

# 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 19, 2010**

The three hundred and eightieth meeting of the Firefighters and Police Officers Pension Fund in the City of Pembroke Pines was called to order at 2:03 P.M. by Chairman Steven Dougherty.

<b>1. Roll Call -</b>	<u>Fire Members</u>	<u>Police Members</u>	<u>City Members</u>
	Adam Cabeza	Carl Heim	Gary Arenson
	Steven Dougherty	Kevin McCluskey	Vicki Minnaugh
	(vacant)	James Ryan	Isadore Nachimson

**OTHERS PRESENT:** Gregory McNeillie from Dahab Associates, Jim Bates from AmSouth Timber Company, Alan E. Brand and Nhat Nguyen from TA Associates Realty, Henry Renard and Robert Maddock from Inverness Counsel, Inc., Larry Berman and Vladi Yurovsky from Israel Bonds, F/F Frank Musumeci, F/F Vincent Garcia, Larry Wilson from Gabriel Roeder Smith & Co., Retired P/O Carl Schelling, Julie Klahr, Esq., Deputy City Attorney for the City of Pembroke Pines, Stephen H. Cypen, Esq., from Cypen & Cypen, Attorneys for the Fund, James Fisher, Assistant Plan Administrator and Joan L. Wall, substituting for Karen H. Warner who is absent due to a death in her family.

**2. Dahab Associates – Performance Report for Q/E 6/30/2010.** The quarter asset allocation was as follows:

• Domestic Large Cap Equity	39.7% for	\$107,615,741
• Domestic Mid Cap Equity	8.0% for	\$ 21,622,633
• Domestic Small Cap Equity	7.7% for	\$ 20,765,563
• International Equity	7.1% for	\$ 19,182,517
• Fixed Income	31.7% for	\$ 85,946,483
• Real Estate	5.8% for	\$ 15,702,872

The total market value of \$270,853,809 as of 6/30/2010 was down \$20 million from last quarter. Observations were:

- Under weight to Atlanta Capital due to under performance of the Sawgrass portfolio that was taken over in December
- Real estate starting to show signs of life. May want to think about finding product or making further commitment to existing managers, when the jobless rate declines.
- Bonds doing very well

Manager returns for the quarter, one year, 3 years and 5 years indicated a grade of:

- Inverness A-
- Buckhead B
- Eaton Vance (Incomplete due to 10/1/08 inception date)

- Lee Munder D+
- State Street – Mid Cap (Pass – returns linked to former investment)
- Atlanta Capital A+
- State Street – Int'l C
- Inverness – Core Fixed A-

Mr. McNeillie stated he did not recommend any changes at this time.

He reviewed with the trustees an Asset Allocation Study requested in November, 2009 and prepared for discussion at today's meeting that could improve the likelihood of achieving a target rate of return on both a short and long term basis. Both a 20-year scenario and 70-year scenario were used. Mr. McNeillie stated that while the 70-year is valid, the 20-year is better. No action was taken at this time.

Vicki Minnaugh stated she was still concerned with the performance of Lee Munder and had brought the four prior manager reports to today's meeting that all reflected poor returns on the part of this manager. She was also concerned about the performance of Eaton Vance, as was Gary Arenson. Mr. McNeillie stated the reasons for retaining the firms at this time.

**3. AmSouth Timber Fund/Regions – Investment/Market Report.** Mr. Bates reviewed with the trustees a summary of current ownership and the performance from 2009 through the second quarter of 2010. The fund now owns 40,735 acres in five states. During 2009 \$1,952,212 was distributed to investors, of which \$175,000 came to Pembroke Pines. The fund also experienced a -1.10% total return for the year due to an estimated fair market appraisal, historic low for new home construction and solid wood demand and independent correlation with other asset classes. For the first half of 2010 the return has been 0.16%. An increase in employment is needed to improve returns. With an initial commitment of \$5 million, Pembroke Pines has a 9% ownership with an estimated value of \$5,318,891 as of June 30<sup>th</sup>, 2010. A total cash yield of \$555,875 has been returned since inception with an average annual cash return of 3.7% since inception.

**4. TA Realty Associates – Investment/Market Report.** Mr. Nguyen and Brand reviewed their report with the trustees, regarding the current active funds, a portfolio overview of property type and geographic diversification. Fund VIII is capitalized with \$1,742 million of committed capital, 125 investments with an estimated value of \$2,682 million vs. a cost basis of \$3,336.4 million. Sales to date total \$55.7 million resulting in losses of \$3.7 million. During the quarter one investment and one partial investment was sold for \$21.8 million with a net realized loss of \$6.6 million. A credit line of \$585 million with Wells Fargo has been renewed through January 2012 with a one-year extension option. Distributions to date total \$73.5 million. 100% of the committed capital has been called. This manager also felt that employment needed to improve for future profitability.

Attorney Cypen requested at 4:15 P.M. to postpone **Agenda Item 5 the Inverness Counsel report** until later in the meeting.

**6. Approval of Minutes for July 15, 2010.** Chairman Dougherty presented the minutes from the previous meeting for approval. Gary Arenson moved to approve. Vicki Minnaugh seconded the motion. The motion carried unanimously.

**7. Approval of Warrant #491.** Chairman Dougherty presented Warrant #491 in the amount of \$42,807.41 for approval and payment. Vicki Minnaugh moved to approve payment. Gary Arenson seconded the motion. The motion carried unanimously, authorizing payment of the following:

Cypen & Cypen, Monthly Retainer for August, 2010	\$ 3,250.00
Hampton Professional Center – Monthly Condo Maintenance for September	\$ 407.72
Karen Warner, Monthly Insurance Allowance for August	\$ 375.00
James Fisher, Monthly Insurance Allowance for August	\$ 308.00
LEAF – Copier Lease for August	\$ 194.23
Twilight Industries, Office Maintenance for August	\$ 152.00
Karen Warner – Reimb for Out-of-pocket expense (Disability hearings)	\$ 74.20
Atlanta Capital Management, Fee for quarter ending 6/30/10	\$36,340.00
Cornel J. Lupu, MD – Disability IME (Hines)	\$ 1,500.00
FPL – Electric service 6/28/10 to 7/28/10	\$ 206.26
<u>TOTAL FOR WARRANT #491</u>	<u>\$42,807.41</u>

**8. Approval of DROP Benefit(s) – Ordinance #1669 (Fire).** Vicki Minnaugh moved to approve F/F Jaime Friedman's benefit. Gary Arenson seconded the motion for discussion purposes. F/F Jaime Friedman, hired July 6, 1990, had terminated on July 6, 2010 on the advice given to him by the pension office which was based on the opinions Attorney Cypen had expressed at the June and July meetings. Attorney Cypen advised that additional details had been provided by Assistant City Attorney Julie Klahr today that altered the previous advice given at the June and July meetings. Attorney Cypen also stated he was under the impression that F/F Friedman's DROP/Retirement had been previously approved by the board, and since this had not occurred, F/F Friedman did not retire in time to be covered by the previous ordinance as he had signed the new contract with the City in May. Vicki Minnaugh moved to withdraw her motion to approve. Gary Arenson seconded the motion. The motion carried unanimously.

**9. Approval of DROP Benefit(s) – Ordinance #1669 (Police).** As the issue was the same for P/O Humberto Chirino, hired June 22, 1990 and terminated on June 22, 2010, Isadore Nachimson moved to table both agenda items 8 and 9 until the September 16<sup>th</sup>, 2010 meeting. Vicki Minnaugh seconded the motion. The motion carried unanimously.

**10. Request for DROP Account Distribution(s).** Actuary Larry Wilson has provided the necessary letters for P/O William Maynard's and F/F Mark Hooper's requests, indicating that these distributions would not pose a problem with the 415 limitation at this time. Vicki Minnaugh moved to approve payments. Gary Arenson seconded the motion. The motion carried unanimously. (See Attachment A)

## **UNFINISHED BUSINESS**

**11. Normal Retirement Benefit for P/O Carl Schelling.** The history of the matter was reviewed with the trustees and Mr. Schelling. Mr. Schelling stated he did not want to create waves or make an issue of his situation and agreed (1) to have his DROP account adjusted by \$33,572.24, and (2) to reimburse overpaid benefits he had collected for the 77 month period after leaving the DROP in the amount of \$28,091.55. Gary Arenson moved to approve deducting \$33,572.24 from Mr. Schelling's DROP account. Vicki Minnaugh seconded the motion. The motion carried unanimously.

Vicki Minnaugh moved to approve collecting the over payment of benefits in the amount of \$28,091.55 over a period of eighty (80) months, interest free, beginning October 1, 2010. Gary Arenson seconded the motion. The motion carried with Carl Heim opposed.

Vicki Minnaugh moved to adjust his monthly pension benefit going forward effective October 1, 2010. Gary Arenson seconded the motion. The motion carried unanimously.

## **NEW BUSINESS**

**12. Request to Address Board – F/F George Thompson (Disability Retiree).** Since the agenda had been posted, Mr. Thompson had withdrawn his request for the time being.

Attorney Cypen left at 5:16 P.M. due to a prior commitment.
---

The board returned to the agenda, hearing **Agenda Item 5, Inverness Counsel, Inc., - Investment/Market Report.** Mr. Maddock gave the following report:

*"The first half of 2010 witnessed the world's markets initially climbing a wall of worry only to give up its gains as the markets found reasons in the sovereign credit crisis in Europe and the oil well drama in the Gulf along with a more concrete focus on impending regulatory and tax burdens facing many industries and companies. Other issues that took their toll included; the cutbacks that are being imposed in Europe, braking measures by China in the face of their potential run-away inflation, along with uncertainty of whether the US will stimulate more or not. The S&P 500 in the US returned -6.7% for the first half, while other indices around the world showed declines. There continues to be debate as to whether the financial crisis will manifest in the form of inflation or deflation here in the US. Currently the deflation camp can point to falling housing starts with the end of the first time buyer's stimulus, the rise in new unemployment claims, lower treasury yields, and the rise of the dollar versus the Euro in conjunction with the weakening European picture. Others say the inflation story is intact and that the US dollar's move versus the Euro proves that the Euro is even worse not that the dollar is strong, as the dollar continues to fall against gold. They also point to rising costs for health care, education, food and the mail.*

*There are certainly positive signals such as the increase in demand that chipmakers see coupled with the long pent up demand for new systems as Windows 7 is rolled out. American producers of heavy equipment are reporting stronger orders. Some of this strength is from exports.*

*In equities, we continue to manage accounts from a bottom-up perspective. As always, the major determinant of asset valuation is fundamentals, and at this point in time, the fundamentals are mixed. When holdings reach valuation levels that we believe are misaligned with growth prospects, we will be trimming (or outright selling) the position. We do note that we are also finding attractive values.*

*The current environment for fixed income investing is posing its own challenges as interest rates are at historical lows. We are concerned about the doubling of the size of the monetary base over the last year and a half. Although the last of borrowing has not driven interest rates higher, we expect it's only a matter of time. We expect the 10-year laddered approach to provide preservation of capital and income through the current environment".*

**13. Presentation by State of Israel Bonds – Vladi Yurovsky.** One of the bonds in the amount of \$750,000 had recently matured. The representatives from the State of Israel Bonds asked that the fund reinvest this and add an additional \$250,000 for the purchase of a 3 year LIBOR – Cash Floating Rate Bond with a maturity date of August 1, 2013. Other bonds were also reviewed. Gary Arenson moved to invest \$1,000,000 in a 3 year LIBOR Cash Floating Rate Bond with a maturity date of August 1, 2013. Isadore Nachimson seconded the motion. Discussion followed as Henry Renard was asked his opinion. Mr. Renard conceded the investment was like a money market, but was not a great deal as LIBOR works only for the issuer, not the investor. The question was called and the motion passed with Carl Heim and Steven Dougherty opposed. A special warrant will be prepared and circulated to cover this purchase.

**14. Review/Approve – Ordinance #1669 (8/4/2010).** Gary Arenson moved to approve. Isadore Nachimson seconded the motion. The motion carried unanimously.

**15. Review/Approve – Gross and Net Rates of Return for the Q/E 6/30/2010.** The trustees reviewed Dahab Associates, Inc.'s report stating the Gross Rate of Return was - 6.69% and the Net Rate of Return was -6.79%. Vicki Minnaugh moved to approve. Gary Arenson seconded the motion. The motion carried unanimously.

## **16. REPORTS**

- **Actuary** – Mr. Wilson brought the October 1, 2010 Data Request. He stated the COLA data for Police Officers effective October 1, 2010 would be available next week.
- **Attorney** – None
- **Chairman** – None
- **Plan Administrator** –
  - Proposed Ordinance 2010-19/AIS – Copies of the new ordinance that had passed on second reading were distributed to the trustees.
  - Disability Hearings (September 16<sup>th</sup>) – The reports for the two upcoming disability hearings were lengthy. Mr. Fisher stated he and Mrs. Warner would like to scan the information and copy it onto flash drives that would be provided to the trustees. Attorney Cypen and attorneys for the applicants would receive printed copies. There would be a paper report available at the meeting for reference by the trustees. Gary Arenson moved to approve the use of flash

drives for both disability hearings with the understanding that hard copies would be provided if requested. Vicki Minnaugh seconded the motion. The motion carried unanimously.

- Upcoming Conferences –
  - FPPTA Trustees' School, 9/26 – 29/2010, PGA National Resort in West Palm Beach, FL
  - NCPERS – Public Safety Employees Pension & Benefits Conference, 10/10 – 13/2010 in Palm Springs, CA
- Atlanta Capital Request (Email reports) – The trustees agreed to receive future reports electronically and suggested the other managers be asked to provide their reports electronically also.
- Telephones – Mr. Fisher stated he was currently in negotiations and would report back at the next meeting.
- Additional Warrant #492 in the amount of \$152,510.12. Vicki Minnaugh moved to add this to the agenda and approve payment. Gary Arenson seconded the motion. The motion carried unanimously, authorizing payment of the following:

F/F Mark Hooper – Lump Sum DROP Withdrawal, less W/H Taxes			\$ ***
P/O William Maynard – Lump Sum DROP Withdrawal, less W/H Taxes			\$ ***
US Treasury – W/H Taxes for Hooper and Maynard			\$ ***
Gabriel Roeder Smith & Co., Professional Fees for July			\$ 10,220.00
Dahab Associates, Inc., Consulting Fees for Q/E 6/30/2010			\$ 21,041.79
Holland & Knight, LLP, Professional Fees for July			\$ 175.00
SunTrust Bank (Visa – Fisher)	Direct TV	\$ 95.05	
	Gasoline	\$ 45.30	
	Fire Ext. Inspection	\$ 30.00	
	Pest Control	\$ 35.00	
	Bd Mtg/Ofc Supplies	\$199.64	
	AT & T	\$377.10	
	AT & T (BellSouth)	\$402.04	
	Monthly Storage	<u>\$104.00</u>	
	TOTAL	\$1,288.13	\$ 1,288.13
SunTrust Bank (Visa – Warner)	Xerox (monthly maint)	\$ 21.60	
	Bd Mtg/Ofc Supplies	\$ 55.38	
	Martin Stone, MD (IME-Hines)	<u>\$400.00</u>	
	TOTAL	\$476.98	\$ 476.98
Fiduciary Trust International – Custody (Special Assets)			\$ 241.89
Fiduciary Trust International – Custody (Atlanta Capital)			\$ 2,216.33

Steve Dougherty – Reimb. Conf Expense (FPPTA)

Hotel	\$501.00	
Per Diem 4 days	\$240.00	
Mileage 214 @ \$.50 mile	\$107.00	
Tolls	\$ 2.00	
TOTAL	\$850.00	\$ 850.00


TOTAL FOR WARRANT #492	\$152,510.12
------------------------	--------------

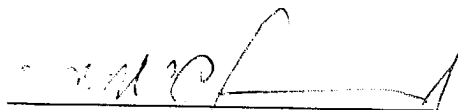
- o Trustee Election Up Date – Gary Arenson was reappointed at the August 4<sup>th</sup>, 2010 City Commission meeting. James Ryan would run unopposed from the Police Department and serve for another two years. There were three firefighters, Steven Dougherty, Frank Musumeci and John Kearney running for the two open positions. Instructions were to vote for two members. The member with the highest number of votes would serve for two years and the member with the next highest number of votes will serve the remainder of Richard Moss' term of one year. Ballots will be counted at the pension office at 10 A.M. on Thursday, September 16<sup>th</sup>, 2010.

**17. Input from Retirees** – None.

**18. Input from Active Members** – None.

**19. Adjournment** – Chairman Dougherty announced the next monthly meeting was scheduled for Thursday, September 16, 2010 at 4 P.M. There being no further business before the board, Vicki Minnaugh moved to adjourn at 5:50 P.M. Kevin McCluskey seconded the motion. The motion carried unanimously.

  
Steven Dougherty, Chairman

  
Kevin McCluskey, Secretary