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July 29, 2013

Thomas Ansbro, City Attorney
City of Dania Beach
100 W. Dania Beach Boulevard
Dania, Florida 33004

*Re: City of Dania Beach Police and Firefighters' Retirement System
Revision to Investment Policy Ordinance Amendment*

Dear Tom:

This firm represents the Board of Trustees for the City of Dania Beach Police and Firefighters' Retirement System (the "Retirement System"). You have requested that we provide your office with a summary concerning the ordinance amendment addressing the specific rating metrics of fixed income investments by the Retirement System. The following is a summary of that amendment.

Purchase of Investment Grade Bonds Subject to 10% Maximum:

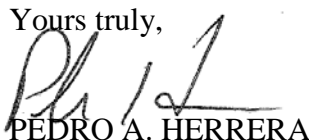
Based on the current interest rate environment and the projected yield associated with fixed income portfolios going forward, the Retirement System's independent Financial Consultant has recommended increasing the Plan's investment options to include an expanded credit market by amending the ordinance to allow for the purchase of investment grade bonds with a BBB/Baa rating. As described in the proposed amendment, such bonds must maintain a rating by one of the three major rating agencies (Moody's, S&P, and/or Fitch) of

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BBB/Baa or higher. Further, such investment grade bond purchases are subject to a 25% maximum of the total fixed income portfolio which equates to a 10% maximum of the entire investment portfolio. The Retirement System's Consultant has opined that based on the current interest rate environment, BBB/Baa bonds have a yield advantage while not adding duration risk to the portfolio. High yield investments will also allow the plan to opportunistically add return in an economically improving economy through higher yields and price appreciation.

Moreover, BBB/Baa bonds are currently a large part of the Barclays Aggregate index which bond managers are held to as a standard metric of performance measurement. These securities are the last tranche of "investment grade" bonds that have been restricted by Florida law yet are very common in most every institutional investment portfolio. As provided for by F.S. section 175/185, the Retirement System is permitted to adjust the allowance of certain investments through enactment of a local ordinance amendment. Based on the aforementioned risk/return analysis performed by the Consultant, the Retirement System believes it prudent to expand their investment horizon to permit fixed income investment managers, which through contract with the Retirement System acknowledge their fiduciary obligations, to purchase such securities as they deem fit. While the Retirement System does not currently own high yield bonds, nor do they have any immediate plans to invest in them, the Consultant believes it prudent to be able to have access to those returns when the markets dictate.

Please feel free to contact us should you have any questions or need additional information.

Yours truly,

PEDRO A. HERRERA

PAH/jd

cc: Board of Trustees