

MINUTES

POLICE OFFICERS' & FIREFIGHTERS' RETIREMENT COMMITTEE MEETING

MONDAY - AUGUST 3, 2015 - 9:00 AM

PRESENT

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

ALSO PRESENT

Charlie Mulfinger/Scott Owens – Graystone
Pedro Herrera – Sugarman & Susskind
Michael Pendergast – HGK Asset Mgmt.
Andrew Rothstein – HGK Asset Mgmt.
Joe Griffin & Tim Bowen – Buck Consultants
Martin Lebowitz – Pension Administrator

ABSENT

Councilwoman Beth Spiegel

DEPARTMENT REPRESENTATIVES

I. ROLL CALL

The meeting was called to order at 9:10 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. HGK ASSET MANAGEMENT - UNDERPERFORMANCE

Charlie Mulfinger stated that the reason for HGK's attendance at the meeting is due to recent discussion about their underperformance since hired in 2009.

Mr. Michael Pendergast introduced himself as the CEO of HGK. He stated that he will illustrate the factors that have contributed to their underperformance. He added that there are many signals in the market currently that gives HGK reasons to be more cautious and more defensive in their positioning.

Andrew Rothstein was then introduced as the Director of Research and Assistant Portfolio Manager. He presented the board with a document about HGK's performance and discussed it briefly. He explained that their tendency is to outperform in a down-market. There hasn't been a down-market since 2008/2009. There are two factors that contribute to underperforming. They are the drop in the price of oil and their defensive positioning.

IV. GRAYSTONE CONSULTING – Q/E 6/30/2015

Charlie Mulfinger started off by stating that it was a difficult quarter and the plan lost some money.

Scott Owens discussed the economy and market by stating that the quarter was very volatile. He briefly touched on the uncertainty of the European markets and its effect locally. However, the economy is moving in the right direction and the market will continue to strengthen as we enter the earnings season. Most companies are beating estimates.

The plan is slightly underweighted in the Large Cap Value and Growth but overweighted in the Small Cap Value and Mid Cap Growth. International Value and Growth are also slightly overweighted. The plan is currently at 55.61% in stocks versus the target of 55%. Fixed Income, Hedge Funds and Real Estate are all within range. This means rebalancing is not necessary. He presented the performance report, indicating a total portfolio market value on 6/30/2015 of \$95,633,177 (including accrued income). This represents a net decrease in value from the previous quarter of \$539,003. **Please see attached Summary of Relevant Facts as of June 30, 2015.**

V. ATTORNEY'S REPORT

Mr. Herrera briefly discussed the topic of In-Service Distribution. He informed the board that this is currently being addressed in the General Employees Plan but is not an issue with the Police & Fire Plan. He also discussed an ordinance amendment that occurred with the City of Hollywood Police Plan. The amendment required the closure of the DROP plan for those not eligible at the time of its enactment. There were four officers who were eligible to enter the DROP as of the effective date of the ordinance. A decision was reached by the Circuit Court that the four individuals still had a right to enter the DROP. Mr. Herrera stated that he isn't aware of any other developments regarding the case. He hasn't heard of any appeal since the decision was made.

The firm drafted a letter and sent it to the Division of Retirement regarding the Firefighters and the use of the 175 funds. The Division of Retirement was advised that through mutual consent the supplemental retirement benefit was grandfathered in. The letter comes as a result of the provisions of the new law, Senate Bill 172 (Chapter 2015-39). They are yet to receive a response to the letter.

The judge currently overseeing the litigation did not grant the City's motion to strike affirmative defenses. He granted a motion to intervene by four plan participants. There is a second motion to intervene on behalf of a second group of participants but a decision is yet to be made by the judge.

Trustee George Vallejo questioned whether the City could claim a portion of 175 funds for an area not within the municipal boundaries that is currently being serviced by the city. Attorney Herrera responded that only 175 funds from within the municipal boundaries are eligible for capture by the retirement plan although he could look into it further.

Motion by Trustee George Vallejo, seconded by Trustee Linda Loizzo, to authorize Sugarman & Susskind to research whether the City could claim any portion of 175 funds for the area being serviced outside of the municipal boundaries.

Motion carried unanimously

VIII. ACTUARY'S REPORT

Per request of the board at the meeting held on June 16, 2015, Tim Bowen presented a report that illustrates the percentage of payroll including DROP members for fiscal year 2016 contribution.

The board also asked the actuary to research the difference between the City making contributions at the start of the fiscal year versus the end of the quarter. If the City opts to pay contributions on October 1, 2015, it would result in savings of \$152,494 because of interest adjustment. However, if the contributions are made on the last day of the quarter, it would increase overall contributions by \$104,968. Trustee George Vallejo stated that the City will look at this data and make a decision.

The new state disclosure reporting is due 60 days after the October 1, 2014 valuation report was approved. This means the disclosure requirements are due on August 16, 2015. It is currently being worked on to meet the deadline.

Mr. Herrera stated that the deadline to meet the new state disclosure requirements will be before the next scheduled meeting. As such, the board should authorize the chair to work with the administrator to ensure that all the necessary documents are filed and posted accordingly.

Motion by Trustee George Vallejo, seconded by Trustee Linda Loizzo, to authorize the chairman to work with the administrator to ensure that the new state disclosure requirements are met.

Motion carried unanimously

Joe Griffin presented the board with a new fee schedule. The contract expires September 30, 2015. Brief details were discussed regarding the additional work and the associated fees. **Please see attached Exhibit B, Schedule of Fees.**

After discussion, motion by Trustee George Vallejo, seconded by Trustee Mo Asim, to approve Buck Consultants proposed fee schedule.

Motion carried unanimously

X. APPROVAL OF MINUTES – 6/16/2015

Motion by Trustee George Vallejo, seconded by Trustee Linda Loizzo, to approve minutes of 6/16/2015.

Motion carried unanimously

XI. APPROVAL OF INVOICES

Motion by Trustee George Vallejo, seconded by Trustee Linda Loizzo, to approve all invoices.

Motion carried unanimously

INVOICES:

Wedgewood – Equity Management Fees	21,012.00
Garcia Hamilton – Fixed Management Fees	17,453.79
Morgan Stanley Smith Barney – Consulting Fees	6,875.00
HGK – Management Fees	16,224.71
GW Capital – Management Fees	9,101.29
MDT – Management Fees	11,350.80
Renaissance – Management Fees	7,944.15
Thornburg – Management Fees	8,211.38
Buck Consultants – Actuaries Fees	12,219.00
Salem Trust Co. – Custody Fees	9,922.61
Sugarman & Susskind – Legal Fees	4,700.00
S. I. Gordon	500.00
<u>TOTAL</u>	<u>\$125,514.73</u>

The next scheduled meeting is on December 8, 2015. Meeting was adjourned at 11:55 a.m.

Renaldo Gayle, Asst. Pension Administrator

SUMMARY OF RELEVANT FACTS
City of North Miami Beach Police & Fire Retirement Plan
 As of June 30, 2015

Distribution of Assets:	
Equity	
- Large Cap Value	\$16,250,511
- Large Cap Growth	\$16,562,654
- Small Cap Value	\$4,808,748
- Mid Cap Growth	\$5,675,515
- International Value	\$4,980,636
- International Growth	\$4,902,963
Total Equity	\$53,181,228
Fixed Income	\$27,928,590
Hedge Fund of Funds	\$8,947,079
Core Private Real Estate	\$5,040,001
Cash (F&D & Residuals)	\$535,969
Total Portfolio	\$95,633,177

Other Important Facts:

Total Portfolio	\$95,633,177
Total Gain or (Loss) (Gross-of-Fees)	(\$463,106)
Total Gain or (Loss) (Net-of-Fees)	(\$588,624)
Total Fees	(\$105,518)
HQK (Large Cap Value)	
Total Assets	100.00%
Equity	96.63%
Cash	3.37%
Gain or (Loss) - Gross	\$16,250,511
Gain or (Loss) - Net	\$15,708,629
Fees	(\$46,882)
Gain or (Loss) - Net	(\$16,179)
	\$43,793
	\$27,674
Wedgewood (Large Cap Growth)	
Total Assets	100.00%
Equity	89.95%
Cash	10.14%
Gain or (Loss) - Gross	\$14,883,170
Gain or (Loss) - Net	\$1,679,685
Fees	(\$20,927)
Gain or (Loss) - Net	(\$213,926)
	(\$224,653)

Distribution by Percentages:

Equity Breakdown	Policy	Current
- Large Cap Value	17.50%	16.99%
- Large Cap Growth	17.50%	17.32%
- Small Cap Value	5.00%	5.03%
- Mid Cap Growth	5.00%	5.93%
- International Value	5.00%	5.21%
- International Growth	5.00%	5.13%
Total Equity	55.00%	55.61%
Fixed Income	50.00%	29.20%
Hedge Fund of Funds	10.00%	9.58%
Core Private Real Estate	5.00%	5.27%
Cash	0.00%	0.56%
Total Portfolio	100.00%	100.00%

GW Capital (Small Cap Value)

Total Assets	100.00%
Equity	97.69%
Cash	2.31%
Gain or (Loss) - Gross	\$4,808,748
Gain or (Loss) - Net	\$4,697,891
Fees	\$110,857
Gain or (Loss) - Net	(\$8,285)
	(\$199,628)
	(\$208,913)

MDT (Mid Cap Growth)

Total Assets	100.00%
Equity	98.89%
Cash	1.11%
Gain or (Loss) - Gross	\$5,675,515
Gain or (Loss) - Net	\$5,612,744
Fees	\$62,771
Gain or (Loss) - Net	(\$11,492)
	(\$73,888)
	(\$85,390)

Thornburg (Int'l Value)

Total Assets	100.00%
Equity	94.97%
Cash	5.03%
Gain or (Loss) - Gross	\$4,980,636
Gain or (Loss) - Net	\$4,730,078
Fees	\$250,560
Gain or (Loss) - Net	(\$7,875)
	\$134,195
	\$128,320

Renaissance (Int'l Growth)

Total Assets	100.00%
Equity	99.65%
Cash	1.34%
Gain or (Loss) - Gross	\$4,902,963
Gain or (Loss) - Net	\$4,837,471
Fees	\$65,492
Gain or (Loss) - Net	(\$7,774)
	\$85,102
	\$47,327

Garcia Hamilton (Fixed Income)

Total Assets	100.00%
Fixed Income	99.84%
Cash	0.16%
Gain or (Loss) - Gross	\$27,882,827
Gain or (Loss) - Net	\$46,072
Fees	(\$17,605)
Gain or (Loss) - Net	(\$299,953)
	(\$317,558)

Receipts & Disbursements Act 1

Total Assets	\$535,959
Cash	\$335,959
Gain or (Loss) - Gross	\$29

Private Advisors (HFOP)

Total Assets	100.00%
HFOP	100.00%
Gain or (Loss) - Gross	\$4,440,385
Gain or (Loss) - Net	\$0
	(\$14,084)
	(\$14,084)

Entrust (HFOP)

Total Assets	100.00%
HFOP	100.00%
Gain or (Loss) - Gross	\$4,506,713
Gain or (Loss) - Net	\$0
	(\$57,955)
	(\$57,955)

UBS (Core Private Real Estate)

Total Assets	100.00%
Private Real Estate	100.00%
Fees	\$5,040,001
Gain or (Loss) - Gross	\$5,040,001
Gain or (Loss) - Net	(\$14,380)
	\$143,208
	\$128,827

The prices, quotes or statistics contained herein have been obtained from sources believed reliable, however, the accuracy cannot be guaranteed. Past performance is not a guarantee of future results.

**Breakdown of Returns
City of North Miami Beach Police & Fire Retirement Plan
As of June 30, 2015**

Fund	Your Returns Gross of Fees	Your Returns Net of Fees	Risk 1000 Value	PST Money/Mtrs	S&P 500	
						Rate of Return
HGK Large Cap. Value	Quarter 1 year 3 year 5 year	0.27 (1.51) 15.42 15.10	0.17 (1.90) 14.97 14.65	0.10 4.14 17.35 16.50	NA NA NA NA	0.28 7.43 17.31 17.35
Wedgewood Large Cap. Growth	Since 3/31/2009	16.34	15.90	18.76	NA	18.91
GW Small Capital	Quarter 1 year 3 year 5 year	(1.28) 1.24 4.48	(1.40) 0.99 4.23	0.12 6.14 NA	NA NA NA	NA NA NA
MDT Advisers Mid Cap. Growth	Quarter 1 year 3 year 5 year	(3.99) (8.24) 13.21 13.93	(4.17) (8.92) 12.38 13.10	(1.20) 0.78 15.49 14.81	NA NA NA NA	NA NA NA NA
Thornburg International Value	Since 5/31/2009	23.45	22.51	18.93	NA	NA
Fehrsance International Growth	Quarter 1 year 3 year 5 year	2.77 1.27 10.64 8.78	2.61 0.64 9.95 8.10	0.53 (5.27) 9.44 7.76	NA NA NA NA	NA NA NA NA
MSQ International Growth	Since 5/31/2009	10.19	9.51	7.88	NA	NA

Exhibit B

Schedule of Fees

In consideration of the services provided pursuant to this Addendum, the City of North Miami Beach Police Officers' and Firefighters' Retirement Plan shall pay to Buck Consultants the following fees:

Service	Consulting Fee
Actuarial valuation reports as of October 1, 2015, 2016, 2017, including annual actuarial certification for the annual report	\$20,000 per report
Actuarial valuation reports in accordance with GASB 67/68 for fiscal years ending September 30, 2015, 2016, and 2017	\$13,500 per report
State Disclosure Reports under Florida Statute 112.664 for 2015, 2016, and 2017, including electronic submission to the Division of Retirement	\$5,500 per report
DROP benefit statements	\$2,500 per year
Firefighters' Share Plan Allocation	\$3,500 per year
Benefit calculations	\$150 per calculation
Service Purchases	\$400 per calculation
Attendance at quarterly meetings other than one meeting to present the valuation results	\$700 per meeting

After the initial twelve (36) months of the Agreement, Buck Consultants may modify its time and materials rates for hourly work by giving Client thirty (30) days written notice of such change. Buck's fixed fees will automatically increase annually based on the most recently published percentage change in the U.S. Department of Labor, Bureau of Labor Statistics' Consumer Price Index (CPI) for the preceding 12-month period, measured over a 12 month period ending 3 months prior to the relevant anniversary of the Effective Date, in an annualized compounded manner.

Buck Consultants will invoice Client periodically, generally on a monthly basis, for all fees and expenses due and payable by Client. Client shall pay all invoiced amounts within thirty (30) days of the receipt by Client of Buck Consultants' invoice. Any amount not paid by Client when due shall bear interest at the rate of one and one half percent (1.5%) per month or the highest permissible rate under applicable law, whichever is less, until paid in full.

Exhibit B (continued)

Schedule of Fees

Special Services

Fees for special services will be billed at hourly rates in the following table:

<u>Position</u>	<u>Hourly Rate</u>
Principals	\$575
Directors	\$420
Senior Actuarial Consultant	\$350
Senior Associates	\$285
Administrative Staff/Clerical	\$180

Hourly rates are effective for the first year and guaranteed not to increase by more than 3% per year. Any such increases in hourly rates shall be provided to the Board prior to said increase.

A firm fee quotation prior to commencing any work will be provided to the Board for approval.

Actuary shall notify the Board sixty (60) days in advance of any proposed changes in fee structure.

The above fees shall be guaranteed for a period of thirty-six (36) months, subject to any increases as set forth above.

In addition to the hourly rates specified above, Client will pay all out-of-pocket expenses incurred by Buck Consultants in connection with the provision of the Services including, without limitation, copying, telephone charges, postage and the like.