

City of Miramar Firefighters' Retirement Plan

MINUTES OF MEETING

January 19, 2018

Chairman 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
Ulises Carmona, Trustee (9:19)
Patricia Barry, Trustee
Susan Finn, Trustee

Noel Marti, Advisory Comm
Cliff Ricketts, Advisory Comm
Leo Nunez, Advisory Comm (9:45)

OTHERS PRESENT

Denise McNeill; Resource Center; Admin
Bonni Jensen; Klausner, Kaufman, Jensen &
Levinson; Attorney
Don Dulaney; Dulaney & Co; Actuary
Eric Leventhal; KTSD; Auditor
Kanika Stampp, Na'Imah Martin; City of
Miramar
Ian Thomas; City of Miramar (9:30)
Members of the Plan

TRUSTEES ABSENT

Leo Nunez, Advisory Comm

PUBLIC COMMENTARY

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

MINUTES

The November 1st and November 17, 2017 minutes were presented for review. Mrs. McNeill addressed two errors corrected on the November 17th minutes.

- Manuel Esparza made a motion to approve the minutes for November 1, 2017 as presented. The motion received a second by Patricia Barry and was approved by the Trustees 4-0.
- Susan Finn made a motion to approve the minutes for November 17, 2017 as amended. The motion received a second by Manuel Esparza and was approved by the Trustees 4-0.

DISBURSEMENTS

Denise McNeill presented the disbursement report and financial statements for review. It was noted they had finally received the credit from Verizon for the duplicate billing from several months ago when the iPads were upgraded.

- Manuel Esparza made a motion to approve the disbursements as presented. The motion received a second by Patricia Barry and was approved by the Trustees 4-0.

2017 AUDITED FINANCIAL REPORT –KABAT SCHERTZER DE LA TORRE & TARABOULOS

Eric Leventhal of Kabat, Schertzer, De La Torre and Taraboulos (KSDT) appeared before the Board to present the 2017 Audited Financial Statement. Mr. Leventhal reported an unmodified, clean audit opinion. He reported the total net position increased from \$137M, up \$20M from the prior year. He reviewed the contributions from all sources noting a big driver on the employee contribution was from the permissive service purchases for which members predominantly used their 457 and Share accounts. He reported their appreciation keeps getting larger and the Plan is performing in line with expectations. He referred to the interim financial statement received from

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the administrator noting the Plan was up to \$141,863,037 at the end of November. He reported at fiscal year-end they had \$10M in contributions and \$15M investment earnings; however part of the contributions were actually transfers from member Share accounts for the permissive service purchases. Discussion followed regarding the cost of investments and Mr. Leventhal noted the cost was 37 basis points overall which was very good.

Ulises Carmona entered the meeting at 9:19 AM.

Mr. Leventhal then reviewed the details of the administrative costs noting it is less than 0.2% to run the total administration of the Plan which remains fairly consistent year to year and there are no concerns with the low cost. Mrs. Jensen made note of the DROP and Share account total of \$28M which equates to 21% of total assets payable specifically for DROP and Share accounts. Mr. Leventhal noted there were no new GASB announcements. He reported they received full cooperation from all service providers and there were no control issues to report.

- Susan Finn made a motion to approve the 2017 Audited Financial Statement as presented. The motion received a second by Patricia Barry and was approved by the Trustees 5-0.

Eric Leventhal departed the meeting.

ACTUARY REPORT

Don Dulaney explained he has sent the data report to James Estep for review and Chairman Estep noted payroll on one person did not appear to be accurate. He will have the administrator confirm the posted payroll detail and Mr. Dulaney may need to confirm with the City; otherwise the rest of the information appeared to be in line with expectation. Mr. Dulaney addressed the long term funding assumption which is currently 8.25%. He reviewed the GASB reference of the future long term real rate annualized for each asset class which resulted in 7.79%. Mr. Dulaney explained he had rerun the 2016 report with the current 8.25% assumption and reflected comparisons to 8% ARR (alternate 1) and 7.9% ARR (alternate 2). He reported the cost for 8% ARR would have increased the percent of pay by 4.6% and the cost for 7.9% ARR would have increased the percent of pay by 6.5%. Mr. Dulaney explained another attorney in Ms. Jensen's firm noted of 491 pension plans in Florida, only three are over 8%. He further explained it is becoming clear to actuaries that they cannot utilize only one person's opinion on the matter as it relates to long term expected rates of return. Mr. Dulaney explained he feels they should make decisions now with the current rules that may be in play. Discussion followed regarding the assumptions being used. Mr. Estep agreed the ARR should be reduced; however he would like to see it done in graded steps to help alleviate the cost impact. Mr. Dulaney will review and provide recommendations for consideration at the February meeting. He explained one of the State actuaries confirmed the entities responsible for funding cannot afford an immediate change to drop the ARR and a gradual reduction is common.

Manuel Esparza departed the meeting at 9:48 AM.

Mrs. Jensen explained that at this point, she feels reducing the ARR is prudent. Mr. Dulaney noted it will be interesting to see if, when the market improves long term, if the experts will recommend increasing the ARR.

ATTORNEY REPORT

IRS MILEAGE: Mrs. Jensen reported the IRS increased the mileage reimbursement from \$0.535 to \$0.545 (one penny per mile).

TRUST AS BENEFICIARY: Mrs. Jensen explained she had received a recent inquiry from the administrator regarding a member inquiring of a Trust as beneficiary. She explained the Joint and Survivor cannot be a Trust; however it could be for the DROP and Share accounts since they are lump sum amounts and not calculated on the contingent life of a person. She recommended

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clarifying the language in the Plan to clearly allow for a Trust to be named as a beneficiary. She will provide an Ordinance amendment for consideration at the February meeting.

LEGAL UPDATES: Mrs. Jensen reported of a Bill directly related to the actuary which has a House Bill companion. She explained some of the items are already referenced in the valuation report; however will require information on pre and post-retirement benefits; will need to have an addendum to the report; changes to the use of the amortization schedules and adjustments to the payroll growth assumptions. Mrs. Jensen explained SB 980 requires the actuary begin reporting the percent of the pension to the overall municipality. She noted this particular Bill does not exempt FRS.

Mrs. Jensen reported there is also a pending change to the Workers Compensation Bill related to PTSD which would remove the "physical/touching" requirement. She explained this was in response to the Pulse Nightclub incident in Orlando where a first responder (police officer) was unable to work after the incident. It was noted work comp declined coverage while the pension fund did approve duty related retirement.

CALDERBANK DISABILITY UPDATE: Mrs. McNeill reported she had just received 991 pages of documents from the City's workers compensation attorney that needed to be reviewed. Mrs. Jensen recommended a functional capacity review and explained she has a physician in Broward County she has worked with previously for another client who is capable of providing the service.

- Susan Finn made a motion for the attorney to hire a physician for purposes of evaluating Ms. Calderbank and the related records for the Board of Trustees. The motion received a second by Patricia Barry and was approved by the Trustees 4-0.

175 FUNDS: Mrs. Jensen reported at the State conference there was discussion regarding the 175 funds and it was reported more money is coming out of the surplus fund and less is being paid back for the supplemental fund. Mrs. Jensen explained insurance carriers in the state of South Carolina challenged the Federal flood insurance, stating they believed it was not subject to taxation. She explained carriers around the country are now not paying tax on flood insurance policies and it is impacting 175 receipts. She noted there was an overall decrease in 175 money in 2017.

SECURITIES LITIGATION – BANCORP: Mrs. Jensen explained the Board had been requested to be lead plaintiff in a litigation case against Bancorp; however by the time they reached out to the investment manager, even though it was only a day or two later, the manager had already exited the asset and therefore the Plan cannot be lead plaintiff. She confirmed the Plan would be still be considered as a participant in the class action overall.

AUDIT REPRESENTATION: Mrs. Jensen explained she had reviewed the audit representation letter received from the auditor and regardless of minor typographical errors; it was okay for the Chairman to sign.

- Susan Finn made a motion to approve the audit representation letter. The motion received a second by Patricia Barry and was approved by the Trustees 4-0.

ADMINISTRATOR REPORT

BENEFIT APPROVALS: Mrs. McNeill presented benefits for four permissive service purchases.

- 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.

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OTHER REPORTS

A Dahab 12/31/17 flash report was provided in the packets reflecting a good quarter for the Plan. It was noted timber distribution notices from Hancock and Molpus were in packets along with the portfolio monitoring report.

OLD BUSINESS

There were no other items for discussion.

NEW BUSINESS

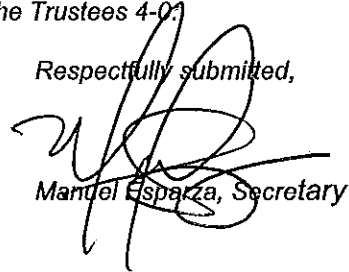
Mrs. McNeill reported of an inquiry received from Comerica asking if the Board would be interested in securities lending. The trustees found the inquiry amusing considering the situation they had experienced with Northern Trust. Mr. McNeillie will address the request at their February meeting.

ADJOURNMENT

The Trustees acknowledged their next meeting date was set for February 15, 2018.

- Ulises Carmona made a motion to adjourn the meeting at 10:25 AM. The motion received a second by Sue Finn and was approved by the Trustees 4-0.*

Respectfully submitted,



Manuel Espatza, Secretary