

MINUTES

POLICE OFFICERS' & FIREFIGHTERS' RETIREMENT COMMITTEE MEETING

THURSDAY - MAY 28, 2009 - 9:00 AM

PRESENT

Sgt. Leo Socorro – Chair
Chief Linda Loizzo
Councilman Philippe DeRose
Officer Michael Pons

ABSENT

ALSO PRESENT

Charlie Mulfinger - Citi
Michael DeGenova – Citi
Alison Bieler – Cypen & Cypen
Tom Lowman – Bolton Partners
Jeff Delisle – Bolton Partners
Bob Sugarman – Sugarman & Susskind
Miriam Bensinger – Asst. City Attorney

DEPARTMENT REPRESENTATIVES

Bill Dresback – Retired Fiefighter
Sgt. Mo Asim - Police
Susan Gooding-Liburd – Fin. Director
Lori Helton – IT

The meeting was called to order at 9:14 a.m. by Sgt. Socorro and was followed by a roll call of Trustees.

I. CITI – INVESTMENT CONSULTANT AND STATEMENT OF INVESTMENT POLICY

Charlie Mulfinger and Michael DeGenova presented the performance report, indicating a total portfolio market value on 3/31/2009 of \$42,476,579 (including accrued income). This represents a net decrease in value from the previous quarter of \$2,366,217. The total asset allocation was reported to be 46.98% invested in domestic equities, 10.80% invested in international, 41.94% in fixed income and .28% in cash and equivalents. The total fund earned -5.20% for the quarter.

For the quarter ended 3/31/2009: Davis Hamilton over-performed Russell 1000 Growth Index -2.68% vs. -4.12%. AllianeBernstein returned -13.62% vs. -16.77% for the Russell 1000 Value Index. GW Capital returned 3.62% vs. 8.73% for the Russell 2500 Value Fund. The fund experienced a total return of -7.44% in Northpoint Small Growth Fund vs. -9.73% Russell 2000 Growth. Europacific Growth Fund returned -7.96% vs. -13.93% MSCI EAFE. Davis Hamilton Fixed Income earned .15% outperformed the BC Int. Gov/Credit of -.05%.

Plan year results: Total return earned for plan year was -25.44%.

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Charlie Mulfinger updated the committee with the pending merger of Morgan Stanley and Citi. Morgan Stanley will own 51% and Citi 49%. It will combine Smith Barney Citi Consulting and Morgan Stanley. The name will change to Graystone. There will be no changes in personnel at Citi Smith Barney Consulting.

GW Capital had only one month investment return as of the March 31, 2009 report. Harding Loevner International Growth Manager money was transferred on 3/31/2009.

We are still waiting for Thornburg International Value Fund Manager contracts.

Michael DeGenova handed out the new Statement of Investment Policy Goals & Guideline and Addendum to the Statement of Investment Policy for each Investment Manager. Charlie Mulfinger reviewed the changes to these policies to the Committee. The policies need to be signed by Sgt. Leo Socorro.

II. PROXY VOTING GUIDELINES

Bob Sugarman handed to the Committee Proxy Voting Guidelines to be reviewed and approved. This will be tabled to the next meeting.

III. OCTOBER 1, 2008 VALUATION

Tom Lowman reviewed the October 1, 2008 Valuation Report. The report showed that the City Contribution for 2010 would be a 46.4% versus 2008 was 43.2%. The City of North Miami Beach will be required to contribute \$4,521,657 plus an additional \$3, 050,000 for plan year 2010.

The primary cause is a decrease in the market value of the assets of almost \$10 million and Ordinance 2007-03 that requires a 70% funding level by 2014.

He also expects that for plan year 2011 contribution will increase by another \$3+ million due the 70% funding requirement. The current unfunded liability is 45%.

Susan Gooding-Liburd asked about the smoothing method that we use. Can the percentage be changed? Tom Lowman stated that the current methodology that we use is utilized by about 80% of the Plans and would not recommend any change. Susan also asked if the board would consider extending the time to fund 2010 and to put a maximum amount to contribute. Ordinance 2007-3 has a minimum of \$200,000 and to be 70% funded by 2014.

Bob Sugarman discussed if new employees went to the FRS or new people go into a new DC Plan the Police & Fire Plan would lose State 185 monies forever. The only alternative is a second tier plan were new employees would get less benefits.

Motion by Sgt. Socorro seconded by Chief Loizzo, to table the voting of the October 1, 2008 Valuation Report until a special meeting in July and to have the Finance Director Susan Gooding-Liburd confer with Tom Lowman the Plan Actuary.

Motion carried unanimously

IV. FIREFIGHTER ISSUE WITH THE COUNTY – UPDATE

Alison Bieler gave the committee an update on the issue of whether or not the county had been making appropriate contributions to the pension plan on behalf of the firefighters who transferred to the county.

The County had reviewed the request files by Alison Bieler and had the following conclusions:

1) The merger agreement between Miami-Dade County and the North Miami Beach Fire department sets a maximum contribution level but not a minimum. The language of the agreement did not require Miami-Dade County to match the FRS limits.

2) The merger agreement was signed in 1978 and the final active firefighter retired from service in 1998. The statute of limitations has lapsed on any proposed claims.

3) Changes in plan amendments had significantly contributed to the increase in retiree benefits. These changes were made without consulting Miami-Dade County and have contributed to the current unfunded liability.

4) Miami-Dade County has concerns about the management of plan assets. For example, actuarial value of the firefighter plan fell for two consecutive years while all other markets appreciated. Also, the firefighter's portion of the North Miami Beach Pension Fund had no unfunded liability until 7 years ago, yet it had accrued to greater than \$2 million by 2005.

5) Miami-Dade County has concerns about the validity of the list provided by Cypen & Cypen which detailed firefighter enrollment in the North Miami Beach Pension Fund. There are discrepancies about plan membership and enrollments dates.

Miami-Dade County will continue to research contributions levels for the North Miami Beach Plan, but at this time, we do not believe that this request has a sound basis for consideration.

If the committee wanted to go forward and go to court there would be legal fees between \$75,000 - \$150,000 at a minimum.

Alison's recommendation is not to pursue this issue against the County based on the cost the Pension would have to spend.

This issue will be tabled at this time. Bill Dresback will talk to the firefighters about paying the legal fees to pursue this issue.

V. APPROVAL OF INVOICES

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

INVOICES:

Davis Hamilton Jackson – Quarterly Management Fees	\$30,151.03
AllianceBernstein – Quarterly Management Fees	12,124.06
Salem Trust Company – Custodial Fees	3,457.10
GW Capital – Quarterly Management Fees	1,186.49
Citi Institutional – Consulting Fees	5,625.00
Bolton Partners – Actuary Fees	12,189.50
Rachlin – Auditor Fees	9,000.00
Sugarman & Susskind – Legal Fees	7,711.08
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	\$81,444.26

Motion carried unanimously.

Bob Sugarman updated the committee on work involved on the New Investment Managers. There is still one Investment Manager Thornburg which has not signed the agreement.

There is another Ordinance that needs to be address which is Senate Bill 538. This bill effects 3 plans changes 1)upon termination of the plan and if there was unfunded liability the City of North Miami Beach would be responsible for this liability, 2) the protection Florida Investment Act prohibiting investment in foreign companies doing business with Iran and Sudan, 3) if members pick a joint and survivor option they can change the beneficiary 2 times after they retire and they don't need consent of that beneficiary.

Health insurance premiums for retired Police Officers or Firefighters can be deducted up to \$3,000 per year on their taxes. The deduction can be taken only if the City of North Miami Beach deducts the health insurance premium from their monthly pension benefit.

You can increase your term on the Board from 2 years to 4 years this would need a Ordinance change.

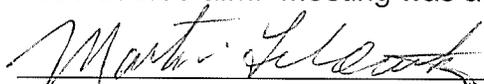
Tax withholding tables have been changed effective in May 2009 for pension table. Need to check with Salem Trust to inform the retirees that this change may have a negative effect. This could mean they could have underpaid their taxes.

Bob Sugarman updated the Merrill Lynch settlement with the SEC. There are three items that we will sue on as follows; breach of fiduciary duties and breach of contract, civil theft fraud and security fraud violations. The law firms will be paid on a contingency basis and the most it will cost the Plan would be 25% of the recovery. If they collect nothing than the plan would pay nothing.

Motion by Sgt. Socorro, seconded by Chief Loizzo to have Bob Sugarman to file arbitration claim at no cost to the Plan against Merrill Lynch.

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The next regularly scheduled quarterly Board meeting will be held on Thursday, August 27, 2009 at 9:00 a.m. Meeting was adjourned at 12:45 p.m.



Martin Lebowitz, Pension Administrator