CITY OF LAUDERHILL FIREFIGHTERS RETIREMENT SYSTEM

FIRE PENSION MEETING

05/09/2017

I. Call to order

Sean Henderson called to order the regular meeting of the CITY OF LAUDERHILL FIREFIGHTERS RETIREMENT SYSTEM at 4:48 PM on May 9, 2017 at Lauderhill Fire Headquarters, 2nd Floor Training Room, 1980 NW 56 Avenue, Lauderhill, and Fl. 33313.

Roll call

The Plan Administrator conducted a roll call. The following persons were present:

Sean Henderson, Chairman
Michael Taussig, Vice Chairman
Ryan Gabner, Trustee
Matthew Newman, Trustee
Meralis Celetti, Trustee

Brent Chudachek, Rice Pugatch Robinson Storfer & Cohen, PLLC
Brad Coats, Managing Director, Agincourt Capital Management
Greg McNeillie, Dahab Associates
Chad Little, Freiman Little Actuaries

II. Approval of minutes from meeting dated April 11, 2017

MOTION to approve minutes by Ryan Gabner
SECONDED by Matthew Newman
MOTION PASSED UNANIMOUSLY.

III. New business

1. Agincourt Report given by Brad Coats

Market Value on December 31, 2016 $17,521,821
Net Contributions/Withdrawals 0
Investment Earnings $195,089
Market Value on March 31, 2017 $17,716,910

While core inflation measures remain at or below the lower end of the Fed's target range, President Trump's proposed fiscal policies could raise inflation expectations. Keep portfolio duration slightly defensive—96% for Core portfolios, 98% for Intermediate portfolios. Real Treasury yields remain below "fair value. The Fed has now bumped the funds rate three times since December 2015, with two more hikes planned for 2017. Shrinking the balance sheet will be a topic of discussion in coming months. An overly-aggressive Fed could "get ahead of the market," and bring long rates down. Stay with neutral yield curve structure. Business Cycle US economic growth remains positive, but below historical norms; it's even worse among G-7. GDP could get a boost from pro-business policies, including lower corporate tax rates. New administration policies could prolong a flagging US business cycle. Corporate stocks and bonds will benefit more than government bonds. Credit cycle may also get a boost from tax cuts, regulatory pull-back and infrastructure spending. Some industries (banking, tech) are more likely to benefit than others (electric utilities, yankees).Possible opportunity to rotate towards banking, life insurance; avoid temptation to go "all-in" until some clarification on specifics; US economy remains somewhat fragile. Sentiment Volatility has been remarkably subdued, despite many unanswered questions. For now, investors focusing on positives from pro-business agenda. High quality corporates offer very good value. Agency MBS offer average value; short CMBS are better value. Supply/Demand Treasury issuance will grow dramatically if "supply side" fiscal policies are enacted. Could be compounded when the Fed begins to allow its Treasury and MBS holdings to mature. Underweight short- and intermediate-term Governments, as corporate bonds possess superior value. Treasuries should be held primarily for quality and liquidity. Liquidity is fairly good, but prone to bouts of nervousness, related to news and data flow. Keep an eye on volatility. Consider lower allocation to credits if corporate yield spreads tighten significantly or if volatility takes a higher trajectory. The US economy continues to grow at a modest pace, but overseas growth remains weak, keeping downward pressure on global interest rates. The capital markets have priced in some degree of fiscal stimulus since the election. Core inflation has fallen slightly in recent months, with the core CPI at 2.0%, the low end of the Fed's inflation target. The Fed's favored inflation measure, the core PCE, is lower still. As a result, inflation-adjusted Treasury yields have moved above zero, but are still well below "fair value." After some discussion the trustee thanked Mr. Coats for his presentation. More information will be in Dahab Report.

2. Dahab Report given by Greg McNeilllie

INVESTMENT RETURN

On March 31, 2017 the portfolio was valued at $74,019,875, representing an increase of $2,994,964 from the December quarter's ending value of $71,024,911. Last quarter the Fund posted withdrawals totaling $23,726, which partially offset the portfolio's net investment return of $3,018,690. Income receipts totaling $310,707 plus net realized and unrealized capital gains of $2,707,983 combined to produce the portfolio's net investment return. For the cumulative period since March 2012, the fund has recorded net contributions totaling $3.2 million, and recorded net investment gains of $24.8 million. For the period since March 2012, the fund has recorded net contributions totaling $3.2 million, and recorded net investment gains of $24.8 million. For the period since March 2012, if the total fund had returned a compound annual rate of 8.0% it would have been valued at $71.8 million or $2.2 million less than the actual value as of March 31, 2017.

RELATIVE PERFORMANCE

In the first quarter the portfolio gained 4.3%, which was 0.1% below the Lauderhill Policy Index's return of 4.4% and ranked in the 62nd percentile of the Public Fund universe. Over the trailing year, the portfolio returned 11.5%, which was 0.3% less than the benchmark's 11.8% performance, and ranked in the 37th percentile. Since March 2012, the portfolio returned 8.8% on an annualized basis and ranked in the 11th percentile. For comparison, the Lauderhill Policy Index returned an annualized 9.1% over the same period.

LARGE CAP EQUITY

The portfolio returned 6.1% in the first quarter, equal to the S&P 500 Index's return of 6.1% and ranked in the 45th percentile of the Large Cap universe. Over the trailing 12 month period, the large cap equity portfolio returned 17.0%; that return was 0.2% less than the benchmark's 17.2% return, and ranked in the 49th percentile. Since March 2012, this component returned 11.7% per annum and ranked in the 80th percentile. The S&P 500 returned an annualized 13.3% over the same time frame.

SMALL/MID CAP EQUITY

For the first quarter, the smid cap equity segment returned 4.4%, which was 0.7% greater than the Russell 2500 Index's return of 3.7% and ranked in the 48th percentile of the Smid Cap universe. Over the trailing 12 month period, this segment's return was 18.2%, which was 3.3% below the benchmark's21.5% return, ranking in the 64th percentile. Since March 2012, this component returned 13.0% annualized and ranked in the 48th percentile. The Russell 2500 returned an annualized 12.6% during the same period.

INTERNATIONAL EQUITY

This segment returned 8.5% during the first quarter; that return was 1.3% above the MSCI EAFE Net Index's return of 7.2% and ranked in the 55th percentile of the International Equity universe. Over the trailingn12 months, the international equity portfolio returned 8.7%, 3.0% less than the benchmark's 11.7% performance, ranking in the 83rd percentile. Since March 2012, this component returned 4.9% annualized and ranked in the 74th percentile. The MSCI EAFE New Index returned an annualized 5.8% during the same time frame.

EMERGING MARKET EQUITY

During the first quarter, the emerging markets equity segment returning 11.5%, which was 0.1% greater than the MSCI Emerging Markets Net Index's return of 11.4% and ranked in the 64th percentile of the Emerging Markets universe. Over the trailing year, this segment's return was 14.3%, which was 2.9% below the benchmark's 17.2% return, and ranked in the 77th percentile. Since March 2012, this component returned -0.8% annualized and ranked in the 99th percentile. The MSCI Emerging Markets Net Index returned an annualized 0.8% over the same period.

REAL ESTATE

This segment returned 2.0%, which was 0.2% greater than the NCREIF NFI-ODCE Index's return of 1.8%. Over the trailing year, this component returned 10.5%, which was 2.2% greater than the benchmark's 8.3% performance. Since March 2012, this component returned 12.2% per annum, while the NCREIF NFI-ODCE Index returned an annualized 12.0% over the same time frame.

FARMLAND

During the first quarter, the farmland segment gained 1.3%, which was 0.8% greater than the NCREIF Farmland Index's return of 0.5%. Over the trailing year, this component returned 5.3%, which was 0.9% less than the benchmark's 6.2% return.

FIXED INCOME
This component returned 1.0% which was 0.3% above the Bloomberg Barclays Aggregate A-or-Better Index's return of 0.7% and ranked in the 44th percentile of the Core Fixed Income universe. Over the trailing year, this segment's return was 1.6%, which was 1.9% greater than the benchmark's -0.3% return, and ranked in the 31st percentile. Since March 2012, this component returned 3.2% on an annualized basis and ranked in the 30th percentile. For comparison, the Bloomberg Barclays Aggregate A-or-Better Index returned an annualized 2.1% during the same period.

ASSET ALLOCATION
On March 31, 2017, large cap equities comprised 35% of the total portfolio ($25.9 million), smid cap equities comprised of 15.3% ($11.3 million), and international equities totaled 7.9% ($5.8 million). The account's emerging markets equity segment was valued at $2.6 million, representing 3.5% of the portfolio, while the real estate component's $9.8 million totaled 13.3%. The farmland segment totaled 2.6% of the portfolio's value and the fixed income component made up 18.8% ($13.9 million). The remaining 3.6% was comprised of cash & equivalents ($2.7 million).

Only two managers underperformed this past quarter. Systematic, on large cap manager side, underperformed by 30 basis points. The second manager that underperformed was Intercontinental Real Estate, which was only behind by 10 basis points. It was a very good quarter of performance.

Some discussion ensued regarding the Receipts and Disbursements Account. The Consultant explained the process on monitoring the cash account, how cash flow is determined, what are the needs for payments and rollovers, and adjusting cash balances when there is too much money or not enough money in the account.

Brown: They did have a good quarter, however, underperformance over 5 years by 350 basis points. They did not discount the fees enough to make up for the underperformance. The trustees were not happy with how Brown addressed the offer of a discount, nor was it a deep enough discount. The Consultant went over their stats. Recently the trustees took half of their assets and put them in passive. The Consultant feels it is time to go out for RFPs. He can get the process done by August. July, if he gets all the proposals in. He will try to get a list by June, finalists by July.

MOTION to go out for Large Cap Growth RFP due to Brown underperformance. Motion made by Ryan Gabner.
SECONDED by Michael Taussig
PASSED UNANIMOUSLY

There was some discussion regarding the 20% allocation in the Bond portfolio. The Trustees wanted to get educated on global bonds. They would consider looking into about 5% diversification of the 20% in bonds. The Consultant will bring more education for future discussion.

The Consultant would like to consider doing a small cap and mid cap search so he can find a mid cap manager. The problem is that if you like Loomis Sayles, they do not have a small or mid cap product, they only have smid. Getting a mid cap manager would mean the end of Loomis Sayles. It's just not the same portfolio since Dan Thalin left the company. They are doing ok but the portfolio can do better. 15% ($11.8 million). This is a big piece of the portfolio.

More discussion about allocation will continue in August.

3. Freiman Little Actuaries

Chad Little explained he received a request from the Administrator for a calculation of benefits from an ex-spouse of a member. The request is for a period of time which is after what is stated in the divorce settlement. Normally they will only calculated the request based upon what the document states. Chad is looking for direction from the board. The difference is based upon the separated date stated in the divorce vs settlement date. There is not a court order for the additional amount of time she may be entitled to. The board said the calculation should be done based upon what the divorce decree says they are entitled to. The Trustees asked the attorney for his opinion. The request came from the ex-spouse, not an attorney, or the member. After some discussion, Brent's opinion is that they should do the calculation based upon what is stated in the divorce settlement. The administrator should contact the ex-spouse and explain the Board's decision on the calculation. She needs to have an income deduction order submitted in order to make it enforceable against the Plan. If there is more information forthcoming, the administrator will advise the Board.

4. Approve Warrant in the amount of $61,102.37

MOTION to approve by Ryan Gabner
SECONDED by Matthew Newman
PASSED UNANIMOUSLY.

IV. Attorney's report given by Brent Chudachek

- Shane Vaughn-The Attorney advised the Board that he continues to work on the compensation issues, the pensionable salaries, and the pay periods that Mr. Vaughn did not contribute to the fund. Brent believes there are approximately 2.5 months of pension contributions that Mr. Vaughn will need to deposit into the plan. They are ready to move forward with it now that Shane has turned in his resignation. It will take some work to figure out the salaries and increases for the actuary to do his calculations. Chad said the contribution rate did not change so that will be easy enough, they just need to know the salary rates for each year. The Attorney will continue to work on this with the Administrator and Actuary. A follow up report will be given at the next meeting.

V. Plan Administrator's report

- Investments Summary Report April 2017

- Michael Taussig's DROP withdrawal and retirement paperwork will be submitted at the June meeting. His withdrawal date is May 31, 2017

VI. Old Business

VII. Communications

Matthew Newman will be attending the fall FPPTA school

VIII. Adjournment

MOTION to adjourn by Meralis Celetti. The meeting adjourned at 5:52PM.