



City of Deerfield Beach Municipal Firefighters Pension Fund

*Meetings located at: Fire Station #102, 1441 FAU Research Park Blvd,
Deerfield Beach, Florida 33441*

Minutes of the Meeting held December 2, 2016

Trustees

Robert Weech, Chairman - Present
James Stevens, Trustee - Present
John Lucas, Trustee – Present

Also in Attendance:

Richelle Levy, Rice Pugatch Robinson Storfer & Cohen, PLLC – Fund Counsel
Chad Little – Freiman Little Actuaries, LLC
Frank Wan, Burgess Chambers & Associates
Doug Falcon – FHA-TPA Benefit Administrators, Inc.
Yolanda Shea – FHA-TPA Benefit Administrators, Inc.

Meeting called to order by Chairman at 8:38 A.M.

After the pledge of allegiance, the Chairman asked all in attendance to take a minute of silence to recognize those firefighters who have lost their life in the line of duty.

TRUSTEE COMMENTS

Trustee Stevens asked Mr. Wan if he could offer some thoughts on the recent performance. Mr. Wan responded that there is always some fluctuation from quarter to quarter in the peer rankings.

MINUTES

The Chairman asked if anyone had any questions regarding the minutes of the meeting held September 9, 2016, there being no questions,

A motion was made by Trustee Stevens seconded by Trustee Lucas to approve the minutes of the meeting held September 9, 2016, and unanimously passed.

INVESTMENT

Mr. Wan discussed the Deerfield Beach Municipal Firefighters Pension Trust Fund Investment Performance Period Ending September 30, 2016. He briefly discussed the current market situation and investment summary.

Some of the points he discussed were:

1. The Third quarter ranked in the top 27% percentile;
2. The best performing asset categories were iShares Russell 2000, Am Funds EuroPacific, Harding Loevner international, Eaton Vance large-cap growth and Vanguard FTSE international index, Kayne Mid-Cap and SPDR DJ REIT.
- 3.
4. Eleven products achieved or beat their respective benchmarks.
5. For the Fiscal year, the Trust earned \$6.0 million beating the actuarial return assumption.
6. The main detractor from the performance was the Intercontinental hedge-fund product, representing 4.1% of the total Fund assets. It missed the benchmark by a wide margin on a gross basis 13.3 percentage points.

7. DRZ International was terminated on 6/30/2016 and was replaced with the Harding Loevner International Fund in July.
8. Silvant was terminated on 10/6/2016, and the assets transferred into the Eaton Vance large-cap growth separately managed account.
9. In July, Collins Capital Hedge Fund credited \$85,201 to the account relating to the Madoff settlement.

A portion of the hedge fund of funds is managed by Intercontinental. For the past five years the product has averaged a return of +3.3% net. The fee rate for this period has averaged +1.4% per year. The hedge fund mandate was intended to earn bond-like returns (after fees) and experience low volatility with little or no correlation to stocks. The product's net underperformance during the past 12 months of -7.6% versus +0.5% for its benchmark moved the five-year average down by 1% per year. In other words, a +3.7 five-year net annualized return would have been close to the objective. BCA is concerned that the product is exhibiting too much volatility. The five-year beta and standard deviation of returns were above the HFRI Composite and median. Of the eight managers in the fund of funds, one is self-liquidating, and two are being redeemed by the portfolio manager.

He pointed out that Real Estate is an area BCA is watching very carefully, and Mr. Chambers advised all to be extra cautious. They are monitoring those valuations very carefully it.

Mr. Wan pointed out that the hedge funds have averaged better than the bonds. However, Intercontinental over the past five years has had results below their benchmark and BCA is recommending liquidating the Intercontinental hedge fund. The hedge fund liquidation process requires the hedge fund be given a 90-day notice and they then have six months to redeem the money to rebalance within the policy ranges at the time the monies are received. Trustee Lucas asked where those funds would be placed, Mr. Wan responded in bonds.

Mr. Wan advised the Board he would like at the next meeting to discuss the concept of Parametric who just launched a product for this fund's size.

A motion was made by Trustee Lucas seconded by Trustee Stevens to terminate Intercontinental Hedge Fund of Funds motion passed unanimously.

This concluded the investment report.

ACTUARY

The Chairman asked if there would be a cost to place a guarantee on the fund balances for the DROP participants. Results over the past five years were better than the assumed rate of return. Mr. Little responded that there would be costs which perhaps could be significant.

Mr. Little updated the board regarding the 300 hours overtime limit, in their review they found only one member who was retired or in the DROP whose benefit would be affected; they reached out to the member, and the member has made an election electing the same option as previously.

On the overtime adjustments that had to happen for the current fiscal year, they have all been done. They are working on the 2014 and 2015 overtime changes; they now know what those adjustment amounts are, however, the employer cannot make those adjustment through payroll systems. These adjustments will be paid out of the fund account as previously discussed by the board. Mr. Rick Burke will be giving us information how we do this from a tax perspective since we are going back two prior years. Mr. Burke said that when you are doing an IRS technical correction like this, it is best to offer interest. His recommendation

is to use an interest rate that is used for the valuation which is currently 7.625%. Mr. Little asked the Board for direction to move forward.

A motion was made by Trustee Lucas seconded by Trustee Stevens to distribute an interest rate of return of 7.625% as recommended by the tax attorney to all the 2014 & 2015 overtime adjustments motion passed unanimously.

The share distribution this year would be down to \$246. It peaked at almost \$1,400 about 8 or 9 years ago. He has contacted the tax attorney and asked the tax attorney to confirm his believe that when the distribution is less than \$200 you are not required to send a letter. When the next state check comes in, Mr. Little will advise the Board the final number.

Mr. Little advised the Board that they have not paid the \$246 yet because after 2015 the fund's State money has to be paid based on "mutual consent." Ms. Levy asked the State of Florida for guidance but did not receive a response. At this time there is no one to obtain a mutual consent from due to our circumstances. There is a section in that statute which references arrangements pre-existing to 2014. So there are some conflicting rules to follow.

A motion was made by Trustee Lucas and seconded by Trustee Stevens to have the plan attorney review this situation further and discuss her findings at the next regular pension meeting motion passed unanimously.

Mr. Little explained the options members who are in the commingled DROP accounts have regarding transfers. The current system pays 90% of the known balance and then it is reconciled once the final returns are known. There are two people in that status now.

Mr. Little discussed the situation regarding the R&D balance been affected by these individuals who at any given time can request a significant portion or the entire amount in their commingled DROP account.

Mr. Falcon advised the Trustees that for example there were three distributions required which took a million dollars out of the R&D account. Mr. Little pointed out it is a five-day process, and timing is a factor. The Chairman suggested the turn-around process for these distribution applications be processed within ten business days to allow the process of funding the account. Mr. Falcon advised the board that currently they are keeping a minimum of \$800,000.00 and explained the process on his end to ensure funds are in the account to cover the bills. Trustee Lucas asked Mr. Falcon what he thought the account needed to avoid all the extra steps to fund the account, Mr. Falcon suggested increasing the threshold from \$800,000.00 to \$1.2MM.

Mr. Little advised the Trustees that in previous meetings they discussed a ten basis drop in the assumed rate of return when doing the valuation .They cannot start the process until the audit has been completed.

This concluded the actuary report.

NEW BUSINESS

None

ATTORNEY

Ms. Levy advised the board that the election for the two firefighter positions the ordinance is very specific as to how the elections are conducted and proceeded to discuss the timeline procedure. She advised the Board that in addition to being at City Hall with the City Clerk when the ballots are opened at 5:01 p.m., she will also need a Board member.

Trustee Stevens asked what the voting process Ms. Levy discussed all the steps to follow regarding the voting process is.

The Chairman advised Ms. Levy that he recalled an election being challenged at one time and asked if she knew what went wrong. Ms. Levy advised a member challenged the communication process.

Ms. Levy advised the Board that the election will be on January 6, 2017, at 5:01 p.m. Trustee Lucas offered to attend.

The next item Ms. Levy addressed was the Board to consider a fee increase from \$235.00 an hour since 2009 to \$300 effective January 1, 2017. The Trustees asked Mr. Falcon what he has seen regarding the hourly rate, Mr. Falcon said the attorney expenses compared to other plans he administers are very reasonably priced.

A motion is made to by Trustee Lucas seconded by Trustee Stevens to approve the hourly rate increase from \$235 to \$300 effective January 1, 2017 motion passed unanimously.

This concluded the attorney report.

ADMINISTRATOR

Mr. Falcon discussed the escheated funds claim. You will not see a check in January and he suspects we will need to offer additional information.

He discussed the City of Deerfield Beach Municipal Firefighters Pension Fund disbursements ratification from the period of 9/3/2016 thru 11/30/2016 of \$130,415.61

A motion was made by Trustee Lucas seconded by Trustee Stevens to ratify the City of Deerfield Beach Municipal Firefighters Pension Fund disbursements ratification from the period of 9/3/2016 thru 11/30/2016 of \$130,415.6 motion passed unanimously.

The next item Mr. Falcon discussed was the un-audited financials for City of Deerfield Beach Fire Fighters Pension Trust Fund Statement of Assets as of September 30, 2016 and Statement of Revenues and Expenses for the three and twelve months ended September 30, 2016.

On the audit, he advised the Trustees that all the letters to the various service providers have been mailed. He believes the review would be presented sometime in February 2017.

Mr. Falcon advised the Board the next meeting is February 10, 2017.

ADJOURN

There being no further business ,

a motion was made by Trustee Stevens seconded by Trustee Lucas to adjourn the meeting at 10:41 a.m.