



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 September 9, 2016

Trustees

Robert Weech, Chairman
Mike Harper, Trustee
Joan Maurice, Trustee –
James Stevens, Trustee
John Lucas, Trustee – Not Present

Also in Attendance:

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

Meeting called to order by Chairman at 8:35 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 Maurice said that she was pleased that Mr. Cohen, Ms. Levy, and Mr. Little attended the commission meeting and that the ordinance as required by the IRS for the final determination letter was passed.

The Chairman also expressed thanks to Mr. Cohen, Ms. Levy, Mr. Little and Mr. Burke for their support.

Trustee Harper advised that this would be his last meeting but will continue to be available to provide service. He found time served rewarding. The Chairman offered his gratitude and he is sure all the members are appreciative of his efforts.

MINUTES

The Chairman asked if anyone had any questions regarding the minutes of the meetings held March 4, 2016, May 20, 2016, and July 15, 2016, there being no questions,

A motion was made to approve the minutes of the meetings held March 4, 2016, May 20, 2016, and July 15, 2016, motion seconded and unanimously passed.

INVESTMENT

Mr. Chambers discussed the report he distributed entitled City of Deerfield Beach Municipal Firefighters Pension Trust Fund Investment Performance Period June 30, 2016. He began his comments with a review of the current investment market characteristics.

The City of Deerfield Beach Firefighters Pension Trust Fund investment portfolio is diversified; it has investments in domestic, international, fixed income, alternative strategies, private and public real estate, and

two hedge fund managers. One of the things he has observed is that the diversity of the Plan's holdings has already had a positive impact on reducing volatility. He stated volatility had dropped 30% over time.

For the quarter the three biggest performers included the Master Limited Partnerships ("MLP's") up about 21%, the commodities index and the REIT. Trustee Harper asked if the MLP's made back what they lost in the first quarter, Mr. Chambers responded affirmatively. The Chairman requested how much is allocated to International. Mr. Chambers answered 10.6%, but up to 15% may be assigned under the policy guideline. He expressed that he had some concerns about the performance of International investments, and thought the fund was well positioned currently. Mr. Chambers does not recommend further allocations to the International sector at this time.

The Trust ranked in the top 21st percentile compared to a peer group of pension plans, and he expected the final rate of return would exceed the Plan's assumed rate of return.

The Chairman asked for list of current challenges proceeding forward. Mr. Chambers pointed out that the elections will have an effect, and depending on which party wins will dictate results. Mr. Chambers replied that if the current party retains control of the presidency, we will continue to experience slow, steady growth. If not, then we could see significant run-ups and subsequent downturns in a return to previous business cycles.

Mr. Chambers reviewed the rebalance that took place in June and subsequent events. Silvant is not performing well due to poor stock selection, and he had been watching them closely for several quarters. He recommended deleting this investment manager and investing the amount allocated in Silvant to Eaton Vance.

A motion was made by Trustee Harper to remove Silvant Large Cap Growth and transfer the proceeds of the sale to Eaton Vance Large Cap Growth, seconded by Trustee Stevens and passed unanimously.

Trustee Harper asked for a report on Kayne Mid Cap. Mr. Chambers expressed that he found in his review Kayne Mid Cap to be a solid provider. By the very nature of their orientation, they invest in companies that are less influenced by the rising dollar and are typically entirely domestic in their operation. This minimizes risks associated with international investments.

Trustee Harper asked why they are underweighted relative to the planned allocation for the MLP's. Mr. Chambers replied in general the MLP market is very sensitive to the acts of "OPEC", particularly in environments in which the cartel seeks lower pricing. Until we see a sustained increase in global pricing for oil products, it is likely that any MLP will not see a return to its previous high values. Mr. Burgess suggested that perhaps after the election it may be appropriate to revisit this topic. It may even be another year before we see the stability in this market.

Mr. Chambers discussed the current status of the Intercontinental hedge fund who presented their own internal evaluation at the last meeting. The track record of their product was good until about a year ago. His firm is monitoring performance to see if there is any recovery. Unless we see a significant improvement in their results, he will recommend termination. Mr. Chambers said he will have this decided by the next meeting. He will be visiting them personally and discussing his concerns with them at that time.

The Chairman asked where he would allocate the monies if they were to terminate Intercontinental. Mr. Chambers said they might consider broadly diversifying the investment placement for the proceeds.

Trustee Harper asked for an update on real estate since they are overweight in that area. Mr. Chambers offered that he thought we would see slower growth in valuation for real estate. But the most consistent asset classes in the portfolio in recent periods are private real estate.

ACTUARY

Mr. Little discussed the death of a plan beneficiary, who was a recipient of the payout of a Ten-year Certain life benefit. They just recently passed away in August. There are provisions in your plan that permits lump sum payments, but he would like to get approval from the Board before giving the attorney handling the estate this option.

A motion was made by Trustee Harper to approve the lump sum distribution should the estate representative wish to do so, seconded by Trustee Stevens motion passed unanimously.

Also, this beneficiary was part of the member class who received share allocation; they were a "survivor" as of October 2015 which meant they were counted in the distribution for 2016. His question today is do we pay the share allocation to the estate for the current year?

The Chairman expressed that if they were getting the share allocation and would have received it in 2016, the share allocation should be paid to the estate representative,

A motion is made by Trustee Harper to pay the asset allocation as a result of the beneficiary status in the share class, for the fiscal year 2016 motion seconded by Trustee Maurice and passed unanimously.

Mr. Little discussed the Chapter contribution and asked if he is to continue past practices. The Chairman and Trustees agreed he should continue the same way.

Mr. Little asked the Trustees to consider the circumstances regarding the application of a 300 hours limit counted towards overtime. He stated that the State Law was changed in 2011 to cap overtime at 300 hours per year. The member can earn overtime above the 300 hours, however, for pension calculations, you cannot include any hours over the 300 limit.

The members of the Plan were covered under a collective bargaining agreement, which was replaced when a new agreement was signed in February 2014. We recently found out that BSO did not stop deducting contributions for hours over 300. Furthermore, there is no guidance as to whether the cap is a calendar year or Fiscal Year. BSO has told us other Plans they administer have adopted fiscal year determination periods for purposes of measuring overtime.

There will be some elements of manual adjustments by BSO.

The chairman asked if any notification has been made to the members, Mr. Little said he did not think so.

Mr. Little continued his remarks that for the Fiscal Years Ending 2014, 2015 & 2016 using the BSO methodology (FYE), there have been 26 members who have more than 300 hours overtime through July 2016. Only one retired and is in the commingled DROP account. After we remove the overtime hours over 300 the difference is a reduction of \$111.88 a month in monthly benefits payable. The decrease in the DROP balance is \$1,034.84.

Mr. Cohen advised the Board that whenever there has been an overpayment he suggests the member is advised of the situation and invite him to the pension Board meeting and let him express any objection. Mr. Cohen said that the bookkeeping adjustment should be corrected going forward but have the member attend the next meeting.

The Chairman agreed the member should be provided with options, and possibly one of them could match the current payment.

Mr. Little asked the Board to give him direction regarding the overtime hours whether to use FYE consistent with BSO or Calendar Year and secondly direction to offer the member in the DROP account the option to choose a new benefit selection. Trustee Harper asked how he would be notified. Mr. Little advised Trustee Harper that Ms. Freiman would contact him and discuss it.

Mr. Little advised the Board that once the overpayments are figured out BSO would have to refund excess contributions. Trustee Harper asked who is going to notify the 26 members of the situation. Mr. Little said he would work with the attorney and the administrator once they have all the information to get notices out to these members accordingly. The Chairman asked the letter be sent to him before mailing it out.

This concluded the actuary report.

PUBLIC FORUM

Member Kyle Van Buskirk thanked Trustee Harper for doing a good job.

NEW BUSINESS

None

OLD BUSINESS

The Chairman asked Ms. Shea to put under Old Business the topic matter regarding Intercontinental for the next meeting.

ATTORNEY

Mr. Cohen expressed satisfaction the commission committee meeting proceeded as necessary for adoption of the ordinance. Ms. Levy stated this was no easy task, for a variety of reasons.

The Chairman asked if there is still any other outstanding ordinance. Ms. Levy responded that there is another pending ordinance which clarifies the transfer of service provisions. It is mostly to define the terms like Plan sponsor as different from employer, the continuation of the DROP programs, etc. There is no actuarial impact costs associated with this ordinance.

ADMINISTRATOR

Mr. Falcon discussed the Deerfield Beach Municipal Firefighters' Pension Trust Fund Budget FYE 9/30/2017. He reviewed the year to date expenses, and it maybe possible to roll over most cost projections. Mr. Falcon stated that this Plan for its size has low overhead costs.

Trustee Harper asked how long did they sign a contract with Fifth Third, Mr. Burgess replied they could cancel them at any time. Mr. Falcon stated they require a little bit more oversight than Salem. Mr. Falcon advised the Board that he will present to the City with the one page illustrating the budget amounts. Mr. Cohen thought potentially a disability claim could increase the costs. The Chairman asked the numbers be rounded up. The Trustees agreed to leave the budget at the same amount as last year \$353,000.00.

Mr. Falcon discussed the financials and advised the Board that Mr. Mangan has agreed to retain his fees thru the end of December 2016. Effective January 2017 his fee will increase. The Board did not accept the increase and asked Mr. Falcon to move forward with a new accountant effective October 1, 2016.

Mr. Falcon reported that yesterday his office sent the auditor about 25 confirmation letters.

Mr. Falcon asked the Trustees to review the City of Deerfield Beach Municipal Firefighters Pension Fund Disbursements/Ratifications for the period 7/2/2016-9/2/2016, there being no questions

A motion was made by Trustee Harper to approve the City of Deerfield Beach Municipal Firefighters Pension Fund Disbursements/Ratifications for the period 7/2/2016-9/2/2016 disbursements seconded by Trustee Maurice and passed unanimously.

Mr. Cohen asked about the asset recovery. Mr. Falcon filed a claim and he is now waiting for a response.

The next item Mr. Falcon discussed was the engagement letter dated September 8, 2016 from Kabat Schertzer De La Torre Taraboulos & Company, Ms. Levy said she reviewed the letter and everything seemed fine other than they had travel fees which she asked them to remove and they did. Also, they added language that we are now required to have in our contracts concerning public records requests & retention language.

A motion was made by Trustee Harper to authorize The Chairman to sign the engagement letter from Kabat Schertzer De La Torre Taraboulos dated September 8, 2016, motion seconded by Trustee Stevens and passed unanimously.

OTHER BUSINESS

The Chairman again thanked Trustee Harper and said it had been a pleasure serving with him. Trustee Harper assumed a large responsibility and he appreciated all that he has done.

ADJOURN

Ms. Levy advised the Board they need to discuss the two firefighter positions which will become vacant in January and there are timelines involved in this process.

The Trustees agreed to set the next meeting to December 2, 2016.

A motion was made, seconded and passed unanimously to adjourn the meeting at 10:45 a.m.