

# 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 AUGUST 15, 2019

The four hundred ninetyeth 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 Timothy Anderson.

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

**Others Present:** George Dahduh, Molpus; Barbara Keady & Brandon Zick, Ceres; Matt Buxton, Howard Greene & Lee Giunta, Manulife; Greg McNeillie, Dahab Consulting; Jennifer Borregard & Shelley Jones, Plan Actuary; Blanca Greenwood, Pension Attorney; James Fisher, Plan Administrator; and Rachel Maldonado, Asst. Plan Administrator.

Motion by Robert Johnson, second by Vicki Minnaugh, to excuse the absence of Trustee Cabeza. The motion carried unanimously.

Also in attendance:

Robert Maddock, Inverness Counsel
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Adrian Sancho, Inverness Counsel
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2. **Molpus** – George Dahduh discussed the quarter performance. He submitted the following summary.

George Dahduh, Director, Client Relations and Business Development, for The Molpus Woodlands Group (Molpus), presented on behalf of Molpus Woodlands Fund IV (MWFIV) and Molpus Woodlands Fund V (MWFV).

Mr. Dahduh provided a brief overview and update of Molpus, including information about company size, personnel changes, organizational structure and track record. He then gave an overview of MWFIV, including total fund size (\$662,500,000), investor types, target return, and strategy. Mr. Dahduh gave a summary of the final acquisition in Fund IV.

Mr. Dahduh presented details regarding MWFIV's four properties in Fund IV, including 190,061 acres in Louisiana that closed in October of 2015, 48,646 acres in Florida and Georgia that closed in January 2016, 121,302 acres in Arkansas and Texas that closed in December 2016 and 26,722 acres located in Alabama, Mississippi, North Carolina and South Carolina that closed in March of 2018. He then gave details on the different markets and opportunities of each property.

Mr. Dahduh concluded his presentation with an announcement that Molpus had recently held a final close for Molpus Woodlands Fund V and that the firm was actively evaluating several acquisition opportunities for the Fund.

3. **Ceres** – Barbara Keady and Brandon Zick presented the quarter performance. Their summary follows.

Brandon Zick, CIO and Barbara Keady, Director of Marketing presented a manager update on Ceres Farms LLC to the City Pension Fund for Fire and Police of Pembroke Pines, Florida on August 15, 2019.

MS Keady discussed the firm's growth since Pembroke invested in June of 2015- The fund now has over 130,000 acres of income producing farmland across 10 states with \$809,000,000 AUM (as of June 30, 2019). We remain true to our core strategy of over weighting the Midwest as we believe this should be a core asset in any farmland portfolio. We invested \$89.3 M in 47



farms totaling over 17,000 acres in 2018. On average, these farms were underwritten to a 5.4% current return.

MS Keady then discussed performance to date. The fund is up 2.85% net YTD (6/30/2019) and 10.5% net on an annualized basis since inception. More importantly, Ceres has posted consistent positive returns despite a challenging commodity environment. The Board was also reminded of why they made the decision to invest in this asset class- US Row crop Farmland provides income, offers diversification to other investment classes and is a hedge against inflation.

Mr. Zick discussed what he and his team are seeing on the ground – slight firming of farmland valuations despite the overhang of tariff considerations. No one can predict when these tensions will end, but Mr. Zick outlined how our tenants faring. It was a very wet spring and it remains to be seen what yields will actually produce come harvest. But, we know that our farmers remain solvent. Given the sophistication and progressive practices of our farmers, they have hedged out a lot of their 2019 crop. In addition, some of the government payments will supplement income to cover some of the lost acres not planted.

Mr. Zick addressed the headwinds that a strong dollar, excess supply overhang and of course the implementation of tariffs will have on the farmland going forward. Certainly there has been a lot of friction in the supply chain as China struggles to find alternative supply to the US, but the overall demand for grains remains positive. In addition, China has had a massive culling of their domestic hog population- estimates over 30% that will need to be supplemented by buying hogs overseas. The US remains the number one hog producer, so this is a positive long run for corn and hog prices.

Mr. Zick then updated the Board on our Renewable energy initiative that we began last year. We currently have over 25% of our acres under these Option leases. These are generating ~ 1.3M in additional income. Should any of these acres go into construction and then operation we are looking at generating 2.5x rents versus what we get under a straight farm lease. Our acres are particularly attractive in the States of Michigan, NY and Georgia as they pursue Green Energy initiatives. Currently, we look to be moving forward on one large farm in NY State.

Outlook: Continue to see tremendous opportunity for managers such as ourselves. The US Economy is chugging along. As we return to Fed easing, we are seeing negative real interest rates. In this environment, the income component of your Ceres Farms investment looks beneficial as does its low volatility.

4. Manulife – The team discussing Manulife's performance consisted of Matthew Buxton, Howard Greene and Lee Giunta. They submitted the summary below.

Matthew Buxton, Relationship Manager, began the presentation with a brief update on Manulife Investment Management. The Firm currently manages just under \$400B in AUM globally, with over 450 investment professionals in various locations throughout the world. The Core/Core Plus Fixed Income Team now manages approximately \$39B in AUM, with over \$21B in the Core Plus Fixed Income Strategy. There have been no material changes to the Firm or the investment team over the last year.

Lee Giunta, Client Portfolio Manager, followed Matt's comments with a brief review of the fixed income markets as well as overall positioning in the portfolio. Lee highlighted that there has been a sharp decline in interest rates across the yield curve due to expectations that the Fed would begin a more accommodative policy. He also quickly touched on spreads in the corporate bond market, which tightened throughout 2019. After the market review, Lee discussed current positioning. Key takeaways were the continued overweight to corporate bonds, as well as ABS and CMBS, while remaining underweight Agency MBS and US Treasury bonds.

Before turning it over to Lead Portfolio Manager Howard Greene, Matt briefly highlighted performance. The portfolio has generated excess return since inception in 2017, and outperformed the benchmark (Bloomberg Barclays US Aggregate Bond Index) by 0.81% over the trailing twelve months ending June 2019. Sector allocation and security selection decisions were the major



contributors to outperformance over that period, with minimal value added from duration or yield curve positioning. These return sources are typical given the team's fundamental bottom-up philosophy and process. Howard then spent the remaining time reviewing the portfolio. He expanded on how the portfolio was currently allocated, reemphasizing the overweight to corporate bonds and underweight to US Treasuries. He also noted the substantial yield advantage in the portfolio relative to the index and highlighted the portfolio's neutral relative duration which is consistent with the team's investment approach.

5. **Dahab Associates** – Greg McNeillie of Dahab Associates discussed the overall performance of the portfolio. As of June 30, 2019, the Fund earned 3.82% for the quarter and was valued at \$673,082,331 representing an increase of \$22,422,870 from the previous quarter.

Mr. McNeillie provided a list of 53 firms who responded to a Fixed Income Manager Search. Chairman Anderson asked how the Board arrived at an RFP in a search for general information. Mr. McNeillie said he would work on reducing the list of possible firms and would discuss at the next quarterly meeting in November. The Board will decide at that time if they desire to make changes and schedule subsequent interviews.

**Gross & Net Rate Returns for Q/E 6/30/19** – The Board reviewed the gross and net of fees rates of return for Q/E 6/30/19, as submitted by Dahab Consulting. Motion by Gary Arenson, second by Jack McCluskey, to approve the gross 3.82% and net 3.69% rates of returns for the quarter ending 6/30/19. The motion carried unanimously.

	Equities	Equity Benchmark	Fixed Income	Fixed Inc. Benchmark	Trailing 12 Mos.
Atlanta Capital	6.0%	2.1%	---	---	10.4%
Bridgeway Capital	4.6%	3.8%	---	---	2.5%
Inverness	6.1%	4.3%	3.0%	3.1%	12.4%*
LMCG Midcap	2.5%	4.1%	---	---	0.3%
LMCG LargeCap	5.8%	4.6%	---	---	13.5%
SSgA Midcap Core	3.1%	3.0%	---	---	1.4%
SSgA Int'l Equity	1.6%	3.0%	---	---	(0.8)%
SSgA LargeCap Value	3.8%	3.8%	---	---	8.5%
SSgA LargeCap Growth	4.6%	4.6%	---	---	11.5%
Loomis Sayles	---	---	2.9%	3.0%	7.9%
Manulife	---	---	3.3%	3.1%	8.7%

\*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	1.5%	1.0%	7.6%
Black Rock	1.5%	1.0%	6.5%
Intercontinental	1.4%	1.0%	8.3%
TA Assoc Realty	(11.4)%	1.0%	(8.9)%
Ceres	3.8%	0.7%	8.0%
Molpus Fund IV	1.1%	1.0%	2.9%

6. **Approval of Minutes for July 18, 2019** – Chairman Anderson presented the minutes from the previous meeting held on July 18, 2019. Motion by Adam Feiner, second by Gary Arenson, to approve the minutes as presented. The motion carried unanimously.

7. **Approval of DROP/Retirement Benefit(s)** – The following DROP retirement was presented for approval.

- P/O David Ogden – Joint & 75% Contingent commencing 6/1/19

Motion by Vicki Minnaugh, second by Jack McCluskey, to approve Mr. Ogden's benefit. The motion carried unanimously.

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

- P/O Britney Combs – Lump Sum
- P/O Kevin McCluskey – Lump Sum
- P/O William Bucknam – Lump Sum
- F/F Maurice Tola – Lump Sum
- F/F Lee Golditch – Lump Sum
- F/F David Saxon – Lump Sum

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

- F/F Ross Kuruc – Lump Sum
- P/O Kim Diaz – Lump Sum
- P/O Christina Altman – Lump Sum

Motion by Vicki Minnaugh, second by Gary Arenson, to add the additional distributions. The motion carried unanimously. Motion by Vicki Minnaugh, second by Gary Arenson, to approve the amended list of DROP distributions. The motion carried unanimously. Trustee McCluskey abstained from the vote due to a voting conflict.

The IRC 415 screening tool results were provided to Actuary Jennifer Borregard. When appropriate, her 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)** – The following DROP loan was presented for approval.

- P/O Erwin Lopez
- P/O Lawrence Diaco

Motion by Adam Feiner, second by Thomas Moran, to approve the DROP loans. The motion carried unanimously.

10. **Approve Special Warrant #799** – The Board reviewed special warrant #799 for ratification. Motion by Vicki Minnaugh, second by Gary Arenson, to ratify Warrant #799. The motion carried unanimously.

Name (Pension Benefits, Services Rendered or Obligations)	Amount
<b>DROP Distributions:</b>	
P/O Britney Combs – Lump Sum Withdrawal less FIT	***
P/O Kevin McCluskey – Lump Sum Withdrawal less FIT	***
U.S. Treasury – FIT – W/H (Combs, McCluskey)	***
<b>TOTAL</b>	<b>\$8,625.00</b>

11. **Approval of Vendor Warrant #800** – Chairman Anderson presented Vendor Warrant #800 for approval. Motion by Vicki Minnaugh, second by Jack McCluskey, to approve Warrant #800 in the amount of \$214,336.34. The motion carried unanimously. Chairman Anderson abstained due to a voting conflict.

Name (Pension Benefits, Services Rendered or Obligations)	Amount
Klausner, Kaufman, Jensen & Levinson – Monthly Retainer for August 2019	\$3,250.00
Klausner, Kaufman, Jensen & Levinson – Svces RE: Fritz	\$1,700.00
Klausner, Kaufman, Jensen & Levinson – Svces RE: Walsh	\$649.50
Hampton Professional Center Condo #2, Ste 104 (Monthly Maintenance – Sept. 2019)	\$407.72
Twilight Industries, LLC – (Maintenance – August 2019)	\$152.00
GRS – July 2019	\$8,239.00
City Fire – Annual Assessment	\$35.00
Dahab Associates – Consulting Fees Q/E 6/30/19	\$35,110.79
Atlanta Capital – Mgmt Fees Large Cap for Q/E 6/30/19	\$130,665.00
Fiduciary Trust – Custodial Fees for LMCG Midcap Q/E 6/30/19	\$2,583.28
Fiduciary Trust – Custodial Fees for LMCG Largecap Q/E 6/30/19	\$3,988.12



Fiduciary Trust – Custodial Fees for Inverness Q/E 6/30/19	\$7,803.27
Fiduciary Trust – Custodial Fees for Bridgeway Q/E 6/30/19	\$2,793.42
Fiduciary Trust – Custodial Fees for R&D Q/E 6/30/19	\$1,250.00
Sun Trust, Acct 8870	\$1,310.75
Sun Trust, Acct 8961	\$1,824.25
Sun Trust, Acct 8987	\$1,373.02
Sun Trust, Acct 9787	\$679.14
ProShred	\$56.38
Purchase Power Postage	\$235.03
CRU #5901	\$150.00
CRU #5914	\$115.00
CRU #5916	\$89.00
CRU #5931	\$115.00
CRU #5934	\$623.00
CRU #5942	\$150.00
CRU #5947	\$593.90
FP&L	\$153.21
ABS – Copier Lease	\$410.83
Pressroom – Election Mailing Supplies	\$243.96
FPPTA – Outstanding Conference Registration	\$650.00
Sun Trust, Acct 8870	\$1,957.68
Sun Trust, Acct 8961	\$1,912.68
Sun Trust, Acct 8987	\$1,659.42
Sun Trust, Acct 9787	\$10.70
Sun Trust, Acct 9878	\$694.28
Sun Trust, Acct 9977	\$169.20
Tim Anderson – Conference Reimbursement FPPTA	\$292.81
Adam Cabeza – Conference Reimbursement	\$240.00
<b>TOTAL</b>	<b>\$214,336.34</b>

12. **Approval of Vendor Warrant #801** – Chairman Anderson presented Vendor Warrant #801 for approval. Motion by Jack McCluskey, second by Vicki Minnaugh, to approve Warrant #801 in the amount of **\$199,250.00**. The motion carried unanimously.

Name (Pension Benefits, Services Rendered or Obligations)	Amount
<b>DROP Distributions:</b>	
P/O William Bucknam – Lump Sum Withdrawal less FIT	***
F/F Maurice Tola – Lump Sum Withdrawal less FIT	***
F/F Lee Golditch – Lump Sum Withdrawal less FIT	***
F/F David Saxon – Lump Sum Withdrawal less FIT	***
F/F Ross Kuruc – Lump Sum Withdrawal less FIT	***
P/O Kim Diaz – Lump Sum Withdrawal less FIT	***
P/O Christina Altman – Lump Sum Withdrawal less FIT	***
U.S. Treasury – FIT – W/H (Bucknam, Tola, Golditch, Saxon, Kuruc, Diaz, Altman)	***
<b>DROP Loans:</b>	
P/O Erwin Lopez - DROP Loan \$17,000.00 Less Documentary Stamp \$59.50	***
P/O Laurence Diaco - DROP Loan \$15,000.00 Less Documentary Stamp \$52.50	***
<b>Documentary Stamp for DROP Loans:</b>	
Florida Department of Revenue – Documentary Stamp (Lopez)	***
Florida Department of Revenue – Documentary Stamp (Diaco)	***
<b>TOTAL</b>	<b>\$199,250.00</b>

#### NEW BUSINESS

13. **Trustee Election Report:** Regarding the two trustee seats with representatives from the Fire Department, Assistant Administrator Maldonado reported that the incumbents ran unopposed. Therefore, Adam Cabeza and Robert Johnson will begin the next two-year term on 10/1/19. There were, however, three self-nominations received for the two trustee seats for Police Department representation. As such, ballots will be mailed and counted in accordance with the election calendar approved at the July 2019 meeting.

## UNFINISHED BUSINESS

None.

14. Reports:

Attorney – Regarding the HD Supply case, the Board authorized pension Attorney Bob Klausner to negotiate a settlement in New York. If needed, the Chairman would also attend. Motion by Vicki Minnaugh, second by Gary Arenson, to authorize Mr. Klausner to mediate a settlement. The motion carried unanimously.

Ms. Greenwood also notified the Board of an investment loss against a company called GTT which provides cloud networking services. Pembroke Pines and Miramar would share co-lead plaintiff status in the case. Motion by Vicki Minnaugh, second by Gary Arenson, to authorize co-lead status with the Miramar board in a case against GTT. The motion carried unanimously.

Actuary – No report at this time.

Chairman – No report at this time.

Plan Administrator – No report at this time.

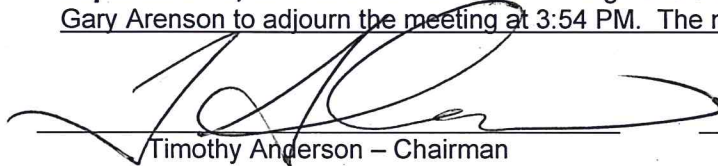
15. Input from Retirees: None.

16. Input from Active Members: None.

17. Input from Trustees: None.

18. Public Comment: None.

19. Adjournment – Chairman Anderson announced that the next regular meeting would be held on **Thursday, September 19, 2019 at 2:00 PM.** There being no further business, motion by Jack McCluskey, second by Gary Arenson to adjourn the meeting at 3:54 PM. The motion carried unanimously.



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Timothy Anderson – Chairman



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Thomas Moran – Secretary