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 21, 2014

The four hundred thirtieth 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 Steve Dougherty.

1. **Roll Call** –

Fire Members	Police Members	City Members
Adam Cabeza	Carl Heim	Gary Arenson
Steve Dougherty	Kevin Venema	Jack McCluskey (3:39 PM)
Frank Musumeci	Al Xiques	Vicki Minnaugh

Others Present: Greg McNeillie from Dahab Associates; Robert Maddock, and John Rochford from Inverness Counsel; Alan Brand & Nhat Nguyen, TA Realty Associates; Marc Sydnor & Derrick Coffey, Herndon; Steve Cypen, Attorney for the Fund; Glenn Mealer, City Employee (Videographer); James Fisher, Plan Administrator and Rachel Maldonado, Assistant Plan Administrator.

Trustee McCluskey joined the meeting via teleconference. The following people also attended the meeting as part of the audience.

James White, Pines Fire Dept.	Keith Palant, Pines Police Dept. (Retired)
Bernie Kraemer, Pines Police Dept. (Retired)	Dara VanAntwerp, Pines Police Dept. (Retired)
Richard Lebel, Pines Police Dept. (Retired)	Jacqueline Sanchez, Ft. Lauderdale Police Dept.
Louis Sorangelo, Pines Police Dept. (Retired)	

2. **Dahab Associates** – Mr. McNeillie discussed the overall performance of the portfolio. The performance for the quarter was 2.99% net of fees, and 3.12% gross of fees. Fiscal year-to-date, the Fund is at 11.4% and Mr. McNeillie feels confident that the Plan will beat that number with its final quarter.

Mr. McNeillie noted that bonds are up 4.4%. He also pointed out the good performance of Inverness equity holdings, which has caused the plan to perform well over the last three years. The plan's real estate investments compared to other plans have fared well, keeping the plan highly ranked in its universe.

	Equities	Equity Benchmark	Fixed Income	Fixed Inc. Benchmark	Trailing 12 Months
Atlanta Capital	0.4%	2.0%	---	---	21.7%
Inverness	4.5%	5.2%	1.7	1.6	25.9%
Lee Munder Midcap	3.9%	5.0%	---	---	24.1%
Lee Munder LargeCap	5.2%	5.1%	---	---	25.1%
SSgA Midcap	4.3%	4.3%	---	---	25.2%
SSgA Int'l Equity	4.6%	5.0%	---	---	22.7%

	R.E.	R.E. Bench-mark	Trailing 12 Months
Am. Realty Advisors	2.8%	2.9%	12.5%
Black Rock	3.0%	2.9%	10.8%
TA Assoc Realty	4.8%	2.9%	9.7%

AmSouth	1.3%	1.1%	8.1%

3. **<u>Herndon Capital</u>** – Mark Sydnor and Derrick Coffey of Herndon Capital presented to the Board their performance and discussed the points belo.

   1. While the 2nd quarter was not good in terms of our relative performance our 3rd quarter to date has been going well. We have been outperforming, and like some of the trends that are developing in the markets for our strategy.
   2. Several trustees made reference to how they may want to consider placing a ban on tobacco stocks in their portfolio. As a firm we can easily put this restriction into our compliance alert system which would easily restrict all tobacco stocks from being purchased in the future.
   3. One of the biggest reasons for our under-performance so far in 2014 was due to the falling stock price of Coach (COH). However, during the 3rd quarter, COH has outperformed the market which is encouraging. We believe that COH continues to have low valuations and strong fundamentals which we expect to get realized in the future.
   4. Since our LCV strategy inception, we have outperformed 9 out of the past 11 calendar years. We remain encouraged by the fact that we still have four (4) months to make up the current 2014 deficit.

4. **<u>TA Associates</u>** –Nhat Nguyen and Alan Brand of TA Associates reviewed the presentation with the trustees, which included a review of current active funds and a portfolio overview of property type and diversification. Realty Associates Fund VIII is capitalized with $1,742.0 MM of committed capital and has 90 investments with a total market value of $1,979.0 MM vs. a cost basis of $2,473.5 MM as of 6/30/14. Since inception, the Fund has sold 37 investments and 18 partial investments totaling $924.7 MM which resulted in a net realized loss of $170.5 MM through 6/30/14. The Fund's investments generated a total leveraged (gross) trailing twelve-month yield on market of 10.03%, consisting of 8.17% operating income and 1.86% net appreciation. A credit line of $735.0 MM with Wells Fargo and Bank of America has been renewed through November 2016 with two one-year extension options available. Distributions through 8/31/14 total $241.3 MM. Additionally, the real estate sectors that have experienced the strongest recovery are industrial and multifamily properties while the office recovery continues at a slower pace. In closing, TA Realty is launching Fund XI in early 2015.

5. **<u>Inverness Counsel, LLC -</u>** During the meeting, Robert Maddock and John Rochford from Inverness Counsel noted that the top performing equity sectors continued to rotate as did the broader investment categories. Yields have continued to decline around the world. While they may pull back further in the short term, rates have plenty of room to rise longer term. The velocity of money (the rate at which money changes hands in the economy) has stabilized but unless it is increasing, it negates the impact of the additional money that the Fed has created through quantitative easing.

   John and Robert expect volatility to increase and sector rotation to continue. The best approach in such an environment is continued focus on fundamentals while being patient to take advantage of any opportunities that may present themselves. Regarding performance the 1, 3, 7 & 10 year returns all outpaced the S&P 500 while the 5 year returns continue to improve.

6. **<u>Convergex</u>** – Kimberly Doran of Convergex came before the Board to request that the Board consider reinstating Convergex for commission recapture services. The Board had previously severed their relationship with Convergex on the heels of an SEC investigation. Ms. Doran shared with the Board the steps that the company has taken to correct and repair the damage done by one solitary office. Ms. Doran also noted that FPPTA has since reinstated Convergex and a number of our managers prefer working with them. <u>Motion by Gary Arenson, second by Vicki Minnaugh, to reinstate Convergex for commission recapture services. The motion carried unanimously.</u> Letters will be sent to the managers to notify them that Convergex is available to use for the services provided.

The Board recessed at 3:26 p.m. and reconvened at 3:39 p.m.

7. **<u>Approval of Minutes for July 17, 2014</u>** – Chairman Dougherty presented minutes from the July 17,

2014 meeting for approval. Motion by Vicki Minnaugh, second by Kevin Venema, to approve the corrected minutes. The motion carried unanimously.

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

- F/F Judy Hernandez, 10 Years Certain & Life, effective 7/1/14
- P/O Thomas Varnadoe, Joint & 100% Contingent, effective 7/1/14
- P/O John Gazzano, Normal Form, effective 7/1/14

Motion by Adam Cabeza, second by Frank Musumeci, to approve the DROP benefits as presented for Ms. Hernandez, Mr. Varnadoe and Mr. Gazzano respectively. The motion carried unanimously.

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

- F/F Steve Weishaar (Lump Sum) ***
- P/O Britney Combs (Lump Sum & Monthly) ***
- P/O Joseph Covino (Lump Sum) ***
- P/O Humberto Chirino (Lump Sum) ***

The Assistant Administrator asked the Board to add James Dilenge to the agenda for a DROP distribution. Motion by Vicki Minnaugh, second by Gary Arenson, to add James Dilenge to the agenda for a DROP Distribution. The motion carried unanimously.

- P/O James Dilenge (Lump Sum) ***

**** 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. Motion by Vicki Minnaugh, second by Jack McCluskey, to approve the account distributions as presented. The motion carried unanimously

10. **Approval of Vendor Warrant #602** – Chairman Dougherty presented Warrant #602 in the amount of $325,518.69 for approval and payment. Motion by Gary Arenson, second by Vicki Minnaugh, to approve Warrant #602 as presented. The motion carried unanimously. Gary Arenson abstained from voting due to a voting conflict.

Cypen & Cypen – Monthly Retainer for August 2014	$3,250.00
Hampton Professional Center Condo #2, Ste 104 (Monthly Maintenance – Sept 2014)	$407.72
Twilight Industries, LLC – (Maintenance – August 2014)	$152.00
Accelerated Business Solutions – August 2014 Lease	$235.87
Dahab Associates – Consulting Fees for Q/E 6/30/14	$28,206.41
SunTrust (J. Fisher)	$1,844.49
SunTrust (R. Maldonado)	$1,527.83
SunTrust (A. Xiques)	$551.30
SSGA – Mgmt Fees for International Allocation Q/E 6/30/14	$73,253.49
SSGA – Mgmt Fees for MidCap Index Q/E 6/30/14	$2,260.18
SSGA – Mgmt Fees for Value Index Q/E 6/30/14	$4,582.63
Fiduciary Trust – Custodial Fees for R&D Acct Q/E 6/30/14	$1,250.00
Fiduciary Trust – Custodial Fees for Inverness Q/E 6/30/14	$9,944.18
Fiduciary Trust – Custodial Fees for Lee Munder MidCap Q/E 6/30/14	$2,672.31
Fiduciary Trust – Custodial Fees for Lee Munder Q/E 6/30/14	$2,581.75
Fiduciary Trust – Custodial Fees for Herndon Capital Q/E 6/30/14	$2,370.22
Fiduciary Trust – Custodial Fees for Wells Capital Q/E 6/30/14	$2,514.16
Fiduciary Trust – Custodial Fees for Stewart Q/E 6/30/14	$837.23
Holland & Knight, Invoice #3076859	$4,925.00
Computers R Us, 7/28/14 Invoice #2788	$138.00
Computers R Us, 8/19/14 Invoice #2823	$552.00
ProShred, July 2014 Service	$55.00

Herndon Capital – Mgmt Fees for Q/E 6/30/14	$35,600.77
Wells Capital – Mgmt Fees for Q/E 6/30/14	$39,061.36
Atlanta Capital – Mgmt Fees for Q/E 6/30/14	$95,195.00
Richard Ziff – July 2014 Loans	$350.00
GRS – July 2014	$10,973.00
Reimbursement for SoundRack Repair (Maldonado)	$33.89
FP&L , 6/26 – 7/28/14	$192.90
TOTAL	**$325,518.69**

11. **Approval of Member Warrant #603** – Chairman Dougherty presented Warrant #603 in the amount of $60,200.00 for approval and payment. Motion by Vicki Minnaugh, second by Gary Arenson, to approve Warrant #603 as presented. The motion carried unanimously.

DROP Withdrawals:	
F/F Steven Weishaar – Lump Sum DROP Withdrawal *** less FIT	***
P/O Britney Combs – Lump Sum DROP Withdrawal *** less FIT	***
P/O Britney Combs – Monthly Distribution commencing 9/1/14	***
P/O Joseph Covino – Lump Sum DROP Withdrawal to *** less FIT	***
P/O Humberto Chirino – Lump Sum DROP Withdrawal *** less FIT	***
P/O James Dilenge – Lump Sum DROP Withdrawal *** less FIT	***
U.S. Treasury – FIT – W/H (Weishaar, Combs, Covino, Chirino, Dilenge)	***
TOTAL	**$60,200.00**

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

NEW BUSINESS

12. **Gross & Net Rate Returns for Q/E 6/30/14** – Administrator Fisher presented the gross 3.12% and net 2.99% rates of return for Q/E 6/30/14, as submitted by Dahab Consulting. Motion by Vicki Minnaugh, second by Kevini Venema to approve the gross and net rates of returns for the quarter ending 6/30/14. The motion carried unanimously.

13. **Trustee Election Update** – Asst. Administrator Maldonado reported the results of the Trustee Election. Trustee Venema ran unopposed and will begin a new two-year term on 10/1/14 for the vacant police seat. F/F Robert Johnson ran unopposed and will begin his first two-year term on 10/1/14 for the vacant fire seat.

14. **Office Leave Accruals** – The trustees received a record of leave taken by Mr. Fisher and Ms. Maldonado during the quarter ending 7/31/14 of the current employment year. Motion by Carl Heim, second by Gary Arenson, to approve the leave balances for Mr. Fisher and Ms. Maldonado. The motion carried unanimously.

UNFINISHED BUSINESS

15. **Form 1099-R Discussion:** Board attorney Steve Cypen asked that this discussion be tabled. The attorneys were not ready to comment as they are still working out details with the IRS. The Board agreed to table the discussion.

    Unrelated, the Trustees discussed two Israel Bonds that are to mature in October. Motion by Gary Arenson, second by Vicki Minnaugh, to not reinvest with Israel bonds. The motion carried unanimously. The Board said it would discuss where the money should go the next time Greg McNeillie was before them. The Board also declined a reinvestment presentation from Israel Bonds.

16. **Reports:**

    Actuary – Larry Wilson discussed further plans with GASB 67 rules, in order for the Plan to be prepared for 10/1/14.

Attorney – No additional report given.

Chairman – No report from the Chairman for this meeting.

Plan Administrator – Administrator Fisher informed the Board that the amount of money the Board is expected to receive from the State was disclosed. The monies have not been dispersed as of yet.

17. **Input from Retirees:** None.

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

19. **Input from Trustees:** None.

20. **Public Comment:** None.

21. **Adjournment** – Chairman Dougherty announced that the next regular meeting would be held on **Thursday, September 18 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 4:11 p.m. The motion carried unanimously.

Steve Dougherty – Chairman

Frank Musumeci – Secretary