall

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addressed Fund IV noting they are confident they will put the other half of the investor funds to use before the expiration period ends. He explained acquisitions must be identified by October or they must absolve the investors of the remaining financial commitment. He then reviewed the portfolio and specific holdings in detail. Mr. Marshall departed the meeting.

PUBLIC COMMENTARY

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

MINUTES

The minutes from the prior meeting were not available.

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 Manuel Esparza and was approved by the Trustees 4-0.

INVESTMENT CONSULTANT REPORT

Greg McNeillie of Dahab & Associates appeared before the Board to present the quarterly report for the period ending March 31, 2017. Mr. McNeillie explained the money in timber initially came from bonds and the timber asset has done well for the Plan. He explained that he expects similar returns from Hancock as they have received from Molpus; however he has some international funds that have been hit significantly by international issues. Mr. McNeillie reviewed the asset allocation noting they have a 2% target to Hancock; however they will not go over the current 1.7% due to the Fund being closed. He reported the Plan was in the top 13th percentile of public funds for the three year and top 2% for the five year view. He reported the Fund ended the quarter up 4.1% (net of fees). He further reported quarterly returns of the following: large cap core was up 6.0%, large cap growth was up 9.0%, large cap value was up 2.4%, mid cap was up 6.9%; smid cap was up 4.5%, small cap core was up 0.9% and -2.3%, international was up 7.3%, emerging markets was up 9.9% and core fixed was up 0.6%. Mr. McNeillie then reviewed each manager in detail noting passive has outperformed active and the timber (real assets) have outperformed hedge funds. He explained CALPERS is exiting private equity due to the cost. Discussion followed regarding hedge funds and Mr. McNeillie explained while hedge funds tend to help control volatility, they do not help achieve the assumed rate of return and with the new GASB level three asset tracking being such a challenge, he doesn't feel they are attractive. Discussion followed regarding the current asset allocation and their targets. Mr. McNeillie recommended they move funds from large cap to international.

- Manuel Esparza made a motion to move \$3.5M from Northern Trusts large cap to the Northern Trust International. The motion received a second by Patricia Barry and was approved by the Trustees 4-0.

He continued reviewing each manager in detail. Discussion followed of when to fire a manager and Mr. McNeillie explained it sometimes depends upon the company issues and the Board's tolerance. He explained the results from a recent manager search for another client reflected lower costs confirming the Northern Trust Wilshire cost is high. Mr. McNeillie will provide a manager search report for consideration at their next meeting.

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EATON VANCE NOTICE TO BOARD: Eaton Vance had provided a notice to the Board of an employee who had committed fraud. Mr. McNeillie explained the action had nothing to do with the Parametric group and he doesn't feel it is necessary to inquire further.

ACTUARY REPORT

Mr. Dulaney explained the GASB 67 and 68 reports have been completed. He had also provided the requested information for the Summary Plan Description. He reported that he will do the Chapter 112.664 report next.

Lengthy discussion followed regarding the assumed rate of return. He explained there are now only four plans in the State with funding rates over 8%. The Plan has reduced their rate from 8.66% down to 8.25%. Mr. McNeillie confirmed he could do a probability review related to the ARR. Mr. Estep inquired of Mr. Thomas if the City is still interested in having the Plan reduce their ARR. Mr. Thomas explained the GE and management boards decided to address their allocation first, then they did probability reviews. Mr. McNeillie explained the process he would use to review. Mr. Thomas confirmed the City is still interested in having the Board consider lowering the rate.

ATTORNEY REPORT

DROP AND SHARE DISTRIBUTION FORMS: Mrs. Jensen presented revised distribution forms. The Share Distribution form will be revised further. The Trustees agreed to use the new forms as amended.

SHEPHERD FINKELMAN MILLER & SHAH MONITORING AGREEMENT: Mrs. Jensen explained Jane Goldstein has moved back to SFMS and advised Pomerantz will not be continuing monitoring services without Jane. Discussion followed regarding the transition.

- Susan Finn made a motion to engage Shepherd Finkelman Miller and Shah for portfolio monitoring services. The motion received a second by Manuel Esparza and was approved by the Trustees 4-0.

LEGAL UPDATES: Mrs. Jensen reported there will be no change to public pension plans from the latest legislative session. She explained they are waiting for the final action from Governor Scott and will send an update when all final information is known. She 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.

FORM 1 FILING: Mrs. Jensen reminded the Trustees their Form 1 filing was due by July 1st and should be filed timely. She reported in Palm Beach County, there is an Ordinance that all Board trustees must do an ethics training every two years.

ADMINISTRATOR REPORT

BENEFIT APPROVALS: Mrs. McNeill presented benefits for two new DROP members and a permissive service purchase.

- Susan Finn made a motion to approve the benefits as presented. The motion received a second by Patricia Barry and was approved by the Trustees 4-0.

Mrs. McNeill explained they are expecting to initiate payments to Paul Sarvich's beneficiaries; however they are awaiting the needed documentation.

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PENSION GUIDE FOR PUBLIC OFFICIALS: *The administrator had sent an informational report to the Board. The pension guide had been written specifically for public officials and appeared to be well written with no specific bias. The administrator had provided the information to the Board as they felt it was worthy of review and it may be something the trustees would like to use with local public officials.*

OTHER REPORTS

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

DISABILITY APPLICATION UPDATE

Mrs. Jensen explained she and the administrator had a conference call with the member's workers compensation attorney explaining that the application 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. Mr. Estep explained the Union is on board with assigning someone to help the member. The work comp attorney agreed that she feels the member needs help with the process; however she cannot represent her on the pension disability request as she is not familiar with pensions. Mrs. Jensen explained she does not want this Board to deny an application when records may exist to qualify a disability. Mr. Estep will follow up with the Union regarding the matter. Discussion followed of scheduling an informal hearing in August and inviting the member to attend.

OLD BUSINESS

There were no other Old Business items for discussion.

NEW BUSINESS

Mrs. Jensen addressed cyber liability insurance. She explained there are specific policies available now that offer first notification, one year credit reporting and restoration. She explained there is a cost in litigation if the Board is sued for a data breach. Discussion followed regarding what potential exposure exists for the Plan and known situations in recent media reports. Mrs. Jensen explained she has another client that will be hearing a presentation from an insurance broker on the coverage so she will be able to address in more detail at the next meeting. She reported NCPERS even had a speaker address said coverage at a recent conference. Mrs. Jensen explained attention is growing regarding the matter; however it is not an emergency at this time.

Mrs. McNeill reported that when researching the software capability of the Docu-Sign program the Board had previously approved for purchase, they determined issues that would not be friendly to using the program for a mass document distribution like the SPD's. She explained that the administrator's IT Department has offered to do a special program to handle the notice distribution and track the received responses. She explained the process is similar to that of an online election and the program can be designed and implemented for \$400.

- *Manuel Esparza made a motion to approve for the program to be designed by the administrator's IT Department and for the cost not to exceed \$400. The motion received a second by Patricia Barry and was approved by the Trustees 4-0.*

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Susan Finn reported she had received notice from the City that she had been reappointed to the Board.

ADJOURNMENT

The Trustees acknowledged their next meeting date was set for August 17, 2017.

- *Manny Esparza made a motion to adjourn the meeting at 12:02 PM. The motion received a second by Susan Finn and was approved by the Trustees 4-0.*

Respectfully submitted,

Manuel Esparza, Secretary