

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

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

## REGULAR MONTHLY MEETING – AUGUST 15, 2013

The four hundred and eighteenth meeting of the Firefighters and Police Officers Pension Fund in the City of Pembroke Pines was called to order at 2:06 p.m. by Chairman Carl Heim.

|                              |                            |                              |                            |
|------------------------------|----------------------------|------------------------------|----------------------------|
| <b>1. <u>Roll Call</u> –</b> | <b><u>Fire Members</u></b> | <b><u>Police Members</u></b> | <b><u>City Members</u></b> |
|                              | Adam Cabeza                | Carl Heim                    | Gary Arenson               |
|                              | Steve Dougherty(3:07 pm)   | Kevin Venema                 | Jack McCluskey             |
|                              | Frank Musumeci             | Al Xiques                    | Vicki Minnaugh             |

**Others Present:** Greg McNeillie from Dahab Associates; Robert Maddock, and John Rochford from Inverness Counsel; Mary McTague and Chip Reed, Atlanta Capital; Alison Bieler, Attorney for the Fund; Glenn Mealer, City Employee (Videographer); Jim White, Pembroke Pines Firefighter, James Fisher, Plan Administrator and Rachel Maldonado, Assistant Plan Administrator. Trustee Arenson participated via conference call.

- 2. Atlanta Capital** – Mary McTague and Chip Reed presented to the Board regarding their portion of the portfolio. They submitted the following summary:

“Atlanta Capital’s Assets Under Management as of June 30th were \$15.9 Billion. About half of our assets are managed by the Core Equity team, led by Chip Reed.

The portfolio has done well given high quality has been a drag on performance. We have been able to offset the drag through: 1) good stock selection, 2) portfolio positioning. Starting 2008 – 2009, during the market bottom, we positioned the portfolio to have more cyclical, i.e., more Industrials and Financials (Asset Managers). The sector exposure chart shows the portfolio is positioned for an improving economy – overweight in Industrials and Consumer Discretionary.

We are starting to see more mergers & acquisitions again. Harris Teeter is getting bought by Kroger. Young Innovations was bought by a private equity firm. A rising interest rate environment should be good for high quality stocks. There has been a huge run in small cap stocks; we believe you will see opportunities in larger cap stocks.”

- 3. Inverness Counsel, LLC** – Robert Maddock and John Rochford presented for Inverness Counsel. They submitted the following summary:

“We remain cautiously optimistic on the U.S. Economy. We noted the following positives: A housing market that was improving with room to grow. Inflation remains low for now. The Federal Reserve and other central banks remain committed to low interest rates. Companies continue to report record profit margins and balance sheet strength. Stock valuation on a variety of metrics remains reasonable. We noted the following concerns: Uncertainty continues to be driven by ongoing debt ceiling debates and the debt and currency crisis in Europe. Economic growth around the world has been disappointing – including the emerging markets (i.e. China). U.S. economic leading indicators and recent economic growth has been mixed. Future earnings may be pressured by rising employment costs, taxes and equipment expenditures. Improvement in headline employment masks underlying growth in part-time labor and weakness in full-time labor.

We also noted that as of the end of June our 12 month equity numbers were up 24.96 versus 20.6 for the S&P and at the end of July, our 12 month numbers were up 29.42 versus 25.00 for the S&P. We also noted that our style generally led toward long term outperformance as the 10 year equity average was 8.63% annualized return versus 7.30% for the S&P 500 at the end of June. The underperformance



during the steep rise off of the bottom in the market in 2009 when low quality names surged off of low levels has been traveling through the years as Dahab had predicted it would and by the end of next year will have dropped out of the 5 year number. Meanwhile the 10 year number can reassure that our style while not quite so strong during the biggest surges in the market does well over the long cycle, while our performance this year demonstrates that Inverness' equity approach is still working today. With regard to fixed income, interest rates have priced in the tapering in of quantitative easing. We anticipate that rates will remain stable to lower over the next 3 to 6 months. We continue to look to shorten duration with the use of fixed to float bonds, but we maintain our traditional 10 year laddered approach."

4. **Dahab Associates** – Mr. McNeillie discussed the overall performance of the portfolio.

|                     | <b>Equities</b> | <b>Equity Benchmark</b> | <b>Fixed Income</b> | <b>Fixed Inc. Benchmark</b> | <b>Trailing 12 Months</b> |
|---------------------|-----------------|-------------------------|---------------------|-----------------------------|---------------------------|
| Atlanta Capital     | 4.4%            | 3.1%                    | ---                 | ---                         | 24.6%                     |
| Inverness           | 3.1%            | 2.9%                    | -2.5                | -2.1                        | 11.7%                     |
| Lee Munder Midcap   | 3.7%            | 2.2%                    | ---                 | ---                         | 30.2%                     |
| Lee Munder LargeCap | 1.9%            | 2.1%                    | ---                 | ---                         | 21.7%                     |
| SSgA Midcap         | 1.1%            | 1.0%                    | ---                 | ---                         | 25.3%                     |
| SSgA Int'l Equity   | -1.8%           | -3.1%                   | ---                 | ---                         | 15.7%                     |

|                     | <b>R.E.</b> | <b>R.E. Bench-mark</b> | <b>Trailing 12 Months</b> |
|---------------------|-------------|------------------------|---------------------------|
| Am. Realty Advisors | 3.4%        | 3.9%                   | 11.4%                     |
| Black Rock          | 3.7%        | 3.9%                   | 11.3%                     |
| TA Assoc Realty     | 1.2%        | 3.9%                   | 4.9%                      |
| AmSouth             | 0.4%        | 0.9%                   | 1.3%                      |

Mr. McNeillie reported a 1% return for the quarter. There were decent returns in the quarter ending 6/30/13 for large cap domestic equities and real estate which contributed to the positive number. There were negative returns in bonds and international equity. As a plan, we have not done as much diversifying away from Bonds because our current ordinance limits us. Instead, we have put invested in real estate, which helps keep us towards the top of our universe. If we were not as high in our tolerance to bonds, compared to other public pension funds, we would fare better in our overall returns. Mr. McNeillie also confirmed that moving money from cash/bonds to Blackrock turned out to be a good idea as that shift earned an extra 4% for the Fund in this quarter.

Mr. McNeillie highlighted some modifications in his report that he hoped would address the concerns of Trustee Minnaugh. She had requested additional data for each manager at a previous meeting. In addition to what was presented, Ms. Minnaugh asked if Mr. McNeillie could separate fees from cash flows and show inception dates for the next quarterly report. He agreed that it would be done.

Trustee Cabeza mentioned six quarters of underperformance for Stewart Capital and Herndon Capital. He thought it might be advantageous to switch to an index fund in order to eliminate fees and perform better against the benchmark. As an alternative, he suggested possibly funneling money to Lee Munder, who has performed very well over this same period in question. Mr. McNeillie assured the trustees that they should not be concerned with Herndon since it has been a tough market for value portfolios all around. As for Stewart, the Board felt they were ready to end their relationship and try a different approach. The Board discussed placing them on watch and waiting until the 9/30/13 quarter ends. However, the Board decided it did not want to wait an additional quarter. Motion by Al Xiques, second by Vicki Minnaugh, to withdraw monies from Stewart and reallocate the funds.

Mr. McNeillie suggested looking at open-ended core plus and a timber manager down the line. He noted that the Board would have to go through the hiring process. Until that is accomplished, the Board thought it would be best to send the funds over to the SSGA index. Amended motion by Al Xiques, second by Vicki Minnaugh, to withdraw monies from Stewart and reallocate the funds to the SSGA index fund. The motion passed unanimously.

Mr. McCluskey mentioned the upcoming September OPEB meeting and Mr. McNeillie's presentation at that meeting. Mr. McNeillie assured the Board that he was ready to discuss the necessary data and to sell the Committee on the benefits of purchasing lower ranking bonds and increasing the equity exposure.

**The Board recessed at 3:26 p.m. and reconvened at 3:41 p.m.**

5. **Approval of Minutes for July 18, 2013** – Chairman Heim presented minutes from the July 18, 2013 meeting for approval. Motion by Vicki Minnaugh, second by Adam Cabeza, to approve the minutes. The motion carried unanimously.
6. **Approval of Warrant #575** – Chairman Heim presented Warrant #575 in the amount of \$144,243.72 for approval and payment. Motion by Kevin Venema, second by Vicki Minnaugh, to approve as presented. The motion carried unanimously. Gary Arenson abstained from voting due to a voting conflict.

|   |                     |
|---|---------------------|
| Cypen & Cypen – Monthly Retainer for August 2013                                | \$3,250.00          |
| Hampton Professional Center Condo #2, Ste 104 (Monthly Maintenance – Sept 2013) | \$407.72            |
| Twilight Industries, LLC – (Maintenance – August 2013)                          | \$152.00            |
| Holland & Knight – Invoice #2939195 7/29/13                                     | \$175.00            |
| Wells Fargo – Mgmt Fees for Q/E 6/30/13   | \$34,838.23         |
| Herndon Capital - Mgmt Fees for Q/E 6/30/13                                     | \$29,005.26         |
| Accelerated Business Solutions – 7/17/13  | \$27.01             |
| FP&L - From 6/26/13 to 7/29/13 (Already Paid)                                   | \$233.48            |
| Stewart Capital Advisors – Mgmt Fees for Q/E 6/30/13                            | \$11,411.29         |
| Arenson & Sandhouse – Payroll Fees for Q/E 6/30/13                              | \$550.00            |
| Lee Munder L/C – Mgmt Fees for Q/E 6/30/13                                      | \$29,284.32         |
| Lee Munder M/C – Mgmt Fees for Q/E 6/30/13                                      | \$34,840.41         |
| CRU Invoice #2170 7/19/13   | \$69.00             |
| <b>TOTAL</b>  | <b>\$144,243.72</b> |

7. **Approval of DROP Loan** – The following DROP Loan was presented for Board consideration by Vice Chairman Dougherty:

- P/O Carl Heim \*\*\*  
 \*\*\* *Schedule A is available upon request. Please contact the Pension Office if you wish to view it.*

Chairman Heim abstained from the vote due to a voting conflict. Motion by Vicki Minnaugh, second by Jack McCluskey, to approve the DROP benefit as presented for Mr. Heim. The motion carried unanimously.

8. **Approval of DROP Account Distribution(s)** – The following DROP Distributions were presented for Board consideration:

- F/F Louis Nettina (Lump Sum) \*\*\*
- F/F Robert Kern (Lump Sum) \*\*\*
- F/F Michael Hohl (Lump Sum) \*\*\*
- F/F Ricardo Torres (Lump Sum) \*\*\*
- F/F Ben. Deborah DeSantis (Lump Sum) \*\*\*
- F/F Roger Gonzalez (Lump Sum) \*\*\*
- F/F Jimmy Sanchez (Lump Sum) \*\*\*
- F/F Michael Sica (Monthly) \*\*\*
- P/O Louis Sorangelo (Lump Sum) \*\*\*
- P/O Kim Diaz (Lump Sum) \*\*\*
- P/O Michael Johnson (Lump Sum) \*\*\*
- P/O Kevin King (Lump Sum) \*\*\*  
 \*\*\* *Schedule A is available upon request. Please contact the Pension Office if you wish to view it.*



The IRC 415 screening tool results were provided to Actuary Larry Wilson. When appropriate, his office will provide the necessary letters to members indicating distributions will not pose a problem with the IRC 415 limitation at the present time. Motion by Vicki Minnaugh, second by Gary Arenson, to approve the account distributions as presented. The motion carried unanimously.

## UNFINISHED BUSINESS

9. **Public Comment Policy** – Board Attorney Alison Bieler presented the Board with a drafted Public Comment policy. Motion by Vicki Minnaugh, second by Jack McCluskey, to accept the Public Comments Policy as presented. The motion carried unanimously.
10. **DROP Distribution Policy** – Assistant Administrator Maldonado presented the amended DROP Distribution policy. The amended policy states that all DROP distribution requests must be submitted by the first of the month to guarantee timely payment. Currently, DROP loan applications are also due on the first of the month. A mailing will soon follow so that all members are notified of the update. Motion by Vicki Minnaugh, second by Gary Arenson, to accept the amended DROP distribution policy. The motion carried unanimously.
11. **Trustee Election Update** – Asst. Administrator Maldonado reported the results of the Trustee Election. Mr. Cabeza, Mr. Musumeci, Mr. Heim and Mr. Xiques all ran unopposed. Therefore, they will all begin new two-year terms on 10/1/13.

## NEW BUSINESS

12. **Gross and Net Rates of Return for Q/E 6/30/2013** – Motion by Vicki Minnaugh, second by Kevin Venema, to approve the gross (0.99%) and net (0.87%) rates of returns for the quarter ending 6/30/13. The motion carried unanimously.

### 13. **Reports:**

**Actuary** – No report from the actuary for this meeting.

**Attorney** – Ms. Bieler touched on a few minor updates that included a special edition of the Cypen & Cypen newsletter due out on 8/15/13, an announcement for the September session of FPPTA, and a brief status report on the ordinance changes.

**Chairman** – No report from the Chairman for this meeting.

**Plan Administrator** – Administrator Fisher noted the approval of the annual report by the State. The amount of the chapter monies had not yet been released.

The Pension Office is in receipt of additional bills for payment and other disbursements for approval. Administrator Fisher presented Warrant #576 for addition to the agenda and approval for payment. Motion by Vicki Minnaugh, second by Gary Arenson, to add Warrant #576 to the agenda. The motion carried unanimously. Motion by Gary Arenson, second by Vicki Minnaugh, to approve the payment of Warrant #576 as presented in the amount of \$1,013,193.70. The motion carried unanimously. The authorized payment includes:

| Plan Benefits   |     |
|---|-----|
| P/O Michael Grant - Normal Retirement Commencing 9/1/13   | *** |
| P/O Nelson Martinez - Normal Retirement Commencing 9/1/13 | *** |
| P/O Walter Yester - Normal Retirement Commencing 9/1/13   | *** |
| P/O Melvin Seguin - Normal Retirement Commencing 9/1/13   | *** |
| F/F Michael Sica - Normal Retirement Commencing 9/1/13    | *** |
| DROP Withdrawals:   |     |
| F/F Louis Nettina – Lump Sum DROP Withdrawal less FIT     | *** |
| F/F Robert Kern – Lump Sum DROP Withdrawal less FIT       | *** |
| F/F Michael Hohl – Lump Sum DROP Withdrawal less FIT      | *** |
| F/F Ricardo Torres – Lump Sum DROP Withdrawal less FIT    | *** |
| F/F Deborah DeSantis – Lump Sum DROP Withdrawal less FIT  | *** |



|   |                       |
|---|-----------------------|
| F/F Roger Gonzalez – Lump Sum DROP Withdrawal less FIT  | ***                   |
| F/F Jimmy Sanchez – Lump Sum DROP Withdrawal less FIT   | ***                   |
| F/F Robert Vesely – Lump Sum DROP Withdrawal less FIT   | ***                   |
| F/F Michael Sica – Monthly DROP Withdrawal effective 9/1/13   | ***                   |
| P/O Kim Diaz – Lump Sum DROP Withdrawal less FIT  | ***                   |
| P/O Michael Johnson – Lump Sum DROP Withdrawal less FIT   | ***                   |
| P/O Kevin King – Lump Sum DROP Withdrawal less FIT  | ***                   |
| P/O Melvin Seguin – Lump Sum DROP Withdrawal less FIT   | ***                   |
| P/O Walter Yester – Lump Sum DROP Withdrawal less FIT   | ***                   |
| P/O Kenneth Hall – Lump Sum DROP Rollover   | ***                   |
| P/O Louis Sorangelo – Lump Sum DROP Withdrawal less FIT   | ***                   |
| P/O George Soubasis – Lump Sum DROP Withdrawal less FIT   | ***                   |
| U.S.Treasury- FIT- W/H (Nettina, Kern, Hohl, Torres, DeSantis, Gonzalez, Sanchez, Vesely, Diaz, Johnson, King, Seguin, Yester, Sorangelo, Soubasis) | ***                   |
| <b>DROP Loans:</b>  |                       |
| P/O Carl Heim – DROP Loan Less Documentary Stamp  | ***                   |
| <b>Documentary Stamp for DROP Loans:</b>  |                       |
| Florida Department of Revenue – Documentary Stamp (Heim)  | ***                   |
| <b>Various:</b>   |                       |
| James Frobel – Plumbing Services 8/6/13 (Already Paid)  | \$100.00              |
| SunTrust (J. Fisher)  | \$809.98              |
| SunTrust (R. Maldonado)   | \$344.59              |
| SunTrust (A. Cabeza)  | \$256.80              |
| SSGA Value Index Fees 4/1/13 – 6/30/13  | \$3,773.94            |
| SSGA International Fees 4/1/13 – 6/30/13  | \$63,001.35           |
| SSGA Midcap Fees 4/1/13 – 6/30/13   | \$1,872.34            |
| Dahab Associates – Quarterly Consulting Fees for 4/1/13 – 6/30/13   | \$25,580.55           |
| GRS – Actuarial Fees for July 2013  | \$5,495.00            |
| Richard Ziff – August 2013 Loans  | \$175.00              |
| <b>TOTAL</b>  | <b>\$1,013,193.70</b> |

\*\*\* Schedule A is available upon request. Please contact the Pension Office if you wish to view it.

**14. Input from Retirees:** None.


- 15. Input from Active Members:** Firefighter Jim White appeared before the Board to discuss pre-employment physicals. He suggested that the Board look into conducting its own secondary physicals, apart from the physicals conducted by the City at the time of hire. His concern is the thoroughness of the current exams and if they properly “weed out” someone who could go out on disability for a prior condition. He heard the City of Sunrise was banning pension participation if the prospective candidate did not pass the pension physical.

The office staff will talk with the administrator for Sunrise to determine the validity of the information and to confirm the process by which they medically evaluate candidates for hire. A report on the findings is expected to be given at the September meeting.

**16. Input from Trustees:** None.

- 17. Adjournment** – Chairman Heim announced that the next regular meeting would be held on **Thursday, September 19, 2013** at 2:00 p.m. There being no further business to come before the Board, motion by Vicki Minnaugh, second by Jack McCluskey, to adjourn the meeting at 4:17 p.m. The motion carried unanimously.

  
Carl Heim – Chairman

  
Kevin Venema – Secretary