



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 July 15, 2016

Trustees

Robert Weech, Chairman
Mike Harper, Trustee
Joan Maurice, Trustee not present
James Stevens, Trustee
John Lucas, Trustee

Also in Attendance:

Ron Cohen, Rice Pugatch Robinson & Schiller, P.A., Fund Counsel
Richelle Levy, Rice Pugatch Robinson & Schiller, P.A., Fund Counsel
Chad Little – Freiman Little Actuaries, LLC
Doug Falcon – FHA-TPA Benefit Administrators, Inc.
Burgess Chambers – Burgess Chambers & Associates, Inc.

Meeting called to order by Chairman at 8:43 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

Chairman Weech expressed his appreciation for the work and efforts of Trustee Harper who will be leaving the Board as of September 30 as he exits the DROP and will no longer be eligible to serve as trustee. Trustee Harper offered to help in any way possible and will be available to assist.

Investment Presentations

Miller and Howard

The Board welcomed Stephanie Geller of Miller Howard. Ms. Howard distributed a report entitled MLP strategy, and she distributed a second report for the quarter ending June 30, 2016.

Mr. Chambers explained the strategy of Miller Howard as investment in the infrastructure of the distribution of oil and gas products, and offered that "pipe is still the king". It is attractive as an alternative investment as it has low counterparty risk and provides income that previously could have been available through fixed income strategies. He invited Ms. Geller to present her company's thoughts on recent overall market performance problems and how Miller Howard did better or worse than their peer group.

Ms. Geller asked the Trustees to review the Quarterly Report. She reviewed the top ten holdings, and explained that Miller Howard buys quality first and foremost. All of the holdings suffered as energy prices declined recently, and as is the usual circumstance in down markets, the lowest quality companies will show the most recovery. In any case the quality investments that Miller Howard made are beginning to gain in value and she offered that the opinion at her company is that the market has reached its inflection point and will continue to rebound. She touched on some of the characteristics of the underlying holdings, which number between 50 and 60, and noted that these were companies with high capital requirements operating in a much regulated environment. Many times when they cross state lines, there are questions of eminent domain. Many of the investments in this infrastructure are made directly by, or rely upon foreign companies.

In summing up her presentation she reviewed plan allocations and performance in the last quarter, YTD and since inception. The Trustees thanked her for her time, and she was excused from the meeting.

Intercontinental

The Trustees welcomed Mr. Leon Palandjian of Intercontinental Capital. Mr. Palandjian distributed a report dated July 15, 2016 and offered that he would follow the outline which included an account review, a RECAP, and a discussion of factors leading to recent underperformance.

Mr. Palandjian reviewed the inflow of the fund's investments, and the corresponding performance attributes, on a basis of since inception, yearly, and year to date basis. He acknowledged that recent performance lagged, but the prior periods were better.

He offered that his firm had an approach which employed consistent philosophies, and they did not rely upon "serendipity" to achieve positive results. Specific allocations to market strategies he named such as "opportunistic values", "emerging market", large cap activist" and many others were set, monitored and acted upon. The emphasis is on manager skill.

Very recently, the market exhibited very strong returns, but on weak fundamentals, and narrow stock selections. Trustee Lucas asked if the Intercontinental Capital investment underperformance could be attributed to a broad or limited scope of problems. Mr. Palandjian laid out the problems as primarily involving two of the underlying managers. In one case the activist investor was hurt by certain positions relative to the company, Valeant. In another case, the manager suffered as financial stocks suffered through a very bad period of time in the first 6 weeks of 2016.

Mr. Palandjian reaffirmed that his company' position is that not withstanding the recent underperformance of these two holdings they wanted to hold and possibly expand the commitment to them as they have always produced well in the past.

Mr. Chambers thanked Mr. Palandjian for the presentation and his time in coming to the meeting. He distributed to the Trustees an interim report and cautioned that it did not capture the real estate investments but otherwise was up to date.

He recapped the Plan's recent rebalancing, and pointed out that currently the Plan has a significant overweight in Real Estate allocation which he believes to be a positive. The Plan is underweighted in MLPs, but Mr. Chambers recommended waiting for the Plan to reach a point of equilibrium after the Plan receives the State contribution in late August before asking additional rebalancing. Mr. Falcon thought the Plan would have approximately \$800,000 in the receipt and disbursements account heading into September, and then after receiving the City contribution and Chapter moneys it may be appropriate to complete Mr. Chambers proposed rebalancing.

Actuary

Mr. Little stated that he had little to report this meeting. As he had previously reported, the State requires annual reporting uploaded electronically. This filing has been completed and he has received confirmation of acceptance. He offered that he would have additional comments to make during the Attorney report.

Attorney

Attorney Levy presented to the Board the ordinance required based on IRS guidance that was issued during the Plan Determination process. The ordinance was ready to be submitted to the City with a letter from the Plan's tax attorney Rick Burke. The only addition was the factor used for beneficiaries added to the definition of actuarial equivalence. The City employed a Pension Attorney who would also review the ordinance and who has worked with Mr. Cohen and Mr. Burke on other occasions. Ms. Levy has spoken with the finance director who is aware of the IRS imposed deadline for the plan sponsor to pass the ordinance.

She next discussed the issue of the limit of overtime hours in pensionable earnings in accordance with Senate Bill 1128. As had been previously reported to the Board in detail, including a presentation shortly after its passage, given by Mr. Cohen to the Board and audience members which included City personnel, Senate Bill 1128 requires that any overtime over 300 hours in a year is not pensionable. The bill was passed in July 2011 but was not effective until the first CBA entered into after that date. The transfer of services occurred in October 2011 and the CBA in effect was with BSO and Local 4321. The agreement entered into after July 2011 between them was in February 2014 and that is the effective date. BSO should have been limiting pensionable overtime as of that date but after inquiry by the actuary we have discovered that they have not. They are rectifying that with payroll beginning on July 1. We will be looking at the records to see if and how many people may have had contributions taken out on overtime hours beyond 300. Chad Little stated that the Sheriff has been asked to limit overtime to 300 hours prospectively, and will be doing it based upon the plan's fiscal year as they do with other local plans whose members are with BSO. Attorney Levy added that based on the later effective date of February 2014, it is unclear what impact the limit of 300 hours of overtime may have on any firefighter who retired after that date. It maybe that there are no impacts, and she promised to report at a later date any findings after the actuary has a chance to review the benefits which may be affected. The actuary was directed to get whatever information he needed from BSO in order to determine who may have been affected.

ADMINISTRATORS

Mr. Falcon first discussed the State of Florida escheatment process, and noted that he had recently discovered in the course of doing some other work he thinks that there are a few available claims listed for the Pension Plan under a heading of "Wells Fargo". It could be that Wells Fargo is a successor to a prior bank, and he will file a claim for the funds which maybe as much as \$45,000.

Mr. Falcon asked that the Trustees review the list of disbursements.

A motion was made, seconded and passed unanimously to approve the list of disbursements.

He then discussed the internal bookkeeping and presented the qualifications of a replacement for the current bookkeeper. He reminded the Trustees that he had been presented with a fee increase, and that his current agreement with the fund included a named bookkeeper.

A motion was made seconded and passed unanimously to allow FHA-TPA to revise the administrative agreement to substitute bookkeeping services.

Mr. Falcon discussed the current status of the R&D account; it was currently well funded due to the termination of the active managers who turned over the cash portions of their accounts. However, that was a temporary circumstance and other cash management strategies had been put into place. He offered that he thought that with the State Chapter contributions the Fund would not need to make further moves until much later in the year.

He would follow up with Fifth Third to verify employee contributions and dividends were properly posted. Based on current balances and expected costs the Fund R&D balance would be at its target level by the end of October, with only the State contribution to be dealt with.

The Trustees discussed the next meeting and set September 9th, 2016 at 8:30 for the next meeting.

Meeting adjourned at 11:42 AM.