

MINUTES

POLICE OFFICERS' & FIREFIGHTERS' RETIREMENT COMMITTEE MEETING

TUESDAY - JUNE 16, 2015 - 9:00 AM

PRESENT

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

ALSO PRESENT

Charlie Mulfinger – Graystone
Bob Sugarman – Sugarman & Susskind
Jayne Goldstein – Pomerantz LLP
Martin Lebowitz – Pension Administrator
Renaldo Gayle – Asst. Pension Admin.
Steve Gordon – S.I. Gordon
Joe Griffin & Tim Bowen – Buck Consultants
Mark Rhein – Salem Trust

ABSENT

DEPARTMENT REPRESENTATIVES

I. ROLL CALL

The meeting was called to order at 9:17 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 3/31/2015

Charlie Mulfinger started off by stating that the plan did not make as much this quarter as the index did. The reason was whether the plan was heavy in energy or not. The plan is slightly underweight in the two Large Caps but overweight in the Small Cap and Internationals. The plan is currently at 55.56% in stocks versus the target of 55%. 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 3/31/2015 of \$96,172,180 (including accrued income). This represents a net increase in value from the previous quarter of \$342,721. **Please see attached Summary of Relevant Facts as of March 31, 2015.**

Trustee Linda Loizzo stated that HGK should be placed on watch because she believes they have a very large negative. Charlie's response was that he would conduct a search by comparing HGK to other managers of the same style and present the results.

Mr. Mulfinger requested an increase in his consulting fees from \$27,500 to \$32,500 per year with a 3 year guarantee against increase.

After discussion, motion by Linda Loizzo, seconded by Trustee George Vallejo, to approve the increase of consulting fees for Graystone Consulting from \$27,500 to \$32,500 per year with a 3 year guarantee.

Motion carried unanimously

IV. ROCKWELL CLASS ACTION UPDATE

Jayne Goldstein of Pomerantz LLP came forward and presented an update on the Rockwell Class Action lawsuit. She stated that just prior to filing the suit, there were two similar ones filed in New Jersey. They worked with the plaintiffs in New Jersey and hired experts to review the merger. The result was that there were updated financial disclosures made and it was a fair deal. Both Pomerantz and other parties were satisfied with the disclosures and believed it was a good deal for the company. The matter will be settled and there was no cost to the pension fund.

V. AUDITOR'S REPORT – 9/30/2014

Steve Gordon, CPA presented the September 30, 2014 Annual Financial Statement Audit. He opened up by stating that it is an unmodified opinion and this is what the Trustees, City and State are looking for. He went on to discuss the information in the report.

Attorney Bob Sugarman asked Mr. Gordon if his questions and concerns were resolved as it relates to Salem Trust audit. Also, he asked about the additional fees that would be covered by Salem Trust.

Mr. Gordon stated that he sent the invoice to the administrator of the plan. Also, he was able to resolve all of his concerns and the pension office and Graystone have been very helpful.

Motion by Trustee George Vallejo, seconded by Trustee Beth Spiegel, to accept the Annual Financial Statement Audit for the fiscal year ending September 30, 2014.

Motion carried unanimously

VI. ATTORNEY'S REPORT

Mr. Sugarman started off by saying that after two years, the IRS has given the plan a favorable determination letter. This means that we will be in compliance with the IRS regulations once the ordinance is amended. The letter is good through January 2019.

The trustees were advised to keep a copy of the approved audit report in a safe place for a minimum of five years.

Mr. Sugarman stated that he took a look at the current fiduciary liability policy and does not have an issue with renewal.

It was reported that the city dropped the lawsuit against the three individual trustees. Mr. Sugarman thanked the city attorney for taking this step. However, there have been three parties that intervened and aligned themselves with the defendant on June 15th. They are Carlos Castillo, Jorge Nunez and Jorge Bello. They are three police officers and are represented by Attorney Richard Sicking. Another motion to intervene was filed by an attorney on behalf of Dennis Fogelgren.

Senate Bill 172 applies to 175/185 plans. Mr. Sugarman stated that it is the most extensive pension reform since 1999. This bill has taken the formula for allocating 175/185 money and made substantial changes. It has changed base periods, excess premium tax revenue and accrued additional premium tax revenue. The new formula can be modified by mutual consent of the parties. This means that the formula does not have to be followed if it does not meet the needs of the plan. The Firefighters' plan has mutual consent to changes but the Police plan does not. The Police plan can delay implementation if there is a collective bargaining agreement by July 1. Mr. Sugarman recommended that upon the joint request of the parties, the board make the actuary available to the City to say what will happen if there is no collective bargaining agreement in place on July 1 and the fund kicks into the default mode. He added that he does not know if it is a positive or negative for either side. The parties that are bargaining should be aware of the financial impact if an agreement is not reached.

Motion by Trustee George Vallejo, seconded by Trustee Linda Loizzo, to authorize the plan's actuary as a result of Senate Bill 172 to work with the City and union to see what would happen if there is no collective bargaining agreement in place by July 1st.

Motion carried unanimously

Mr. Sugarman stated that Attorney Pedro Herrera will be in attendance at the next meeting because he will be on medical leave. He will return on December 8th.

VII. SALEM TRUST COMPANY – REPORT ON CONTROL SYSTEMS

Mark Rhein is the Chief Operating Officer of Salem Trust and he spoke on behalf of Brad Rinsem, President of Salem Trust. Mr. Rhein started off by saying that there was no impact on the plan caused by Salem's recent difficulties aside from some additional fees that Salem will cover. He provided some historical information about computer system conversions in the past that also did not have any impact on the plan. He summed it up that the reason for the adverse opinion was the lack of source documentation at the time of the audit.

VIII. ACTUARY'S REPORT – 10/1/2013 & 10/1/2014 VALUATIONS

Joe Griffin presented the October 1, 2013 & October 1, 2014 valuation reports. He stated that he will not go into details about the 2013 valuation because the summary was presented previously. He did, however, present details on the 2014 valuation. As requested, the report does not reflect Ordinance 2013-20. It only reflects the plan currently being administered. The assumptions used in this valuation remain unchanged from that of the 2013 valuation.

Trustee Linda Loizzo had a concern about page 17 of the report. She asked Mr. Griffin to create a chart that clarifies the 91.5% figure indicated. She does not want the public to misunderstand the figure by thinking that officers are receiving 91.5% of their salary as pension benefits. Mr. Sugarman also requested that the chart illustrate DROP payroll and non-DROP payroll. Mr. Griffin agreed to create the chart.

Joe also reported on House Bill 1309 that was recently passed. A new state report is required once the October 1, 2014 valuation is approved. The reporting has been delayed a year but it will have to include the GASB 67 numbers, drop the investment return from 8% to 6% and a mandated mortality table based on FRS. This new reporting will increase the cost of the plan and is expected for the next valuation. Mr. Sugarman asked if this new reporting will affect the cost of the Firefighters' plan. The response was that he is yet to look specifically at that.

Motion by Trustee Beth Spiegel, seconded by Trustee Linda Loizzo, to approve the Actuarial Valuation Reports for 10/1/2013 and 10/1/2014 subject to the resolution of the pending litigation and impact of any state mandated changes, which would then require revised valuations.

Motion carried unanimously

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

The Assistant Pension Administrator's contract was presented to the board for review with a recommendation. Per the directive of the board at the February 24, 2015 meeting, salary details were provided for other pension administrators at other cities. The recommendation was a \$1,500 increase retroactive to January 6, 2015 and an annual increase of 3% until January 2018.

After discussion, motion by Trustee Mo Asim, seconded by Trustee Linda Loizzo to approve a salary increase \$1,500 retroactive to January 6, 2015 and an annual increase of 3% until January 2018.

Motion carried unanimously

X. APPROVAL OF MINUTES – 2/24/2015

Motion by Trustee Linda Loizzo, seconded by Trustee Mo Asim, to approve minutes of 2/24/2015.

Motion carried unanimously

XI. APPROVAL OF INVOICES

Motion by Trustee Mo Asim, seconded by Trustee Linda Loizzo, to approve all invoices.

Motion carried unanimously

INVOICES:

Wedgewood – Equity Management Fees	20,927.00
Garcia Hamilton – Fixed Management Fees	17,604.94
Morgan Stanley Smith Barney – Consulting Fees	6,875.00
HGK – Management Fees	16,179.03
GW Capital – Management Fees	9,285.22
MDT – Management Fees	11,492.04
Renaissance – Management Fees	7,774.47
Thornburg – Management Fees	7,875.14
Buck Consultants – Actuaries Fees	29,171.00
Salem Trust Co. – Custody Fees	10,254.89
Sugarman & Susskind – Legal Fees	9,400.00
<u>TOTAL</u>	<u>\$146,838.73</u>

The next scheduled meeting is on August 3, 2015. Meeting was adjourned at 12:24 p.m.

Renaldo Gayle, Asst. Pension Administrator

SUMMARY OF RELEVANT FACTS
City of North Miami Beach Police & Fire Retirement Plan
As of March 31, 2015

Distribution of Assets:	
Equity	
- Large Cap. Value	\$16,206,718
- Large Cap. Growth	\$16,776,780
- Small Cap. Value	\$5,008,376
- Mid Cap Growth	\$5,746,128
- International Value	\$4,843,750
- International Growth	\$4,847,861
Total Equity	\$53,429,612
Fixed Income	\$28,226,706
Hedge Fund of Funds	\$9,019,097
Core Private Real Estate	\$4,911,173
Cash (R&D & Residuals)	\$585,592
Total Portfolio	\$96,172,180

Other Important Facts:	
Total Portfolio	\$96,172,180
Total Gain or (Loss) (Gross-of-Fees)	\$817,234
Total Gain or (Loss) (Net-of-Fees)	\$691,913
Total Fees	(\$125,321)
HGK (Large Cap Value)	
Total Assets	100.00%
Equity	\$16,206,718
Cash	\$15,833,801
Fees	\$372,917
Gain or (Loss) - Gross	(\$17,022)
Gain or (Loss) - Net	(\$739,457)
	(\$756,479)
Wedgewood (Large Cap Growth)	
Total Assets	100.00%
Equity	\$16,776,780
Cash	\$15,392,991
Fees	\$1,383,789
Gain or (Loss) - Gross	(\$23,659)
Gain or (Loss) - Net	\$127,549
	\$103,890

Distribution by Percentages:		
Equity Breakdown	Policy	Current
- Large Cap. Value	17.50%	16.85%
- Large Cap. Growth	17.50%	17.44%
- Small Cap. Value	5.00%	5.21%
- Mid Cap Growth	5.00%	5.97%
- International Value	5.00%	5.04%
- International Growth	5.00%	5.04%
Total Equity	55.00%	55.56%
Fixed Income	30.00%	29.35%
Hedge Fund of Funds	10.00%	9.38%
Core Private Real Estate	5.00%	5.11%
Cash	0.00%	0.61%
Total Portfolio	100.00%	100.00%

GW Capital (Small Cap Value)	
Total Assets	100.00%
Equity	\$5,008,376
Cash	\$4,978,360
Fees	\$30,016
Gain or (Loss) - Gross	(\$9,138)
Gain or (Loss) - Net	\$81,573
	\$72,435

MDT (Mid Cap Growth)	
Total Assets	100.00%
Equity	\$5,746,128
Cash	\$5,714,805
Fees	\$31,323
Gain or (Loss) - Gross	(\$11,189)
Gain or (Loss) - Net	\$206,770
	\$195,582

Thornburg (Int'l Value)	
Total Assets	100.00%
Equity	\$4,843,750
Cash	\$4,730,724
Fees	\$113,026
Gain or (Loss) - Gross	(\$7,926)
Gain or (Loss) - Net	\$202,936
	\$195,010

Renaissance (Int'l Growth)	
Total Assets	100.00%
Equity	\$4,847,861
Cash	\$4,814,289
Fees	\$33,572
Gain or (Loss) - Gross	(\$7,539)
Gain or (Loss) - Net	\$253,105
	\$245,566

Garcia Hamilton (Fixed Income)	
Total Assets	100.00%
Fixed Income	\$28,226,706
Cash	\$28,175,856
Fees	\$50,849
Gain or (Loss) - Gross	(\$17,353)
Gain or (Loss) - Net	\$416,367
	\$399,015

Receipts & Disbursements Acct	
Total Assets	\$585,592
Cash	\$585,592
Gain or (Loss) - Gross	\$18

Private Advisors (HFOF)	
Total Assets	100.00%
HFOF	\$4,454,429
Fees	\$4,454,429
Gain or (Loss) - Gross	\$0
Gain or (Loss) - Net	\$25,566
	\$25,566

Entrust (HFOF)	
Total Assets	100.00%
HFOF	\$4,564,668
Fees	\$4,564,668
Gain or (Loss) - Gross	(\$17,182)
Gain or (Loss) - Net	\$100,134
	\$82,952

UBS (Core Private Real Estate)	
Total Assets	100.00%
Private Real Estate	\$4,911,173
Fees	\$4,911,173
Gain or (Loss) - Gross	(\$14,314)
Gain or (Loss) - Net	\$142,673
	\$128,359

Breakdown of Returns
City of North Miami Beach Police & Fire Retirement Plan
As of March 31, 2015

HGK	Your Returns Gross-of-Fees	Your Returns Net-of-Fees	Russ 1000 Value	PSN Money Mgrs	S&P 500	
						Large Cap. Value
Wedgewood	Quarter	(4.36)	(4.46)	(0.72)	0.25	0.96
	1 year	4.39	3.98	9.34	9.56	12.75
	3 year	13.87	13.42	16.44	16.01	16.12
	5 year	12.23	11.79	13.76	14.09	14.47
	Since 3/31/2009	17.02	16.58	19.59	19.41	19.71
Large Cap. Growth	Quarter	0.74	0.62	3.84	3.58	
	Since 10/31/2014	2.55	2.43	6.01	NA	
GW Capital	Quarter	1.65	1.46	1.98	3.20	
	1 year	(1.19)	(1.91)	4.43	7.77	
	3 year	13.99	13.16	14.78	15.94	
	5 year	12.39	11.58	12.53	15.46	
	Since 2/28/2009	21.12	20.28	21.34	NA	
MDT Advisers	Quarter	3.71	3.51	5.38	5.38	
	1 year	15.44	14.54	15.57	13.34	
	3 year	20.41	19.48	17.42	16.38	
	5 year	21.73	20.79	16.44	15.65	
	Since 5/31/2009	24.84	23.90	20.06	NA	
Thornburg	Quarter	4.26	4.09	3.49		
	1 year	0.70	0.06	(1.03)		
	3 year	6.39	5.72	6.41		
	5 year	6.01	5.34	4.82		
	Since 9/30/2009	6.65	6.00	5.37		
Renaissance	Quarter	5.51	5.34	3.49		
	1 year	0.81	0.17	(1.03)		
	3 year	9.36	8.67	6.41		
	5 year	7.80	7.12	4.82		
	Since 5/31/2009	10.44	9.76	8.14		
International Growth	Quarter	4.26	4.09	3.49		
	1 year	0.70	0.06	(1.03)		
	3 year	6.39	5.72	6.41		
	5 year	6.01	5.34	4.82		
	Since 9/30/2009	6.65	6.00	5.37		
International Value	Quarter	4.26	4.09	3.49		
	1 year	0.70	0.06	(1.03)		
	3 year	6.39	5.72	6.41		
	5 year	6.01	5.34	4.82		
	Since 9/30/2009	6.65	6.00	5.37		
Mid Cap. Growth	Quarter	3.71	3.51	5.38	5.38	
	1 year	15.44	14.54	15.57	13.34	
	3 year	20.41	19.48	17.42	16.38	
	5 year	21.73	20.79	16.44	15.65	
	Since 5/31/2009	24.84	23.90	20.06	NA	
Small Cap. Value	Quarter	1.65	1.46	1.98	3.20	
	1 year	(1.19)	(1.91)	4.43	7.77	
	3 year	13.99	13.16	14.78	15.94	
	5 year	12.39	11.58	12.53	15.46	
	Since 2/28/2009	21.12	20.28	21.34	NA	
Large Cap. Value	Quarter	0.74	0.62	3.84	3.58	
	1 year	2.55	2.43	6.01	NA	
	3 year	13.99	13.16	14.78	15.94	
	5 year	12.39	11.58	12.53	15.46	
	Since 2/28/2009	21.12	20.28	21.34	NA	
Renaissance	Quarter	5.51	5.34	3.49		
	1 year	0.81	0.17	(1.03)		
	3 year	9.36	8.67	6.41		
	5 year	7.80	7.12	4.82		
	Since 5/31/2009	10.44	9.76	8.14		

Garcia Hamilton & Associates*

		BC Int. Gov/Credit	BC Int. Aggregate	90-Day T-Bill
Fixed Income				
Quarter	1.50	1.43	1.45	1.32
1 year	4.84	4.66	3.58	4.23
3 year	4.59	4.36	2.31	2.41
5 year	5.18	4.93	3.52	0.05
Since 9/30/2006	6.46	4.41	4.41	0.07
Private Advisors				
HFRI FOF Con				
Quarter	0.58	0.58	1.82	
1 year	(0.13)	(0.13)	3.65	
Since 10/31/2013	1.94	1.94	4.71	
Entrust				
HFRI FOF Div				
Quarter	2.24	1.85	2.68	
1 year	3.18	1.64	5.68	
Since 11/30/2013	4.92	3.45	5.79	
UBS Trumbull Property Fund				
NCREIF				
Quarter	2.99	2.68	3.57	3.39
1 year	12.19	10.94	12.72	13.45
Since 7/31/2012	11.19	10.00	11.88	12.84
Core Private Real Estate				
ODCE				

TOTAL RETURN

Time-Weighted Return (TWR)	Policy Index	Composite Index
Quarter	0.85	0.72
1 year	6.12	5.64
3 year	9.76	9.28
5 year	9.71	9.24
Since 9/30/2006	6.41	5.98
Dollar-Weighted Net (IRR)		
Actuarial Rate		
Quarter	0.73	1.94
1 year	5.65	8.00
3 year	9.33	8.00
5 year	9.32	8.00
Since 9/30/2006	6.20	8.00

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) / 35% BC Int G/C / 5% HFRI FOF Com/5% HFRI FOF Div / 5% NCREIF 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) / 35% BC Int G/C / 5% NCREIF for periods since 6/30/2012
- 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 2000 Value / 5% Russ Mid Growth / 10% 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 Mid 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 Aggr for periods prior to 2/28/2009

COMPLIANCE CHECKLIST

City of North Miami Beach Police & Fire Retirement Plan

As of March 31, 2015

GUIDELINES		In Compliance		OBJECTIVES		In Compliance	
Equity Portfolio				Total Portfolio			
Listed on recognized exchange	Yes	Exceed Target Index	No	3 years	No	Since Inception	No
Single issue not to exceed 10% at market value for each equity in each separately managed portfolio	Yes	Exceed actuarial assumption (8.0%) *	Yes	Yes	Yes	No	No
Total equity portfolio < 57.5% & > 52.5% of total fund at market	Yes	Exceed CPI + 4% *	Yes	Yes	Yes	Yes	Yes
Single issue not to exceed 5% at market value for the total portfolio	Yes	* Measured using Net Dollar-Weighted Rate of Return					
Foreign equities < 25% of total portfolio at market	Yes						
No scrutinized companies (Sudan/Iran) held per Protecting Florida's Investments Act requirement	Yes						
HGK							
<u>Large Capitalization Value Equity Portfolio</u>							
Market Value < 20.0% & > 15.0% of total fund	Yes						
Performance (Inception 3/31/2009)	3 years	Since Inception	No	3 years	No	Since Inception	Yes
Rank in the Top 50% of manager universe	No	No	No	No	Yes	Yes	
Return > Russell 1000 Value	No	No	No				
Wedgewood							
<u>Large Capitalization Growth Equity Portfolio</u>							
Market Value < 20.0% & > 15.0% of total fund	Yes						
Performance (Inception 10/31/2014)	3 years	Since Inception	No	3 years	Yes	Since Inception	Yes
Rank in the Top 50% of manager universe	N/A	No	No	Yes	Yes	Yes	
Return > Russell 1000 Growth	N/A	No	No				
GW Capital							
<u>Small Capitalization Value Equity Portfolio</u>							
Market Value < 7.5% & > 2.5% of total fund	Yes						
Performance (Inception 2/28/2009)	3 years	Since Inception	No	3 years	Yes	Since Inception	Yes
Rank in the Top 50% of manager universe	No	No	No	Yes	Yes	Yes	
Return > Russell 2000 Value	No	No	No				
Garcia Hamilton & Associates							
<u>Fixed Income Portfolio</u>							
Market Value < 32.5% & > 27.5% of total fund	Yes						
Performance (Inception 9/30/2006)	3 years	Since Inception	Yes	3 years	Yes	Since Inception	Yes
Return > Barclays Cap Intern. Gov't/Credit U.S. Government / Agency or U.S. Corporations	Yes	Yes	Yes	Yes	Yes	Yes	
Bonds rated "A" or better	Yes	Yes	Yes	Yes	Yes	Yes	
Single corporate issuer not exceed 10% of bond portfolio (except U.S. Government/Agency)	Yes	Yes	Yes	Yes	Yes	Yes	
Private Advisors							
<u>Hedge Fund of Funds</u>							
Market Value < 5.0% & > 0% of total fund	Yes						
Performance (Inception 10/31/2013)	3 years	Since Inception	No	3 years	N/A	Since Inception	No
Return > HFR1 FOF Conservative	Yes	Yes	Yes	Yes	Yes	Yes	
UBS Trumbull Property Fund							
<u>Core Private Real Estate</u>							
Market Value < 12.5% & > 0% of total fund	Yes						
Performance (Inception 7/31/2012)	3 years	Since Inception	No	3 years	N/A	Since Inception	No
Return > NCREIF PPI Index	N/A	No	No	N/A	N/A	No	No
Return > NCREIF ODCE	N/A	No	No				
Entrust							
<u>Hedge Fund of Funds</u>							
Market Value < 5.0% & > 0% of total fund	Yes						
Performance (Inception 11/30/2013)	3 years	Since Inception	No	3 years	N/A	Since Inception	No
Return > HFR1 FOF Diversified	Yes	Yes	Yes	Yes	Yes	Yes	

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