

**CITY OF MIAMI SPRINGS GENERAL EMPLOYEES'  
RETIREMENT SYSTEM  
MINUTES OF THE MEETING HELD  
FEBRUARY 2, 2012**

The regular meeting of the Board of Trustees of the City of Miami Springs General Employees' Retirement System was called to order at 8:43 AM by Tom Cummings in the Commission Chambers at the City of Miami Springs City Hall at 201 Westward Drive, Miami Springs, Florida.

**TRUSTEES PRESENT**

Tom Cummings, Chair  
Sherryl Bowein, Secretary  
Robert Whittington, Trustee  
Ronald G. Gorland, Trustee  
Francisco Arguelles, Trustee

**OTHERS PRESENT**

Audrey Ross, Pension Resource Centers (PRC)  
JC Louissaint, Pension Resource Centers (PRC)  
Stephen Cypen, Attorney - Cypen & Cypen  
Grant McMurry, ICC Capital Management  
Brendon Vavrica, Thistle Asset Consulting  
Brenson St. Jean, Thistle Asset Consulting  
Moirá Ramos, City of Miami Springs - Finance Dept.  
William Alonso, City of Miami Springs - Finance Dir

**INVESTMENT MANAGER REPORT: ICC CAPITAL MANAGEMENT (GRANT MCMURRY)**

Mr. Grant McMurry appeared before the Board to present the Investment Review Quarterly Report for the quarter ending December 31, 2011. He discussed the market environment and noted that the last quarter was a pretty good one. There was a lot of movement out of stocks during the month of October. The sectors like Health Care and Utilities that did well during the last six months turned negative during the month of October. Investors moved out of areas that were positive and moved into areas that are negative. Mr. McMurray stated that he feels what happened in the market during the third quarter of 2011 had little to do with Congress attempting to deal with the debt limit, the downgrade of the U.S. Treasury from AAA to AA+ and what's happening in Europe. He commented that the investors who got hurt so badly in 2008 and 2009 watched the market on a day by day basis. They moved out of equity quickly whenever there is a drop in the market for fear of not getting hurt like 2008 and 2009 and would jump back into equity when the market is getting better. Mr. McMurry feels that the equity market will do fine in 2012 but does not expect a lot of volume or a lot of volatility like in 2011.

**INVESTMENT CONSULTANT REPORT: THISTLE ASSET CONSULTING (BRENDON VAVRICA)**

Mr Vavrica appeared before the Board to present the report for the quarter ending December 31, 2011. Mr. Vavrica introduced his colleague Brenson St. Jean who's been with the firm for a little over two years. Mr. St. Jean has been working on the performance calculations, putting together the performance and compliance reports but he has never seen what happened to the reports after they leave the office so Mr. Vavrica brought Mr. St. Jean to the board meeting to see what happens on the other end. Mr. Vavrica agreed with Mr. McMurry's statement that the last quarter was a pretty good one. All the major equity indices were positive and the fixed income, although not nearly as positive as the equity, was also in a positive territory.

The total market value as of December 31, 2011 was \$13,511,000. The asset allocation was 60.9% in equities, 35.6% in fixed income and 3.5% in cash. The total fund net of fees was up 8.65% versus 7.57% for the benchmark for the quarter placing the plan in the 16<sup>th</sup> percentile ranking. Equity was the driver of the results and the return for the total equities was up 13.99% versus 11.82% for the benchmark and placed the plan in the 1<sup>st</sup> percentile ranking. The return for the total fixed income was up 1.60% versus 1.18% for the benchmark placing the plan in the 57<sup>th</sup> percentile ranking for the quarter. Mr. Vavrica then reviewed the Plan's Compliance checklist report which consists of performance related questions taken from the Investment Policy Guidelines. He noted that all three questions for the Total Fund Returns are checked "no" due to the underperformance over the trailing 5-year period. There are three "no's" out of 6 questions for the Equity component and one "no" for the Fixed Income component.

As a follow up to a request from the last meeting Mr. Vavrica brought a sampling of Performance and Universe ranking for similar managers to ICC Capital. ICC is kind of hybrid and is halfway between Core and Value so Mr. Vavrica searched for managers that are more Core and more Value than ICC. Mr. Vavrica found and added four managers on the sampling list. Two of the managers, Iverness and Eagle, are in the Core category but lean more to the Value side; and the other two, Boston Co and BRC are considered Value but they are not deep Value and lean a little bit more Core. In comparison to the other four managers, the results are kind of similar for the three and five years but ICC ranks in a good spot in the 30<sup>th</sup> percentile for the ten years and outperformed by about 50 basis points. Mr. Vavrica stated that the long term for this plan has been very good since the equity has been the primary driver of the results.

Mr. Vavrica brought in also a sampling of international managers with their universe ranking up to 10 years for evaluation. Mr. Vavrica asked the board of trustees if they are still interested in moving forward with the international exposure as was discussed before. After a lengthy discussion, it was agreed that international exposure can be an advantage and it will do quite well. Mr. Vavrica offered to do a manager search and bring more information on interested managers which can be brought in before the board for interview. Mr. Vavrica was asked for his recommendation and he mentioned ICC Capital ADR Portfolio, Harding Loevner International or Thornburg. One of the board members suggested that Mr. Grant McMurry of ICC should take a look and come back with some recommendation. Mr. Vavrica commented that in this case it will be a matter of tweaking the investment policy and giving ICC a target of international funds so they can start buying for the portfolio. Mr. Vavrica will bring the investment policy and a draft of the change at the next meeting scheduled for May 3, 2012 instructing ICC to start buying international stocks for the plan. Mr. Vavrica stated that ICC is a good manager, they have a number of ADR portfolio for some other clients, but he would not discourage the board from looking at other options before making the choice. In response to one of the trustees, Mr. Vavrica said that the plan would not lock into ICC and will be able to change anytime. Ms. Audrey Ross suggested that there might be a special meeting before May 3<sup>rd</sup> to do the Audit and valuation, thus Mr. Vavrica can forward the policy ahead of time so the board can review and move ahead. Mr. McMurry offered to bring the ICC international portfolio manager to come and talk to the board at the next board meeting scheduled for May 3, 2012.

**MINUTES**

The board reviewed the minutes of the November 3, 2011 regular meeting and noted that correction is needed on the Motion to approve the August 4, 2011 Minutes. The date should be changed from November 3, 2011 to August 4, 2011.

**MOTION:** A motion was made to approve the minutes of the November 3, 2011 regular meeting as corrected.

**SECOND:** Ms. Bowein seconded the motion.

**CARRIED:** The motion carried 5-0.

**DISBURSEMENTS APPROVAL**

Ratification of warrants processed since the November 3, 2011 meeting:

<b>Warr.#</b>	<b>Payee</b>	<b>Amount</b>	<b>Invoice Date</b>
302	<b>Salem Trust Company 7/1/11 - 9/30/11 (Custodian Fee)</b>	\$1,582.30	10/15/11
	<b>Mutual of Omaha (Inv# 000221963415 - November 2011 Life Insurance Fee)</b>	\$107.58	10/17/11
	<b>Robert Whittington - FPPTA Trustees School - Travel Reimbursements (October 2, 2011 - October 5, 2011)</b>	\$401.72	10/24/11
	<b>Resource Centers, LLC (Inv #11506- November 2011 Admin Fee)</b>	\$1,350.00	10/31/11
	<b>FPPTA Membership Renewal (Year: 2012)</b>	\$600.00	11/2/11
303	<b>Mutual of Omaha (Inv# 000226040139 - December 2011 Life Insurance Fee)</b>	\$112.53	11/14/11
	<b>Gabriel Roeder Smith &amp; Company - Invoice #116919. (Charges for Benefit Calculations for Boucher, Caraviello and Ramos); 10/01/2011 Actuarial Valuation Report Preparation</b>	\$1,337.00	11/14/11
	<b>Cypen &amp; Cypen (Invoice #6076 - November 2011 Legal Fee)</b>	\$1,250.00	11/1/11
304	<b>Resource Centers, LLC (Inv #11559 - December 2011 Admin Fee)</b>	\$1,350.00	11/30/11
	<b>Cypen &amp; Cypen (Invoice #6076 - November 2011 Legal Fee)</b>	\$1,250.00	11/1/11
	<b>Cypen &amp; Cypen (Invoice #6108 - December 2011 Legal Fee)</b>	\$1,250.00	12/1/11
305	<b>Mutual of Omaha (Inv# 000230072193 - January 2012 Life Insurance Fee)</b>	\$109.23	12/14/11
306	<b>Resource Centers, LLC (Inv #11609 - January 2012 Admin Fee)</b>	\$1,950.00	1/4/12
	<b>Cypen &amp; Cypen (Invoice #6137 - January 2012 Legal Fee)</b>	\$1,250.00	1/3/12
	<b>ICC Capital Management, Inc. (Invoice #57531998 - 01/01/2012 - 03/31/2012 Quarterly Management Fee)</b>	\$16,927.86	1/6/12
	<b>FPPTA - CPPT Re-Certification for Bob Whittington (October 2008 - December 2011)</b>	\$100.00	1/3/12

**MOTION:** Mr. Wittington made a motion to approve Warrants 302 through 306.

**SECOND:** Mr. Cummings seconded the motion.

**CARRIED:** The motion carried 5-0.

**BENEFIT APPROVALS:**

• **Applications for Refund of Contributions:**

- \* Phillip Sutherland
- \* Roberto Ventura

**MOTION:** Mr. Wittington made a motion to approve the Refund of Contributions for: Phillip Sutherland and Roberto Ventura

**SECOND:** Mr. Cummings seconded the motion.

**CARRIED:** The motion carried 5-0.

• **Application to Enter the DROP:**

- \* Barbara Robinson

**MOTION:** Mr. Wittington made a motion to approve the Application to enter the DROP for: Barbara Robinson

**SECOND:** Mr. Cummings seconded the motion.

**CARRIED:** The motion carried 5-0.

**OLD BUSINESS**

DROP ACCOUNTS: The City Manager had presented the idea of offering a second option for General Employee DROP enrollees for their monthly DROP deposits with a zero cost item to the City. Ms. Audrey Ross explained that the Board had discussed at the last meeting to implement a fixed rate option for the DROP plan or going with ICMA as an alternative and the Board had decided to have the City go to the City council and asked them to implement the option that was discussed. But according to the letter Mr. Borgmann sent to counsel Cypen after the council meeting last December, the only option that was presented was to go ahead with ICMA-RC and Ms. Ross doesn't believe that that was the board's direction at the last board of trustees' meeting.

Mr. Gorland explained that the council was not really fixed on ICMA, it was brought up as an alternative because they just happen to have the type of fund that would protect the DROP participant's principal by offering a monthly rate that would get reset every month. The rate varies monthly so it is not a totally fixed rate but the council felt that it would be the best alternative as the participant's principal would be protected. Mr. Vavrica commented that if the board is interested in having that ability for the DROP participants to have control over their account then the board would probably want to look at a full blown self directed DROP account where you'll not only have cash but also Large Cap, Small Cap, International and other asset classes to choose from. Mr. Gorland stated that the council did not want to go that far and they only envisioned the participant to make annual selections. Mr. Alonso commented that there was no discussion for the participant to get back to the plan from the fixed rate option with ICMA but giving the participant the option when he/she enters the DROP to either have

the plan's return or go into the fixed rate where the principal would be guaranteed 100%. On a yearly basis, if a better fixed rate is presented then the participant has the opportunity to select the better rate but will not be allowed to go back to the plan. Mr. Cypen stated that ICMA is not practical for the plan and not practical for the administration because every one of the funds will have to be monitored even though they are self directed. The fund should only have two choices; one would be the fixed rate of return or the plan's return.

Mr. Vavrica added that if a new option is added outside of the current plan you will have expenses and other things that get added on which will make it more complicated and may not be worth it considering the number of people the plan currently has. Chief Baan commented that this discussion has been going on for the last year or so and is not going anywhere so he suggested that the board take a look at the ICMA Plus fund, get the facts on it and find out what the administrative costs will be and how much of a hassle it will be so that you can make an informed decision. Mr. Baan agreed with Mr. Alonso that he does not believe the City will ever guarantee any money.

Mr. Vavrica will do some research as suggested by Mr. Baan, he will come up with a package to include some providers and the administrative costs to present to the General board members next time they meet in order for them to make an informed decision.

ACTUARIAL VALUATION REPORT – FEE INCREASE: JC Louissaint confirmed to the Board that the actuary agreed to reduce the \$750.00 fee increase for the additional work to be done for the Actuarial valuation report to \$500.00 as requested by the Board at the November 3, 2011 meeting.

### **NEW BUSINESS**

ACTUARIAL STUDY: Mr. Alonso explained that the council has directed his department to look at different pension scenarios for the General employees and the first step in doing that is to develop some alternatives. Mr. Alonso wants to use Gabriel and Roeder for the study since they are the plan's actuary so it is a lot cheaper to go with them instead of using someone new from outside. It does not cost the plan anything because the City will pay for it so Mr. Alonso spoke with Steve Palmquist who told him to request approval from the board to contract with Gabriel, Roeder for the actuarial study. Mr. Alfonso explained the pension scenarios to the board.

There are three alternatives, one of them is to set up a Defined Contribution Plan and on the Pension plan there will be a "Hard freeze and a "Soft freeze". The "hard freeze" as the first alternative would be that the plan is stopped and every participant who earned benefits up to that point does not lose anything but they will all go under the Defined contribution plan. The "soft freeze" as the second alternative would be that the current plan will still continue to accrue benefits but any future employees will go under the Defined contribution plan. As the third alternative, if the study reveals that the Defined contribution plan will save the City this much so what reduction on a multiplier on the current plan would yield the same savings? Mr. Alonso stated that this is just a study and once the numbers are in he will have to analyze them and then go to the Council to make a presentation and the council will decide at that point which way they will go if at all they want to move forward.

Mr. Cypen asked Mr. Alonso if there is a bargaining unit with the General employees and the answer to the question was "no". Mr. Whittington commented that he passed out a

pamphlet from the FPPTA to the General board members explaining that a 401(k) plan is not a Retirement plan and was never intended to be a Retirement plan. It was an incentive for the public to save their money on a tax-deferred basis. Mr. Whittington stated that the FPPTA does offer town hall meetings on this subject and would suggest that the board set up a town hall meeting with the FPPTA so the Council members can attend if they are going to the direction of changing from one plan to another.

**MOTION:** Mr. Gorland made a motion to approve Gabriel, Roeder to do the actuarial study for the City of Miami Springs on that condition stated.

**SECOND:** Mr. Whittington seconded the motion.

**CARRIED:** The motion carried 5-0.

**ATTORNEY REPORT**

N/A

**FINANCIAL STATEMENTS**

N/A

**REPORTS**

N/A

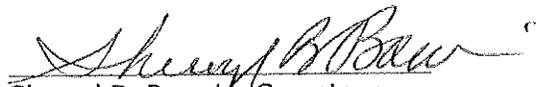
**NEXT MEETING DATE**

Thursday May 3, 2012 @ 8:30 AM

**ADJOURN**

There being no further business, a motion was made to adjourn the meeting at 10:26 AM.

Respectfully submitted,

  
Sherryl B. Bowen, Secretary