

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 – FEBRUARY 20, 2014

The four hundred twenty fourth meeting of the Firefighters and Police Officers Pension Fund in the City of Pembroke Pines was called to order at 1:11 p.m. by Chairman Steve Dougherty.

1. Roll Call – Fire Members Police Members City Members

Adam Cabeza
Steve Dougherty
Frank Musumeci

Carl Heim
Kevin Venema
Al Xiques

Gary Arenson
Jack McCluskey
Vicki Minnaugh

Others Present: Peter Hapgood & Peter Palandjian, Intercontinental; Todd White & Doug Baran, Principal; Edgar Marshall, Molpus Woodlands Group; Greg McNeillie from Dahab Associates; Robert Maddock, and John Rochford from Inverness Counsel; Dhaval Parikh, Blackrock; Steve Cypen, Attorney for the Fund; Robert Friedman, Special Tax Counsel for the Fund; Jim Cherof, Assistant City Attorney; Rick Burke, Special Counsel for the City; Pedro Herrera, Counsel for IAFF Local 2292; Glenn Mealer, City Employee (Videographer); James Fisher, Plan Administrator and Rachel Maldonado, Assistant Plan Administrator.

The following people also attended the meeting as part of the audience.

Jim DeSilva, Pines Police Dept.	Dave Smith, Pines Fire Dept.
Dan Donato, Pines Police Dept.	Johnny Mullin, Pines Fire Dept.
Sammy Brown, Pines Fire Dept.	Larry Williamson, Pines Fire Dept (Retired)
Rick Burke, Gray Robinson, Esq.	John Sammarco, Pines Police Officer (Retired)
Bernie Kraemer, Pines Police Officer (Retired)	Walter Yester, Pines Police Officer (Retired)
Pete Desmond, Pines Police Officer (Retired)	Jacqueline Sanchez, Fort Lauderdale Police Officer
Joseph D'Onofrio, Pines Fire Dept	Melvin Seguin, Pines Police Officer (Retired)
Lee Golditch, Pines Fire Dept (Retired)	Dara VanAntwerp, Pines Police Officer (Retired)
John Jacob, Pines Fire Dept. (Retired)	Matthew Nickison, Pines Fire Dept (Retired)

2. **Manager Presentations** – Greg McNeillie introduced the prospective managers. In a previous meeting, Mr. McNeillie had suggested that the Board look into an additional timber product as well as add the Core Plus asset class to their portfolio. The Board had available \$18 million for the new investments. The order of presentations were as follows:

- Principal – Doug Baran and Todd White
- Molpus Timber – Edgar Marshall
- Intercontinental – Peter Hapgood and Peter Palandjian

After hearing the presentations, the Board decided to split the \$18 million between two managers. Motion by Gary Arenson, second by Al Xiques, to hire Intercontinental for the Core Plus asset class. The motion carried unanimously. Motion by Gary Arenson, second by Frank Musumeci, to hire Molpus Timber as a supplement to the existing timber investment. The motion carried unanimously.

3. **Dahab Associates** – Mr. McNeillie discussed the overall performance of the portfolio. The fourth quarter economic environment is showing indicators of a strengthening economy. While job growth has not been promising, overall unemployment dropped to 6.7%, 1.2% below where we were a year ago. Housing prices continue to gain momentum. The Domestic Equity Market set record highs for the

quarter and the calendar year. International Equities did not fare as well, though they still enjoyed respectable returns. The bond market experienced negative returns. The quarter performance came in at 6.6%. The portfolio is currently valued at \$464,374,318, an increase of almost \$30 million from the last quarter.

	Equities	Equity Benchmark	Fixed Income	Fixed Inc. Benchmark	Trailing 12 Months
Atlanta Capital	10.9%	8.7%	---	---	43.0%
Inverness	10.4%	10.5%	-0.2	0.0	34.5%
Lee Munder Midcap	8.7%	8.4%	---	---	36.7%
Lee Munder LargeCap	11.5%	10.4%	---	---	37.2%
SSgA Midcap	8.3%	8.3%	---	---	33.7%
SSgA Int'l Equity	5.4%	4.8%	---	---	16.7%

	R.E.	R.E. Bench-mark	Trailing 12 Months
Am. Realty Advisors	2.6%	3.2%	12.4%
Black Rock	2.8%	3.2%	11.0%
TA Assoc Realty	-8.0%	3.2%	-3.9%
AmSouth	5.5%	5.9%	8.6%

Following the manager presentations, Mr. McNeillie reminded the Board that he would like to explore an investment in Agriculture in the near future.

4. **Inverness Counsel, LLC** – Mr. Robert Maddock and Mr. John Rochford presented for Inverness Counsel. They submitted the following summary of their presentation:

During the meeting Robert and John from Inverness noted that the valuation of the market was around the 10 and 15 year averages for price versus earnings, book value, and sales. They presented charts showing that the economy was recovering but by no means overheated or in an unsustainable position with regard to housing starts, consumer confidence, consumer debt coverage, corporate debt or capacity utilization. John noted that the Fed, while tapering remains committed along with other central banks to low rates. Inverness expects that the inflation and employment levels will give the Fed cover for tapering slowly. They did note concerns about continued gridlock in Washington, weak overseas economies, possible pressure on future earnings growth from rising employment costs, taxes and in some cases, equipment expenditures. They also noted that the improvement in the headline unemployment number was masking lower hours for workers. They said that there could be increased volatility in the equity markets this year. Performance for 2013 as a whole was good and so far, the first quarter has resulted in the three year number looking better than the S&P as well. Inverness is grateful for your time to allow us to come down and present.

5. **Blackrock** – Mr. Dhaval Parikh presented for Blackrock. Mr. Parikh submitted the following summary of his presentation:

Granite generated a 2.75% quarterly gross total return (2.54% net) composed of a 1.35% gross income return (1.15% net) and a 1.40% appreciation return. Appreciation was primarily due to capital market pricing and an increase in market rents. The Fund's office and industrial assets experienced the largest appreciation of all property types this quarter. Granite's office asset in Houston contributed the most to appreciation. The Houston office market is among the strongest in the country resulting in increased user demand and higher occupancy and rents at the property. Core portfolio occupancy remained strong at 92.3% and total portfolio occupancy decreased slightly to 86.7%. The Fund's LTV ended the quarter at 29.0%. Granite's average cost of debt remains attractive at 4.0%.

The Board recessed at 3:46 p.m. and reconvened at 3:59 p.m.

6. **Approval of Minutes for January 16, 2014** – Chairman Dougherty presented minutes from the January 16, 2014 meeting for approval. Motion by Vicki Minnaugh, second by Jack McCluskey, to approve the minutes as presented. The motion carried unanimously.
7. **Approval of Warrant #589** – Chairman Dougherty presented Warrant #589 in the amount of \$336,018.59 for approval and payment. Motion by Vicki Minnaugh, second by Jack McCluskey, to approve as presented. The motion carried unanimously. Gary Arenson abstained from voting due to a voting conflict.

Cypen & Cypen – Monthly Retainer for February 2014	\$3,250.00
Hampton Professional Center Condo #2, Ste 104 (Monthly Maintenance – March 2014)	\$407.72
Twilight Industries, LLC – (Maintenance – February 2014)	\$152.00
Atlanta Capital – Mgmt Fees for Q/E 12/31/13	\$95,996.00
GSK – Invoice # 11194 for 9/30/13 Audit Work	\$15,000.00
Herndon Capital – Mgmt Fees for Q/E 9/30/13	\$30,412.67
Herndon Capital – Mgmt Fees for Q/E 12/31/13	\$34,212.46
Wells Capital – Mgmt Fees for Q/E 12/31/13	\$42,786.00
Computers R Us – Annual License Renewal	\$228.80
Lee Munder – L/C Mgmt Fees for Q/E 12/31/13	\$33,505.66
Accelerated Business Solutions – Lease 1/1/14 – 1/31/14 *(Already Paid via Checking)*	\$234.69
Arenson & Sandhouse – CY 2013 Year End Work	\$1,200.00
Richard Ziff – February 2014 Loans	\$525.00
SSGA – International Fees for Q/E 12/31/13	\$69,861.71
SSGA – Value Index Fees for Q/E 12/31/13	\$4,217.55
SSGA – S&P Midcap Index Fees for Q/E 12/31/13	\$2,119.62
Joan Wall – Fees for Service 10/8/13 – 2/5/14	\$1,727.81
FP&L *(Already Paid via R&D Acct)*	\$180.90
TOTAL	\$336,018.59

8. **Approval of DROP Loans** – The following DROP loans were presented for Board consideration by Chairman Dougherty:

- F/F Joseph D'Onofrio ***
- F/F John Deegan ***
- P/O Britney Combs ***

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

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

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

- P/O Denise Tamburo (Lump Sum) ***
- P/O Michael Johnson (Lump Sum) ***
- P/O Kim Diaz (Lump Sum) ***
- P/O James Dilenge (Lump Sum) ***
- P/O Michael Grant (Lump Sum) ***
- F/F Beneficiary Deborah DeSantis (Lump Sum) ***
- F/F John Caprio (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.

NEW BUSINESS

10. **Convergex Letters** – At the January meeting, the Board decided to terminate their relationship with Convergex, based on SEC violations. Convergex had since submitted to the Board documents detailing the steps they took to correct their issues and asking the Board to consider reinstating the working relationship. Mr. McNeillie opined that it would not be worth the public relations risk for the Board to consider rehiring Convergex for commission recapture services. Motion by Vicki Minnaugh, second by Jack McCluskey, to not rehire Convergex. The motion carried unanimously.
11. **FYE 9/30/13 Pension Fund Audit Results** – Clement Johns of Goldstein Schechter Koch presented the Audit results for FY 2013. He gave the Board the reassurance that the 2013 Financial Statements were found to be sound and with no issues. As of 9/30/13, the plan was valued at just over \$435,805,000, with liabilities of over \$92 million. The net assets of the plan are \$343,747,785 which is \$51 million more than the net assets as of 9/31/12. Motion by Vicki Minnaugh, second by Jack McCluskey, to accept the results of the audit as presented. The motion carried unanimously.
12. **Gross & Net Rate Returns for Q/E 12/31/13** – Administrator Fisher presented the gross and net rates of return for Q/E 12/31/2013, as submitted by Dahab Consulting. Motion by Adam Cabeza, second by Vicki Minnaugh to approve the gross (6.60%) and net (6.17%) rates of returns for the quarter ending 12/31/13. The motion carried unanimously.
13. **Staff Leave Accruals** – The trustees received a record of leave taken by Mr. Fisher and Ms. Maldonado during the quarter ending 1/31/14 of the current employment year. Motion by Jack McCluskey, second by Gary Arenson, to approve the leave balances for Mr. Fisher and Ms. Maldonado. The motion carried unanimously.

14. **Reports:**

Actuary – Larry Wilson discussed the annual report, noting that the instructions to the actuarial certification have changed substantially. The Fund must be valued as if the Fund only provides minimum chapter benefits. Mr. Wilson must calculate the increase in state monies since 1998 and compare that difference to the entire employer cost of minimum Chapter benefits. Any excess can be used to offset City contributions, subject to local agreements. The Fund should not be concerned about that, since they have purchased additional benefits far in excess of State contributions. No reserves for excess State contributions exist.

Chairman – No report from the Chairman for this meeting.

Plan Administrator – The Pension Office is in receipt of additional bills for payment and other disbursements for approval. Administrator Fisher presented Warrant #590 for addition to the agenda and approval for payment. Motion by Vicki Minnaugh, second by Adam Cabeza, to add Warrant #590 to the agenda. The motion carried unanimously. Motion by Vicki Minnaugh, second by Frank Musumeci, to approve the payment of Warrant #590 as presented in the amount of \$372,984.82. The motion carried unanimously. Gary Arenson abstained from the vote due to a voting conflict. The authorized payment includes:

Plan Benefits:	
P/O Joseph Covino - Normal Retirement Benefit Commencing 3/1/2014	***
P/O Denise Tamburo - Normal Retirement Benefit Commencing 3/1/2014	***
P/O Deanna Black - Normal Retirement Benefit Commencing 3/1/2014	***
P/O Deanna Black – Retro Retirement Benefit Period 12/19/13 – 2/28/14	***
DROP Withdrawals:	
P/O Denise Tamburo – Lump Sum DROP Withdrawal less FIT	***
P/O Michael Johnson – Lump Sum DROP Withdrawal less FIT	***
P/O Kim Diaz – Lump Sum DROP Withdrawal less FIT	***
P/O James Dilenge - Lump Sum DROP Withdrawal less FIT	***
P/O Michael Grant – Lump Sum DROP Withdrawal less FIT	***
P/O James Fisher – Lump Sum DROP Withdrawal less FIT	***

F/F Ben. Debbie DeSantis – Lump Sum DROP Withdrawal less FIT	***
F/F John Caprio – Lump Sum DROP Withdrawal less FIT	***
U.S. Treasury – FIT – W/H (Tamburo, Johnson, Diaz, Dilenge, Grant, Fisher, DeSantis, Caprio)	***
DROP Loans:	
F/F John Deegan - DROP Loan Less Documentary Stamp	***
F/F Joseph D'Onofrio – DROP Loan Less Documentary Stamp	***
P/O Britney Combs – DROP Loan Less Documentary Stamp	***
Documentary Stamp for DROP Loans:	
Florida Department of Revenue – Documentary Stamp (Deegan)	***
Florida Department of Revenue – Documentary Stamp (D'Onofrio)	***
Florida Department of Revenue – Documentary Stamp (Combs)	***
Various:	
Dahab Associates, Fees for Q/E 12/31/13	\$24,937.75
Wells Capital, Mgmt Fees for Q/E 12/31/13	\$42,786.00
SunTrust (J. Fisher)	\$1,400.77
SunTrust (R. Maldonado)	\$667.13
GRS, January 2014	\$21,987.00
Purchase Power (Postage Stamps)	\$400.00
Accelerated Business Solution, Lease for February 2014	\$245.44
Computers R Us for February Service Call	\$326.90
MSA Group, Business Owner Insurance beginning 3/3/14	\$2,944.57
Fiduciary, Custody Fee (Atlanta) through 1/31/14	\$5,265.46
Fiduciary, Custody Fee (Inverness) through 1/31/14	\$10,452.78
Arenson & Sandhouse, PA through 12/31/14	\$180.00
TOTAL	\$372,984.82

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

Administrator Fisher informed the Board of the passing of retired police officer Terri Drummond. Her last payment was correctly deposited into her account. Ms. Drummond's benefit ceases with her passing.

Mr. Fisher also reported that the annual "Are You Alive?" Affidavits were mailed at the end of January and are due to be returned by Friday, February 28, 2014.

Attorney – Mr. Cypen reported on the progress of the issue regarding In-Service Distributions. The Board was presented with an Ordinance change drafted by the City and reviewed by the attorneys involved in the matter representing the various parties. Assistant City Attorney Jim Cherof addressed the Board regarding the Ordinance change. If passed, the Ordinance would now permit a retired member the right to be reemployed by the City in a non-bargaining unit position while allowing pension payments, DROP distributions, and DROP interest earnings to continue for the individual without penalty. Mr. Cherof expressed his hope that this code change in conjunction with actions taken with the IRS would bring resolution and prevent the need for further action from the Board.

Mr. Cherof referred to Section 1A of the Ordinance change which explains the continued access to the Pension and DROP benefits for a rehired member. He also explained that this person, by State mandate, would be required to submit new contributions from their wages, thereby creating a separate benefit available to the member when he or she separates from City employment a second time. This benefit will not impact or affect the first calculated benefit. It will be distributed and received separately.

Trustee Cabeza inquired what the requirements would be for those receiving a second pension in terms of time and service in the second position. Mr. Cypen said the member would have met those requirements already since he/she would technically be "retired". Therefore, whatever time is worked subsequently will result automatically in a second benefit.

Attorney Bob Friedman addressed the Board as well. He reiterated that the Code change will include retroactivity to resolve any past infractions. He also informed the Board that the team of attorneys agreed an application informing the IRS of the issue and the plan in place to resolve would be the best course of action. The expectation would be that the IRS would look favorably on the actions taken and the plan's tax qualification will not be impacted. Mr. Friedman noted that it could take as long as a year for a

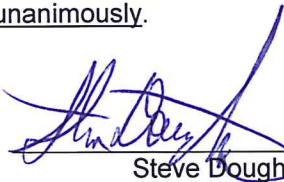
response from the IRS to come back to the Board.

Some of the Board members expressed concerns again about growing liabilities for potentially impacted members. The Board also discussed repayment methods in the event any paid monies would need to be returned by the affected members. Attorney Rick Burke addressed the Board as special counsel for the City. He told the Board that he had experience in cases like these, though not the exact circumstances. Either way, Mr. Burke felt very confident that the proposed fix would be accepted by the IRS.

Sammy Brown, president of Local IAFF 2292, thanked the Board for their diligence in getting through the matter at hand. However, he expressed from the union's perspective, his displeasure of the proposed Ordinance change. He believes that it negatively impacts collective bargaining. He emphasized the Local's support to the members of the Police Department that may want to add this change to their retirement benefits; but the members of the Fire Department do not want this change to be approved for its members.

Attorney Pedro Herrera spoke on behalf of the Local IAFF 2292 as well. He raised his concerns about the proposed Ordinance change to the Board. He felt it did not resolve the issue of in-service distributions for members that are under 50 years of age. He was also certain that a retroactivity clause covering a potential of 13 years would not be approved by the IRS. He felt that Ordinance violated 175/185 in terms of discrimination since only non-bargaining unit positions would be entitled to the in-service distributions. He also felt that the change may resolve operational issues of hiring but not taxational issues that the individual could still face. Finally, he informed the Board of the possibility that the union could file an Unfair Labor Practice charge as a result of the Ordinance change should it be passed by the City Commission.

15. **Input from Retirees:** None.
16. **Input from Active Members:** None.
17. **Input from Trustees:** Adam Cabeza noted that he would not be at the next meeting.
18. **Public Comment:** None.
19. **Adjournment** – Chairman Dougherty announced that the next regular meeting would be held on **Thursday, March 20, 2014 at 2:00 p.m.** There being no further business to come before the Board, motion by Carl Heim, second by Adam Cabeza, to adjourn the meeting at 4:45 p.m. The motion carried unanimously.



Steve Dougherty – Chairman



Frank Musumeci – Secretary