

# **CITY OF LAUDERHILL FIREFIGHTERS RETIREMENT SYSTEM**

## **FIRE PENSION MEETING**

08/08/2017

### **I. Call to order**

Sean Henderson called to order the regular meeting of the CITY OF LAUDERHILL FIREFIGHTERS RETIREMENT SYSTEM at 4:36 PM on August 8, 2017 at Lauderhill Fire Headquarters, 3rd Floor Conference 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	Ron Cohen, Rice Pugatch Robinson Storfer & Cohen, PLLC
Michael Taussig, Vice Chairman	Greg McNeillie, Dahab Associates
Ryan Gabner, Trustee	Chad Little, Freiman Little Actuaries
Matthew Newman, Trustee	

### **II. Approval of minutes from meeting dated 06/13/17 (there was no July meeting)**

Ron Cohen read Form 8B and it was entered into the minutes here, also attached to the minutes dated 06/13/17. The disclosure read "I, Michael Taussig, hereby disclose that on June 13<sup>th</sup>, 2017 a measure came or will come before my agency which inured to my special gain or loss. A vote was taken by the Board on whether or not to approve my DROP withdrawal and Retirement Package." The form was signed and dated by Michael Taussig.

MOTION to approve minutes including form 8B, by Ryan Gabner

SECONDED by Matthew Newman

MOTION PASSED UNANIMOUSLY.

### **III. New business**

#### **1. Ceres Investment Review**

*3 takeaways today*

**Farmland is a unique financial asset:** Farmland provides equity-like returns with bond-like volatility. Farmland provides a combination of current income, capital appreciation and differentiation. Institutional ownership of farmland is probably approximately 2-3%.

**Now is the time to allocate to farmland:** It's important to know where we are at in the farmland cycle. The US economy appears to be in an expansion, with rates rising, and creeping inflation.

**Ceres has a differentiated strategy which has significantly outperformed our benchmark:** There is no financial alchemy ... just simple execution. Everything about Ceres deliberately supports our differentiated strategy: what we own and where; how we are organized internally; how our fund is structured; and the farmers with whom we partner. Ceres Farms invests in US Rowcrop Farmland which it leases to top farmers. Ceres has a differentiated strategy which has significantly outperformed the NCREIF Commodity Cropland Index. Most farmland investors are looking for solid low-volatility returns over a 10-15 year timeframe with low to negative correlations with other asset classes. Over the past 20 years, farmland has significantly outperformed the S&P with very low volatility. U.S. Rowcrop Farmland returns are being driven by rising incomes and demand for animal protein in the emerging markets –especially China. We believe we are at a cyclical low for commodity prices resulting from 4 years of favorable weather and supported by marginal cost of production in Brazil ... We expect prices to recover in the next 12-18 months. As of June 16, 2017: 298 Farms / 97,600+Acres / 10 States. More on Ceres in the Dahab Report.

The Chairman moved to entertain a motion to ratify the 07/12/17 warrant in the amount of \$24,885.27.

MOTION by R. Gabner to approve payments that were made on warrant dated 07/12/2017.

SECONDED by M. Newman

PASSED UNANIMOUSLY

## 2. BMO Global Presentation

Since 1985, their focus has been on quantitative investing. One investment philosophy and process across all strategies since inception. Culture supports continuous enhancement of investment process. Backed by the deep resources and stability of BMO Financial Group. Investment Philosophy is a fundamental perspective plus a quantitative implementation. Disciplined equity approach adds value in three ways. Active stock selection, thoughtful risk management and adaptive and proactive process. BMO ranks each stock in their universe, identifying fundamentally strong, attractively valued companies with growing investor interest. Further going over the presentation they explained how they analyze risk through multiple perspectives. BMO market monitor is their proprietary dashboard that enables them to better interpret and adapt of the current market environment. More discussion was explaining portfolio construction and characteristics, also performance and summary. Fee for first \$25 million investment is .60%. Minimum Investment is \$1million.

Questions and answers were entertained at this time. After some discussion the Board thanked BMO for presenting.

## 3. ClearBridge Presentation

ClearBridge is a well-established global investment manager with a legacy dating back more than 50 years. \$127.3 billion in AUM. Headquartered in New York with office in Baltimore, London, San Francisco and Wilmington. Operating with investment independence, wholly-owned subsidiary of Legg Mason. There are 213 employees. Most have over 20 years of service. Investment philosophy: Invest in leadership companies where they believe the market price underestimates the magnitude of future growth. They use stock selection as primary driver-identify category leaders with characteristics to sustain that position. Find secular tailwinds to support multi-year investment opportunities, allowing for compounding of earnings and cash flow. Perform rigorous analysis to understand company fundamentals. Points of differentiation. High conviction, concentrated, low turnover approach. Bottom-up valuation driven investment decisions. Diversification across growth spectrum. Investment process: Idea Generation, Fundamental Analysis, Portfolio Construction and Risk Management/Evaluation Discipline. Impressive list of clients. Fifteen public fund clients. Fee schedule: first \$25 million 0.65%. After much discussion, questions and answers the board thanked ClearBridge for their presentation.

## 4. Oak Assoc. Presentation

Founded in 1985 in Akron, Ohio, the firm has 13 employees, over \$1.4 billion AUM as of 06/30/17. They have a top down/bottom up approach. Investment philosophy has three core principles. Invest with a long-term view and maintain low turnover. Maintain concentrated portfolios and remain fully invested. Oak Associates employs a top-down investment approach to identify economic sectors with attractive risk/reward potential. They apply bottom-up analysis to their stock selection process, using empirically based criteria to achieve a best-ideas portfolio. Oak Associates sell discipline: stock becomes overvalued. Change in fundamentals. Insider selling. Lose confidence in management. Stocks with better risk/reward trigger a sell. Risk Management: Daily monitoring and evaluation of key drivers. Margin of safety. Downside risk model. Why Oak Associates? Independent thinking, disciplined investment approach, unconstrained market capitalization, top-quartile performance, focus on valuation, experienced investment team, strategy available in SMA and mutual fund.

A lengthy discussion about the presenters ensued. Growth manager are going to be heavy in technology. BMO will track the benchmark a little bit better. Oak is going to have some times of very good returns and some times of very bad returns they aren't paying attention. They are not overweighting the sectors. Similar style as Brown. Good thing about ClearBridge is they go out and visit the companies. There is still some value in visit companies you're going to own. Issue with Oak: Consultant is looking for someone who takes on the characteristics of the Russell Growth. Also, when asked the fees they said 100 basis points.

The Fund allocation: Greg McNeillie said, in three years the fund is up 6.1% in like universe and up 6.6% in benchmark. Long term strategic allocation has gotten us to this point. Top decile performance in the last five years. Alternative asset classes to bonds are real estate and some part agriculture. This has helped. Pulling good numbers out of the bond portfolio over the five years. Allocation is spot on. Adding a Large Cap Growth Manager is a good thing. Greg is a numbers guys and looking at the numbers he would go with ClearBridge. BMO is not far behind. He would be fine with either. Clear Bridge has Davie Police and Tamarac Fire. He feels they should not have a problem with negotiating contracts with BMO or ClearBRidge.

**Motion by M. Taussig to hire ClearBridge.**

**Seconded by R. Gabner.**

**Taussig YES**

**Gabner YES**

**Newman YES**

**Sean Henderson voted against the motion.**

**MOTION PASSED.**

Mr. Taussig asked Greg to see if they can negotiate down the fee while they work on the contract with the Attorney.

**5. Dahab Associates Quarterly Report**

Since most of the portfolio was discussed, Greg offered a summary of the performance report. The report is on file and on the website. Great quarter. Almost doubled in five years.

**6. Freiman Little Actuaries Quarterly Report**

It's time to prepare the quarterly DROP statements. Normally nothing about the formula changes, but when you change the assumed rate of return it does. For years, the fund has been paying 5.25%. In the Summary Plan Description, you took 5.25% and divided by 8 (assumed rate of return) and you said you will use an interest rate that is 65.625% of the assumed rate of return. The assumed rate of return has changed to 7.85%. When Brent was working on the SPD and made the change, it went to 5.15%. Barbara thought that was incorrect and they are still at 5.25%. The question is, should the 5.25% change. He doesn't remember all of the past discussions. Mr. Henderson's opinion was that they put a mechanism in place so that they don't have to have discussions about it anymore. The purpose was so that the Board doesn't have to be torn and figure this out year after year. Ron Cohen asked if the motion that was passed was based on a formula that would allow it to back into the interest rate. It would adjust accordingly. Mr. Henderson said that is correct. Mr. Cohen asked the administrator if that motion was correct. Chad Little said that if they use this formula it will change the interest to 5.15% beginning October 1, 2017. The change should be in the plan year that the assumed rate of returned changes. This will mean effective balances October 1, 2017 going forward. Mr. Henderson would like this memorialized so they don't have to speak on it again. There were several discussions over time. Chad said that he may bring up the discussion to lower the assumed rate of return more, so if this is a mechanism that is put in place it will just take care of itself. Ron Cohen said he would like the administrator to make sure there was a motion passed and let him know before they change anything. Mr. Cohen was saying that they should pass something that says the formula applies to the assumption rate. When the assumption rate goes up the interest rate goes up, when the assumption rate goes down the interest rate goes down. He would like Barbara to check the minutes and see if there was a motion ever passed before they move forward. The intent is also for the members' contribution interest rate will mirror the same formula.

**MOTION by M. Taussig to treat employee contribution interest accruals under the same mechanism that is in place for doing the DROP interest accruals, for Tier I, and any changes in those rates will begin in the fiscal year following in which the change in assumption rate was done in the valuation.**

**SECONDED by M. Newman**

**PASSED UNANIMOUSLY**

**7. Approve DROP entry application for Eric Mandel**

**Motion to accept DROP entry package effective August 1, 2017 contingent upon all paperwork being completed.**

**Seconded by M. Newman**

**Passed unanimously**

**8. Ratify July Warrant-this item was taken care of earlier in the meeting.**

**9. Approve August Warrant**

**Motion by M. Newman to approve the warrant in the amount of \$67,021**

**SECONDED by M. Taussig**

**PASSED UNANIMOUSLY**

#### **IV. Attorney's report given by Brent Chudachek**

- Ninger update: Mr. Cohen said they have had no response from Mr. Ninger's attorney, Mr. Spears. The last they heard was that Mr. Spears has not heard from Mr. Ninger. Mr. Cohen has told special counsel not to do any work on the file at this time. The question is, how long will the Board want to leave this pending. His suggestion is to contact Mr. Spears and see if he is prepared to go into a final hearing, and also ask if he is still representing Mr. Ninger. If he doesn't represent Zach, then the Board contacts Zach and lets him know. The other thing would be to contact Mr. Burk, special counsel, and ask how much it would cost to prepare for final hearing in which nobody in Mr. Ninger's behalf would be here. Mr. Henderson wants to make sure proper notification takes place with Mr. Spears first. He wants to know if Mr. Ninger even wants to move forward with a final hearing or perhaps he wants to withdraw. He doesn't feel they should spend the money on preparing for a Hearing if Ninger doesn't want to move forward with it.

MOTION by M. Taussig to follow the direction of the attorney, and go through the steps in contacting Mr. Spears for a status, and if necessary to prepare for Zack Ninger's final hearing.

SECONDED by M. Newman

PASSED UNANIMOUSLY

- SPD update: the trustees have the SPD draft in their dropbox for review. The Actuary will have to supply them with the inserts of financial pages. Please read before approving it at the next meeting.
- Changes to the law: Public Records Act. After many years, the personal information of former firefighters are exempt from public inspection. This was a good provision for the firefighters. It used to read Police Officers, Former Police Officer and Firefighters. So now former firefighters was added.
- There was a change to the Attorney's fees provision in the Public Records Act: This new law allows the Plan to post a statement on the website, and with the City, saying in order to get attorney's fees you have to make a public records request in writing at least five days before you bring forth a lawsuit. In the past if a person brought forth a lawsuit and lost they would still ask for attorney's fees. The new law can change that. It will lend some help to a lot of Cities and agencies that have been paying a lot of attorney's fees in frivolous lawsuits and lawsuits that were lost and attorney's fees were paid. They are trying to cut down on the payment of attorney's fees.
- Supplemental Benefit: An issue came up on the supplemental benefit. If you recall, the Union negotiated it and they were going to grandfather in those who had retired and those who were eligible to retire. There was an agreement on the Ordinance, the Actuary did an impact statement on it, and it passed first reading. Somehow, the City's Labor counsel sent in the wrong ordinance. They sent one that said anyone who is employed would be eligible for the supplemental benefit. The wrong ordinance was passed on second reading. Ron said they found it while working on the SPD, and it has to be fixed. They are in touch with the City and want to find the right way to correct this. They will keep the Board informed. Mr. Henderson asked Mr. Cohen to make sure Earl Hall is informed.

#### **V. Plan Administrator's report**

- Investments Summary Report July 2017

#### **VI. Old Business**

#### **VII. Communications**

#### **VIII. Adjournment**

MOTION to adjourn by 8:15pm