

## MINUTES

### GENERAL EMPLOYEES' RETIREMENT COMMITTEE MEETING

THURSDAY - FEBRUARY 18, 2010 - 3:00 PM

#### PRESENT

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

#### ALSO PRESENT

Charlie Mulfinger – Graystone Consulting  
Michael DeGenova – Graystone Consulting  
Mike Harhai/John Swanson – Buckhead  
Steven Gordon - Auditor  
Bob Sugarman – Sugarman & Susskind  
Martin Lebowitz – Pension Administrator

#### ABSENT

#### DEPARTMENT REPRESENTATIVES

Darcee Siegel – City Attorney  
Janice Coakley –Pub Serv. Adm.  
Robert Grossman - Sanitation  
Susan Gooding-Liburd– Finance Director  
Sonny Riechelsohn – Leisure Services

Lori Helton called the meeting to order at 3:00P.M., followed by a roll call of Trustees.

#### **I. DAVIS HAMILTON JACKSON REPORT - Q/E 12/31/2009**

Janna Woods reported the total DHJ Equity portfolio (Large Cap Growth) was valued at \$10,886,509 (including accrued interest) as of 12/31/2009, with an asset allocation of 98.38% in equities, 1.62% in cash and equivalents. DHJ Fixed Income was valued \$19,787,778 (including accrued interest) as of 12/31/2009, with an asset allocation of 98.65% in bonds and 1.35% in cash and equivalents.

For the quarter ended 12/31/2009: Total fund return was 9.05%. Equities returned 7.80% compared to 7.94% for the Russell 1000 Growth. Bond fund return was 1.25% compared to .31% BC Int. Gov/Credit.

Plan year results: Total return for their portfolio was 45.18%. Equities returned 34.52% vs. 37.21% for the Russell 1000 Growth. The fixed income portfolio was 10.66% vs. the BC Int. Gov/Credit return of 6.30% since 2/28/2009.

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Janna Woods reviewed the following stocks that did very well, Amphenol, Walt Disney and Deere & Co. She also reviewed the stocks that did not do well, Bank of America, J.P. Morgan, Janus Group and Activision.

## **II. BUCKHEAD CAPITAL – Q/E 12/31/2009**

Michael Harhai and John Swanson reported the total Buckhead portfolio (Large Cap Value) was valued at \$10,872,412 (including accrued interest) as of 12/31/2009, with an asset allocation of 98.15% in equities, and 1.85% in cash and equivalents.

For the quarter ended 12/31/2009: Equities returned 5.81% compared to 4.22% for the Russell 1000 Value.

Plan year results: Total return for their portfolio was 26.51%. Russell 1000 Value returned 19.69%.

Michael Harhai reviewed the following stocks that did very well, New York Community Bank, H & R Block and Microsoft. He also reviewed the stocks that did not do well, Chesapeake Energy, Bank of America and GE.

## **III. GRAYSTONE CONSULTING – Q/E 12/31/2009**

Charlie Mulfinger and Michael DeGenova presented the performance report, indicating a total portfolio market value on 12/31/2009 of \$52,936,148 (including accrued income). This represents a net increase in value from the previous quarter of \$2,267,641. The total asset allocation was reported to be 51.73% invested in domestic equities, 9.9% invested in international, 37.37% in fixed income and 1.00% in cash and equivalents. The total fund earned 4.48% for the quarter.

For the quarter ended 12/31/2009: Davis Hamilton Equity under-performed Russell 1000 Growth Fund 7.80% vs.7.94%. Buckhead outperformed Russell 1000 Value Fund 5.81% vs. 4.22%. GW Capital returned 8.28% vs. 3.62% for the Russell 2000 Value Fund. MDT returned 6.16% vs. 6.69% for the Russell 2000 Growth Fund. Harding Loevner returned 6.17% vs.3.74 for the MSCI AC World x US. Thornburg returned 4.26% vs. 3.74 for the MSCI AC World x US. Davis Hamilton Fixed Income earned 1.25% outperformed the BC Int. Gov/Credit of .31%.

Plan year results: Total return earned for plan year was 22.93%.

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## **IV. DROP PARTICIPANT ALLOWED TO VOTE AND BE A BOARD MEMBER**

Vic Espinal has requested that a DROP participant be allowed to be a member on the General Employee Retirement Board. Also discussed was the ability to allow DROP participants to be able to vote in election of employee members to the Board. Bob Sugarman suggested that we also include clarification of Section 5.01(a) a quorum shall constitute two of the three members appointed by the mayor and ratified by the City Council. Current Plan Ordinance does not allow DROP participants to vote for any changes to the Plan.

A Trustee must resign at end of their DROP period, and a new trustee will be elected for full 4 years term.

The steps necessary to make any Plan changes are as follows:

1. Plan would require approval of 2/3 of the active members.
2. City Council would need to approve this plan change.
3. Actuary would need to supply an impact statement.

Motion by Victor Espinal, seconded by Councilwoman Kramer, to recommend to the City Council that we would amend the Ordinance to allow DROP participants to be elected to the General Employee Retirement Board and to clarify Section 5.01 (a) Action By Retirement Board – A quorum shall constitute two of the three members appointed by the Mayor and ratified by the City Council and have Martin Lebowitz run the referendum.

Motion carried unanimously.

Finance Director Susan Gooding-Liburd asked if the General Plan Actuary is schedule to be at this meeting. Larry Wilson the General Plan Actuary was not scheduled to be at the meeting. Susan Gooding Liburd asked when the 10/1/2009 Valuation report would be completed. Martin Lebowitz stated that the actuary was waiting for the 2009 Annual Financial Report to complete the valuation. Martin Lebowitz will render the report to Larry Wilson ASAP. It was recommended that the Board meet on March 17, 2010 at 4:30 p.m. to review and approve the 10/1/2009 General Employees' Retirement Plan Valuation Report.

Bob Sugarman reviewed who is covered under the Fiduciary Liability Insurance Policy. He stated that all the trustees and the plan administrator are covered.

Bob Sugarman recommends that the amount of the insurance should be approximately 10% of the market value of the Plan.

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**AUTHORIZATION TO BIND COVERAGE AND PAY PREMIUM**

- Fiduciary Liability Insurance: \$ 5,000,000 Coverage \$5,000 Deductible \$18,165.86 annual premium

After discussion, motion by Vic Espinal, seconded by Larry Gordon to renew and to increase the Liability to \$5 million with U.S. Specialty Insurance Company for payment of \$18,165.86 for Fiduciary Liability Insurance for one year.

Motion carried unanimously.

**V. PENSION ATTORNEY REPORT**

Bob Sugarman stated at our last meeting the Board approved three Security Fraud Law Firms and two of them came this morning to meet with the Police and Fire Board. Bob Sugarman is recommending that the Chairperson be authorized to tentatively approve the participation of the General Board in suits that are recommended by our Securities Fraud Counsel subject to ratification of the trustees at their next board meeting.

Motion by Larry Gordon, seconded by Vic Espinal, to authorize the Chairperson based upon the recommendation of the Securities Fraud Counsel to approve the participation of the Board in securities fraud derivatives litigation subject to ratification by the Board at the next regular meeting.

Motion carried unanimously

Bob Sugarman updated the Board on the Merrill Lynch Case. Bob Sugarman has requested permission to participate in a Class Action Suit against Merrill Lynch which is now owned by Bank of America. Bob Sugarman's firm will partner up with Robert Klausner and Cohen's Law Firm. The lead plaintiff will be Klausner's client Jacksonville Police & Fire Plan. The case will be filed in Jacksonville, FL. There will be no cost to the Plan for any legal fees.

Motion by Larry Gordon, seconded by Councilman Pierre, to have Sugarman and Susskind to join in the class action suit against Merrill Lynch.

Motion carried unanimously.

Bob Sugarman stated that Pedro Herrera successfully negotiated agreements with the Securities Monitoring Firms and completed the engagement letter with Steven I. Gordon.

The next trustee school with the FPPTA will be held in Naples at the end of June 2010.

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## **VI. AUDITOR'S REPORT**

Steven Gordon presented the September 30, 2009 Annual Financial Statement for the General Employees' Retirement Plan for the City of North Miami Beach. Steven Gordon stated that the opinion is an unqualified opinion and a clean opinion so to speak and that this is what you are normally looking for when rendering an annual financial report. Bob Sugarman asked Steven Gordon to comment on condition of our books and records and the cooperation by Martin Lebowitz and the City. Steve Gordon stated that our books and records were kept properly and found very few minor adjustments. He acknowledged that Martin Lebowitz was very cooperative and timely on requests by his firms' staff.

The Financial Director Susan Gooding-Liburd has acknowledged receiving the September 30, 2009 Annual Financial Statement today.

Bob Sugarman suggested that each committee member keep a copy of the Annual Financial Statement at home for at least 5 years. Because if any claims are ever made against any member due to embezzlement or improperly spending the assets the Annual Financial Statement is your best defense.

Motion by Larry Gordon, seconded by Councilman Pierre, to accept the Annual Financial Statement Audit for the fiscal year ending September 30, 2009 for the General Employee's Retirement Plan prepared by Steven I. Gordon C.P.A.

Motion carried unanimously.

## **VII. APPROVAL OF MINUTES – NOVEMBER 19, 2009**

Motion by Larry Gordon, seconded by Vic Espinal, to accept the November 19, 2009 minutes for the General Employees' Retirement Plan Meeting.

Motion carried unanimously.

Lori Helton raised discussion about eliminating DROP statements from the actuary bill in order to save the Plan \$1000 a year. Trustees agreed that it was not necessary for the actuary to prepare them annually.

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**VIII. APPROVAL OF INVOICES**

Motion by Larry Gordon, seconded by Vic Espinal, to approve payment of the following invoices:

Davis Hamilton Jackson – Equity Quarterly Mgt. Fees	\$14,019.48
Davis Hamilton Jackson – Fixed Quarterly Mgt. Fees	12,989.16
Buckhead Capital - Quarterly Management Fees	14,836.11
Morgan Stanley Smith Barney – Qtly. Consulting Fees	5,625.00
GW Capital - Quarterly Management Fees	5,033.62
Harding Loevner – Quarterly Management Fees	4,898.00
Thornburg Management – Quarterly Management Fees	4,064.28
MDT - Quarterly Management Fees	5,549.30
GRS – Actuaries Fees	7,220.00
Sugarman & Susskind – Legal Fees	6,600.00
Steven Gordon – Auditor	5,390.00
Salem Trust – Custodial Fees	6,588.44
	<u>\$92,813.39</u>

Motion carried unanimously.

There will be a special Board meeting on March 17, 2010 at 4:30 p.m. The next scheduled meeting is May 20, 2010 at 3:00 p.m. Meeting was adjourned at 5:25 p.m.

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**Martin Lebowitz, Pension Administrator**