

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 – AUGUST 20, 2015

The four hundred forty second meeting of the Firefighters and Police Officers Pension Fund in the City of Pembroke Pines was called to order at 1:00 p.m. by Chairman Al Xiques.

1. <u>Roll Call</u> –	<u>Fire Members</u>	<u>Police Members</u>	<u>City Members</u>
	Adam Cabeza	Carl Heim	Gary Arenson
	Robert Johnson	Kevin Venema	Jack McCluskey
	Frank Musumeci	Al Xiques	Vicki Minnaugh

Others Present: David Lee, Dahab Associates; James Gribbell and Tom Capobianco, LMCG; Allison Corbally, SSGA; Robert Maddock and John Rochford, Inverness Counsel; Steve Cypen, Attorney for the Fund; Larry Wilson, GRS Actuary for the Fund; James Fisher, Plan Administrator and Rachel Maldonado, Assistant Plan Administrator.

Also in attendance:

Tim Anderson, Pembroke Pines PD	Paul Daragjati, Esq, of KKJL
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2. **Dahab Associates** – David Lee of Dahab Associates discussed the overall performance of the portfolio. The market value of the Plan is \$513,691,948 at the end of June 2015.

Mr. Lee noted that the best performance for the quarter was international and real estate. Other portfolio managers produced fractional increases. It was a tough quarter all around still Pembroke Pines total fund performed in the top decile – at the top 1% for the trailing year. Bonds were slightly under but still performed better than the benchmark and put Pembroke Pines at the top 19% of fixed income compared to its universe.

Trustee Musumeci inquired of Herndon's performance, citing negative performance for the last few quarters. Mr. Lee said that their historical performance before joining the portfolio of managers with Pembroke Pines was strong and because of that he still believes Herndon will rebound nicely. The Board debated whether or not Herndon should be terminated from the portfolio. While some trustees wanted to evaluate them at the end of the calendar year, the Board ultimately decided to wait until Herndon's presentation at the May 2016 meeting to discuss further plans.

Gross & Net Rate Returns for Q/E 6/31/15 – Administrator Fisher presented the gross 0.60% and net 0.47% rates of return for Q/E 6/31/15, as submitted by Dahab Consulting. Motion Vicki Minnaugh, second by Carl Heim to approve the gross and net rates of returns for the quarter ending 3/31/15. The motion carried unanimously.

Mr. Lee also addressed ...

	Equities	Equity Benchmark	Fixed Income	Fixed Inc. Benchmark	Trailing 12 Months
Atlanta Capital	1.3%	0.4%	---	---	12.9%
Herndon	(1.1)%	0.1%	---	---	(1.5)%
Inverness	2.0%	0.3%	(1.4)%	(1.4)%	19.7%*
Lee Munder Midcap	1.1%	(1.5)%	---	---	10.8%
Lee Munder LargeCap	0.2%	0.1%	---	---	11.4%

SSgA Midcap	(1.1)%	(1.1)%	---	---	6.4%
SSgA Int'l Equity	1.8%	0.5%	---	---	(2.4)%
SSgA LargeCap Value	0.1%	0.1%	---	---	4.2%
Wells Capital	(0.1)%	0.1%	---	---	10.0%

*This number reflects the trailing 12 months of only the equity portion of the Inverness portfolio.

	R.E.	R.E. Bench-mark	Trailing 12 Months
Am. Realty Advisors	3.7%	3.8%	14.0%
Black Rock	3.8%	3.8%	13.3%
Intercontinental	3.4%	3.8%	N/A
TA Assoc Realty	5.2%	3.8%	15.2%
AmSouth	0.6%	0.5%	13.6%

3. **SSGA** – Allison Corbally of SSGA addressed the Board. Ms. Corbally reminded the Board of some additional services provided through State Street Global Management, including transition management. SSGM is able to provide this service to its clients at the time of manager termination, allowing the Board to keep the money invested, earning and active until a replacement manager is selected. The following summary was submitted by Ms. Corbally.

Regarding SSGM:

SSGA the investment arm of State Street manages over \$2.37 trillion in assets and manages three strategies for Pembroke Pines F & P including two equity index strategies and an active international equity strategies. Pembroke Pines also utilizes SSGM to handle transitions from one investment manager to another allowing the Plan to save costs including market effect, transaction and trading costs. For over 20 years, State Street Global Markets, has been helping clients efficiently restructure portfolios through transitions management services. SSGM identifies ways to reduce costs through scale, transparency and experience to efficiently complete transitions.

Regarding the Plan's Investments:

The international equity backdrop for the 2nd quarter in the Eurozone area continued to show signs of strength as equities moved out of last year's recession. The QE program started by the European Central Bank in 2015 continued to support the European economies. However, Russia, the Middle East and Greece continued to grab headlines during the second quarter and their unsettling circumstances continue to cast a shadow on the global landscape.

The AIA portfolio for the 2nd quarter added great alpha in both the large cap developed and emerging markets (EM) strategies. As a result security selection was the main driver of overall outperformance. In the EM strategies, overweight to China and financials brought the bulk of value added. In the developed strategies, the Eurozone, financials and technology outperformed. From a tactical standpoint, our underweight position to large cap EM and overweight to developing markets detracted value as EM outperformed developed markets by a hair. Overweight positions to small cap international equity and small cap EM added value as small cap outperformed large cap stocks. In Canada, the energy and financial sectors had a tough time in the quarter and investors sold positions to move to more defensive positions such as utilities and materials.

Looking ahead into the 2nd half of 2015 – In the developed markets, while European stocks have provided strong performance and still have good valuations, the divergence in monetary policy across regions should continue to bring currency volatility. Thus, volatility of returns are expected to persist for remainder of year. For EM as a whole are expected to have stable valuations with earnings growth. The asset class sells at an estimated 12.5 times 2015 earnings and at a roughly 25% discount to the MSCI. These are within historic norms but investors appear to be concerned about the possibility of another "Taper Tantrum" as the Fed Res gradually normalizes rates.

Continue to remain overweight to the developed markets and cautious keeping an under market exposure to EM- looking for companies best positioned.

4. **LMCG** – Tom Capobianco and Jim Gribbell provided an update on LMCG Investments and the two

strategies managed on behalf of the pension fund. They submitted the following summary.

Tom updated the board on the growth of the firm and the pending acquisition of City National Bank by Royal Bank of Canada (City National is an investor in LMCG Investments , but LMCG remains in control of the governing board).

Jim provided an update on the large cap US growth strategy. Performance has been solid over the trailing 12 months ending June 30, 2015 (portfolio performance 11.4% vs. Russell 1000 Growth Index return 10.6%) and has been above the benchmark over the trailing 3 and 5 years. Investment strategy and style has remained consistent over time.

Jim also reviewed the mid cap core strategy, which is a combination of LMCG's mid cap value strategy and mid growth strategy. Performance has been exceptional over the trailing 12 months ending June 30, 2015 (portfolio performance 10.8% vs Russell Midcap Index 6.6%) and has been strong over the trailing 3 years and since inception in 2011. The investment strategy of the two underlying portfolios has been consistent over time and the investment style of the combined midcap core portfolio has been consistent since its inception.

5. **Inverness** – Robert Maddock and John Rochford came before the Board to present their quarterly performance. They submitted the following summary.

John Rochford noted that we look for rates to remain low and decline over the coming months with commodity prices declining and the global economy slowing. The Fed may raise rates given the improving employment and Q2 economic reports.

Robert Maddock touched on a list of indicators that were still favorable for the economy and market performance such as inflation, economic growth potential, interest rates, consumer outlook, and corporate balance sheets. Less positive indicators included the duration of the economic expansion, the S&P total return during the cycle, valuation, IPOs issuance value and of greatest concern was mergers and acquisitions during the cycle. We also noted that even during a good year, volatility and 10- 20% market corrections were possible.

The Board recessed at 2:45 p.m. and reconvened at 3:00 p.m.

6. **Approval of Minutes for July 16, 2015** – Chairman Xiques presented minutes from the July 16, 2015 meeting for approval. Motion by Vicki Minnaugh, second by Gary Arenson, to approve the minutes. The motion carried unanimously

7. **Approval of DROP Loans** – The following DROP loans were presented for approval.

- P/O Britney Combs ***
- P/O Louis Sorangelo ***

Motion by Jack McCluskey, second by Kevin Venema to approve the DROP loans as presented. The motion carried unanimously.

8. **Approval of DROP Distributions** – The following DROP benefits were presented for approval.

- P/O Christian Hemingway – Lump Sum ***
- P/O Kevin King – Lump Sum ***
- F/F Jaime Friedman – Monthly ***
- F/F Ross Kuruc – Monthly ***
- F/F Robert Ryan – Lump Sum ***
- F/F Bradley Masters – Lump Sum ***

Administrator Fisher asked the Board to add an additional DROP distribution to the agenda.

- P/O George Soubasis – Lump Sum ***

Motion by Kevin Venema, second by Carl Heim, to add the DROP distribution for P/O Soubasis to the agenda. The motion carried unanimously. Motion by Kevin Venema, second by Vicki Minnaugh, to approve the amended list of DROP distributions. The motion carried unanimously.

*** 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.

9. **Approval of Vendor Warrant #645** – Chairman Xiques presented Vendor Warrant #645 for approval. Motion by Vicki Minnaugh, second by Kevin Venema, to approve Warrant #645 in the amount of \$327,716.17. The motion carried unanimously.

Name (Pension Benefits, Services Rendered or Obligations)	Amount
Cypen & Cypen – Monthly Retainer for August 2015	\$3,250.00
Hampton Professional Center Condo #2, Ste 104 (Monthly Maintenance – Sept. 2015)	\$407.72
Twilight Industries, LLC – (Maintenance – August 2015)	\$152.00
The Press Room (Election Envelopes)	\$374.18
CRU #3093	\$2,484.00
CRU #3387	\$750.00
CRU #3396	\$500.00
CRU #3400	\$189.00
CRU #3402	\$250.00
ABS – August Copier Lease	\$245.44
Richard Ziff – August 2015 Loans	\$350.00
Wells Capital – Mgmt Fees for Q/E 6/30/15	\$45,352.85
Fiduciary Trust – Custodial Fees for Herndon Cap Q/E 6/30/15	\$2,320.00
Fiduciary Trust – Custodial Fees for Wells Cap Q/E 6/30/15	\$2,747.85
Fiduciary Trust – Custodial Fees for R&D Acct Q/E 6/30/15	\$1,250.00
Fiduciary Trust – Custodial Fees for Inverness Q/E 6/30/15	\$8,148.81
Fiduciary Trust – Custodial Fees for LMCG Q/E 6/30/15	\$2,861.11
Fiduciary Trust – Custodial Fees for LMCG Mid Cap Q/E 6/30/15	\$2,641.12
Dahab – Custodian Fees for Q/E 6/30/15	\$29,370.79
SSGA – International Mgmt Fees for Q/E 6/30/15	\$74,332.47
SSGA – Value Index Mgmt Fees for Q/E 6/30/15	\$4,926.51
SSGA – S&P Midcap Mgmt Fees for Q/E 6/30/15	\$4,450.36
Atlanta Capital – Mgmt Fees for Q/E 6/30/15	\$101,533.00
Herndon Capital – Mgmt Fees for Q/E 6/30/15	\$34,839.29
SunTrust (Fisher)	\$3,057.22
SunTrust (Maldonado)	\$610.49
FP&L	\$265.58
ProShred	\$56.38
GRAND TOTAL	\$327,716.17

10. **Approval of Member Warrant #646** – Chairman Xiques presented Member Warrant #646 for approval. Motion by Gary Arenson, second by Jack McCluskey, to approve Warrant #646 in the amount of \$136,609.18. The motion carried unanimously.

Plan Benefits:

F/F Ross Kuruc - Normal Retirement Benefit Commencing 9/1/2015	***
F/F Bradley Masters – Normal Retirement Benefit Commencing 9/1/2015	***
F/F Jaime Friedman – Normal Retirement Benefit Commencing 9/1/2015	***

DROP Withdrawals:

P/O Christian Hemingway – Lump Sum DROP Withdrawal less FIT	***
P/O Kevin King – Lump Sum DROP Withdrawal less FIT	***
F/F Jaime Friedman – Monthly DROP Withdrawal commencing 9/1/15	***
F/F Ross Kuruc – Monthly DROP Withdrawal commencing 9/1/15	***

F/F Robert Ryan – Lump Sum DROP Withdrawal less FIT	***
F/F Bradley Masters – Lump Sum DROP Withdrawal less FIT	***
P/O George Soubasis – Lump Sum DROP Withdrawal less FIT	***
U.S. Treasury – FIT – W/H (Hemingway, King, Ryan, Masters, Soubasis)	***
DROP Loans:	
P/O Britney Combs - DROP Loan Less Documentary Stamp	***
P/O Louis Sorangelo – DROP Loan Less Documentary Stamp	***
Documentary Stamp for DROP Loans:	
Florida Department of Revenue – Documentary Stamp (Combs)	***
Florida Department of Revenue – Documentary Stamp (Sorangelo)	***
TOTAL	\$136,609.18

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

NEW BUSINESS

11. **Board Attorney Representation** – Based on a memo received from Klausner Kaufman Jensen & Levinson the Board was concerned that Attorney Steve Cypen would no longer be working with the Board on a day-to-day basis. Mr. Cypen assured the Board that, despite the wording of the memo, he was still the primary contact for them going forward. There would be no change in current operations.

UNFINISHED BUSINESS

12. **Consultant Auditing** – Asst. Administrator Maldonado contacted NCPERS, FPPTA, and IFEBP in order to pursue the Board's interest in performing an independent audit of their consultant. All organizations stated that there was no standard procedure in this area and the only firms they thought were qualified to perform this service would be competing firms. After discussion, Trustee Arenson suggested the Board not go forward with auditing Dahab Associates. The Board agreed, since the Plan already has an annual audit and a few professionals besides Dahab that are watching investments and reports.
13. **Trustee Election Update** – Firefighter Trustees Cabeza and Musumeci ran uncontested so they will be serving additional two-year terms beginning 10/1/15 through 9/30/17. For the Police seats, there will be an election among five candidates who self-nominated: Officers Tim Anderson, Adam Feiner, Drew Jacobs, Jason Palant, and incumbent Al Xiques. The ballots were mailed to all active and retired police members of the Plan. Ballots are due September 9th and will be counted on the 10th to determine the winners.

10. **Reports:**

Actuary – Larry Wilson discussed SB 172 impacting the use of State monies. The bill requires the bargaining units and the Plan sponsor (the City) to agree in writing whether the current use of the monies will remain the same. If a written statement is not in place by October 1, 2015, the default concept will come into play dividing 50% of state monies for Plan sponsor use and 50% to a SHARE plan. The Pension Board is not involved in this process as it is an agreement between bargaining units and the City. However, a few trustees said they would remind their respective unions of the looming deadline out of courtesy.

Attorney – No report at this time.

Chairman – No report at this time.

Plan Administrator – Asst. Administrator presented a budget for FYE 9/30/16. Trustees had some questions on historical data. They also felt the projected increases in a number of categories were too conservative. Finally, they asked that "Miscellaneous" category be created to allow an additional buffer. Ms. Maldonado will modify and present the amended budget at the September meeting.

Ms. Maldonado also reported the status of the Informal Disability Hearing for Ms. Gulliver. Having received responses from the doctors on the amended application received in July, the hearing will likely

be scheduled during the September meeting or alternatively at the October meeting if scheduling conflicts arise.

The Asst. Administrator reminded the Board that the next FPPTA conference is scheduled for early October and that there is a State-sponsored conference during the month of November.

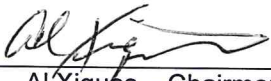
11. **Input from Retirees:** None.

21. **Input from Active Members:** None.

22. **Input from Trustees:** None.

23. **Public Comment:** None.

24. **Adjournment** – Chairman Xiques announced that the next regular meeting would be held on **Thursday, September 17 at 2:00 PM**. There being no further business to come before the Board, motion by Vicki Minnaugh, second by Gary Arenson, to adjourn the meeting at 4:15 p.m. The motion carried unanimously.



Al Xiques – Chairman



Robert Johnson – Secretary