

MINUTES

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

THURSDAY - FEBRUARY 16, 2012 - 9:00 AM

PRESENT

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

ABSENT

ALSO PRESENT

Graystone – C.Mulfinger
Garcia Hamilton - Janna Hamilton
HGK – M. Spillane
Renaissance – Andy Temming
Sugarman & Susskind - Bob Sugarman
Bolton Partners - Tom Lowman / J. DeLisle
Steven Gordon - Auditor
Martin Lebowitz – Pension Administrator
Darcee Siegel – City Attorney

DEPARTMENT REPRESENTATIVES

Joe Griffin – Buck Consultants
Various Police Officers
Lori Helton – IT

The meeting was called to order at 9:18 a.m. by Sgt. Socorro and was followed by a roll call of Trustees.

.I. GARCIA HAMILTON – DECEMBER 31, 2011 REPORT

Janna Hamilton reported the total Garcia Hamilton Equity portfolio was valued at \$13,840,526(including accrued interest) as of 12/31/2011, with an asset allocation of 98.84% in equities, 1.16% in cash and equivalents. Garcia Hamilton Fixed Income was valued \$26,108,484 (including accrued interest) as of 12/31/2011, with an asset allocation of 97.92% in bonds and 2.08% in cash and equivalents.

For the quarter ended 12/31/2011: Equities returned 9.80% compared to 10.60% for the Russell 1000 Growth. Bond fund return was 1.09% compared to 0.84% BC Int. Gov/Credit.

Plan year results: Equities returned 9.80% vs. 10.60% for the Russell 1000 Growth. The fixed income portfolio was 1.09% vs. the BC Int. Gov/Credit return of 0.84%.

**Police & Fire Retirement
Committee Meeting
February 16, 2012
Page 2**

Janna Hamilton reviewed the following stocks that did very well, W.W. Grainger, Roper Industries and Walt Disney. She also reviewed the stocks that did not do well, Baxter International, Rovi and Cognizant Technology.

II. HGK – DECEMBER 31, 2011 REPORT

Mickey Spillane reported the total HGK portfolio was valued at \$14,006,917 (including accrued interest) as of 12/31/2011, with an asset allocation of 97.66% in equities, 2.34% in cash and equivalents.

For the quarter ended 12/31/2011: Total fund return was 12.01% compared to 13.11% for the Russell 1000 Value.

Plan year results: Total return for their portfolio was 12.01% vs. 13.11% for the Russell 1000 Value.

Their top **ten holdings** as of December 31, 2011 was, America Electric Power, Pfizer Inc., Chevron, Verizon, Danaher Corp., JPMorgan Chase, Allstate, CVS, Merck & Co. and MetLife.

III. RENAISSANCE – DECEMBER 31, 2011 REPORT

Andy Temming reported the total Renaissance International Growth portfolio was valued at \$3,213,363 (including accrued interest) as of 12/31/2011, with an asset allocation of 97.24% in equities, 2.76% in cash and equivalents.

For the quarter ended 12/31/2011: Total fund return was 7.01% vs. 3.72% for the MSCI AC WRLD x US.

Plan year results: Total return for their portfolio was 7.01% vs. 3.72% for the MSCI AC WRLD x US.

IV. GRAYSTONE CONSULTING – DECEMBER 31, 2011 REPORT

Charlie Mulfinger presented the performance report, indicating a total portfolio market value on 12/31/2011 of \$68,195,452 (including accrued income). This represents a net increase in value from the previous quarter of \$4,350,813. The total fund earned 6.74% for the quarter.

See attached Summary of Relevant Facts as of December 31, 2011.

Charlie Mulfinger reviewed the fee schedule of all the Investment Managers. Janna Hamilton discussed the change to the Fixed Income which will be a flat .25 basis points going forward. A new fee schedule will be sent in from Garcia Hamilton and the chair Sgt Socorro will sign the new fee agreement.

V. ATTORNEY'S REPORT

Alton Kilpatrick Supplemental firefighter's benefit – Alton Kilpatrick passed away on 12/13/2011 and since he was alive on October 1, 2011, a supplemental benefit is payable on his behalf and will be the last supplemental benefit payable on his behalf. The board needs to determine who is entitled to his benefit. Martin Lebowitz discussed that the only relative that he knows of is his niece, Joanne Stevenson, who did have Mr. Kilpatrick's power of attorney and living will. Bob Sugarman said that the Power of Attorney and Living Will ended when Mr. Kilpatrick died. Bob Sugarman stated that according to the plan, the following would be entitled to his supplemental benefits: spouse, children, parents, in-laws or participant's descendents. Additional research will be done by the administrators and the findings will be discussed during the next meeting.

Bob Sugarman discussed our pension meeting is now televised and there was an inquiry regarding personal notes made during the meetings. If you are seen making some personal notes, are those notes public records? If you show the notes to someone else then they are public records. If you make notes and do not show them to anyone **else**, they would not be considered public records.

Councilwoman Spiegel had emailed a question concerning changing the interest paid on DROP account to Martin Lebowitz and Bob Sugarman. Bob Sugarman responded as follows, if you wanted to discuss this item it should be placed on a future agenda so the members have the opportunity to be at the meeting. Bob Sugarman reviewed the Ordinance pertaining to changing the DROP interest. Each member's DROP account will be credited with interest at the assumed investment return assumption for the Plan, as it may change from time to time. Changing the assumed investment return assumption could be recommended by the City Council and may have to go to the Union and then presented to the members for a vote.

Bob Sugarman handed out a report from our securities fraud Monitoring Attorney to be given to our custodian concerning class action claims deadlines.

Bob Sugarman discussed the upcoming Police & Fire Trustee Schools from May 14 – 16, 2012 which will be held in Tallahassee.

Bob Sugarman discussed proposed Ordinance 2012-2 that the City Council will be presented at their next Council meeting changing the quorum as follows: The Board of Trustees shall consist of five members. Two ~~of whom~~ Board members, unless otherwise prohibited by law, shall be legal residents of the City who shall be elected officials or original appointment designees. Two ~~of whom~~ Board members shall be police officers, including participants in the DROP and/or firefighters, as defined in Article II, who shall be elected by a majority of the police officers, including DROP participants and firefighters who are members of the Plan. The four Board of Trustees members should consider the fifth Board member's potential qualifications prior to selecting the fifth member.

**Police & Fire Retirement
Committee Meeting
February 16, 2012
Page 4**

Such qualifications as expertise in either accounting or financial planning, an actuarial background, and being totally independent of the Plan should be considered.

The fifth Board member shall be chosen by a majority of the previous four members. Upon receipt of the fifth person's name, the City Council shall, as a ministerial duty, appoint such person to the Board as its fifth member.

Each member of the Retirement Committee shall be entitled to one vote on the Committee. Three (3) concurring votes shall be necessary for a decision by the members of any meeting of the Board, and ~~three~~ Three (3) members shall constitute a quorum of the Police and Fire Pension Board, one of whom must be a legal resident of the City and one of whom must be a member of the Plan.

Bob Sugarman to send a request to Trish Shoemaker who works for Department of Management, Division of Retirement, in Tallahassee on its opinion of the proposed Ordinance 2012-2.

Sgt. Socorro questioned if this Ordinance 2012-2 is passed by the City Council, what action the Trustees have to take. Bob Sugarman stated if this Ordinance is passed, the members would have to vote on this change to the Plan in accordance **with** the Police & Fire Plan Document.

If the City Council approves Ordinance 2012-2 on first reading, then Martin Lebowitz will prepare ballots to have the plan members vote on this Ordinance.

After discussion, motion by Chief Loizzo, seconded by Sgt. Asim, to recommend to City Council against adoption of Ordinance 2012-2 as currently proposed.

Motion carried.

Roll Call:

Mayor Vallejo	No
Sgt. Asim	Yes
Sgt. Socorro	Yes
Chief Loizzo	Yes

VI. BOLTON PARTNERS – ACTUARY

Tom Lowman reviewed the DRAFT October 1, 2011 Valuation Report. The City of North Miami Beach will be required to contribute \$5,329,918 plus an additional \$750,000 for plan year 2013 for the Police Plan. The total recommended City Contribution for the Firefighter portion of the plan is \$101,435 for plan year 2013.

**Police & Fire Retirement
Committee Meeting
February 16, 2012
Page 5**

The overall funded ratio for the plan increased from 61.6% to 61.5%.

Participant Summary was as of 10/1/2011 as follows:

Active Participants	-	85
DROP Participants	-	27
Retirees & Benes	.-	101
Disabled	-	<u>9</u>
Total		222

Janette Smith – Finance Dir – acknowledged receipt of the 10/1/2011 Valuation Report.

Motion by Mayor Vallejo, seconded by Sgt. Socorro, to approve the October 1, 2011 Valuation report.
Motion carried unanimously.

VII. AUDITOR'S REPORT

Steven Gordon, CPA presented the September 30, 2011 Annual Financial Statement for the Police & Fire Retirement Plan for the City of North Miami Beach. Steven Gordon stated that the opinion is an unqualified opinion and a clean opinion and that this is what you are looking for when receiving an annual financial report.

The Finance Director Janette Smith acknowledged receiving the September 30, 2011 Annual Financial Statement today.

Motion by Mayor Vallejo, seconded by Sgt. Socorro, to accept the Annual Financial Statement Audit for the fiscal year ending September 30, 2011 for the Police & Fire Retirement Plan prepared by Steven I. Gordon C.P.A.

Motion carried unanimously.

VIII. DROP STATEMENTS

Motion by Mayor Vallejo, seconded by Sgt. Socorro, to table this item.

Motion carried unanimously.

IX. APPROVAL OF MINUTES – 10/13/2011, 12/1/2011 AND 1/12/2012.

Motion by Mayor Vallejo, seconded by Sgt. Socorro to approve minutes of 10/13/2011, 12/1/2011 and 1/12/2012.

Police & Fire Retirement
Committee Meeting
February 16, 2012
Page 6

X. FIDUCIARY LIABILITY POLICY

- ULLICO - \$5 MILLION \$16,396.81 ANNUAL PREMIUM
- U.S. SPECIALTY - \$5 MILLION \$14,687.49 ANNUAL PREMIUM

After discussion, motion by Sgt. Asim, seconded by Chief Loizzo to renew Fiduciary Liability Insurance between the two companies and to delegate to the Chair Sgt. Socorro to choose one of these Insurance Companies.

Motion carried unanimously.

XI. PENSION ADMINISTRATOR – PC AND PRINTER

Motion by Chief Loizzo, seconded by Sgt. Asim to approve the purchase of new PC and Printer for the Pension Administration Office.

Motion carried unanimously

XII. APPROVAL OF INVOICES

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

Motion carried unanimously.

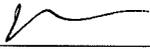
INVOICES:

Garcia Hamilton – Equity Quarterly Management Fees	\$17,391.38
Garcia Hamilton – Fixed Quarterly Management Fees	16,910.13
Morgan Stanley Smith Barney – Quarterly Consulting Fees	6,875.00
HGK – Quarterly Management Fees	13,982.24
GW Capital – Quarterly Management Fees	6,754.42
MDT – Quarterly Management Fees	8,388.90
Renaissance – Quarterly Management Fees	5,270.29
Thornburg - Quarterly Management Fees	5,374.95
Bolton Partners – Actuary Fees	23,477.23
Steven Gordon – Auditor	3,655.00
Sugarman & Susskind – Legal Fees	4,400.00
Salem Trust Company – Custodial Fees	8,488.42
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	\$120,967.96

**Police & Fire Retirement
Committee Meeting
February 16, 2012
Page 7**

The next regularly scheduled quarterly Board meeting will be held on Thursday, May 16, 2012 at 9:00 a.m. However, due to scheduling, we need to reschedule the May meeting. Martin Lebowitz will follow-up with all Trustees, Charlie Mulfinger and Bob Sugarman for their available dates.

Meeting was adjourned at 2:55 p.m.



Martin Lebowitz, Pension Administrator

SUMMARY OF RELEVANT FACTS
City of North Miami Beach Police & Fire Retirement Plan
As of December 31, 2011

Distribution of Assets:	
Equity	
- Large Cap. Value	\$14,006,917
- Large Cap. Growth	\$13,840,526
- Small Cap. Value	\$3,611,002
- Mid Cap Growth	\$4,193,887
- International Value	\$3,176,637
- International Growth	\$3,213,363
Total Equity	\$42,042,332
Fixed Income	\$26,108,484
Cash (R&D & Residuals)	\$44,616
Total Portfolio	\$68,195,432

Other Important Facts:	
Total Portfolio	\$68,195,432
Total Gain or (Loss) (Gross-of-Fees)	\$4,419,319
Total Gain or (Loss) (Net-of-Fees)	\$4,350,813
Total Fees	(\$68,507)
HGK (Large Cap Value)	
Total Assets	\$14,006,917
Equity	\$13,679,499
Cash	\$327,418
Fees	(\$11,967)
Gain or (Loss) - Gross	\$1,513,318
Gain or (Loss) - Net	\$1,501,351
Garcia Hamilton (Large Cap Growth)	
Total Assets	\$13,840,526
Equity	\$13,680,616
Cash	\$159,909
Fees	(\$17,134)
Gain or (Loss) - Gross	\$1,251,922
Gain or (Loss) - Net	\$1,234,788

Distribution by Percentages:		Policy		Current	
Equity Breakdown					
- Large Cap. Value	20.00%	20.00%	20.54%		
- Large Cap. Growth	20.00%	20.30%	20.30%		
- Small Cap. Value	5.00%	5.30%	5.30%		
- Mid Cap Growth	5.00%	6.15%	6.15%		
- International Value	5.00%	4.66%	4.66%		
- International Growth	5.00%	4.71%	4.71%		
Total Equity	60.00%	61.65%	61.65%		
Fixed Income	40.00%	38.28%	38.28%		
Cash	0.00%	0.07%	0.07%		
Total Portfolio	100.00%	100.00%	100.00%		

GW Capital (Small Cap Value)		MDT (Mid Cap Growth)	
Total Assets	\$3,611,002	100.00%	\$4,193,887
Equity	\$3,406,205	98.92%	\$4,148,453
Cash	\$204,797	1.08%	\$45,434
Fees	(\$5,683)		(\$7,525)
Gain or (Loss) - Gross	\$544,639		\$463,287
Gain or (Loss) - Net	\$538,956		\$455,762
Thornburg (Int'l Value)		Renaissance (Int'l Growth)	
Total Assets	\$3,176,637	100.00%	\$3,213,363
Equity	\$3,043,554	97.24%	\$3,124,771
Cash	\$133,082	2.76%	\$88,592
Fees	(\$4,790)		(\$4,461)
Gain or (Loss) - Gross	\$149,323		\$197,838
Gain or (Loss) - Net	\$144,534		\$193,377

Garcia Hamilton (Fixed Income)		Receipts & Disbursements Acct	
Total Assets	\$26,108,484	Total Assets	\$44,616
Fixed Income	\$25,564,514	Cash	\$44,616
Cash	\$543,970	Gain or (Loss) - Gross	\$11
Fees	(\$16,947)		
Gain or (Loss) - Gross	\$298,980		
Gain or (Loss) - Net	\$282,033		

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 December 31, 2011

HGK		Your Returns		Your Returns			
Large Cap. Value		Gross-of-Fees	Net-of-Fees	Russ 1000 Value	PSN Money Mgrs	S&P 500	
	Quarter	12.11	12.01	13.11	12.30	11.82	
	1 year	0.69	0.30	0.39	2.80	2.11	
	Since 3/31/2009	17.15	16.73	20.44	20.38	20.49	
Garcia Hamilton & Associates*				Russ 1000 Growth	PSN Money Mgrs		
Large Cap. Growth							
	Quarter	9.94	9.80	10.60	10.19		
	1 year	0.09	(0.40)	2.64	(0.26)		
	3 year	16.41	15.79	18.02	15.61		
	5 year	3.06		2.50	1.71		
	Since 9/30/2006	3.52		3.51	2.73		
GW Capital				Russ 2000 Value	PSN Money Mgrs		
Small Cap. Value							
	Quarter	17.76	17.56	15.97	15.84		
	1 year	(4.18)	(4.87)	(5.51)	(1.61)		
	Since 2/28/2009	27.91	27.08	25.92	NA		
MDT Advisers				Russ Mid Growth	PSN Money Mgrs		
Mid Cap. Growth							
	Quarter	12.31	12.10	11.23	11.83		
	1 year	3.85	3.03	(1.66)	(1.69)		
	Since 5/31/2009	25.93	25.01	18.97	NA		
Thornburg				MSCI AC Wld x US			
International Value							
	Quarter	5.78	5.61	3.72			
	1 year	(15.11)	(15.66)	(13.71)			
	Since 9/30/2009	1.68	1.08	(0.22)			
Renaissance				MSCI AC Wld x US			
International Growth							
	Quarter	7.17	7.01	3.72			
	1 year	(10.15)	(10.71)	(13.71)			
	Since 5/31/2009	7.59	6.95	6.54			
Garcia Hamilton & Associates*				BC Int. Gov/Credit	BC Int. Aggregate	90-Day T-Bill	
Fixed Income							
	Quarter	1.16	1.09	0.84	0.91	0.02	
	1 year	3.65	3.39	5.80	5.97	0.07	
	3 year	7.55	7.27	5.65	6.19	0.12	
	5 year	7.29		5.88	6.09	1.19	
	Since 9/30/2006	7.19		5.80	6.04	1.37	
TOTAL RETURN				Policy Index	Composite Index		
Time-Weighted Return (TWR)							
	Quarter	6.85	6.74	6.83	6.80		
	1 year	0.33	(0.09)	1.42	1.39		
	3 year	11.51	11.05	11.57	11.68		
	5 year	2.35	1.95	2.76	2.01		
	Since 9/30/2006	3.07	2.68	3.58	2.95		
Dollar-Weighted Net (IRR)				Actuarial Rate	CPI + 4		
	Quarter		6.68	1.94	1.08		
	1 year		(0.06)	8.00	7.25		
	3 year		10.81	8.00	6.43		
	5 year		2.08	8.00	6.28		
	Since 9/30/2006		2.75	8.00	6.57		

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) / 40% BC Int GIC for periods since 9/30/2009
- 20% Russ 1000 Value / 20% Russ 1000 Growth / 5% Russ 2000 Value / 5% Russ 2000 Growth / 5% MSCI EAFE (net) / 5% MSCI AC Wld x US (net) / 40% BC Int GIC 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 GIC 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 GIC / 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 December 31, 2011

GUIDELINES	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 < 62.5% & > 57.5% of total fund at market 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 Yes Yes Yes
HGK Large Capitalization Value Equity Portfolio Market Value < 22.5% & > 17.5% of total fund Performance (Inception 3/31/2009) Rank in the Top 50% of manager universe Return > Russell 1000 Value	Yes 3 years N/A N/A Since Inception No No
Garcia Hamilton & Associates Large Capitalization Growth Equity Portfolio Market Value < 22.5% & > 17.5% of total fund Performance (Inception 9/30/2006) Rank in the Top 50% of manager universe Return > Russell 1000 Growth	Yes 3 years Yes No Since Inception Yes 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 3 years N/A N/A Since Inception 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 3 years N/A N/A Since Inception Yes Yes

OBJECTIVES	In Compliance
Total Portfolio Exceed Target Index Exceed actuarial assumption (8%)* Exceed CPI + 4%* *Measured using Net Dollar-Weighted Rate of Return	3 years No No Yes Yes Since Inception No 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	Yes 3 years N/A N/A Since Inception Yes Yes
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	Yes 3 years N/A N/A Since Inception Yes Yes
Garcia Hamilton & Associates Fixed Income Portfolio Market Value < 42.5% & > 37.5% 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)	Yes 3 years Yes Yes Since Inception Yes Yes Yes Yes