

BAL HARBOUR VILLAGE
GENERAL EMPLOYEES RETIREMENT BOARD
REGULAR MEETING MINUTES
FEBRUARY 16, 2010

A Regular Meeting of the Bal Harbour Village General Employees Retirement Board was held on Tuesday, February 16, 2010, in the Bal Harbour Village Hall Council Chambers (655 – 96th Street, Bal Harbour, Florida).

1. CALL TO ORDER/ROLL CALL: The meeting was called to order at 7:00 p.m. by Mayor Rosenfield. The following were present:

Mayor Jean Rosenfield
Assistant Mayor Joni D. Blachar
Councilwoman Patricia Cohen
Councilman Martin Packer
Councilman Jaime M. Sanz
Sandy Graham, General Employee Representative

Also present: Alfred J. Treppeda, Village Manager
Richard J. Weiss, Board Attorney
Christopher Wallace, Finance Director
Andrea Greenblatt, Administrative Assistant

Absent: Theo McPherson, General Employee Representative

As a quorum was determined to be present, the meeting commenced.

2. PLEDGE OF ALLEGIANCE: The Pledge was led by Mr. Treppeda.

3. APPROVAL OF MINUTES: *A motion was offered by Assistant Mayor Blachar and seconded by Councilman Packer to approve the January 19, 2010, Regular Meeting Minutes. The motion carried (6-0).*

4. JOHN MCCANN, PERFORMANCE MONITOR – THISTLE ASSET CONSULTING:

Discussion of Changing the Asset Allocation and Moving to Active Management:

Mr. McCann distributed and reviewed The Callan Periodic Table of Investment Returns. He reported that for 2009 the Russell 2000 Growth (small cap) was the best performing asset class on the top at 34.47% and the BC Agg (Fixed Income) was on the bottom at 5.93%. He noted that in 2008 the fixed income was the best performing asset class at 5.24% and the fixed income was the best, which showed how things had changed. He used the table as a reason that the Village diversified and had an investment policy in place. He reported that the Plan had five asset classes. He suggested that the Plan be rebalanced. Mr. McCann discussed the problem with upcoming lump sum distributions and the need to have more cash on hand. He noted that his allocation suggested more in cash and more in international equities and an overall rebalancing of the fund (have Northern Trust be in the index funds plus some active management).

Mr. McCann reported that he and Mr. Wallace spoke with Sam Katz, Northern Trust, and proposed the Investment Policy Guidelines that was included in the agenda. He recommended that the Plan be in the following effective April 1, 2010: 30% S&P 500 Index (it's currently in at a different percentage), 10% S&P 400 MidCap Index (to be actively managed by Northern Trust), 10% Russell 2000 SmallCap Index (to be actively managed by Northern Trust), 7% international equities (to be actively managed by Northern Trust), 3% Emerging Markets, 35% fixed, and 5% cash. He explained that Northern Trust's fees would be more (82 bases points at .0082). He suggested reviewing the fund again in January/February to see how the new allocation did. He reported that the proposed allocation was necessary for the cash outlay.

Chris Wallace, Finance Director, spoke in favor of the new allocation and the need for liquidity to meet cash needs (\$1.1 million) for the upcoming year for payouts for lump sums and DROP payments. He would provide Northern Trust and Mr. McCann with the forecast of the cash flows that were expected. He explained that the Board would be paying for someone to actively manage the Plan, to meet the liquidity needs and to try to avoid losses if possible. He thinks that the allocation could be revisited next year to see if the Plan still needed to be actively managed.

Councilman Packer spoke in favor of active management.

Brian Mulheren, 10245 Collins Avenue, suggested looking at other managers besides Northern Trust. He discussed taxpayer dollars that were spent on the fund and the problems that needed to be addressed. He suggested a bid process to hire a manager. He suggested an independent advisor.

Mayor Rosenfield reported that the Village was looking into other pension possibilities and had looked at the Florida Retirement System. She clarified that the allocation would be for a one-year period.

Mr. McCann noted that his report showed that for the 5-year period, Northern Trust did beat the Plan's policy. He reported that the new policy with active management should have an even better return, based on historical numbers. He noted that active management would provide the Board with the possibility of pulling out of the market and going more into cash, which it doesn't have the ability to do now, since the Plan is in all index funds. He clarified that Northern Trust was not fired and that they had managed the money for the Plan for at least the last 10 years. He noted that other managers were looked into.

5. RESOLUTIONS:

The following resolution was read by title by Mrs. Greenblatt:

A RESOLUTION OF THE RETIREMENT BOARD OF THE BAL HARBOUR VILLAGE EMPLOYEES' PENSION PLAN AND TRUST AMENDING THE INVESTMENT POLICY OF THE BOARD.

A motion was offered by Councilman Packer and seconded by Councilman Sanz to approve the Resolution.

Sam Katz, Northern Trust, reported that they have been associated with the Village for the past 25 years, both in active management as well as indexing, per the Board and Mr. McCann's direction. He encouraged an ongoing evaluation of the process.

Dave Orner, 10245 Collins Avenue, questioned opinions and costs received from other Management firms or if the Board was only relying on Northern Trust. He requested that the Board ensured that the Plan had the best management.

Mr. Wallace reported that other firms were discussed and due to the time period of only a year, it was decided that it would have taken longer and opportunities would have been lost to liquidate the securities for the significant cash flow needs. Mr. McCann recommended and Mr. Wallace agreed that for the interim time period the Board should keep Northern Trust. He explained that the expenses of the Plan needed to be monitored. He explained that the pension contributions were set and if there were losses the Village would have to make it up and noted that the pension plan was the Village's biggest liability as a local government. He discussed the increase in benefits and terrible market conditions over the last ten years as reasons for increased pension costs throughout the State. He explained that since the Plans (police and general employees) were separated the expenses had been doubled. He spoke in favor of Mr. McCann's plan in the short run.

Dina Cellini, 211 Bal Cross Drive, questioned the Plan staying with Northern Trust if the Board ended the relationship with them and they weren't doing a good job. She suggested making the contract for a shorter period of time to allow the Board the ability to look for someone else that it would have more faith in.

Councilman Packer questioned if the management would be binding for one year. Mr. McCann reported that there was a 30-day notice provision. He clarified that Northern Trust was never fired and that they were just given a different allocation to work with. He explained the difficulty in finding a manager to manage such a small fund with so many asset classes, especially in the international arena. He thinks that the new allocation would work very well for the Plan. Councilman Packer felt that the Board should move forward and if a better search is needed in the future then the Board would address that. He spoke in favor of following Mr. McCann's recommendation.

Mayor Rosenfield thinks that the 30-day notice is important and directed Mr. Wallace and Mr. McCann to continue to look to see if there were other organizations that would better fit the Board's needs. She spoke in favor of continuing in the interim, as long as there is a 30-day notice provision.

The motion carried (6-0); thus becoming Resolution No. 2010-722.

The following resolution was read by title by Mrs. Greenblatt:

A RESOLUTION OF THE RETIREMENT BOARD OF THE BAL HARBOUR VILLAGE EMPLOYEES' PENSION PLAN AND TRUST AUTHORIZING THE CHAIR TO EXECUTE AN AGREEMENT WITH NORTHERN TRUST FOR INVESTMENT MANAGEMENT AND CUSTODIAL SERVICES.

Mr. Weiss requested that any approval be subject to his review. He spoke against the business terms that allowed Northern Trust to amend the agreement at any time unilaterally.

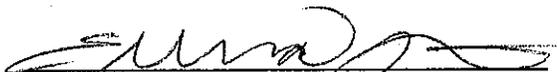
A motion was offered by Councilman Packer and seconded by Assistant Mayor Blachar to approve the Resolution, subject to the Board Attorney's review. The motion carried (6-0); thus becoming Resolution No. 2010-723.

6. OTHER BUSINESS: None.

7. ADJOURN: There being no further business, a motion was offered by Assistant Mayor Blachar and seconded by Councilman Sanz to adjourn and the meeting was adjourned at 7:28 p.m.


Mayor Jean Rosenfield, Chair

Attest:


Ellisa L. Horvath, MMC, Village Clerk
Secretary