

MINUTES

POLICE OFFICERS' & FIREFIGHTERS' RETIREMENT COMMITTEE MEETING

THURSDAY - AUGUST 27, 2009 - 9:00 AM

PRESENT

Sgt. Leo Socorro – Chair
(Ret)Chief Linda Loizzo
Councilwoman Beth Spiegel
Officer Michael Pons
Councilman John Julien

ABSENT

ALSO PRESENT

Charlie Mulfinger – Graystone
Michael DeGenova – Graystone
Janna Woods – Davis Hamilton
Tom Lowman – Bolton Partners
HGK – M. Spillane & D. Hauck
Renaissance – Joe Bruening
Bob Sugarman – Sugarman & Susskind
Martin Lebowitz – Pension Administrator

DEPARTMENT REPRESENTATIVES

Bill Dresback – Retired Firefighter
Sgt. Mo Asim – Police
Kelvin Baker – City Manager
Darcy Siegel – City Attorney
Beverly Hobson – HR Director
Susan Gooding-Liburd – Fin. Director
Lori Helton – IT
Various Police Officers

The meeting was called to order at 9:06 a.m. by Sgt. Socorro and was followed by a roll call of Trustees.

I. DAVIS HAMILTON JACKSON – JUNE 30, 2009 REPORT

Janna Woods reported the total DHJ Equity portfolio was valued at \$9,245,733 (including accrued interest) as of 6/30/2009, with an asset allocation of 98.47% in equities, 1.53% in cash and equivalents. DHJ Fixed Income was valued \$18,520,445 (including accrued interest) as of 6/30/2009, with an asset allocation of 98.63% in bonds and 1.37% in cash and equivalents.

For the quarter ended 6/30/2009: Total fund return was 17.91%. Equities returned 13.98% compared to 16.32% for the Russell 1000 Growth. Bond fund return was 3.93% compared to 1.67% BC Int. Gov/Credit.

Plan year results: Total return for their portfolio was -14.94%. Equities returned -23.72% vs. -24.49% for the Russell 1000 Growth. The fixed income portfolio was 8.78% vs. the BC Int. Gov/Credit return of 5.27%.

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Janna Woods reviewed the following stocks that did very well which included Bank of America, Janis Capital, International Exchange, Express Scripts and Walt Disney. She also reviewed the stocks that did not do well, Burger King, C.R. Bard and Monsanto.

City Manager Kelvin Baker addressed the committee on the major pension obligations that the City of North Miami Beach and other Cities have. Kelvin Baker has suggested a Pension Reform of some sort. He has suggested that he wants to work together with the pension board and the City Manager's Office. For the 2010 calendar year the City of North Miami Beach pension contributions will increase approximately 4 million dollars. He stated if this continues the City of North Miami Beach will run out of money. He is in the process of forming a pension reform committee and welcomes someone from the pension board to be part of this committee. If we don't do anything soon there could be layoffs in the future. Chief Loizzo has asked Mr. Baker what type of reform is he looking for? Mr. Baker's pension reform committee will have experts on this committee. Officer Michael Pons asked if the committee has been established and who do you have in mind to be on this committee. Mr. Baker stated that the committee has not been formed as of this date but wants people that are very knowledgeable. Tom Bolton, our plan actuary, addressed the committee and stated that other Cities have the same issue with funding their pension plans. Tom Bolton discussed that the City of North Miami Beach has a contract with the Police Officers and the Police will try to enforce their contract rights and what benefits they can take away or not take away. The City of North Miami Beach also could bring up changing to a Define Contributions Plans or FRS. A Define Contribution Plan for Police Officer is not recommended by Tom Bolton because of their retirement age and disability issues. Tom Bolton has suggested to Mr. Baker that the pension reform committee should include member(s) of the Pension Board.

II. HGK – JUNE 30, 2009 REPORT

Mickey Spillane and David Hauck reported the total HGK portfolio was valued at \$9,289,721 (including accrued interest) as of 6/30/2009, with an asset allocation of 97.64% in equities, 2.36% in cash and equivalents.

For the quarter ended 6/30/2009: Total fund return was 17.52% compared to 16.69% for the Russell 1000 Value.

Plan year results: Total return for their portfolio was 17.52%vs. 16.69% for the Russell 1000 Value.

Their top tens holding as of June 30, 2009 was, Oracle, State Street, Verizon, Wyeth, Johnson & Johnson, American Electric Power, Nike, JPMorgan Chase, St. Paul Travelers and St. Jude Medical.

III. RENAISSANCE – JUNE 30, 2009 REPORT

Joe Bruening reported the total Renaissance portfolio was valued at \$2,808,118 (including accrued interest) as of 6/30/2009, with an asset allocation of 91.27% in equities, 8.73% in cash and equivalents.

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For the quarter ended 6/30/2009: Total fund return was -1.32% compared to -1.10% for the MSCI AC World x US.

Plan year results: Total fund return was -1.32% compared to -1.10% for the MSCI AC World x US.

Joe Bruening reviewed the following stocks that did very well: Gerdau, S.A., Petro-Canada, BanColombia S.A., Research In Motion and Arcelor Mittal S.A.. He also reviewed the stocks that did not do well: GDF Suez, Talisman Energy, Roche Holding AG, Credit Suisse Group and Frontline.

IV. THORNBURG – CONTRACT STATUS

Contract has been received, executed and mailed back to Thornburg.

V. GRAYSTONE CONSULTING – JUNE 30, 2009 REPORT

Charlie Mulfinger and Michael DeGenova presented the performance report, indicating a total portfolio market value on 6/30/2009 of \$47,473,067 (including accrued income). This represents a net increase in value from the previous quarter of \$4,964,326. The total asset allocation was reported to be 48.93% invested in domestic equities, 11.82% invested in international, 39.01% in fixed income and .24% in cash and equivalents. The total fund earned 11.60% for the quarter.

For the quarter ended 3/31/2009: Davis Hamilton under-performed Russell 1000 Growth Fund 13.98% vs.16.32%. HGK over-performed Russell 1000 Value Fund 17.52% vs. 16.69%. GW Capital returned 23.95% vs. 17.97% for the Russell 200 Value Fund. MDT returned 2.02% vs. .46% for the Russell Mid Growth. Renaissance returned -1.32% vs. -1.10 for the MSCI AC World x US. Europacific Growth Fund returned 24.71% vs.25.43% MSCI EAFE. Davis Hamilton Fixed Income earned 3.93% outperformed the BC Int. Gov/Credit of 1.67%.

Plan year results: Total return earned for plan year was -15.33%.

VI. ORDINANCE – CHAPTER 2009-97 & OTHER CHANGES

Bob Sugarman reviewed the proposed Ordinance which is as follows:

- Membership for the trustees would serve on the committee for a period of 2 years would be changed to 4 years.
- Changes of Joint Pensioner, Beneficiary or Beneficiaries - If a participant has elected an option with a joint pensioner or beneficiary (or beneficiaries) and his retirement income benefits have commenced, he may thereafter change his designated joint pensioner or beneficiary (or beneficiaries) up to two times as provided in Section 175.333, and Section 185.161, Florida Statutes, without the approval of the board of trustees or the

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current joint survivor or designated beneficiary. The member need not provide proof of the good health of the joint survivor or beneficiary being removed, and the joint survivor or beneficiary being removed need not be living. After any such change in joint survivor or beneficiary, the member's pension benefit will be recalculated accordingly by the actuary and retirement income shall be payable to the member based on the new calculation.

- The Board of Trustees may, upon the written request of the retiree of the pension plan, authorize the plan administrator to withhold from the retirement payment those funds that are necessary to pay for premiums for accident, health, and long-term care insurance for the retiree and the retiree's spouse and dependents. The pension plan, and its Board of Trustees, shall not incur any liability for participation in this permissive program should its actions be taken in good faith.
- In the event of termination or partial termination of the plan, each participant's accrued pension benefit shall become nonforfeitable (100 percent vested). The board shall determine the date of distribution and the asset value required to fund all nonforfeitable benefits after taking into account the expenses of such distribution. The board shall inform the then current Plan sponsor if additional assets are required in which event the then current Plan sponsor shall continue to financially support the pension plan until all nonforfeitable benefits have been funded. At such time, the funds shall be appropriated and distributed in accordance with the provisions of Section 175 and 185, Florida Statutes.
- The Retirement Committee shall establish a written investment policy, with the advice and counsel of such advisors as the Retirement Committee deems necessary, and said investment policy shall set forth the types of securities and other types of investments into which shall be placed the assets of the fund. The policy shall further set forth appropriate limitations on those investments, including, but not limited to, anticipated rate of return, quality of investment, class of investment and acceptable risk. The Retirement Committee shall identify and publicly report any direct or indirect holdings it may have in any scrutinized company, as defined in Florida Statutes, Section 215.473, and proceed to sell, redeem, divest, or withdraw all publicly traded securities it may have in such company beginning January 1, 2010 and shall thereafter be prohibited from purchasing or holding such securities. The divestiture of any such security must be completed by September 30, 2010. In accordance with Ch. 2009-97, Laws of Florida, no person may bring any civil, criminal, or administrative action against the board or any employee, officer, director, or advisor of such board based upon the divestiture of any security pursuant to this paragraph. The board shall have the authority to invest and reinvest the assets of the plan in such securities or property, real or personal, as the board deems appropriate.

Motion by Sgt. Socorro seconded by Chief Loizzo, to approve the proposed Ordinance and to add to the Ordinance removing the masculine or feminine pronouns to make it gender neutral to the entire pension code and give to the City Attorney for review.

Motion carried unanimously

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Bob Sugarman sent over to the Martin Lebowitz a listing of auditors he can send out RFP's to. Bob Sugarman stated he has no issue if the Pension Plan uses the same auditor that the City of North Miami Beach hires.

Bob Sugarman discussed the City Manager's comments on pension reform and has suggested we have our own experts on this committee.

Bob Sugarman discussed possible changes to the current pension plan as follows:

- 1) Define Contribution Plan – if you put the first police officer in a Define Contribution Plan the plan would lose their 185 monies. Currently the 185 money is \$265,000.
- 2) Put new police officers in the FRS (Florida Retirement System) this also will lose the \$265,000 185 money. The multiplier in the FRS for prior service is 2% rather than 3% multiplier currently in the Plan.
- 3) Two Tier Plan - The State may permit us to have this type of plan. The employee contributions would be less.
- 4) Can you reduce the rate of future accruals? The members would have to vote on this issue.
- 5) Can we take more money from the police officers? No you cannot increase employee contributions unless you increase their benefits.

Chief Loizzo asked if the Police Officers were transferred to the County what would happen to their pension? Bob Sugarman responded that each Police Officer would have a choice to stay in the Plan or freeze their account in the plan with the City of North Miami Beach or go into the FRS Pension Plan.

Sgt. Socorro and Chief Loizzo asked what happens if the City of North Miami Beach went bankrupt would the State pick up the pension plan? Bob Sugarman will need to research this question.

Motion by Councilman Julien, second by Chief Loizzo, to ask the City Manager Kelvin Baker to place a representative from this board on the Pension Reform Committee and also have Retirement Plan Professionals on the Pension Reform Committee.

Motion carried

Motion by Sgt. Leo Socorro, second by Chief Loizzo, to authorize normal travel expenses for those wishing to attend the NAPO Conference in February 2010.

Motion carried.

VII. PENSION DOCUMENTS – SERVER

Tabled for the next meeting.

VIII. RFP – AUDITOR

The City of North Miami Beach is currently looking to replace Rachlin with a new auditor. Martin Lebowitz will be sending out RFP's for hiring a new auditor for both Retirement Plans.

IX. PENSION NEWS LETTER

Martin Lebowitz discussed a web-site that will have Pension information such as Investment Managers, minutes of the meetings, board members and Plan Document for the retirees. With the assistance of Lori Helton, this web-site should be available by October 2009.

X. APPROVAL OF INVOICES

Motion by Sgt. Leo Socorro, seconded by Chief Loizzo, to pay the following invoices:

INVOICES:

Davis Hamilton Jackson – Equity Quarterly Management Fees	\$12,532.33
Davis Hamilton Jackson – Fixed Quarterly Management Fees	12,090.26
Morgan Stanley Smith Barney – Quarterly Consulting Fees	5,625.00
HGK – Quarterly Management Fees	9,281.75
GW Capital – Quarterly Management Fees	4,361.73
MDT – Quarterly Management Fees	2,720.58
Renaissance – Quarterly Management Fees	2,497.61
Bolton Partners – Actuary Fees	17,637.1
Cypen & Cypen - Legal Fees	3,900.00
Sugarman & Susskind – Legal Fees	7,500.00
Salem Trust Company – Custodial Fees	6,569.00
	\$84,715.06

Motion carried unanimously.

The next regularly scheduled quarterly Board meeting will be held on Thursday, November 19, 2009 at 9:00 a.m. Meeting was adjourned at 12:20 p.m.

Martin Lebowitz, Pension Administrator