

**MINUTES**

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

**THURSDAY - MAY 3, 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 – D. Wheeler  
Buck – Joe Griffin  
Buck – Brian Broverman  
Sugarman & Susskind - Bob Sugarman  
Martin Lebowitz – Pension Administrator  
Darcee Siegel – City Attorney

**DEPARTMENT REPRESENTATIVES**

Various Police Officers  
Lori Helton – IT

The meeting was called to order at 9:14 a.m. by Sgt. Socorro and was followed by a roll call of Trustees.

**I. GRAYSTONE CONSULTING – MARCH 31, 2012 REPORT**

David Wheeler presented the performance report, indicating a total portfolio market value on 3/31/2012 of \$74,132,481 (including accrued income). This represents a net increase in value from the previous quarter of \$6,334,432. The total fund earned 9.26% for the quarter.

**See attached Summary of Relevant Facts as of March 31, 2012.**

David Wheeler reviewed and recommended a new Investment Policy with the committee to reflect the Real Estate Investment. The new Investment Policy would change from 40% to 35% in fixed income and 5% in Private Real Estate.

After discussion, motion by Mayor Vallejo, seconded by Chief Loizzo, to accept the new Investment Policy recommended by Graystone Consulting.

Motion carried.

**Police & Fire Retirement  
Committee Meeting  
May 3, 2012  
Page 2**

After discussion, motion by Mayor Vallejo, seconded by Councilwoman Spiegel, based on the recommendation of Graystone to fund UBS Trumbull with the 5% target allocation.

Motion carried.

Bob Sugarman has suggested that a representative from UBS Trumbull attend the next committee meeting.

**II. SERVICE PURCHASE METHODOLOGY**

Joe Griffin of Buck Consultants, the plan's actuaries, discussed the service purchase methodology for members to purchase credited service. Please see attached.

After discussion, motion by Chief Loizzo, seconded by Councilwoman Spiegel, to utilize the Service Purchase Methodology recommended by Buck when calculating a member's buyback of credited service and voluntary supplemental benefit. The member will pay the full actuarial cost of the buyback plus the City's contributions.

Motion carried.

**III. ATTORNEY'S REPORT**

**First Solar – Lawsuit** – The securities firm Robbins Geller recommended not to proceed any further. Another client with a bigger holding will be the lead plaintiff.

**Alton Kilpatrick Share Plan** – 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. Martin Lebowitz received documents from a court in N.J., naming an executrix. After review, Attorney Sugarman advise to make a check for the benefit payable to the Executrix for the Estate of Alton Kilpatrick

After discussion, motion by Mayor Vallejo, seconded by Chief Loizzo, to authorize payment as follows; Joann Stevenson Executrix of the Estate of Alton Kilpatrick.

Motion carried.

**Merrill Lynch Lawsuit** – Ivelisse Berlo-LeBeau from Sugarman & Susskind discussed the class action lawsuit that has been settled. The plan will receive approximately \$110,000(as of the current calculations, which are subject to change) sometime in the future.

A claim form will be sent to each plan that is part of the lawsuit. Mr. Sugarman advised the Board of its options to file a claim or opt out of the class and file its own lawsuit. He also advised the Board of the 25% contingency fee that the attorneys, including his firm, will seek to be paid out of the settlement proceeds with court approval. Because his firm participated in the negotiation and settlement of the case, believing it to be the best interests of all class members and will receive a share of the contingency fee award(together with the two other firms that were co-counsel to the class), Mr. Sugarman advised the trustees of the trustees' right to seek independent legal advice on the

**Police & Fire Retirement  
Committee Meeting  
May 3, 2012**

**Page 3**

advisability of the settlement for the participants and beneficiaries of this pension fund or of opting out of the class and the reasonableness of the requested fees

After discussion, motion by Councilwoman Spiegel, seconded by Mayor Vallejo, to opt into the class and authorize Martin Lebowitz to complete the claims form and have our Chairperson Sgt. Socorro sign the claims form.

Motion carried.

**Ordinance 2012-4 Changes of Jt. Pensioner, Beneficiaries** – with the cooperation of the City Attorney's office, Ordinance 2012-4 will be revised and will be presented to City Council on May 15, 2012 for first reading.

Bob Sugarman discussed Ordinance 2012-2 that was presented to City Council on February 21, 2012 to make the following change – The four Board of Trustees members should consider the fifth Board member's potential qualifications prior to selecting the fifth member. Such qualifications as expertise in either accounting or financial planning, an actuarial background, and being totally independent of the Plan should be considered.

Quorum – 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.

The City received an opinion letter from the Attorney General's Office which stated that the above change to the quorum was lawful. However, Bob Sugarman sent these changes to the Florida Municipal Police & Fire Pension Office of the State Division of Retirement and the State approved the requirement for the fifth member's qualifications. In reference to the quorum, the Florida Municipal Police & Fire Pension Office of the State Division of Retirement did not agree with the Attorney General's opinion. This puts the Plan in a jam because if the City relies on the advice of the Attorney General and goes ahead and adopts the Ordinance 2012-2, then the State can stop the 175 and 185 monies necessitating an expensive and lengthy administrative and court appeal process, City Attorney Siegel withdrew the second reading of Ordinance 2012-2 so the City can work this issue out. If the state stops our State monies, we would have to go to an administrative law judge to get our money. After that it would go to a court.

Bob Sugarman referenced a suggestion of adopting Board policies that was sent to the City Attorney on March 5, 2012 as follows:

When selecting the 5<sup>th</sup> trustee, the Board should consider all of the factors in both the proposed ordinance and the Municipal Police & Fire Pension Office's February 27<sup>th</sup> letter (honesty, integrity, ability to work well with others, willingness to attend meetings and educational programs) as well those that you've considered in the past (experience, credentials, interest, availability of time to devote to the task, familiarity with the city, etc.) The attributes of each candidate for the 5<sup>th</sup> trustee position should be considered and discussed in light of these factors as well as those factors that you personally would like to see in a fellow trustee. Sufficient time should be reserved on the agenda to permit full and careful discussion and deliberations.

**Police & Fire Retirement  
Committee Meeting  
May 3, 2012  
Page 4**

Regularly scheduled quarterly meetings – scheduled annually before December 20<sup>th</sup> of the preceding year. (They're now scheduled at the last meeting of the year, usually in November or early December.)

Change to regularly scheduled meeting or a special called meeting:

- Administrator, after checking availability of plan professionals who need to attend, sends emails to all trustees simultaneously offering 3 separate dates at least one week in the future
- Administrator waits 24 hours for replies
- If all replying say "yes" to a date, that's date of meeting
- If they all say "yes" to more than one date, chairman chooses date from among those
- If there's no "all yes" to any date, date is one that most trustees say "yes" at which at least one police and one resident trustee said "yes"
- If at least one resident and one police trustee don't say "yes" to any of dates offered, then process is repeated with 3 different dates
- If process after 2<sup>nd</sup> try does not produce a meeting date from among the 6 offered, then chairman sets date with at least one week's notice (to avoid trustees from saying "no" just to avoid having a meeting)

Further discussion on the above issue will be reviewed at the August 16, 2012 meeting.

Bob Sugarman answered a question that Martin Lebowitz presented about having the Summary Plan Description (SPD) on the Police & Fire Retirement Website for Retirees and Active Members to access, rather than send out hardcopies of the SPD. Bob Sugarman stated that would work and suggested if any member wants a hardcopy, that the plan administrator would send it to them or the member could print it out.

Bob Sugarman reminded the trustees of their continuing education obligation and discussed the upcoming Police & Fire Trustee School from May 14 – 16, 2012 which will be held in Tallahassee and the FPPTA in Orlando from June 24-27, 2012.

Appointment of 5<sup>TH</sup> seat on the committee will be placed on August 16, 2012 Agenda. Chief Loizzo is entitled to stay on the Board until the next meeting if she is willing. Bob Sugarman stated the fifth member's term, if expired, remains in that position until such time as he or she is reelected or a replacement is elected.

**IV. APPROVAL OF MINUTES – 1/31/2012 AND 2/16/2012.**

Motion by Mayor Vallejo, seconded by Sgt. Asim to approve minutes of 1/31/2012 and 2/16/2012.

Motion carried.

V. APPROVAL OF INVOICES

Motion by Mayor Vallejo, seconded by Sgt. Asim, to pay the following invoices:

Motion carried unanimously.

INVOICES:

|   |              |
|---|--------------|
| Garcia Hamilton – Equity Quarterly Management Fees      | \$18,302.34  |
| Garcia Hamilton – Fixed Quarterly Management Fees       | 16,783.59    |
| Morgan Stanley Smith Barney – Quarterly Consulting Fees | 6,875.00     |
| HGK – Quarterly Management Fees                         | 13,739.29    |
| GW Capital – Quarterly Management Fees                  | 7,234.02     |
| MDT – Quarterly Management Fees                         | 9,582.39     |
| Renaissance – Quarterly Management Fees                 | 5,855.23     |
| Thornburg - Quarterly Management Fees                   | 5,724.59     |
| Bolton Partners – Actuary Fees                          | 16,278.58    |
| Steven Gordon – Auditor                                 | 4,280.00     |
| Sugarman & Susskind – Legal Fees                        | 6,600.00     |
| Salem Trust Company – Custodial Fees                    | 9,219.40     |
|   | <hr/>        |
|   | \$122,474.43 |

The next regularly scheduled quarterly Board meeting will be held on Thursday, August 16, 2012 at 9:00 a.m.

Meeting was adjourned at 1:50 p.m.

---

Martin Lebowitz, Pension Administrator

**SUMMARY OF RELEVANT FACTS**  
**City of North Miami Beach Police & Fire Retirement Plan**

As of March 31, 2012

| <b>Distribution of Assets</b> |              |
|-------------------------------|--------------|
| Equity                        |              |
| - Large Cap. Value            | \$15,443,068 |
| - Large Cap. Growth           | \$15,726,092 |
| - Small Cap. Value            | \$3,892,782  |
| - Mid Cap Growth              | \$4,790,608  |
| - International Value         | \$3,620,819  |
| - International Growth        | \$3,629,024  |
| Total Equity                  | \$47,102,392 |
| Fixed Income                  | \$26,956,923 |
| Cash (R&D & Residuals)        | \$73,166     |
| Total Portfolio               | \$74,132,481 |

|                                      |         |                                    |             |
|--------------------------------------|---------|------------------------------------|-------------|
| Other Important Facts:               |         |                                    |             |
| Total Portfolio                      |         | \$74,132,481                       |             |
| Total Gain or (Loss) (Gross-of-Fees) |         | \$6,408,504                        |             |
| Total Gain or (Loss) (Net-of-Fees)   |         | \$6,334,432                        |             |
| Total Fees                           |         | (\$74,072)                         |             |
|                                      |         |                                    |             |
| HGK (Large Cap Value)                | 100.00% | Garcia Hamilton (Large Cap Growth) | 100.00%     |
| Total Assets                         | 99.29%  | Total Assets                       | 100.00%     |
| Equity                               | 0.71%   | Equity                             | 99.33%      |
| Cash                                 |         | Cash                               | 0.67%       |
| Fees                                 |         | Fees                               | \$109,113   |
| Gain or (Loss) - Gross               |         | Gain or (Loss) - Gross             | (\$13,982)  |
| Gain or (Loss) - Net                 |         | Gain or (Loss) - Net               | \$1,756,151 |
|                                      |         |                                    | \$1,742,169 |

| <b>Distribution by Region</b> |         |
|-------------------------------|---------|
| Equity Breakdown              |         |
| - Large Cap. Value            | 20.00%  |
| - Large Cap. Growth           | 20.00%  |
| - Small Cap. Value            | 5.00%   |
| - Mid Cap Growth              | 5.00%   |
| - International Value         | 5.00%   |
| - International Growth        | 5.00%   |
| Total Equity                  | 60.00%  |
| Fixed Income                  | 40.00%  |
| Cash                          | 0.00%   |
| Total Portfolio               | 100.00% |

|                              |         |                        |           |
|------------------------------|---------|------------------------|-----------|
| GW Capital (Small Cap Value) | 100.00% | MDT (Mid Cap Growth)   | 100.00%   |
| Total Assets                 | 96.98%  | Total Assets           | 98.95%    |
| Equity                       | 3.02%   | Equity                 | 1.05%     |
| Cash                         |         | Cash                   | \$117,685 |
| Fees                         |         | Fees                   | (\$6,754) |
| Gain or (Loss) - Gross       |         | Gain or (Loss) - Gross | \$281,780 |
| Gain or (Loss) - Net         |         | Gain or (Loss) - Net   | \$275,025 |

|                         |         |                            |           |
|-------------------------|---------|----------------------------|-----------|
| Thornburg (Int'l Value) | 100.00% | Renaissance (Int'l Growth) | 100.00%   |
| Total Assets            | 94.12%  | Total Assets               | 98.75%    |
| Equity                  | 5.88%   | Equity                     | 1.25%     |
| Cash                    |         | Cash                       | \$212,849 |
| Fees                    |         | Fees                       | (\$5,376) |
| Gain or (Loss) - Gross  |         | Gain or (Loss) - Gross     | \$444,183 |
| Gain or (Loss) - Net    |         | Gain or (Loss) - Net       | \$438,808 |

|                                |         |                               |                        |           |
|--------------------------------|---------|-------------------------------|------------------------|-----------|
| Garcia Hamilton (Fixed Income) | 100.00% | Receipts & Disbursements Acct | Total Assets           | \$73,166  |
| Total Assets                   | 98.20%  | Total Assets                  | Cash                   | \$73,166  |
| Fixed Income                   | 1.80%   | Cash                          | Gain or (Loss) - Gross | \$5       |
| Cash                           |         | Cash                          | Gain or (Loss) - Net   | \$831,529 |
| Fees                           |         | Fees                          | Gain or (Loss) - Gross | \$848,439 |
| Gain or (Loss) - Gross         |         | Gain or (Loss) - Gross        | Gain or (Loss) - Net   | \$831,529 |
| Gain or (Loss) - Net           |         | Gain or (Loss) - Net          |                        |           |

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 March 31, 2012**

| HOK Large Cap Value                           |  | Your Returns<br>Gross Assets | Your Returns<br>Net Assets | Russ 1000 Value   | PSW Money Mgr    | SP 500        |
|---|--|------------------------------|----------------------------|-------------------|------------------|---------------|
| Quarter                                       |  | 12.57                        | 12.47                      | 11.12             | NA               | 12.58         |
| 1 year  |  | 6.55                         | 6.15                       | 4.79              | NA               | 8.54          |
| Since 3/31/2009                               |  | 20.26                        | 19.84                      | 22.83             | NA               | 23.42         |
| Garcia Hamilton & Associates Large Cap Growth |  | Your Returns<br>Gross Assets | Your Returns<br>Net Assets | Russ 1000 Growth  | PSW Money Mgr    | SP 500        |
| Quarter                                       |  | 14.65                        | 14.52                      | 14.69             | NA               |               |
| 1 year  |  | 8.98                         | 8.45                       | 11.03             | NA               |               |
| 3 year  |  | 22.90                        | 22.24                      | 25.28             | NA               |               |
| 5 year  |  | 5.33                         |                            | 5.10              | NA               |               |
| Since 9/30/2006                               |  | 5.96                         |                            | 5.95              | NA               |               |
| GW Capital Small Cap Value                    |  | Your Returns<br>Gross Assets | Your Returns<br>Net Assets | Russ 2000 Value   | PSW Money Mgr    | SP 500        |
| Quarter                                       |  | 7.80                         | 7.62                       | 11.59             | NA               |               |
| 1 year  |  | (8.14)                       | (8.79)                     | (1.07)            | NA               |               |
| 3 year  |  | 27.85                        | 26.99                      | 25.36             | NA               |               |
| Since 2/28/2009                               |  | 28.47                        | 27.63                      | 28.08             | NA               |               |
| MDJ Advisers Mid Cap Growth                   |  | Your Returns<br>Gross Assets | Your Returns<br>Net Assets | Russ Mid Growth   | PSW Money Mgr    | SP 500        |
| Quarter                                       |  | 15.19                        | 14.99                      | 14.52             | NA               |               |
| 1 year  |  | 10.19                        | 9.35                       | 4.43              | NA               |               |
| Since 5/31/2009                               |  | 29.71                        | 28.77                      | 22.91             | NA               |               |
| Homburg International Value                   |  | Your Returns<br>Gross Assets | Your Returns<br>Net Assets | MSCI AC Wid x US  | PSW Money Mgr    | SP 500        |
| Quarter                                       |  | 13.98                        | 13.81                      | 11.23             |                  |               |
| 1 year  |  | (5.85)                       | (6.45)                     | (7.18)            |                  |               |
| Since 9/30/2009                               |  | 6.97                         | 6.33                       | 4.14              |                  |               |
| Renaissance International Growth              |  | Your Returns<br>Gross Assets | Your Returns<br>Net Assets | MSCI AC Wid x US  | PSW Money Mgr    | SP 500        |
| Quarter                                       |  | 12.94                        | 12.77                      | 11.23             |                  |               |
| 1 year  |  | (2.87)                       | (3.46)                     | (7.18)            |                  |               |
| Since 5/31/2009                               |  | 11.58                        | 10.92                      | 10.00             |                  |               |
| Garcia Hamilton & Associates Fixed Income     |  | Your Returns<br>Gross Assets | Your Returns<br>Net Assets | BC Int Gov Credit | BC Int Aggregate | 90 Day T-Bill |
| Quarter                                       |  | 3.25                         | 3.18                       | 0.61              | 0.66             | 0.02          |
| 1 year  |  | 5.98                         | 5.71                       | 6.09              | 6.16             | 0.05          |
| 3 year  |  | 8.62                         | 8.35                       | 5.88              | 6.10             | 0.10          |
| 5 year  |  | 7.65                         |                            | 5.67              | 5.90             | 0.94          |
| Since 9/30/2006                               |  | 7.47                         |                            | 5.64              | 5.89             | 1.31          |
| TOTAL RETURN Time Weighted Return (TWR)       |  | Your Returns<br>Gross Assets | Your Returns<br>Net Assets | Policy Index      | Composite Index  | SP 500        |
| Quarter                                       |  | 9.37                         | 9.26                       | 7.74              | 8.06             |               |
| 1 year  |  | 5.22                         | 4.79                       | 5.40              | 5.53             |               |
| 3 year  |  | 16.91                        | 16.43                      | 16.71             | 16.87            |               |
| 5 year  |  | 3.77                         | 3.36                       | 3.92              | 3.19             |               |
| Since 9/30/2006                               |  | 4.62                         | 4.22                       | 4.82              | 4.27             |               |
| Dollar Weighted Net (IRR)                     |  | Your Returns<br>Gross Assets | Your Returns<br>Net Assets | Actuarial Rate    | CPI              | SP 500        |
| Quarter                                       |  |                              | 9.30                       | 1.94              | 1.99             |               |
| 1 year  |  |                              | 4.90                       | 8.00              | 6.61             |               |
| 3 year  |  |                              | 16.10                      | 8.00              | 6.47             |               |
| 5 year  |  |                              | 3.62                       | 8.00              | 6.24             |               |
| Since 9/30/2006                               |  |                              | 4.40                       | 8.00              | 6.59             |               |

**Policy Index Composition**

- 20% Russ 1000 Value / 20% Russ 1000 Growth / 5% Russ 2000 Value / 5% Russ Mid Growth / 10% MSCI AC Wid x US (net) / 40% BC Int G/C 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 Wid 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 March 31, 2012*

| <b>GUIDELINES</b>   |             | <b>3 years</b> | <b>Since Inception</b> |
|---|-------------|----------------|------------------------|
| <b>Equity Portfolio</b>   |             |                |                        |
| Listed on recognized exchange   | Yes         | Yes            | No                     |
| Single issue not to exceed 10% at market value for each equity in each separately managed portfolio               | Yes         | Yes            | No                     |
| Total equity portfolio < 62.5% & > 57.5% of total fund at market  | No (63.54%) | Yes            | No                     |
| 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         |                |                        |
| <b>HGK</b>  |             |                |                        |
| <b>Large Capitalization Value Equity Portfolio</b>  |             |                |                        |
| Market Value < 22.5% & > 17.5% of total fund Performance (Inception 3/31/2009)                                    | Yes         | Yes            | Yes                    |
| Rank in the Top 50% of manager universe   | N/A         | N/A            | N/A                    |
| Return > Russell 1000 Value   | Yes         | Yes            | Yes                    |
| <b>Garcia Hamilton &amp; Associates</b>   |             |                |                        |
| <b>Large Capitalization Growth Equity Portfolio</b>   |             |                |                        |
| Market Value < 22.5% & > 17.5% of total fund Performance (Inception 9/30/2006)                                    | Yes         | Yes            | Yes                    |
| Rank in the Top 50% of manager universe   | N/A         | N/A            | N/A                    |
| Return > Russell 1000 Growth  | No          | Yes            | Yes                    |
| <b>GW Capital</b>   |             |                |                        |
| <b>Small Capitalization Value Equity Portfolio</b>  |             |                |                        |
| Market Value < 7.5% & > 2.5% of total fund Performance (Inception 2/28/2009)                                      | Yes         | Yes            | Yes                    |
| Rank in the Top 50% of manager universe   | N/A         | N/A            | N/A                    |
| Return > Russell 2000 Value   | Yes         | Yes            | Yes                    |
| <b>MIDT Advisers</b>  |             |                |                        |
| <b>Mid Capitalization Growth Equity Portfolio</b>   |             |                |                        |
| Market Value < 7.5% & > 2.5% of total fund Performance (Inception 5/31/2009)                                      | Yes         | Yes            | Yes                    |
| Rank in the Top 50% of manager universe   | N/A         | N/A            | N/A                    |
| Return > Russell Mid Growth   | No          | Yes            | Yes                    |
| <b>OBELGIVES</b>  |             |                |                        |
| <b>Total Portfolio</b>  |             |                |                        |
| Exceed Target Index   | Yes         | Yes            | No                     |
| Exceed actuarial assumption (8%) *  | Yes         | Yes            | No                     |
| Exceed CPI + 4% *   | Yes         | Yes            | No                     |
| * Measured using Net Dollar-Weighted Rate of Return   |             |                |                        |
| <b>Thornburg</b>  |             |                |                        |
| <b>International Value Equity Portfolio</b>   |             |                |                        |
| Market Value < 7.5% & > 2.5% of total fund Performance (Inception 9/30/2009)                                      | Yes         | Yes            | Yes                    |
| Return > MSCI All Country World ex US   | N/A         | N/A            | Yes                    |
| <b>Renaissance Investment Management</b>  |             |                |                        |
| <b>International Growth Equity Portfolio</b>  |             |                |                        |
| Market Value < 7.5% & > 2.5% of total fund Performance (Inception 5/31/2009)                                      | Yes         | Yes            | Yes                    |
| Return > MSCI All Country World ex US   | N/A         | N/A            | Yes                    |
| <b>Garcia Hamilton &amp; Associates</b>   |             |                |                        |
| <b>Fixed Income Portfolio</b>   |             |                |                        |
| Market Value < 42.5% & > 37.5% of total fund Performance (Inception 9/30/2006)                                    | Yes         | No (36.36%)    | Yes                    |
| Return > Barclays Cap Intern. Govt/Credit U.S. Government / Agency or U.S. Corporations Bonds rated "A" or better | Yes         | Yes            | Yes                    |
| Single corporate issuer not exceed 10% of bond portfolio (except U.S. Government/Agency)                          | Yes         | Yes            | Yes                    |

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

Retirement Plan for Police Officers & Firefighters  
of the City of North Miami Beach

Review of Service Methodology



A Xerox Company

## Review of Service Purchase Methodology

Replicated sample calculations performed by prior actuary within acceptable actuarial standards

Performed an independent review of the assumptions and methods used by Bolton Partners

Recommend some changes to the cost methods and assumptions

## Cost Method Change and Interest Rate Change

### Prior actuary used “actuarial liability method”

- Method was similar to projected unit credit
- Recommend aligning the method to match current funding which funds benefits on a level percentage of a member’s compensation throughout their career (commonly referred to as the entry age normal cost method)
- Change will ensure consistency in cost determination

Recommend changing interest rate from 7.5% to 8.0% to match current funding assumptions

## Retirement Assumptions and COLA Timing

Prior actuary assumed benefit distributions would commence immediately at 20 years of service (inclusive of purchased service) and COLAs would begin three years later

- COLA timing is delayed for members who enter the DROP (3 years after exit)
- DROP experience was immature at the time the prior actuary set the assumptions
- We reviewed experience since inception of the 8 year DROP

### Review covered years 2007-2011

- 24 of 29 retiring members during the period entered the DROP (83% utilization)
- 25 currently remain in the DROP (including 5 pre 2007 DROP participants) averaging 3.5 years of participation
- 4 members left the DROP during this period with average duration of 4.5 years
- Recommend changing COLA timing assumption from 3 years to 7 years after benefit distributions commence to align with experience

Recommend continued review of DROP experience

## Other Considerations

- Under current methods, the cost of purchasing service includes both the additional benefit associated with the purchased service and the acceleration of benefit distributions from the plan to an earlier retirement date
- Absent a purchase of service, the additional years of service would have been funded while the service was being earned with member and City contributions
- If service is purchased, the additional years will be funded entirely with member contributions, regardless of any additional years worked by members while participating in the DROP program

## Sample Calculations

City of North Miami Beach Police Officers and Firefighters Retirement Plan  
 Illustrative Funding Calculations (without service purchase)

New Hire Age 25 Earning \$35,000

At age 45 the member will reach 20 years of service with an annual benefit of \$63,274  
 The present value of the benefits at age 45 will be \$871,964

Contributions of 11.1% of pay from the member plus 15.9% from the City/State is needed from age 25 to age 45 to fund the benefit

| Age | Service | Pay       | Annual Accrued Benefit | Present Value of Future Benefits | 11.1% Member Contribution | 15.9% City/State Contribution | 27% Total Contribution | Accumulated Employee Contributions | Accumulated Employer Contributions | Accumulated Total Contributions |
|-----|---------|-----------|------------------------|----------------------------------|---------------------------|-------------------------------|------------------------|------------------------------------|------------------------------------|---------------------------------|
| 25  | 0       | \$ 35,000 | \$ -                   | \$ 187,078                       | \$ 3,885                  | \$ 5,565                      | \$ 9,450               | -                                  | -                                  | -                               |
| 26  | 1       | 39,200    | 1,050                  | 202,044                          | 4,351                     | 6,232                         | 10,584                 | 4,196                              | 6,010                              | 10,206                          |
| 27  | 2       | 43,904    | 2,226                  | 218,208                          | 4,873                     | 6,980                         | 11,854                 | 9,231                              | 13,221                             | 22,452                          |
| 28  | 3       | 49,173    | 3,543                  | 235,665                          | 5,458                     | 7,818                         | 13,276                 | 15,232                             | 21,818                             | 37,050                          |
| 29  | 4       | 55,074    | 5,018                  | 254,518                          | 6,113                     | 8,756                         | 14,869                 | 22,346                             | 32,007                             | 54,353                          |
| 30  | 5       | 61,881    | 6,671                  | 274,879                          | 6,880                     | 9,281                         | 16,161                 | 30,736                             | 44,024                             | 74,760                          |
| 31  | 6       | 69,530    | 8,546                  | 296,870                          | 7,718                     | 10,429                        | 18,147                 | 40,193                             | 57,570                             | 97,763                          |
| 32  | 7       | 78,177    | 10,773                 | 320,619                          | 8,718                     | 11,054                        | 19,772                 | 50,827                             | 72,801                             | 123,627                         |
| 33  | 8       | 87,969    | 13,525                 | 346,265                          | 9,991                     | 11,718                        | 21,709                 | 62,756                             | 89,888                             | 152,644                         |
| 34  | 9       | 98,954    | 16,765                 | 373,970                          | 11,418                    | 12,432                        | 23,850                 | 76,112                             | 109,018                            | 185,130                         |
| 35  | 10      | 111,287   | 20,545                 | 403,882                          | 13,106                    | 13,106                        | 26,212                 | 91,036                             | 130,394                            | 221,431                         |
| 36  | 11      | 125,000   | 24,999                 | 436,199                          | 15,006                    | 13,842                        | 28,848                 | 107,641                            | 154,177                            | 261,818                         |
| 37  | 12      | 140,245   | 30,386                 | 471,095                          | 17,166                    | 14,606                        | 31,772                 | 126,086                            | 180,597                            | 306,683                         |
| 38  | 13      | 157,077   | 36,844                 | 508,782                          | 19,611                    | 15,430                        | 35,041                 | 146,548                            | 209,905                            | 356,453                         |
| 39  | 14      | 175,544   | 44,444                 | 549,485                          | 22,380                    | 16,300                        | 38,680                 | 169,062                            | 242,152                            | 411,214                         |
| 40  | 15      | 195,705   | 53,245                 | 593,444                          | 26,444                    | 17,238                        | 43,682                 | 193,809                            | 277,598                            | 471,406                         |
| 41  | 16      | 217,625   | 63,415                 | 640,919                          | 31,991                    | 18,238                        | 50,229                 | 220,984                            | 316,521                            | 537,505                         |
| 42  | 17      | 241,350   | 75,000                 | 692,193                          | 39,000                    | 19,300                        | 58,300                 | 250,800                            | 359,227                            | 610,027                         |
| 43  | 18      | 267,000   | 88,125                 | 747,568                          | 48,125                    | 20,438                        | 68,563                 | 283,486                            | 406,046                            | 689,532                         |
| 44  | 19      | 294,750   | 102,938                | 807,374                          | 59,641                    | 21,641                        | 81,282                 | 319,293                            | 457,332                            | 776,625                         |
| 45  | 20      | -         | 63,274                 | 871,964                          | -                         | -                             | -                      | 358,489                            | 513,474                            | 871,964                         |

Illustration at Age 41 without Service Purchase

|  |            |
|--|------------|
| Present Value of Benefits                            | \$ 640,919 |
| Accumulated Contributions                            |            |
| Member Contributions                                 | \$ 220,984 |
| City/State Contributions                             | 316,521    |
| Total  | \$ 537,505 |
| Amount Remaining to Be Contributed Over Next 4 Years | \$ 103,414 |

|                                 |            |
|---------------------------------|------------|
| Breakdown of cost               |            |
| To be contributed by Member     | \$ 42,515  |
| To be contributed by City/State | 60,900     |
| Total                           | \$ 103,414 |

City of North Miami Beach Police Officers and Firefighters Retirement Plan  
 Illustrative Funding Calculations (with service purchase)

New Hire Age 25 Earning \$35,000

At age 41 the member will reach 16 years of service and purchase 4 additional years and begin receiving annual benefits of \$53,945  
 The present value of the benefits at Age 41 will be \$771,081, of which only \$537,505 has been funded with contributions

A member contribution of \$233,577 is needed to fund the shortfall

| Age | Service | Pay    | Annual Accrued Benefit | Present Value of Future Benefits | 11.1% Employee Contribution | 15.9% City/State Contribution | 27% Total Contribution | Accumulated Employee Contributions | Accumulated Employer Contributions | Accumulated Total Contributions |
|-----|---------|--------|------------------------|----------------------------------|-----------------------------|-------------------------------|------------------------|------------------------------------|------------------------------------|---------------------------------|
| 25  | 0       | 35,000 | 0                      | 187,078                          | 3,885                       | 5,565                         | 9,450                  | 0                                  | 0                                  | 0                               |
| 26  | 1       | 39,200 | 1,050                  | 202,044                          | 4,351                       | 6,232                         | 10,584                 | 4,196                              | 6,010                              | 10,206                          |
| 27  | 2       | 43,904 | 2,226                  | 218,208                          | 4,873                       | 6,980                         | 11,854                 | 9,231                              | 13,221                             | 22,452                          |
| 28  | 3       | 49,173 | 3,543                  | 235,665                          | 5,458                       | 7,818                         | 13,276                 | 15,232                             | 21,818                             | 37,050                          |
| 29  | 4       | 55,074 | 5,018                  | 254,518                          | 6,113                       | 8,756                         | 14,869                 | 22,346                             | 32,007                             | 54,353                          |
| 30  | 5       | 58,378 | 6,671                  | 274,879                          | 6,480                       | 9,281                         | 15,761                 | 30,736                             | 44,024                             | 74,760                          |
| 31  | 6       | 61,881 | 8,846                  | 296,870                          | 6,869                       | 9,838                         | 16,707                 | 40,193                             | 57,570                             | 97,763                          |
| 32  | 7       | 65,594 | 11,273                 | 320,619                          | 7,281                       | 10,429                        | 17,710                 | 50,877                             | 72,801                             | 123,677                         |
| 33  | 8       | 69,530 | 13,925                 | 346,269                          | 7,718                       | 11,054                        | 18,772                 | 62,756                             | 89,888                             | 152,644                         |
| 34  | 9       | 73,702 | 16,765                 | 373,970                          | 8,181                       | 11,718                        | 19,899                 | 76,112                             | 109,018                            | 185,130                         |
| 35  | 10      | 77,756 | 19,745                 | 403,888                          | 8,631                       | 12,362                        | 20,993                 | 91,036                             | 130,394                            | 221,431                         |
| 36  | 11      | 82,033 | 22,999                 | 436,199                          | 9,106                       | 13,042                        | 22,148                 | 107,641                            | 154,177                            | 261,818                         |
| 37  | 12      | 86,545 | 26,540                 | 471,095                          | 9,606                       | 13,760                        | 23,366                 | 126,086                            | 180,597                            | 306,683                         |
| 38  | 13      | 90,007 | 30,386                 | 508,782                          | 9,991                       | 14,310                        | 24,301                 | 146,548                            | 209,905                            | 356,453                         |
| 39  | 14      | 93,607 | 34,444                 | 549,485                          | 10,390                      | 14,882                        | 25,273                 | 169,062                            | 242,152                            | 411,214                         |
| 40  | 15      | 97,351 | 38,695                 | 593,444                          | 10,806                      | 15,478                        | 26,284                 | 193,809                            | 277,598                            | 471,406                         |
| 41  | 20      | 53,945 | 53,945                 | 771,081                          | 11,238                      | 16,097                        | 27,335                 | 220,984                            | 316,521                            | 537,505                         |

Illustration at Age 41 with 4 Year Service Purchase

|                            |    |         |
|----------------------------|----|---------|
| Present Value of Benefits  | \$ | 771,081 |
| Accumulated Contributions  |    |         |
| Member Contributions       | \$ | 220,984 |
| City/State Contributions   |    | 316,521 |
| Total                      | \$ | 537,505 |
| Shortfall Funded by Member | \$ | 233,577 |

|  |    |         |
|--|----|---------|
| Breakdown of Cost                        |    |         |
| Cost of Early Retirement                 | \$ | 130,162 |
| Cost of Increased Benefit due to Service |    | 103,414 |
|  | \$ | 233,577 |