

KEY BISCAYNE POLICE OFFICERS & FIREFIGHTERS RETIREMENT PLAN

Village Council Chambers
560 Crandon Blvd., Key Biscayne, FL 33149
REGULAR MEETING OF MARCH 22, 2007

1. Call to Order, - Chairman Michael Haring called the meeting to order at 5:34 P.M.

Roll Call

Present

Chairman Michael Haring
Jose Monteagudo
Dr. Robert L. Maggs

Absent

Secretary Servando Parapar
Cindy Mize

OTHERS PRESENT: J. Stephen Palmquist from Gabriel, Roeder, Smith & Company, Councilman Steve Liedman, Village Manager Jacquie Menendez, Jeffrey Swanson from Southeastern Advisory Services, W. Matthew Brown, Lisa L. Roberts and William Gonzalez from the Schott Group, Joseph Bogdahn, Michael Welker and Dave West from Bogdahn Consulting, Burgess B Chambers and Sidney H. Taylor from Burgess Chambers & Associates, John McCann from Thistle Asset Consulting, Stephen H. Cypen, Esq., Attorney for the Fund and Joan L. Wall, Administrator.

2. J. Stephen Palmquist – Presentation of October 1, 2006 Actuarial Valuation. Mr. Palmquist reviewed the results of the valuation with the trustees. The required Village contribution for FYE 9/30/07 was \$615,417 and for FYE 9/30/08 was \$651,737. There were no changes in benefits or assumptions since the last valuation. More employment terminations than expected resulted in a net actuarial gain of \$239,897. Mr. Palmquist stated the funding ratio has improved from prior years. After determining there was a significant difference between the investment return reflected on the valuation and the returns reported previously by Merrill Lynch and Trusco, Jose Monteagudo moved to defer approval until it was determined whether or not there were any changes to the valuation after Mr. Palmquist reviewed the figures provided by both Merrill Lynch and Trusco. Dr. Maggs seconded the motion. The motion carried unanimously.

3. Reading & Approval of Minutes for January 25, 2007. Chairman Haring presented the minutes from the previous meeting for approval. Dr.

Maggs moved to approve. Jose Monteagudo seconded the motion. The motion carried unanimously.

4. Ratification of Contribution Refunds paid in the interim. The warrants signed by three trustees were not received prior to the meeting, therefore the refund to P/O Alvarez and P/O Rolle would be added to Item 6. Jose Monteagudo moved to add the two refunds to agenda item 6. Dr. Maggs seconded the motion. The motion carried unanimously. P/O Toney-Bashui had called prior to the meeting advising she did not want her refund at this time. Dr. Maggs moved to hold the payment of this refund until later notice. Jose Monteagudo seconded the motion. The motion carried unanimously/

5. Approval of Invoices. Chairman Haring presented the invoices listed on the agenda for approval. Dr. Maggs noted the invoice from Professional Indemnity reflected the past policy term, not the future one. Joan Wall stated she would contact the agent prior to payment requesting a change in the dating. Jose Monteagudo moved to approve payment. Dr. Maggs seconded the motion. The motion carried unanimously, authorizing payment of the following:

SunTrust Bank, 10/1 – 12/31/06 Custody/Investment Fees	\$ 13,406.82
Gabriel, Roeder, Smith & Co., Invoice #100281 dated 1/31/07	\$1,199.00
Gabriel, Roeder, Smith & Co., Invoice #100638 dated 3/5/07	<u>\$1,963.00</u>
TOTAL	\$ 3,162.00
Merrill Lynch, 12/31/06 Performance Report	\$ 1,829.84
Professional Indemnity Agency, Inc., Fiduciary Liability Renewal	\$ 2,944.15
Joan L. Wall, Admin., 1/22 – 3/13/07 54 ½ hrs, plus expenses	\$ 2,257.90

6. Approval of Refunds of Contributions. Chairman Haring presented the refunds listed on the agenda for approval and payment. Jose Monteagudo moved to approve. Dr. Maggs seconded the motion. The motion carried unanimously, authorizing payment of the following refunds of pension contributions:

P/O Jose E. Alvarez, Hire Date 11/18/02, Termination Date 11/20/06 Contributions \$21,053.65, Less 20% WH Tax \$4,210.73	\$ 16,842.92
P/O Shandora Williams Rolle, Hire Date 6/29/06, Termination Date 12/17/06 Contributions \$2,708.19, Less 20% WH Tax \$541.64	\$ 2,166.55
P/O John J. Bermudez, Hire Date 2/28/05, Termination Date 3/2/2007 Contributions \$12,765.00, Less 20% WH Tax \$2,553.00	\$ 10,212.00

7. UNFINISHED BUSINESS – None

NEW BUSINESS

8. a) **Review/Discussion** – Posed by Deputy Fire Chief Barron.

- Section 23-37. Pre-retirement death (a) (2) What happens in the event a vested member who is entitled to retire dies before actual retirement, but does not have ten years of service? Does his beneficiary receive only a refund of contributions?
- Section 23-37. Pre-retirement death (b) What happens if a member puts in writing his/her request for their beneficiary to receive a Joint and Survivor 100% benefit when selecting a future retirement date and dies prior to that future date?

Attorney Cypen called the trustees attention to Section 23 – 39. Vesting (2). The vesting period is five years, while Section 23 – 37 refers to ten years of service. There would be less confusion if these time frames were the same. The beneficiary of a member who died before retirement, who had five years of service, would be entitled to a monthly retirement benefit. Any prior to death written request as to form of benefit would be honored. Attorney Cypen stated he did see a potential problem if the member dies on their normal or early retirement date. It would be wise to clarify this when the pension ordinance is amended in the future.

Attorney Cypen reminded the trustees that the firm selected as investment consultant must accept fiduciary responsibility. He had nothing to mention under his report and was excused due to a prior commitment.

8. b) Presentations for position of Investment Consultant. Merrill Lynch recently advised that Alan Kirchner, who had joined their firm in August of 2005 and had been assigned to Key Biscayne after Jeff Swanson resigned, had left to pursue his personal investment interests.

- **Southeastern Advisory Services.** Mr. Swanson answered questions as to the reason for his change of employment from Merrill Lynch to Southeastern. Southeastern does not buy research. The firm is independent, privately owned provider of investment performance evaluation and related consulting services, with \$3 billion in client assets. Mr. Swanson anticipated moving to the South Florida area to better serve the clients in this area. There were currently fifteen clients in the public arena, eight of which recently came with Mr. Swanson from Merrill Lynch. Their fee is 10 basis points, approximately \$8,500 annually, for full service.
- **Schott Group.** The representatives went into detail about their relationship with Wachovia. Wachovia receives 10% off the top for research, insurance and compliance issues. The Schott Group has a long term goal to break away from Wachovia. They are active with FPPTA,

operating a boutique shop with one Florida public sector pension plan as a client. They agreed to lower their prior fee quote from \$14,000 to \$9,000 annual for full services in order to get the business.

- **Bogdahn Consulting.** The firm is 100% employee owned with only hard dollar fixed fees. The firm has 19 employees, 8 of which are consultants who are currently servicing 108 Florida plans. Their investment added review process was reviewed in detail. Their proposed full service annual fee of \$16,000 is firm and not subject to negotiation, but is refundable if the trustees find they are not pleased with the service. The firm is active with FPPTA and providing education to trustees as part of their fee.
- **Burgess Chambers.** The firm was founded in 1988. Currently there are 6 key personnel, 3 of which are members of the consulting team who have 54 years of combined consulting experience, serving 44 clients with over \$1 billion in assets. The main focus of the firm is Florida Public Pension Funds. The proposed full service fee of \$18,000 was reduced to \$15,000 upon negotiations with the trustees.
- **Thistle Asset Consulting.** Mr. McCann reviewed with the trustees a Morningstar Report and an Asset Allocation Analysis for Sample Allocation. The firm currently has 40 clients, 28 of which are Florida plans. Full service annual fee is \$16,000 for one year. This would include one manager search in the first year. There would be an extra fee of \$3,000 for additional manager searches.

After discussion, Dr. Maggs moved to hire the firm of Burgess Chambers at the \$15,000 annual full service fee agreed upon. Jose Monteagudo seconded the motion. The motion carried unanimously.

9. Trustees' Concerns. There was a brief discussion regarding the Village hiring personnel who were disability retirees from another plan.

10. REPORTS

Attorney – Discussed earlier.

Administrator

- 2006 Annual Report was mailed 3/13/07
- All Annual Affidavits from retirees and service providers have been received

Other – Beneficiary Forms completed by current participants is an ongoing process.

11. Input from Active/Retired Members – None

12. Next Meeting Date/Adjournment. Chairman Haring announced the next scheduled meeting was Thursday, May 24, 2007 at 5:30 P.M.

There being no further business before the board, Dr. Maggs moved to adjourn at 10:10 P.M. Jose Monteagudo seconded the motion. The motion carried unanimously.

Respectfully submitted,

Michael Haring, Chairman