

MINUTES

GENERAL EMPLOYEES'
RETIREMENT COMMITTEE MEETING

TUESDAY - FEBRUARY 24, 2015 - 3:00 PM

PRESENT

Larry Gordon
Lori Helton – Chair
Councilwoman Barbara Kramer
Councilman Frantz Pierre

ALSO PRESENT

Graystone – C. Mulfinger & S. Owens
Bob Sugarman – Sugarman & Susskind
Sarah Johnston – Asst. City Attorney
Martin Lebowitz – Pension Administrator
Renaldo Gayle – Asst. Pension Admin.

ABSENT

Kendra Woodroffe

DEPARTMENT REPRESENTATIVES

Jose Smith, City Attorney
Barbara Trinko, Finance Director
Laura Wozniak – Finance

I. ROLL CALL

The meeting was called to order at 3:15 p.m. by Trustee Barbara Kramer, followed by a roll call of the Trustees by Renaldo Gayle.

II. PUBLIC COMMENTS

There were no public comments.

III. GRAYSTONE CONSULTING – Q/E 9/30/2014

Charlie Mulfinger started off by stating that the plan is 61.06% in stocks versus the target of 60%. This means rebalancing is not necessary because the plan is within range. Fixed income, Hedge Funds, and Real Estate are also within range. He presented the performance report, indicating a total portfolio market value on 12/31/2014 of \$78,824,443 (including accrued income). This represents a net increase in value from the previous quarter of \$853,144. **Please see attached Summary of Relevant Facts as of December 31, 2014.**

Scott Owens discussed the economy and market by stating that the quarter was very volatile. We should expect more volatility going forward.

IV. THORNBURG – REVIEW OF NEW MANAGEMENT

Charlie Wilson of Thornburg was unable to attend the meeting. Todd Harlow came as his replacement to make the presentation. Mr. Harlow presented and discussed with the board an executive summary and fourth quarter details. He spoke of the management change that is of concern to the board and explained that the main strategy and approach has not changed despite Charlie Wilson taking over as Lead Portfolio Manager effective January 31. A brief history of Mr. Wilson's qualifications and history with the company was mentioned. He went on to discuss how the change in the decision making process has had a positive impact on the firm as a whole. He assured the board that there are no administrative or structural changes to how the firm manages money.

V. AUDITOR'S REPORT

Steve Gordon started off by stating that the audit report is not available for approval because of audit issues with Salem Trust. Their most recent audit revealed that Salem's internal controls are poor. As a result, more testing than normal is necessary by Steve Gordon for our audit and this is the reason for the audit being delayed. Mr. Gordon stated that he has been working with Mr. Mulfinger, the investment consultant, and the individual managers to confirm that the information gathered from Salem Trust matches their records.

The additional work that was done by will be billed and itemized to the plan and it expected to be within the \$500-\$700 range.

A preliminary version of the report was discussed by Mr. Gordon.

Trustee Lori Helton acknowledged Salem Trust's representative, Karen Russo. She is the relationship manager for the account.

Ms. Russo came forward and spoke about Salem's audit report. She stated that the period that the report covered is 06/01/2013 to 06/30/2014. There was a software conversion during this timeframe that was very difficult and this is the reason for the internal control issues. She went on to explain why there were exceptions noted in the audit report as it relates to Salem's internal control for reconciling cash.

Trustee Larry Gordon asked Ms. Russo how the board would know if everything has been addressed. Her response was that they will continue to do more audits by bringing in people and Steve Gordon's additional testing will confirm that information is accurate. Also, Salem is working closely with the individual managers to verify information. Trustee Gordon also added that the board should not be held responsible for the additional fees associated with the issues related to Salem Trust and requested reimbursement from Salem. Ms. Russo will take the request back to upper management for an answer and be in contact with the administrator.

VI. ACTUARY'S REPORT - GRS

Kelly Adams of GRS stated that the first round of GASB 67 has been completed. GRS is currently working on the valuation and are hoping to have it available for a special meeting the following month. Benefit Statements are being worked on and they hope to have them done in another month.

VII. DROP ADMINISTRATIVE RULES

Martin Lebowitz stated that the DROP Administrative Rules have been updated to incorporate the new Ordinances. The new DROP Administrative Rules were presented to the board by Martin Lebowitz. However, it was decided that there should be additional changes to the document and review by the trustees. As such, the item was tabled for the next meeting.

VIII. REVIEW OF DROP INTEREST RATE

Assistant Administrator Renaldo Gayle stated that the last time the matter was addressed was at the February 16, 2012 meeting. At that meeting, the interest rate was reduced from 6.5% to 3%. The plan documents require an occasional review of the interest rate and the decision in the 2012 meeting was that it would be reviewed annually.

Motion by Trustee Barbara Kramer, seconded by Trustee Larry Gordon not to make an adjustment to the DROP interest rate.

Roll Call:

Trustee Larry Gordon	Yes
Trustee Barbara Kramer	Yes
Trustee Frantz Pierre	Yes
Trustee Lori Helton	Yes

Motion carried unanimously

IX. PENSION ATTORNEY'S REPORT

Mr. Sugarman stated that the IRS Determination letter is in the final evaluation stage by IRS quality assurance. He expects a favorable determination within another month.

Mr. Sugarman also informed the board that the motion for rehearing filed by Mr. Richard Sicking on behalf of Ms. Nicole Camacho has been denied. This means the appellate court decision on the implementation of Ordinances 2013-15 and 2013-19 is now final.

X. FIDUCIARY LIABILITY POLICY

Martin Lebowitz stated that the current policy expires on March 1. As a result, a new policy is needed to cover March 1, 2015 to March 1, 2016. The board received one quote from ULLICO Casualty.

Quote received: ULLICO - \$5 MILLION \$11,826.90 ANNUAL PREMIUM

After discussion, motion by Trustee Larry Gordon, seconded by Trustee Frantz Pierre to approve ULLICO Casualty as the board's Fiduciary Liability Insurance carrier.

Motion carried unanimously

XI. ASST. PENSION ADMININ. CONTRACT – ANNUAL SALARY REVIEW

Assistant Pension Administrator, Renaldo Gayle informed the board that he is up for his annual review based on his employment contract.

Motion by Trustee Barbara Kramer, seconded by Trustee Larry Gordon authorizing the Chair to meet with the Chair of the Police & Fire board and Mr. Gayle for a recommendation.

Motion carried

XII. OPEN DISCUSSION

There was no open discussion.

XIII. APPROVAL OF MINUTES – 12/9/2014

Motion by Trustee Frantz Pierre, seconded by Trustee Larry Gordon to accept the minutes of 12/9/2014.

Motion carried

XIV. APPROVAL OF INVOICES

Motion by Trustee Lori Helton, seconded by Trustee Frantz Pierre, to approve payment of all invoices except Salem Trust custodian fees.

Motion carried

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INVOICES:

Morgan Stanley Smith Barney (Graystone) – Consulting Fees	\$ 6,875.00
Sawgrass – Investment Management Fees (Large Cap Growth)	10,237.45
Wedgewood – Investment Management Fees (Large Cap Growth)	10,415.00
Garcia Hamilton – Investment Management Fees (Fixed Income)	11,053.24
Buckhead Capital – Investment Management Fees (Large Cap Value)	12,861.45
GW Capital – Investment Management Fees (Small Cap Value)	7,332.10
Harding Loevner – Investment Management Fees (Int'l Growth)	7,750.00
Thornburg Management – Investment Management Fees (Int'l Value)	6,042.46
MDT – Investment Management Fees (Mid Cap Growth)	8,824.84
Gabriel, Roeder, Smith & Co. – Actuary Fees	6,452.00
Sugarman & Susskind – Legal Fees	6,600.00
S. I. Gordon & Company – Auditors Fees	5,268.00

Checks already issued since last meeting, for ratification by board:

City of NMB – Health/Dental/Group Life Premiums (R. Gayle, Jan, 2015)	230.34
City of NMB – Health/Dental/Group Life Premiums (R. Gayle, Feb, 2015)	230.34
Office Depot (\$41.53 + \$152.98)	194.51
Workers Compensation	18.00
FPPTA – Registration (Helton & Gayle)	675.00
Lori Helton – FPPTA per diem	200.00
Renaldo Gayle – FPPTA Hotel	119.98
Lori Helton – FPPTA Hotel	435.00
Renaldo Gayle – FPPTA per diem	100.00
Renaldo Gayle – FPPTA Mileage & Tolls	113.14

TOTAL **\$102,027.40**

The following invoice will be addressed at the next meeting:

Salem Trust Co. – Custodian Fees **\$8,267.44**

The next scheduled meeting is on June 16, 2015. Meeting was adjourned at 5:37 p.m.

Renaldo Gayle, Asst. Pension Administrator

SUMMARY OF RELEVANT FACTS
City of North Miami Beach General Employees' Retirement Plan
As of December 31, 2014

Distribution of Assets:	
Equity	
- Large Cap. Value	\$16,143,809
- Large Cap. Growth	\$16,279,097
- Small Cap. Value	\$3,903,689
- Mid Cap Growth	\$4,393,419
- International Value	\$3,614,175
- International Growth	\$3,793,747
Total Equity	\$48,127,936
Fixed Income	\$17,726,743
Hedge Fund of Funds	\$7,454,618
Core Private Real Estate	\$5,033,998
Cash (R&D/Residuals)	\$481,148
Total Portfolio	\$78,824,443

Distribution by Percentages:		
Equity Breakdown	Policy	Current
- Large Cap. Value	20.00%	20.48%
- Large Cap. Growth	20.00%	20.65%
- Small Cap. Value	5.00%	4.95%
- Mid Cap Growth	5.00%	5.57%
- International Value	5.00%	4.59%
- International Growth	5.00%	4.81%
Total Equity	60.00%	61.06%
Fixed Income	22.50%	22.49%
Hedge Fund of Funds	10.00%	9.46%
Core Private Real Estate	7.50%	6.39%
Cash (R&D/Residuals)	0.00%	0.61%
Total Portfolio	100.00%	100.00%

*Garcia Hamilton (Lg Growth) included in Gain/Loss & Fees

Other Important Facts:	
Total Portfolio	\$78,824,443
Total Gain or (Loss) (Gross-of-Fees)*	\$2,064,147
Total Gain or (Loss) (Net-of-Fees)	\$1,984,078
Total Fees*	(\$80,069)

Buckhead (Large Cap Value)	
Total Assets	100.00%
Equity	98.97%
Cash	1.03%
Fees	
Gain or (Loss) - Gross	
Gain or (Loss) - Net	

Sawgrass (Large Cap Growth)	
Total Assets	100.00%
Equity	99.84%
Cash	0.16%
Fees	
Gain or (Loss) - Gross	
Gain or (Loss) - Net	

Thornburg (Int'l Value)	
Total Assets	100.00%
Equity	97.90%
Cash	2.10%
Fees	
Gain or (Loss) - Gross	
Gain or (Loss) - Net	

Garcia Hamilton (Fixed Income)	
Total Assets	100.00%
Fixed Income	99.92%
Cash	0.08%
Fees	
Gain or (Loss) - Gross	
Gain or (Loss) - Net	

Pine Grove (HFOF)	
Total Assets	100.00%
HFOF	100.00%
Fees	
Gain or (Loss) - Gross	
Gain or (Loss) - Net	

UBS (Core Private Real Estate)	
Total Assets	100.00%
Private Real Estate	100.00%
Fees	
Gain or (Loss) - Gross	
Gain or (Loss) - Net	

Wedgewood (Large Cap Growth)	
Total Assets	100.00%
Equity	97.80%
Cash	2.20%
Fees	
Gain or (Loss) - Gross	
Gain or (Loss) - Net	

GW Capital (Small Cap Value)	
Total Assets	100.00%
Equity	98.31%
Cash	1.69%
Fees	
Gain or (Loss) - Gross	
Gain or (Loss) - Net	

MDT (Mid Cap Growth)	
Total Assets	100.00%
Equity	99.43%
Cash	0.57%
Fees	
Gain or (Loss) - Gross	
Gain or (Loss) - Net	

Harding Loevner (Int'l Growth)	
Total Assets	100.00%
Fixed Income	98.00%
Cash	2.00%
Fees	
Gain or (Loss) - Gross	
Gain or (Loss) - Net	

Receipts & Disbursements Acc't	
Total Assets	\$481,148
Cash	\$481,148
Gain or (Loss) - Gross	\$0
Gain or (Loss) - Net	(\$67,418)

Private Advisors (HFOF)	
Total Assets	100.00%
Private Real Estate	100.00%
Fees	
Gain or (Loss) - Gross	
Gain or (Loss) - Net	

Breakdown of Returns
City of North Miami Beach General Employees' Retirement Plan
As of December 31, 2014

Buckhead Large Cap. Value	Your Returns		Your Returns Net-of-Fees	Russ 1000 Value	PSN Money Mgrs	S&P 500
	Gross-of-Fees	Net-of-Fees				
Quarter	3.12	3.03	4.99	4.44	4.93	
1 year	12.24	11.88	13.46	12.33	13.69	
3 year	17.49	17.00	20.90	19.57	20.42	
5 year	12.26	11.73	15.43	15.19	15.46	
Since 9/30/2006	6.42	5.89	6.41	7.91	7.67	
Wedgewood						
Large Cap. Growth			Russ 1000 Growth	PSN Money Mgrs		
Since 10/31/2014	1.78	1.78	2.09	NA		
Sawgrass						
Large Cap. Growth			Russ 1000 Growth	PSN Money Mgrs		
Since 10/31/2014	2.99	2.99	2.09	NA		
GW Capital						
Small Cap. Value			Russ 2000 Value	PSN Money Mgrs		
Quarter	4.94	4.76	9.41	8.20		
1 year	(1.10)	(1.83)	4.22	7.33		
3 year	16.11	15.26	18.28	19.54		
5 year	13.59	12.75	14.25	16.72		
Since 2/28/2009	21.52	20.66	21.94	NA		
MDT Advisers						
Mid Cap. Growth			Russ Mid Growth	PSN Money Mgrs		
Quarter	7.36	7.15	5.84	5.17		
1 year	14.33	13.44	11.92	8.78		
3 year	24.62	23.66	20.72	19.65		
5 year	22.70	21.75	16.94	19.65		
Since 5/31/2009	24.89	23.95	19.91	NA		
Thornburg						
International Value			MSCI AC Wld x US			
Quarter	(1.79)	(1.94)	(3.88)			
1 year	(5.37)	(5.97)	(3.87)			
3 year	9.37	8.68	9.00			
5 year	5.58	4.90	4.43			
Since 9/30/2009	6.15	5.50	4.95			

Harding Loevner International Growth		MSCI AC Wld x US			
	Quarter	(1.00)	(1.20)	(3.88)	
	1 year	(0.59)	(1.37)	(3.87)	
	3 year	10.94	10.08	9.00	
	5 year	7.30	6.47	4.43	
Since 3/31/2009	13.73	12.88	12.49		
Garcia Hamilton & Associates Fixed Income		BC Int. Gov/Credit			90-Day T-Bill
	Quarter	1.50	1.43	0.89	1.20
	1 year	4.70	4.44	3.12	4.11
	3 year	5.30	5.02	2.03	2.19
	5 year	5.38	5.11	3.54	3.72
Since 2/28/2009	6.46	6.19	4.11	4.37	
Private Advisors Alternative Investments		HFRI FOF Con			
	Quarter	(1.85)	(1.85)	0.26	
	1 year	0.59	0.59	3.14	
	Since 10/31/2013	1.86	1.86	4.14	
	Pine Grove Alternative Investments		HFRI FOF Con		
Quarter		(1.77)	(1.77)	0.26	
1 year		2.94	2.94	3.14	
Since 11/30/2013		3.32	3.32	3.69	
UBS Trumbull Property Fund Core Private Real Estate			NCREIF		
	Quarter	3.02	2.71	3.04	3.26
	1 year	11.67	10.36	11.82	12.49
	Since 7/31/2012	11.05	9.84	11.55	12.70

TOTAL RETURN		Policy Index		Composite Index	
Time-Weighted Return (TWR)		Policy Index		Composite Index	
Quarter	2.65	2.54	2.77	2.86	
1 year	7.11	6.67	7.63	7.72	
3 year	12.54	12.04	12.54	12.72	
5 year	10.12	9.63	10.30	10.48	
Since 9/30/2006	7.12	6.73	6.66	7.21	
Dollar-Weighted Net (IRR)		Actuarial Rate		CPI + 4	
Quarter	2.53	2.53	1.82	0.36	
1 year	6.68	6.68	7.50	4.64	
3 year	12.06	12.06	7.50	5.35	
5 year	9.62	9.62	7.50	5.66	
Since 9/30/2006	6.67	6.67	7.50	5.86	

Policy Index Composition

- 20% Russ 1000 Value / 20% Russ 1000 Growth / 5% Russ 2000 Value / 5% Russ Mid Growth / 10% MSCI AC Wd x US (net) / 22.5% BC Int G/C / 10.0% HFRI FOF Cont / 7.5% NCREIF for periods since 10/31/2013
- 20% Russ 1000 Value / 20% Russ 1000 Growth / 5% Russ 2000 Value / 5% Russ Mid Growth / 10% MSCI AC Wd x US (net) / 40% BC Int G/C for periods from 9/30/2009 to 6/30/2012
- 20% Russ 1000 Value / 20% Russ 1000 Growth / 5% Russ Mid Growth / 5% MSCI EAFE (net) / 5% MSCI AC Wd x US (net) / 40% BC Int G/C for periods from 5/31/2009 to 9/30/2009
- 20% Russ 1000 Value / 20% Russ 1000 Growth / 5% Russ 2000 Value / 5% Russ 2000 Growth / 10% MSCI EAFE (net) / 40% BC Int G/C for periods from 2/28/2009 to 5/31/2009
- 12.5% Russ 1000 Value / 27.5% Russ 1000 Growth / 5% Russ Mid Value / 5% Russ 2000 Growth / 10% MSCI EAFE (net) / 20% BC Int G/C / 20% BC Agg for periods prior to 2/28/2009

COMPLIANCE CHECKLIST

City of North Miami Beach General Employees' Retirement Plan

As of December 31, 2014

GUIDELINES	In Compliance	OBJECTIVES	In Compliance
Equity Portfolio Listed on recognized exchange Single issue not to exceed 10% at market value for each equity in each separately managed portfolio Total equity portfolio < 62.5% & > 57.5% of total fund at market Single issue not to exceed 5% at market value for the total portfolio Foreign equities < 25% of total portfolio at market	Yes Yes Yes Yes Yes	Total Portfolio Exceed Target Index Exceed actuarial assumption (7.5%)* Exceed CPI + 4%* * Measured using Net Dollar-Weighted Rate of Return	3 years No Yes Yes Yes
Buckhead <u>Large Capitalization Value Equity Portfolio</u> Market Value < 22.5% & > 17.5% of total fund Performance (Inception 9/30/2006) Rank in the Top 50% of manager universe Return > Russell 1000 Value	Yes No No	Thornburg <u>International Value Equity Portfolio</u> Market Value < 7.5% & > 2.5% of total fund Performance (Inception 9/30/2009) Return > MSCI EAFE (Net)	3 years Yes Yes
Wedgewood <u>Large Capitalization Growth Equity Portfolio</u> Market Value < 11.25% & > 8.75% of total fund Performance (Inception 10/31/2014) Rank in the Top 50% of manager universe Return > Russell 1000 Growth	Yes N/A N/A	Harding Loevner <u>International Growth Equity Portfolio</u> Market Value < 7.5% & > 2.5% of total fund Performance (Inception 3/31/2009) Return > MSCI All Country World ex US	3 years Yes Yes
Sawgrass <u>Large Capitalization Growth Equity Portfolio</u> Market Value < 11.25% & > 8.75% of total fund Performance (Inception 10/31/2014) Rank in the Top 50% of manager universe Return > Russell 1000 Growth	Yes N/A N/A	Garcia Hamilton & Associates <u>Fixed Income Portfolio</u> Market Value < 25.0% & > 20.0% of total fund Performance (Inception 2/28/2009) Return > Barclays Cap Intern. Govt/Credit U.S. Government / Agency or U.S. Corporations Bonds rated "A" or better Single corporate issuer not exceed 10% of bond portfolio (except U.S. Government/Agency)	3 years Yes Yes Yes Yes
GW Capital <u>Small Capitalization Value Equity Portfolio</u> Market Value < 7.5% & > 2.5% of total fund Performance (Inception 2/28/2009) Rank in the Top 50% of manager universe Return > Russell 1000 Growth	Yes No No	Private Advisors <u>Hedge Fund of Funds</u> Market Value < 5.0% & > 0% of total fund Performance (Inception 10/31/2013) Performance > HFRI FOF Conservative	3 years N/A No
MDT Advisers <u>Mid Capitalization Growth Equity Portfolio</u> Market Value < 7.5% & > 2.5% of total fund Performance (Inception 5/31/2009) Rank in the Top 50% of manager universe Return > Russell 2000 Growth	Yes Yes Yes	Pine Grove <u>Hedge Fund of Funds</u> Market Value < 5.0% & > 0% of total fund Performance (Inception 11/30/2013) Performance > HFRI FOF Conservative	3 years N/A No
UBS <u>Private Real Estate</u> Market Value < 10.0% & > 0.0% of total fund Performance (Inception 7/31/2012) Performance > NCREIF Ppty Index Performance > NCREIF ODCE	Yes N/A N/A		3 years N/A No

The information contained herein has been compiled from sources believed to be reliable, however, the accuracy or completeness cannot be guaranteed.