

# BOARD OF TRUSTEES OF THE CITY PENSION FUND FOR FIREFIGHTERS & POLICE OFFICERS

In the City of Pembroke Pines  
Hampton Professional Center  
1951 NW 150<sup>th</sup> Avenue – Suite #104  
Pembroke Pines, FL 33028

## REGULAR MONTHLY MEETING MAY 16, 2019

The four hundred eighty-seventh meeting of the Firefighters and Police Officers Pension Fund in the City of Pembroke Pines was called to order at 1:03 PM by Chairman Timothy Anderson.

<b>1. Roll Call –</b>	<b><u>Fire Members</u></b>	<b><u>Police Members</u></b>	<b><u>City Members</u></b>
	Adam Cabeza	Timothy Anderson	Gary Arenson
	Robert Johnson	Adam Feiner	Jack McCluskey
	John Kearney	Thomas Moran	Vicki Minnaugh

**Others Present:** Cindy Griffin & Elena Khoziavea, Bridgeway; Mary McTague Byrom, Atlanta Capital; Elise Jahdav & Louis C. Basque, SSGA; Greg McNeillie, Dahab Consulting; Larry Wilson, Plan Actuary; Blanca Greenwood, Pension Attorney; James Fisher, Plan Administrator; and Rachel Maldonado, Asst. Plan Administrator.

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

Also in attendance:

Robert Maddock, Inverness Counsel	John Rochford, Tocqueville Asset Mgmt.
Adrian Sancho, Inverness Counsel	Joe Zock, Tocqueville Asset Mgmt.
Michael Bray, Inverness Counsel	

John Rochford asked to address the Board. Chairman Anderson agreed to allow him to speak briefly at the opening of the meeting. Mr. Rochford referenced his departure from Inverness Counsel and introduced one of the partners of his current firm, Mr. Zock.

2. **Bridgeway** – Cindy Griffin and Elena Khozieva discussed the quarter performance. They submitted the following summary.

Cindy Griffin, Relationship Manager, gave a brief update on the firm. Assets are at approximately \$8.1 billion with a majority of assets in the large-cap value strategy in which Pembroke Pines Firefighters and Police Officers Pension Fund is invested. The firm has 35 partners and added two new members to the investment management team, both of whom have extensive experience in the international equity space as well as quantitative methods and portfolio construction. Both additions are part of the research team and will be additive to the research process for the firm's U.S. equity strategies as well.

Elena Khoziaeva, Head of U.S. Equity and Portfolio Manager, provided a refresher on Bridgeway's investment philosophy and process, focusing on the three model categories in the large-cap value strategy: Value Metrics, Company Financial Health, and Price Momentum. Elena reviewed the recent underperformance, focusing on the fourth quarter of 2018. First, Elena addressed performance for each of the model categories. Value Metrics underperformed the benchmark as the strategy's tilt towards deeper value names, which underperformed the more expensive names in the benchmark, hurt performance. Proxies for Company Financial Health showed no strong pattern, thus higher quality positioning neither hurt or helped the strategy. Momentum showed barbell performance with the highest and lowest momentum names in the Index performing poorly, thus the Price Momentum category's tilt towards higher momentum names detracted from performance. Next, Elena addressed the risk-off nature of the quarter where no risks were being rewarded. The highest volatility names and smaller names in the Index underperformed, hurting the strategy's performance as the portfolio has a tilt towards higher volatility and smaller size (large/mid-



cap names).

Finally, Elena noted that the strategy saw a bounceback in year-to-date performance and that was a result of not reacting hastily to the underperformance in the fourth quarter of 2018. However, under the firm's philosophy of continuous investment in research, the investment management team has been reviewing some potential updates to the Company Financial Health model category.

3. **Atlanta Capital** – Mary McTague Byrom presented the quarter performance. Her summary follows.

Atlanta Capital is celebrating our 50th Anniversary in the investment business this year. Wouldn't be where we are today without all of you – Thank you for your support.

We began managing money for you in Feb 2003. Mkt Value portfolio at the end of March was \$70,569,604. In percentage terms, that translates into an excellent 14.2% since inception annualized return. And that puts you ahead of your benchmark by about 3.0% annualized.

In December Qtr, there was little holiday cheer around the markets. After gaining 11% first 3 qtrs of calendar 2018, Small cap stocks were down over 20%. Fortunately, the HQ nature of your portfolio provided strong downside protection. Your portfolio held up much better – outperforming by about 6.5% (-13.7 vs -20.2) As we have discussed many times, that Downside protection is so important, because it allows you to bounce back much quicker.

In March Qtr, despite all the uncertainties we have been dealing with, stocks rebounded for qtr. Your portfolio had very strong absolute returns of almost 12%. Low Quality rebounded this qtr, so did give back a little bit of the outperformance from Dec Qtr. Still way ahead for the past yr. (+9.5%) Your Top Contributing stock QTR was Manhattan Associates. They work with the world's leading brands & retailers on inventory, supply chain and omni-channel commerce. No full sales this past qtr – 3 new stocks, Alamo Group, Welbuilt and Covetrus.

The current qtr +1.2% vs -1.0 as of Monday. Dealing with heightened level of uncertainty. There are some positives to offset the trade tensions: Unemployment rate hit a 50-year low of 3.6%, GDP 1q was way stronger than expected at 3.2%, Inflation is under control. We will stay focused on investing in high quality companies that we believe will participate in positive markets and protect if markets take a negative turn.

4. **SSGA** – Elise Jadhav is the new representative from SSGA and presented the quarter performance with her colleague Louis Basque. The submitted the summary below.

**Firm Update:** Elise expressed regret for the significant level of turnover on the client facing coverage for the account, while this was in total due to organizational restructuring over the last few years, it does not diminish the impact that turnover has on the partnership and relationship between SSGA and our clients, Elise is committed to rebuilding the Fire & Police's trust and hopes to be around for the long term on the account. She acknowledged the headlines around State Street's reduction in headcount across the globe over the last several months, Elise explained that the environment does force investment managers to trim cost as much as possible where we can but there is also a good amount of investment going back into the business in different areas – especially in technology, increasing headcount in our Strategist and Analyst teams who support our portfolio management and client facing teams, adds to staff in sales support, and relocating teams and business units to more cost efficient parts of the globe, mainly Poland and India.

**Investment Review:** Louis touched briefly on the index mandates, S&P MidCap, Russell 1000 Value and Russell 1000 Growth, reiterated that these are replicated strategies with very tight tracking and we can see that clearly in the performance track record. No changes to the team or process to be reported. Moving on to the all international allocation portfolio, this strategy seeks to provide broad diversification across developed, emerging, and international small cap markets, the mandate has underperformed versus its benchmark which is due in large part due to the performance of a couple of the underlying funds where value has struggled to shine versus the large, growing,

blockbuster names that have continued to perform very well, belief is that these names that appear misvalued will perform over the long term.

Board asked about the possibility of an investment management fee reduction and since the meeting, SSGA has put forth a fee reduction on the all international allocation portfolio from 80 bps to 75 bps – effective July 1, 2019.

5. **Dahab Associates** – Greg McNeillie of Dahab Associates discussed the overall performance of the portfolio. As of March 31, 2019, the Fund earned 9.14% for the quarter and was valued at \$650,659,461 representing an increase of \$49,364,536 from the previous quarter.

Trustee Arenson felt that the Board should review having the majority of the fixed income investment with Inverness. Mr. McNeillie agreed to review what is available and report back to the Board at his next visit.

**Gross & Net Rate Returns for Q/E 3/31/19** – The Board reviewed the gross and net of fees rates of return for Q/E 3/31/19, as submitted by Dahab Consulting. Motion by Vicki Minnaugh, second by Gary Arenson, to approve the gross 9.14% and net 9.02% rates of returns for the quarter ending 3/31/19. The motion carried unanimously.

	Equities	Equity Benchmark	Fixed Income	Fixed Inc. Benchmark	Trailing 12 Mos.
Atlanta Capital	11.6%	14.6%	---	---	11.5%
Bridgeway Capital	11.3%	11.9%	---	---	(1.0)%
Inverness	15.6%	13.6%	3.5%	2.8%	10.7%*
LMCG Midcap	16.3%	16.5%	---	---	3.1%
LMCG LargeCap	14.7%	16.1%	---	---	13.1%
SSgA Midcap Core	14.5%	14.5%	---	---	2.6%
SSgA Int'l Equity	10.1%	10.3%	---	---	6.0%
SSgA LargeCap Value	12.0%	11.9%	---	---	5.7%
SSgA LargeCap Growth	16.1%	16.1%	---	---	12.7%
Loomis Sayles	---	---	3.4%	2.9%	4.4%
Manulife	---	---	4.1%	2.9%	5.1%

\*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	1.7%	1.4%	8.2%
Black Rock	1.7%	1.4%	7.0%
Intercontinental	2.0%	1.4%	9.9%
TA Assoc Realty	0.2%	1.4%	6.5%
Ceres	1.1%	0.7%	6.2%
Molpus Fund IV	0.8%	0.1%	(1.0)%

6. **Approval of Minutes for May 16, 2019** – Chairman Anderson presented the minutes from the previous meeting held on May 16, 2019. Motion by Vicki Minnaugh, second by Gary Arenson, to approve the minutes as presented. The motion carried unanimously.

7. **Request for DROP Account Distributions** – The following DROP distributions were presented for approval.

- P/O George Soubasis – Lump Sum
- P/O Michael Pazienza – Monthly
- P/O James Desilva – Monthly
- F/F James White – Lump Sum
- F/F Beneficiary Sheila Alvira – Lump Sum

Administrator Fisher noted a few additions to the list of distributions.



- F/F Vincent Garcia – Lump Sum
- F/F James Sammarco – Lump Sum
- P/O Kim Diaz – Lump Sum
- P/O Joseph Yetto – Lump Sum

Motion by Robert Johnson, second by Vicki Minnaugh, to add the additional distributions. The motion carried unanimously. Motion by Robert Johnson, second by Vicki Minnaugh, to approve the 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.

**8. Request for DROP Loan(s) – The following DROP loan was presented for approval.**

- F/F Gabriel Cardenas

Motion by Jack McCluskey, second by Adam Cabeza, to approve the DROP loan. The motion carried unanimously.

**9. Approval of Vendor Warrant #790 – Chairman Anderson presented Vendor Warrant #790 for approval. Motion by Vicki Minnaugh, second by Jack McCluskey, to approve Warrant #790 in the amount of **\$274,203.62**. The motion carried unanimously.**

<b>Name (Pension Benefits, Services Rendered or Obligations)</b>	<b>Amount</b>
Klausner, Kaufman, Jensen & Levinson – Monthly Retainer for May 2019	\$3,250.00
Hampton Professional Center Condo #2, Ste 104 (Monthly Maintenance –June 2019)	\$407.72
Twilight Industries, LLC – (Maintenance – May 2019)	\$152.00
Dahab – Consulting Fees for Q/E 3/31/19	\$34,266.49
Atlanta Capitla – Mgmt Fees for Q/E 3/31/19	\$123,497.00
SSGA – Mgmt Fees for International Q/E 3/31/19	\$90,004.52
SSGA – Mgmt Fees for Value Index Q/E 3/31/19	\$4,461.48
SSGA – Mgmt Fees for Growth Index Q/E 3/31/19	\$4,841.66
SSGA – Mgmt Fees for Midcap Index Q/E 3/31/19	\$3,214.00
CRU, Inv #5742	\$150.00
CRU, Inv #5755	\$267.00
CRU, Inv #5625	\$230.00
CRU, Inv #5783	\$230.00
GRS – April 2019	\$3,850.00
Steve Bornstein – May 2019 DROP Loans	\$200.00
Purchase Power	\$133.82
Pitney Bowes	\$32.00
SunTrust Visa Acct Ending 8870	\$555.76
SunTrust Visa Acct Ending 8961	\$2,063.53
SunTrust Visa Acct Ending 8987	\$2,396.64
<b>TOTAL</b>	<b>\$274,203.62</b>

**10. Approval of Member Warrant #791– Chairman Anderson presented Member Warrant #791 for approval. Motion by Vicki Minnaugh, second by Jack McCluskey, to approve Warrant #791 in the amount of **\$161,500.00**. The motion carried unanimously.**

<b>Name (Pension Benefits, Services Rendered or Obligations)</b>	<b>Amount</b>
<b>DROP Distributions:</b>	
P/O George Soubasis – Lump Sum Withdrawal less FIT	***
P/O Michael Pazienza – Monthly Withdrawal commencing 6/1/19	***
P/O James DeSilva – Monthly Withdrawal commencing 6/1/19	***
F/F James White – Lump Sum Withdrawal less FIT	***

F/F Beneficiary Sheila Alvira – Lump Sum Withdrawal less FIT	***
F/F Vincent Garica – Lump Sum Withdrawal less FIT	***
F/F James Sammarco – Lump Sum Withdrawal less FIT	***
P/O Kim Diaz – Lump Sum Withdrawal less FIT	***
P/O Joseph Yetto – Lump Sum Withdrawal less FIT	***
U.S. Treasury – FIT – W/H (Soubasis, White, Alvira, Garcia, Sammarco, Diaz, Yetto)	***
<b>DROP Loans:</b>	
F/F Gabriel Cardenas - DROP Loan Less Documentary Stamp	***
<b>Documentary Stamp for DROP Loans:</b>	
Florida Department of Revenue – Documentary Stamp (Cardenas)	***
<b>TOTAL</b>	<b>\$161,500.00</b>

Administrator Fisher informed the Board of a new DROP benefit that required approval. Motion by Vicki Minnaugh, second by Jack McCluskey, to add the benefit for approval. The motion carried unanimously. Motion by Vicki Minnaugh, second by Jack McCluskey, to approve Mr. Hanson's benefit. The motion carried unanimously.

- P/O Jon Hanson – Joint & 75% Survivor commencing 2/1/19

### NEW BUSINESS

None.

### UNFINISHED BUSINESS

- 11. Update on Fritz Litigation:** Attorney Greenwood said that the City has until mid-August to correct the Ordinance with proper language as a result of the Fritz case.

### **12. Reports:**

**Attorney** – Ms. Greenwood mentioned that there has yet to be additional progress with the disability application filed last year but the City has decided to terminate the individual's employment.

**Actuary** – Mr. Wilson noted he is working closely with the pension attorney and Administrators to verify calculations as a result of the Fritz decision.


With the passing of the "cancer bill", he is also working on the impact to the Plan. He expects City's cost will increase.

**Chairman** – No report at this time.

**Plan Administrator** – Asst. Administrator Maldonado said the firm KSDT is still working on the State report.

- 11. Input from Retirees:** None.
- 12. Input from Active Members:** None.
- 13. Input from Trustees:** None.
- 14. Public Comment:** None.
- 15. Adjournment** – Chairman Anderson announced that the next regular meeting would be held on **Thursday, June 20, 2019 at 2:00 PM.** There being no further business, motion by Adam Feiner, second by Adam Cabeza to adjourn the meeting at 3:26 PM. The motion carried unanimously.

  
Timothy Anderson – Chairman

  
Thomas Moran – Secretary