

# 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 – MAY 21, 2015

The four hundred thirty-ninth meeting of the Firefighters and Police Officers Pension Fund in the City of Pembroke Pines was called to order at 1:03 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:** Greg McNeillie, Dahab Associates; Marc Sydnor and Derek Coffey, Herndon Capital; Mary McTague Byrom, Atlanta Capital; Larry Wilson, GRS Actuary for the Fund; James Fisher, Plan Administrator and Rachel Maldonado, Assistant Plan Administrator.

Also in attendance:

Robert Maddock, Inverness Counsel	John Rochford, Inverness Counsel
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2. **Dahab Associates** – Mr. McNeillie discussed the overall performance of the portfolio. Small cap performed the best this quarter. The slight overweight in small cap worked in the Plan's favor this time around. The market value of the Plan is \$511,443,295 at the end of March 2015.

**Gross & Net Rate Returns for Q/E 3/31/15** – Administrator Fisher presented the gross 3.09% and net 2.96% rates of return for Q/E 3/31/15, 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. McNeillie also confirmed the investment for Ceres Partners, the new agricultural manager hired. As of July 1<sup>st</sup>, 2015, Ceres Partners will be investing \$15 Million of the plan assets. Mr. McNeillie proposed taking \$9M from Inverness and \$3M each from LMCG and Atlanta Capital because they are over-allocated.

	<b>Equities</b>	<b>Equity Benchmark</b>	<b>Fixed Income</b>	<b>Fixed Inc. Benchmark</b>	<b>Trailing 12 Months</b>
Atlanta Capital	6.7%	4.3%	---	---	11.9%
Herndon	1.8%	-0.7%	---	---	2.7%
Inverness	2.7%	0.9%	1.8	1.6	13.2%*
Lee Munder Midcap	5.5%	4.0%	---	---	13.9%
Lee Munder LargeCap	3.4%	3.8%	---	---	16.9%
SSgA Midcap	5.3%	5.3%	---	---	12.2%
SSgA Int'l Equity	3.7%	3.5%	---	---	0.2%
SSgA LargeCap Value	-0.7%	-0.7%	---	---	9.4%
Wells Capital	3.7%	3.8%	---	---	13.9%

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

	<b>R.E.</b>	<b>R.E. Bench-mark</b>	<b>Trailing 12 Months</b>
Am. Realty Advisors	4.5%	3.4%	13.0%
Black Rock	3.1%	3.4%	12.4%

Intercontinental	1.2%	3.4%	N/A
TA Assoc Realty	3.5%	3.4%	14.8%
AmSouth	0.8%	1.8%	14.3%

3. **Herndon Capital** – Marc Sydnor and Derek Coffey discussed their quarterly performance with the Board. They submitted the summary that follows

During the first quarter of 2015, market participants began to digest the first round of Quantitative Easing implemented by the European Central Bank and uncertainties surrounding the outcome of Iran nuclear discussions. Falling oil prices and concerns over the Greek debt crisis added to investor worries.

- Large cap value stocks, as measured by the Russell 1000 Value, closed the first quarter of 2015 down -.72%. For the index, the top performing sectors for the quarter were Health Care (+7%), Consumer Discretionary (+4.5) and Materials (+0.5%). The weaker performing sectors were Technology (-7%), Utilities (-5%) and Energy (-4.5%).
- For the strategy, nine out of 10 sectors outperformed the respective sector and/or the overall benchmark, the Russell 1000 Value. Sector allocation was negative while stock selection was positive and was the main driver of relative outperformance for the period.
- The sectors with the greatest relative contribution for the quarter were Energy (up 3% for the quarter), Technology (flat over the quarter) and Materials (up approximately 10%). The sectors with the lowest level of relative contribution were Health Care (up 4%), Financials (down approximately 1%), and Telecom (up 5%).
- The three top positive individual stock contributors were Valero (+29%, 2.3% of the portfolio), Apple (+13%, 4.2% of the portfolio), and Newmarket (+19%, 2.5% of the portfolio). The stocks with the greatest negative contribution were Western Digital (-17%, 3.2% of the portfolio), Oil States International (-19%, 2.2% of the portfolio), and Discover Financial Services (-13%, 2.6% of the portfolio).

#### Portfolio outlook

As we look to the second quarter and the balance of the year, a few topics stick out for us. Uncertainties linger as to the definitive result of Iran nuclear negotiations, quantitative easing in the Eurozone, Chinese economic growth, when interest rates will increase and if indeed oil prices have bottomed. Our view is that uncertainty breeds opportunity. The strategy is overweight Energy, Materials, Technology and Industrials. The largest underweights are in Health Care, Financials, Utilities, and Telecom.

4. **Atlanta Capital** – Mary McTague Byrom discussed the quarterly performance. She submitted the summary that follows.

In the first quarter of the calendar year, economic growth was fairly weak. The very cold winter, a west coast port strike and the strong US dollar all contributed to the softness. Stocks were mixed during the quarter, but generally ended positive. Looking at a breakdown of the benchmark, Health Care and Technology were the best performing sectors, while Energy and Telecom were the weakest.

As of March 31, the market value of your SC portfolio was 60.3 million. The net of what you have invested with us less what you have taken out is 17.4M. The Investment Dollars you've earned since inception February 2003 is 42.9M. In percentage terms: Since inception, the portfolio has earned 15.2 % annualized. That is about 3% ahead of your benchmark, annualized. Your portfolio had a solid March quarter, returning 6.7% (vs. 4.3%). Positive stock selection was the key to the outperformance.

The equity bull market celebrated its sixth anniversary in March 2015. With the strength we have seen in small cap stocks, many stocks are fully valued and volatility is likely to increase. Our process remains focused on finding high quality businesses with consistent and growing earnings, strong cash flows and disciplined management teams. We believe these type of businesses will continue to perform well in rising markets while providing downside protection in declining markets.

After Atlanta Capital's presentation, the Board discussed the funding for Ceres Partners, the new



agricultural manager. Motion by Gary Arenson, second by Jack McCluskey, to fund \$15 million dollar to Ceres partners effective July 1, 2015 pulling the pre-determined amounts from Inverness, LMCG, and Atlanta Cap. The motion carried unanimously.

**The Board recessed at 2:05 p.m. and reconvened at 2:10 p.m.**

5. **Approval of Minutes for April 16, 2015** – Chairman Xiques presented minutes from the April 16, 2015 meeting for approval. Motion by Jack McCluskey, second by Vicki Minnaugh, to approve the minutes. The motion carried unanimously

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

- P/O Glen Parker – Lump Sum \*\*\*
- P/O Humberto Chirino – Lump Sum \*\*\*
- P/O Michael Covino – Lump Sum \*\*\*
- P/O Joseph Covino – Lump Sum \*\*\*
- F/F Craig Plucinski – Lump Sum \*\*\*
- F/F James Sammarco – Lump Sum \*\*\*
- F/F William Baker – Monthly \*\*\*

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

- F/F Laurie Barnes-Zargo – Lump Sum Rollover\*\*\*

Motion by Gary Arenson, second by Vicki Minnaugh, to add the DROP distribution for F/F Barnes-Zargo to the agenda. The motion carried unanimously. Motion by Gary Arenson, 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.

7. **Request for DROP Loan(s)** – The following DROP Loans were presented for Board consideration:

- P/O Humberto Chirino \*\*\*
- P/O Steve Wetterer \*\*\*

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

Motion by Carl Heim, second by Kevin Venema, to approve the DROP Loans as presented. The motion carried unanimously.

13. **Approval of Vendor Warrant #632** – Chairman Xiques presented Vendor Warrant #632 for approval. Motion by Vicki Minnaugh, second by Jack McCluskey, to approve Warrant #632 in the amount of \$362,949.16. The motion carried unanimously. Gary Arenson abstained from the vote due to a voting conflict.

<b>Name (Pension Benefits, Services Rendered or Obligations)</b>	<b>Amount</b>
Cypen & Cypen – Monthly Retainer for May 2015	\$3,250.00
Hampton Professional Center Condo #2, Ste 104 (Monthly Maintenance – June 2015)	\$407.72
Twilight Industries, LLC – (Maintenance – May 2015)	\$152.00
Joan Wall – Svces 2/11/15 through 5/18/15	\$1,855.82
ABS – Copier Lease May 2015	\$234.69
Pitney Bowes – Postage	\$402.50
Dahab Associates – Consulting Fees for Q/E 3/31/15	\$29,287.04

SunTrust (James Fisher)	\$2,794.11
SunTrust (Rachel Maldonado)	\$1,833.43
Holland & Knight – Inv. # 3179282	\$1,100.00
Fiduciary Custody Fees for LMCG Q/E 3/31/15	\$2,914.27
Fiduciary Custody Fees for Herndon Q/E 3/31/15	\$2,349.79
Fiduciary Custody Fees for Wells Capital Q/E 3/31/15	\$2,753.84
Fiduciary Custody Fees for R&D Q/E 3/31/15	\$1,250.00
Fiduciary Custody Fees for Inverness Q/E 3/31/15	\$8,884.44
Fiduciary Custody Fees for LMCG Q/E 3/31/15	\$2,859.46
CRU #3247	\$552.00
CRU #3237	\$178.00
Wells Fargo - Mgmt Fees Q/E 3/31/15	\$45,458.19
SSGA – Mgmt Fees Value Index Q/E 3/31/15	\$4,843.36
SSGA – Mgmt Fees International Q/E 3/31/15	\$71,073.14
SSGA – Mgmt Fees Midcap Index Q/E 3/31/15	\$4,373.82
Atlanta Cap- Mgmt Fees for Q/E 3/31/15	\$105,559.00
GRS – February 2015	\$11,980.00
GRS – March 2015	\$17,998.00
Herndon Capital- Mgmt Fees for Q/E 3/31/15	\$35,283.62
Gary Arenson – Conference Reimbursement	\$2,848.00
ABS – April 2015 Lease	\$234.69
FP&L (3/27 – 4/28/15)	\$183.23
ProShred	\$55.00
<b>GRAND TOTAL</b>	<b>\$362,949.16</b>

14. **Approval of Member Warrant #633** – Chairman Xiques presented Member Warrant #633 for approval. Motion by Kevin Venema, second by Vicki Minnaugh, to approve Warrant #633 in the amount of **\$180,935.00**. The motion carried unanimously.

<b>DROP Withdrawals:</b>	
P/O Glen Parker – Lump Sum DROP Withdrawal less FIT	***
P/O Humberto Chirino – Lump Sum DROP Withdrawal less FIT	***
P/O Michael Scopa – Lump Sum DROP Withdrawal less FIT	***
P/O Joseph Covino– Lump Sum DROP Withdrawal less FIT	***
F/F Craig Plucinski– Lump Sum DROP Withdrawal less FIT	***
F/F James Sammarco – Lump Sum DROP Withdrawal less FIT	***
F/F William Baker – Monthly DROP Withdrawal commencing 6/1/15	***
F/F Laurie Barnes-Zargo – Rollover Lump Sum	***
U.S. Treasury – FIT – W/H (Parker, Chirino, Scopa, Covino, Plucinski, Sammarco)	***
<b>DROP Loans:</b>	
P/O Humberto Chirino – DROP Loan Less Documentary Stamp	***
P/O Steve Wetterer – DROP Loan Less Documentary Stamp	***
<b>Documentary Stamp for DROP Loans:</b>	
Florida Department of Revenue – Documentary Stamp (Chirino)	***
Florida Department of Revenue – Documentary Stamp (Wetterer)	***
<b>TOTAL</b>	<b>\$180,935.00</b>

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

#### NEW BUSINESS

None.

#### UNFINISHED BUSINESS

None.



10. **Reports:**

**Plan Administrator** – The Board discussed the scheduling of Ms. Gulliver's disability hearing. The continuation of Ms. Gulliver's informal disability hearing was scheduled for June 8<sup>th</sup> at 1:30 PM, pending attorney schedules and receipt of documents from the doctors.

Trustee McCluskey asked for an update from the City on the Pension Workshop.

**Chairman** – No report at this time.

**Attorney** – Mr. Cypen was not present at this meeting. No report at this time.

**Actuary** – Larry Wilson informed the Board that it is due for an experience study. Many things are evaluated in the study, including the Plan's rate of return. If the Board authorizes the study, Mr. Wilson promised its completion by the 60<sup>th</sup> day of the approval. Motion by Carl Heim, second by Vicki Minnaugh, to approve the necessary work for the experience study, with expected completion within 60 days. The motion carried unanimously.

11. **Input from Retirees:** Retired P/O John Sammarco sent information to the Plan Administrator regarding his 72(t) tax penalty. Mr. Fisher shared with the Board the fact that the City has decided not to reimburse rehired retirees for penalties incurred under 72(t). They have asked the members to resolve it on their own terms. Mr. Sammarco cited Pension Fund meeting minutes from September 2014 where City representation declared they would assist rehired retirees who incurred penalties. Trustee McCluskey suggested that Mr. Sammarco draft a letter and send it to the City Manager, the Commissioners, and the Board detailing his situation.

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

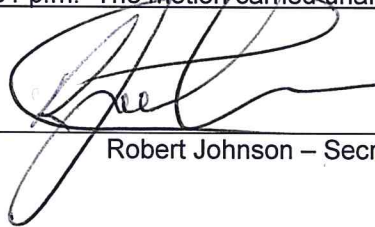
22. **Input from Trustees:** None.

23. **Public Comment:** None.

24. **Adjournment** – Chairman Xiques announced that the next regular meeting would be held on **Thursday, June 18 at 2:00 PM**. There being no further business to come before the Board, motion by Carl Heim, second by Vicki Minnaugh, to adjourn the meeting at 2:51 p.m. The motion carried unanimously.



Al Xiques – Chairman



Robert Johnson – Secretary