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 15, 2014

The four hundred twenty seventh 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	Carl Heim	Gary Arenson
Steve Dougherty	Kevin Venema	Jack McCluskey
Frank Musumeci	Al Xiques	Vicki Minnaugh

Others Present: Dann Smith & Joseph Conroy, Wells Capital; Jim White & Ben Whitaker, AmSouth Timber; Henry Renard, Robert Maddock, and John Rochford from Inverness Counsel; Greg McNeillie, Dahab Associates; Steve Cypen, Attorney for the Fund; Robert Friedman, Special Tax Counsel for the Fund; 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. (Retired)	David Donzella, Pines Fire Dept. (Retired)
Dan Donato, Pines Police Dept.	Robert Laichak, Pines Police Dept. (Retired)
Sammy Brown, Pines Fire Dept.	Kenneth Hall, Pines Police Dept. (Retired)
Rick Burke, Gray Robinson, Esq.	John Sammarco, Pines Police Dept. (Retired)
Bernie Kraemer, Pines Police Dept. (Retired)	Walter Yester, Pines Police Dept. (Retired)
Dan Rotstein, City HR Director	Jacqueline Sanchez, Fort Lauderdale Police Dept.
Louis Sorangelo, Pines Police Dept. (Retired)	Melvin Seguin, Pines Police Dept. (Retired)
Ron Cohen, Rice Pugatch Robinson Schiller, Esq.	Humberto Chirino, Pines Police Dept. (Retired)
Chris Grant, PBA Representative	Jim Cherof, City Attorney

2. **Wells Capital** - Dann Smith and Joseph Conroy provided the following update for the Wells Capital Management and the Heritage Growth Team, which manages the portfolio.

The team's philosophy, process, and people have remained stable and the team continues to focus on the bottom up stock selection process that has proven successful for over 30 years – all holdings must have robust, sustainable, and underappreciated growth.

The portfolio value as of March 31, 2014 was $24.3 million. For the twelve months ended March 31 the portfolio returned 25.43% as compared to 23.22% for the benchmark Russell 1000 Growth Index. The portfolio increased $4.8 million for the period, inclusive of net withdrawals of $159,000. Since inception on March 12, 2012, the portfolio and benchmark returns (annualized) have been 17.30% and 17.55%, respectively. The portfolio has increased $6.4 million since inception, inclusive of net withdrawals of $447,000. Over the past twelve months, the Financial, Consumer, and Health Care sectors were the largest contributors to performance relative to the benchmark while the Technology sector was the largest detractor. Top ten holdings and key top/bottom performers were reviewed, with a focus on consistency with the team's investment process. Regarding the economic outlook, the consensus is relatively positive and the team is constructive, particularly for the domestic economy over the next several years. Some of the anticipated economic drivers include the increasingly robust energy industry, anticipated higher levels of manufacturing in North America, and an increase in household formations. We greatly appreciate the trust and confidence that the board has placed in our organization and our team.

3. **AmSouth Timber** – Jim White and Ben Whitaker of Regions AmSouth discussed the timber product and its performance with the Board. They submitted the following update.

    As of 3/31/2014, AmSouth Timber Company TE, LLC owns approximately 33,779 acres located in 5 Southern states. The Alexander Plantation tracts, located in Alabama and Mississippi, represent approximately 27,812 acres, the Valley Lease tracts, located in Alabama and Georgia, represent approximately 4,246 acres, and the Carolina TE tracts, located in North and South Carolina, represent approximately 1,721 acres.

    For fiscal year 2013, the AmSouth Timber Company TE, LLC produced a total return of 7.6% net of all fees and expenses compared to a 7.7% Total return reported by NCREIF Southern Timberland Index. Since inception (June 2007), the AmSouth Timber Company TE has an internal rate of return of 4.1% net of all fees and expenses compared NCREIF's Southerland Timberland index return of 4.6% for the same time period. As of 12/31/13, ATE has produced a total cash yield of approximately 27.6% ($1,381,055 to Pembroke Pines) which results in an annualized cash yield of 3.8%.

4. **Inverness Counsel** – Henry Renard, Robert Maddock, and John Rochford were present representing Inverness Counsel. The following was submitted summarizing the Inverness presentation.

    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 had risen but had recently pulled back. 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) continues to fall, and so long as it does so, 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.

5. **Dahab Associates** – This discussion was deferred until a later part of the meeting.

6. **Approval of Minutes for April 17, 2014** – Chairman Dougherty presented minutes from the April 17, 2014 meeting for approval. Trustee Musumeci requested an additional paragraph be added at the end of the 1099-R discussion, which was provided to the Board for their review. Motion by Jack McCluskey, second by Gary Arenson, to approve the amended minutes. The motion carried unanimously.

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

    - F/F Bill Dearman ***
    - P/O Earl Feugill ***

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

    Motion by Vicki Minnaugh, second by Frank Musumeci, to approve the DROP Loans as presented. The motion carried unanimously.

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

    - P/O Michael Johnson (Lump Sum) ***
    - P/O Gregory Cortese (Lump Sum) ***
    - P/O Richard Barber (Lump Sum) ***
    - P/O Joseph Covino (Lump Sum) ***

- P/O Russell English (Lump Sum) ***
- P/O Christian Hemingway (Lump Sum) ***
- P/O Michael Segarra (Lump Sum) ***
- F/F Robert Vesely (Lump Sum) ***
- F/F Douglas Taraborelli (Lump Sum) ***
- F/F Todd Nelson (Lump Sum)***
- F/F Leslie Ortagus (Lump Sum) ***
- F/F *Beneficiary* Debbie DeSantis (Lump Sum) ***
- F/F Ricardo Torres (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. <u>Motion by Jack McCluskey, second by Kevin Venema, to approve the account distributions as presented. The motion carried unanimously.</u>

9. **<u>Approval of Vendor Warrant #596</u>** – In order to comply with Fiduciary Trust's new method of processing payments, Ms. Maldonado informed the Board that the warrants will now be split between member payments (for pension and DROP distributions) and vendor payments. Chairman Dougherty presented Warrant #596 in the amount of $196,748.49 for approval and payment. <u>Motion by Vicki Minnaugh, second by Jack McCluskey, to approve Warrant #596 as presented. The motion carried unanimously.</u> Gary Arenson abstained from voting due to a voting conflict.

Cypen & Cypen – Monthly Retainer for May 2014	$3,250.00
Hampton Professional Center Condo #2, Ste 104 (Monthly Maintenance – June 2014)	$407.72
Twilight Industries, LLC – (Maintenance – May 2014)	$152.00
SunTrust (J. Fisher)	$864.61
SunTrust (R. Maldonado)	$238.70
SunTrust (A. Cabeza)	$2,951.99
Plastridge Agency – ERISA Bond thru March 2015	$319.09
SunSentinel Subscription thru May 22, 2015	$187.46
McConnell Air Conditioning (Office Repair)	$142.50
ProShred 4/9/14	$55.00
Atlanta Capital – Mgmt Fees Q/E 3/31/14	$95,011.00
Employers Preferred Insurance	$131.00
Richard Ziff – May 2014 Loans	$350.00
Gary Arenson – Conference Reimbursement	$3,333.17
Herndon Capital – Mgmt Fees Q/E 3/31/14	$34,566.40
Fiduciary Trust – Custody Fee Q/E 3/31/14 for Stewart Capital	$800.92
Fiduciary Trust – Custody Fee Q/E 3/31/14 for R&D Acct.	$1,250.00
Fiduciary Trust – Custody Fee Q/E 3/31/14 for Herndon	$2,301.23
Fiduciary Trust – Custody Fee Q/E 3/31/14 for Wells Capital	$2,433.46
Fiduciary Trust – Custody Fee Q/E 3/31/14 for Lee Munder M/C	$2,574.80
Fiduciary Trust – Custody Fee Q/E 3/31/14 for Lee Munder L/C	$2,457.30
Fiduciary Trust – Custody Fee Q/E 3/31/14 for Inverness	$9,531.30
GRS – April 2014	$5,498.00
Dahab – Custodial Fees for Q/E 3/31/14	$27,789.06
FP&L	$151.78
TOTAL	**$196,748.49**

10. **<u>Approval of Member Warrant #597</u>** – Chairman Dougherty presented Warrant #597 in the amount of $684,512.07 for approval and payment. <u>Motion by Vicki Minnaugh, second by Gary Arenson, to approve Warrant #597 as presented. The motion carried unanimously.</u>

DROP Withdrawals:	
P/O Michael Johnson – Lump Sum DROP Withdrawal less FIT	***
P/O Gregory Cortese – Lump Sum DROP Withdrawal less FIT	***

P/O Richard Barber – Lump Sum DROP Withdrawal less FIT	***
P/O Joseph Covino – Lump Sum DROP Withdrawal less FIT	***
P/O Russell English – Lump Sum DROP Withdrawal less FIT	***
P/O Christian Hemingway – Lump Sum DROP Withdrawal less FIT	***
P/O Michael Segarra –Lump DROP Withdrawal less FIT	***
F/F Robert Vesely – Lump Sum DROP Withdrawal less FIT	***
F/F Douglas Taraborelli – Lump Sum DROP Withdrawal less FIT	***
F/F Todd Nelson – Lump Sum DROP Withdrawal less FIT	***
F/F Leslie Ortagus – Lump Sum DROP Withdrawal less FIT	***
F/F *Ben.* Debbie DeSantis – Final L/S DROP Withdrawal less FIT	***
F/F Ricardo Torres – Lump Sum DROP Withdrawal less FIT	***
F/F David Donzella – Lump Sum DROP Withdrawal less FIT	***
U.S. Treasury – FIT – W/H (Johnson, Cortese, Barber, Covino, English, Hemingway, Segarra, Vesely, Taraborelli, Nelson, Ortagus, DeSantis, Torres, Donzella)	***
DROP Loans:	
F/F William Dearman - DROP Loan Less Documentary Stamp	***
P/O Earl Feugill – DROP Loan Less Documentary Stamp	***
Documentary Stamp for DROP Loans:	
Florida Department of Revenue – Documentary Stamp (Dearman)	***
Florida Department of Revenue – Documentary Stamp (Feugill)	***
TOTAL	**$684,512.07**

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

UNFINISHED BUSINESS

11. 1099-R Discussion – This discussion was deferred until a later part of the meeting.

12. Late DROP Selection Discussion – This discussion was deferred until a later part of the meeting.

NEW BUSINESS

13. Gross & Net Rate Returns for Q/E 3/31/14 – Administrator Fisher presented the gross and net rates of return for Q/E 3/31/2014, as submitted by Dahab Consulting. Motion by Adam Cabeza, second by Vicki Minnaugh to approve the gross 1.33% and net 1.20% rates of returns for the quarter ending 3/31/14. The motion carried unanimously

5. Dahab Associates (Revisited) – Greg McNeillie of Dahab Associates discussed the overall performance of the fund for quarter ending 3/31/14. Mr. McNeillie was positive about the position of the Plan, stating that the actuarial assumption for the year had already been met for the fiscal year. The value of the Plan is currently at $469,826,138 with a quarter performance of 1.3%

The market is currently tough, especially for Large Cap. Mid Cap has been faring well in the current market. He reported to the Board the status of its recent Core Plus Real Estate investment. With the completion of all the necessary paperwork, the Fund is "in the queue" for a capital call.

Mr. McNeillie mentioned the Agriculture class, reminding the Board they should look to add that asset class in the near future. He encouraged the Board members to attend the Agriculture class offered at the FPPTA June conference.

	Equities	Equity Benchmark	Fixed Income	Fixed Inc. Benchmark	Trailing 12 Months
Atlanta Capital	(0.8)%	1.1%	---	---	26.6%
Herndon	1.3%	3.0%	---	---	20.0%
Inverness	2.1%	1.8%	1.6	1.5	24.2%
Lee Munder Midcap	2.5%	3.5%	---	---	23.9%
Lee Munder LargeCap	(1.7)%	1.1%	---	---	21.2%
SSgA Midcap	3.0%	3.0%	---	---	21.4%
SSgA Int'l Equity	1.3%	0.5%	---	---	15.2%
SSgA LargeCap Value	3.0%	3.0%	---	---	21.6%
Wells Capital	(0.2)%	1.1%	---	---	25.5%

	R.E.	R.E. Bench-mark	Trailing 12 Months
Am. Realty Advisors	3.2%	2.5%	13.2%
Black Rock	2.5%	2.5%	11.6%
TA Assoc Realty	3.3%	2.5%	6.5%
AmSouth	0.5%	1.6%	7.4%

The Board recessed at 2:43 p.m. and reconvened at 2:55 p.m.

11. **<u>1099-R Discussion (Revisited)</u>** – Attorney Steve Cypen introduced the topic. He asked Attorney Bob Friedman to provide the update. Mr. Friedman stated the Board and its attorneys became aware that forms 1099-R were filed with the IRS and furnished to members that were possibly incorrectly coded. This error indicated payments from the pension to the members were not subject to 10% early distribution tax. Mr. Friedman sent a letter to the Board on May 14th to discuss possible implications from the IRS.

Mr. Friedman also addressed a letter issued by the law firm Gray Robinson, hired to provide special tax counsel to the City. The Gray Robinson letter, written by Rick Burke, describes the facts and circumstances of 22 rehired members. It includes details on each separation and a recommendation from Mr. Burke as to whether the individual's Form 1099-R should be amended.

After some discussion, the Board asked for confirmation that the 22 members in the Gray Robinson letter are the only members that have been rehired. The HR director for the City, Mr. Rotstein, confirmed that the number was accurate. Mr. Burke confirmed that he made his recommendations off of what the City's HR department provided to him from the employee files. Mr. Friedman said he would like to review the 1099-Rs for the years 2010 through 2013. He would like to compare the distribution codes to the information in Mr. Burke's letter. Mr. Friedman will then partner with Mr. Cypen to make a determination on which individuals will need corrected 1099-R forms. The Board asked Mr. Friedman to also review the employee files.

Attorney Ron Cohen addressed the Board. Mr. Cohen represents a number of police officers who have been rehired. Mr. Cohen asked the Board to delay the issuance of corrected 1099-Rs. He also asked the Board to consider voluntary disclosure to the IRS and to also consider paying any fees or penalties so that the individual members would not have to make payments. He asked that the Board to consider changing benefits for the members that were impacted. Mr. Cypen assured Mr. Cohen that every resolution is open for consideration, but that the Board could not negotiate benefits.

<u>Motion by Gary Arenson, second by Al Xiques, to release copies of the 1099-Rs to Mr. Friedman and Mr.</u>

Cypen. The motion carried unanimously. Mr. Friedman, after consultation with Mr. Cypen, will provide a letter that identifies the employees who should receive corrected Form 1099-Rs and for which years, indicates the correction needed on the Form 1099-Rs and describes the tax, penalty and interest impact for each member. Mr. Xiques asked that the summary include probable tax penalties for each member. There was discussion amongst the Trustees on the role Fiduciary Trust played as the Plan custodian and producers of the forms in question. The Board asked that a representative from Fiduciary Trust be available at the next meeting.

Finally, Mr. Cypen asked about the status of the Ordinance created to address the In-Service Distribution issue. City attorney Jim Cherof noted Ordinance 1774 is currently in effect. Mr. Cherof confirmed that the impact statement was sent to the State. Mr. Cypen noted the impact statement should be sent directly from the Board.

12. **Late DROP Selection Discussion (Revisited)** – After discussing possible penalties for members who do not select their DROP benefits in a timely fashion upon entering the DROP, the Board decided to not implement a new policy. Mr. Fisher assured the Board that the occurrence happened infrequently and a late selection did not cause the Plan to incur any additional fees.

14. **Reports:**

Attorney – No additional report from the attorney at this meeting.

Actuary – Larry Wilson discussed his updated Impact Statement. He explained to the Board that the cost included 4 members and the slim possibility of future members being rehired. After discussion about named members, Mr. Cypen assured the Board that the statement can always be further updated. The Board instructed Mr. Fisher to forward this current version of the impact statement to the State. This would be the correct impact statement.

Chairman – No report from the Chairman for this meeting.

Plan Administrator – No report from the Plan Administrator for this meeting.

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

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

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

18. **Public Comment:** None.

19. **Adjournment** – Chairman Dougherty announced that the next regular meeting would be held on **Thursday, June 19, 2014 at 2:00 p.m**. There being no further business to come before the Board, motion by Vicki Minnaugh, second by Adam Cabeza, to adjourn the meeting at 4:36 p.m. The motion carried unanimously.

Steve Dougherty – Chairman

Frank Musumeci – Secretary