

City of Miramar Firefighters' Retirement Plan

MINUTES OF MEETING

February 15, 2018

Chairman James Estep called the meeting to order at 9:06 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
Patricia Barry, Trustee
Susan Finn, Trustee
Manuel Esparza, Secretary (10:19)

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

TRUSTEES ABSENT

Ulises Carmona, Trustee

OTHERS PRESENT

Denise McNeill; Resource Center; Admin
Bonni Jensen; Klausner, Kaufman, Jensen &
Levinson; Attorney
Don Dulaney; Dulaney & Co; Actuary
Greg McNeillie; Dahab & Assoc
Kanika Stampf, City of Miramar
Gary Gustovich; Dimensional Fund Advisors
James Mineman & John Coates; PNC Capital
Members of the Plan

PUBLIC COMMENTARY

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

INVESTMENT MANAGER REPORT – DIMENSIONAL FUND ADVISORS (DFA)

Gary Gustovich appeared before the Board to present a report of the portfolio. Mr. Gustovich provided an update of the company and the global investment team. He described how DFA is different from their peers as they are focused on long term drivers of the market with strong ties to the academic market since day one. He reviewed their investment philosophy; expected returns and long term track record. Mr. Gustovich then reviewed the portfolio construction noting the portfolio holds over 1900 securities, they avoid REITS and exclude IPO's as well due to the potential lock on the IPO trade. He explained trading costs are minimized with low turnover. He explained the part of the market they avoid did very well in 2017 (such as small health care stocks that are pricey). He explained in seven of the last ten years they have outperformed, even with the recent market swings. Mr. Estep noted DFA filled a void of a specific need for the Plan and the Board understands the market cycle. Mrs. Gustovich departed the meeting.

INVESTMENT MANAGER REPORT – PNC CAPITAL ADVISORS

James Mineman and John Coates appeared before the Board to present a report of the portfolio. Mr. Coates provided an update of the company and the investment team. He described their process of selection. Mr. Mineman reviewed the details of what they are looking for in the companies (I.E. cash flow generating, sales, margins, what the company is doing with their assets, cash flow earned, etc.). He explained they want to be long term owners. He explained 2015 was their best year of performance followed by two consecutive years of underperformance. He reviewed the sectors explaining not owning bio techs hurt the portfolio in 2015 and helped in 2016. They own higher quality in a period when lower quality outperformed. He explained there were a variety of reasons for the underperformance in 2016. In 2017, the early Fed rate increase had an impact on the portfolio the first two quarters and they outperformed in the last two quarters. He referenced the market drop the day before noting that they capture on the downside; while the market was down 5.5%; the portfolio was only down 3.2% and calendar year

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to date, the portfolio is up 0.3%. Mr. Coates expects fundamentals will begin to matter in the market transition and they expect to reflect improvement. They currently have 48 holdings and the portfolio averages 55. Mr. Mineman reviewed the new holdings and the reason for the purchases in detail. Mr. Mineman responded to several questions from the Trustees explaining they typically look to own companies \$1.5-\$3B and while they will own companies over \$3.5B, they will not add to that holding. He further explained the index rebalances every June while their portfolio does not; they are highly concentrated and not "index-like". James Mineman and John Coates departed the meeting.

INVESTMENT CONSULTANT REPORT

Greg McNeillie of Dahab & Associates appeared before the Board to present the quarterly report for the period ending December 30, 2017. He noted the report was not final as they did not have the Molpus numbers in time for the report. Mr. McNeillie reported the Plan was up 3.5% for the quarter ranking the Plan in the 69th percentile of the public fund universe. He reported quarterly returns of the following: large cap growth was up 5.2%, large cap value was up 3.1%, mid cap was up 6.5%; small cap core was up 3.8% and 4.8%, emerging markets were up 5.1%, real estate was up 2.8% and 2.1%, timber was up 2.3% and core fixed was up 0.5%. Mr. McNeillie reviewed the managers in detail. Discussion followed regarding the small cap manager underperformance and Mr. McNeillie explained he expects such with market cycles and he is not concerned at this time. He reviewed the manager transitions noting there was much movement in the last quarter as the fund transitioned from Northern Trust to Rhumblin. He explained Invesco, DFA, PNC and Parametric are all under watch. He reviewed each manager's batting average noting CS McKee has great alpha for a bond manager.

Manuel Esparza entered the meeting at 10:19 AM.

Lengthy discussion followed regarding allocation, investment options, infrastructure and investment into local communities. Mrs. Jensen explained she expects to see more discussion on pension funds doing local infrastructure investments with the political push for infrastructure. Discussion followed regarding the Assumed Rate of Return (ARR) long term and trying to mitigate the downside of the market. The Trustees inquired into other potential asset classes. Mr. McNeillie noted that private equity makes sense; however needs a significant portfolio size and needs to be invested by equity as well as vintage year and overall, it is a costly expense.

COMERICA INQUIRY OF SECURITIES LENDING: A request had been received from Comerica offering securities lending. Mrs. McNeill explained she had already informed Comerica the inquiry would be presented to the Board; however she had explained to Ms. Ryans their issues experienced in the past with Northern Trust and doubted the Board would be interested in the prospect. Discussion followed regarding the prior losses with Northern Trust.

- Manuel Esparza made a motion to decline Comerica's offer of securities lending. The motion received a second by Susan Finn and was approved by the Trustees 4-0.

Discussion returned to the quarterly investment report. Mrs. Jensen inquired into the bench being used for Plan comparison noting she does not believe it is a good indication of the Plan's reality. Mr. McNeillie explained he believes the bench is good and the issue has been with specific managers. Discussion followed regarding the managers, underperformance and the timing on expectations. Mr. McNeillie explained he would typically recommend a three year minimum; however the market in general has been poor for small cap the last few years. He explained instead of changing the bench, they need to review and monitor assets which is what they are doing. Mrs. Jensen recommended in upcoming reports, having the managers provide their down market mitigation information to reflect how well they are protecting the plan.

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The January 19, 2018 minutes were presented for review.

- Susan Finn made a motion to approve the minutes for January 19, 2018 as presented. 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.

- Susan Finn 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.

ACTUARY REPORT

Don Dulaney inquired into the employment date of John Thomson who recently entered the DROP. It was confirmed he is not a coordination of benefits member and Mr. Dulaney reported he is receiving a pension benefit from the Police Pension Plan. It was noted the data reports from the City must be listing the member's original hire date with PD as the Fire Department hire date.

GASB 67 REPORT: Mr. Dulaney presented the GASB67 Report and reviewed the detail with the Trustees. He noted an error on the report explaining a revised final copy will be provided to the administrator and city. It was noted the Plan's funded ratio increased from 76.21% the prior year to 81.72% for 2017.

- Susan Finn made a motion to accept the GASB67 Report as amended. The motion received a second by Manuel Esparza and was approved by the Trustees 4-0.

Mr. Dulaney addressed the long term funding assumption which is currently 8.25%; reviewing the information provided at the last meeting. He explained that he was not able to rerun the printed report with the 2017 detail and manually revised the information from the last meeting with the mortality table updates. He had reviewed the GASB reference of the future long term real rate annualized for each asset class which resulted in 7.79%. Mr. Dulaney explained the current 8.25% assumption was compared to 8% ARR (alternate 1) and 7.9% ARR (alternate 2). He reported the cost for 8% ARR with the 2017 detail would have increased the percent of pay by 4.9% and the cost for 7.9% ARR would have increased the percent of pay by 6.9%. He noted for every 0.1% reduction, there was an additional cost of 2.0% of payroll. Mr. Dulaney will provide a revised rate of return review for the next meeting.

Discussion followed regarding the 2017 data. Mr. Nunez confirmed the difference for Carge was correct as it was due to a retro payment that had been in the wrong step. No action is needed regarding the member.

ATTORNEY REPORT

TRUST AS BENEFICIARY: Mrs. Jensen presented a proposed Ordinance change permitting the Trust as a beneficiary for DROP. She explained the Share account language is different and would require different language. She explained the Union will likely want to have a say in the change. Discussion followed regarding adding the language to the DROP. Mrs. Jensen explained the structure change to the DROP would be keeping the DROP money in the Plan upon the member's death as currently; the money must leave the Plan. She explained they could make the DROP like the Share and add a provision allowing the choice. If they do so, the Trust option will not really be necessary. Mrs. Jensen will provide an update at the next meeting.

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SUMMARY PLAN DESCRIPTION REVISED: Mrs. Jensen presented a revised SPD inclusive of the new Post Retirement Supplement amount.

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

LEGAL UPDATES: Mrs. Jensen presented a memo regarding the required minimum distribution related to missing participants and beneficiaries. She explained the IRS used to help find people however they will no longer do so. They have now created a safe harbor process which is lengthy and requires several steps. She explained this applies to two classes of people for the Plan; refunds of contributions for non-vested members as those members must take the funds within five years and beneficiaries entitled to benefits.

Mrs. Jensen reported the actuary Bill has had no "play" and it is currently half way through the legislative session.

Mrs. Jensen reported the cancer Bill did not pass; however the Workers Compensation Bill related to PTSD (which would remove the "physical/touching" requirement) is pending.

ADMINISTRATOR REPORT

BENEFIT APPROVALS: Mrs. McNeill explained there were no benefit approvals for consideration at this time.

OTHER REPORTS

Mrs. McNeill noted a relationship report update had been provided by Comerica. It was noted a report from CS McKee and Hancock were in the packets along with the portfolio monitoring report from Motley Rice.

CALDERBANK DISABILITY UPDATE: Mrs. McNeill reported she is still processing the 991 pages of documents from the City's workers compensation attorney. Mrs. Jensen noted she has a physician chosen for the review.

OLD BUSINESS

There were no other items for discussion.

NEW BUSINESS

Mrs. McNeill reported they received confirmation from the FPPTA of Marti, Ricketts and Barry receiving their CPPT.

Mrs. McNeill then reported that she had notified both Gendreau and Plasensia of the details related to retro adjustments made to their DROP accounts. She reminded the Trustees the adjustments were due to funds the City had taken back through payroll in December 2016 and the adjustments had not been reported to the Plan until November 2017.

James Estep explained he had been elected Union President and he was looking to have his position on the pension board replaced. He would like to entertain being on the Advisory Board if the Pension Board will have him. He advised the March meeting will be his last meeting as a pension board trustee.

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Manny Esparza explained he too is resigning due to his obligation on days and he would also like to be considered for the Advisory Board.

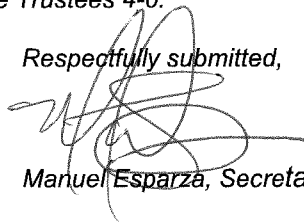
Discussion followed regarding the election process and it was noted if more than two nominees are received, the election will be held requiring for all to vote for two of the three nominees and the top two vote getters will win the seats. Both new seats will be effective March 20, 2018 for four year terms. The administrator will post accordingly.

ADJOURNMENT

The Trustees acknowledged their next meeting date was set for March 20, 2018.

- Manny Esparza made a motion to adjourn the meeting at 12:20 PM. The motion received a second by Sue Finn and was approved by the Trustees 4-0.*

Respectfully submitted,



Manuel Esparza, Secretary