

MINUTES

POLICE OFFICERS' & FIREFIGHTERS' RETIREMENT COMMITTEE MEETING

TUESDAY - OCTOBER 30, 2012 - 9:00 AM

PRESENT

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

ABSENT

ALSO PRESENT

Graystone – C.Mulfinger /S. Owens
Garcia Hamilton - Janna Hamilton
HGK – M. Spillane
Renaissance – Andy Temming
Sugarman & Susskind - Bob Sugarman
Buck – Tim Bowen
Darcee Siegel - City Attorney
Martin Lebowitz – Pension Administrator

DEPARTMENT REPRESENTATIVES

Roz Weisblum – City Manager
Mac Serda – Asst. City Manager
Lori Helton – IT
Chief Larry Gomer

The meeting was called to order at 9:15 a.m. by Trustee Socorro and was followed by a roll call of Trustees.

I. GARCIA HAMILTON – SEPTEMBER 30, 2012 REPORT

Janna Hamilton reported the total Garcia Hamilton Equity portfolio was valued at \$15,432,817 (including accrued interest) as of 9/30/2012, with an asset allocation of 97.76% in equities, 2.24% in cash and equivalents. Garcia Hamilton Fixed Income was valued \$26,622,095(including accrued interest) as of 9/30/2012, with an asset allocation of 97.42% in bonds and 2.58% in cash and equivalents.

For the quarter ended 9/30/2012: Equities returned 6.26% compared to 6.11% for the Russell 1000 Growth. Bond fund return was 3.44% compared to 1.40% BC Int. Gov/Credit.

Plan year results: Equities returned 25.86% vs. 29.19% for the Russell 1000 Growth. The fixed income portfolio was 9.53% vs. the BC Int. Gov/Credit return of 4.41%.

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II. HGK – SEPTEMBER 30, 2012 REPORT

Mickey Spillane reported the total HGK portfolio was valued at \$15,653,503 (including accrued interest) as of 9/30/2012, with an asset allocation of 97.32% in equities, 2.68% in cash and equivalents.

For the quarter ended 9/30/2012: Total fund return was 6.78% compared to 6.49% for the Russell 1000 Value.

Plan year results: Total return for their portfolio was 29.36% vs. 30.90% for the Russell 1000 Value.

III. RENAISSANCE – SEPTEMBER 30, 2012 REPORT

Andy Temming reported the total Renaissance International Growth portfolio was valued at \$3,821,216 (including accrued interest) as of 9/30/2012, with an asset allocation of 98.43% in equities, 1.57% in cash and equivalents.

For the quarter ended 9/30/2012: Total fund return was 2.69% vs. 7.40% for the MSCI AC WRLD x US.

Plan year results: Total return for their portfolio was 14.80% vs. 14.49% for the MSCI AC WRLD x US.

THORNBURG – SEPTEMBER 30, 2012 REPORT

Todd Wax reported the total Thornburg International Value portfolio was valued at \$3,874,226 (including accrued interest) as of 9/30/2012, with an asset allocation of 95.78% in equities, 4.22% in cash and equivalents.

For the quarter ended 9/30/2012: Total fund return was 6.04% vs. 7.40% for the MSCI AC WRLD x US.

Plan year results: Total return for their portfolio was 16.28% vs. 14.49% for the MSCI AC WRLD x US.

IV. GRAYSTONE CONSULTING – SEPTEMBER 30, 2012 REPORT

Charlie Mulfinger and Scott Owens presented the performance report, indicating a total portfolio market value on 9/30/2012 of \$77,512,081 (including accrued income). This

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represents a net increase in value from the previous quarter of \$3,639,452. The total fund earned 4.93% for the quarter. Total fund earned for the year-to-date 19.27%.
See attached Summary of Relevant Facts as of September 30, 2012.

Charlie Mulfinger discussed the issue of scheduling an education meeting on Alternative Investments. Trustee Loizzo suggested that Charlie Mulfinger can do this presentation through a video conference. Trustee Spiegel suggested setting up a conference call with the trustees to present an education on Alternative Investments. Charlie Mulfinger will coordinate with Martin Lebowitz to determine a date for this conference call. Bob Sugarman advised that any video or phone conference must be posted, that voting cannot take place, and a room and speaker and monitor must be set up for members of the public to observe and listen.

V. ATTORNEY'S REPORT

Bob Sugarman discussed the letter issued by the state Division of Retirement to the City of Naples changing the way in which 185 premium tax rebates can be used. This was discussed at the League of Cities convention.

If pensions are part of the impasse, the union and the city may wish to consult with their professional advisors to see if there is greater flexibility in the use of 185 money. This will assist the parties in resolving their impasse. This is a complex issue. The attorney reported he is unsure if the flexibility offered by the new interpretation will suffice to assist in resolving the impasse but he recommends that it be reviewed by the parties. The actuary may be needed to quantify the financial impact on the use of 185 money.

Bob Sugarman reminded the trustees of their continuing education obligation and discussed the upcoming Police & Fire Trustee School from May 20 – 23, 2013 which will be held in Tallahassee, the FPPTA in Ponte Verda from January 27-30, 2013 and NAPO in Las Vegas February 17 – 20, 2013.

OTHER - APPROVAL TO ATTEND OUT-OF-STATE CONFERENCE

Motion by Trustee Loizzo, second by Trustee Asim, to authorize normal travel expenses for those wishing to attend the NAPO Conference in February 2013

Motion carried

VI. BUCK CONSULTANTS – UPDATE ON REPLICATION OF BOLTON’S LIABILITIES

Tim Bowen handed out a report updating the committee on the transition process and reconciliation of the plan as of 10/1/2011. –**See attached.**

Tim Bowen discussed that the Buck Contract with the Retirement System has an incorrect date for the first Valuation Report that Buck Consultants will be rendering. The date in the contract is 10/1/2011 Valuation Report and it should be 10/1/2012 Valuation Report. Tim Bowen will send a revised contract to Bob Sugarman for review and it will be presented at the next meeting for approval by the committee.

Trustee Spiegel discussed the amount Buck is charging to calculate the cost for a member to purchase service credit. The current cost that Buck is charging is \$400 per request. If the member requests more than one year an additional \$175 per year would be charged. This was not the understanding of the committee from the last meeting in which Joe Griffin of Buck attended. The committee thought that it would cost \$400 in total for 1 year through 4 years to calculate. Tim Bowen received a message from Joe Griffin and stated that the cost to purchase 1yr. through 4 yrs of credited service when requested at that same time would cost the plan \$400.00.

Motion by Trustee Vallejo, seconded by Trustee Asim to offer one free buyback calculation per year for each member for buyback of credited service or Supplemental Voluntary Benefit. If the member requested more than one buyback a year it will be at the cost of the member.

Motion carried.

Trustee Loizzo has requested for the next meeting to have the number of buybacks that Bolton completed over three years. Martin Lebowitz will gather that data and report it at the next meeting.

Tim Bowen discussed during their transition process they found a discrepancy in the 10/1/2011 Valuation Report rendered by Bolton. On page 14 of the report under Assumptions and Methods, Mortality:1 – Healthy: RP-2000 with Blue Collar adjustment blended 15% female and 85% male. In prior years, the Valuation Report states Healthy: Generational RP-2000 Combined Mortality Table for males and females projected using scale AA. – See attached.

Footnote:1 – The mortality assumptions used are the same as those used by the prior actuary (P3). Our prior reports incorrectly named the tables being used. We have corrected the table names. This valuation and our prior valuations all measured liabilities on the same mortality basis.

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Tim Bowen stated it appears that the mortality table actually used in the valuations for the years 2006-2010 was different than was stated in the assumption section of the reports issued for those years. The reports issued in 2006-2010 cited the use of the Generation RP-

2000 Combined Mortality Table for males and females projected using scale AA for healthy lives. The 10/1/2011 report cited the use of the RP-2000 with Blue Collar adjustment blended 15% female and 85% male for healthy lives (with no margin for future mortality improvements). The 10/10/2011 report also contained language to indicate that this table was the one actually used in prior years.

Had Bolton used the Generational RP-2000 Mortality Table for males and females projected using scale AA for healthy lives for the years 2006-2010 as was stated in their report, liabilities and contributions would have been larger in those years. The word "Generational" reflects use of a projection for future mortality improvements beyond the valuation date. If mortality is projected to improve, members will be assumed to live longer and liabilities and contributions will be higher.

Buck was instructed to review past Bolton valuations, calculate any additional errors and send a letter to the trustees specifying those errors and the financial consequences of the error.

VII. CALENDAR 2013

Martin Lebowitz presented the 2013 calendar to the committee. There are some changes to the calendar for 2013 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 2013.

VIII. TRAVEL EXPENSES – Tabled to next meeting.

IX. APPROVAL OF MINUTES – 5/3/2012 AND 8/16/2012.

Motion by Trustee Loizzo, seconded by Trustee Asim to approve minutes of 5/3/2012 with additional information concerning Buck Consultant buyback issue and 8/16/2012.

Motion carried unanimously

X. APPROVAL OF INVOICES

Motion by Trustee Asim, seconded by Trustee Vallejo, to pay the following invoices:

INVOICES:

Garcia Hamilton – Equity Quarterly Management Fees	\$18,320.45
Garcia Hamilton – Fixed Quarterly Management Fees	16,331.85
Morgan Stanley Smith Barney – Quarterly Consulting Fees	6,875.00
HGK – Quarterly Management Fees	15,628.45
GW Capital – Quarterly Management Fees	7,367.85
MDT – Quarterly Management Fees	8,113.12
Renaissance – Quarterly Management Fees	6,242.74
Thornburg - Quarterly Management Fees	6,150.42
Buck Consultants – Actuary Fees	5,300.00
Steven Gordon – Auditor	290.00
Sugarman & Susskind – Legal Fees	6,600.00
Salem Trust Company – Custodial Fees	9,255.92
<u>Motion carried unanimously.</u>	<u>\$106,475.80</u>

The next regularly scheduled quarterly Board meeting will be held on Thursday, February 14 2013 at 9:00 a.m. Meeting was adjourned at 12:35 p.m.

Martin Lebowitz, Pension Administrator

SUMMARY OF RELEVANT FACTS
City of North Miami Beach Police & Fire Retirement Plan
As of September 30, 2012

Distribution of Assets:	
Equity	
- Large Cap. Value	\$15,653,503
- Large Cap. Growth	\$15,432,817
- Small Cap. Value	\$4,084,132
- Mid Cap Growth	\$4,056,924
- International Value	\$3,874,226
- International Growth	\$3,821,216
Total Equity	\$46,922,819
Fixed Income	\$26,622,095
Core Private Real Estate	\$3,152,581
Cash (R&D & Residuals)	\$814,587
Total Portfolio	\$77,512,081

Other Important Facts:	
Total Portfolio	\$77,512,081
Total Gain or (Loss) (Gross-of-Fees)	\$3,714,444
Total Gain or (Loss) (Net-of-Fees)	\$3,639,452
Total Fees	(\$74,992)
HGK (Large Cap Value)	
Total Assets	\$15,653,503
Equity	\$15,233,274
Cash	\$420,229
Fees	(\$14,592)
Gain or (Loss) - Gross	\$1,006,059
Gain or (Loss) - Net	\$991,467
Garcia Hamilton (Large Cap Growth)	
Total Assets	100.00%
Equity	97.32%
Cash	2.68%
Fees	
Gain or (Loss) - Gross	
Gain or (Loss) - Net	

Distribution by Percentages:		
Equity Breakdown	Policy	Current
- Large Cap. Value	20.00%	20.19%
- Large Cap. Growth	20.00%	19.91%
- Small Cap. Value	5.00%	5.27%
- Mid Cap Growth	5.00%	5.23%
- International Value	5.00%	5.00%
- International Growth	5.00%	4.93%
Total Equity	60.00%	60.54%
Fixed Income	35.00%	34.35%
Core Private Real Estate	5.00%	4.07%
Cash	0.00%	1.05%
Total Portfolio	100.00%	100.00%

GW Capital (Small Cap Value)	
Total Assets	100.00%
Equity	94.45%
Cash	5.55%
Fees	
Gain or (Loss) - Gross	
Gain or (Loss) - Net	
Thornburg (Int'l Value)	
Total Assets	100.00%
Equity	95.78%
Cash	4.22%
Fees	
Gain or (Loss) - Gross	
Gain or (Loss) - Net	
MDT (Mid Cap Growth)	
Total Assets	100.00%
Equity	98.85%
Cash	1.15%
Fees	
Gain or (Loss) - Gross	
Gain or (Loss) - Net	
Renaissance (Int'l Growth)	
Total Assets	100.00%
Equity	98.43%
Cash	1.57%
Fees	
Gain or (Loss) - Gross	
Gain or (Loss) - Net	

Garcia Hamilton (Fixed Income)	
Total Assets	100.00%
Fixed Income	97.42%
Cash	2.58%
Fees	
Gain or (Loss) - Gross	
Gain or (Loss) - Net	
UBS (Core Private Real Estate)	
Total Assets	100.00%
Private Real Estate	100.00%
Fees	
Gain or (Loss) - Gross	
Gain or (Loss) - Net	

Receipts & Disbursements Acct'	
Total Assets	\$26,622,095
Cash	\$25,935,837
Gain or (Loss) - Gross	\$686,257
Gain or (Loss) - Net	(\$17,021)
Fees	\$893,164
Gain or (Loss) - Gross	\$876,143
Gain or (Loss) - Net	
Receipts & Disbursements Acct'	
Total Assets	\$814,587
Cash	\$814,587
Gain or (Loss) - Gross	\$20
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 September 30, 2012

HGK		Your Returns				
Large Cap. Value		Gross-of-Fees	Net-of-Fees	Russ 1000 Value	PSN Money Mgrs	S&P 500
	Quarter	6.88	6.78	6.49	5.83	6.35
	Fiscal YTD	29.86	29.36	30.90	28.06	30.20
	1 year	29.86	29.36	30.90	28.06	30.20
	3 year	9.90	9.47	11.83	12.49	13.20
	Since 3/31/2009	18.09	17.67	20.66	20.36	20.92
Garcia Hamilton & Associates*						
Large Cap. Growth				Russ 1000 Growth	PSN Money Mgrs	
	Quarter	6.38	6.26	6.11	6.20	
	Fiscal YTD	26.47	25.86	29.19	6.20	
	1 year	26.47	25.86	29.19	27.44	
	3 year	13.25	12.69	14.73	12.96	
	5 year	2.87		3.24	2.23	
	Since 9/30/2006	5.51		5.77	5.09	
GW Capital						
Small Cap. Value				Russ 2000 Value	PSN Money Mgrs	
	Quarter	7.03	6.84	5.66	4.50	
	Fiscal YTD	33.19	32.24	32.62	32.04	
	1 year	33.19	32.24	32.62	32.04	
	3 year	14.24	13.41	11.72	14.38	
	Since 2/28/2009	25.73	24.90	24.58	NA	
MDT Advisers						
Mid Cap. Growth				Russ Mid Growth	PSN Money Mgrs	
	Quarter	5.82	5.62	5.34	5.39	
	Fiscal YTD	32.42	31.41	26.68	26.94	
	1 year	32.42	31.41	26.68	26.94	
	3 year	22.04	21.08	14.73	12.87	
	Since 5/31/2009	25.62	24.69	18.96	NA	
Thornburg						
International Value				MSCI AC Wrld x US		
	Quarter	6.19	6.04	7.40		
	Fiscal YTD	17.01	16.28	14.49		
	1 year	17.01	16.28	14.49		
	Since 9/30/2009	4.72	4.09	3.17		
Renaissance						
International Growth				MSCI AC Wrld x US		
	Quarter	2.84	2.69	7.40		
	Fiscal YTD	15.50	14.80	14.49		
	1 year	15.50	14.80	14.49		
	3 year	4.32	3.65	3.17		
	Since 5/31/2009	8.23	7.59	8.19		
Garcia Hamilton & Associates*						
Fixed Income				BC Int. Gov/Credit	BC Int. Aggregate	90-Day T-Bill
	Quarter	3.51	3.44	1.40	1.36	0.02
	Fiscal YTD	9.81	9.53	4.41	4.31	0.08
	1 year	9.81	9.53	4.41	4.31	0.08
	3 year	6.94	6.67	5.18	5.34	0.09
	5 year	8.03		5.71	5.96	0.50
	Since 9/30/2006	7.73		5.66	5.85	1.21
UBS Trumbull Property Fund						
Core Private Real Estate				NCREIF		
	Since 7/2/2012	2.52		NA		

TOTAL RETURN					
Time-Weighted Return (TWR)				Policy Index	Composite Index
Quarter	5.03	4.93	4.37	4.32	
Fiscal YTD	19.76	19.27	18.00	18.12	
1 year	19.76	19.27	18.00	18.12	
3 year	9.67	9.22	9.40	9.45	
5 year	2.89	2.48	3.24	2.45	
Since 9/30/2006	4.65	4.25	4.85	4.31	
Dollar-Weighted Net (IRR)				Actuarial Rate	CPI + 4
Quarter		4.89	1.94	2.19	
Fiscal YTD		19.21	8.00	5.76	
1 year		19.21	8.00	5.76	
3 year		9.26	8.00	6.20	
5 year		2.81	8.00	6.07	
Since 9/30/2006		4.43	8.00	6.20	

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 / 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 2000 Growth / 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
- 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 September 30, 2012

GUIDELINES	In Compliance	OBJECTIVES	In Compliance
Equity Portfolio			
Listed on recognized exchange	Yes	Total Portfolio	3 years Yes
Single issue not to exceed 10% at market value for each equity in each separately managed portfolio	Yes	Exceed Target Index	Since Inception No
Total equity portfolio < 62.5% & > 57.5% of total fund at market	Yes	Exceed actuarial assumption (8%) *	No
Single issue not to exceed 5% at market value for the total portfolio	Yes	Exceed CPI + 4% *	No
Foreign equities < 25% of total portfolio at market	Yes	* Measured using Net Dollar-Weighted Rate of Return	
No scrutinized companies (Sudan/Iran) held per Protecting Florida's Investments Act requirement	Yes		
HGK			
<u>Large Capitalization Value Equity Portfolio</u>			
Market Value < 22.5% & > 17.5% of total fund	Yes	Market Value < 7.5% & > 2.5% of total fund	Yes
Performance (Inception 3/31/2009)	Since Inception N/A	Performance (Inception 9/30/2009)	Since Inception N/A
Rank in the Top 50% of manager universe	No	Return > MSCI All Country World ex US	Yes
Return > Russell 1000 Value	No		Since Inception Yes
Garcia Hamilton & Associates			
<u>Large Capitalization Growth Equity Portfolio</u>			
Market Value < 22.5% & > 17.5% of total fund	Yes	Market Value < 7.5% & > 2.5% of total fund	Yes
Performance (Inception 9/30/2006)	Since Inception N/A	Performance (Inception 5/31/2009)	Since Inception Yes
Rank in the Top 50% of manager universe	No	Return > MSCI All Country World ex US	Yes
Return > Russell 1000 Growth	No		Since Inception Yes
GW Capital			
<u>Small Capitalization Value Equity Portfolio</u>			
Market Value < 7.5% & > 2.5% of total fund	Yes	Market Value < 37.5% & > 32.5% of total fund	Yes
Performance (Inception 2/28/2009)	Since Inception N/A	Performance (Inception 9/30/2006)	Since Inception Yes
Rank in the Top 50% of manager universe	Yes	Return > Barclays Cap Intern. Gov't/Credit U.S. Government / Agency or U.S. Corporations	Yes
Return > Russell 2000 Value	Yes	Bonds rated "A" or better	Yes
		Single corporate issuer not exceed 10% of bond portfolio (except U.S. Government/Agency)	Yes
MDT Advisers			
<u>Mid Capitalization Growth Equity Portfolio</u>			
Market Value < 7.5% & > 2.5% of total fund	Yes	Market Value < 10% & > 0% of total fund	Yes
Performance (Inception 5/31/2009)	Since Inception N/A	Performance (Inception 7/2/2012)	Since Inception N/A
Rank in the Top 50% of manager universe	Yes	Return > MSCI All Country World ex US	Yes
Return > Russell Mid Growth	Yes		Since Inception N/A

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

Retirement

October 30, 2012

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

Review of transition process and replication of results



A Xerox Company

buckconsultants

Transition process

- Program valuation systems
- Rerun prior valuation using consistent data, assumptions, methods and plan provisions
- Ensure results match prior actuary's results within acceptable standards (generally actuarial liabilities should not deviate by more than 2%)
- Review actuarial assumptions, methods and liabilities

Rerun of prior valuation

- Current results match within acceptable standards:

	<u>Bolton</u>	<u>Buck</u>	
Actuarial Accrued Liability			
Active Members	\$ 27,547,877	\$ 27,654,572	100.4%
Retired Members & Survivors	87,336,896	87,407,066	100.1%
Disabled Members	<u>1,231,441</u>	<u>1,231,441</u>	100.0%
Total	\$ 116,116,214	\$ 116,293,079	100.2%
Normal Cost	\$ 2,859,133	\$ 2,854,870	99.9%
Present Value of Accrued Benefits	\$ 110,977,018	\$ 111,085,693	100.1%

Next Steps

- Finalize valuation programming and setup
- Review valuation assumptions and methods
- Collect data for 10/1/2012 valuation
- Update dates in contract to reflect 10/1/2012 as the first valuation performed by Buck
- Review ongoing service purchase procedures for efficiency

Questions