

## MINUTES

### POLICE OFFICERS' & FIREFIGHTERS' RETIREMENT COMMITTEE MEETING

TUESDAY - DECEMBER 8, 2015 - 9:00 AM

#### PRESENT

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

#### ALSO PRESENT

Charlie Mulfinger – Graystone  
Bob Sugarman – Sugarman & Susskind  
Brad Rinsem – Salem Trust  
Joe Griffin & Tim Bowen – Buck Consultants  
Martin Lebowitz – Pension Administrator  
Renaldo Gayle – Asst. Plan Administrator

#### ABSENT

#### DEPARTMENT REPRESENTATIVES

#### I. ROLL CALL

The meeting was called to order at 9:14 a.m. by Trustee Leo Socorro, followed by a roll call of the Trustees by Martin Lebowitz.

#### II. PUBLIC COMMENTS

There were no public comments.

#### III. GRAYSTONE CONSULTING – Q/E 9/30/2015

Charlie Mulfinger stated that it was a tough quarter but since then the market has recovered a bit. It is within 3-4% of the all-time high.

He discussed the economy and market by stating that the first quarter number was revised up by 0.6%. From an economy standpoint it is still seen as a positive quarter. The second quarter was revised multiple times higher and ended up to 3.9% GDP growth. The third quarter GDP number originally came out at 1.5% but was recently revised up to 2.1%. The economy remains in a slow growth environment. Consumer spending was the biggest part of the economy.

The plan is slightly underweighted in Large Cap Value, Large Cap Growth, Small Cap Value, International Growth and International Value but overweighted in the Mid Cap Value. The plan is currently at 52.61% in stocks versus the target of 55%. Fixed Income, Hedge Funds and Real Estate are all within range. This means rebalancing is not necessary. He presented the performance report, indicating a total portfolio market value on 9/30/2015 of \$91,312,861 (including accrued income). This represents a net decrease in value from the previous quarter of \$4,320,316. **Please see attached Summary of Relevant Facts as of September 30, 2015.**

#### **IV. ATTORNEY'S REPORT**

Mr. Sugarman provided answers to questions asked by the board at the last meeting. The board requested that Mr. Sugarman research the possibility of the City collecting 185 money for police services provided to other surrounding areas. He stated that the City can collect if the other area is a municipality, service is provided through inter-local agreement and if that municipality itself imposes the 185 tax. He provided an example whereby the town of Ocean Ridge in Palm Beach County provides police services for the town of Briny Breezes. The town of Ocean Ridge collects 185 funds due to Briny Breezes imposing the 185 tax.

Mr. Sugarman then went on to discuss the matter of the City not collecting contributions on overtime due to the revised pension plan, Ordinance 2013-20. Nevertheless, the workers are currently receiving credit for overtime and counting it towards the City's liability. The board wanted to know what would happen if the Board wins the lawsuit. Mr. Sugarman stated that if the board wins the lawsuit, then there is pension liability for overtime which the workers have not paid their contributions. However, it will depend on how the judge enters his final ruling. The most likely situation is that if the pension board wins the lawsuit, the workers will owe the money to the pension plan. There will then have to be discussions as to how it will be collected.

The pending lawsuit is currently at the stage of Motion for Summary Judgement. This means that the City filed a motion stating that there are no contested facts. An opposing brief is being prepared and will be filed with the court before the hearing scheduled with the judge on January 7, 2016.

The Rockwood case has been settled by Pomerantz. Sugarman & Susskind disclosed to the board their share of the fee received as \$13,470.00 paid by the Pomerantz firm out of its court-approved fee. A copy of the check will be provided for the pension office's records. There was no cost to the pension plan.

The plan's auditor, Steve Gordon has merged his firm with Kabat – Schertzer De La Torre – Taraboulos. Mr. Sugarman contacted Mr. Gordon and requested information for the board to do their due diligence as to whether or not they approve of continuing services with Mr. Gordon under the new firm. The board was provided with a document from Mr. Gordon that identifies the new firm and a letter showing the peer review process that explains that the firm meets all requirements. Mr. Sugarman suggested that the board to make a decision whether or not they wish to do business with the new firm.

Motion by Trustee George Vallejo, seconded by Trustee Linda Loizzo, to continue with the services of the new auditing firm Kabat – Schertzer De La Torre - Taraboulos.

Motion carried unanimously

#### **V. ACTUARY'S REPORT**

Mr. Griffin stated that there are two items he would like to cover. The first is the state disclosure report. Per state requirements, the document was filed via the state's website in a timely manner.

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The second item is the 2014 Actuarial Valuation report that was approved by the board. Mr. Griffin stated that they were instructed to complete the valuation based on the plan that existed prior to Ordinance 2013-20. They were provided salary data that excluded overtime as pensionable earnings. It was not disclosed to Buck that the city limited overtime as pensionable earnings effective April 1, 2014 in accordance with the new ordinance. As a result, the compensation data that was provided for each police officer was understated because it did not include all the overtime. Additionally, the city was not taking the 11.1% contributions on the overtime. That contribution was not going into the fund. The assets that were stated did not include the value of those contributions. The pension office subsequently collected the required information and provided it to Buck. Mr. Griffin stated that his office had multiple conversations with the Finance Director, Ms. Barbara Trinka, and she has been informed that the data provided for contribution requirements cannot be relied upon. Mr. Griffin asked the board about moving forward with revising the 2014 valuation. This also has an impact on the state disclosure report that was submitted. A revision will be required and the document resubmitted.

Trustee Beth Spiegel asked Mr. Griffin about the cost of revising the valuation report. His response was that it would cost the pension board \$15,000. He also stated that the revision of the state disclosure report would be cut in half to \$2,750.

Mr. Sugarman asked Ms. Trinka if she is ok with continuing to make contributions based on that data since the actuarial valuation cannot be relied upon by the city and the actuary stated that it will take them approximately a month to produce another one. Her response was that the necessary reporting by the city was already done and they will have to correct going forward. She also noted that the revision of the valuation and the completion of the audit report that the city needs to do the CAFR would be considered late if not done by the end of March. If the CAFR goes over into April, it would be of serious concern.

After discussion, motion by Trustee Beth Spiegel, seconded by Trustee George Vallejo, that if there is no court ruling or negotiated settlement, then work on the revised valuation must commence February 1, 2016 based upon the prior ordinance and if either of these items occur, there must be a 15 minutes meeting.

Motion carried unanimously

Mr. Sugarman then asked Ms. Trinka if this decision meets the needs of the city. Her response was that if all the GASB requirements and audit reports are received by the end of March, they will be fine.

Mr. Lebowitz noted that there is a new financial system implemented by the city known as Munis. The General Ledger information that the pension office and the auditor needs is not available. Mr. Lebowitz stated that he was informed that the data from previous months is still being worked on. This means that the General Ledger detailed conversion is not done.

**VII. SALEM TRUST COMPANY – REPORT ON CONTROL SYSTEMS**

President and CEO of Salem Trust, Brand Rinsem provided an update on the conversion and audit. He also discussed a brief history of the conversion and the annual SSAE 16 audit report. A new SSAE 16 was issued in September 2015 and no exceptions were found.

**VII. PROPOSED 2016 CALENDAR**

No motion on this item.

**X. APPROVAL OF MINUTES – 8/3/2015**

Motion by Trustee George Vallejo, seconded by Trustee Linda Loizzo, to approve minutes of 8/3/2015.

Motion carried unanimously

**XI. APPROVAL OF INVOICES**

Motion by Trustee George Vallejo, seconded by Trustee Linda Loizzo, to approve all invoices.

Motion carried unanimously

**INVOICES:**

Wedgewood – Equity Management Fees	20,087.00
Garcia Hamilton – Fixed Management Fees	17,626.77
Morgan Stanley Smith Barney – Consulting Fees	8,125.00
HGK – Management Fees	14,162.46
GW Capital – Management Fees	8,485.56
MDT – Management Fees	10,535.58
Renaissance – Management Fees	7,072.57
Thornburg – Management Fees	7,815.74
Buck Consultants – Actuaries Fees	20,477.00
Salem Trust Co. – Custody Fees	9,416.60
Sugarman & Susskind – Legal Fees	9,400.00
Kabat – Schertzer De La Torre – Taraboulos – Auditor	1,900.00
<b><u>TOTAL</u></b>	<b><u>\$135,104.28</u></b>

The next scheduled meeting is on March 3, 2016. Meeting was adjourned at 11:18 a.m.

**SUMMARY OF RELEVANT FACTS**  
**City of North Miami Beach Police & Fire Retirement Plan**  
**As of September 30, 2015**

Other Important Facts:	
Total Portfolio	\$91,312,861
Total Gain or (Loss) (Gross-of-Fees)	(\$4,817,125)
Total Gain or (Loss) (Net-of-Fees)	(\$4,947,186)
Total Fees	(\$130,061)
<b>Wedgwood (Large Cap Growth)</b>	
Total Assets	\$14,187,042
Equity	100.00%
Cash	97.70%
Fees	2.30%
Gain or (Loss) - Gross	\$15,388,457
Gain or (Loss) - Net	(\$1,144,357)
<b>HGK (Large Cap Value)</b>	
Total Assets	\$13,802,908
Equity	97.29%
Cash	2.71%
Fees	(\$18,203)
Gain or (Loss) - Gross	\$354,135
Gain or (Loss) - Net	(\$2,081,872)

Other Important Facts:	
Total Portfolio	\$91,312,861
Total Gain or (Loss) (Gross-of-Fees)	(\$4,817,125)
Total Gain or (Loss) (Net-of-Fees)	(\$4,947,186)
Total Fees	(\$130,061)
<b>MDT (Mid Cap Growth)</b>	
Total Assets	\$4,349,614
Equity	100.00%
Cash	95.92%
Fees	4.08%
Gain or (Loss) - Gross	\$5,286,259
Gain or (Loss) - Net	(\$5,204,079)
<b>Renaissance (Intl Growth)</b>	
Total Assets	\$4,545,625
Equity	100.00%
Cash	88.28%
Fees	1.72%
Gain or (Loss) - Gross	\$4,320,865
Gain or (Loss) - Net	(\$4,246,729)
<b>Garcia Hamilton (Fixed Income)</b>	
Total Assets	\$28,367,911
Equity	99.85%
Cash	0.15%
Fees	(\$20,831)
Gain or (Loss) - Gross	\$41,606
Gain or (Loss) - Net	(\$458,208)

Other Important Facts:	
Total Portfolio	\$91,312,861
Total Gain or (Loss) (Gross-of-Fees)	(\$4,817,125)
Total Gain or (Loss) (Net-of-Fees)	(\$4,947,186)
Total Fees	(\$130,061)
<b>Private Advisors (HFOF)</b>	
Total Assets	\$4,320,936
Equity	100.00%
Cash	100.00%
Fees	(\$118,904)
Gain or (Loss) - Gross	(\$118,904)
Gain or (Loss) - Net	(\$118,904)
<b>UBS (Core Private Real Estate)</b>	
Total Assets	\$5,197,461
Equity	100.00%
Cash	100.00%
Fees	(\$14,918)
Gain or (Loss) - Gross	\$172,378
Gain or (Loss) - Net	\$157,460

Other Important Facts:	
Total Portfolio	\$91,312,861
Total Gain or (Loss) (Gross-of-Fees)	(\$4,817,125)
Total Gain or (Loss) (Net-of-Fees)	(\$4,947,186)
Total Fees	(\$130,061)
<b>Equity Breakdown</b>	
- Large Cap Value	17.50%
- Large Cap Growth	15.54%
- Small Cap Value	17.50%
- Small Cap Growth	16.83%
- Mid Cap Value	5.00%
- Mid Cap Growth	4.76%
- International Value	5.00%
- International Growth	5.77%
- Hedge Fund of Funds	4.98%
- Hedge Fund of Funds	4.73%
- Core Private Real Estate	5.00%
- Core Private Real Estate	4.73%
- Cash	55.00%
- Cash	52.61%
- Fees	30.00%
- Fees	31.98%
- Total Income	10.00%
- Total Income	9.38%
- Total Portfolio	5.00%
- Total Portfolio	5.69%
- Total Portfolio	0.00%
- Total Portfolio	1.22%
- Total Portfolio	100.00%
- Total Portfolio	100.00%

**Breakdown of Returns  
City of North Miami Beach Police & Fire Retirement Plan  
As of September 30, 2015**

<b>F-GK</b>						
<b>Large Cap Value</b>						
Quarter	(12.70)	(12.80)	(8.40)	(7.86)	(6.43)	
1 year	(13.73)	(14.09)	(4.43)	(3.39)	(0.60)	
3 year	7.90	7.46	11.60	11.56	12.41	
5 year	9.85	9.41	12.29	12.26	13.35	
Since 3/31/2009	13.27	12.84	16.39	16.34	16.92	
<b>Wedgewood</b>						
<b>Large Cap Growth</b>						
Quarter	(6.93)	(7.05)	(5.29)	(6.30)		
Since 10/31/2014	(5.78)	(6.13)	0.53	NA	NA	
Since 10/01/2014	(2.76)	(3.12)	NA	NA	NA	
<b>CW Capital</b>						
<b>Small Cap Value</b>						
Quarter	(9.55)	(9.74)	(10.73)	(8.90)		
1 year	(7.05)	(7.75)	(1.60)	1.61		
3 year	7.03	6.24	9.18	11.88		
5 year	9.48	8.68	10.16	12.69		
Since 2/28/2009	16.84	16.02	17.31	NA		
<b>MDI Advisors</b>						
<b>Mid Cap Growth</b>						
Quarter	(7.18)	(7.37)	(7.99)	(6.52)		
1 year	1.98	1.16	1.46	2.32		
3 year	16.05	15.14	13.99	13.12		
5 year	17.75	16.83	13.59	12.99		
Since 5/31/2009	20.99	20.08	16.58	NA		
<b>Thorburn</b>						
<b>International Value</b>						
Quarter	(8.80)	(8.97)	(12.17)			
1 year	(4.07)	(4.69)	(12.17)			
3 year	5.16	4.49	2.34			
5 year	3.50	2.84	1.82			
Since 9/30/2009	4.94	4.29	2.76			
<b>Rehars</b>						
<b>International Growth</b>						
Quarter	(11.87)	(12.03)	(12.17)			
1 year	(10.54)	(11.12)	(12.17)			
3 year	6.90	6.21	2.34			
5 year	5.38	4.71	1.82			
Since 5/31/2009	7.60	6.93	5.36			

