

POMPANO BEACH POLICE & FIREFIGHTERS' RETIREMENT SYSTEM

**2335 EAST ATLANTIC BLVD.
SUITE 400
POMPANO BEACH, FLORIDA**

**BOARD OF TRUSTEES MINUTES
REGULAR MEETING
JANUARY 22, 2019**

The Board of Trustees convened at the Pompano Beach Police and Firefighters' Pension Office, Pompano Beach, Florida. The Chairman called the meeting to order at 3:00 PM.

PRESENT: Chairman Paul O'Connell
Vice-Chairman Richard Samolewicz (departed 5:40)
Trustee Sharra Aaronian
Trustee Daniel Christophers
Trustee Robert Drago
Trustee Vincent Femia
Trustee David Hall
Trustee Peter McGinnis (departed 4:30)
Trustee Jorge Rossi

ALSO PRESENT: Robert Sugarman, Esq., Board Attorney
David Robertson, Esq., Board Attorney
Debra Tocarchick, Executive Director
Maureen Femia, Deputy Director
Moises Ariza, Marcum, LLP
Craig Rosenberg, ProxyVote Plus
Maureen O'Brien, Segal Marco Advisors
Ahn Cao, Segal Marco Advisors
Andrew McKeon, Economic Computers

VISITORS: Gregg Rossman, Gregg Rossman, PA

AUDIENCE TO BE HEARD

None

APPROVAL OF AGENDA

MOTION: To approve the January 22, 2019 agenda with one change to reverse the order of items 7 and 8. PASSED 9-0.

	M O T I O N	S E C O N D	V O T E D Y E S	V O T E D N O
O'Connell			X	
Samolewicz		X	X	
Aaronian			X	
Christophers	X		X	
Drago			X	
Femia			X	
Hall			X	
McGinnis			X	
Rossi			X	

<p>Board of Trustees Minutes Page Two</p> <p style="text-align: right;">January 22, 2019</p>	TRUSTEES	M	S	Y	N
<p><u>APPROVAL OF MINUTES</u></p> <p>MOTION: To waive the reading of the minutes of the Regular Board Meeting on December 17, 2018, and to approve same as presented. PASSED 9-0.</p>	<p>O'Connell Samolewicz Aaronian Christophers Drago Femia Hall McGinnis Rossi</p>	<p>X</p>	<p>X</p>	<p>X X X X X X X X X</p>	<p>X X X X X X X X X</p>
<p><u>RATIFICATION AND APPROVAL OF WARRANTS</u></p> <p>MOTION: To ratify and approve payment of benefits and expenses as set forth on Warrants Nos. 5058, \$5,447.56; No. 5059, \$2,370.23; No. 5060, \$716,170.20; No. 5061, \$4,367.88; No. 5062, \$100,000.00; No. 5063, \$45,926.08; No. 5064, \$2,373.76; No. 5065, \$2,373.76; No. 5066, \$7,102.84; No. 5067, \$5,437.88; No. 5068, \$3,950.82; No. 5069, \$292,618.05; No. 5070, \$74,989.25. PASSED 9-0.</p>	<p>O'Connell Samolewicz Aaronian Christophers Drago Femia Hall McGinnis Rossi</p>	<p>X</p>	<p>X</p>	<p>X X X X X X X X X</p>	<p>X X X X X X X X X</p>
<p><u>PRESENTATION OF THE 9/30/2018 AUDIT REPORT BY MOISES ARIZA OF MARCUM LLP</u></p> <p>Moises Ariza, CPA, with Marcum LLP presented the draft September 30, 2018 Financial Statement, with comparison to September 30, 2017. After conducting the audit in accordance with auditing standards generally accepted in the United States, and standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller of the United States, an unmodified, otherwise known as "clean opinion", was issued</p> <p>A summary of the highlights from the discussion include:</p> <ul style="list-style-type: none"> • Net position increased by \$8.4 million from \$237.9 million at September 30, 2017 to \$246.3 million at September 30, 2018 or 3.5%, primarily due to positive investment returns. • The time-weighted rate of return on investments was 8.63%, net of fees, on a market value basis, which exceeded the assumed investment rate of return of 7.50%. • At September 30, 2018, the System's fiduciary net position as a percent of the total pension liability was 70.20%, representing an increase of 0.85% from the prior year. • The assumed rate of investment return will be lowered from 7.5% to 7.0% in increments of 0.10% per year over the course of a five-year phase-in commencing on the October 1, 2018 actuarial valuation. Total Pension Liability at September 30, 2018 was calculated assuming a 7.40% assumed rate of investment return. • The System received \$1.7 million in member contributions, \$10.8 million in employer contributions and \$2.5 million in revenue from the State of Florida during 2018. 					

<p>Board of Trustees Minutes Page Three</p> <p style="text-align: right;">January 22, 2019</p>	TRUSTEES	M	S	Y	N
<ul style="list-style-type: none"> • At September 30, 2018 the net pension liability of the employer(s) was approximately \$104.6 million. • No material weaknesses or significant deficiencies of internal control over financial reporting were detected during the course of the audit. • Concluded tests of compliance results disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards. <p>Following the presentation, a question was raised regarding the reason for the increased depreciation cost from 2017 to 2018. Mr. Ariza explained that depreciation is not actually a cash outflow but rather a recording of an accounting transaction. In November 2017, the pension administration system was completed and put into service. The cost of the system is being amortized (depreciated) over five years with the first year recognized in fiscal year ended 9/30/2018.</p> <p>A request was made to table acceptance of the audited financial statement to permit more time for Trustee review. Mr. Ariza indicated that he is en-route to the City following his presentation and will inquire whether tabling this item presents any problem for the City's reporting deadlines. Mr. Ariza will let the Board know the City's response via email.</p> <p>Since the Chairman has the right to call a special meeting if needed, the Board tabled acceptance of the audited financial statement until the February 19, 2019 Board meeting.</p> <p><u>SUGARMAN AND SUSSKIND, PA LEGAL REPORT</u></p> <p>Mr. Sugarman thanked the Board for moving the legal report up on the agenda to permit him to attend another meeting. He introduced David Robinson from his firm who will be attending the entire meeting and is well versed in computer contracts and investments.</p> <p>Mr. Sugarman advised the Trustees that the Jeff Poole forfeiture case was won on appeal two days following oral argument. The court issued its decision PCA affirming the Board's order that Mr. Poole's pension benefit should be forfeited. The appellant has fifteen days from January 17 to request a rehearing. It is unknown at this time whether he will file.</p> <p>In addition, a motion for attorney's fees was granted; however, the court did not set the fee amount. Rather it was remanded back to the lower court. Since there is no lower court in this case, Sugarman & Susskind is reviewing how to handle this and will have a recommendation at the next Board meeting. It may be that the court made a mistake, or it may be that the court is intending that the Board set the fee amount which would be problematic. If the court cannot resolve this, it is likely that Sugarman & Susskind will recommend that the Board hire the Florida Division of Administrative Hearings to appoint an administrative law judge to make the decision.</p>					

Board of Trustees Minutes Page Four	January 22, 2019	TRUSTEES	M	S	Y	N
<p>Some discussion ensued regarding the issues surrounding the collection of attorney's fees. A claim was filed with the fiduciary liability insurance policy which may require that the attorney's fees be collected either by the Board or by the insurance company. Sugarman & Susskind will report its findings at the February Board meeting.</p> <p>Chairman O'Connell thanked Mr. Rossman and Mr. Sugarman on behalf of the Board for their hard work and success in the case.</p> <p>Mr. Sugarman reported that his legal confirmation letter was submitted to the CPA's in connection with the annual audit.</p> <p>Mr. Sugarman reported that the settlement agreement in the Captain Sandell death benefits matter has been signed by all parties and approved by the court. The Judge appointed one Guardian Ad Litem to select the benefit choice on behalf of both children. Once the decision is made and the court approves and finalizes it, the benefit payments can begin.</p> <p>Sugarman & Susskind reviewed and made revisions to the documents to establish the Morgan Stanley money market fund; and reviewed the monitoring agreement with Labaton Sucharow.</p> <p>Sugarman & Susskind reviewed the analysis prepared by the Executive Director in connection with the BSO arbitration award. By way of history, there was an arbitration decision to a grievance filed against BSO for underpaying employees due to a payroll system calculation error that did not consistently capture a portion of the applicable supplements when a retroactive payment was processed for an employee. BSO applied the necessary correction to their payroll system back to its inception in 2007 and paid the affected employees accordingly. The PBPFRS received employee contributions and salary data for its affected members periodically over the course of October 5, 2018 through December 28, 2018. In total there were 49 affected members (47 retired members and the Plan's 2 remaining active members).</p> <p>The analysis calculated the revised Average Monthly Earnings for each affected retiree based on their corrected salaries. While the adjustments to the actual pension benefit have not yet been determined, they are expected to be very minimal. Sugarman & Susskind recommended that the pension benefits be recalculated, adjusted, and retro payments be paid.</p> <p>Sugarman & Susskind completed the gift form for Grant and Eisenhofer for hosting the holiday dinner. They have until the end of March 2019 to report to the state.</p> <p>Bernstein, Litowitz, Berger & Grossman notified Sugarman & Susskind via email that the PG&E derivative action will not be pursued as PG&E has filed for bankruptcy. Sugarman & Susskind will research whether to release the 100 shares of stock set aside and provide a response by the end of the week.</p>						

Board of Trustees Minutes Page Five	January 22, 2019	TRUSTEES	M	S	Y	N
<p>Mr. Sugarman advised the Board that he confirmed with the Chairman that his firm's signed fee agreement would serve as the firm's response to the legal RFP. Mr. Sugarman reiterated to the Board the enhancements made and future of the firm.</p> <p>Mr. Rossman addressed the Board and Mr. Sugarman to express his appreciation for the trust placed in him as special counsel for the Jeff Poole forfeiture case.</p> <p>Prior to the proxy voting firm presentations, Mr. Sugarman provided a brief overview of proxy voting noting that proxies are assets of the Retirement System. The Board has a fiduciary duty to vote the proxies in the best interest of the participants and the beneficiaries. Currently, the investment managers vote the proxies in accordance with the Board's Proxy Voting Policy. The proxy voting firms will explain why they think they can provide a better service. The Board may decide to retain its current arrangement or hire a proxy voting firm. Either way is legal and acceptable.</p> <p><u>PROXY VOTING FIRM PRESENTATIONS</u></p> <p>The Board heard presentations from two Proxy Voting Firms: ProxyVote Plus and Segal Marco Advisors. Each firm provided an overview of their company and services, the advantages of retaining them, and their fee structure. Additionally, each firm responded to a series of questions that were provided in advance of the meeting.</p> <p><u>ProxyVote Plus Highlights:</u></p> <ul style="list-style-type: none"> ➤ Independent fiduciary that votes proxies primarily for Taft-Hartley Funds across America and Canada. They currently have one public sector client ➤ Approximately 140 pension and health and welfare clients ➤ Five key employees ➤ All research and voting is performed in-house on proprietary software ➤ Focus is protecting the long-term economic interest of the funds, participants and beneficiaries. This does not mean maximizing short-term value at the expense of long-term health and well-being of the company ➤ Focus on voting and shareholder activism <p><u>Segal Marco Advisors Highlights:</u></p> <ul style="list-style-type: none"> ➤ A financial consulting firm that provides consulting to 500 benefit plans. Proxy voting and corporate governance is one service line that has been in existence since 1989. ➤ Staff of five and an administrative assistant ➤ Three people vote proxies full-time ➤ Very active in the market on corporate governance issues and member of many advocacy groups ➤ 2018 initiatives include board diversity, executive compensation and opioid supply chain. 						

<p>Board of Trustees Minutes Page Seven</p> <p style="text-align: right;">January 22, 2019</p>	TRUSTEES	M	S	Y	N
<p>The January 1, 2019 Firefighters' Share Plan Allocation was submitted for approval.</p>					
<p>MOTION: To approve the January 1, 2019 Firefighters' Share Plan Allocation as presented. PASSED 8-0.</p>	<p>O'Connell Samolewicz Aaronian Christophers Drago Femia Hall Rossi</p>	<p>X</p>	<p>X</p>	<p>X X X X X X X X</p>	
<p>The Executive Director advised the Board that its small business insurance policy provider is exiting the Florida market. The Hartford was recommended as the replacement policy.</p>					
<p>MOTION: To approve The Hartford policy as the replacement small business policy for the expiring Foremost Insurance Group policy, as recommended by the Executive Director and Bateman, Gordon & Sands. PASSED 8-0.</p>	<p>O'Connell Samolewicz Aaronian Christophers Drago Femia Hall Rossi</p>	<p>X</p>	<p>X</p>	<p>X X X X X X X X</p>	
<p>Two educational events were requested to be added to the agenda for approval.</p>					
<p>MOTION: To approve attendance for any interested Trustee at the BLBG Forum regarding Protecting Shareholder Rights in New Orleans, LA on April 10-13, 2019. PASSED 8-0.</p>	<p>O'Connell Samolewicz Aaronian Christophers Drago Femia Hall Rossi</p>	<p>X</p>	<p>X</p>	<p>X X X X X X X X</p>	
<p>MOTION: To approve attendance for any interested Trustee at the IFEBP Advanced Investments Management at the Wharton School in Philadelphia, PA on April 29 – May 2, 2019. PASSED 8-0.</p>	<p>O'Connell Samolewicz Aaronian Christophers Drago Femia Hall Rossi</p>		<p>X</p>	<p>X X X X X X X X</p>	
<p>It was noted that the Wharton event overlaps with the annual Educational Symposium.</p>		<p>X</p>	<p>X</p>	<p>X X X X</p>	
<p>COMMITTEE REPORTS</p>					
<p><i>Professional Advisors Review Committee:</i></p>					
<p>The Executive Director advised the Board that there are two firms in addition to Sugarman & Susskind that responded to the RFP for legal services by the January 18 deadline. She has not yet reviewed the responses and requested direction from the Board on how it wished to proceed.</p>					

Board of Trustees Minutes Page Eight	January 22, 2019	TRUSTEES	M	S	Y	N
<p>Committee Chairman Samolewicz recommended that the RFP's be reviewed by the Professional Advisors Review Committee and any recommendations be brought to the Board for consideration. The Executive Director will poll the Committee for a meeting date and circulate the responses for review.</p> <p><i>Communications and Cyber Review Committee:</i></p> <p>Committee chairman Rossi reported that a request was made to update the CNI quote for website re-design.</p> <p>Andrew McKeon, Systems Engineer for Economic Computers, gave a brief overview regarding a vulnerability assessment of the computer systems. The only environment to deal with is the office consisting of a local server and three work stations.</p> <p>The point of the test is to determine where vulnerabilities are from an IT standpoint; i.e. can someone break in remotely, are passwords easily guessable, are business practices going to leak information that potentially gives access to computer systems, etc. The limited vulnerability assessment is a low-cost solution that includes testing network hardware, seeing if someone can guess passwords, and things of this nature. Penetration tests range in price depending on scope of testing needed.</p> <p>Based on the nature of the Pension System where the pension administration system does not exist on premise but is accessed via web browser in a cloud-based solution, there is not much needed in terms of high penetration testing. Realistically, the interest is in the local infrastructure and whether someone can break into the server, the computers or the network. Economic Computers recommends a small-scale vulnerability assessment where the local hardware is tested. It is a conflict of interest for them to perform the testing so a subcontractor would have to be brought in. The company would be given access to the public facing IP address of the firewall and/or server and they would try to break in. The subcontractor would be limited to the scope of network connectivity and data breach. If a point of vulnerability is identified, the company will reach out to Economic Computers. Any data collected by them, incidentally or not, is all confidential and bound by the terms of a confidentiality agreement. Mr. McKeon stated that the price quote of \$8,000 provided earlier is valid for 60 days.</p> <p>Economic Computers recommended that this type of vulnerability assessment be conducted periodically at least every five years. Mr. McKeon indicated that Economic Computers' contract is mainly for preventative maintenance of hardware and software items. They do not review a company's security protocols unless requested to consult.</p>						

ADJOURNMENT

MOTION: To adjourn the January 22, 2019 meeting at 6:05 PM. PASSED 7-0.

O'Connell			X	
Aaronian			X	
Christophers			X	
Drago			X	
Femia	X		X	
Hall			X	
Rossi		X	X	

Respectfully submitted,



Debra Tocarchick, CEBS
Executive Director

DISTRIBUTION:

- Board of Trustees
- Robert A. Sugarman, Esq.
- Pedro Herrera, Esq.
- Tayt Odom, Actuary
- City Manager
- Mayor and City Commission
- City Clerk
- Assistant City Attorney
- City HR Director
- President IAFF Local 1549
- Marcum

REGULAR MEETING – JANUARY 22, 2019

ITEM NO. 5 - WARRANT NOS. 5058 THROUGH 5070

Ratified and Approved on 01/22/2019

WARRANT NO.	PAYABLE TO	DESCRIPTION	AMOUNT
5058	Kerry M. Justice	Normal Retirement benefit commencing 3/1/2019 as a result of reaching end of DROP period on 2/28/2019; \$5,447.56	5,447.56
5059	Kerry M. Justice	Lump sum distribution of Police Share Plan account as a result of reaching end of DROP period on 2/28/2019; \$2,370.23	2,370.23
5060	Richard L. Brito	Lump sum distribution of balance of Fund Rate DROP account via trustee-to-trustee transfers to Vantagepoint Transfer Agents/457, \$250,000.00, and Merrill Lynch/IRA, \$466,170.20, due to separation of service on 8/29/2018, Total \$716,170.20	716,170.20
5061	Alerus Occupational Health Ctrs Office Depot Xerox Corp	Inv No 20184962, dated 12/19/2018, Fund Rate administration and recordkeeping fee for quarter ended 9/30/2018; \$812.50 Pre-employment physicals for twelve (12) new-hire firefighters; \$3,360.00 Invoice No 250275175001, office supplies; \$13.77 Inv No. 095543190, December lease; \$172.94, excess print charges, \$8.67, Total \$181.61	4,367.88
5062	Randy D. Devore	Change in annual installments from DROP account commencing 2/1/2019; \$100,000.00	100,000.00
5063	Florida U.C. Fund Nuance Investment Renaissance Investment The Nyhart Company	Reemployment taxes quarter ending 12/31/2018; \$52.28 Inv No. 60466, Inv mgmt. fee quarter ended 12/31/2018; \$11,798.75 Inv mgmt. fee quarter ended 12/31/2018; \$21,725.05 Inv No. 0146289, 10/1/2018 actuarial valuation, interim billing; \$12,350.00	45,926.08
5064	Vantagepoint Transfer Agents – 457 FBO Douglas Henry	Trustee-to-trustee transfer of residual Share Plan account balance due to final allocation on 1/1/2019; \$2,373.76	2,373.76
5065	Vantagepoint Transfer Agents – 457 FBO Mitchell Grossman	Trustee-to-trustee transfer of residual Share Plan account balance due to final allocation on 1/1/2019; \$2,373.76	2,373.76
5066	Ted Patton	Normal Retirement benefit commencing 3/1/2019 as a result of reaching end of DROP period on 2/28/2019; \$7,102.84	7,102.84
5067	Mitchell Grossman	Recalculated monthly service-incurred disability benefit as a result of offset of worker's compensation income impairment benefits; \$5,437.88	5,437.88

REGULAR MEETING – JANUARY 22, 2019

ITEM NO. 5 - WARRANT NOS. 5058 THROUGH 5070

Ratified and Approved on 01/22/2019

5068	Bank of America	Debra Tocarchick: Telephone & internet; \$297.88, sympathy gift; \$154.30, Office supplies; \$79.78, Conference Room Microwave; \$74.89, mail courier; \$43.45, website domain renewal; \$30.16, Board meeting supplies; \$6.49, Total \$686.95 Maureen Femia: FPPTA Winter School registration; \$650.00, office supplies; \$13.90, Total \$663.90 Robert Drago: FPPTA Winter School Registration; \$650.00 Vincent Femia: FPPTA Winter School Registration; \$650.00 David Hall: FPPTA Winter School Registration; \$650.00 Richard Samolewicz: FPPTA Winter School Registration; \$650.00	3,950.82
5069	Citibank, New York FBO: Morgan Stanley/Clint Pierce	Wire transfer of Employee-Directed DROP account to Morgan Stanley FBO Clint Pierce due to change in DROP money market fund; \$292,618.05	292,618.05
5070	Sands Capital Lazard Mellon Investments	Inv No. 78835, Inv mgmt. fee quarter ended 12/31/2018; \$40,648.53 Inv No. 1760531, Inv mgmt. fee quarter ended 12/31/2018; \$18,827.19 Inv No. 103387, Inv mgmt fee for quarter ending 12/31/2018; \$15,513.53	74,989.25