

# 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 18, 2017

The four hundred sixty-fourth meeting of the Firefighters and Police Officers Pension Fund in the City of Pembroke Pines was called to order at 1:08 PM by Chairman Timothy Anderson.

<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 John Kearney	Timothy Anderson Adam Feiner Sean Wollard	Gary Arenson Jack McCluskey Vicki Minnaugh

**Others Present:** Greg McNeillie, Dahab Associates; Richelle Hayes, American Realty; Cindy Griffin & Elena Khoziaeva, Bridgeway Capital; Mary Byrom and Michale Jaje, Atlanta Capital; Michael Haley, SSGA; Larry Wilson; Plan Actuary; Paul Daragjati, Board Attorney; James Fisher, Plan Administrator and Rachel Maldonado, Asst. Plan Administrator.

Motion by Adam Cabeza, second by Gary Arenson, to excuse Mr. Johnson's absence from the meeting. The motion carried unanimously.

Also in attendance:

Robert Maddock, Inverness Counsel	John Rochford, Inverness Counsel
Frank Musumeci, Retired Pines Fire	

- 2. American Realty** – Richelle Hayes discussed her performance for the quarter ending 3/31/17. No summary was submitted for the minutes.
- 3. Bridgeway** – Cindy Griffin and Elena Khoziaeva presented their performance for the quarter ending 3/31/17. The summary they submitted can be found below.

Cindy Griffin, Bridgeway's relationship manager for the Fund, thanked the trustees for having them back after the finals in October 2016. Bridgeway has grown to \$8.4 billion and part of that growth has been the Pembroke Pines Firefighters and Police Officers Pension Fund. In the past few months, Bridgeway added a member to the marketing and client service team, a native Floridian with deep roots in Florida. In addition, Bridgeway is looking to add another member to the investment management team. All else is stable including the investment management team, which has had no role changes or departures.

Elena Khoziaeva, Bridgeway's portfolio manager, provided a quick refresher on Bridgeway's investment philosophy and process. Elena reviewed Bridgeway's differentiator in the Large-Cap Value strategy – that the firm combines strong factor exposure with diversification to achieve results. The investment process focuses on three model categories – Value Metrics (70%), Company Financial Health (25%), and Price Momentum (5%) – and a stock only has to meet the criteria of one model in order to make it into the portfolio. The account's performance was presented along with the average returns for each of the model categories. The period of performance presented was January 9, 2017 (the account performance start date) to April 30, 2017. During this short time period, the account underperformed the Russell 1000 Value Index. The account's small but distinct allocation to models that focus on value stocks exhibiting price momentum (the Price Momentum category) was the primary reason for underperformance. The Value Metrics model category slightly underperformed relative to the Russell 1000 Value Index, but was offset by the diversifying Company Financial Health model category. The portfolio is positioned as designed and portfolio characteristics are in line with expectations: deeper value characteristics as measured by multiple price ratios, smaller weighted average market cap, and relatively sector neutral (no relative sector weightings greater than +/- 10%).



4. **Atlanta Capital** – Mary Byrom and Michael Jaje discussed their performance for the quarter ending 3/31/17. The summary they submitted is below.

There have been no meaningful changes at Atlanta Capital. As of quarter-end, the firm manages over \$18 billion in assets. The Small Cap strategy which Pembroke Pines utilizes currently has approximately \$2 billion in assets under management and continues to remain closed to new investors.

We review the Fund's performance on both a trailing and calendar year basis. Trailing 3, 5, 7, 10, and Since inception returns are all well above the benchmark. The trailing 1 year return, while positive, did lag the benchmark for the period. The majority of our relative underperformance during this period occurred during the two months of July and November of 2016. July and November were both strong absolute return months where, lower quality names significantly outperformed. While we are never pleased with a period of relative underperformance, we do think that our returns are in keeping with our style bias to high quality. So far in 2017, we have seen a significant amount of this lower quality rally reverse, to the benefit of our performance. In reviewing the calendar year returns, we highlight our historic ability to participate in rising markets and to outperform in declining markets.

We present an overview of the portfolio holdings, highlighting two names that have recently received offers to be acquired for meaningful premiums. Other than those transactions, there has been limited trading activity in the portfolio, which is in keeping with our low turnover investment process.

We review the current characteristics of the portfolio, highlighting our number of holdings, as well as sector over and under weights. We remain fully invested.

We briefly review our investment process and highlight what we believe is our expected return profile. In rising markets, we expect that our high quality portfolio will perform well and participate in market gains. In falling or more volatile markets, we expect our portfolio of high quality holdings will outperform the benchmark. Across a full market cycle, we expect the combination of participating in rising markets and protecting in down markets will allow us to outperform our benchmark with lower market risk and volatility.

5. **SSGA** – Michael Haley discussed the performance for the quarter ending 3/31/17. Below is his summary.

- SSGA manages 4 strategies for Pembroke Pines, 3 passive (Large Cap Value, Large Cap Growth, and Mid Cap) and 1 active, (All International Allocation, or AIA). Total AUM that SSGA manages across all 4 strategies is \$122.9 million.
- All of our passive strategies are tracking very tightly to their respective benchmark indices for all time periods reported.
- The AIA strategy outperformed its benchmark index for the quarter ended March 31, 2017 by 26 basis points, 8.12% vs. 7.86%. For the trailing 12 months, 3 years, and 5 years, AIA outperformed the benchmark index on an annualized basis by 174, 143, and 150 basis points, respectively.
- Each of AIA's four underlying strategies (International Developed, Emerging Markets, International Developed (Canada), and International Equity Small Cap), each outperformed their respective benchmark indices for the trailing 12 months and 5 year periods ended March 31, 2017.
- SSGA presently is overweight both international developed equities and emerging market equities in client portfolios where we are able to express tactical bets. We expect that these markets are likely to outperform US equity markets at least in the near future.

6. **Dahab Associates** – Greg McNeillie of Dahab Associates discussed the overall performance of the portfolio. As of March 31, 2017, the Fund earned 3.62% for the quarter and was valued at \$564,385,886, representing an increase of \$16,402,602 from the previous quarter.

**Gross & Net Rate Returns for Q/E 3/31/17** – The Board reviewed the gross and net of fees rates of return for Q/E 12/31/16, as submitted by Dahab Consulting. Motion Vicki Minnaugh, second by Adam Cabeza to approve the gross 3.62% and net 3.49% rates of returns for the quarter ending 3/31/17. The motion carried unanimously.

	Equities	Equity Benchmark	Fixed Income	Fixed Inc. Benchmark	Trailing 12 Months
Atlanta Capital	1.7%	2.5%	---	---	16.4%
Bridgeway Capital	---	---	---	---	---
Inverness	5.6%	6.1%	0.5%	0.9%	14.2%*
Lee Munder Midcap	6.4%	5.1%	---	---	20.2%
Lee Munder LargeCap	9.3%	8.9%	---	---	9.0%
SSgA Midcap Core	3.9%	3.9%	---	---	20.9%
SSgA Int'l Equity	8.1%	7.9%	---	---	14.9%
SSgA LargeCap Value	3.3%	3.3%	---	---	19.2%
SSgA LargeCap Growth	8.9%	8.9%	---	---	---

\*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	2.3%	1.8%	6.7%
Black Rock	2.0%	1.8%	10.5%
Intercontinental	1.7%	1.8%	13.8%
TA Assoc Realty	1.1%	1.8%	4.2%
Ceres	1.3%	0.5%	5.3%
AmSouth	0.9%	0.8%	1.1%
Molpus Fund IV	0.9%	0.8%	5.5%

Based on discussion about the need to rebalance, motion by Gary Arenson, second by Adam Cabeza, to move \$7.3 million from Inverness Equity to SSGA International in order to rebalance the portfolio to policy. The motion carried unanimously.

Regarding bond performance due to allocation limitations as outlined in City Ordinance, motion by Adam Cabeza, second by Jack McCluskey, to adopt the management structure as proposed by Dahab Associates with a change in domestic bond investments. The motion carried unanimously.

7. **Approval of Minutes for April 20, 2017** – Chairman Anderson presented the minutes from the previous meeting held on April 20, 2017. Motion by Vicki Minnaugh, second by Jack McCluskey, to approve the minutes as presented. The motion carried unanimously.

8. **Approval of DROP/Retirement Benefits** – The following benefits were presented for approval.

- F/F Hector Galera, Normal Form, effective 12/5/16

Motion by Jack McCluskey, second by Vicki Minnaugh, to approve the amended list of DROP benefits. The motion carried unanimously.

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

- P/O James Fisher – Lump Sum
- P/O Joseph Covino – Lump Sum
- P/O William Bucknam – Lump Sum
- F/F Glen Gibbons – Lump Sum
- F/F Thomas Kelly – Lump Sum
- F/F Rodney Spreitzer – Lump Sum
- F/F Johnny Mullin – Lump Sum
- F/F Richard Moravec – Lump Sum



Motion by Vicki Minnaugh, second by Adam Feiner, to approve the list of DROP distributions. The motion carried unanimously.

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.

**10. Request for DROP Loan(s)** – Chairman Anderson presented the following DROP loan for approval.

- F/F Michael Sica

Administrator Fisher noted that an additional loan needed to be added to the agenda. Motion by Jack McCluskey, second by Adam Feiner to add the additional loan. The motion carried unanimously.

- F/F Stephen Sumby

Motion by Jack McCluskey, second by Gary Arenson, to approve the amended list of DROP loans. The motion carried unanimously.

**11. Refund of Contribution(s)** – Administrator Fisher notified the Board that the requests for refund of contributions for F/F Spencer Ginn and P/O Michael Brooks were withdrawn at this time.

**12. Ratify Special Warrants #721** – The following special warrant was presented for ratification. Motion by Jack McCluskey, second by Vicki Minnaugh, to ratify the warrant as presented. The motion carried unanimously.

<b>Name (Pension Benefits, Services Rendered or Obligations)</b>	<b>Amount</b>
<b>DROP Distributions:</b>	
P/O James Fisher – Lump Sum Withdrawal less FIT	***
U.S. Treasury – FIT – W/H (Fisher)	***
<b>TOTAL</b>	<b>***</b>

**13. Approval of Vendor Warrant #722**– Chairman Anderson presented Vendor Warrant #722 for approval. Motion by Vicki Minnaugh, second by Gary Arenson, to approve Warrant #722 in the amount of \$175,775.46. The motion carried unanimously.

<b>Name (Pension Benefits, Services Rendered or Obligations)</b>	<b>Amount</b>
Klausner, Kaufman, Jensen & Levinson – Monthly Retainer for May 2017	\$3,250.00
Hampton Professional Center Condo #2, Ste 104 (Monthly Maintenance – June 2017)	\$407.72
Twilight Industries, LLC – (Maintenance – May 2017)	\$152.00
Fiduciary Trust – Custodial Fee for R&D Acct, Q/E 12/31/16	\$1,250.00
Fiduciary Trust – Custodial Fee for Inverness, Q/E 12/31/16	\$8,486.06
Fiduciary Trust – Custodial Fee for LMCG, Q/E 12/31/16	\$2,900.57
Fiduciary Trust – Custodial Fee for LMCG Midcap, Q/E 3/31/17	\$2,939.46
Fiduciary Trust – Custodial Fee for LMCG Midcap, Q/E 12/31/16	\$2,765.92
Fiduciary Trust – Custodial Fee for LMCG Midcap, Q/E 6/30/16	\$2,570.30
SunTrust 8870	\$646.27
SunTrust 8961	\$2,643.05
SSGA – Mgmt Fee for Midcap, Q/E 3/31/17	\$5,197.40
SSGA – Mgmt Fee for International, Q/E 3/31/17	\$74,188.34
SSGA – Mgmt Fee for Value Index, Q/E 3/31/17	\$5,703.37
SSGA – Mgmt Fee for Growth Index, Q/E 3/31/17	\$3,703.27
GRS Nov 2016	\$18,264.00
GRS Dec 2016	\$18,968.00
GRS Jan 2017	\$18,482.00
H&K, Inv. #5498794	\$717.50
CRU Inv. #4470	\$402.75
Sean Wollard – Refund: Balance Due from IFEBP Conf.	\$118.77
Pitney Bowes – Past Due Leasing Charges	\$312.03

FP&L	\$119.49
ABS Copier	\$245.35
Verizon – Tablet Service	\$90.72
Birch Communications	\$642.85
Comcast Business	\$461.46
Pitney Bowes – Leasing 1/20 – 4/19/17	\$33.00
Pitney Bowes – Leasing 4/20 – 7/19/17	\$33.00
Rachel Maldonado – Mileage Reimbursement 1/17 through 5/17	\$80.81
<b>TOTAL</b>	<b>\$175,775.46</b>

14. **Approval of Member Warrant #723**– Chairman Anderson presented Member Warrant #723 for approval. Motion by Vicki Minnaugh, second by Jack McCluskey, to approve Warrant #723 in the amount of **\$439,050.00**. The motion carried unanimously.

<b>Name (Pension Benefits, Services Rendered or Obligations)</b>	<b>Amount</b>
<b>DROP Distributions:</b>	
P/O Joseph Covino – Lump Sum Withdrawal less FIT	***
P/O William Bucknam – Lump Sum Withdrawal less FIT	***
F/F Glen Gibbons – Lump Sum Withdrawal less FIT	***
F/F Thomas Kelly – Lump Sum Withdrawal less FIT	***
F/F Rodney Spreitzer – Lump Sum Withdrawal less FIT	***
F/F Johnny Mullin – Lump Sum Withdrawal less FIT	***
F/F Richard Moravec – Lump Sum Withdrawal less FIT	***
P/O Richard LeBoeuf– Lump Sum Withdrawal less FIT	***
P/O Michael Pazienza – Lump Sum Withdrawal less FIT	***
U.S. Treasury – FIT – W/H (Covino, Bucknam, Gibbons, Kelly, Spreitzer, Mullin, Moravec, LeBoeuf)	***
<b>DROP Loans:</b>	
F/F Michael Sica - DROP Loan Less Documentary Stamp	***
F/F Steven Sumby – DROP Loan Less Documentary Stamp	***
<b>Documentary Stamp for DROP Loans:</b>	
Florida Department of Revenue – Documentary Stamp (Sica)	***
Florida Department of Revenue – Documentary Stamp (Sumby)	***
<b>TOTAL</b>	<b>\$439,050.00</b>

### **NEW BUSINESS**

None.

### 15. **Reports:**

**Actuary** – Actuary Larry Wilson reminded the Board of various projects in process


**Attorney** – Attorney Paul Daragjati informed the Board of decision on Case No.: 11-003579 - Kenneth Fritz vs. The City of Pembroke Pines, The Board of Trustees of the City Pension Fund for Firefighters and Police Officers in the City of Pembroke Pines, and Gabriel, Roeder, Smith & Company. Mr. Daragjati agrees with the recommendation by the attorneys representing the Board that the Board should appeal the latest decision. Motion by Adam Cabeza, second by Adam Feiner, to appeal the latest judgment regarding Mr. Fritz's suit. The motion carried unanimously.

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

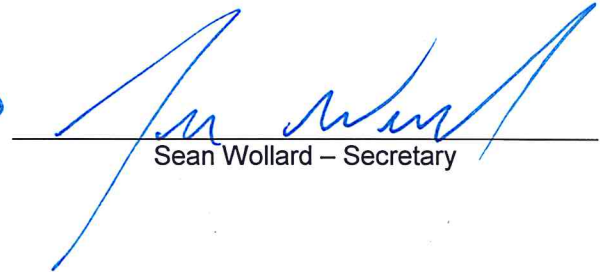
**Plan Administrator** – No report at this time.

### UNFINISHED BUSINESS

16. **RFP for Legal Services:** Administrator Fisher confirmed the Board's desire to interview the three candidates at the June meeting. The meeting date was changed to June 29, 2017 to accommodate trustee attendance.
17. **Input from Retirees:** None.
18. **Input from Active Members:** None.
19. **Input from Trustees:** None.
20. **Public Comment:** None.
21. **Adjournment** – Chairman Anderson announced that the next regular meeting would be held on **Thursday, June 29, 2017 at 1:00 PM.** There being no further business, motion by Vicki Minnaugh, second by Gary Arenson to adjourn the meeting at 4:35 PM. The motion carried unanimously.



Timothy Anderson – Chairman



Sean Wollard – Secretary