

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 – SEPTEMBER 15, 2011

The three hundred and ninety-fifth meeting of the Firefighters and Police Officers Pension Fund in the City of Pembroke Pines was called to order at 3:00 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 Frank Musumeci (<i>arr. 3:35 pm</i>)	Carl Heim (<i>arr. 3:30 pm</i>) Kevin McCluskey (<i>arr. 3:35 pm</i>) James Ryan	Gary Arenson Vicki Minnaugh Isadore Nachimson

Others Present: Greg McNeillie and Steve Roth from Dahab Associates; Christopher Reynolds and Todd Harlicka from Cornerstone Investment Partners, LLC; Bladen Burns from Fiduciary Management, Inc.; Marc Sydnor and Randell Cain from Herndon Capital Management; Christopher Loveless and Christopher Meredith from O'Shaughnessy Asset Management; Larry Wilson from Gabriel, Roeder, Smith & Co.; Cornel J. Lupu, MD; Viadi Yurovsky and Sheryl Weitman from Israel Bonds; P/O Al Xiques (Trustee-Elect); Retired P/O John Birkenheuer; F/F Cindy Pirofalo-Nelson and Edward Sossi; Stephen H. Cypen, Esq., Attorney for the Fund; Alison Bieler from Cypen & Cypen; Karen Warner, Plan Administrator; and James Fisher, Asst. Plan Administrator.

2. Presentations – Large Cap Value Manager Finalists

- **Cornerstone Investment Partners, LLC.** – Christopher Reynolds and Todd Harlicka represented the firm. The company was founded in 2001 and manages \$3.1 billion in assets as of 6/30/2011. Headquartered in Atlanta, the firm is 100% employee owned, and invests solely in Large Cap equities. They reviewed a representative list of public and other notable clients, adding that they are a member of FPPTA and, therefore, very committed to this area. A review of the company's performance indicates that they have consistently out-performed the benchmark over the last ten rolling 3-year periods reported in their booklet. When the markets are favorable, the firm captures 100%; in a down market, they will vigorously defend assets. In summarizing the firm's philosophy, they add value when they can and protect assets when they should, with an acceptable trade-off between risk and return.

Proposed fees:

0.60% on the first \$10,000,000
0.50% on the next \$10,000,000
0.35% thereafter

- **Fiduciary Management, Inc.** – Bladen Burns represented the firm. Founded in 1980, Fiduciary is based in Milwaukee, WI. The firm is 100% employee owned (12 partners) and reports \$12.4 billion in assets under management as of 6/30/2011. A representative client list was reviewed, as was the firm's investment philosophy. Processes for portfolio construction, sell discipline and portfolio characteristics were discussed. The following gross portfolio returns as of 6/30/2011 vs. the Russell 1000 Value were reported: 1 year: 26.8% vs. 28.94%. 3 years: 7.15% vs. 2.28%. 5 years: 6.28% vs. 1.16%. 10 years: 9.06% vs. 3.99%.

Proposed fees (negotiable):

0.65% on the first \$25,000,000
0.55% on the next \$25,000,000
0.45% on the next \$50,000,000
0.40% thereafter

- **Herndon Capital Management** – Marc Sydnor and Randell Cain represented the firm. The firm was founded and registered with the SEC in 2001 and is an affiliate of the Atlanta Life Financial Group, a 106 year old financial services firm. All members of the portfolio management team have an ownership stake in the firm. As of 6/30/2011, Herndon managed \$4.44 billion in institutional client assets. A representative client list of the firm's 170 relationships was discussed. The investment process was described in detail, as was the sell discipline and risk management parameters. In a review of quarterly returns since inception, the large cap value portfolio out-performed in 28 out of 36 time periods (78% of the time) and there have not been two continuous quarters of under-performance. Focusing on rolling 1-year returns (as of 6/30/2011), Herndon LCV has out-performed in 28 of 33 time periods (85% of the time) with an average out-performance margin of 6.12%.

Proposed fees:

0.85%

- **O'Shaughnessy Asset Management** – Christopher Loveless and Christopher Meredith represented the firm. O'Shaughnessy is dedicated to alpha-generating, quantitative strategies based upon core investment tenets: Quality Companies with Superior Valuation, Momentum and Yield. With \$5.1 billion in assets under management as of 7/31/2011, the firm is 90% employee-owned by nine key contributors. Their investment strategy, buy / sell discipline and red flag monitoring protocols were discussed in detail. As of 8/31/2011, there are 60 securities in the entire portfolio. Gross returns as of 7/31/2011 vs. the Russell 1000 Value were reported as follows: 1 year: 20.3% vs. 16.8%. 3 years: 13.4% vs. 1.3%. 5 years: 8.3% vs. 0.00. 7 years: 10.8% vs. 4.1%.

Proposed fees:

0.55% on the first \$25,000,000

3. **Approval of Minutes for August 18, 2011.** Chairman Ryan presented minutes from the August 18, 2011 meeting for approval. Motion by Gary Arenson, second by Vicki Minnaugh, to approve as presented. The motion carried unanimously.
4. **Approval of Warrant #524.** Chairman Ryan presented Warrant #524 in the amount of \$64,069.77 for approval and payment. Motion by Vicki Minnaugh, second by Isadore Nachimson, to approve as presented. The motion carried unanimously, authorizing the payment of:

Cypen & Cypen – Monthly Retainer for September, 2011	\$3,250.00
Hampton Professional Center Condo No. 2 – Monthly Maintenance (Suite #104) for October, 2011	\$407.72
LEAF – Xerox Copier Lease for September	\$194.23
Twilight Industries, LLC – Office Maintenance for September, 2011	\$152.00
Holland & Knight LLP – Prof. Services rendered through 8/15/2011	\$1,350.00
FP&L – Service Dates 7/27-2011 – 8/29/2011	\$262.71
State Street Global Advisors – Inv. Mgmt. Fees for Q/E 6/30/2011 (S&P Midcap)	\$6,141.35
State Street Global Advisors – Inv. Mgmt. Fees for Q/E 6/30/2011 (International)	\$51,536.76
Ultimate Security – Monitoring for the period 9/21/2011 – 12/21/2011	\$75.00
Richard L. Ziff, P.A. – DROP Loan Processing Fees (September)	\$700.00
TOTAL	\$64,069.77

5. **Approval of DROP Loan(s)** – The following DROP Loan applications were presented for Board consideration:

- | | | | |
|--------------------|-----|---------------------|-----|
| ▪ P/O James Fisher | *** | ▪ P/O Kevin Hones | *** |
| ▪ P/O James Gort | *** | ▪ P/O Michael Scopa | *** |

*** (See Attachment A)

Motion by Vicki Minnaugh, second by Gary Arenson, to approve the DROP Loans for James Fisher, James Gort, Kevin Hones and Michael Scopa as presented. The motion carried unanimously.

6. **Request for DROP Account Distribution(s)** – An additional DROP distribution request has been received from P/O David Golt. Karen Warner asked that the Board consider adding this request to the agenda, if meeting with their approval. Copies of the member's request and Actuary's letter were distributed. Motion by Vicki Minnaugh, second by Isadore Nachimson, to add the distribution request from P/O David Golt to the agenda for approval. The motion carried unanimously.

The following DROP account distribution requests were then presented for Board consideration:

- | | | | |
|--------------------|--------------|-------------------------|--------------|
| ▪ P/O Lance Carman | Lump Sum *** | ▪ P/O Thomas Sadagursky | Lump Sum *** |
| ▪ P/O David Golt | Lump Sum *** | ▪ F/F Allen Winchel | 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 Vicki Minnaugh, second by Gary Arenson, to approve the distribution requests for Lance Carman, David Golt, Thomas Sadagursky and Allen Winchel as presented. The motion carried unanimously.

UNFINISHED BUSINESS

7. **Review – Draft of DROP Rules and Procedures**. Agenda packets included a draft of DROP rules that Alison Bieler had developed. She reviewed the various provisions and addressed questions from the Trustees. Ms. Bieler asked that each Trustee review the document in detail and provide any questions, comments or suggested changes in writing. This agenda item will be revisited at a future meeting.

NEW BUSINESS

8. **Discuss – Disability IME Protocols with Cornel J. Lupu, M.D.** Dr. Lupu serves as the Medical Board Chairman for disability IME's. Chairman Ryan thanked Dr. Lupu for being available to meet with the Board. He was asked to attend so the Trustees could better understand his approach to a disability application, as well as giving them an opportunity to ask questions and to express any concerns.

Dr. Lupu reviewed the process from the receipt of medical records through issuance of his Independent Medical Evaluation. The 15-20 total hours devoted to each of the disability applicants allows Dr. Lupu to disclose as much as information as possible to the Board, which then should enable the Trustees to make an informed decision. When possible, he will also include relevant information from medical literature to support his position in the evaluation. Dr. Lupu will recommend a referral consultation with a specialist if warranted. Dr. Lupu responded to questions pertaining to why he chooses to disclose information that appears to have no connection to the disability at hand, and whether the Board should expect more information from the other Disability physicians. For the record, Trustee Heim stated that there are no permanent light-duty positions available in the Police Department.

9. **Review / Approve – Selection of Large Cap Value Manager**. Greg McNeillie commented briefly on the Large Cap Value finalist presentations and answered questions. He doesn't believe the Board would be disappointed with any of the four finalists. The highest proposed fee was from Herndon Capital; however, Mr. McNeillie is confident the fee can be negotiated down to 0.65% should they be the Board's choice. Funding for the new manager will come from the Buckhead Capital Management account.

Motion by Isadore Nachimson to hire Cornerstone Investment Partners. The motion died for lack of a second.

Motion by Vicki Minnaugh to hire Fiduciary Management. The motion died for lack of a second.

Motion by Gary Arenson, second by Steve Dougherty, to hire Herndon Capital Management, with the understanding that Herndon will agree to decrease the management fee to 0.65%. The motion carried unanimously.

10. **State of Israel Bonds.** Vladi Yurovsky and Sheryl Weitman represented their organization. Mr. Yurovsky stated a \$662,500 bond will mature on October 1, 2011. Materials relevant to current investment offerings were distributed, and they request the Board's consideration for reinvestment. The trustees reviewed various products and rates currently available. Motion by Gary Arenson, second by

Vicki Minnaugh, to reinvest the maturity proceeds plus additional cash, to total \$1 million, into a 3-year Floating Rate LIBOR Bond, currently at 1.6125%, maturing 10/1/2014. Following discussion, the motion was withdrawn.

Motion by Gary Arenson, second by Vicki Minnaugh, to reinvest the maturity proceeds plus additional cash, to total \$1 million, as follows: \$500,000 into a 3-year Floating Rate LIBOR Bond, currently at 1.6125%, maturing 10/1/2014; and \$500,000 into a 3-year Jubilee Bond, currently at 1.48%, maturing 10/1/2014.

Roll call vote:	<u>For the Motion</u>	<u>Against the Motion</u>
Gary Arenson	✓	
Adam Cabeza		✓
Steve Dougherty		✓
Carl Heim		✓
Kevin McCluskey	✓	
Vicki Minnaugh	✓	
Frank Musumeci		✓
Isadore Nachimson	✓	
James Ryan	✓	

The motion carried.

An interim warrant will be circulated in order to finalize this investment in a timely manner.

11. Review / Approve – COLA increases for Police Officers (Effective 10/1/2011)
Review / Approve – Warrant #525

Agenda packets included calculations prepared by GRS and a copy of Warrant #525. Karen Warner stated that, since agenda packets were distributed, one modification was necessary to the new gross benefit for P/O Carl Schelling bringing the total for Warrant #525 to \$548,113.40. Motion by Gary Arenson, second by Isadore Nachimson, to approve the COLA calculations for Police Officers effective 10/1/2011. The motion carried unanimously.

Motion by Gary Arenson, second by Isadore Nachimson, to approve payment of Warrant #525 in the amount of \$548,113.40 as revised. The motion carried unanimously, authorizing the payment of:

	<u>Gross Monthly Benefit 10/1/2011</u>
Ewing, Sandra	***
Hartmann, Amy	***
Moloney, Brianna	***
Reilly, Mary J.	***
Rosinsky, Lisa	***
Rosinsky, Matthew P.	***
Rosinsky, Sean B.	***
Wilford, Muriel C.	***
Arcuri, Anthony	***
Arzillo, Gerard M.	***
Barry, Melody	***
Birkenheuer, Kimberly	***
Drummond, Terri Roussard	***
Felix, William H.	***
Guerra, Alfredo J.	***
Hines, Victoria	***
Marshall, Alan R.	***
Riddick, Glen D.	***
Andrews, Glenn L.	***
Arnett, Michael J.	***
Banks, Michael K.	***

Barber, Richard N.	***
Bedell Jr., John E.	***
Belusko, David A.	***
Birkenheuer, John J.	***
Bradford, Mark G.	***
Buchholz, Kevin	***
Burns, Teresa A.	***
Campolo, Richard	***
Carman, Lance D.	***
Cerny II, James A.	***
Cortese, Gregory S.	***
Crawford Jr., Fred J.	***
Demma, Joseph M.	***
Desmond, Peter E.	***
Dilenge, James L.	***
Dutton, Pamela J.	***
Edwards, James D.	***
English, Russell P.	***
Faby, Steven M.	***
Falzone Sr., Vincent J.	***
Fidler, Charles B.	***
Fisher, James F.	***
Fiumefreddo, Robert	***
Fontana, John V.	***
Fosman, David	***
Garris, Dale A.	***
Golt, David	***
Hall Jr., Carl W.	***
Haywood, Leslie L.	***
Hazzard, Irene S.	***
Hitchings, Gregory	***
Hones, Kevin T.	***
Hones, Michael J.	***
House, Thomas A.	***
Ikalina, Glenn B.	***
Irlanda, Carlos	***
Jacob, John F.	***
Jacob, William A.	***
Jomant, Michael J.	***
Jones, Robert C.	***
Klingman, Edmund F.	***
Knapp, Edward B.	***
Lachmiller, William E.	***
Laichak, Robert S.	***
Lewis, Mark N.	***
Lombardo, John J.	***
Lynn, Patrick A.	***
Maynard, William W.	***
McCauley, Guy E.	***
McLoughlin, Warren R.	***
Mehring, Andrew J.	***
Michaud, France R.	***
Naples, Nick	***
Nasta, John P.	***
Noonan, Leonard W.	***
Novak Jr., Joseph W.	***
O'Shea, David F.	***
Palant, Keith	***
Parsons, David A.	***

Pazienza, Angelo	***
Primeau, Gerald A.	***
Raimondi, Onofrio A.	***
Sadagursky, Thomas	***
Schelling, Carl J.	***
Schooley, Larry E.	***
Segarra, Michael E.	***
Smith, Andrew J.	***
Smith, Martin B.	***
Spaulding, Tamara L.	***
Stanton, John T.	***
Tighe, John H.	***
Varley, Gregory W.	***
Vitale, Ambrose C.	***
Wagner, Kenneth R.	***
Walsh, Thomas V.	***
Webster, Leroy F.	***
Witte, Kenneth	***
Wright, Raymond R.	***
Wujcik, Terry F.	***
Yetto, Joseph M.	***
Zamora, Reynold	***

*** (See Attachment A)

TOTAL	\$548,113.40
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12. **Review / Approve – Drafts of Summary Plan Description Booklets (SPD).** GRS has prepared drafts of the Plan's SPD for Fire members and Police members. Attorney Cypen questioned whether it was appropriate to create two different versions for members who are covered under one plan. Actuary Wilson will confirm with the State Division of Retirement whether this approach is acceptable. Mr. Wilson also noted that DROP Loans for Firefighters have not yet been incorporated into the draft, even though the process of Commission approval has started. Trustee Cabeza pointed out an area of concern pertaining to the Firefighters' COLA. Further discussion will be tabled and review will continue. The Trustees were asked to email questions and comments to the Pension Office.

13. **Review / Approve – Financial Reports for Q/E 3/31/2011.** Motion by Gary Arenson, second by Adam Cabeza, to approve the Financial Reports for Q/E 3/31/2011 as presented. The motion carried unanimously.

14. **Review / Approve – Proposed Ordinance 2011-18.** This ordinance was presented for Board approval. A fully-executed copy of the ordinance has been requested from the City Clerk as soon as it is available. Motion by Adam Cabeza, second by Gary Arenson, to approve Proposed Ordinance 2011-18. The motion carried unanimously.

15. **Reports:**

Actuary – Actuary Larry Wilson reported the following:

 - As a follow-up to Board action from the August 18th meeting, he has delivered a first draft of the 415 calculator the Board authorized GRS to develop. A demonstration date with Pension Office staff is pending.
 - With September 30th approaching, his office will soon be sending out the annual Valuation data request.
 - He gave a brief update on the most recent City-requested revision to the Early Retirement proposal.
 - Firefighter Supplemental distribution amounts have been posted on the Division of Retirement website. This fund will receive approximately \$80,000 in supplemental funds for Firefighters.

Attorney – None.

Chairman – Chairman Ryan confirmed with Attorney Cypen that he has reviewed the most recent version of the Early Retirement proposal (*now proposed to apply to Police only*). Mr. Cypen stated he has no problem with it.

Plan Administrator –The Pension Office is in receipt of additional bills for payment and other disbursements for approval. Chairman Ryan presented Warrant #526 for addition to the agenda and approval for payment. Motion by Gary Arenson, second by Isadore Nachimson, to add Warrant #526 to the agenda. The motion carried unanimously. Motion by Gary Arenson, second by Isadore Nachimson, to approve the payment of Warrant #526 as presented in the amount of \$218,141.69. The motion carried unanimously, authorizing the payment of:

Plan Benefits:			
P/O Lance Carman – Normal Retirement Benefit Commencing 10/1/2011			***
F/F Allen Winchel – Normal Retirement Benefit Commencing 10/1/2011			***
P/O Terry Wujcik – Normal Retirement Benefit Commencing 10/1/2011			***
DROP Withdrawals:			
P/O Lance Carman – Lump Sum DROP Withdrawal			***
P/O David Golt – Lump Sum DROP Withdrawal			***
P/O Thomas Sadagursky – Lump Sum DROP Withdrawal			***
F/F Allen Winchel – Lump Sum DROP Withdrawal			***
U.S. Treasury – FIT Withholding (Carman-Golt-Sadagursky-Winchel)			***
DROP Loans:			
P/O James Fisher – DROP Loan			***
P/O James Gort – DROP Loan			***
P/O Kevin Hones – DROP Loan			***
P/O Michael Scopa – DROP Loan			***
Documentary Stamp for DROP Loans:			
Florida Department of Revenue – Documentary Stamp (Fisher)			***
Florida Department of Revenue – Documentary Stamp (Gort)			***
Florida Department of Revenue – Documentary Stamp (K. Hones)			***
Florida Department of Revenue – Documentary Stamp (M. Scopa)			***
Various:			
SunTrust Bank (Visa – Fisher)	Bd Mtg / Ofc Supplies	\$143.83	
	Gasoline	50.00	
	Cbeyond (phones & internet)	434.85	
	DirectTV	98.45	
	Pest Control	35.00	
	Monthly Storage	104.00	
		\$866.13	\$866.13
SunTrust Bank (Visa – Warner)	Xerox (mo. Maintenance)	\$23.32	
	Bd Mtg / Ofc Supplies	308.78	
	ISP	24.95	
		\$357.05	\$357.05
Karen H. Warner – Semi-Monthly Payroll Effective 10/1/2011 (incl health / life allow.)			
Gross \$5,039.96 Less ICMA 457 Deferral \$600.00 Less Federal W/H \$704.78			
Less Social Security \$211.68 Less Medicare \$73.08			\$3,450.42
U.S. Treasury f.b.o. Karen Warner –			
941 Tax to be paid for each period, commencing 10/1/2011			\$1,375.10
James F. Fisher – Semi-Monthly Payroll Effective 10/1/2011 (incl health / life allow.)			
Gross \$2,894.46 Less ICMA 457 Deferral \$250.00 Less Federal W/H \$150.00			
Less Social Security \$121.57 Less Medicare \$41.97			\$2,330.92
U.S. Treasury f.b.o. James Fisher –			
941 Tax to be paid for each period, commencing 10/1/2011			\$534.96
Karen Warner – Health / Life Allowance for August & September			\$532.52
James Fisher – Health / Life Allowance for August & September			\$796.00
Gabriel, Roeder, Smith & Co. – Prof. Services for August, 2011			\$16,714.00
Goldstein Schechter Koch – Progress Billing (9/30/2011 Audit)			\$500.00
		TOTAL	\$218,141.69

*** (See Attachment A)

This plan is currently paying survivor benefits to the wife and two sons of P/O Asher Rosinsky. The older son turns age 18 this week, so it was necessary to receive confirmation that he is unmarried and is still enrolled in school. All documents are in order.

This is the last meeting for Trustee Kevin McCluskey. Thanks were expressed for his service on behalf of Plan Members, as well as his cooperation with Pension Office staff. P/O Al Xiques will assume this position effective October 1st. He has been provided with a New Trustee binder, and the oath of office has been administered by the City Clerk's Office.

Based upon earlier Board action (see agenda item #11), COLA letters for Police members have been prepared and will be mailed in advance of the October 1st effective date.

16. **Input from Retirees:** None.
17. **Input from Active Members:** F/F Donald Hoss directed questions regarding the timing of his retirement/DROP entry. Alison Bieler asked that all questions and specific details be sent in writing to the Pension Office, for forwarding to the Board's legal counsel.
18. **Input from Trustees:** Trustee Arenson addressed questions regarding Pension Office data backups to Attorney Cypen. He is working to review system hardware and computer needs for the office, and he hopes to meet with the IT specialist regarding their recommendations and proposal. A more detailed report will be forthcoming.
19. **Adjournment** – Chairman Ryan announced that the next regular meeting would be held on **Thursday, October 20, 2011 at 4:00 p.m.** There being no further business to come before the Board, motion by Kevin McCluskey, second by Steve Dougherty, to adjourn the meeting at 6:30 pm. The motion carried unanimously.


James Ryan – Chairman


Frank Musumeci – Secretary