MINUTES

POLICE OFFICERS' & FIREFIGHTERS' RETIREMENT COMMITTEE MEETING

THURSDAY - AUGUST 15, 2013 - 9:00 AM

PRESENT

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

ABSENT

Mayor George Vallejo

ALSO PRESENT

Graystone – C.Mulfinger & S. Owens
Buck – Joe Griffin
Buck – Tim Bowen
Sugarman & Susskind - Bob Sugarman
Leigh Minoux – Asst. City Attorney
Martin Lebowitz – Pension Administrator

DEPARTMENT REPRESENTATIVES

Bill Dresback – Retired Firefighter

The meeting was called to order at 9:20 a.m. by Trustee Socorro and was followed by a roll call of Trustees.

I. GRAYSTONE CONSULTING – Q/E 6/30/2013

Scott Owens presented the performance report, indicating a total portfolio market value on 6/30/2013 of $82,910,414 (including accrued income). This represents a net increase in value from the previous quarter of $588,285. **Please see attached Summary of Relevant Facts as of June 30, 2013.**

II. ATTORNEY'S REPORT

Bob Sugarman discussed Senate Bill 534 which creates new reporting requirements for local government defined benefit retirement Plan. It also requires plans to post actuarial data on the City's website. These reporting requirements must be reflected in the 10/1/2014 Valuation Report. The cost of these additional requirements from the actuary will be approximately $2,000 - $2,500.

Bob Sugarman reminded the trustees of their continuing education obligation and discussed the upcoming Police & Fire Trustee School from October 22 – 24, 2013 which will be held in Orlando and the FPPTA in Palm Beach Gardens from September 29 – October 2, 2013.

Bob Sugarman discussed the letter he sent to Buck Consultants expressing the Trustees concerns which was:

1. The trustees were disappointed that they had to learn about the Providence suit from the press rather than from Buck. They view Buck as having an ongoing obligation to report to the trustees any situations that call into question Buck's competence or financial viability. We proposed that our contract with Buck be amended to require Buck to promptly disclose to the trustees the filing of any legal or administrative action, including complaints, concerning Buck's professional performance.

2. If Providence's claim is even partially successful, Buck's one million dollars of insurance will exhausted. To determine whether Buck can satisfy any claims that the Retirement Plan may have in the future, we ask that Buck send us its financial statements each quarter and that the Retirement Plan's contract with your firm be amended accordingly.

3. In light of these concerns, the trustees feel that the two million dollar liability limitation in your firm's current contract is inappropriate. We proposed that the liability limit be deleted from the contract.

Buck's response for all three items was no to all three requests – **please see attached letter from Buck.**

Question from Trustee Socorro concerning new IRS rules 415 limits on treating DROP distributions.
Bob Sugarman stated there is a pending issue with the IRS concerning DROP Plans payments in how the IRS treats them as a Defined Contribution Plan and therefore could be subject to the 415(c) limits.

III. BUCK CONSULTANTS – UPDATE ON LAWSUIT

Joe Griffin stated in reference to the pending lawsuit that it is Buck Consultants' policy for him not to make any comment on this lawsuit. Joe Griffin stated that this pending lawsuit does not effect the work that Buck has done and will continue to do for the Plan. – **please see attached letter from Buck.**

Joe Griffin discussed Senate Bill 534 which added additional reporting requirements that he will have to render with our Valuation Reports stating 10/1/2014.

Discussion on the assumed rate of return that we are using was questioned by Trustee Spiegel. At the December 17, 2010 Police & Fire retirement Committee meeting the following was discussed, Marcia Fenner Interim Finance Director stated that she preferred that we incorporate for 2011-2012 fiscal year to add the load for investment expenses and not to lower the assumed rate of investment return from 8% to 7.75% that the experience study stated. The motion that was passed as follows:

Motion by Sgt. Asim, seconded by Chief Loizzo based upon the recommendation of Bolton Partners and the expressed preference of the City for adding a load of 0.5% for the investment expenses rather than lower the investment return assumption of 8% to 7.75% to adopt all, the assumption change recommended in Bolton's 9/15/2010 Experience Study, except for the lowering of the assumed rate of invest return to 7.75%, with the changes to be effective with the 10/1/2010 Valuation Report that will establish the City's contributions rate for the 2011 -2012 fiscal year.

Trustee Spiegel asked Buck what would the cost of changing the assumed rate of return from 8% to 7 ¾% and 7½ %. Also, Trustee Asim asked what would be the savings on reducing the DROP interest. Buck stated that this study would cost approximately $2,000 for changing the assumed rate of return from 8% % to 7 ¾% and 7½ % and the reducing the interest on the DROP accounts.

Joe Griffin discussed the pending issue from the IRS on the treatment of the DROP plan concerning the 415 (c) limits from a Defined Benefit to Defined Contribution Plan. The 415 (c) limit on a Defined Contribution Plan is much lower than our current Defined Benefit Plan.

IV. APPROVAL OF MINUTES –6/12/2013 AND 7/19/2013.

Motion by Trustee Loizzo, seconded by Trustee Asim to approve the minutes of 6/12/2013 and 7/19/2013.

Motion carried unanimously

IV. APPROVAL OF INVOICES

Motion by Trustee Asim, seconded by Trustee Loizzo, to approve payment of the following invoices except for Salem Trust in the amount of $10,000.00.

Motion carried unanimously.

INVOICES:

Garcia Hamilton – Equity Quarterly Management Fees	$13,068.15
Garcia Hamilton – Fixed Quarterly Management Fees	17,079.23
Morgan Stanley Smith Barney – Quarterly Consulting Fees	6,875.00
HGK – Quarterly Management Fees	17,861.18
GW Capital – Quarterly Management Fees	9,175.54
MDT – Quarterly Management Fees	9,540.17
Renaissance – Quarterly Management Fees	6,792.84
Thornburg - Quarterly Management Fees	7,021.99
Buck Consultants – Actuary Fees	13,102.00
Sugarman & Susskind – Legal Fees	4,400.00
Salem Trust Company – Custodial Fees	10,000.00
	$114,916.10

The next scheduled meeting is for November 12, 2013. Meeting was adjourned at 11:14 a.m.

Martin Lebowitz, Pension Administrator

SUMMARY OF RELEVANT FACTS
City of North Miami Beach Police & Fire Retirement Plan
As of June 30, 2013

Distribution of Assets:		
Equity		
- Large Cap. Value	$17,776,334	
- Large Cap. Growth	$16,553,634	
- Small Cap. Value	$4,680,510	
- Mid Cap Growth	$4,771,712	
- International Value	$4,229,340	
- International Growth	$4,202,509	
Total Equity		$52,214,039
Fixed Income		$26,932,777
Core Private Real Estate		$3,277,535
Cash (R&D & Residuals)		$486,062
Total Portfolio		$82,910,414

Distribution by Percentages:	Policy	Current
Equity Breakdown		
- Large Cap. Value	20.00%	21.44%
- Large Cap. Growth	20.00%	19.97%
- Small Cap. Value	5.00%	5.65%
- Mid Cap Growth	5.00%	5.76%
- International Value	5.00%	5.10%
- International Growth	5.00%	5.07%
Total Equity	60.00%	62.98%
Fixed Income	35.00%	32.48%
Core Private Real Estate	5.00%	3.95%
Cash	0.00%	0.59%
Total Portfolio	100.00%	100.00%

Other Important Facts:

Total Portfolio	$82,910,414
Total Gain or (Loss) (Gross-of-Fees)	$675,347
Total Gain or (Loss) (Net-of-Fees)	$588,285
Total Fees	($87,063)

HGK (Large Cap Value)			Garcia Hamilton (Large Cap Growth)	
Total Assets	100.00%	$17,776,334	100.00%	$16,553,634
Equity	99.89%	$17,757,509	98.09%	$16,237,254
Cash	0.11%	$18,825	1.91%	$316,380
Fees		($17,470)		($11,371)
Gain or (Loss) - Gross		$825,850		$163,531
Gain or (Loss) - Net		$808,380		$152,160

GW Capital (Small Cap Value)			MDT (Mid Cap Growth)	
Total Assets	100.00%	$4,680,510	100.00%	$4,771,712
Equity	100.09%	$4,684,524	98.71%	$4,710,129
Cash	-0.09%	($4,014)	1.29%	$61,583
Fees		($8,928)		($9,213)
Gain or (Loss) - Gross		($31,480)		$165,442
Gain or (Loss) - Net		($40,408)		$156,229

Thornburg (Int'l Value)			Renaissance (Int'l Growth)	
Total Assets	100.00%	$4,229,340	100.00%	$4,202,509
Equity	96.32%	$4,073,682	96.78%	$4,067,384
Cash	3.68%	$155,658	3.22%	$135,125
Fees		($6,847)		($6,649)
Gain or (Loss) - Gross		($30,549)		$47,257
Gain or (Loss) - Net		($37,396)		$40,608

Garcia Hamilton (Fixed Income)			Receipts & Disbursements Acc't	
Total Assets	100.00%	$26,932,777	Total Assets	$486,062
Fixed Income	101.03%	$27,209,157	Cash	$486,062
Cash	-1.03%	($276,380)	Gain or (Loss) - Gross	$8
Fees		($17,143)		
Gain or (Loss) - Gross		($571,204)		
Gain or (Loss) - Net		($588,347)		

UBS (Core Private Real Estate)		
Total Assets	100.00%	$3,277,535
Private Real Estate	100.00%	$3,277,535
Fees		($9,441)
Gain or (Loss) - Gross		$106,492
Gain or (Loss) - Net		$97,051

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, 2013

HGK Large Cap. Value	Your Returns Gross-of-Fees	Your Returns Net-of-Fees	Russ 1000 Value	PSN Money Mgrs	S&P 500
Quarter	4.78	4.68	3.20	3.11	2.92
Fiscal YTD	17.14	16.80	17.68	16.09	13.40
1 year	25.20	24.72	25.32	22.92	20.60
3 year	18.05	17.59	18.51	18.70	18.45
Since 3/31/2009	19.03	18.59	21.29	20.76	20.45
Garcia Hamilton & Associates* Large Cap. Growth			**Russ 1000 Growth**	**PSN Money Mgrs**	
Quarter	1.00	0.93	2.06	2.25	
Fiscal YTD	7.26	6.94	10.32	11.71	
1 year	14.11	13.63	17.05	18.61	
3 year	16.44	15.89	18.67	17.91	
5 year	5.94		7.47	6.56	
Since 9/30/2006	5.98		6.65	6.42	
GW Capital Small Cap. Value			**Russ 2000 Value**	**PSN Money Mgrs**	
Quarter	(0.70)	(0.88)	2.47	2.14	
Fiscal YTD	20.70	20.07	18.07	17.88	
1 year	29.18	28.28	24.75	23.90	
3 year	19.57	18.71	17.33	18.50	
Since 2/28/2009	26.21	25.36	24.62	NA	
MDT Advisers Mid Cap. Growth			**Russ Mid Growth**	**PSN Money Mgrs**	
Quarter	3.59	3.39	2.87	2.78	
Fiscal YTD	17.62	16.95	16.66	16.54	
1 year	24.46	23.52	22.89	23.42	
3 year	25.46	24.49	19.53	18.55	
Since 5/31/2009	25.35	24.42	19.66	NA	
Thornburg International Value			**MSCI AC Wrld x US**		
Quarter	(0.72)	(0.87)	(3.11)		
Fiscal YTD	9.17	8.66	5.82		
1 year	15.93	15.23	13.65		
3 year	9.25	8.56	8.00		
Since 9/30/2009	6.21	5.57	4.09		
Renaissance International Growth			**MSCI AC Wrld x US**		
Quarter	1.14	0.98	(3.11)		
Fiscal YTD	9.98	9.46	5.82		
1 year	13.10	12.40	13.65		
3 year	9.98	9.29	8.00		
Since 5/31/2009	9.19	8.53	8.12		

Garcia Hamilton & Associates* Fixed Income			BC Int. Gov/Credit	BC Int. Aggregate	90-Day T-Bill
Quarter	(2.08)	(2.14)	(1.70)	(1.78)	0.01
Fiscal YTD	(0.33)	(0.51)	(1.10)	(1.46)	0.05
1 year	3.17	2.91	0.29	(0.12)	0.07
3 year	4.84	4.57	3.14	3.02	0.08
5 year	6.80		4.58	4.76	0.17
Since 9/30/2006	6.78		4.85	4.96	1.08
UBS Trumbull Property Fund Core Private Real Estate			**NCREIF**	**ODCE**	
Quarter	3.34	3.04	2.87	3.86	
Fiscal YTD	7.09	6.14	8.20	9.15	
Since 7/31/2012	9.79	8.82	10.73	12.17	

TOTAL RETURN Time-Weighted Return (TWR)			Policy Index	Composite Index
Quarter	0.80	0.68	0.56	0.65
Fiscal YTD	7.96	7.59	7.79	7.95
1 year	13.38	12.89	12.54	12.68
3 year	12.04	11.57	11.65	11.67
5 year	6.11	5.67	6.08	5.57
Since 9/30/2006	5.31	4.90	5.47	5.02
Dollar-Weighted Net (IRR)			**Actuarial Rate**	**CPI + 4**
Quarter		0.71	1.88	1.18
Fiscal YTD		7.65	5.63	3.69
1 year		12.92	7.50	5.76
3 year		11.54	7.50	6.36
5 year		5.93	7.50	5.34
Since 9/30/2006		5.11	7.50	6.06

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% 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 2000 Growth / 5% 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 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 transferred to a new account and the fixed income assets were retained in the original account. The returns listed above for large growth equity and fixed income are the returns achieved in those asset classes since 9/30/2006, however, the 1 year and since inception returns differ from those shown in the report detail. The detailed report for large cap growth only shows performance since 10/31/2008 when the equity securities were transferred to the second account. The fixed income detailed report shows performance back to 9/30/2006; however, the 1 year and since inception returns shown on that report include the equity returns along with the fixed income returns. The index shown on the fixed income detailed report has been adjusted to correspond with the combination of both equity and fixed income returns for the longer-term time periods.

COMPLIANCE CHECKLIST

City of North Miami Beach Police & Fire Retirement Plan

As of June 30, 2013

GUIDELINES	In Compliance
Equity Portfolio	
Listed on recognized exchange	Yes
Single issue not to exceed 10% at market value for each equity in each separately managed portfolio	Yes
Total equity portfolio < 62.5% & > 57.5% of total fund at market	No (62.98%)
Single issue not to exceed 5% at market value for the total portfolio	Yes
Foreign equities < 25% of total portfolio at market	Yes
No scrutinized companies (Sudan/Iran) held per Protecting Florida's Investments Act requirement	Yes

HGK

Large Capitalization Value Equity Portfolio

		3 years	Since Inception
Market Value < 22.5% & > 17.5% of total fund	Yes		
Performance (Inception 3/31/2009)			
Rank in the Top 50% of manager universe		N/A	N/A
Return > Russell 1000 Value		No	No

Garcia Hamilton & Associates

Large Capitalization Growth Equity Portfolio

		3 years	Since Inception
Market Value < 22.5% & > 17.5% of total fund	Yes		
Performance (Inception 9/30/2006)			
Rank in the Top 50% of manager universe		N/A	N/A
Return > Russell 1000 Growth		No	No

GW Capital

Small Capitalization Value Equity Portfolio

		3 years	Since Inception
Market Value < 7.5% & > 2.5%of total fund	Yes		
Performance (Inception 2/28/2009)			
Rank in the Top 50% of manager universe		N/A	N/A
Return > Russell 2000 Value		Yes	Yes

MDT Advisers

Mid Capitalization Growth Equity Portfolio

		3 years	Since Inception
Market Value < 7.5% & > 2.5%of total fund	Yes		
Performance (Inception 5/31/2009)			
Rank in the Top 50% of manager universe		N/A	N/A
Return > Russell Mid Growth		Yes	Yes

OBJECTIVES	In Compliance	
Total Portfolio	3 years	Since Inception
Exceed Target Index	Yes	No
Exceed actuarial assumption (7.5%) *	Yes	No
Exceed CPI + 4% *	Yes	No

** Measured using Net Dollar-Weighted Rate of Return*

Thornburg

International Value Equity Portfolio

		3 years	Since Inception
Market Value < 7.5% & > 2.5%of total fund	Yes		
Performance (Inception 9/30/2009)			
Return > MSCI All Country World ex US		Yes	Yes

Renaissance Investment Management

International Growth Equity Portfolio

		3 years	Since Inception
Market Value < 7.5% & > 2.5%of total fund	Yes		
Performance (Inception 5/31/2009)			
Return > MSCI All Country World ex US		Yes	No

Garcia Hamilton & Associates

Fixed Income Portfolio

		3 years	Since Inception
Market Value < 37.5% & > 32.5% of total fund	NO (32.48%)		
Performance (Inception 9/30/2006)			
Return > Barclays Cap Interm. Gov't/Credit		Yes	Yes
U.S. Government / Agency or U.S. Corporations	Yes		
Bonds rated "A" or better	Yes		
Single corporate issuer not exceed 10% of bond portfolio (except U.S. Government/Agency)	Yes		

UBS Trumbull Property Fund

Core Private Real Estate

		3 years	Since Inception
Market Value < 10% & > 0%of total fund	Yes		
Performance (Inception 7/31/2012)			
Performance > NCREIF Ppty Index		N/A	N/A
Performance > NCREIF ODCE		N/A	N/A

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

buckconsultants

A Xerox Company

July 10, 2013

Mr. Robert Sugarman
Sugarman & Susskind
100 Miracle Mile, Suite 300
Coral Gables, FL 33134

RE: City of North Miami Beach Police & Firefighters' Retirement Plan

Dear Mr. Sugarman:

Thank you for your letter of June 20, 2013 that you sent on behalf of the Trustees in which various changes are requested with regards to the contract between Buck Consultants and the Board of Trustees of the North Miami Beach Police & Firefighters' Retirement Plan (the "Board"). Although we cannot accommodate all of your specific requests, we hope the following responses will address the concerns of the Trustees (the numbering below corresponds to your letter).

1. Like any company operating in the US, Buck may be subject from time to time to certain legal actions, proceedings, claims, and disputes which, rightly or wrongly, arise in the ordinary course of business. We can state that no claims, actions or proceedings are pending against Buck that may, if adversely determined, reasonably be expected to have a material adverse effect on Buck's ability to discharge its obligations under its contract with the Board. Further, the consulting actuaries assigned to serve the Board have had no complaints filed against them to the Actuarial Board of Conduct and Discipline.
2. Buck is not a public company, so we do not have stand-alone published financial statements. Instead, Buck's financials are subsumed within those of our parent company, Xerox, which has publicly filed statements on its web site. Annual and quarterly financial statements are available at http://news.xerox.com/investors.
3. We negotiated in good faith our March 2012 contract with the Board, including the liability limitation. We would not have agreed to no liability limit in March of 2012 and we cannot do so now.

Should you have questions about Buck's position, please feel free to contact me or my colleague, Paul Zeisler, at (312) 846-3525 or at paul.zeisler@buckconsultants.com. Buck appreciates the opportunity to continue to be of service to the Board of Trustees.

Respectfully submitted,

Joseph L. Griffin, ASA, EA, MAAA, FCA
Director, Retirement Actuary

Copy to: Marty Lebowitz, Plan Administrator, Timothy Bowen/Paul Zeisler, Buck Consultants

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