

MINUTES

POLICE OFFICERS' & FIREFIGHTERS' RETIREMENT COMMITTEE MEETING

TUESDAY - JUNE 17, 2014 - 9:00 AM

PRESENT

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

ABSENT

ALSO PRESENT

Graystone – C. Mulfinger
Sugarman & Susskind - Bob Sugarman
Buck – Joe Griffin
Buck – Tim Bowen
Martin Lebowitz – Pension Administrator
Renaldo Gayle – Asst. Pension Admin.

DEPARTMENT REPRESENTATIVES

The meeting was called to order at 9:20 a.m. by Trustee Leo Socorro, followed by a roll call of the Trustees by Martin Lebowitz.

I. PUBLIC COMMENTS

There were no comments from the public.

II. ATTORNEY'S REPORT

Trustee Leo Socorro mentioned moving item # 3 on the agenda out of order and allowing Bob Sugarman to present his report first.

Motion by Trustee George Vallejo, seconded by Trustee Beth Spiegel, to move item # 3 down and allow Bob Sugarman to do his presentation.

Motion carried unanimously

Bob Sugarman reminded the board of the importance of filing the Financial Disclosure form and noted that Trustees should get a receipt when this is done and give a copy to the Pension Administrator.

The IRS is paying increased attention to the rehiring of people who are receiving a pension check and working for the same employer. Bob Sugarman stated that if any such situation arises, it should be brought to the attention of the Plan Administrator. The administrator will then consult with him about the recipient because each situation is different regarding how it's evaluated. Also, if there is anyone that plans to do this, it should be brought to his attention so that the desires of all parties are met and the pension check of the retiree is protected.

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Mr. Sugarman briefly mentioned City's the lawsuit against the General Employees' Pension Board. He mentioned that the judge ruled in favor of the City and the Board filed an appeal. However, during the process of appealing the decision, the General Employees' Board decided to abide by the new ordinance.

Trustee Beth Spiegel asked if Bob Sugarman had a recommendation for the board since the judge ruled in favor of the City in the General Employees' suit but the Police & Fire Board decided not to implement new ordinance. His response was that he does not have a recommendation because it depends on the Board's risk tolerance. Trustee Beth Spiegel followed up by stating that she would like to make a motion that the board implement the changes to the plan as enacted by the City.

The Chairperson, Leo Socorro commented that it was not on the agenda to take a vote on implementing the changes to the plan and as such, it must be addressed at a later meeting date. Bob Sugarman agreed and added that a separate meeting must be called to address this with proper notice to the members and the public.

Trustee George Vallejo then stated that he believes there is more risk involved if the board does not implement the changes. He asked for the reason why the board doesn't go ahead with implementing the changes. Bob Sugarman's response was that by him not making a recommendation does not mean the board should continue doing what it is currently doing or that it should do what the General Board did. He added that the decision regarding how much risk to take is that of the client and not the attorney.

The motion by Trustee Beth Spiegel was ruled out of order by the Chairman.

After discussion, Trustee Beth Spiegel followed up with a motion to overrule the Chair's decision that her motion was out of order. It was seconded by Trustee George Vallejo. A "YES" vote meant there would be a vote on Trustee Beth Spiegel's original motion to implement the pension plan changes by overruling the chair. A "NO" vote meant the Chairman's ruling that Trustee Beth Spiegel's motion is out of order will stand.

Roll Call:

Trustee Beth Spiegel	Yes
Trustee George Vallejo	Yes
Trustee Leo Socorro	No
Trustee Linda Loizzo	No
Trustee Mo Asim	No

Motion Failed

Trustee Beth Spiegel then stated that she was disappointed that the agenda did not include a line item pertaining to the implementation of the plan changes because the board voted to make a decision based on the outcome of the General Employees' lawsuit. She added that since the decision was reached in that case prior to this meeting, it should have been on the agenda.

Discussions then commenced that there should be a special meeting to address the implementation of the pension changes. A decision was made to have the Plan Administrator consult with the Trustees and the attorney to arrange a date for a special meeting.

III. GRAYSTONE CONSULTING – Q/E 3/31/2014

Charlie Mulfinger started off by stating that the quarter was not as strong as the last one. He presented the performance report, indicating a total portfolio market value on 3/31/2014 of \$90,909,661 (including accrued income). This represents a net increase in value from the previous quarter of \$33,364. **Please see attached Summary of Relevant Facts as of March 31, 2014.**

Mr. Mulfinger went on to state that one of the managers for the large cap growth, Garcia Hamilton was not performing too well. As a result, he recommended that a search for a new manager be conducted. He added that a search for a new manager was done before and a decision needs to be made about whether or not the board will be staying with Garcia Hamilton going forward. He recommended that the board make a change and presented multiple managers for consideration. The two managers discussed that made the shortlist were Sawgrass and Wedgewood.

After discussion, motion by Trustee George Vallejo, seconded by Trustee Linda Loizzo to engage Wedgewood as the new Large Cap Growth manager to replace Garcia Hamilton and authorize the chairman to sign the contract after it is successfully negotiated by the attorneys and after signing of contract, to authorize Graystone to supervise the movement of the assets from one manager to the other.

Roll Call:

Trustee Beth Spiegel	Yes
Trustee George Vallejo	Yes
Trustee Leo Socorro	Yes
Trustee Linda Loizzo	Yes
Trustee Mo Asim	Yes

Motion carried unanimously

IV. APPOINTMENT OF 5th SEAT ON THE COMMITTEE

Bob Sugarman reminded the board that the 5th trustee is selected by the other four and that Linda Loizzo's term expired on May 31st. So the four trustees must select a 5th trustee by having at least three votes in one person's favor.

Trustee Beth Spiegel made a motion, seconded by Trustee George Vallejo for discussion that there must be a system put in place going forward so that the board can solicit candidates for a 5th seat member.

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Trustee George Vallejo stated that he agrees that a process must be put in place to solicit for a 5th member and it should be open to the public to see who else may be interested in the seat.

Trustee Mohammad Asim stated that he believes there should be a process put in place once Linda Loizzo decides to step down.

Chairman Leo Socorro stated that he believes the appointment of the 5th seat as a retired member is good for the board because that person will look out for the best interest of the plan.

After discussion, Trustee Beth Spiegel's motion that was seconded by Trustee George Vallejo was voted on. A "YES" vote meant that the board would develop a procedure to appoint the 5th seat.

Roll Call:

Trustee Beth Spiegel	Yes
Trustee George Vallejo	Yes
Trustee Leo Socorro	No
Trustee Linda Loizzo	No
Trustee Mo Asim	No

Motion failed

Firefighter's representative William Dresback stepped forward and stated that he is recommending that Linda Loizzo be retained as the 5th member of the board.

Motion by Trustee Mohammad Asim, seconded by Trustee Leo Socorro to reappoint Linda Loizzo as the 5th member of the board from 6/1/2014 to 5/31/2016. There being no discussion, a vote was conducted.

Roll Call:

Trustee Beth Spiegel	Yes
Trustee George Vallejo	Yes
Trustee Leo Socorro	Yes
Trustee Mo Asim	Yes

Motion carried unanimously

V. BUCK CONSULTANTS

Joe Griffin and Tim Bowen spoke about the importance, implementation and requirements of GASB 67 and GASB 68. Tim also spoke about Senate Bill 534 that requires state reporting and new disclosures and the new mortality table scheduled to be released for 2016.

VI. APPROVAL OF MINUTES – 2/20/2014

Motion by Trustee George Vallejo seconded by Trustee Mohammad Asim to approve minutes of 2/20/2014.

Motion carried unanimously

VII. APPROVAL OF INVOICES

Motion by Trustee George Vallejo, seconded by Trustee Mohammad Asim, to pay the following invoices:

Motion carried unanimously

INVOICES:

Garcia Hamilton – Equity Management Fees	\$16,791.95
Garcia Hamilton – Fixed Management Fees	12,592.95
Morgan Stanley Smith Barney – Consulting Fees	6,875.00
HGK – Management Fees	16,133.02
GW Capital – Management Fees	8,649.82
MDT – Management Fees	10,065.82
Renaissance – Management Fees	7,526.01
Thornburg – Management Fees	7,339.24
Buck Consultants – Actuaries Fees	12,271.00
Steven Gordon – Auditor	1,618.00
Sugarman & Susskind – Legal Fees	7,050.00
Salem Trust Co. – Custody Fees	9,785.31
TOTAL	<u>\$116,698.12</u>

The next scheduled meeting is on August 21, 2014. Meeting was adjourned at 12:38 p.m.

Renaldo Gayle, Asst. Pension Administrator

**Breakdown of Returns
City of North Miami Beach Police & Fire Retirement Plan
As of March 31, 2014**

H GK	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	2.21	2.11	3.02	2.80	1.80	
	1 year	22.95	22.45	21.58	21.57	21.86	
	3 year	14.65	14.20	14.80	14.93	14.66	
	Since 3/31/2009	19.73	19.28	21.75	21.53	21.16	
Garcia Hamilton & Associates*							
	Quarter	(1.71)	(1.79)	1.12	1.15		
	1 year	17.08	16.72	23.23	23.66		
	3 year	10.78	10.31	14.62	14.24		
	5 year	18.29	17.72	21.68	20.76		
	Since 9/30/2006	7.46		8.66	8.41		
GW Capital							
	Small Cap. Value						
	Quarter	2.09	1.91	1.78	2.44		
	1 year	17.55	16.67	22.64	24.96		
	3 year	11.25	10.45	12.73	14.14		
	5 year	25.65	24.78	23.33	25.79		
	Since 2/28/2009	26.06	25.20	24.98	NA		
MDT Advisers							
	Mid Cap. Growth						
	Quarter	2.72	2.52	2.05	1.60		
	1 year	29.86	28.85	24.23	24.59		
	3 year	18.47	17.56	13.52	13.46		
	Since 5/31/2009	26.82	25.88	21.01	NA		
Thornburg							
	International Value						
	Quarter	(1.81)	(1.98)	0.51			
	1 year	12.40	11.69	12.32			
	3 year	4.13	3.48	4.16			
	Since 9/30/2009	8.09	7.43	6.85			
Renaissance							
	International Growth						
	Quarter	0.00	(0.16)	0.51			
	1 year	25.45	24.66	12.32			
	3 year	8.14	7.46	4.16			
	Since 5/31/2009	12.62	11.93	10.14			

Garcia Hamilton & Associates*		BC Int. Gov/Credit	BC Int. Aggregate	90-Day T-Bill
Fixed Income	Quarter	1.48	1.41	1.20
	1 year	1.98	1.73	0.01
	3 year	4.97	4.71	0.04
	5 year	6.94	6.67	0.06
	Since 9/30/2006	6.66	4.57	0.09
Private Advisors				
Alternative Investments	Quarter	1.30	1.30	1.28
	Since 10/31/2013	2.90	2.90	2.96
Entrust				
Alternative Investments	Quarter	1.87	1.87	1.80
	Since 11/30/2013	2.94	2.94	4.37
UBS Trumbull Property Fund				
Core Private Real Estate	Quarter	2.53	2.23	2.74
	1 year	11.35	10.04	11.18
	Since 7/31/2012	10.60	9.43	11.38
		NCREIF	ODCE	

TOTAL RETURN		Policy Index	Composite Index
Time-Weighted Return (TWR)			
Quarter	0.93	0.83	1.59
1 year	13.55	13.08	12.69
3 year	9.45	9.00	9.30
5 year	14.77	14.30	14.52
Since 9/30/2006	6.45	6.03	6.51
Dollar-Weighted Net (IRR)			
Quarter	0.83	0.83	1.82
1 year	13.09	13.09	7.50
3 year	9.07	9.07	7.50
5 year	14.05	14.05	7.50
Since 9/30/2006	6.27	6.27	7.50
		Actuarial Rate	CPI + 4

Policy Index Composition

-20% Russ 1000 Value / 20% Russ 1000 Growth / 5% Russ 2000 Value / 5% Russ Mid Growth / 10% MSCI AC Wld x US (net) / 35% BC Int G/C / 10% HFRI FOF Con / 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 Wld 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 Wld 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 / 5% MSCI EAFE (net) / 5% MSCI AC Wld 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

* Davis Hamilton Jackson originally managed the assets for the plan in a balanced (equity & fixed) account. In October 2008 (at the consultant's recommendation), the equity assets were

COMPLIANCE CHECKLIST

City of North Miami Beach Police & Fire Retirement Plan

As of March 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 < 57.5% & > 52.5% of total fund at market	Yes Yes Yes	Total Portfolio Exceed Target Index Exceed actuarial assumption (7.5%)* Exceed CPI + 4%*	3.years Yes Yes Yes
Single issue not to exceed 5% at market value for the total portfolio Foreign equities < 25% of total portfolio at market No scrutinized companies (Sudan/Iran) held per Protecting Florida's Investments Act requirement	Yes Yes Yes	*Measured using Net Dollar-Weighted Rate of Return	Since Inception No No Yes
HGK Large Capitalization Value Equity Portfolio Market Value < 20.0% & > 15.0% of total fund Performance (Inception 3/31/2009) Rank in the Top 50% of manager universe Return > Russell 1000 Value	Yes No No	Thornburg International Value Equity Portfolio Market Value < 7.5% & > 2.5% of total fund Performance (Inception 9/30/2009) Return > MSCI All Country World ex US	3.years No No Yes
Garcia Hamilton & Associates Large Capitalization Growth Equity Portfolio Market Value < 20.0% & > 15.0% of total fund Performance (Inception 9/30/2006) Rank in the Top 50% of manager universe Return > Russell 1000 Growth	Yes No No	Renaissance Investment Management International Growth Equity Portfolio Market Value < 7.5% & > 2.5% of total fund Performance (Inception 5/31/2009) Return > MSCI All Country World ex US	3.years No No Yes
GW Capital Small Capitalization Value Equity Portfolio Market Value < 7.5% & > 2.5% of total fund Performance (Inception 2/28/2009) Rank in the Top 50% of manager universe Return > Russell 2000 Value	Yes No No	Garcia Hamilton & Associates Fixed Income Portfolio Market Value < 32.5% & > 27.5% of total fund Performance (Inception 9/30/2006) 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 No No Yes
MDT Advisers Mid Capitalization Growth Equity Portfolio Market Value < 7.5% & > 2.5% of total fund Performance (Inception 5/31/2009) Rank in the Top 50% of manager universe Return > Russell Mid Growth	Yes Yes Yes	Private Advisers Hedge Fund of Funds Market Value < 5.0% & > 0% of total fund Performance (Inception 10/31/2013) Performance > HFRI FOF Conservative	3.years Yes Yes
UBS Trumbull Property Fund Core Private Real Estate Market Value < 12.5% & > 0% of total fund Performance (Inception 7/31/2012) Performance > NCREIF Prop Index Performance > NCREIF ODC	Yes N/A N/A	Entrust Hedge Fund of Funds Market Value < 5.0% & > 0% of total fund Performance (Inception 11/30/2013) Performance > HFRI FOF Conservative	3.years N/A N/A