

MINUTES

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

TUESDAY - NOVEMBER 12, 2013 - 9:00 AM

PRESENT

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

ABSENT

ALSO PRESENT

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

DEPARTMENT REPRESENTATIVES

Bill Dresback – Retired Firefighter

The meeting was called to order at 9:10 a.m. by Trustee Socorro and was followed by a roll call of Trustees.

I. GRAYSTONE CONSULTING – Q/E 9/30/2013

Scott Owens presented the performance report, indicating a total portfolio market value on 9/30/2013 of \$86,263,009 (including accrued income). This represents a net increase in value from the previous quarter of \$4,079,612. **Please see attached Summary of Relevant Facts as of September 30, 2013.**

II. ATTORNEY'S REPORT

Bob Sugarman discussed the State's "Naples' letter" concerning changing the allocation of 185 monies which were used to give additional benefits, but now can be used to reduce City contributions. Any accrued 185 monies cannot be used to reduce City contributions, unless the parties agreed to reduce City contributions.

Bob Sugarman advised the board to apply now for a new IRS Determination Letter that would expire in January 2019 or wait until January 2016 to file. The legal fees to apply are \$4,500 and there is a \$2,500

**Police & Fire Retirement
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IRS User fee. (See attached letter from Bob Sugarman)

After discussion, motion by Trustee Vallejo, seconded by Trustee Loizzo, to have Bob Sugarman apply for the new IRS Determination Letter, authorized Chair to sign necessary forms and disburse \$2,500 IRS fee.

Motion carried unanimously

Upcoming Educational Classes:

FPPTA – in Jacksonville from 2/2/2014 – 2/5/2014
NAPO – Las Vegas from 2/8/2014 – 2/10/2014
Made in America – in Orlando from 2/10/2014 – 2/11/2014

III. PROPOSED ORDINANCE 2013-20 PENSION CHANGES

This proposal is scheduled for first reading by City Council on November 19, 2013.

The highlights of Ordinance 2013-20 are as follows:

1. Normal retirement eligibility is the earlier of (1) attainment of age sixty-two 62 with the (10) years of service or (2) attainment of age sixty (55) with twenty-five (25) years of service (future accruals after the effective date).
2. The benefit multiplier shall be 2% for credited service after the effective date.
3. Cost of living adjustment (COLA) will ad hoc to be determined by the City Council from time to time.
4. DROP – closed to new participants and any police officer who has not attained age 52 or completed 20 yrs. of credited service.
5. No longer can purchase credited service for prior military or law enforcement services.
6. No longer can purchase permissive service credit.
7. No longer can purchase up to 5% voluntary supplemental benefit.

The foregoing provisions shall not apply to any member who is employed on the effective date and has attained age fifty-two (52) or has 20 or more years of service.

After discussion, motion by Trustee Loizzo, seconded by Trustee Asim to give direction to Martin Lebowitz, if the City Council adopts Ordinance 2013-20 on first reading that Martin Lebowitz will thereafter conduct a vote among the active members of the Plan seeking approval of the changes as required by the Plan. The referendum will be held prior to the City Councils next meeting and before final adoption of Ordinance 2013-20 with the results sent to the City officials and all trustees. The ballot will have two items; the benefit changes and the deletion of the member approval requirements.

Motion carried unanimously.

IV. IMPACT LETTER REQUEST FROM ASST. CITY MANAGER

The city had requested that the Committee's actuary prepare an actuarial impact statement on proposed Ordinance 2013-20 Asst. City Manager Mac Serda withdrew his request for an impact letter.

V. APPROVAL OF MINUTES –8/15/2013 AND Jnt. 8/15/2013.

Motion by Trustee Vallejo, seconded by Trustee Asim to approve the minutes of 8/15/2013 regular and joint meetings.

Motion carried unanimously

Joe Griffin, actuary for the Police & Fire Retirement Plan, reviewed the process of rendering an Impact Letter to the State for their review. Whether the City uses another actuary to render an Impact Letter to the State with the Plan changes, Buck Consultants will still have their own Impact Letter. Joe Griffin stated there will be a cost to the Plan to complete an Impact Letter.

The board has requested going forward that the administrator report to the trustee when any police officer who has elected to purchase credited service or 5% voluntary supplemental benefit . Martin Lebowitz will report at each pension meeting any purchase of credited service or 5% voluntary supplemental benefit that a police officer has elected to purchase.

VI. 2014 CALENDAR

Martin Lebowitz presented the 2014 calendar to the committee. There are some changes to the calendar for 2014 and will wait from our Consultant and Attorney for their available dates. Once the changes are provided, the committee will be informed of the new dates for 2014.

VII. APPROVAL OF INVOICES

Motion by Trustee Vallejo seconded by Trustee Loizzo, to approve payment of the following invoices:

Motion carried unanimously.

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INVOICES:

Garcia Hamilton – Equity Quarterly Management Fees	\$13,556.97
Garcia Hamilton – Fixed Quarterly Management Fees	16,971.49
Morgan Stanley Smith Barney – Quarterly Consulting Fees	6,875.00
HGK – Quarterly Management Fees	18,061.83
GW Capital – Quarterly Management Fees	9,126.84
MDT – Quarterly Management Fees	10,002.33
Renaissance – Quarterly Management Fees	7,758.48
Thornburg - Quarterly Management Fees	7,372.94
Buck Consultants – Actuary Fees	8,430.45
Salem Trust Company – Custodial Fees	7,050.00
Sugarman & Susskind – Legal Fees	7,085.80
S. I. Gordon & Company – Auditors Fees	310.00
	\$112,602.13

The next scheduled meeting is for December 4, 2013. Meeting was adjourned at 10:55 a.m.

Martin Lebowitz, Pension Administrator

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

Distribution of Assets:	
Equity	
- Large Cap. Value	\$18,337,896
- Large Cap. Growth	\$17,627,461
- Small Cap. Value	\$4,823,511
- Mid Cap Growth	\$5,259,487
- International Value	\$4,689,457
- International Growth	\$4,738,840
Total Equity	\$55,456,652
Fixed Income	\$27,230,510
Core Private Real Estate	\$3,334,475
Cash (R&D & Residuals)	\$241,433
Total Portfolio	\$86,263,069

Other Important Facts:	
Total Portfolio	\$86,263,069
Total Gain or (Loss) (Gross-of-Fees)	\$4,169,838
Total Gain or (Loss) (Net-of-Fees)	\$4,079,612
Total Fees	(\$90,226)
HGK (Large Cap Value)	
Total Assets	100.00%
Equity	99.33%
Cash	0.67%
Gain or (Loss) - Gross	\$18,337,896
Gain or (Loss) - Net	\$18,214,247
Fees	\$123,650
	(\$17,861)
	\$926,562
	\$908,701

Garcia Hamilton (Large Cap Growth)	
Total Assets	100.00%
Equity	92.58%
Cash	7.42%
Gain or (Loss) - Gross	\$17,627,461
Gain or (Loss) - Net	\$16,319,839
Fees	\$1,307,622
	(\$13,068)
	\$1,073,827
	\$1,060,759

Distribution by Percentages:		
Equity Breakdown	Policy	Current
- Large Cap. Value	20.00%	21.26%
- Large Cap. Growth	20.00%	20.43%
- Small Cap. Value	5.00%	5.59%
- Mid Cap Growth	5.00%	6.10%
- International Value	5.00%	5.41%
- International Growth	5.00%	5.49%
Total Equity	60.00%	64.29%
Fixed Income	35.00%	31.57%
Core Private Real Estate	5.00%	3.87%
Cash	0.00%	0.28%
Total Portfolio	100.00%	100.00%

GW Capital (Small Cap Value)	
Total Assets	100.00%
Equity	95.50%
Cash	4.50%
Gain or (Loss) - Gross	\$4,823,511
Gain or (Loss) - Net	\$4,606,532
Fees	\$216,978
	(\$9,176)
	\$316,001
	\$308,825

MDT (Mid Cap Growth)	
Total Assets	100.00%
Equity	98.93%
Cash	1.07%
Gain or (Loss) - Gross	\$4,689,457
Gain or (Loss) - Net	\$4,589,273
Fees	\$80,184
	(\$7,022)
	\$440,117
	\$433,095

Thorrburg (Int'l Value)	
Total Assets	100.00%
Equity	98.28%
Cash	1.72%
Gain or (Loss) - Gross	\$4,689,457
Gain or (Loss) - Net	\$4,589,273
Fees	\$80,184
	(\$7,022)
	\$440,117
	\$433,095

Renaissance (Int'l Growth)	
Total Assets	100.00%
Equity	97.93%
Cash	2.07%
Gain or (Loss) - Gross	\$4,689,457
Gain or (Loss) - Net	\$4,640,737
Fees	\$98,103
	(\$6,793)
	\$536,331
	\$529,538

Garcia Hamilton (Fixed Income)	
Total Assets	100.00%
Fixed Income	95.53%
Cash	4.47%
Gain or (Loss) - Gross	\$27,230,510
Gain or (Loss) - Net	\$26,013,373
Fees	\$1,217,136
	(\$17,079)
	\$297,733
	\$280,654

Receipts & Disbursements Acct	
Total Assets	\$241,433
Cash	\$241,433
Gain or (Loss) - Gross	\$8

UBS (Core Private Real Estate)	
Total Assets	100.00%
Private Real Estate	100.00%
Fees	\$3,334,475
Gain or (Loss) - Gross	\$3,334,475
Gain or (Loss) - Net	(\$9,667)
	\$89,484
	\$79,797

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. Page 1

Breakdown of Returns
City of North Miami Beach Police & Fire Retirement Plan
As of September 30, 2013

HGK	Large Cap. Value	Your Returns		Russ 1000 Value	PSN Money Mgrs	S&P 500
		Gross-of-Fees	Net-of-Fees			
	Quarter	5.24	5.14	3.95	4.35	5.25
	1 year	23.28	22.81	22.33	21.33	19.35
	3 year	16.22	15.76	16.25	16.28	16.27
	Since 3/31/2009	19.23	18.79	21.03	20.66	20.57
	Garcia Hamilton & Associates*					
	Large Cap. Growth					
	Quarter	6.49	6.41	8.12	7.88	
	1 year	14.22	13.79	19.27	20.81	
	3 year	14.16	13.64	16.94	16.21	
	5 year	9.71		12.07	11.21	
	Since 9/30/2006	6.71		7.60	7.36	
	GW Capital					
	Small Cap. Value					
	Quarter	6.89	6.68	7.60	7.77	
	1 year	29.01	28.09	27.04	28.28	
	3 year	18.28	17.44	16.56	17.39	
	Since 2/28/2009	26.44	25.59	25.11	NA	
	MDT Advisers					
	Mid Cap. Growth					
	Quarter	10.22	10.02	9.34	8.91	
	1 year	29.64	28.66	27.55	27.00	
	3 year	23.36	22.42	17.65	16.77	
	Since 5/31/2009	26.54	25.60	20.89	NA	
	Thornburg					
	International Value					
	Quarter	10.41	10.23	10.09		
	1 year	20.53	19.78	16.50		
	3 year	7.16	6.49	5.96		
	Since 9/30/2009	8.47	7.81	6.35		
	Renaissance					
	International Growth					
	Quarter	12.76	12.59	10.09		
	1 year	24.01	23.25	16.50		
	3 year	9.67	8.99	5.96		
	Since 5/31/2009	11.69	11.01	10.05		

Garcia Hamilton & Associates*

Fixed Income		BC Int. Gov/Credit	BC Int. Aggregate	90-Day T-Bill
Quarter	1.11	0.62	0.76	0.01
1 year	0.78	(0.49)	(0.71)	0.06
3 year	4.10	2.42	2.58	0.07
5 year	7.33	4.96	4.95	0.10
Since 9/30/2006	6.70	4.76	4.89	1.04

UBS Trumbull Property Fund		NGREIF	ODCE
Quarter	2.74	2.59	3.56
Fiscal YTD	10.02	11.00	13.04
Since 7/31/2012	10.87	11.55	12.74

TOTAL RETURN
Time-Weighted Return (TWR)

		Policy Index	Composite Index
Quarter	5.05	4.62	4.83
1 year	13.41	12.77	13.16
3 year	10.89	10.24	10.45
5 year	8.95	8.69	8.39
Since 9/30/2006	5.86	5.95	5.54

Dollar-Weighted Net (IRR)		Actuarial Rate	CPI + 4
Quarter	4.90	1.88	1.48
Fiscal YTD	12.92	5.63	5.24
1 year	12.92	7.50	5.24
3 year	10.44	7.50	6.29
5 year	8.64	7.50	5.30
Since 9/30/2006	5.68	7.50	6.06

Policy Index Composition

- 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) / 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 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

COMPLIANCE CHECKLIST

City of North Miami Beach Police & Fire Retirement Plan

As of September 30, 2013

GUIDELINES

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

In Compliance

OBJECTIVES

Total Portfolio

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

In Compliance

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

No

No

Since Inception

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

Yes

Yes

Since Inception

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

No

No

Since Inception

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

Yes

Yes

Since Inception

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

Yes

Yes

Since Inception

Garcia Hamilton & Associates

Fixed Income Portfolio

Market Value < 37.5% & > 32.5% of total fund
 Performance (Inception 9/30/2006)
 Return > Barclays Cap Intern. Gov't/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)

No (31.57%)

3 years

Yes

Yes

Since Inception

MDI 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

Yes

Yes

Since Inception

UBS Trumbull Property Fund

Core Private Real Estate

Market Value < 10% & > 0% of total fund
 Performance (Inception 7/31/2012)
 Performance > NCREIF Poly Index
 Performance > NCREIF ODCE

Yes

3 years

N/A

No

Since Inception

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

SUGARMAN & SUSSKIND

PROFESSIONAL ASSOCIATION
ATTORNEYS AT LAW

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♦ Board Certified Labor
& Employment Lawyer

November 5, 2013

Board of Trustees
Retirement Plan for Police & Firefighters of the City of North Miami Beach
c/o Martin Lebowitz, Plan Administrator
17011 N.E. 19th Avenue
North Miami Beach, FL 33162

Re: IRS Determination Letter Request – 2014 Cycle

Dear Trustees:

It is time again for governmental plans to file an application with the IRS for a favorable determination letter.

A Favorable Determination Letter is a letter from the IRS stating that the provisions of the plan, as set forth in the plan document, satisfy the requirements of Section 401(a) of the Internal Revenue Code. A plan that satisfies the requirements of Section 401(a) is deemed to be a "qualified plan," and is entitled to favorable tax treatment. Specifically, the employees are not taxed on the value of contributions paid on their behalf until they begin to receive benefits under the plan; and the income of the fund, including investment earnings, is not subject to taxation.

As you will recall, in 2008 the IRS announced that it would begin to take active enforcement measures with respect to governmental plans to ensure their compliance with Section 401(a) of the Code. In order for such plans to avoid possible audits and penalties, the IRS encouraged plans to begin to adhere to the IRS' 5-year determination filing cycle.

The last filing period for governmental plans was open from February 1, 2008 to January 30, 2009. However, as further encouragement, the IRS accorded governmental plans a two year extension for filing, allowing plans to file until January 31, 2011.

Re: IRS Determination Letter Request – 2014 Cycle
November 5, 2013
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You took advantage of the extension and in January 2011 we filed an application on behalf of your plan. That application was approved, and the IRS recently issued a determination letter, recognizing that your plan document fully complies with all of the qualification requirements of Section 401(a) of the Internal Revenue Code. However, unlike prior determination letters, that determination letter had an expiration date: January 31, 2014. However, the IRS recently extended that date to January 31, 2016.

Your new determination letter is the beginning of an on-going process of maintaining your qualified status with the IRS. Every five years, you must apply for a new determination letter in order for the IRS' recognition of the plan's qualified status to remain up-to-date.

A new filing period for governmental plans opened on February 1, 2013 and will run until January 31, 2014.

You have the option to file now for another letter that will expire in January 2019 or wait until January 2016 to file for a new letter that will also expire in January 2019. **Whichever you choose, (whether you file now or in 2016) your next determination letter will be valid through January 2019.**

We recommend that you file now, rather than wait and file two years from now, for three reasons.

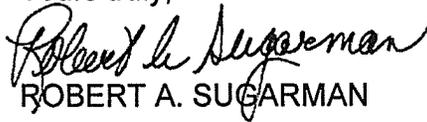
1. Your plan has been brought completely up-to-date by the recent ordinance amendment that we prepared for your plan that included amendments that are intended to comply with all new requirements as indicated in the current determination letter. Therefore, filing now will reduce significantly the number of issues that will need to be negotiated with the IRS.
2. Filing this year will result in an easier IRS approval than waiting two years (during which additional law changes and changed IRS positions may arise). Also the plan will be back on the normal filing track for governmental plans, and you will not have to file again for 5 years.
3. Because adhering to the IRS' regular filing cycle makes everyone's job easier, we will charge you only 60% of the fee we charged for the 2011 cycle if you decide to file now. Our fee will be \$4,500.00 if you file now. As with your previous filing, our fee covers the entire application process, including the preparation of the application and all necessary correspondence and negotiation with the IRS through and until the issuance of your favorable determination letter. Our fee also includes the preparation of any

Re: IRS Determination Letter Request – 2014 Cycle
November 5, 2013
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amendments to which your favorable determination letter may be subject. Therefore, our fee is likely to be significantly higher if we file in 2016. Our fee does not include the IRS User Fee, which will be \$2,500 payable directly to the IRS.

We look forward to discussing this matter with you during your next meeting.

Yours truly,



ROBERT A. SUGARMAN

RAS/jd

* * *

Accepted and agreed to on this _____ day of _____, 2013, on behalf of the Retirement Plan for Police & Firefighters of the City of North Miami Beach.

Chairperson