

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 17, 2018

The four hundred seventy-fifth meeting of the Firefighters and Police Officers Pension Fund in the City of Pembroke Pines was called to order at 1:02 PM by Chairman Adam Cabeza.

1.	<u>Roll Call –</u>	<u>Fire Members</u>	<u>Police Members</u>	<u>City Members</u>
		Adam Cabeza Robert Johnson John Kearney	Timothy Anderson Adam Feiner Sean Wollard	Gary Arenson Jack McCluskey

Others Present: Mary Byrom, Atlanta Capital; Cindy Griffin and Elena Khoziaeva, Bridgeway Capital; Loren Johnson and Suzanne Lawrence, SSGA; Greg McNeillie and Bill Dahab, Dahab Associates; Larry Wilson, Plan Actuary; James Fisher, Plan Administrator; and Rachel Maldonado, Asst. Plan Administrator.

Motion by Adam Feiner, second by Gary Arenson to excuse the absence of Trustee Minnaugh. The motion carried unanimously.

Also in attendance:

Robert Maddock, Inverness Counsel	Tim Ghiskey, Inverness Counsel
Frank Musumeci, Retired Pines Fire	Lee Golditch, Retired Pines Fire

2. **Atlanta Capital** – Mary Byrom discussed the firm's performance for the quarter ending 3/31/18. The following summary was submitted.

Atlanta Capital's AUM hit a new high of 21B in March. We will be celebrating our 50th Anniversary next year; a new Logo & website to follow. We currently have 41 employees. Dallas Lundy, our head equity trader will be retiring in June after 45 years with the firm. He leaves behind a deep bench - 2 traders that have worked together for ~10 years. No changes to your PM team.

For most of 2017, the market seemed to brush off any bad news and plough ahead. In 2018, we have started to see more normal volatility in the markets. In January, mkt continued up - pricing in the potential benefits of new tax cuts, but then worries about the Fed raising rates, possible inflation and trade wars surfaced. As a result, your benchmark, the Russell 2000 index ended up slightly negative for the qtr.

We began managing money for the fund in February of 2003. The portfolio market value at the end of March was ~ 62 million. In % terms, that translates into a very strong 14.4% annualized return since inception. In fact, you have had strong outperformance in all time periods listed. There was one new purchase this past qtr., Kinsale Capital Group. They are a specialty insurer that underwrites insurance for small to medium sized commercial accounts.

We are in a complicated part of the business cycle for investors. We saw strength early in the year, then fears took over. The market is acting poorly in the face of pretty great earnings reports. The question is, will tax cuts offset the effects of monetary tightening? If we were to have a downturn, our HQ SMID strategy is typically very good at protecting in down markets.

3. **Bridgeway** – Cindy Griffin and Elaine Khoziaeva discussed quarterly performance through 3/31/18. They submitted the following summary.

that growth has been the Pembroke Pines Firefighters and Police Officers Pension Fund. Bridgeway also received recognition from Pension and Investments magazine as one of the Best Places to Work in Money Management in 2017, a great award to receive on its own merit, but shows that Bridgeway is dedicated to attracting and retaining the best and brightest in the industry to serve all clients. To that end, Bridgeway added a research analyst to the investment management team, Amitabh Dugar. Amitabh has more than 20 years of experience in the industry, most recently with BNP Paribas and was also a professor of accounting at Bentley University in Waltham, Massachusetts. All else is stable including the investment management team, which has had no departures.

Elena Khoziaeva, Bridgeway's portfolio manager, provided a quick refresher on Bridgeway's investment philosophy and process. Elena reviewed Bridgeway's differentiator in the Large-Cap Value strategy – that the firm combines strong factor exposure with diversification to achieve results. The investment process focuses on three model categories – Value Metrics (70%), Company Financial Health (25%), and Price Momentum (5%) – and a stock only has to meet the criteria of one model in order to make it into the portfolio. Elena stressed that Bridgeway does not look for individual names for the portfolio, rather the firm seeks to achieve factor exposures that represent the three model categories.

The account's performance was presented along with the average, unweighted returns for each of the model categories. Elena discussed the most recent quarter of portfolio performance (1Q 2018). Each of the model categories outperformed the Russell 1000 Value Index with the Price Momentum model category providing the most cushion in a down quarter for the benchmark. Elena then discussed the 12-month period ending March 31, 2018. Elena first noted that there was an error on page 12 of the presentation: the bar chart in the bottom left of the page should reflect the portfolio outperforming the Russell 1000 Value Index. Cindy has emailed a revised copy to Jim and Rachel. Elena noted that in the last year, that growth stocks significantly outperformed value stocks and that because of the diverse exposure to different factors in the portfolio, the Fund's portfolio outperformed the Russell 1000 Value Index by more than 5% on a net of fees basis over the 12-month period. For the 12-month period, the Value Metrics and Company Financial Health model categories, which in aggregate constitute 95% of the portfolio, outperformed the Russell 1000 Value Index. The diversifying Price Momentum category, which constitutes 5% of the portfolio, underperformed the Index.

The portfolio is positioned as designed and portfolio characteristics are in line with expectations: deeper value characteristics, smaller weighted average market cap, and relatively sector neutral (no relative sector weightings greater than +/- 10%).

4. **SSGA** – Suzanne Lawrence and Lorne Johnson discussed their performance for the quarter ending 3/31/18. The submitted summary is below.

Suzanne Lawrence, account executive gave a brief update on the firm and that SSGA is currently managing four strategies, three index strategies, Russell 1000 Growth and Value and S&P Midcap. At today's Board Meeting Lorne Johnson, portfolio manager for the All International Allocation Fund will give a brief review of the strategy and an update on the recent performance through the 1Q18.

Lorne Johnson gave an overview of the International Allocation Fund strategy. The investment team actively allocates among three major asset classes- Developed, Emerging and Small Cap International equities. We will overweight or underweight the asset classes based on where we believe the relative attractiveness of the various asset classes. Seeking to provide excess return over the benchmark over the long term.

Lorne discussed the recent underperformance year to date and for the last 12 months. The underlying funds that most underperformed were International Developed and International Equity Small Cap. In developed markets it was a difficult first quarter for the alpha model. Value was the weakest performing factor detracting over 40bps from active return. The strategy continued to outperform for the 3-year, 5-year and since inception for the period ending 3/31/18 (gross).

5. **Dahab Associates** – Greg McNeillie and Bill Dahab of Dahab Associates discussed the overall performance of the portfolio. As of March 31, 2018, the Fund earned -0.1% for the quarter and was valued at \$617,637,562 representing a decrease of \$3,849,798 from the previous quarter.

Greg McNeillie highlighted the expiration of the AmSouth investment. The Board will use the approximate \$4 million from the AmSouth liquidation to invest in Molpus Fund 5. The Board is currently in Molpus Fund 4. Motion by Gary Arenson, second by Jack McCluskey, to invest \$8 million in Molpus Fund 5 with the monies coming from various reallocated sources at the time of capital call. The motion carried unanimously.

Gross & Net Rate Returns for Q/E 3/31/18 – The Board reviewed the gross and net of fees rates of return for Q/E 3/31/18, as submitted by Dahab Consulting. Motion Tim Anderson, second by Gary Arenson, to approve the gross -0.11% and net -0.24% rates of returns for the quarter ending 3/31/18. The motion carried unanimously.

	Equities	Equity Benchmark	Fixed Income	Fixed Inc. Benchmark	Trailing 12 Mos.
Atlanta Capital	1.8%	-0.1%	---	---	14.8%
Bridgeway Capital	-1.3%	-2.8%	---	---	12.7%
Inverness	1.5%	-0.8%	-1.4%	-1.3%	16.4%*
Lee Munder Midcap	-2.4%	-0.5%	---	---	7.3%
Lee Munder LargeCap	3.4%	1.4%	---	---	24.8%
SSgA Midcap Core	-0.8%	-0.8%	---	---	11.0%
SSgA Int'l Equity	-2.0%	-1.2%	---	---	13.8%
SSgA LargeCap Value	-2.8%	-2.8%	---	---	7.1%
SSgA LargeCap Growth	1.4%	1.4%	---	---	21.2%
Loomis Sayles	---	---	-0.4%	-1.5%	---
Manulife	---	---	-1.4%	-1.5%	---

*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	2.2%	2.2%	8.0%
Black Rock	2.4%	2.2%	9.4%
Intercontinental	2.8%	2.2%	9.9%
TA Assoc Realty	3.3%	2.2%	9.7%
Ceres	0.8%	1.3%	5.0%
AmSouth	-15.7%	0.9%	-15.3%
Molpus Fund IV	-0.6%	0.9%	2.2%

The Board recessed at 2:35 p.m. and reconvened at 2:59 p.m.

6. **Approval of Minutes for April 19, 2018** – Chairman Cabeza presented the minutes from the previous meeting held on April 19, 2018. Motion by Gary Arenson, second by Jack McCluskey, to approve the minutes as presented. The motion carried unanimously.
7. **Approval of DROP/Retirement Benefit(s)** – The following DROP benefit was presented for approval.
 - P/O Erwin Lopez – Joint & 75% Contingent commencing 4/1/2018Motion by Jack McCluskey, second by Sean Wollard, to approve the new DROP benefit. The motion carried unanimously.
8. **Request for DROP Account Distributions** – The following DROP distributions were presented for approval.
 - P/O Kevin King – Lump Sum
 - F/F Charles Hernandez – Lump Sum
 - F/F James Sammarco – Lump Sum
 - F/F Joseph Dennis – Lump Sum

- F/F Ricardo Torres – Lump Sum
Administrator Fisher asked the Board to add additional distributions to the agenda.

- P/O Leonard Noonan – Lump Sum

Motion by Robert Johnson, second by Gary Arenson, to add the additional distribution. The motion carried unanimously. Motion by Robert Johnson, second by Jack McCluskey, to approve the amended list of DROP distributions. The motion carried unanimously.

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 Cabeza presented the following DROP loans for approval.

- P/O Kipp Shimpino
- F/F Larry Goode

Motion by Sean Wollard, second by Robert Johnson, to approve the list of DROP loans. The motion carried unanimously.

10. Approval of Vendor Warrant #751 – Chairman Cabeza presented Vendor Warrant #751 for approval. Motion by Jack McCluskey, second by Robert Johnson, to approve Warrant #751 in the amount of \$247,420.40. The motion carried unanimously. Due to voting conflict, Trustee Arenson abstained from the vote.

<u>Name (Pension Benefits, Services Rendered or Obligations)</u>	<u>Amount</u>
Klausner, Kaufman, Jensen & Levinson – Monthly Retainer for May 2018	\$3,250.00
Hampton Professional Center Condo #2, Ste 104 (Monthly Maintenance – Jun 2018)	\$407.72
Twilight Industries, LLC – (Maintenance – May 2018)	\$152.00
Steven Bornstein – April 2018 Loans	\$1,000.00
Steven Bornstein – May 2018 Loans	\$400.00
CRU – Inv #5086	\$353.75
CRU – Inv #5112	\$89.00
CRU – Inv #5127	\$178.00
CRU – Inv #5129	\$230.00
Holland & Knight – Inv #5658635	\$327.50
SSGA – Mgmt Fees for Midcap Index Q/E 3/31/18	\$5,110.24
SSGA – Mgmt Fees for International Q/E 3/31/18	\$99,079.88
SSGA – Mgmt Fees for Growth Index Q/E 3/31/18	\$5,186.26
SSGA – Mgmt Fees for Value Index Q/E 3/31/18	\$7,946.22
FPPTA – January 2018 Conference Fees Past Due	\$1,200.00
GRS – April 2018	\$11,838.00
Dahab – Consultant Fees for Q/E 3/31/18	\$33,061.81
Bridgeway – Mgmt Fees for Q/E 3/31/18	\$34,837.51
Bridgeway – Mgmt Fees for Q/E 6/30/18	\$34,372.29
Gary Arenson – Conference Reimbursement (NCPERS May 2018)	\$1,160.19
FP&L	\$110.69
ABS – Copier Lease	\$234.60
ProShred Service	\$56.38
SunTrust Visa – Acct Ending 8870	\$1,645.43
SunTrust Visa – Acct Ending 8961	\$1,605.69
SunTrust Visa – Acct Ending 8987	\$3,287.52
SunTrust Visa – Acct Ending 9787	\$167.62
McConnell Air – A/C Service	\$132.10
TOTAL	\$247,420.40

11. Approval of Member Warrant #752– Chairman Cabeza presented Member Warrant #752 for approval. Motion by Jack McCluskey, second by Gary Arenson, to approve Warrant #752 in the amount of \$253,850.00. The motion carried unanimously.

Name (Pension Benefits, Services Rendered or Obligations)	Amount
DROP Distributions:	
P/O Kevin King – Lump Sum Withdrawal less FIT	***
P/O Leonard Noonan – Lump Sum Withdrawal less FIT	***
F/F Charles Hernandez – Lump Sum Withdrawal less FIT	***
F/F James Sammarco – Lump Sum Withdrawal less FIT	***
F/F Joseph Dennis – Lump Sum Withdrawal less FIT	***
F/F Ricardo Torres – Lump Sum Withdrawal less FIT	***
U.S. Treasury – FIT – W/H (King, Noonan, Hernandez, Sammarco, Dennis, Torres)	***
DROP Loans:	
P/O Kipp Shimpeno - DROP Loan Less Documentary Stamp	***
F/F Larry Goode - DROP Loan Less Documentary Stamp	***
Documentary Stamp for DROP Loans:	
Florida Department of Revenue – Documentary Stamp (Shimpeno)	***
Florida Department of Revenue – Documentary Stamp (Goode)	***
TOTAL	\$253,850.00

NEW BUSINESS

12. **Operating Expenses Worksheet FYE 9/30/2019** – Asst. Administrator Maldonado presented the Fund's operating expenses for FY 9/30/19. Motion by Gary Arenson, second by John Kearney, to approve the budget for FY 9/30/19. The motion carried unanimously.

UNFINISHED BUSINESS

13. **DROP Loan Interest Rate for Q/E 6/30/2018** – Last month, agenda packets included information that the Wall Street Journal prime rate for the quarter ending 6/30/18 increased to 4.75%. The Board asked that the Administrator verify the rule regarding setting loan rates. Administrator Fisher confirmed that the DROP rules as established by the Board indicate "prime plus 1" for interest rates on DROP loans. Motion by Jack McCluskey, second by Robert Johnson, to approve the new rate of 5.75% for DROP loans during the months of May and June 2018. The motion carried unanimously.
14. **DROP Plan Revisions** – The Board discussed the City's recent revisions to the DROP plan. The office staff will work with the attorney and actuary to draft appropriate contract extensions and new forms for new DROP participants. Motion by Jack McCluskey, second by Gary Arenson, to have Larry Wilson partner with Paul Daragjati to draft updated DROP guidelines based on the Board's discussions. The motion carried unanimously.

Larry Wilson also noted a scrivener's error on the City's ordinance. He will work with Paul Daragjati to help get it corrected.

15. **Reports:**

Attorney – No report at this time.

Actuary – No additional report at this time.

Chairman – Chairman Cabeza discussed education needs for the Board. He also notified the Board that he will participate on a conference call with Saxena White (securities litigation) on the Paterson lawsuit with the possibility of the Board becoming lead plaintiff. Chairman Cabeza will update the Board at the June meeting.

Plan Administrator – No report at this time.

16. **Input from Retirees:** None.
17. **Input from Active Members:** None.
18. **Input from Trustees:** None.

19. **Public Comment:** None.

20. **Adjournment** – Chairman Cabeza announced that the next regular meeting would be held on **Thursday, June 21, 2018 at 2:00 PM.** There being no further business, motion by Adam Feiner, second by Gary Arenson to adjourn the meeting at 4:12 PM. The motion carried unanimously.


Adam Cabeza – Chairman


John P. Kearney – Secretary