



City of Margate

5790 Margate Boulevard
Margate, FL 33063
954-972-6454
www.margatefl.com

Meeting Minutes Employee Benefits Trust Fund

Chair, James Wilbur
Vice Chair, Joanne Simone
Secretary, Jackie Chin-Kidd
Trustee, Adam Sitman
Trustee, Laura Sudman
Trustee, Efrain Suarez
Trustee, Mark E. Weinrub

Thursday, June 25, 2015

2:30 PM

Commission Chambers

1) CALL TO ORDER

ATTORNEY MARK A. FLOYD, MIERZWA AND ASSOCIATES AND MIKE NICKLER, MORGAN STANLEY WERE PRESENT.

Present: 4 - Chair James Wilbur, Vice Chair Joanne Simone, Trustee Adam Sitman and Trustee Mark Weinrub

Absent: 3 - Secretary Jackie Chin-Kidd, Trustee Efrain Suarez and Trustee Laura Sudman

2) PUBLIC DISCUSSION

THERE WAS NO PUBLIC DISCUSSION.

3) MINUTES

A. MOTION APPROVING MINUTES DATED APRIL 16, 2015

A motion was made by Trustee Weinrub, seconded by Simone, that this Minutes be approved. The motion carried by a unanimous vote 4-0.

Yes: 4 - Chair Wilbur, Vice Chair Simone, Trustee Sitman and Trustee Weinrub

Absent: 3 - Secretary Chin-Kidd, Trustee Suarez and Trustee Sudman

4) ELECTION OF OFFICERS

A. MOTION APPROVING APPOINTMENT OF CHAIR

A motion was made by Vice Chair Simone, seconded by Trustee Weinrub, that James Wilbur be appointed as Chair. The motion carried by the following vote:

Yes: 4 - Chair Wilbur, Vice Chair Simone, Trustee Sitman and Trustee Weinrub

Absent: 3 - Secretary Chin-Kidd, Trustee Suarez and Trustee Sudman

B. MOTION APPOINTING VICE CHAIR

A motion was made by Trustee Weinrub, seconded by Trustee Sitman, that Joanne Simone be appointed as Vice Chair. The motion carried by the following

vote:

Yes: 4 - Chair Wilbur, Vice Chair Simone, Trustee Sitman and Trustee Weinrub

Absent: 3 - Secretary Chin-Kidd, Trustee Suarez and Trustee Sudman

C. MOTION APPOINTING SECRETARY

A motion was made by Simone, seconded by Trustee Weinrub, that Jacqueline Chin-Kidd be appointed as Secretary. The motion carried by the following vote:

Yes: 4 - Chair Wilbur, Vice Chair Simone, Trustee Sitman and Trustee Weinrub

Absent: 3 - Secretary Chin-Kidd, Trustee Suarez and Trustee Sudman

5) INVOICES

A. MOTION APPROVING PAYMENT OF INVOICE(S)

A motion was made by Trustee Weinrub, seconded by Simone, to pay the current Attorney invoice for the amount due. The motion carried by the following vote:

Yes: 4 - Chair Wilbur, Vice Chair Simone, Trustee Sitman and Trustee Weinrub

Absent: 3 - Secretary Chin-Kidd, Trustee Suarez and Trustee Sudman

8) OTHER BUSINESS

C. MIKE NICKLER - MORGAN STANLEY - INVESTMENT DISBURSEMENT

MIKE NICKLER, Morgan Stanley, stated that the Fund was off to a good start this year, because the diversification that hurt the Fund in the past was helping the fund now. He said that it was important to have a balanced, diversified, prudent portfolio. He felt that more normal markets would be seen in the future, where money was not only made in large cap growth as it was before. He mentioned attending the Morgan Stanley Conference in Vegas where he was informed that it was expected that the best market over the next years would be Taiwan. He stated that the Fund would have emerging markets, which it would benefit from and he felt that the Fund should stay the course with what was being done. Mr. Nickler passed out a summary and referred to Page 3, which was the consolidated statement. He explained that the calculations were through Monday, June 22, 2015. He noted that year-to-date the Fund was up 6.83 percent versus 4.12 percent. He said that over the past five years the fund only annualized 13 percent versus 18 percent of the market; however, some of the other markets did terribly. He stated that over the last five years all of the money was made in the United States, which he did not feel would continue and that diversification would be more beneficial in the future. He gave a summary of the amount differences. Mr. Nickler reported that the portfolio increased this year about \$240,000, \$170,000 was taken out in January and the current balance was \$4,160,000. He gave a summary of the Fund's performance and explained that over the last year the fund was 6.8 percent versus 10.5 percent. He noted that over the last three years the Fund was 14.3 percent versus 18.4 percent, with the last five years at 13.1 percent versus 18 percent, which was the largest discrepancy from the Large Cap Domestic outperformance. He said that going back 10 years, the Fund annualized 6.9 percent, versus 8.2 percent, and back 14 years the Fund was 5.63 percent versus 6.1 percent. He noted that everything was done with less risk.

ATTORNEY MARK FLOYD, Mierzwa and Associates, questioned whether the appropriate comparison was 60 percent Domestic, 30 percent International and 10 percent T-Bills, because the policy statement said to compare against.

MR. NICKLER said that it was not, and that it was the SNP, because the Fund had always been a growth portfolio and never had Bonds. He said that he tried to keep in between, because he did not want to take more risk than the SNP.

ATTORNEY FLOYD felt that it was not really a fair comparison.

MR. NICKLER agreed that the 60, 30, 10 percent would be more appropriate because it would count for the International.

CHAIR WILBUR noted that from the beginning it was decided to make the Fund Growth heavy; however, not to go overboard with Growth.

MR. NICKLER agreed that from the beginning it was decided to have a diversified Growth portfolio. He explained that the Fund could not be compared to the 60, 30, 10 percent because the Fund did not have Bonds or the income. He said that the World Index could be used by having a 60, 30, 10 percent or 70, 20, 10 percent with the International Index as the 20 percent. He said that would be a modified index. He stated that from the beginning it was decided to look at the SNP.

ATTORNEY FLOYD said that it was only about 5 percent off.

MR. NICKLER agreed and said that any year where the United States outperformed would make it tough for the Fund to outperform its benchmark.

MR. WILBUR noted that it was more down than up in the last few years.

MR. NICKLER said that over time, the longer term would balance itself out and be a more fair comparison. He added that the Fund had less risk with the SNP because of the diversifications. He noted that whatever index was used, it would never be exact.

ATTORNEY FLOYD expressed concern regarding the appearance of having underperformance of 4 percent.

MR. NICKLER stated that he did not mind underperforming when averaging 13 percent a year. He noted that it was worse to underperform when you were negative. He stated that he did not mind underperforming on the up side, but outperforming on the down side.

MR. NICKLER gave a report of the individual Money Managers. He noted that all of them had either equaled or outperformed long term with the possible exception of Cambiar and TCW, who had slightly underperformed. He added that Jennison had greatly outperformed. He stated that the Money Managers were doing their job; however, there was underperformance on the Alternatives because of the Metals that were not doing well. He said that if that continued over the next few years it would be good for the Fund because it meant everything else was doing well. He said that he had no problems with the individual investments and referred to Page 16 and provided the following update:

TCW, Large Cap Growth Manager, had underperformed the most over the long term of 7 years. They were 8.56 percent versus 10.50 percent. The Fund should keep TCW a little longer.

JENNISON ASSOCIATES, Large Cap Growth Manager, had done very well.

SYSTEMATIC FINANCIAL, Small Cap Value Manager, was doing well.

MFS INVESTMENT MANAGEMENT, Large Cap Value Manager, was doing a good job.

INVESCO, Large Cap Value Manager, was also doing a good job.

LAZARD, Emerging Market Manager, underperformed in the short term, but was outperforming long term.

TRADEWINDS, International Value Manager, was doing fine.

DELAWARE, Small Cap Growth Manager, was doing very good.

ALTERNATIVES had not helped anyone over the past years, but in the Fund it was split many different ways. The Managed Futures and Real Estate portion did very well; however, the Metals did not.

MR. NICKLER provided the following current percentage breakdown:

- 24 percent Domestic Large Growth
- 22.5 percent Domestic Large Value
- 10.5 percent Small Mid Value
- 11 percent Small Mid Growth
- 21.5 percent International
- 10.5 Alternatives

MR. NICKLER provided the target portfolio as follows:

- 22 percent Large Growth
- 22 percent Large Value
- 11 percent Small Mid Value
- 11 percent Small Mid Growth
- 23 percent International
- 11 percent Alternatives

MR. NICKLER explained that no drastic changes were needed, but the balance could be fixed with the money being added. He added that he wanted to keep the Fund in balance with its target allocations.

CHAIR WILBUR noted that he did not have a final figure from the City; however, according to the Agreement, the check would be provided July 1, 2015, which was estimated at approximately \$325,000. He said that he would have to make certain that there was enough funds in the checking account for the Budget.

MR. NICKLER provided the following recommendations for rebalancing the Fund in percentages so it could be adjusted, depending on the City's check and the checking balance:

- 40 percent to International (25 percent to Tradewinds and 15 percent to Emerging Markets)
- 10 percent to Delaware
- 15 percent split between Systematic and Cambiar

15 percent split between Invesco and MFS
20 percent to Alternatives (10 percent to Charter Graham Fund and 10 percent to Metals)

MR. NICKLER summed up by stating that Morgan Stanley felt that there might be an increase in volatility over the next year providing a correction, but the consensus was that the market would increase slightly higher before year end providing reasonable returns for the future. He added that the Fund was fairly valued with normal returns over the next three to five years.

A motion was made by Trustee Weinrub, seconded by Trustee Sitman, to invest the money received from the City as recommended by Mr. Nickler for the amount that the City determined, less the Budgetary needs.

Yes: 4 - Chair Wilbur, Vice Chair Simone, Trustee Sitman and Trustee Weinrub

Absent: 3 - Secretary Chin-Kidd, Trustee Suarez and Trustee Sudman

6) REPORT FROM ATTORNEY

MR. NICKLER LEFT THE MEETING FOLLOWING HIS REPORT.

ATTORNEY MARK FLOYD, Mierzwa and Associates, said that at the last meeting a discussion took place regarding the City Attorney's request for an opinion about the tax exemption and why payroll taxes were not withheld from the benefits paid from the Fund. He noted that the opinion was provided. He hoped that the City Attorney's questions were answered, because he had not heard back.

CHAIR WILBUR said that he was asked by the Finance Director if the Fund issued 1099's. He explained to the Finance Director that it was not required, but she wanted clarification from the Attorney.

7) REPORT FROM TRUSTEES

MR. SITMAN mentioned someone who recently retired in May and submitted paperwork. He noted that the check would be issued in January retroactive.

CHAIR WILBUR said that the Fund was prepaid; therefore, he would receive two checks; one retroactive and one normal.

ATTORNEY MARK FLOYD, Mierzwa and Associates, stated that the retiree would actually receive 19 months of benefit if retired in May.

8) OTHER BUSINESS continued

A. DISCUSSION AND POSSIBLE ACTION - ACTUARY

ATTORNEY MARK FLOYD, Mierzwa and Associates, stated that at the last meeting a discussion ensued regarding the Board to commission an Actuarial Evaluation. He noted that the evaluations should be done every three years. He said that when speaking with the City Attorney, the City asked whether an evaluation had been done recently. He noted that the Board was in the process of initiating that. He stated that the City requested a copy once completed. He explained that as part of the evaluation, the City requested that the payoff amount be included. He asked what the cost would be if the City made one contribution to the Fund for all assumed costs. He stated that there 114 participants relying on one assumption after another, he could assume what the cost would be over the years and how much it would take to pay that off today. He said it would be earning

returns on the investment. He said that part of the evaluation was to determine what the lump sum fee would be if paid off today. Attorney Floyd mentioned that the last price provided by Chad Lyttle was given in 2011, for a 2012 Study, and was \$9,000. He noted that the price had now increased to \$12,000, which exceeded the parameters established by the Board at the last meeting. He said that he informed Chair Wilbur of the matter, and it was added to the Agenda for consideration at this meeting. Attorney Floyd noted that the Board had not authorized him to do a Request for Proposal (RFP) for quotes from other Actuaries. He stated that Chad Lyttle had done all of the Actuarial work for the Fund in the past; therefore, they had the background knowledge and only had to update it rather than recreating it. He said that \$12,000 was in line for the market value. He explained that this year he conducted three RFP's for other similar Funds and the fees charged ranged from \$10,800 to \$23,000 for a similar number of participants as the Margate Fund. He stated that the Mr. Lyttle's fee was in line with the market place and at the lower end of the spectrum. He said that the Board had options, such as sending out an RFP for proposals for review and consideration, or continuing the relationship with Chad Lyttle for \$12,000.

CHAIR WILBUR reminded everyone that if having the Attorney go out for the RFP, he would charge for that time.

A motion was made by Trustee Weinrub, seconded by Simone, that the Attorney be engaged to send out a new RFP.

MR. WEINRUB understood what Attorney Floyd was discussing; however, he felt that the Trustees were not being prudent and doing their job 100 percent unless an RFP was done. He said that the last time the Board went out for an RFP, even though the Board did not act on it, Chad Lyttle was not the cheapest, but was willing to negotiate. He felt that though it might cost more for the Attorney's fees, he felt the Board should do the RFP properly.

ATTORNEY FLOYD stated that after the next meeting he would have a proposal for consideration. He noted that normally an RFP took two meetings. He said that the RFP was authorized at this meeting, and then after putting together the RFP and sending to providers, the responses would be back for review and discussion at the next meeting. He said that at that time, the Board could invite people in for interviews or not.

MR. WEINRUB felt that as Chad Lyttle already did the initial work, his price should be the most reasonable.

MS. SIMONE stated that she did not know much about the procedure.

CHAIR WILBUR explained that Actuaries were well educated number crunchers in a specialized field.

MS. SIMONE said that she was on the fence about the \$3,000 difference and the Attorney's cost.

ATTORNEY FLOYD clarified that the cost of an RFP was \$750.00.

MS. SIMONE asked whether someone doing this from the beginning charging \$10,000 was a reality.

ATTORNEY FLOYD explained that he previously did an RFP and a Bid was received for

\$10,800. He said that he expected a similar price and that by doing the RFP the Board might get a better Bid to secure the business and make it up later.

MS. SIMONE felt that the Board should go out for the RFP, because there was nothing wrong with competition.

MR. SITMAN agreed.

The motion carried by the following vote:

Yes: 4 - Chair Wilbur, Vice Chair Simone, Trustee Sitman and Trustee Weinrub

Absent: 3 - Secretary Chin-Kidd, Trustee Suarez and Trustee Sudman

CHAIR WILBUR stated that Attorney Floyd would need the number of active participants and the amount of eligible active employees.

MR. SITMAN asked whether the Board was forecasting for a certain set of years.

CHAIR WILBUR said that the forecast was for the life of the people involved in the Fund. He noted that as of 2010, there was nobody else participating.

ATTORNEY FLOYD said that the Actuary would look into the future based on a set of assumptions, and would then project benefit costs, and bring the cost back to a present day value. He added that the Actuary would also look back and give assumptions indicating whether the Fund did better or worse than assumed, and whether the Fund could afford to operate providing the benefits scheduled.

B.

REVIEW AND APPROVE TAX DOCUMENTS FROM STEVE GORDON

CHAIR WILBUR noted that he received a tax document from Steven Gordon, CPA.

ATTORNEY MARK FLOYD, Mierzwa and Associates, clarified that it was a fee and not a tax. He explained that as part of the Patient Protection and Affordable Care Act (PPAC) there was a fee payable to the Internal Revenue Service (IRS) of \$2 per head. He noted that last year the fee was \$1 per head, but has increased. He noted that the Fund had 114 employees in retirement; therefore, the cost was \$228.00. He further explained that it was referred to as the Patient Center Outcome Research Institute (PCORI) fee, which was to modify healthcare and get away from the quantity based system and change to the quality based system. He explained that the theory was that any healthcare provider could run more efficiently if not compensating Doctors based on the number of tests run and patients seen, and start compensating on the quality of the outcome. He stated that the fee was supposed to be paid by every medical care insurance provider. He said that thought the Fund did not provide medical insurance, and the Fund should not be required to pay, the definition of a medical insurance provider included that any plan or Fund that subsidizes or offsets in any way, the cost of health care, which the Fund fell into.

9) SCHEDULE NEXT MEETING

CHAIR WILBUR stated that the next meeting would be determined based on the RFP.

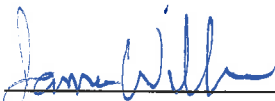
ATTORNEY MARK FLOYD, Mierzwa and Associates, felt that the responses for the RFP would be back by the end of August.

ADJOURNMENT

There being no further business, the meeting adjourned at 3:25 p.m.

Respectfully submitted,

Transcribed by Carol DiLorenzo



James Wilbur, Chair

Date: 8-4-15