

MINUTES

POLICE OFFICERS' & FIREFIGHTERS' RETIREMENT COMMITTEE MEETING

THURSDAY - AUGUST 18, 2011 - 9:00 AM

PRESENT

Sgt. Mo Asim
Sgt. Leo Socorro – Chair
Councilwoman Beth Spiegel
(Ret)Chief Linda Loizzo
Mayor George Vallejo

ALSO PRESENT

Charlie Mulfinger – Graystone
Larry Wilson – GRS
John Bartz – Foster & Foster
Douglas Lozen – Foster & Foster
Tom Lowman – Bolton Partners
Jeff Delisle – Bolton Partners
Robert Sugarman – Plan Attorney
Martin Lebowitz – Pension Administrator

ABSENT

DEPARTMENT REPRESENTATIVES

Lori Helton – IT
Darcee Siegel – City Attorney
Various Police Officers

The meeting was called to order at 9:08.m. by Sgt. Socorro and was followed by a roll call of Trustees.

I. GRAYSTONE CONSULTING – JUNE 30, 2011 REPORT

Charlie Mulfinger presented the performance report, indicating a total portfolio market value on 6/30/2011 of \$70,788,274 (including accrued income). This represents a net increase in value from the previous quarter of \$368,666. The total asset allocation was reported to be 52.77% invested in domestic equities, 9.54% invested in international, 36.57% in fixed income and 1.12% in cash and equivalents. The total fund earned .52% for the quarter.

For the quarter ended 6/30/2011: Garcia Hamilton under-performed Russell 1000 Growth Fund -1.07% vs. .76%. HGK outperformed Russell 1000 Value Fund -.47% vs.-.51%. GW Capital returned -.63% vs. -2.65% for the Russell Mid 2000 Value Fund. MDT returned 2.75% vs. 1.61% for the Russell 2000 Growth Fund. Renaissance returned 1.50% vs.0.39% for the

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MSCI AC World x US. Thornburg returned .19% vs..39% for the MSCI AC World x US. Garcia Hamilton Fixed Income earned 1.73% under-performed the BC Int. Gov/Credit of 2.12%.
Plan year results: Total return earned for plan year was 21.09%.

Charlie Mulfinger discussed how the short term investment fund works and how much interest we are receiving.

Charlie Mulfinger has requested an increase in his consulting fees from \$22,500 to \$27,500 per year with a 3 year guarantee.

After discussion, motion by Mayor Vallejo, seconded by Chief Loizzo, to approve the increase of consulting fees for Graystone from \$22,500 to \$27,500 per year with a 3 year guarantee. Also, Sgt. Socorro has the authorization to sign the amended contract raising Graystone Investment Consulting fees to \$27,500, which will be prepared by Bob Sugarman.

Motion carried unanimously.

II. ANNUAL INVESTMENT MANAGER SEMINAR

Tabled until next meeting.

III. SECTION 6.06 OPTIONAL FORMS OF RETIREMENT INCOME PROPOSED CHANGES

Bob Sugarman reviewed the background of the amendment, starting with a recent change in the state law that permits that a retiree who selected a Joint & Survivor option to change their joint annuitant regardless of the health of the joint annuitant and regardless of whether the joint annuitant is alive. Tom Lowman said that exercising this option will cost the plan additional monies. Tom Lowman had suggested changing the current plan Option 3, 4 and 5 of Section 6.06 (a) to provide a participant who retires a choice to elect this new option at the time of retirement with the cost being deducted from the benefit or choosing the current more limited option. A participant electing this new option may change their designated joint pensioner or beneficiary up to two times after benefits have commenced and shall not be required to provide proof of the good health of the joint survivor or beneficiary or that the joint survivor or beneficiary is still alive. This new option will reduce their benefit from 2% - 4% in the benefit payment based on the new option they chose.

Bob Sugarman prepared an ordinance to add these additional options recommended by the actuary.

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The chairperson had requested we bring in individual actuaries to discuss this issue with the board members. Tom Lowman handed out his presentation on this subject see attached Exhibit I.

Larry Wilson of Gabriel Roeder Smith handed his presentation of this subject see attached Exhibit II.

John Bartz and Douglas Lozen of Foster & Foster discussed these optional forms of retirement, how they interpret this option and what their clients are doing. Foster & Foster does not agree with reducing their benefits at the time the member is about to retire. They would adjust the amount at the time the retiree elects to change their beneficiary.

The issue still remains about the health status of the members and the beneficiary.

No decision has been determined and this will be further discussed at our next meeting.

Motion by Mayor Vallejo, seconded by Sgt. Asim to delay the vote of the members until the proposed Ordinance in reference to Joint & Annuity change of Section 6.06 is finalized.

Motion carried unanimously

IV. ATTORNEY'S REPORT

Councilwoman Spiegel asked a question concerning travel expenses. Please see Bob Sugarman's response below:

The policy for payment of trustee expenses exists and is written into each plan.

Both pension plans state in section 5.02 as follows:

The Committee members shall not receive any compensation as such, but may receive expenses and per diem as provided by law or ordinance. The secretary may receive compensation as established by the Committee from time to time.

There is no need for a separate written policy on the amount of travel expenses because of the phrase "as provided by law or ordinance."

- "By law" means the state statute on payment of travel expenses: F.S. sec. 112.061:
http://www.leg.state.fl.us/Statutes/index.cfm?App_mode=Display_Statute&Search_String=&URL=0100-0199/0112/Sections/0112.061.html

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- “By ... ordinance” means any city ordinance on travel expenses. I was unable to locate one in the on-line city code but I defer to the City Attorney as to whether there is an applicable ordinance.

The trustees of each plan do not have the authority to enact their own policies as to the amount of allowable travel expenses. Their only power is to choose between the state statute and any city ordinance. This is probably why the travel expense policy we drafted last year was deemed unnecessary, but the minutes (which I have not reviewed so I cannot give a prompt response) may tell us more than my recollection on that issue.

The state statute provides for mileage reimbursement at 44.5 cents/mile: d)1. *The use of privately owned vehicles for official travel in lieu of publicly owned vehicles or common carriers may be authorized by the agency head or his or her designee. Whenever travel is by privately owned vehicle:*

a. A traveler shall be entitled to a mileage allowance at a rate of 44.5 cents per mile

I need more details on the travel expenses of a non-trustee, non-employee. If you are referring to service providers and if their travel expenses are part of their contract or written engagement letter, then they are permissible as long as they are reasonable and necessary. I need to know who any other non-trustee, non-employees may be to render an opinion on the facts of their case.

The travel expenses are part of the administrative cost of the plan, which is one element of the three costs to any DB pension plan: annual required contribution = normal cost + payment on amortization of past service cost + administrative costs. The P&FF plan has a 4th element: the supplemental contribution to bring the plan to 70% funding. The anticipated travel costs should be shown in the annual budget of each plan and in the financial statements.

Councilwoman Spiegel asked why are we paying the travel expense for Former Trustee Bill Dresback?

After discussion, Bob Sugarman will write a proposed motion to be placed on the agenda for the November meeting concerning Bill Dresback’s continued service to the Retirement System and the continued reimbursement of his conference and school expenses.

V. APPROVAL OF MINUTES JUNE 23, 2011

Motion by Chief Loizzo, seconded by Sgt. Asim to approve minutes of June 23, 2011.

Motion carried unanimously

VI. APPROVAL OF INVOICES

Motion by Sgt. Asim, seconded by Mayor Vallejo, to pay the following invoices: Approved

INVOICES:

Garcia Hamilton – Equity Quarterly Management Fees	\$17,788.53
Garcia Hamilton – Fixed Quarterly Management Fees	16,848.88
Morgan Stanley Smith Barney – Quarterly Consulting Fees	5,625.00
HGK – Quarterly Management Fees	14,149.44
GW Capital – Quarterly Management Fees	8,006.50
MDT – Quarterly Management Fees	9,089.82
Renaissance – Quarterly Management Fees	5,562.36
Thornburg - Quarterly Management Fees	5,448.95
Bolton Partners – Actuary Fees	2,914.79
Sugarman & Susskind – Legal Fees	7,734.00
Salem Trust Company – Custodial Fees	8,812.28
	\$101,980.55

The next regularly scheduled quarterly Board meeting will be held on Thursday, November 22, 2011 at 9:00 a.m. Meeting was adjourned at 12.20 p.m.

Martin Lebowitz, Pension Administrator