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 – MAY 16, 2013

The four hundred and fifteenth 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 Carl Heim.

1. Roll Call –

Fire Members	Police Members	City Members
Adam Cabeza	Carl Heim	Gary Arenson
Steve Dougherty	Kevin Venema	John Curran
Frank Musumeci		Vicki Minnaugh

Others Present: Greg McNeillie and Jared Kane from Dahab Associates; Allison Corbally and Michael Hagopian from State Street Global Advisors; Joseph Conroy and John Krueger from Wells Capital Management; Henry Renard, Robert Maddock, and John Rochford from Inverness Counsel; Alison Bieler, Attorney for the Fund; Larry Wilson, Actuary for the Fund; James Fisher, Plan Administrator and Rachel Maldonado, Assistant Plan Administrator.

Trustee Al Xiques was traveling at the time of the meeting. Motion by Adam Cabeza, second by Vicki Minnaugh, to excuse Mr. Xiques from this meeting. The motion carried unanimously.

2. Dahab Associates –

	Equities	Equity Benchmark	Fixed Income	Fixed Inc. Benchmark	Trailing 12 Months
Atlanta Capital	12.0%	12.4%	---	---	16.3%
Herndon Capital	11.0%	12.3%	---	---	11.9%
Inverness	10.6%	10.6%	0.4%	0.1%	N/A
Lee Munder LC	11.4%	9.5%	---	---	11.4%
Lee Munder MC	13.2%	13.0%	---	---	21.1%
SSgA LC (Index)	12.3%	12.3%	---	---	N/A
SSgA Midcap	3.6%	3.6%	---	---	17.9%
SSgA Int'l Equity	6.9%	5.9%	---	---	18.3%
Stewart Capital	8.8%	13.0%	---	---	12.7%
Wells Capital	8.1%	9.5%	---	---	6.8%

	R.E.	R.E. Bench-mark	Trailing 12 Months
Am. Realty Advisors	2.5%	2.7%	10.7%
AmSouth Timber Fd.	1.6%	1.5%	1.5%
BlackRock	1.7%	2.7%	8.6%
TA Assoc Realty	1.6%	2.7%	2.4%

Mr. McNeillie reported a great quarter for the portfolio. The plan is now valued over $400 Million for the first time in its existence. For this quarter, the plan was up 6.7%, putting Pembroke Pines in the 8th percentile of the public universe.

Mr. McNeillie confirmed the moves that were voted on by the Board at the February 2013 meeting. SSgA received their $6 million transfer in the quarter ending 3/31/13 from Inverness cash. Blackrock received $5 Million during the month of April from the R&D account. Finally, American Realty is in the queue to receive their $4 Million, also from the R&D account.

Mr. McNeillie presented some items that the Board may want to look at in the near future. The plan is slightly under-allocated to timber. Mr. McNeillie would like to see International Timber added to the roster of products with a company like Hancock. As well, he believes there is a need to add a Core Plus product; there is currently no representation in this sector. Bond outlook is not great as numbers are at all-time low yields while equities are currently at double-digit returns. The portfolio will continue to lag since the plan is limited to 60% equities; hopefully, the City will seriously consider the proposed Ordinance change since that would benefit the fund. Mr. McNeillie insists that the bond exposure needs to be lowered in order to move towards the actuarial assumption.

In an overview of our managers, Mr. McNeillie highlighted the following items. The Real Asset portfolio was up 1.8%. This category includes ownership of the Pension office and investments with American Realty, Blackrock, and AmSouth Regions. There was outperformance as well in the domestic equities portfolio. For this particular quarter, Lee Munder Large Cap & Mid Cap did a great job. Fiscal year to date, the Large Cap portfolio has been experienced a weakness due to the Inverness performance.

3. **State Street Global Advisors** – Allison Corbally, Vice President and Michael Hagopian, Principal of SSGA came before the Board to discuss their product and the quarter's performance. SSGA employs a passive strategy for the Large Cap index fund as well as active strategies for the International and Mid Cap Equity investments.

   SSGA trailed in the first quarter of the year, but returns for April have already recouped what was lost and more. Ms. Corbally reminded the Board the trailing one-year and three-year numbers were still outperforming. For the remainder of 2013, SSGA expects better performance. International small cap had a positive outlook at the start of the year. Developed markets have strengthened and with 60% of international investing in developed markets, the plan should fare well. Emerging markets have underperformed in the first quarter; they were sluggish due to inflation.

   Trustee John Curran requested the risk and standard deviation for the analysis presented by Mr. Hagopian. Ms. Corbally will forward the in-depth study to the Assistant Administrator. Ms. Maldonado will email it to the Board as soon as she receives it.

4. **Wells Capital** – Joseph Conroy, Senior Relationship Manager and John Krueger, Product Specialist of Wells Capital presented to the Board a brief synopsis of the quarter's successes and opportunities. Wells Capital experienced robust growth and were subsequently in the top quartile of revenue. They admitted to being a little overweight in consumer discretionary, healthcare, and underweight in consumer staples. That has caused numbers to lag, so they reported a shift in the near future to make up for that discrepancy.

5. **Inverness Counsel, LLC** – Robert Maddock, Senior Vice President and John Rochford, Senior Vice President discussed the direction of the assets in equities and fixed income, respectively. Mr. Rochford discussed the impact of employment on interest rates. Where bonds are concerned, he does not expect interest rates to rise for at least another 12 months. At which time, the portfolio should fare better since the bonds that are held can be reinvested into other bonds with higher interest rates. Mr. Maddock talked about the outlook of the equity side of the investment. Although it was a good quarter, there were a couple of items that hampered the performance. Chief among those was the considerable amount of cash that was transferred out of their account.

   Greg McNeillie of Dahab readdressed the Board to review the new Inverness fee schedule. Since the account for equity and fixed income has been separated into two accounts, so the billing will also be separate. The Bond side fees are lowered by 25 basis points. Core Equity charges will rise to 60 basis points. These are very comparable fees compared to other of similar organizations. Motion by Gary Arenson, second by Vicki Minnaugh, to accept the fee structure change that will begin with the June 30th billing. The motion carried unanimously.

The Board recessed at 4:02 p.m. and reconvened at 4:19 p.m.

6. **Approval of Minutes for April 18, 2013** – Chairman Heim presented minutes from the April 18, 2013 meeting for approval. Motion by Vicki Minnaugh, second by Gary Arenson, to approve the minutes. The motion carried unanimously.

7. **Approval of Warrant #568** – Chairman Heim presented Warrant #568 in the amount of $194,657.58 for approval and payment. Motion by Vicki Minnaugh, second by Kevin Venema, to approve as presented. The motion carried unanimously. Gary Arenson abstained from the vote.

Cypen & Cypen – Monthly Retainer for May 2013	$3,250.00
Hampton Professional Center Condo #2, Ste 104 (Monthly Maintenance –June 2013)	$407.72
Twilight Industries, LLC – (Maintenance – May 2013)	$152.00
Arenson & Sandhouse – Payroll Tax Preparation through 3/31/13	$675.00
Atlanta Capital – Mgmt Fees through 3/31/13	$75,562.00
GSK Annual Report – Invoice Date 4/18/13	$2,500.00
Fiduciary – Stewart Custody Fee for Q/E 3/31/13	$639.49
Fiduciary – L/M Midcap Fee for Q/E 3/31/13	$2,092.93
Fiduciary – Lee Munder Custody Fee for Q/E 3/31/13	$2,039.52
Fiduciary – Herndon Custody Fee for Q/E 3/31/13	$1,928.81
Fiduciary – Wells Capital Custody Fee Q/E 3/31/13	$1,954.10
Fiduciary – R&D Account Custody Fee Q/E 3/31/13	$1,286.23
Fiduciary – Inverness Custody Fee Q/E 3/31/13	$7,714.21
FP&L - From 3/27/13 to 4/26/13 (Already Paid)	$222.06
Computers R Us – Invoice 2029	$69.00
Computers R Us – Invoice 2028	$69.00
SSGA – Midcap Fees for Q/E 3/31/13	$1,781.83
SSGA – International Fees for Q/E 3/31/13	$54,425.36
SSGA – Russell 1000 Index Fees for Q/E 3/31/13	$3,556.22
Wells Capital – Management Fees for Q/E 3/31/13	$34,204.14
LEAF – Property Tax for Copy Machine	$104.89
Pitney Bowes – Property Tax for Postage Stamp Machine	$23.07
TOTAL	$194,657.58

8. **Approval of DROP Benefit** – The following DROP benefit was approved for the member who just entered the effective April 1, 2013.

- P/O Cornelius Vaughn, Joint & 100 % Contingent

Motion by Vicki Minnaugh, second by Gary Arenson, to approve the DROP benefit as presented for Mr. Vaughn. The motion carried unanimously.

9. **Approval of DROP Loan(s)** – The following DROP Loans were presented for Board consideration:

- P/O Gary Jomant ***
- F/F John C. McCarthy ***

*** (See Attachment A)

Motion by Vicki Minnaugh, second by Gary Arenson, to approve the DROP Loan as presented for Mr. Jomant and Mr. McCarthy. The motion carried unanimously.

10. **Approval of DROP Account Distribution(s)** – The following DROP Distributions were presented for Board consideration:

- F/F Larry Goode (Lump Sum) ***
- F/F Louis Nettina (Lump Sum) ***
- F/F Scott Whitworth (Lump Sum) ***
- F/F John Caprio (Lump Sum) ***
- F/F Maurice Tola (Lump Sum) ***
- F/F Pete Greene (Monthly) ***
- P/O David Parsons (Lump Sum) ***
- P/O John Sammarco (Lump Sum) ***

- P/O Kevin McCluskey (Lump Sum) ***

*** (See Attachment A)

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. Motion by Vicki Minnaugh, second by Kevin Venema, to approve the account distributions as presented. The motion carried unanimously.

UNFINISHED BUSINESS

11. **Response from City Personnel on Proposed Ordinance Change** – The Board was updated on the status of its request for ordinance changes. City personnel had responded to Administrator Fisher. First, with a notification that outside professionals must review the proposal before it can be bought before the City Commission. Second, with a request for an impact study and other related information before making it a Commission Agenda item. The Board has agreed that if the City does not review and approve these changes, it will consider asking the City to lower the assumption rate.

NEW BUSINESS

12. **Gross and Net Rates of Return for Q/E 3/31/13** – Motion by Vicki Minnaugh, second by Steve Dougherty, to approve the gross (6.72%) and net (6.60%) rates of returns for the quarter ending 3/31/13. The motion carried unanimously.

13. **Reports:**

Actuary – Mr. Wilson discussed recent legislation regarding a bill passed by the House and the Senate impacting disclosure requirements. The first required report would be due during the last quarter of 2014. This is an additional report that will require a fee to complete. It will be due every three years. .

1. Market value of assets for disclosure will be required. That would be a less favorable number to reflect.
2. In calculating the investment rate of return, the Plan would use actual the actual funding value less 2%.
3. The report will also have to list how many years the current assets would fund the plan, ignoring future contributions for purposes of the report.

Mr. Wilson encouraged the trustees to check the Cypen & Cypen newsletter for clarification.

Attorney – Ms. Bieler gave an additional update on a separate bill regarding public comment at the meetings. She suggested that the office staff add "Public Comment" to the end of the agenda to comply with the bill.

Another new law signed by the Governor impacts the Ethics Code in regards to gifts over $100.00 from a vendor. If the financial disclosures are not submitted on time (July 1) and a penalty is assessed, the Commission on Ethics has been given the authority to garnish the wages of the Trustees. Ms. Bieler also reviewed SB 548 amending the Chapters 175/185. The Senator that supported the Bill is rescinding his support.

Chairman – No report.

Plan Administrator – The Pension Office is in receipt of additional bills for payment and other disbursements for approval. Administrator Fisher presented Warrant #569 for addition to the agenda and approval for payment. Motion by Vicki Minnaugh, second by Frank Musumeci, to add Warrant #569 to the agenda. The motion carried unanimously. Motion by Vicki Minnaugh, second by Gary Arenson, to approve the payment of Warrant #569 as presented in the amount of $297,575.73. The motion carried unanimously. The authorized payment includes:

DROP Withdrawals:	
F/F Larry Goode – Lump Sum DROP Withdrawal	***
F/F Louis Nettina – Lump Sum DROP Withdrawal	***
F/F Scott Whitworth – Lump Sum DROP Withdrawal	***

F/F Pete Greene – Monthly DROP Withdrawal effective 6/1/13	***
F/F Maurice Tola – Lump Sum DROP Withdrawal	***
F/F John Caprio – Lump Sum DROP Withdrawal	***
P/O David Parsons – Lump Sum DROP Withdrawal	***
P/O John Sammarco – Lump Sum DROP Withdrawal	***
P/O Kevin McCluskey – Lump Sum DROP Withdrawal	***
U.S.Treasury- FIT- W/H (Nettina, Whitworth, Parsons, Sammarco, McCluskey, Goode, Tola, Caprio)	***
DROP Loans:	
P/O Gary Jomant - DROP Loan Less Documentary Stamp	***
F/F John C. McCarthy – DROP Loan Less Documentary Stamp	***
Documentary Stamp for DROP Loans:	
Florida Department of Revenue – Documentary Stamp (Jomant)	***
Florida Department of Revenue – Documentary Stamp (McCarthy)	***
Various:	
Accelerated Business Solutions	$28.11
SunTrust (J. Fisher)	$753.86
SunTrust (R. Maldonado)	$1,377.24
Pitney Bowes – Postage Added	$401.04
SunSentinel Subscription through 5/29/14	$187.46
Dahab Associates for Q/E 3/31/13	$25,419.60
GRS – April 2013 Fees	$5,052.00
TOTAL	**$297,575.73**

*** (See Attachment A)

14. **Input from Retirees:** The Board heard and discussed John Caprio's concern submitted via e-mail. Mr. Caprio read in the meeting minutes that City wages were up 3.8% and he was concerned that his COLA did not match that percent. Though wages increased, they were largely from step increases and not from a COLA that would qualify the retirees (with the applicable COLA option) to a matching amount. The Board agreed to have Larry Wilson write an explanation on the components that make up the total return, pensionable pay, and why retired firefighters in Mr. Caprio's group are not entitled to a larger COLA than 2% this year. If the letter turns out to be unsatisfactory, Mr. Caprio is invited to come to the Board meeting for further clarification.

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

16. **Input from Trustees:** Vicki Minnaugh asked that the reports presented at the quarterly meetings be simplified so that the terms and strategies discussed are directly relative to the plan.

17. **Adjournment** – Chairman Heim announced that the next regular meeting would be held on **Thursday, June 20, 2013** at 2:00 p.m. There being no further business to come before the Board, motion by Vicki Minnaugh, second by Gary Arenson, to adjourn the meeting at 5:06 p.m. The motion carried unanimously.

Vice Chair for Carl Heim – ~~Chairman~~

Kevin Venema – Secretary