

**MINUTES**

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

**THURSDAY - MAY 20, 2010 - 9:00 AM**

**PRESENT**

Sgt. Leo Socorro – Chair  
(Ret)Chief Linda Loizzo  
Councilwoman Beth Spiegel  
Sgt. Mo Asim  
Councilman John Julien

**ABSENT**

**ALSO PRESENT**

Graystone – Charlie Mulfinger  
GW Capital - Scott Mullet  
Thornburg – John Roche  
MDT Advisors - Mike Bappert  
Bob Sugarman – Sugarman & Susskind  
Tom Lowman – Bolton Partners  
Jack Farland – Salem Trust Company  
David Freitas – Salem Trust Company  
John Culhane – Salem Trust Company  
Retired Police Officer – Lisa Fogelgren  
Martin Lebowitz – Pension Administrator

**DEPARTMENT REPRESENTATIVES**

Bill Dresback – Retired Firefighter  
Darcee Siegel – City Attorney  
Jeff DeLisle – Bolton Partners  
Beverly Hobson – Dir. HR  
Lori Helton – IT  
Various Police Officers

The meeting was called to order at 9:22 a.m. by Sgt. Socorro and was followed by a roll call of Trustees.

**I. SETTLEMENT AGREEMENT WITH RETIRED POLICE OFFICERS**

Retired Police Office Sergeant Marcia Marion addressed the board concerning the settlement agreement between the City of North Miami Beach and 12 police officers for back pay. The 12 police officers were required to report to work prior to the beginning of the shift or stay after the shift in order to prepare for roll call; that this time constituted pre-shift or post shift activities for which they were not compensated; and further that this time constituted a call-in pursuant to the CBA between IUPA and the City of North Miami Beach. The City of North Miami Beach

**Police & Fire Retirement  
Committee Meeting  
May 20, 2010  
Page 2**

settled with the 12 police officers compensating each police officer. Sgt. Marion is requesting that her pension and Sgt. Lisa Fogelgren pension be adjusted based on the additional compensation that was paid.

It was agreed that for those retirees or DROP participants their pension benefits will be re-calculated if applicable and any additional payments will be adjusted by the employee contributions on the settlement amount will be reduced.

**II. IRA SUMMER ARTICLE**

Councilwoman Spiegel has suggested that it is our fiduciary duties as Trustee that we pursue a claim against Ira Summer former actuary for the City of North Miami Beach Police & Fire Retirement Plan. Bob Sugarman stated that our actuary states we have valid claim. We have discussed suing Ira Summer at our prior meetings. Tom Lowman stated the article about Ira Summer was from The Conference of Consulting Actuaries, which provided that Ira Summer materially violated Precepts 1 and 14 of the Code of Conduct and that such violations warrant a public reprimand.

Bob Sugarman asked did Ira Summer commit malpractice on 1) did he violate any of the actuarial standards and 2) was his methods different then another actuary would have done. Tom Lowman stated that when their firm took over, the 2005 Valuation Report that Ira Summer rendered was correct but he did not agree with the way Ira Summer calculated an employee to purchase credited service. The differences from what Ira Summer calculated were between \$50,000 to \$70,000 per person. Tom Lowman stated that the only issue against Ira Summer is the methodology of purchasing of credited service. Tom Lowman at a previous Committee Meeting the board agreed to change the methodology of purchasing of credited service.

Councilwoman Spiegel asked is there a statute of limitation for suing Ira Summer. Bob Sugarman stated it is 5 years and he was fired December, 2006.

Bob Sugarman suggested we budget \$25,000 for expenses to file a law suit against Ira Summer. This would cover legal fees and hiring an actuary. Copies of the Buck Consultant Report will be given to all the Trustees, Bob Sugarman and Tom Lowman.

A meeting has been scheduled for June 18, 2010 at 3:00 p.m. to review Buck Consultants' Report.

**III. ORDINANCE 2007-3 CLARIFICATION**

City Attorney Darcee Siegel asked the board to defer this item until August 2010.

**IV. ATTORNEY'S REPORT**

Bob Sugarman gave us update of what happened since our last meeting as follows:

- Reviewed our changed Investment Policy Statement Agreement and filed it with the appropriate authorities, the State Actuary and City Manager.
- Successfully negotiated the Investment Management Agreement with Thornburg International Investment Value Fund and was signed by the Chairman of the Police & Fire Committee.
- Reviewed the change in name and principles at Davis Hamilton Jackson and forward our comments to Graystone Consultants for their comments.
- Did considerable amount of work on Ordinance 2007-3.
- Answered question whether or not the City Council can change the assumed actuary rate of return the answer is no.
- Answered question about if a police officer enters the DROP can his interest change if he is already participating in the DROP the answer is yes because he earns the assumed rate of return.

Bob Sugarman informed the Trustees to file their financial disclosure statement due 7/1/2010 with the Supervisor of Elections in Miami-Dade. You should mail them by return receipt request for proof of mailing.

Bob Sugarman reported that the State Legislation did not do anything with pension reform issues.

**V. BOLTON PARTNERS – ACTUARY EXPERIENCE STUDY**

Tow Lowman mentioned that there are new accounting rules that will be proposed at the end of June that he will review at our next meeting.

Tom Lowman is recommending rendering an Experience Study which is usually done every 3 - 6 yrs. The experience study will look at the actual experience the plan had in the past several years and will review if there are any assumptions that need to be changed. Tom Lowman feels its time to do this study and he needs some guidance on the items to review, such as; turnover rates, the retirement rates and the interest rate of 8%. Tom Lowman would like to complete the study before the 10/1/2010 Valuation Report is due. The cost for doing this study will be approximately \$15,000.

Motion by Chief Loizzo, seconded by Sgt. Asim to have Tom Lowman do an Experience Study of the Plan at a cost of not more than \$15,000.

Motion carried unanimously

## **VI. ANTI-SELECTION**

Tom Lowman reviewed the State Law requiring that any retiree in the Plan who chooses a Joint & Survivor Benefit that they be given the option to change their beneficiary twice after they retire without asking if they are in good health. The Board did not want to look at retiree's health status when someone elects to change their beneficiary. This means when someone goes to retire and selects the 50 % Joint & Survivor Benefit they would get two calculations the current method and then another calculation with a reduction of 2% and a 4% reduction if you select 100% Joint & Survivor Benefit. The reduction option gives a retiree the option to change their beneficiary twice without checking someone health status. Or the retirees can choose the option that we currently have with no reduction. This change will cost a lot money to the plan if we don't use the anti-selection option. It is difficult to be precise but without any extra charge to retirees, I will propose a 1% load to plan liabilities to cover this cost. That will be an increase of about \$78,000 - \$80,000 in the City's annual contribution. Sgt. Socorro has a concern about when to charge a retiree for this option. Sgt. Socorro feels that if someone retires and has selected a joint survivor benefit that the retiree pay for this benefit when or if they change their beneficiary. Tom Lowman is stating if a retiree chooses this option there monthly pension amount will be reduced for future payments.

Bob Sugarman stated that we are adding an option to the plan and that option is definitely a benefit for those who are going to use it therefore a benefit and changes to the plan must go through collective bargaining. Not as to whether or not we are going to change it because we have to allow it but how are we going to allow it and who will pay for it. Councilwoman Spiegel asked Bob Sugarman why is this in the Ordinance and why are spending so much time talking about this issue if it a bargaining issue. Bob Sugarman stated that we are the only client that had a discussion on who was going to pay for this benefit. Most of the other clients are ignoring this issue.

Direction was given from the board to have Bob Sugarman write the Ordinance to reflect the State Bill 2009-97 items and have it prepared before the August 2010 Retirement Committee Meeting.

## **VII. APPOINTMENT OF 5<sup>TH</sup> SEAT ON THE COMMITTEE**

Roll Call Vote for 5<sup>th</sup> member:

- Councilman Julien –Chief Loizzo
- Councilwoman Spiegel - Chief Loizzo
- Sgt. Asim - Chief Loizzo
- Sgt. Socorro - Chief Loizzo

**Police & Fire Retirement  
Committee Meeting  
May 20, 2010  
Page 5**

After discussion, Motion by Councilman Julien, seconded by Sgt. Socorro to re-appoint Chief Loizzo for the fifth seat on the Retirement Committee from 6/1/2010 through 5/31/2012.

Motion carried unanimously

**VIII. GW CAPITAL – MARCH 31, 2010 REPORT**

Scott Mullet reported the total GW Capital Small Cap Value Equity portfolio was valued at \$3,215,116 (including accrued interest) as of 3/31/2010, with an asset allocation of 96.15% in equities, 3.85% in cash and equivalents

For the quarter ended 3/31/2010: Total fund return was 8.01% compared to 10.03% for the Russell 200 Value.

Plan year results: Total return for their portfolio was 71.59% vs. 65.03% for the Russell 200 Value.

**IX. MDT ADVISORS – MARCH 31, 2010 REPORT**

Mike Bappert reported the total MDT Advisors Mid Cap Growth portfolio was valued at \$3,177,549 (including accrued interest) as of 3/31/2010, with an asset allocation of 98.78% in equities, 1.22% in cash and equivalents.

For the quarter ended 3/31/2010: Total fund return was 8.64% compared to 6.69% for the Russell Mid Growth.

Plan year results: Total return for their portfolio was 35.78% vs. 35.69% for the Russell Mid Growth.

**X. THORNBURG – MARCH 31, 2010 REPORT**

John Roche reported the total Thornburg International Value portfolio was valued at \$2,786,304 (including accrued interest) as of 3/31/2010, with an asset allocation of 95.57% in equities, 4.43% in cash and equivalents.

For the quarter ended 3/31/2010: Total fund return was 1.90% vs. 3.74% for the MSCI AC Wrlld x US.

Plan year results: Total fund return was 6.20% vs. 5.39% for the MSCI AC Wrlld x US.

**XI. GRAYSTONE CONSULTING – MARCH 31, 2010 REPORT**

Charlie Mulfinger presented the performance report, indicating a total portfolio market value on 3/31/2010 of \$59,376,890 (including accrued income). This represents a net increase in value from the previous quarter of \$1,825,011. The total asset allocation was reported to be 50.10% invested in domestic equities, 9.66% invested in international, 37.82% in fixed income and 2.42% in cash and equivalents. The total fund earned 3.19% for the quarter.

For the quarter ended 3/31/2010: Davis Hamilton under-performed Russell 1000 Growth Fund 2.51% vs.4.65%. HGK under-performed Russell 1000 Value Fund 5.08% vs. 6.79%. GW Capital returned 8.01% vs. 10.03% for the Russell 2000 Value Fund. MDT returned 8.64% vs. 6.69% for the Russell Mid Growth. Renaissance returned .05% vs.1.58 for the MSCI AC World x US. Thornburg returned 1.90% vs.3.74% for the MSCI AC World x US. Davis Hamilton Fixed Income earned 1.97% outperformed the BC Int. Gov/Credit of 1.54%.

Plan year results: Total return earned for plan year was 32.43%.

Charlie Mulfinger informed the Board that Mike Degenova has resigned his position with Morgan Stanley Smith Barney effective last week.

Bob Sugarman asked Charlie Mulfinger to update the Board about the name and managing partner change at Davis Hamilton Jackson and give his firms advice. Bob Davis and Jack Hamilton, the founding partners, have retired. The new name is Garcia Hamilton & Associates (GHA). They expect the name change to be fully implemented by January 1, 2011. The new managing partners of the firm are Gilbert A. Garcia and Janna Hamilton (Woods). Davis Hamilton is buying back from AMG - the 25% that was owned by AMG. Charlie Mulfinger does not recommend making any changes at this time.

Charlie Mulfinger feels interest rates will rise in the near future. Charlie Mulfinger is recommending a private real estate investment institutional fund be added to the plan allocation. The real estate fund has many holdings of different real estate property.

Charlie Mulfinger will bring to our next meeting some material and education on private real estate funds.

**XII. SALEM TRUST – SHORT TERM INVESTMENT FUND(STIF)**

Jack Farland, David Freitas and John Culhane of Salem Trust discussed the uninvested cash that is currently in a Money Market Fund (MMF). Currently the MMF is invested Goldman

**Police & Fire Retirement  
Committee Meeting  
May 20, 2010  
Page 7**

Sachs and Federated Money Market Funds for cash. Salem Trust is suggesting a new investment to replace the current MMF with Salem Trust Short Term Investment (STIF) account paying a higher yield. The Board has given permission for Salem Trust to communicate with all the Investment Managers to have the Salem Trust STIF account available as an option to be selected by each manager for cash. If the Investment Managers agree to have it available to use Salem Trust's STIF it will then go to Charlie Mulfinger and Charlie Mulfinger will bring to the Board for review.

The Salem Trust STIF account is a blend of government securities, cash and proprietary repurchase agreements, 100% of which carry the full faith and credit of the U.S. Government.

**XIII. PENSION REFORM**

To be deferred until August 2010 meeting.

**XIV. APPROVAL OF MINUTES FEB. 18 AND MARCH 17, 2010**

Motion by Sgt. Asim, seconded, by Chief Loizzo, to accept the February 18, 2010 and March 17, 2010 minutes for the Police & Fire Retirement Plan Meetings.

Motion carried unanimously

**XV. APPROVAL OF INVOICES**

Motion by Sgt. Asim, seconded by Chief Loizzo, to pay the following invoices:

**INVOICES:**

Davis Hamilton Jackson – Equity Quarterly Management Fees	\$15,096.52
Davis Hamilton Jackson – Fixed Quarterly Management Fees	14,662.78
Morgan Stanley Smith Barney – Quarterly Consulting Fees	5,625.00
HGK – Quarterly Management Fees	11,579.80
GW Capital – Quarterly Management Fees	5,640.94
MDT – Quarterly Management Fees	6,354.71
Renaissance – Quarterly Management Fees	4,739.46
Thornburg - Quarterly Management Fees	4,287.75
Bolton Partners – Actuary Fees	27,052.97
Sugarman & Susskind – Legal Fees	6,600.00
Salem Trust Company – Custodial Fees	7,386.18
	<b>\$109,026.61</b>

Motion carried unanimously.

**Police & Fire Retirement  
Committee Meeting  
May 20, 2010  
Page 8**

The retirement board has requested going forward a detail invoice from Bolton Partners reflecting a breakdown of their hours and who worked on those items.

The next regularly scheduled quarterly Board meeting will be held on Thursday, August 19, 2010 at 9:00 a.m. Meeting was adjourned at 2:00 p.m.

---

Martin Lebowitz, Pension Administrator