

# 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 NOVEMBER 17, 2016

The four hundred fifty-eighth meeting of the Firefighters and Police Officers Pension Fund in the City of Pembroke Pines was called to order at 1:10 PM by Chairman Timothy Anderson.

1.	<b><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 Robert Johnson John Kearney	Timothy Anderson Sean Wollard	Gary Arenson Jack McCluskey Vicki Minnaugh

**Others Present:** Greg McNeillie and Angela Hall, Dahab Associates; Barbara Keady, Ceres Partners; James Bates, Regions AmSouth; Adam Levinson, Board Attorney; James Fisher, Plan Administrator and Rachel Maldonado, Asst. Plan Administrator.

Motion by Vicki Minnaugh, second by Rob Johnson, to excuse Mr. Feiner's absence from the meeting. The motion carried unanimously.

Also in attendance:

Robert Maddock, Inverness Counsel	John Rochford, Inverness Counsel
Adrian Sancho, Inverness Counsel	Frank Musumeci, Retired Pines Fire
Robert Torron, Pines Fire	John Martinelli, Pines Fire

2. **Ceres** – Barbara Keady of Ceres Farms discussed the 9/30/16 performance. She submitted the summary below.

Good Afternoon, I am Barbara Keady Director of New Business Development for Ceres Partners. We manage your farmland investment. Pembroke Pines Police and Fire made an initial investment of \$15M into Ceres Farms on July 1, 2015. The capital account as of October 31, 2016 stood at \$15,533,755.28 which represents a 3.57% return net of fees. During this time frame, Ceres has added over 16,000 acres of US Rowcrop farmland and expanded our geographic footprint to 10 states.

We remain in the tough part of the cycle- but the sky is not falling! We are coming off 3 years in a row of record crop harvests and no adverse weather events which has reduces corn prices to the sub \$4 level. The central long term thesis of this investment has not changed- the rise of the middle class in the emerging markets will continue to drive demand for grains. Until grain prices recover in the next 12-18 months, we anticipate the fund's returns will be derived largely from income.

Outlook Ahead: Farmland valuations are down across the regions in which we operate. Our existing farms have seen appraisals down between 1-3% from the prior year. The fund has been adding acreage opportunistically- buying farmland at attractive valuations that will be the drivers of return once commodity prices stabilize. In addition, we have renegotiated our term leases adding a flex component to the base rent to take advantage of any rise in grain prices over the term of said lease.

We remain disciplined underwriters and continue to target a 5% return across the portfolio. As inflation rears its head, Real Assets are where you want to be invested. Active Management remains critical to the success of Ceres and will be reflective in our performance. We look forward to continuing to work on your behalf.

3. **Inverness** – This agenda item was designated for Regions Am South, however they were not in the audience in time for their presentation. Inverness Counsel was not scheduled to present. However, due to their voluntary attendance and the gap in the agenda, they were invited to present their 9/30/16 performance to the Board. The following is the summary presented by Robert Maddock and John Rochford.

**Equity:**

Historic low rates around the world have driven traditional fixed income investors into the U.S. Equity market in search of yield. We shared a chart which shows that the higher yielding U.S. equities had reached a high level at the beginning of 2016 and then subsequently reached historically high levels by June before coming back down during the third quarter. This resulted in many traditional value names that we ordinarily would use being overpriced at the beginning of the year only to become even more overpriced by midyear. As we did not participate in those names we missed out in their performance on the upside in the first half of the year and on the downside during the third calendar quarter. We expect those higher yielders to continue to decline as rates rise. We note that our five year performance as of 9/30/2016 is now back in line with that of the S&P 500 16.4% and our 10 year performance 7.56% exceeds that of the S&P 500 (7.23%).

**Fixed Income:**

Interest rates have risen from 1.80% to 2.35% post presidential election. This increase in rates signals the markets concerns about increased fiscal spending that will eventually generate growth and inflation. The fixed income portfolio allocation to Treasuries has increased as corporate bond spreads have tightened. The reduction to corporate bonds also decreases the credit risk of the portfolio. We expect the increase in rates along with a stronger US Dollar, higher mortgage rates and a Fed rate hike will slow the economy in 2017. The economic slowdown we expect in 2017 will create an opportunity to sell longer maturing bonds to further reduce bond risk.

4. **Regions AmSouth** – This agenda item was designated for Molpus, however they were no representatives at the meeting. Regions AmSouth arrived and was able to give their scheduled presentation after Inverness Counsel. The following summary was presented by James Bates.

As of 10/31/2016, AmSouth Timber Company TE, LLC owns approximately 31,478 acres located in 4 Southern states. The Alexander Plantation tracts, located in Alabama and Mississippi, represent approximately 27,441 acres, the Valley Lease tracts, located in Alabama, represent approximately 2,316 acres, and the Carolina TE tracts, located in North and South Carolina, represent approximately 1,721 acres. Pembroke Pines has a 9.01% ownership in the Fund. 2016 YTD the Fund has produced a 1.06% total return (net of all fees and expenses) and has produced a 4% cash yield. As of 9/30/16 (unaudited), Pembroke Pine's estimated FMV = \$5,324,843 compared to the original \$5,000,000 invested. Since inception (June 2006), the Fund has produced a 5.2% IRR and a total cash yield of 36.6%. On October 31, 2016, Fund Management announced a 2-year extension to the term of the Fund.

5. **Dahab Associates** – Greg McNeillie of Dahab Associates discussed the overall performance of the portfolio. He also introduced Angela Hall, a Dahab consultant from the Austin, TX office. On September 30, 2016, the Fund was up 3.2% from the last quarter and was valued at \$535,638,205, representing an increase of \$17,529,663. For the fiscal year ending 9/30/16, the Plan closed with a portfolio return of 9.7% beating the fund's annual assumption rate.

**Gross & Net Rate Returns for Q/E 9/30/16** – The Board reviewed the gross and net of fees rates of return for Q/E 9/30/16, as submitted by Dahab Consulting. Motion Vicki Minnaugh, second by Jack McCluskey to approve the gross 3.25% and net rates 3.1% of returns for the quarter ending 9/30/16. The motion carried unanimously.

	Equities	Equity Benchmark	Fixed Income	Fixed Inc. Benchmark	Trailing 12 Months
Atlanta Capital	2.5%	9.0%	---	---	16.2%
Herndon	5.4%	3.5%	---	---	6.7%

Inverness	4.9%	3.9%	0.2%	0.3%	10.8%*
Lee Munder Midcap	4.3%	4.5%	---	---	12.2%
Lee Munder LargeCap	5.3%	4.6%	---	---	9.2%
SSgA Midcap	4.1%	4.1%	---	---	15.3%
SSgA Int'l Equity	7.6%	6.9%	---	---	7.7%
SSgA LargeCap Value	3.5%	3.5%	---	---	16.2%
Wells Capital	5.7%	4.6%	---	---	7.3%

\*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	1.8%	2.1%	10.6%
Black Rock	3.0%	2.1%	13.4%
Intercontinental	3.9%	2.1%	13.1%
TA Assoc Realty	3.1%	2.1%	8.7%
Ceres	0.7%	1.4%	4.1%
AmSouth	0.3%	0.7%	6.8%
Molpus Fund IV	0.4%	0.7%	(0.9)%

The Board reviewed the correspondence sent by Marco Consulting, stating Segal Advisors acquired Marco and requiring the Board to sign a confirmation letter regarding the transition. Marco Consulting provided proxy voting services to the Board. The Board discussed amongst themselves and with the managers in the audience who stated they would prefer to do their own proxy voting. The Board decided to terminate services with Marco Consulting. Motion by Vicki Minnaugh, second by Adam Cabeza, to return the responsibility of proxy voting back to the individual managers and cease its relationship with Marco Consulting. The motion carried unanimously.

6. **Approval of Minutes for October 20, 2016** – Chairman Anderson presented the minutes from the previous meeting held on October 20, 2016. Motion by Vicki Minnaugh, second by Jack McCluskey, to approve the minutes as presented. The motion carried unanimously.

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

- F/F Vincent Scardino, Joint & 75% Contingent, effective 7/1/16
- F/F George Blanco, Normal Form, effective 11/1/16

Asst. Administrator Maldonado requested the Board add the disability retirement benefit for F/F Damian Phang to the agenda.

- F/F Damian Phang, Normal Form, effective 10/20/16

Motion by Adam Cabeza, second by Vicki Minnaugh, to add the additional benefit for approval. Motion by Vicki Minnaugh, second by Jack Minnaugh, to approve the amended list of DROP benefits. The motion carried unanimously.

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

- F/F Laurie Barnes-Zargo – Rollover Lump Sum \*\*\*
- F/F Jaime Friedman – Lump Sum \*\*\*
- F/F David Saxon – Lump Sum \*\*\*
- P/O Nick Naples – Lump Sum \*\*\*
- P/O Kim Diaz – Lump Sum \*\*\*
- P/O Joseph Covino – Lump Sum \*\*\*

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

- P/O Craig Rupp – Monthly \*\*\*
- P/O Thomas Sadagursky – Lump Sum \*\*\*

Motion by Jack McCluskey, second by Vicki Minnaugh, to add the additional DROP distributions to the agenda. The motion carried unanimously. Motion by Vicki Minnaugh, second by Rob Johnson, 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. **Request for DROP Loan(s)** – Chairman Anderson presented the following DROP loan for approval.

- F/F Laurence Shahboz – \*\*\*

Motion by Adam Cabeza, second by Jack McCluskey, to approve the Mr. Shahboz's DROP request. The motion carried unanimously.

10. **Approval of Vendor Warrant #698** – Chairman Anderson presented Vendor Warrant #698 for approval. Motion by Vicki Minnaugh, second by Jack McCluskey, to approve Warrant #698 in the amount of \$316,392.98. The motion carried unanimously.

<b>Name (Pension Benefits, Services Rendered or Obligations)</b>	<b>Amount</b>
Cypen & Cypen – Monthly Retainer for November 2016	\$3,250.00
Hampton Professional Center Condo #2, Ste 104 (Monthly Maintenance – Dec. 2016)	\$407.72
Twilight Industries, LLC – (Maintenance – November 2016)	\$152.00
ABS Copier Lease – 10/15 thru 11/14/16	\$245.35
CRU #4174	\$138.00
CRU #4176	\$247.00
CRU #4161	\$315.95
CRU #4170	\$483.00
SunTrust – Acct. Ending 8987	\$642.18
SunTrust – Acct. Ending 8961	\$933.93
SunTrust – Acct. Ending 8870	\$2,635.46
Dahab – Consulting Fees for Q/E 9/30/16	\$30,070.25
Fiduciary – Custodial Fees for R&D Q/E 6/30/16	\$1,250.00
Fiduciary – Custodial Fees for Inverness Q/E 6/30/16	\$7,828.57
Fiduciary – Custodial Fees for Lee Munder Q/E 6/30/16	\$2,770.55
Fiduciary – Custodial Fees for Herndon Q/E 6/30/16	\$2,064.30
Wells Capital – Mgmt Fees for Q/E 9/30/16	\$45,319.32
Wells Capital – Mgmt Fees for Q/E 12/31/16	\$12,091.41
Steven Bornstein – November 2016 Loans	\$200.00
ProShred – Oct. Service Date	\$56.38
GRS – January 2016	\$17,142.00
Broward County, Pines Fire Protect Assmt	\$611.68
Atlanta Capital – Mgmt Fees for Q/E 9/30/16	\$108,376.00
SSGA – Mgmt Fees for Value Index Q/E 9/30/16	\$5,196.62
SSGA – Mgmt Fees for Midcap Index Q/E 9/30/16	\$4,696.07
SSGA – Mgmt Fees for International Q/E 9/30/16	\$69,018.21
FP&L	\$160.31
Verizon – Tablet Fees	\$90.72
<b>TOTAL</b>	<b>\$316,392.98</b>

11. **Approval of Member Warrant #699** – Chairman Anderson presented Member Warrant #699 for approval. Motion by Rob Johnson, second by Vicki Minnaugh, to approve Warrant #699 in the amount of \$204,982.89. The motion carried unanimously.

Name (Pension Benefits, Services Rendered or Obligations)	Amount
<b>Retirement Benefit:</b>	
F/F Damian Phang – <u>11/1/16</u> One-Time Benefit [October Pro-Rated Benefit, *** + November Benefit, *** – ESI Payment Owed to Pension Fund, ***]	***
F/F Damian Phang – Disability Retirement Commencing 12/1/16	***
<b>DROP Distributions:</b>	
F/F Laurie Barnes-Zargo – Rollover Lump Sum Withdrawal	***
F/F Jaime Friedman – Lump Sum Withdrawal less FIT	***
F/F David Saxon – Lump Sum Withdrawal less FIT	***
P/O Nick Naples – Lump Sum Withdrawal less FIT	***
P/O Kim Diaz – Lump Sum Withdrawal less FIT	***
P/O Joseph Covino – Lump Sum Withdrawal less FIT	***
P/O Craig Rupp – Monthly Withdrawal commencing 12/1/16	***
P/O Thomas Sadagursky – Lump Sum Withdrawal less FIT \$2,100.00	***
U.S. Treasury – FIT – W/H (Friedman, Saxon, Naples, Diaz, Covino, Sadagursky)	***
<b>DROP Loans:</b>	
F/F Laurence Shahboz - DROP Loan Less Documentary Stamp	***
<b>Documentary Stamp for DROP Loans:</b>	
Florida Department of Revenue – Documentary Stamp (Shahboz)	***
<b>TOTAL</b>	<b>\$204,982.89</b>

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

Two additional warrants needed to be reviewed and approved. Motion by Vicki Minnaugh, second by Jack McCluskey, to add warrants #700 and #701 for review and approval. The motion carried unanimously.

Motion by Vicki Minnaugh, second by Jack McCluskey, to approved Warrant #701 in the amount of \$270.92. The motion carried unanimously. Adam Cabeza abstained from the vote due to a voting conflict.

Name (Pension Benefits, Services Rendered or Obligations)	Amount
<b>Conference Reimbursement:</b>	
Adam Cabeza – NCPERS Conference Reimbursement	\$270.92
<b>TOTAL</b>	<b>\$270.92</b>

Motion by Vicki Minnaugh, second by Adam Cabeza, to approved Warrant #702 in the amount of \$2,268.53. The motion carried unanimously. Gary Arenson abstained from the vote due to a voting conflict.

Name (Pension Benefits, Services Rendered or Obligations)	Amount
<b>Conference Reimbursement:</b>	
Gary Arenson – NCPERS Conference Reimbursement	\$2,268.53
<b>TOTAL</b>	<b>\$2,268.53</b>

#### NEW BUSINESS

None.

#### UNFINISHED BUSINESS

None.

#### 14. Reports:

Actuary – No report at this time.

Attorney – Attorney Adam Levinson attended the meeting in place of attorney Paul Daragjati. He discussed with the Board a number of legislative updates that impact the way the Plan files reports and

sets assumption rates. The Board also discussed Mr. Cypen's transition to a consultant's position with Klausner Kaufman Jensen & Levinson. The Board confirmed once again its intent to file an RFP for pension attorney services.

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

**Plan Administrator** – Asst. Administrator Maldonado addressed a number of items under the report.

- The 9/30/16 DROP accounting is being completed by GRS and the statements will hopefully go out at the end of the year.
- The Chairman signed an engagement letter for the start of audit work for fiscal year ending 9/30/16.
- All trustees need to sign a specimen letter so that the Plan's custodian can compare signatures on authorized payments.

15. **Input from Retirees:** None.

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

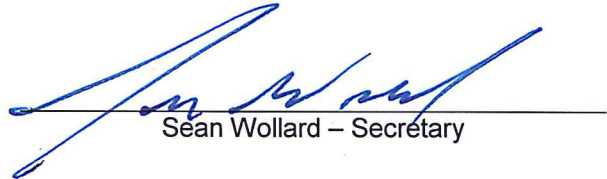
17. **Input from Trustees:** None.

18. **Public Comment:** None.

19. **Adjournment** – Chairman Anderson announced that the next regular meeting would be held on **Thursday, December 15, 2016**. The Board agreed to change the start time to 12:00 PM in order to accommodate the annual holiday luncheon immediately after the Board meeting. There being no further business, motion by Vicki Minnaugh, second by Jack McCluskey to adjourn the meeting at 3:51 PM. The motion carried unanimously.



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Timothy Anderson – Chairman



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Sean Wollard – Secretary