

MINUTES

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

THURSDAY - FEBRUARY 20, 2014 - 9:00 AM

PRESENT

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

ALSO PRESENT

Graystone – C. Mulfinger & S. Owens
Sugarman & Susskind - Bob Sugarman
Eric Feld - Auditor
Martin Lebowitz – Pension Administrator
Rinaldo Gayle – Asst. Pension Admin.

ABSENT

DEPARTMENT REPRESENTATIVES

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.

I. PUBLIC COMMENTS

There were no comments from the public.

II. AUDITOR'S REPORT

Martin Lebowitz mentioned that per discussion with Trustee Leo Socorro, item # 5 would be moved up because the auditor has to make an early departure.

Motion by Trustee Beth Spiegel, seconded by Trustee Mo Asim, to take item # 5 out of order and allow the auditor to make his presentation first.

Motion carried unanimously

Eric Feld, CPA presented the September 30, 2013 Annual Financial Statement for the Police & Fire Retirement Plan for the City of North Miami Beach. Eric Feld stated that the opinion is an unqualified opinion and that this is what you are looking for when receiving an annual financial report. He added that you can rely on the report.

Motion by Trustee Beth Spiegel, seconded by Trustee Linda Loizzo, to accept the Annual Financial Statement Audit for the fiscal year ending September 30, 2013 for the Police & Fire Retirement Plan prepared by Steven I. Gordon C.P.A.

Motion carried unanimously

III. GRAYSTONE CONSULTING – Q/E 12/31/2013

Charlie Mulfinger stated that the board is moving in the right direction by diversifying the portfolio. He added that this was a strong fourth quarter as the economy grew throughout the year and shows signs of continuing to do so.

Charlie Mulfinger and Scott Owens presented the performance report, indicating a total portfolio market value on 12/31/2013 of \$90,943,025 (including accrued income). This represents a net increase in value from the previous quarter of \$4,680,016. **Please see attached Summary of Relevant Facts as of December 31, 2013.**

Trustee Mo Asim asked if Charlie Mulfinger could state the current portfolio balance. His response was that he does not have the current balance because he only gets the statements once a month unlike the custodian.

IV. ATTORNEY'S REPORT

Bob Sugarman discussed employer contributions on overtime pay. He mentioned that Trustee Lori Helton of the General Employees Pension Plan calculated the amount of contributions that the members made on their overtime pay. This is so because the overtime pay is not considered pensionable under the new ordinance that the board decided not to implement. The amount is \$13,506.00. There will be a request forthcoming from the City to have the money refunded to it and they will return the funds to the workers. Bob Sugarman stated that the board does not have to act on this now and should wait until the request comes in because the decision reached in the General Employees lawsuit may be instructive to the board.

The IRS Determination letter has been filed and a decision is expected within the next year or two.

Bob Sugarman recommended that we revisit the definition of spouse in the plan because new guidelines from the IRS state that if the plan is to remain qualified, we must no longer look at the law of the state where the spouses reside, but the law of the state or country where the marriage took place. He added that if we are presented with a marriage certificate/license showing that a couple is legally married in another state or country, we are to recognize that marriage regardless of the sex of the spouse. In other words, we are to recognize a same-sex or opposite-sex marriage once it is legal where the marriage occurred despite not being recognized in the state of Florida.

After discussion, motion by Trustee Beth Spiegel, seconded by Trustee Mo Asim to adopt the policy for purposes of administering the plan that the definition of spouse will be determined by the law of the state or country where the marriage took place.

Motion carried unanimously

V. FIDUCIARY LIABILITY POLICY MARCH 1, 2014 – MARCH 1, 2015

Company	Liability Limit	Annual Premium
U.S. SPECIALTY	\$5,000,000.00	\$15,788.18
Ullico Casualty Group	\$5,000,000.00	\$11,785.50
Euclid Vanguard Insurance	\$5,000,000.00	\$15,736.96

After discussion, motion by Trustee Beth Spiegel, seconded by Trustee Mo Asim to authorize Martin Lebowitz to contact U.S. Specialty to see if they are willing to lower the premium by \$2,500. If they are not willing to lower the premium, the decision would be to move forward with Ullico (Altera America).

Motion carried unanimously

VI. APPROVAL OF MINUTES – 11/12/2012, 12/4/2013 & 1/7/2014

Trustee Beth Spiegel mentioned that the December 4th Joint meeting minutes needs to be amended because she was not present to take part in the vote. The minutes listed her as participating in the vote. Martin Lebowitz acknowledged her concern and stated that it will be removed from the minutes.

Motion by Trustee Beth Spiegel seconded by Trustee Linda Loizzo to approve minutes of 11/12/2012, 12/4/2013 & 1/7/2014.

Motion carried unanimously

VII. APPROVAL OF INVOICES

Motion by Trustee Mo Asim, seconded by Trustee Linda Loizzo, to pay the following invoices:

Motion carried unanimously

INVOICES:

Garcia Hamilton – Equity Management Fees	\$16,563.04
Garcia Hamilton – Fixed Management Fees	13,002.22
Morgan Stanley Smith Barney – Consulting Fees	6,875.00
HGK – Management Fees	16,026.87
GW Capital – Management Fees	8,723.95
MDT – Management Fees	9,875.10
Renaissance – Management Fees	7,837.56
Thornburg – Management Fees	7,787.40
Buck Consultants – Actuaries Fees	15,204.00
Steven Gordon – Auditor	4,095.00
Sugarman & Susskind – Legal Fees	10,345.00
Salem Trust Co. – Custody Fees	19,105.73
TOTAL	\$135,440.87

**Police & Fire Retirement
Committee Meeting
February 20, 2014
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The next scheduled meeting is on June 17, 2014. Meeting was adjourned at 10:32 a.m.

Renaldo Gayle, Asst. Pension Administrator

SUMMARY OF RELEVANT FACTS
City of North Miami Beach Police & Fire Retirement Plan
As of December 31, 2013

Distribution of Assets:	
Equity	
- Large Cap. Value	\$16,048,696
- Large Cap. Growth	\$16,489,588
- Small Cap. Value	\$4,621,316
- Mid Cap Growth	\$4,937,570
- International Value	\$4,770,538
- International Growth	\$4,790,504
Total Equity	\$51,658,212
Fixed Income	\$26,530,925
Hedge Fund of Funds	\$8,812,087
Core Private Real Estate	\$3,400,329
Cash (R&D & Residuals)	\$541,473
Total Portfolio	\$90,943,025

Other Important Facts:	
Total Portfolio	\$90,943,025
Total Gain or (Loss) (Gross-of-Fees)	\$5,412,935
Total Gain or (Loss) (Net-of-Fees)	\$5,329,092
Total Fees	(\$83,843)
HGK (Large Cap Value)	
Total Assets	100.00%
Equity	\$16,048,696
Cash	\$15,912,520
Fees	\$136,176
Gain or (Loss) - Gross	(\$18,062)
Gain or (Loss) - Net	\$1,460,799
	\$1,442,737
Garcia Hamilton (Large Cap Growth)	
Total Assets	100.00%
Equity	\$16,489,588
Cash	\$16,434,477
Fees	\$55,112
Gain or (Loss) - Gross	(\$13,557)
Gain or (Loss) - Net	\$1,712,128
	\$1,698,571

Distribution by Percentages:		Policy	Current
Equity Breakdown			
- Large Cap. Value	17.50%	17.65%	
- Large Cap. Growth	17.50%	18.13%	
- Small Cap. Value	5.00%	5.08%	
- Mid Cap Growth	5.00%	5.43%	
- International Value	5.00%	5.25%	
- International Growth	5.00%	5.27%	
Total Equity	55.00%	56.80%	
Fixed Income	30.00%	29.17%	
Hedge Fund of Funds	10.00%	9.69%	
Core Private Real Estate	5.00%	3.74%	
Cash	0.00%	0.60%	
Total Portfolio	100.00%	100.00%	

GW Capital (Small Cap Value)	
Total Assets	100.00%
Equity	97.91%
Cash	2.09%
Fees	\$96,544
Gain or (Loss) - Gross	(\$9,127)
Gain or (Loss) - Net	\$381,805
	\$372,678
Thorburg (Int'l Value)	
Total Assets	100.00%
Equity	98.89%
Cash	1.11%
Fees	(\$7,373)
Gain or (Loss) - Gross	\$206,081
Gain or (Loss) - Net	\$198,708
Renaissance (Int'l Growth)	
Total Assets	100.00%
Equity	98.91%
Cash	1.09%
Fees	\$4,738,315
Gain or (Loss) - Gross	\$52,189
Gain or (Loss) - Net	(\$7,758)
	\$451,664
	\$443,906

Garcia Hamilton (Fixed Income)	
Total Assets	100.00%
Fixed Income	98.12%
Cash	1.88%
Fees	(\$16,971)
Gain or (Loss) - Gross	\$400,415
Gain or (Loss) - Net	\$383,443

Receipts & Disbursements Acct	
Total Assets	\$541,473
Cash	\$541,473
Gain or (Loss) - Gross	\$28

Private Advisors (HFOf)	
Total Assets	100.00%
HFOf	100.00%
Fees	\$4,402,686
Gain or (Loss) - Gross	\$4,402,686
Gain or (Loss) - Net	\$0
	\$102,686
	\$102,686

Entrust (HFOf)	
Total Assets	100.00%
HFOf	100.00%
Fees	\$4,409,401
Gain or (Loss) - Gross	\$4,409,401
Gain or (Loss) - Net	\$0
	\$109,400
	\$109,400

UBS (Core Private Real Estate)	
Total Assets	100.00%
Private Real Estate	100.00%
Fees	\$3,400,329
Gain or (Loss) - Gross	\$3,400,329
Gain or (Loss) - Net	(\$992)
	\$75,846
	\$74,854

UBS (Core Private Real Estate)	
Total Assets	100.00%
Private Real Estate	100.00%
Fees	\$3,400,329
Gain or (Loss) - Gross	\$3,400,329
Gain or (Loss) - Net	(\$992)
	\$75,846
	\$74,854

City of North Miami Beach Police & Fire Retirement Plan
As of December 31, 2013

HGK Large Cap. Value	Your Returns Gross-of-Fees	Your Returns Net-of-Fees	Russ 1000 Value	PSN Money Mgrs	S&P 500
	9.08	8.96	10.01	9.51	10.52
	33.18	32.65	32.54	31.88	32.41
	16.18	15.73	16.06	16.21	16.18
	20.31	19.86	22.25	21.73	21.93
Garcia Hamilton & Associates* Large Cap. Growth			Russ 1000 Growth	PSN Money Mgrs	
	10.76	10.66	10.44	10.51	
	28.66	28.22	33.49	33.89	
	13.35	12.86	16.45	15.72	
	18.08	17.51	20.39	19.35	
	7.98		8.81	8.49	
GW Capital Small Cap. Value			Russ 2000 Value	PSN Money Mgrs	
	8.48	8.27	9.29	9.49	
	32.31	31.34	34.50	36.54	
	14.89	14.06	14.48	15.77	
	27.04	26.17	25.97	NA	
MDT Advisers Mid Cap. Growth			Russ Mid Growth	PSN Money Mgrs	
	10.71	10.49	8.23	8.88	
	41.06	39.98	35.76	36.04	
	20.68	19.74	15.63	15.40	
	27.73	26.78	21.73	NA	
Thornburg International Value			MSCI AC Wld x US		
	4.44	4.28	4.76		
	17.40	16.67	15.29		
	5.73	5.07	5.15		
	9.06	8.40	7.14		
Renaissance International Growth			MSCI AC Wld x US		
	10.00	9.82	4.76		
	31.48	30.66	15.29		
	9.73	9.04	5.15		
	13.35	12.66	10.60		

Garcia Hamilton & Associates*		BC Int. Gov/Credit	BC Int. Aggregate	90-Day T-Bill
Fixed Income				
Quarter	1.51	1.44	(0.14)	0.01
1 year	1.21	0.96	(0.86)	0.05
3 year	4.80	4.53	2.91	0.07
5 year	6.67	6.40	3.96	0.10
Since 9/30/2006	4.37	4.03	4.65	1.01
Private Advisors				
Alternative Investments		HFRI FOF Con		
Since 10/31/2013	1.57	1.57	1.63	
Since 10/01/2013	2.39	2.39	N/A	
Entrust		HFRI FOF Con		
Since 11/30/2013	1.07	1.07	2.53	
Since 11/01/2013	2.54	2.54	N/A	
UBS Trumbull Property Fund		NCREIF	ODCE	
Quarter	2.28	1.98	2.53	3.17
1 year	10.39	9.09	10.99	13.94
Since 7/31/2012	10.62	9.47	11.37	12.83

TOTAL RETURN		Policy Index	Composite Index
Time-Weighted Return (TWR)			
Quarter	6.25	5.46	5.67
1 year	19.01	17.61	18.25
3 year	10.65	10.05	10.30
5 year	13.36	12.79	13.01
Since 9/30/2006	6.54	6.52	6.15
Dollar-Weighted Net (IRR)		Actuarial Rate	CPI + 4
Quarter		1.82	1.25
1 year		7.50	5.50
3 year		7.50	6.13
5 year		7.50	6.09
Since 9/30/2006		7.50	6.02

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 / 10% HFRI FOF Con / 5% NCREIF since 10/31/2013
- 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% 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
- 12.5% Russ 1000 Value / 20% Russ 1000 Growth / 5% Russ 2000 Value / 5% 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

COMPLIANCE CHECKLIST

City of North Miami Beach Police & Fire Retirement Plan

As of December 31, 2013

GUIDELINES

Equity Portfolio

In Compliance

Listed on recognized exchange
 Single issue not to exceed 10% of total fund value for each equity in each separately managed portfolio
 Total equity portfolio < 57.5% & > 52.5% of total fund at market
 Single issue not to exceed 5% of total fund 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

OBJECTIVES

In Compliance

Total Portfolio
 Exceed Target Index
 Exceed actuarial assumption (7.5%)*
 Exceed CPI + 4%*
 * Measured using Net Dollar-Weighted Rate of Return

HGK

Large Capitalization Value Equity Portfolio

Market Value < 20.0% & > 15.0% of total fund
 Performance (Inception 3/31/2009)
 Rank in the Top 50% of manager universe
 Return > Russell 1000 Value

3 years Yes
 No Since Inception
 Yes 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

3 years Yes
 Yes Since Inception
 Yes Yes

Garcia Hamilton & Associates

Large Capitalization Growth Equity Portfolio

Market Value < 20.0% & > 15.0% of total fund
 Performance (Inception 9/30/2006)
 Rank in the Top 50% of manager universe
 Return > Russell 1000 Growth

3 years Yes
 No Since Inception
 No No

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

3 years Yes
 Yes 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

3 years Yes
 No Since Inception
 Yes Yes

Garcia Hamilton & Associates

Fixed Income Portfolio

Market Value < 32.5% & > 27.5% 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)

3 years Yes
 Yes Since Inception
 Yes Yes
 Yes 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

3 years Yes
 Yes Since Inception
 Yes Yes

Private Advisers

Hedge Fund of Funds

Market Value < 5.0% & > 0% of total fund
 Performance (Inception 10/31/2013)
 Performance > HFRI FOF Conservative

3 years Yes
 N/A Since Inception
 No

UBS Trumbull Property Fund

Core Private Real Estate

Market Value < 12.5% & > 0% of total fund
 Performance (Inception 7/31/2012)
 Performance > NCREIF Pply Index
 Performance > NCREIF ODCE

3 years Yes
 N/A Since Inception
 N/A No

Entrust

Hedge Fund of Funds

Market Value < 5.0% & > 0% of total fund
 Performance (Inception 11/30/2013)
 Performance > HFRI FOF Conservative

3 years Yes
 N/A Since Inception
 No