

MINUTES

**GENERAL EMPLOYEES'
RETIREMENT COMMITTEE MEETING
TUESDAY - NOVEMBER 12, 2013 - 3:30 PM**

PRESENT

Vic Espinal
Larry Gordon
Councilwoman Barbara Kramer
Lori Helton – Chair

ALSO PRESENT

Charlie Mulfinger – Graystone Consulting
Scott Owens – Graystone
Larry Wilson, GRS
Darcee Siegel - City Attorney
Bob Sugarman – Sugarman & Susskind
Martin Lebowitz – Pension Administrator

ABSENT

Councilman Frantz Pierre

DEPARTMENT REPRESENTATIVES

Janice Coakley
R. Thompson

Lori Helton called the meeting to order at 3:35 P.M., followed by a roll call of Trustees.

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

Scott Owens presented the performance report, indicating a total portfolio market value on 9/30/2013 of \$71,871,217 (including accrued income). This represents a net increase in value from the previous quarter of \$3,025,131. **Please see attached Summary of Relevant Facts as of September 30, 2013.**

2. PENSION ATTORNEY'S REPORT

Bob Sugarman discussed the following question that was brought to Martin Lebowitz's attention: If an employee is called to active duty what happens to his pension rights? Bob Sugarman stated according to our pension plan, the first two years would be paid by the City. According to Federal Law, his contributions would be paid up to 5 years. He would get credit for the time he is on active duty. However, the committee can require him to make the contributions.

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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

Bob Sugarman stated that our Pension Plan is being sued by the City of North Miami Beach based on the action the board made at last meeting in reference to Ordinance 2013-15. Bob Sugarman will be filing a claim with the fiduciary liability insurance carrier.

Bob Sugarman has drafted notices for employees to sign if any employees want to Retire, enter the DROP or purchase any service credit. The pension administrator would give two sets of calculations if someone wants to retire or enter DROP after 9/30/2013.

Bob Sugarman has requested the board to have a shade meeting to discuss the lawsuit that the City of North Miami Beach has brought. The only people that would be in attendance would be trustees, Martin Lebowitz, Bob Sugarman and a court reporter. Bob Sugarman has requested Lori Helton and Martin Lebowitz to schedule this meeting and find a suitable room for this meeting, which is not open to the public. The board would have a regular meeting to the public and closed that meeting and have a shade meeting.

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 IRS User fee. **(See attached letter from Bob Sugarman)**

After discussion, motion by Trustee Gordon, seconded by Trustee Kramer, 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

4. ORDINANCE 2013-19 PCO PENSION CHANGES

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

The highlights of Ordinance 2013-19 are as follows:

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1. Normal retirement eligibility is the earlier of (1) attainment of age sixty-six (66) with the six (6) years of service or (2) attainment of age fifty-nine (59) with thirty (30) 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 fifty-five (55) and twenty (20) years of credited service or age sixty-two (62).
5. No longer can purchase credited service for prior military or law enforcement services.

The foregoing provisions shall not apply to any member who is employed on the effective date and has attained age sixty-two (62) or has attained age fifty-five (55) and twenty (20) or more years of service.

Larry Wilson stated that the saving to the City for the above changes to 10 IUPA members will be approximately \$48,000 for the first year or .04 percentage of payroll.

After discussion, motion by Trustee Espinal, seconded by Trustee Gordon give direction to Martin Lebowitz, if the City Council adopts Ordinance 2013-19 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 2013-19 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.

Public Comments – Myra Thompson was concerned about the age to retire at age 66 that her job is very stressful. She does not understand why the benefits have changed so that it is different than the General Employees (Non-IUPA members).

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

Motion by Trustee Barbara Kramer, seconded by Trustee Victor Gordon, to accept the 8/15/2013 and joint 8/15/2013 minutes for the General Employees' Retirement Plan Committee.

Motion carried unanimously.

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6. CALENDAR 2014 –

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.

7. APPROVAL OF INVOICES

Motion by Trustee Larry Gordon, seconded by Trustee Espinal, to approve payment of the following invoices. Motion carried unanimously.

Garcia Hamilton – Equity Quarterly Mgt. Fees	11,637.37
Garcia Hamilton – Fixed Quarterly Mgt. Fees	13,323.78
Buckhead Capital - Quarterly Management Fees	12,070.10
Morgan Stanley Smith Barney – Qtly. Consulting Fees	6,875.00
GW Capital - Quarterly Management Fees	7,847.69
Harding Loevner – Quarterly Management Fees	6,988.00
Thornburg Management – Quarterly Management Fees	5,305.00
MDT - Quarterly Management Fees	8,065.55
GRS – Actuaries Fees	11,481.00
Sugarman & Susskind – Legal Fees	6,600.00
S.I. Gordon & Company – Auditors Fees	485.00
Salem Trust – Custodial Fees	7,316.01
	<u>\$98,004.58</u>

A shade meeting will be held Monday November 18, 2013 at 12:00 p.m.

The next scheduled meeting is on February 20, 2014. Meeting was adjourned at 5:00 p.m.

Martin Lebowitz, Pension Administrator

SUMMARY OF RELEVANT FACTS
City of North Miami Beach General Employees' Retirement Plan
As of September 30, 2013

Distribution of Assets:	
Equity	
- Large Cap. Value	\$15,093,466
- Large Cap. Growth	\$15,131,110
- Small Cap. Value	\$4,214,040
- Mid Cap Growth	\$4,509,691
- International Value	\$3,359,543
- International Growth	\$3,641,315
Total Equity	\$45,949,164
Fixed Income	\$21,394,705
Core Private Real Estate	\$4,473,076
Cash (R&D/Residuals)	\$54,272
Total Portfolio	\$71,871,217

Other Important Facts:

Total Portfolio	\$71,871,217
Total Gain or (Loss) (Gross-of-Fees)	\$3,102,337
Total Gain or (Loss) (Net-of-Fees)	\$3,025,131
Total Fees	(\$77,206)

Buckhead (Large Cap Value)

Total Assets	100.00%	\$15,093,466	Garcia Hamilton (Large Cap Growth)	\$15,131,110
Equity	98.34%	\$14,842,665		\$14,676,615
Cash	1.66%	\$250,801		\$454,494
Fees		(\$11,872)		(\$11,220)
Gain or (Loss) - Gross		\$508,082		\$922,695
Gain or (Loss) - Net		\$496,210		\$911,475

GW Capital (Small Cap Value)

Total Assets	100.00%	\$4,214,040	MDT (Mid Cap Growth)	\$4,509,691
Equity	93.57%	\$3,943,064		\$4,461,884
Cash	6.43%	\$270,976		\$47,806
Fees		(\$7,548)		(\$8,233)
Gain or (Loss) - Gross		\$271,073		\$418,138
Gain or (Loss) - Net		\$263,525		\$409,905

Thornburg (Int'l Value)

Total Assets	100.00%	\$3,359,543	Harding Loevner (Int'l Growth)	\$3,641,315
Equity	98.11%	\$3,295,956		\$3,460,848
Cash	1.89%	\$63,587		\$180,467
Fees		(\$5,052)		(\$6,899)
Gain or (Loss) - Gross		\$316,103		\$308,344
Gain or (Loss) - Net		\$311,051		\$301,445

Distribution by Percentages:

Equity Breakdown	Policy	Current
- Large Cap. Value	20.00%	21.00%
- Large Cap. Growth	20.00%	21.05%
- Small Cap. Value	5.00%	5.86%
- Mid Cap Growth	5.00%	6.27%
- International Value	5.00%	4.67%
- International Growth	5.00%	5.07%
Total Equity	60.00%	63.93%
Fixed Income	32.50%	29.77%
Core Private Real Estate	7.50%	6.22%
Cash (R&D/Residuals)	0.00%	0.08%
Total Portfolio	100.00%	100.00%

Garcia Hamilton (Fixed Income)

Total Assets	100.00%	\$21,394,705	Receipts & Disbursements Acct'	\$54,272
Fixed Income	88.39%	\$18,909,909		\$0
Cash	11.61%	\$2,484,796		\$54,272
Fees		(\$13,388)		\$0
Gain or (Loss) - Gross		\$237,862		\$0
Gain or (Loss) - Net		\$224,474		\$0

UBS (Core Private Real Estate)

Total Assets	100.00%	\$4,473,076		\$4,473,076
Private Real Estate	100.00%	\$4,473,076		(\$12,994)
Fees				\$120,041
Gain or (Loss) - Gross				\$107,047
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 General Employees' Retirement Plan
As of September 30, 2013

Buckhead Large Cap. Value	Your Returns		Your Returns		Russ 1000 Value	PSN Money Mgrs	S&P 500
	Gross-of-Fees	Net-of-Fees	Russ 1000 Growth	PSN Money Mgrs			
Quarter	3.44	3.36	3.95	4.35	5.25		
1 year	17.41	16.86	22.33	21.33	19.35		
3 year	13.01	12.43	16.25	16.28	16.27		
5 year	8.66	8.09	8.87	10.07	10.02		
Since 9/30/2006	4.52	3.97	4.25	6.09	5.60		
Garcia Hamilton & Associates							
Large Cap. Growth							
Quarter	6.49	6.41	8.12	7.88			
1 year	14.15	13.72	19.27	20.81			
3 year	14.08	13.56	16.94	16.21			
5 year	9.68	9.15	12.07	11.21			
Since 9/30/2006	6.66	6.18	7.60	7.36			
GW Capital							
Small Cap. Value							
Quarter	6.82	6.62	7.60	7.77			
1 year	29.06	28.15	27.04	28.28			
3 year	18.05	17.19	16.56	17.39			
Since 2/28/2009	26.22	25.35	25.11	NA			
MDT Advisers							
Mid Cap. Growth							
Quarter	10.16	9.96	9.34	8.91			
1 year	29.55	28.57	27.55	27.00			
3 year	23.17	22.22	17.65	16.77			
Since 5/31/2009	26.11	25.17	20.89	NA			
Thornburg							
International Value							
Quarter	10.39	10.21	10.09				
1 year	20.27	19.53	16.50				
3 year	7.16	6.48	5.96				
Since 9/30/2009	8.48	7.82	6.35				

Harding Loevner International Growth		MSCI AC Wld x US					
Quarter	9.25	9.04	10.09				
1 year	16.70	15.80	16.50				
3 year	8.05	7.21	5.96				
Since 3/31/2009	16.80	15.94	16.05				
Garcia Hamilton & Associates Fixed Income		BC Int. Gov/Credit		BC Int. Aggregate		90-Day T-Bill	
Quarter	1.12	1.06	0.62	0.76	0.01		
1 year	1.12	0.86	(0.49)	(0.71)	0.06		
3 year	4.32	4.05	2.42	2.58	0.07		
Since 2/28/2009	6.88	6.62	4.56	4.70	0.09		
UBS Trumbull Property Fund Core Private Real Estate		NCREIF		ODCE			
Quarter	2.74	2.44	2.59	3.56			
Fiscal YTD	10.02	8.73	11.00	13.04			
Since 7/31/2012	10.87	9.76	11.55	12.74			

TOTAL RETURN		Policy Index		Composite Index	
Time-Weighted Return (TWR)					
Quarter	4.47	4.36	4.67	4.82	
1 year	12.14	11.61	13.08	13.41	
3 year	10.34	9.83	10.42	10.63	
5 year	9.56	9.09	8.73	9.52	
Since 9/30/2006	6.46	6.08	5.91	6.52	
Dollar-Weighted Net (IRR)		Actuarial Rate		CPI + 4	
Quarter	4.31	1.88	1.48		
1 year	11.58	7.50	5.24		
3 year	9.81	7.50	6.29		
5 year	9.04	7.50	5.30		
Since 9/30/2006	6.02	7.50	6.06		

Policy Index Composition

- 20% Russ 1000 Value / 20% Russ 1000 Growth / 5% Russ 2000 Value / 5% Russ Mid Growth / 10% MSCI AC Wd x US (net) / 32.5% BC Int G/C / 7.5% NCREIF for periods since 6/30/2012
- 20% Russ 1000 Value / 20% Russ 1000 Growth / 5% Russ 2000 Value / 5% Russ Mid Growth / 10% MSCI AC Wd x US (net) / 40% BC Int G/C for periods from 9/30/2009 to 6/30/2012
- 20% Russ 1000 Value / 20% Russ 1000 Growth / 5% Russ 2000 Value / 5% Russ Mid Growth / 5% MSCI EAFE (net) / 5% MSCI AC Wd x US (net) / 40% BC Int G/C for periods from 5/31/2008 to 9/30/2009
- 20% Russ 1000 Value / 20% Russ 1000 Growth / 5% Russ 2000 Value / 5% Russ Mid 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

COMPLIANCE CHECKLIST

City of North Miami Beach General Employees' Retirement Plan

As of September 30, 2013

GUIDELINES

	In Compliance	
Equity Portfolio	Yes	Yes
Listed on recognized exchange	Yes	Yes
Single issue not to exceed 10% at market value for each equity in each separately managed portfolio	Yes	Yes
Total equity portfolio < 62.5% & > 57.5% of total fund at market	No	No (63.93%)
Single issue not to exceed 5% at market value for the total portfolio	Yes	Yes
Foreign equities < 25% of total portfolio at market	Yes	Yes

OBJECTIVES

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

* Measured using Net Dollar-Weighted Rate of Return

Buckhead

Large Capitalization Value Equity Portfolio	Yes	Since Inception
Market Value < 22.5% & > 17.5% of total fund	Yes	Yes
Performance (Inception 9/30/2006)	No	No
Rank in the Top 50% of manager universe	No	Yes
Return > Russell 1000 Value	No	Yes

Thornburg

International Value Equity Portfolio	Yes	Since Inception
Market Value < 7.5% & > 2.5% of total fund	Yes	Yes
Performance (Inception 9/30/2009)	Yes	Yes
Return > MSCI EAFE (Net)	Yes	Yes

Garcia Hamilton & Associates

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

Harding Loevner

International Growth Equity Portfolio	Yes	Since Inception
Market Value < 7.5% & > 2.5% of total fund	Yes	Yes
Performance (Inception 3/31/2009)	Yes	Yes
Return > MSCI All Country World ex US	Yes	Yes

GW Capital

Small Capitalization Value Equity Portfolio	Yes	Since Inception
Market Value < 7.5% & > 2.5% of total fund	Yes	Yes
Performance (Inception 2/28/2009)	Yes	Yes
Rank in the Top 50% of manager universe	Yes	Yes
Return > Russell 1000 Growth	Yes	Yes

Garcia Hamilton & Associates

Fixed Income Portfolio	3 years	Since Inception
Market Value < 35.0% & > 30.0% of total fund	Yes	No (29.77%)
Performance (Inception 2/28/2009)	Yes	Yes
Return > Barclays Cap Intern. Gov't/Credit	Yes	Yes
U.S. Government / Agency or U.S. Corporations	Yes	Yes
Bonds rated "A" or better	Yes	Yes
Single corporate issuer not exceed 10% of bond portfolio (except U.S. Government/Agency)	Yes	Yes

MDT Advisers

Mid Capitalization Growth Equity Portfolio	Yes	Since Inception
Market Value < 7.5% & > 2.5% of total fund	Yes	Yes
Performance (Inception 5/31/2009)	Yes	Yes
Rank in the Top 50% of manager universe	Yes	Yes
Return > Russell 2000 Growth	Yes	Yes

UBS

Private Real Estate	3 year	Since Inception
Market Value < 10.0% & > 0.0% of total fund	Yes	Yes
Performance (Inception 7/31/2012)	N/A	No
Performance > NCREIF Ppty Index	N/A	No
Performance > NCREIF ODCE	N/A	No

SUGARMAN & SUSSKIND

PROFESSIONAL ASSOCIATION
ATTORNEYS AT LAW

Robert A. Sugarman♦
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♦ Board Certified Labor
& Employment Lawyer

November 5, 2013

Board of Trustees
Retirement Plan for General Employees 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.

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.

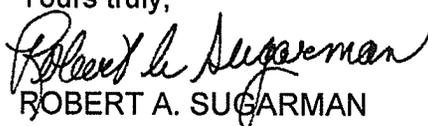
1. Your plan has been brought completely up-to-date by the recent ordinance amendment that we prepared for your plan that included amendments that are intended to comply with all new requirements as indicated in the current determination letter. Therefore, filing now will reduce significantly the number 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
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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 General Employees of the City of North Miami Beach.

Chairperson