

CITY OF SOUTH MIAMI PENSION PLAN
December 20, 2012 Minutes

1. CALL TO ORDER

Chairman Reilley called the special meeting of the Board of Trustees of the City of South Miami Pension Plan to order at 1:20 pm on December 20, 2012 at the City of South Miami City Hall Commission Chambers.

2. CALL TO ORDER

Those persons present included:

TRUSTEES

Kate Reilley, Chair
Rita Torres, Secretary
Latasha Nickle
Doug Baker
Bradley Cassel
Alfredo Riverol (2:45 p.m.)

OTHERS:

Dixie Martinez, Pension Resource Centers
Scott Baur, Pension Resource Centers
Andrew Wethern, Asset Strategy Consultants
Fran Coopersmith, Asset Strategy Consultants
Ronald Cohen, Ronald Cohen, P.A.
Members of the Public:

3. INVESTMENT REPORTS:

a. Investment Policy Statement – Asset Strategy Consultants

Chair Reilley began with a brief overview of the investment policy statement discussion from the last Pension Board meeting. She provided background on classification issues for some holdings in the portfolio, particularly the REMS REIT portfolio classified as fixed income but consisting of REIT equity securities and preferred stocks. Chair Reilley suggested creating a “strategic investment” category for these other allocations in the portfolio that blend different characteristics. This category would not include alternatives. Mr. Wethern will put alternative strategies into a new category, along with everything else that is not clearly an equity or fixed income securities. Mr. Cohen reported that he has no issues with the new label, so long as the category is clear on securities permitted for investments. Mr. Cohen stated that Florida Statute limits the Pension Plans to a 5% maximum allocation without defining alternatives. Ms. Coopersmith commented that definitions like “alternatives” changes with time. She defines alternatives as any illiquid investment. Mr. Cohen noted that Florida Statute deals with liquidity separately. Mr. Cohen does believe in a 5% limitation to “alternatives.” The Trustees affirmed that the category does not consist of short term investments. Chair Reilley summarized and stressed that the Board can always meet if necessary for a special meeting and that fixed income has a 20% minimum allocation even after the Board makes a recommended allocation to fixed income. Mr. Wethern noted that if they recommend an equity-like security, that allocation would then come from the equity portfolio to avoid making the portfolio more aggressive. Ms. Coopersmith stated that they would add the new categories with revisions to the new recommended investment policy. She reported that “alternatives” will be separate, not incorporated in the “strategic investment” category. Chair Reilley asked about the Beta, noting that the intent is to maintain or increase returns with lower volatility in the portfolio. Mr. Wethern will see if their IT department can work on their reporting to show a better comparison and reporting to show how the Plan is doing relative to their peer groups. The Board reviewed the Statement of Investment Policy revised October 2012. Ms. Coopersmith will revise page 16; Salem Trust will be deleted and replaced with the word “custodian.”

The meeting was in recess from 2:25 pm to 2:40.

Chair Reilley addressed the portfolio risk and rate of return. She expressed concerns over liquidity and leverage permitted by the REIT's allocation. Trustee Cassel does not like REIT's.

Trustee Riverol joined the meeting at 2:45 pm.

Ms. Coopersmith explained that REIT's gave a 24% return, while Trustee Cassel expressed his discomfort with the holding. Mr. Wethern described what he believes is a perfect model allocation.

Ms. Coopersmith indicated that if the Board reallocates some of the current assets, the Plan may not achieve the expected return. She also indicated that the Board should move forward and directly address any specific concerns about the managers used by the Plan, rather than adding to the managers.

Trustee Nickles left the meeting at 3:00 p.m.

Trustee Baker left the meeting at 3:02 pm.

The Board continued to discuss their reservations with the REIT's allocation along with the alternatives and the impact to the portfolio if the Board moves from REIT's to the S&P 500. The Board considered moving some of the Driehaus international allocation into Polaris.

Action: A motion was made by Trustee Cassel and seconded by Trustee Riverol to liquidate the balance of the REMS REIT exposure and place half of that allocation to Polaris International and half of the funds to Vanguard 500 index.

Vote: Voice vote showed: AYES: Unanimous. NAYS: None

4. NEW BUSINESS:

a. Settlement Proposal from Dellagloria regarding the Turner and Romine matter.

Mr. Cohen reported that the Plan had filed a motion to dismiss which has been rescheduled to January. He reported that Mr. Dellagloria also made an offer to settle. He explained that law allows the Board to meet in the shade to discuss certain aspects of the pending litigation. Mr. Cohen reported that at this time he does not feel it is necessary to have a shade meeting. Mr. Cohen reported that as the Board will remember Mr. Romine and Mr. Turner were overpaid. Therefore the Board had corrected their benefits to the correct amount and requested that the overpayment be recouped. He explained that the Settlement proposal from Mr. Dellagloria requests that the Board go back to the original payment amount and the Board not request the overpayment be recouped. Mr. Cohen does not recommend the Board accepting the proposal. The Board accepted the recommendation by council to reject the settlement proposal.

5. ADJOURNMENT:

The meeting was adjourned at 3:37 p.m.

MINUTES APPROVED: February 15, 2013
