

City of Miramar Firefighters' Retirement Plan

MINUTES OF MEETING

August 16, 2018

Chairman Leo Nunez 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

Leo Nunez, Chairman
Susan Finn, Trustee
Cliff Ricketts, Secretary
Patricia Barry, Trustee
Ulises Carmona, Trustee (9:24)

James Estep, Advisory Comm
Manuel Esparza, Advisory Comm

TRUSTEES ABSENT

Noel Marti, Advisory Comm

OTHERS PRESENT

Denise McNeill & Patricia DeRario; Resource Center; Admin
Bonni Jensen; Klausner, Kaufman, Jensen & Levinson; Attorney
Don Dulaney; Dulaney & Co; Actuary
Greg McNeillie; Dahab & Assoc
Rob Rossi; CS McKee
Ian Evanssmith; City of Miramar
Ian Thomas; City of Miramar (9:30)
Kanika Stamp, City of Miramar (9:48)
Barbara Calderbank (11:02)
Members of the Plan

PUBLIC COMMENTARY

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

MINUTES

The May 2018 minutes were presented for review.

- Cliff Ricketts made a motion to approve the minutes for May 2018 as presented. The motion received a second by Susan Finn and was approved by the Trustees 4-0.

INVESTMENT MANAGER REPORT – CS MCKEE

Rob Rossi of CS McKee appeared before the Board to present the quarterly report for the period ending June 30, 2018. Mr. Rossi provided a firm update explaining there have been no changes to their firm, they are 100% employee owned and 20% of staff are equity owners. He reported the Fed has raised short term interest rates twice so far this year and possibly two more are expected by the end of December. He reviewed the asset classes explaining the low quality corporate bonds under-performed while their portfolio holds higher quality resulting in their portfolio outperforming the bench. He addressed agency and treasury bonds explaining they took profits by selling out of bonds when they were compressed; they sold at a great price and bought back at a much lower cost. He reported they may begin to buy TIPS back if the market transitions. He reported the interest rate sensitivity is almost the same as the index; however it is typically lower. Mr. Rossi reviewed the sector weights. He then reviewed the security selection explaining they have added value by buying and selling the right securities; for which they typically outperform the index due to security selection. He explained every recession since 1959 has been preceded by an inverted yield curve; however not every inverted yield curve equates to a recession. He reported they may begin to see a softening of the GDP growth later in 2020. Looking ahead for the rest of the year, 0.75% - 1% is expected and if it is a stable rate environment, possibly 3-4% in 2019. Discussion followed regarding the Fed raising interest rates.

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Mr. Rossi explained he expects the Fed will continue to raise rates slowly. Discussion followed of other European countries purchasing US debt and it was noted the US still needs someone to buy the debt.

Ulises Carmona entered the meeting at 9:24 AM.

INVESTMENT CONSULTANT REPORT

Greg McNeillie of Dahab & Associates appeared before the Board to present the quarterly report for the period ending June 30, 2018. Mr. McNeillie explained they had just received the final Molpus numbers the evening prior so the information in the reports being presented has changed. He reported quarterly returns of the following: the Fund was up 2.8% beating the bench of 2.3% and 2.0%; domestic equities were up 5.6% beating the bench of 3.9%; large cap equity was up 5.4%, mid cap equity was up 5.8% beating the bench of 2.8%; small cap equity was up 6.8% below the bench of 7.8%; foreign equity was down -3.5% below all three benches, real assets were up 2.1% and fixed income was static at 0%; all of which resulted in the Plan being in the top 2% of the public fund universe. Mr. McNeillie explained the adjustments to the portfolio over the past few years have allowed them to manage the total risk more effectively without losing rank. He reviewed each asset class noting the domestic equity number for ten years was poor due to the prior Northern Trust SMID product and the old Lee Munder product. Additionally, the poor fixed income long term numbers relate to the old Northern Trust product that was replaced with CS McKee. Mr. McNeillie reported a positive return environment with strong cash flow. He reviewed the asset allocation noting they are underweight real assets which is not easy to be specifically on target due to waiting for capital calls. Mr. McNeillie reported they are seeing the impact of tax cuts in the dispersion between small cap and large cap. He noted the tariffs hurt large cap companies much more than small companies. Discussion followed regarding PNC and Mr. McNeillie explained he is willing to give them more time and he feels the issue is that they need to capture more on the upside. He continued reviewing each manager in detail. He reported Parametric's alpha has not been good and he recommended starting a search for an active emerging market piece. Discussion followed regarding Parametric's stock selection. Mr. McNeillie will bring a manager search to the November meeting. Mr. McNeillie reported Hancock is expected to finish in 2024. Hancock has international timber that was affected by the slow-down in the Chinese economy while Molpus is mainly US. Discussion followed regarding the emerging markets and Mr. McNeillie explained the manager is very diverse and includes frontier countries.

CUSTODIAN TIMBER SHADOW: Mrs. McNeill explained the custodian has been shadowing the timber assets in their reports. Discussion followed regarding the lag in reporting from the timber managers which causes delays in the custodian reporting. Mr. McNeillie agreed that he sees no benefit to have the custodian continue shadowing the asset. Instruction will be sent to Comerica accordingly.

FEE INCREASE: Mr. McNeillie presented a fee increase for consultant services from the current \$22K annually to increase on October 1st annually for the next five years; \$30,000; \$35,000; \$40,000; \$45,000 and \$50,000. A typo was noted on the letter regarding the years. He explained the last increase was done in 2014 and the Plan is below their client average. He explained most of their clients are on an asset based fee. The effective date of the increase would be October 1, 2018 which would be billed in January 2019. James Estep explained they had originally tried to coordinate with the Pembroke Pines meeting schedule to keep costs low for travel.

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- Susan Finn made a motion to approve the investment consultant fee increase as amended effective October 1, 2018 to \$30,000 annually; increasing by \$5,000 each year over the next five years. The motion received a second by Cliff Ricketts and was approved by the Trustees 5-0.

Mr. McNeillie reported that Dahab may be doing an Investor Day in November and they will be sure to let the Trustees know if they are having the event.

It was noted that Molpus is having an Investor Day in Arkansas this year. Mr. McNeillie reviewed the timber process explaining there are limited purchasers for timber and when a Plan closes, they must sell the property. He may recommend considering again down the road when there is a more open-ended timber product; however he is not currently enamored with the product. He may recommend agriculture in the real asset class in the future.

Mrs. McNeill reported Molpus and Hancock informational notices are in the Trustee packets.

ACTUARY REPORT

Don Dulaney appeared before the Board to present the 2017 Actuarial Valuation Report. He explained the majority of the information had been reviewed with the Board at their prior meeting. He reported the actuarial value of assets as \$105,592,229 versus the market value of assets which were \$108,932,199. Mr. Dulaney reviewed the issue with the funding method which has been ongoing for a few years now. He explained the funding method change overall reduced the liability while the FRS mortality table change has added \$2.9M of liability. The total City contribution will be \$6,706,810. Mr. Dulaney continued reviewing the report noting if they continue to meet all of their assumptions, the unfunded liability will be gone in twelve years. He reported the funded ratio of actuarial value of assets was 73%, up from 72% the prior year.

Mr. Dulaney then explained that since the last meeting, he had received a review letter from the State. The notice explained when a Plan has a funding method with an increase of 3.25%, they cannot use a basis for the actuarial assumption of payroll as 3.25% due to it actually being lower. He provided a review of the 2015 and 2016 reports noting the change being required by the State will increase the Plan's cost by another \$900K. It was noted the State's rule is that an assumption cannot be used if it doesn't match the ten year look-back. Mr. Estep explained they have a new batch of employees hired in the current year therefore the current assumption is valid related to the overall Plan. Mrs. Jensen reviewed the rules in detail. The trustees explained with the latest addition of the new fire station, the Plan meets the exception listed in the state rules. Lengthy discussion followed regarding the rules and the reporting process. Mr. Dulaney has sent an email to the State asking if the Plan could amortize the additional cost created by this new change; however he has not heard back from them yet. Discussion followed if the Board could approve the valuation and provide to the City with the understanding that there may be an additional \$903K of cost due to the pending assumption change. Mrs. Jensen explained she has several Plans where this issue has been experienced in the past few years; however she has not had other clients in a position where the point could be argued such as this Plan since the exception may very well apply. It was noted that even if this issue affected the annual report, keeping it from being approved; such was a non-issue since the 175 money is entirely for member Share accounts and does not affect the City's funding.

- Susan Finn made a motion to direct the attorney to send a letter to the State's actuary referencing the exception. The motion received a second by Patricia Barry and was approved by the Trustees 5-0.

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ATTORNEY REPORT

DROP AND SHARE DISTRIBUTION PROPOSED CHANGES: Mrs. Jensen presented a revised policy regarding payment to a Trust. She explained that she does not feel the 10 year certain benefit should be allowed as payment to a Trust as she is concerned about an ongoing fiduciary relationship to a Trust due to special rules related to Trusts. She feels if a member has a Trust, the payment must be issued as a lump sum. The changes were discussed in detail.

- Cliff Ricketts made a motion to approve the proposed Ordinance Amendment to change the language regarding a Trust as beneficiary. The motion received a second by Patricia Barry and was approved by the Trustees 5-0.

Mrs. Jensen will send the Ordinance change request to the City accordingly.

PERMISSIVE SERVICE POLICY: Lengthy discussion followed regarding the permissive serviced and how to equate the time and percentage to ensure that the maximum purchase allowances are not exceeded. Mrs. Jensen will work out the language with Mr. Nunez.

CLASS ACTION: Mrs. Jensen reported she had received communication from BLBG regarding KLX for a "books and records review". She explained KLX had entered into an agreement to sell to Boeing and it is possible they are receiving better results for themselves versus all shareholders. They had needed immediate action therefore the chairman had signed the necessary document for BLBG to move forward.

- Sue Finn made a motion to ratify the chairman's actions with BLBG related to KLX. The motion received a second by Cliff Ricketts and was approved by the Trustees 5-0.

The meeting continued at 11:45 after a brief break.

CALDERBANK DISABILITY

Mrs. Jensen reviewed the disability rules in detail. She explained the disability benefit cannot be based on a pre-existing issue. All received documentation had been shared with the trustees electronically via secure link. She reviewed the process explaining Ms. Calderbank had submitted a letter revising her application, the records had been acquired and the member had been sent for an IME on behalf of the Board. Mrs. Jensen explained this is the trustee's opportunity to review and determine if the member is disabled, is likely to remain disabled and if the condition is duty related or non-duty related. Mrs. Jensen reviewed the IME from Dr. Worth. She explained they can ask the City if the Fire Department would have had a light duty position for Ms. Calderbank were she still employed.

Mr. Nunez invited Ms. Calderbank to address the Board. The trustees confirmed receipt of her letter written on August 8, 2018 in response to the comments in Dr. Worth's IME report related to her recreational activities. She explained Dr. Moya had instructed her to return to her activities, which is why she was horse-back riding and riding wave runners. She reported those pictures on her Facebook pages were from the month prior to her surgery and that she cannot lift her arm solely by itself and she cannot be a firefighter again. Ms. Calderbank responded to several questions from the Trustees. In summary, her original application in May 2015 was for non-duty related psychiatric reasons, the records were never received to validate that original request, the Trustees allowed her to change her request in 2017 to her work related shoulder injury and she was sent to Dr. Worth for an IME on behalf of the Board. Discussion followed regarding her actual termination date. Mr. Nunez explained the records are not clear if the April 2015 injury was a continuation of an old injury since a 2008 injury has notes stating it was a pre-existing injury. Mrs. Jensen explained the question would be if the injury was pre-employment with the City.

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She explained they are only considering the April 2015 injury and whether or not that injury occurred after she was hired with the City. She explained it is a problem with the three year delay from 2015 to 2018 as it is difficult for Boards to follow the current condition as time passes. She explained there are no presumptions for skeletal conditions and it is up to the member to prove the disability. Mr. Nunez explained it is the Boards fiduciary responsibility to ensure what happened and to make a straight line from the injury to a clear IME report advising there is a total and complete disability; however they are not seeing the direct line. He explained that he does not see where the member ever got to a position as an employee where the disability was determined as total and complete. Mrs. Jensen confirmed it is difficult when the member is no longer an employee and when the process has taken so long. The question was posed how to address when the employee was being accommodated for light duty and was terminated for other reasons. Mr. Nunez explained there are still too many unanswered questions to be able to make a decision at this time. Mrs. Jensen recommended asking the City for the member's formal termination date in their records.

- Sue Finn made a motion to request detail from the City of the official termination date. The motion received a second by Cliff Ricketts and was approved by the Trustees 5-0.
- Cliff Ricketts made a motion to also inquire if the City would have had a position to accommodate the member for the shoulder injury. The motion received a second by Sue Finn and was approved by the Trustees 5-0.

Ms. Calderbank advised she has a pending suit against the City for her workers compensation injury as well as wrongful termination. Ms. Calderbank exited the meeting at 12:18 PM.

ADMINISTRATOR REPORT

2017 SHARE ALLOCATION: Mrs. McNeill explained the copy of the 2017 Share allocation file had been reviewed by the chairman prior to posting the October 1st deposits. The report should have been included in their May meeting packets. It was noted the deposits had been made and the report was informational.

BENEFIT APPROVALS: Mrs. McNeill reviewed the Benefit Approvals; four permissive service purchases for Cagan, Heiser, Ruiz (second) and Schleicher and the DROP entries for Palmer and Thomson.

- Cliff Ricketts made a motion to approve the benefits as presented. The motion received a second by Patricia Barry and was approved by the Trustees 5-0.

Mrs. McNeill reported there are currently nine pending DROP entries for September and October.

Bonni Jensen departed the meeting at 12:26 PM.

2018/2019 BUDGET: A draft budget had been tabled from the prior meeting and it was presented in the Trustee packets for consideration. The Plan had already initiated a cyber policy therefore the future insurance cost had been reduced from the first draft presented in May.

- Cliff Ricketts made a motion to approve the 2018/2019 Budget as presented. The motion received a second by Patricia Barry and was approved by the Trustees 5-0.

Leo Nunez presented a plaque to James Estep thanking him for his tireless dedication to the pension board and the members of the Plan. There was also a plaque for Manny Esparza; however he had to depart the meeting early so Mr. Nunez will give him the plaque separately.

CITY INSURANCE DEDUCTIONS: Mrs. McNeill explained they had received calls from a few members who had received notices from BOI that the member owed more money on their City

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insurance. Ms. Stamp reported the City is looking into the matter and no changes are being made to member's deductions until the matter has been researched. She assured the Board that no member's insurance coverage will be affected while they are researching the issue.

DISBURSEMENTS

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

- Cliff Ricketts made a motion to approve the disbursements as presented. The motion received a second by Patricia Barry and was approved by the Trustees 5-0.

OTHER REPORTS

Mrs. McNeill noted distribution letters from Hancock and Molpus along with additional reports from Pomerantz, Motley Rice, BLBG and SFMS were included in the meeting packets for informational purposes.

OLD BUSINESS

There were no other items for discussion.

NEW BUSINESS

Leo Nunez explained the Share and DROP balances represent a specific percentage of the Plan's total assets and if several large withdrawals are received at the same time when assets are invested, it could cause an issue for the Plan. He would like to discuss the matter further with the Board at a future meeting.

Discussion followed regarding the 2019 meeting schedule. Mr. Nunez will look at the 2018 schedule and will provide potential dates for 2019.

Mrs. McNeill informed the Trustees that the reduction to the Assumed Rate of Return has an impact on the DROP and Share accounts for the grand-fathered Plan members. The accounts are being adjusted down to the 8.15% ARR retroactively back to 10/01/17 accordingly.

ADJOURNMENT

The Trustees acknowledged their next meeting date was set for September 28, 2018.

- Cliff Ricketts made a motion to adjourn the meeting at 12:45 PM. The motion received a second by Susan Finn and was approved by the Trustees 5-0.

Respectfully submitted,

Cliff Ricketts, Secretary