

BOARD OF TRUSTEES OF THE CITY PENSION FUND FOR FIREFIGHTERS & POLICE OFFICERS

In the City of Pembroke Pines
Hampton Professional Center
1951 NW 150th Avenue – Suite #104
Pembroke Pines, FL 33028

REGULAR MONTHLY MEETING – OCTOBER 15, 2009

The three hundred and seventieth meeting of the Firefighters and Police Officers Pension Fund in the City of Pembroke Pines was called to order at 4:00 p.m. by Chairman James Ryan.

1.	Roll Call –	<u>Fire Members</u>	<u>Police Members</u>	<u>City Members</u>
		Adam Cabeza Steven Dougherty	Carl Heim Kevin McCluskey James Ryan	Gary Arenson Isadore Nachimson

Vicki Minnaugh and Richard Moss have requested excused absences, due to being out of town. Motion by Gary Arenson, second by Carl Heim, to excuse the absences of Vicki Minnaugh and Richard Moss for this meeting. The motion carried unanimously.

Others Present: Larry Wilson from Gabriel, Roeder, Smith & Co.; Robert Friedman, Esq. from Holland & Knight LLP; Greg McNeillie from Dahab Associates; F/F Vincent Garcia, President of IAFF Local 2292; P/O Al Xiques, PBA Representative; Stephen H. Cypen, Esq., Attorney for the Fund; Karen H. Warner, Plan Administrator; and James Fisher, Asst. Plan Administrator.

2. **Election of Officers.**

Chairman Isadore Nachimson nominated Steven Dougherty. Isadore Nachimson moved to close nominations. Carl Heim seconded the motion and the motion carried unanimously. By acclamation, Steven Dougherty will serve as Chairman for the current fiscal year.

Vice Chairman Gary Arenson nominated James Ryan. Gary Arenson moved to close nominations. Steven Dougherty seconded the motion and the motion carried unanimously. By acclamation, James Ryan will serve as Vice Chairman for the current fiscal year.

Secretary Carl Heim nominated Kevin McCluskey. Gary Arenson moved to close nominations. Isadore Nachimson seconded the motion and the motion carried unanimously. By acclamation, Kevin McCluskey will serve as Secretary for the current fiscal year.

3. **Approval of Minutes for September 17, 2009.** Vice Chairman Ryan presented minutes from the September 17, 2009 meeting for approval. Motion by Carl Heim, second by Adam Cabeza, to approve as presented. The motion carried unanimously.

4. **Approval of Warrant #465.** Vice Chairman Ryan presented Warrant #465 in the amount of \$159,462.54 for approval and payment. Motion by Gary Arenson, second by Isadore Nachimson, to approve as presented. The motion carried unanimously, authorizing the payment of:

Cypen & Cypen – Monthly Retainer for October, 2009	\$3,250.00
Hampton Professional Center Condo No. 2 – Monthly Maintenance (Suite #104) for November, 2009	\$407.72
Karen Warner – Mo. Allowance for October, 2009 (Med/Dental/Life)	\$375.00
LEAF – Xerox Copier Lease for October, 2009	\$194.23
Twilight Industries, LLC – Office Maintenance for October, 2009	\$152.00

Gary Arenson – Reimb. Conference Exp (Guns & Hoses)

Hotel	\$ 756.52	
Airport Parking	41.25	
Taxi	44.00	
Per Diem	300.00	
Conf. Registration	1,095.00	
Airfare	307.40	
Baggage Charge	40.00	
	<u>\$2,584.17</u>	\$2,584.17

FP&L – Electric Bill for the period 8/26/2009 – 9/25/2009

\$209.97

Inverness Counsel, Inc. – Mgmt. Fee for Q/E 12/31/2009

\$151,489.45

International Foundation of Employee Benefit Plans – 2010 Membership Renewal

\$800.00

TOTAL

\$159,462.54

5. **Approval of DROP Benefit(s) – Ordinance 1480 (Police).** Prior to Board action, Karen Warner noted that the form-of-benefit election was received from P/O David Thompson since agenda packets were mailed out. She requested that the Board consider adding this election to the agenda if meeting with their approval. Motion by Adam Cabeza, second by Gary Arenson, to add P/O David Thompson to the agenda as requested. The motion carried unanimously. Motion by Carl Heim, second by Gary Arenson, to approve the calculation of DROP Benefit(s) as presented. The motion carried unanimously to approve:

	DROP Eff. Date	DROP Term. Date	Form of Benefit
P/O John Hess	9/01/2009	8/31/2014	Joint & 100% Contingent
P/O David Thompson	9/01/2009	8/31/2014	Joint & 100% Contingent

6. **Request for DROP Account Distribution(s)** – Prior to Board action, Karen Warner noted that a DROP distribution request was received from P/O Kenneth Witte since agenda packets were mailed out, as was the “415” letter from Actuary Larry Wilson,. She requested that the Board consider adding this request to the agenda if meeting with their approval. Motion by Gary Arenson, second by Steve Dougherty, to add P/O Kenneth Witte to the agenda as requested. The motion carried unanimously. The following DROP account distribution requests were presented for Board consideration:

- P/O David Parsons Lump Sum ***
- P/O Andrew Smith Lump Sum ***
- P/O Kenneth Witte Lump Sum ***

*** (See Attachment A)

Actuary Larry Wilson has provided the necessary letters indicating these distributions would not pose a problem with the 415 limitation at the present time. Motion by Steve Dougherty, second by Gary Arenson, to approve the distribution requests for David Parsons, Andrew Smith and Kenneth Witte as presented. The motion carried unanimously.

UNFINISHED BUSINESS

None.

NEW BUSINESS

7. **Plan Amendments – Robert J. Friedman, Esq. (Holland & Knight).** Mr. Friedman explained that approximately five years ago the Federal government determined there needed to be a way to bring governmental plans into compliance with Federal tax laws. A staggered filing system was created for requesting a determination of plan qualification, and governmental plans were required to file under the guidelines of “Cycle C” with a filing deadline of January 31, 2009. Mr. Friedman confirmed that the Pembroke Pines application was timely filed on January 30th as a Streamlined Non-Amender Application under the Employee Plans Compliance Resolution System, Revenue Procedure 2008-50. A revised draft pension ordinance that did not affect any material plan provisions (such as benefits or distributions)

was submitted; but certain provisions were amended in order to secure a favorable determination, with the understanding that the ordinance will be enacted by the City. A Compliance Certificate dated September 2, 2009 has since been issued by the Department of the Treasury, meaning that the plan has passed the first step of the review process and has moved on to the second step.

Each Trustee received a Summary of Provisions pertaining to the Pension Protection Act of 2006 and the Heart Act. Mr. Friedman addressed the following provisions and took questions from the Trustees:

Pension Protection Act of 2006

- Retiree medical premiums for public safety officers (*optional*)
- Purchase of permissive service credits (*optional*)
- Non-spouse beneficiary rollovers (*optional*)
- In-service distributions for active employees over the age of 62 (*optional*)
- Early distributions to public safety employees (*required*)

Heart Act

- Differential wage payments as compensation (*required*)
- Death benefits during USERRA qualified military service (*required*)
- Accrual of benefits during USERRA qualified military service (*optional*)

Discussion will continue on this matter at the November 19th meeting. Actuary Larry Wilson was asked to look into the actuarial cost effect of the various elements noted above and be prepared to advise the Board.

8. **Investment Consultant – Greg McNeillie (Dahab Associates).** Mr. McNeillie was in attendance to address the following items:

List of Recommendations from 8/20/2009 Meeting

- Grading System – Utilization of Dahab's manager grading system was explained in detail and performance criteria were summarized. He recognizes there are mixed feelings among Trustees about the use of this system, although it was intended to present overall manager performance in a different light and make it somewhat more interesting.
- Retention or Termination of Sawgrass Asset Management – Discussion turned to the continued under-performance of Sawgrass. Mr. McNeillie raised the question of whether the Board should completely abandon small cap growth altogether. He also suggested considering Atlanta Capital Management for the small cap growth portfolio, or possibly an index fund at State Street or a passive Russell 2000 fund. As to the mechanics of getting the assets out of Sawgrass – should that be the Board's decision – he suggested the tiered approach of providing Atlanta Capital with a copy of the Sawgrass portfolio; then asking State Street to use their liquidation services to sell what they can for investing into their index fund, then asking State Street to sell off the remaining assets. Each Trustee also received an over-night letter from Sawgrass. In exchange for retaining Sawgrass through the 9/30/2010 fiscal year, Sawgrass proposes to decrease fees from 1.00% to 50 bps through 9/30/2010, at which time they would be eligible to revert back to the existing fee schedule if their performance has added value above the Russell 2000 benchmark. Following discussion, motion by Gary Arenson, second by Steve Dougherty, to terminate the contract with Sawgrass Asset Management, transferring the funds appropriately and expeditiously to a small cap growth portfolio with Atlanta Capital Management. The motion carried unanimously.
- Manager Search Results for Small-Cap Growth – Dahab's search results have been provided to the Pension Office. The materials will be retained for future reference as needed.
- 30-Day Waiver Request from Inverness Counsel (approved 9/17/2009) – Agenda packets included a copy of proposed changes to the Inverness guidelines, as well as email from Mr. McNeillie about how the fund can reasonably achieve the new State limit of 25% international in the portfolio. Discussion followed about increasing the international limits for Inverness, Lee Munder and

Buckhead, and the need for all to be compliant with the State terror-free list. All affected managers will be required to report annually as of September 30th as to such compliance. Motion by Gary Arenson, second by Steve Dougherty, to approve the revisions to the Inverness guidelines as presented. The motion carried unanimously.

- Developing Consultant Guidelines – Trustee Arenson reiterated the importance of good communication between Dahab and the Board, particularly when a manager has underperformed for a significant period of time. The Trustees would prefer to discuss the situation in great detail and not linger indefinitely before making decisions. Mr. McNeillie stated Dahab tries to avoid situations where the Board “buys high and sells low”.

9. Reports:

Actuary – Larry Wilson advised that GRS is finalizing another City study to illustrate what City contributions would have been, had the DROP accounts been credited with fund returns (as opposed to the fixed 8%).

Mr. Wilson raised the issue about members having the ability to change their beneficiary multiple times, no longer requiring proof of good health of the individual being removed. From an actuarial standpoint, he believes it is appropriate to assume the beneficiary being removed is **impaired** *[not in good health]* if no health status is provided. This assumption would set the age forward by five (5) years. Mr. Wilson indicated the State intends this assumption to be a no cost item. Attorney Cypen asked GRS to obtain Trish Shoemaker's written position.

Attorney – Attorney Cypen stated he has not heard or seen any further information relative to F/F Kenneth Fritz's issue, so he assumes the recommended order will become final.

Chairman – None.

Plan Administrator – Karen Warner acknowledged receipt of a Supplemental Fire Disbursement from the State in the amount of \$116,058.08.

The City's payroll information for the fiscal year ended 9/30/2009 has been received and will be forwarded to GRS for processing.

Jim Fisher reported all investment managers have responded to the Placement Agent Fees Disclosure. Three firms (American Realty, AmSouth/Regions and Sawgrass) disclosed their use of placement agents; the other ten firms responded in the negative. This process is considered complete for the fiscal year ended 9/30/2009.

Update on Records Retention – We fall under the General rules SL-1, which the City utilizes. With the Board's approval, from this point forward the Pension Office will scan and maintain electronic records. The Pension Office would like direction as to retention of the paper records currently maintained in storage. It was felt that those items should be gradually shredded or scanned, as appropriate. Following discussion, motion by Gary Arenson, second by Isadore Nachimson, to gradually convert to electronic records retention going forward. The motion carried unanimously.

The Trustees approved Police COLA's (effective 10/1/2009) at the September meeting. Since that time, two additional form-of-benefit elections have been submitted. For the record:

	<u>9/1/2009 Benefit</u>	<u>Pro-rated COLA</u>	<u>10/1/2009 Benefit</u>
P/O John Hess	***	***	***
P/O David Thompson	***	***	***

*** (See Attachment A)

An error occurred in calculating the COLA for P/O Gerard Arzillo, as it was based on his net benefit after offset rather than gross benefit). For the record, the correct information is:

	<u>9/1/2009 Benefit</u>	<u>Pro-rated COLA</u>	<u>10/1/2009 Benefit</u>
P/O Gerard Arzillo	***	***	***

*** (See Attachment A)

GRS has completed the recalculation for P/O Glen Riddick, based upon his request to use his current wife as co-pensioner. Also in this case, an error occurred in calculating his COLA (it was incorrectly based upon his net benefit after offset). The fund owes a retroactive lump sum amount and a revised amount going forward. For the record:

	<u>9/1/2009 Benefit</u>	<u>Pro-rated COLA</u>	<u>10/1/2009 Benefit</u>	<u>Retro. Lump Sum</u>
P/O Glen Riddick	***	***	***	***

*** (See Attachment A)

The Pension Office is in receipt of additional bills for payment and other benefit disbursements for approval. Vice Chairman Ryan presented Warrant #466 for addition to the agenda and approval for payment. Motion by Gary Arenson, second by Carl Heim, to add Warrant #466 to the agenda. The motion carried unanimously. Motion by Gary Arenson, second by Carl Heim, to approve the payment of Warrant #466 as presented in the amount of \$239,569.55. The motion carried unanimously, authorizing the payment of:

P/O Gerard M. Arzillo – Retroactive (Revised) COLA for October, 2009		***
P/O Gerard M. Arzillo – Revised Monthly Disability Benefit Commencing 11/1/2009		***
P/O David Parsons – Normal Retirement Benefit Commencing 11/1/2009		***
P/O David Parsons – Lump Sum DROP Withdrawal		***
P/O Andrew Smith – Lump Sum DROP Withdrawal		***
P/O Mark Ardois – Refund of Contributions (Terminated 9/10/2009)		***
Lee Munder Capital Group LLC – Mgmt. Fee for Q/E 9/30/2009		\$23,973.31
SunTrust Bank (Visa – Fisher)	Postage Machine Qtr. Lease	\$324.00
	Bd Mtg / Ofc Supplies	0.00
	Pest Control	35.00
	DirectTV	90.53
	Gasoline	37.25
	AT&T	364.65
	Bellsouth	399.25
	Monthly Storage	104.00
		<u>\$1,354.68</u>
		\$1,354.68
SunTrust Bank (Visa – Warner)	Xerox (maintenance+Qtr Copies)	\$151.56
	Bd Mtg / Ofc Supplies	233.58
	Conf. Reg. (FPPTA-Cabeza)	400.00
	Conf. Hotel (FPPTA-Cabeza)	636.03
	ISP	24.95
		<u>\$1,446.12</u>
		\$1,446.12
City Fire Equipment – Annual Fire Inspection / Certification		\$6.00
Sawgrass Asset Management – Mgmt. Fee for Q/E 9/30/2009		\$17,998.00
Fiduciary Trust Co. – Custody Fee for Q/E 9/30/2009 (Independence)		\$1,728.98
Fiduciary Trust Co. – Custody Fee for Q/E 9/30/2009 (Buckhead)		\$1,250.00
Fiduciary Trust Co. – Custody Fee for Q/E 9/30/2009 (Sawgrass)		\$719.80


P/O Kenneth Witte – Lump Sum DROP Withdrawal		***
NCPERS – 2010 Membership Renewal		\$150.00
Buckhead Capital Management – Mgmt. Fee for Q/E 9/30/2009		\$12,309.94
Gabriel, Roeder, Smith & Co. – Prof. Services for September 2009		\$29,364.00
Adam Cabeza – Reimb. Conference Expenses (FPPTA)		
	Mileage 230 mi. @ \$.55/mi	\$126.50
	Tolls	4.00
	Per Diem (4 days)	240.00
		\$370.50
		\$370.50
P/O Glen D. Riddick – Revised Mo. Disability Benefit Commencing 11/1/2009		***
P/O Glen D. Riddick – Retroactive COLA based upon gross monthly benefit		***
US Treasury – FIT Withholding (Parsons – Smith – Ardois – Witte)		***


*** (See Attachment A)

TOTAL

\$239,569.55

10. **Input from Retirees:** None.
11. **Input from Active Members:** None.
12. **Adjournment** – Vice Chairman Ryan announced that the next regular meeting would be held on Thursday, November 19, 2009. At 2:00 pm, investment presentations will be made by Dahab Associates, Buckhead Capital Management, Lee Munder Capital Group (formerly Independence Investments) and Inverness Counsel. The regular order of business will begin at 4:00 pm. There being no further business before the Board, motion by Carl Heim, second by Kevin McCluskey, to adjourn the meeting at 5:50 pm. The motion carried unanimously.


James Ryan – Vice Chairman


Kevin McCluskey – Secretary