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 NOVEMBER 16, 2017

The four hundred sixty-ninth 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. **Roll Call** –

Fire Members	Police Members	City Members
Adam Cabeza	Timothy Anderson	Gary Arenson
Robert Johnson	Adam Feiner	Jack McCluskey
	Sean Wollard	Vicki Minnaugh

Others Present: Barbara Keady & Brandon Zick, Ceres Partners; Tom Capobianco & James Gribbell, LMCG; Adrian Sancho, Robert Maddock & John Rochford, Inverness Counsel; Larry Wilson; Plan Actuary; Paul Daragjati, Board Attorney; James Fisher, Plan Administrator and Rachel Maldonado, Asst. Plan Administrator.

Motion by Vicki Minnaugh, second by Jack McCluskey, to excuse Mr. Kearney's absence from the meeting. The motion carried unanimously.

Also in attendance:

Matt Nickison, Retired Pines Fire

2. **Ceres** – Barbara Keady and Brandon Zick of Ceres discussed their performance for the quarter ending 9/30/17. They submitted the following summary.

On November 16, 2017, Barbara Keady, Director of New Business Development and Brandon Zick, Sr PM and Director of Acquisitions at Ceres Farms made a presentation to the Trustees of Pembroke Pines Police and Fire Pension. Ms Keady discussed the firm's growth since Pembroke came on Board- The firm now has $620MM in AUM and owns over 100,000 acres of farmland across 10 states. We remain overweight to the Midwest- This area remains the most efficient in terms of farming with plentiful water supply- We consider water availability as crucial in any purchase decisions we make.

Ms Keady discussed performance to date- Ceres has continued to produce stable returns despite a very challenging commodity pricing environment. The fund was +2.33% net through 9/30/2017 (unaudited) and 11.5% annualized net returns since inception. Ms Keady reminded the Board why they are invested in this asset class- Farmland provides equity like returns with bond like volatility It provides a combination of current income, capital appreciation and diversification (Farmland has low to negative correlations with most other financial assets) Adding farmland to the Pembroke allocation brings the volatility of the overall portfolio down. Row crop farmland total return has significantly outperformed the S&P 500 during the last 2 equity drawdowns. In addition, over the past 20 years, the NCREIF Commodity index has outperformed the S&P 500 Total Return with very low volatility.

Ms Keady discussed how Ceres has outperformed its benchmark (NCREIF Commodity Cropland Index) on a 1, 3, 5 and 7 year basis.

Mr. Zick discussed where we are in the commodity cycle, opportunities we are seeing in the market and overall composition of our portfolio. He discussed new initiatives we are taking to supplement our rental income (Solar Leases, wetlands conservation easements) as we work through the excess supply of feed grains in the market. He mentioned that we have not had a weather event that has affected grains since the drought of 2012.

Our underwriting standards remain stringent- we "win" only 1 in 15 auctions, being outbid on average by over 50%. The purchases we do make confirm our value add approach. Currently over 50% of our farms have supplemental irrigation. We have invested over $9M in Capex projects (irrigation, grain storage, tile, tree clearing). Our tenant farmer partners have expanded to over 50 groups across our geographic footprint. WE have added staff to the PM team in South Bend.

Outlook- US Economy appears to be in expansion with rates rising and creeping inflation. After an 8 year bull market, we would recommend taking some risk off the table and investing in an uncorrelated inflation protected asset like farmland!

3. **LMCG** – Tom Capobianco and James Gribbell discussed their performance for the quarter ending 9/30/17. They submitted the following summary.

Tom Capobianco presented a brief update on the firm with AuM growing to about $8 billion. Minor changes to the firm ownership with 4 employees became partners during 2017. Strategies that have garnered new assets this year have been in international small cap equity and emerging markets small cap equity. Jim Gribbell, discussed Large Cap Growth equity. Pembroke Pines P&F strategy assets have grown by over $6 million since 12/31/2016 (through 9/30/2017). Performance has been strong with the portfolio delivering 22.2% versus 20.7% YTD (gross of fees) ranking this portfolio in 38 percentile within the eVestment US Large Cap Growth universe.

Stocks that helped the portfolio were Boeing (+67%), Moody's Corp (+49%), Facebook (+49%), Mastercard (+38%) and Visa (+36%). Detractors to the portfolio were Schlumberger (-20%), United Continental (-17%), Verizon (-10%), Walt Disney (-5%) and Delta Airlines (-5%). Jim then discussed LMCG Midcap Core equity strategy. Pembroke Pines P&F strategy assets have grown by almost $3 million since 12/31/2016 (through 9/30/2017). Performance has been flat with the portfolio delivering 11.2% versus 11.7% YTD (gross of fees). Stocks that helped the portfolio were Cadence Design Systems (+34%), FMC Corporation (+31%) Allegheny Technologies Incorporated (+30%), Qorvo, Inc. (+28%) and Cooper Companies, Inc. (+27%). Detractors to the portfolio were Envision Healthcare Corporation (-72%), Anadarko Petroleum Corporation (-47%), Newfield Exploration Company (-41%), Synchronoss Technologies (-38%) and Brixmore Property Group (-35%).

4. **Inverness Counsel** – Robert Maddock and John Rochford discussed their performance for the quarter ending 9/30/17. The summary they submitted is below.

Inverness noted that the strong performance year to date and over the last 12 months in equities that had been hampered by cash positions. 3 year and 5 year performance had been mostly hurt by two strong quarters being dropped. We noted that a weak quarter will be dropped from the 5 year number during the fourth quarter. We also noted that market and economic indicators to compare to prior bull market peaks were increasingly in the yellow and red zones which had driven our caution. Given the low level of economic growth, the recovery could continue to extend. Equity performance since fiscal year end has been strong on an absolute and relative basis.

Inverness thanks the board for the opportunity to work for the Firefighters and Police Officers of Pembroke Pines.

5. **Dahab Associates** – Greg McNeillie of Dahab Associates discussed the overall performance of the portfolio. As of September 30, 2017, the Fund earned 3.30% for the quarter and was valued at $595,804,616 representing an increase of $19,909,036 from the previous quarter. The fund return of the total portfolio for the Plan's fiscal year ending 9/30/17 is 12.1%.

Greg McNeillie continued a conversation that was previously begun about rebalancing the Board's portfolio. Mr. McNeillie suggested reducing Inverness Counsel exposure by moving a small percent of the holdings to the two existing passive portfolios in order to mitigate low performance. <u>Motion by Adam Feiner, second by Tim Anderson, to reduce Inverness holding from 14% to 10% and redirect the 4% to the Board's existing large cap value and growth investments. The motion carried unanimously.</u> The investment policy will be updated and approved before the funding will occur.

The Board discussed additional concerns relative to rebalancing due to the funding of the new investments with Loomis Sayles & Manulife. <u>Motion by Gary Arenson, second by Robert Johnson, to use funds from Core bonds to fund Core Plus Manulife. The motion carried unanimously.</u> As per a spreadsheet distributed by Greg McNeillie to the Board, funding for Loomis Sayles is slated to come from a portion of equity portfolios that include Atlanta Capital, LMCG, and SSGA.

Gross & Net Rate Returns for Q/E 9/30/17 – The Board reviewed the gross and net of fees rates of return for Q/E 9/30/17, as submitted by Dahab Consulting. Motion Vicki Minnaugh, second by Gary Arenson to approve the gross 3.30% and net 3.17% rates of returns for the quarter ending 9/30/17. The motion carried unanimously.

	Equities	Equity Benchmark	Fixed Income	Fixed Inc. Benchmark	Trailing 12 Months
Atlanta Capital	3.5%	5.7%	---	---	16.7%
Bridgeway Capital	4.0%	3.1%	---	---	---
Inverness	4.4%	4.5%	0.9%	0.7%	17.7%*
Lee Munder Midcap	3.3%	3.5%	---	---	15.2%
Lee Munder LargeCap	6.6%	5.9%	---	---	21.6%
SSgA Midcap Core	3.2%	3.2%	---	---	17.5%
SSgA Int'l Equity	6.1%	6.2%	---	---	22.0%
SSgA LargeCap Value	3.1%	3.1%	---	---	15.1%
SSgA LargeCap Growth	5.9%	5.9%	---	---	---

*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	1.9%	1.9%	7.5%
Black Rock	2.4%	1.9%	8.7%
Intercontinental	2.5%	1.9%	11.8%
TA Assoc Realty	2.9%	1.9%	4.6%
Ceres	1.1%	1.0%	5.4%
AmSouth	0.2%	0.6%	0.3%
Molpus Fund IV	0.5%	0.6%	5.8%

6. **Approval of Minutes for October 19, 2017** – Chairman Cabeza presented the minutes from the previous meeting held on October 19, 2017. Motion by Vicki Minnaugh, second by Jack McCluskey, to approve the minutes as presented. The motion carried unanimously.

7. **Approval of DROP/Retirement Benefits** – The following DROP benefits were presented for approval.

- P/O James O'Sullivan – Joint & 100% Contingent commencing 10/1/17
- P/O Steve Graziani – Joint & 100% Contingent commencing 11/1/17

Motion by Vicki Minnaugh, second by Jack Minnaugh, to approve the new DROP benefits. The motion carried unanimously.

8. **Approval of DROP Distributions** – The following DROP distributions were presented for approval.

- P/O Michael Pazienza – Lump Sum
- F/F Maurice Washington – Lump Sum
- F/F Glen Gibbons – Lump Sum; Rollover

Administrator Fisher asked the Board to add additional distributions to the agenda. Motion by Robert Johnson, second by Jack McCluskey to add the additional distributions. The motion carried unanimously.

- F/F Richard DeTata – Lump Sum
- P/O William Bucknam – Lump Sum
- P/O Steve Wetterer – Lump Sum

Motion by Vicki Minnaugh, second by Robert Johnson, 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 loan for approval.

- P/O Robert Laichak

Asst. Administrator Maldonado asked the Board to add an additional loan to the agenda. Motion by Vicki Minnaugh, second by Robert Johnson to add the additional loan. The motion carried unanimously.

- P/O James Fisher

Motion by Vicki Minnaugh, second by Jack McCluskey, to approve the amended list of DROP loans. The motion carried unanimously.

10. **Approval of Vendor Warrant #736**– Chairman Cabeza presented Vendor Warrant #736 for approval. Motion by Vicki Minnaugh, second by Jack McCluskey, to approve Warrant #736 in the amount of **$301,100.60.** The motion carried unanimously. Due to a voting conflict, Trustee Arenson abstained from the vote.

Name (Pension Benefits, Services Rendered or Obligations)	Amount
Klausner, Kaufman, Jensen & Levinson – Monthly Retainer for November 2017	$3,250.00
Hampton Professional Center Condo #2, Ste 104 (Monthly Maintenance – Dec 2017)	$407.72
Twilight Industries, LLC – (Maintenance – November 2017)	$152.00
GRS – July 2017	$7,695.00
GRS – August 2017	$7,257.00
GRS – September 2017	$16,988.00
CRU, Inv. #4808	$248.14
CRU, Inv. #4744	$89.00
CRU, Inv. #4777	$138.00
CRU, Inv. #4794	$69.00
Dahab – Custodial Fees for Q/E 9/30/17	$32,302.28
Atlanta Captial – Mgmt Fees for Q/E 9/30/17	$107,027.00
Holland & Knight – Inv. #5577317	$587.50
Steven Bornstein – November 2017 Loans	$400.00
NCPERS – Annual membership 2018	$250.00
FPPTA – On-site registration for Fall School	$1,000.00
SSGA – Mgmt Fees International for Q/E 9/30/17	$99,583.98
SSGA – Mgmt Fees for Value Index for Q/E 9/30/17	$5,901.84
SSGA – Mgmt Fees for Growth Index for Q/E 9/30/17	$4,129.34
SSGA – Mgmt Fees for S&P Midcap Index for Q/E 9/30/17	$5,392.38
FP&L	$151.77
Accelerated Business – Copier Lease 10/15 – 11/14/17	$234.60
CRU Inv. #4703	$1,694.00
Broward County – Pines Fire Protection Assessment	$643.60
SunTrust Visa Acct Ending 8870	$1,174.72
SunTrust Visa Acct Ending 8961	$1,809.33
SunTrust Visa Acct Ending 8987	$1,769.80
Gary Arenson – Conference Reimbursement Southeast Regional Investers	$244.96
John Kearney – Conference Reimbursement FPPTA	$509.64
TOTAL	**$301,100.60**

11. **Approval of Member Warrant #737**– Chairman Cabeza presented Member Warrant #737 for approval. Motion by Robert Johnson, second by Tim Anderson, to approve Warrant #737 in the amount of **$237,861.40.** The motion carried unanimously.

Name (Pension Benefits, Services Rendered or Obligations) **Amount**

DROP Distributions:	
P/O Michael Pazienza – Lump Sum Withdrawal less FIT	***
F/F Maurice Washington – Lump Sum Withdrawal less FIT	***
F/F Glen Gibbons – Lump Sum Withdrawal (Rollover)	***
F/F Richard DeTata – Lump Sum Withdrawal less FIT	***
P/O William Bucknam – Lump Sum Withdrawal less FIT	***
P/O Steven Wetterer – Lump Sum Withdrawal less FIT	***
U.S. Treasury – FIT – W/H (Pazienza, Washington, Detata, Bucknam, Wetterer)	***
DROP Loans:	
P/O Robert Laichak - DROP Loan Less Documentary Stamp	***
P/O James Fisher - DROP Loan Less Documentary Stamp	***
Documentary Stamp for DROP Loans:	
Florida Department of Revenue – Documentary Stamp (Laichak)	***
Florida Department of Revenue – Documentary Stamp (Fisher)	***
TOTAL	**$237,861.40**

UNFINISHED BUSINESS

None.

NEW BUSINESS

None.

12. Reports:

Attorney – Attorney Paul Daragjati discussed a number of items with the Board.

- Mr. Daragjati discussed the federal, state, and local death benefits available to our members. He also informed the Board his firm KKJL assists widows to locate the benefits assessible to them at the aforementioned levels.
- Due to the recent bill passed in the house, Mr. Daragjati issued a memo explaining UBIT (unrelated business income tax.
- The Board received an update on the on-going Fritz litigation.

Trustee Wollard asked the attorney to review the Investment Policy that will be updated in accordance with the decisions the Board agreed to during Dahab's presentation earlier in the meeting.

Chairman Cabeza disucussed "financial urgency" and its unconstitutional application in the case of police and fire bargaining units against the City of Miami. Mr. Daragjati confirmed that the same was true for the City of Hollywood.

Actuary – Actuary Larry Wilson discussed the UBIT issue as well and its possible implications on investments and other such earnings for public pension plans. As well, Mr. Wilson mentioned projects in process for the Board including: 415 screener for 2018, recalculation of police COLAs relative to the recent changes from the City that involve retroactive pay adjustments, 9/30/17 DROP accounting, and the data request for the upcoming annual valuation.

Chairman – No report at this time.

Plan Administrator – No report at this time.

13. Input from Retirees: None.

14. Input from Active Members: None.

15. Input from Trustees: None.

16. Public Comment: None.

17. Adjournment – Chairman Cabeza announced that the next regular meeting would be held on **Thursday, December 14, 2017 at 12:00 PM,** immediately followed by the Board's annual Holiday luncheon. There being no further business, motion by Adam Feiner, second by Gary Arenson to adjourn the meeting at 3:52 PM. The motion carried unanimously.

Adam Cabeza – Chairman

John P. Kearney – Secretary