

POMPANO BEACH POLICE & FIREFIGHTERS' RETIREMENT SYSTEM

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

**BOARD OF TRUSTEES MINUTES
REGULAR MEETING
JUNE 15, 2015**

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 3:05 PM.

PRESENT: Chairman Paul O'Connell
Trustee Sharra Aaronian
Trustee Patrick Fletcher
Trustee Peter McGinnis
Trustee Jorge Rossi (departed at 4:21 pm)

ABSENT: Vice-Chairman Richard Samolewicz
Trustee Daniel Christophers
Trustee Vincent Femia
Trustee David Hall

ALSO PRESENT: Robert Sugarman, Esq., Board Attorney
Glenda Rowley, Executive Director
Debra Tocarchick, Deputy Director
Gary Morton, Police Retiree Liaison
Tom Cianflone, Economic Computers
Charles Mulfinger II, Graystone (via conference call)

AUDIENCE TO BE HEARD

None

APPROVAL OF AGENDA

MOTION: To approve the agenda for June 15, 2015, as presented.
PASSED 5-0.

O'Connell
Aaronian
Fletcher
McGinnis
Rossi

X

X

X

X

X

X

X

APPROVAL OF MINUTES

MOTION: To waive the reading of the minutes of the Educational Symposium and Regular Board meeting during May 7-9, 2015, and the Special Board meeting on May 26, 2015, and to approve same as submitted. PASSED 5-0.

O'Connell
Aaronian
Fletcher
McGinnis
Rossi

X

X

X

X

X

X

X

APPROVAL OF RETIREMENT APPLICATIONS

The Board agreed to table the approval of the Normal Retirement Application from Carl F. Tuttle to the July meeting at the request of the member.

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
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Board of Trustees Minutes Page Two	June 15, 2015	TRUSTEES	M	S	Y	N
<u>RATIFICATION AND APPROVAL OF WARRANTS</u>						
<p>MOTION: To ratify and approve payment of benefits and expenses as set forth on Warrant No. 4609, \$6,935.79; No. 4610, \$13,345.85; No. 4611, \$1,387.70; No. 4612, \$14,936.76; No. 4613, \$3,253.46; No. 4614, \$2,860.95; No. 4615, \$41,261.12. PASSED 5-0.</p>		O'Connell Aaronian Fletcher McGinnis Rossi	X	X	X X X X X	
<u>PRESENTATION BY TOM CIANFLONE OF ECONOMIC COMPUTERS REGARDING CLOUD STORAGE</u>						
<p>Mr. Cianflone reported that the StorageCraft backup and recovery software was installed and is effectively providing a superior server recovery system. The next step is whether the Board would like to consider storing the server backup images in the cloud. When last discussed, the Board had asked Mr. Cianflone to research several questions with regard to cloud storage. The feedback from the company is noted below and a copy of the Storagecraft Cloud Services Agreement was provided for legal review.</p> <ul style="list-style-type: none"> ➤ If a government enforcement agency requests that you surrender the data to them, what would you do? - <i>To date no government agency has requested this. If it was requested, they would comply with the law and keep the customer informed concerning the legal request, unless legally prohibited from doing so.</i> Mr. Sugarman clarified that data provided from the company to the government would not be redacted. ➤ If Storagecraft files for bankruptcy, what happens to the data in your datacenter? – <i>Customers are not locked into long-term agreements. Either party is free to terminate the relationship at any time. If StorageCraft terminates the agreement, the termination is effective 30 days after the customer receives notices providing ample time to retrieve the data from the cloud.</i> ➤ What procedures are in place to ensure that the subscriber's data is no longer retained in your datacenter if the customer decides to stop subscribing to your service? – <i>Once the account is deleted, all associated cloud data is automatically deleted from the system.</i> <p>Mr. Sugarman advised the Board that between now and the last time this topic was discussed in March there has been a serious breach of millions of federal workers' personal information presumably by Chinese hackers. Personal information about public employees in safety sensitive and confidential positions, such as our members, seems to be of interest to foreign governments. In his opinion, this is a concern, and he questioned what we can do better than the federal government did to protect the data from hackers.</p> <p>Mr. Cianflone responded that there is nothing we can do other than to keep the data on the in-house server and make the choice not to put it in the cloud. The issue of cloud storage is a business decision and a matter of convenience in terms of server recoverability in the event of a catastrophe.</p>						

Board of Trustees Minutes Page Three	June 15, 2015	TRUSTEES	M	S	Y	N
<p>Discussion ensued regarding the Board's current process of preserving data on and off-site on backup cartridges. The advantage of cloud storage would shorten to some degree the time it takes to restore the operating environment in the event of a significant disaster versus having to obtain a new server and recreate it from a backup cartridge. The Board agreed that the concerns regarding the privacy of the data outweigh the convenience of restoring the office operations a few days sooner, particularly since there would be no disruption to monthly benefit payments provided through the custodial bank. Mr. Cianflone agreed with the Board's decision to not utilize cloud storage given the concerns expressed. The current process of off-site storage will be enhanced by securing the off-site cartridge in a safe.</p> <p><u>SUGARMAN & SUSSKAND, PA LEGAL REPORT</u></p> <p>Sugarman & Susskind reported that RBC Global Asset Management explored the options proposed by the Board regarding proxy voting guidelines, and can only offer the option of either using RBC's new customized guidelines or having the Board vote its own proxies. Since it is impractical for the Board to vote its own proxies, it is a business judgment as to whether the Board wants RBC to continue as the mid-cap value equities investment manager enough to accept RBC's proxy guidelines which are characterized as "good" as compared to "better" or "best".</p> <p>It was agreed to conference in Mr. Mulfinger with Graystone Consulting for an opinion regarding the value of RBC's services in comparison to other investment managers who would be willing to vote proxies according to the Board's guidelines. Mr. Mulfinger reported that RBC's investment returns have improved dramatically from the time they were on the watch list. While there are other managers in the mid-cap space, it is unknown how they would prefer to vote proxies. Transaction costs to transition the portfolio to another manager could range up to \$50,000. Ultimately, the facts could support a decision either way. However, based on the size of the RBC mandate and allocation, their past performance and the potential transactions costs, Trustee Aaronian opined that she would be more comfortable letting them use their own proxy voting policy rather than try to replace them.</p> <p>MOTION: To grant RBC an exception to the Board's proxy policy which will allow them to use their own customized proxy voting guidelines as engaged by Institutional Shareholder Services (ISS) as their service provider. PASSED 5-0.</p> <p>With regard to Lazard's Questionnaire regarding IPO's and FINRA Rules, Sugarman & Susskind reported that PBPFRS is qualified to purchase IPO's. Mr. Mulfinger reported that their legal department recently researched a similar request and concluded that there is no reason to exclude an investment manager's ability to have access to IPO's in order to enhance returns.</p>	<p>O'Connell Aaronian Fletcher McGinnis Rossi</p>	<p>X</p>	<p>X</p>	<p>X X X X</p>	<p>X X X X</p>	

Board of Trustees Minutes Page Four	June 15, 2015	TRUSTEES	M	S	Y	N
<p>MOTION: To ratify the Chairman's execution of Lazard Asset Management's Spinning Questionnaire and IPO Certificate for Rule 5130 and Rule 511, as recommended by Lazard and Graystone Consulting. PASSED 5-0.</p> <p>Since Mr. Mulfinger was participating via conference call, the legal report was interrupted to allow him to continue with the DROP Search Report.</p> <p>Mr. Mulfinger reported that there are two mutual funds in the DROP investment line-up, equity precious metals and natural resources, whose overall fund results no longer meet the investment guidelines. A manager search was performed for the Oppenheimer Gold & Special Minerals A fund, which currently holds approximately 0.39%, or \$76,000, of the total DROP assets; and the Prudential Jennison Natural Resources A fund, which currently holds approximately 0.22%, or \$42,000, of total DROP assets. It was noted that there are far fewer fund choices in these investment categories. The Board inquired about eliminating one or more of the categories.</p> <p>Mr. Mulfinger responded that both strategies are more inflation protection type strategies. He recommended eliminating the equity precious metals category since there isn't a good replacement choice as both the existing fund and the other funds profiled in the search report performed very poorly. With regard to the natural resources category, he recommended replacing the Prudential Jennison fund with the Vanguard Materials Index Adm fund due to its better performance over all time periods and lower fees. Mr. Mulfinger further recommended mapping the funds in the equity precious metals fund to the new investment in the natural resources fund.</p>	<p>O'Connell Aaronian Fletcher McGinnis Rossi</p>	<p>X</p>	<p>X</p>	<p>X X X X</p>	<p>X X X X</p>	<p></p>
<p>MOTION: To remove the Oppenheimer Gold & Special Minerals fund and the Prudential Jennison Natural Resources A fund from the DROP Fund investment line-up and replace them with the Vanguard Materials Index Adm fund. PASSED 5-0.</p> <p>At the conclusion of the discussion with Mr. Mulfinger, Mr. Sugarman resumed his legal report.</p> <p>Sugarman & Susskind reported that Senate Bill 172 has been signed into law and changes the default mechanism for distributing Chapter 175/185 monies. There are now a variety of ways it can be distributed based on a plan's collective bargaining agreement. Under the new law, if there is currently a CBA in effect that shows an agreement on how the 175/185 monies are to be allocated, it remains in effect until the expiration of the agreement. At that time, the parties can then continue as before or negotiate something different by mutual consent. However, if they deadlock and there is no mutual consent, then there will be a default to a specified formula. Sugarman & Susskind recommended that the Board inform the negotiating parties of this change, and consult with the actuary to determine the result of the distribution formula in the case of a deadlock.</p>	<p>O'Connell Aaronian Fletcher McGinnis Rossi</p>	<p>X</p>	<p>X</p>	<p>X X X X</p>	<p>X X X X</p>	<p></p>

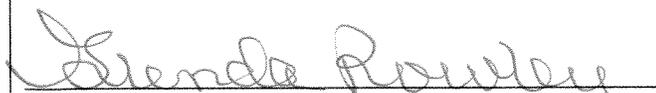
Board of Trustees Minutes Page Five	June 15, 2015	TRUSTEES	M	S	Y	N
<p>With regard to the balance of \$215,163 in state contribution reserve monies for the police members, the union and the employer would have to bargain to determine what happens to the monies. Otherwise, 50% of it will go to the Plan to reduce the unfunded liability and the other 50% will go to a share plan according to the new law.</p> <p>The situation is complicated by the inter-local agreement between the City and BSO and the fact that there is basically no bargaining unit for Pompano's former employees. Further, a share plan is required to be in effect by July 1 which would have to be designed, written and adopted as a City Ordinance. The situation can be reevaluated after decisions are made with regard to these outstanding issues. At any rate, once a new collective bargaining agreement is negotiated between the union and BSO, this issue must be covered or the default mechanism will occur. The state is expected to issue guidelines with regard to this new law.</p> <p>Robbins Geller Rudman & Dowd, LLP submitted case updates on the Allergan and Las Vegas Sands securities litigation cases. Grant & Eisenhofer submitted a case update on the KKR securities litigation case. No action is required by the Board in any of the cases.</p> <p>Sugarman & Susskind reported that the Jeff Poole forfeiture hearing will be rescheduled from July 20 in order to afford Mr. Poole the presence of a full Board. The Chairman proposed to postpone the hearing to January 2016 due to Mr. Sugarman's extended medical leave. The postponement was acknowledged by Mr. Poole's attorney, Ron Cohen.</p>						
<p>MOTION: To ratify the decision of the Chairman to postpone the Jeff Poole forfeiture hearing to the January regularly scheduled Board meeting. PASSED 5-0.</p>	<p>O'Connell Aaronian Fletcher McGinnis Rossi</p>	<p>X</p>	<p>X</p>		<p>X X X X X</p>	
<p><u>ADMINISTRATIVE AND MISCELLANEOUS ISSUES</u></p>						
<p>The Board reviewed the Fund DROP Rate of Return letter as submitted by Graystone Consulting.</p>						
<p>MOTION: To set the net investment rate of return for quarter ended 3/31/15 at 2.07% for purposes of the Fund Rate DROP earnings in accordance with Mr. Mulfinger's May 29, 2015 letter of certification. PASSED 5-0.</p>	<p>O'Connell Aaronian Fletcher McGinnis Rossi</p>	<p>X</p>	<p>X</p>		<p>X X X X X</p>	
<p>The Board reviewed the proposed 2015 election timetable. Trustees O'Connell and McGinnis will declare whether they intend to seek re-election as incumbents, which will be communicated in the election notification to members.</p>						

Board of Trustees Minutes Page Six	June 15, 2015	TRUSTEES	M	S	Y	N
<p>MOTION: To approve the 2015 Election Timeline as presented. PASSED 5-0.</p>		O'Connell Aaronian Fletcher McGinnis Rossi	X	X	X X X X	
<p>The Board reviewed the DROP Investment Performance Report for quarter ended 3/31/2015 as submitted by Graystone Consulting.</p>						
<p>MOTION: To approve the DROP Investment Performance Report for Quarter Ended 3/31/2015 as submitted by Graystone Consulting. PASSED 5-0.</p>		O'Connell Aaronian Fletcher McGinnis Rossi	X	X	X X X X	
<p>The Board discussed the David Benjamin forfeiture hearing and agreed to table the hearing to a special meeting in late January or early February. Mr. Benjamin is to be provided as much notice as possible regarding the hearing date in order to secure legal counsel. The Chairman will contact attorney Gregg Rossman about serving as Special Counsel for this hearing and bring the matter back to the Board in July for approval.</p>						
<p>The Board reviewed the 2015 Educational Symposium financial report and the semi-annual report on staff sick and vacation accruals.</p>						
<p>The Board agreed to table the item of travel insurance to the July meeting.</p>						
<p>The Board reviewed a sample Trustee shirt and agreed to order a navy blue and a red shirt for everyone.</p>						
<p>The Chairman reported that the new building owner, Grover Corlew, will be performing significant renovations to the lobby which will include bronze plaques, to be provided at the landlord's cost, honoring the fallen fire and police members. The Board has no business relations with Grover Corlew other than tenancy in the building.</p>						
<p><u>COMMITTEE REPORTS</u></p>						
<p>No reports were rendered by the Professional Advisors Review Committee or the Communications Committee. The Investment Committee tabled the ratification of the Actavis Proxy Vote to the July meeting due to the loss of a quorum.</p>						
<p><u>EXECUTIVE DIRECTOR'S REPORT</u></p>						
<p>The Executive Director reported that Ironwood lowered their fees by .25% and discontinued the practice of quarterly fee rebates.</p>						
<p>The Chairman distributed an editorial commentary from the Palm Beach Post titled 'Solving the Debt in Public Employee Retirement Systems'.</p>						

ADJOURNMENT

The Chairman adjourned the meeting at 4:33 PM.

Respectfully submitted,



Glenda Rowley, Executive Director

Distribution:

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

REGULAR MEETING – JUNE 15, 2015

ITEM NO. 6 - WARRANT NOS. 4609 THROUGH 4615

Ratified and Approved on 06/15/2015

WARRANT NO.	PAYABLE TO	DESCRIPTION	AMOUNT
4609	Daniel R. Lindsey	Normal Retirement Benefit commencing 8/1/2015 as a result of separation of service on 7/3/2015; \$6,935.79	6,935.79
4610	Munder Capital Xerox Corp Bauman and Rossman City of Pompano Beach	Investment mgmt fee qtr ended 3/31/15; \$12,772.00 Inv No. 079696069, May lease; \$159.46 Inv No. 45, Jeff Poole forfeiture hearing; \$300.00 2014-15 Supplements S-58 through S-61, Code of Ordinances; \$114.39	13,345.85
4611	Daniel Christophers The Nyhart Company, Inc. Sugarman & Susskind, PA	SKF Trustee Educational Conference expense reimbursement; \$339.70 Invoice No. 0112461, 3/1-5/31/15, SB534 reporting; \$973.00 Invoice No. 105415, Telephone conference; \$75.00	1,387.70
4612	Bank of America	Glenda Rowley: Courier, \$14.98; Trustee Business Cards, \$195.00; Educational Symposium Expense, \$1,578.53; Total \$1,788.51 Debra Tocarchick: Board Meeting Expense, \$20.15; Educational Symposium Expense, \$545.16; Total \$565.31 Paul O'Connell: Board Meeting Expense, \$21.33; Business lunches, \$116.46; Educational Symposium Expense, \$6,765.70; Total \$6,903.49 Sharra Aaronian: Educational Symposium Expense, \$363.44 Daniel Christophers: Educational Symposium Expense, \$1,924.82; SKF Trustee Educational Conference, \$1,053.71; Total \$2,978.53 Vincent Femia: Educational Symposium Expense, \$363.44 Patrick Fletcher: Educational Symposium Expense, \$363.44 David Hall: Educational Symposium Expense, \$993.08; FPPTA Conference Room Cancellation, (165.00); Total \$828.08 Jorge Rossi: Educational Symposium Expense, \$419.08 Richard Samolewicz: Educational Symposium Expense, \$363.44	14,936.76
4613	Vantagepoint Transfer Agents – 457 FBO Henry Robiou	Trustee-to-trustee transfer of final residual Fund Rate DROP account earnings less fees as of 3/31/15 due to separation of service on 01/07/15; \$3,253.46	3,253.46
4614	Vantagepoint Transfer Agents – 457 FBO Drake Sworn	Trustee-to-trustee transfer of final residual Fund Rate DROP account earnings less fees as of 3/31/15 due to separation of service on 01/05/15; \$2,860.95	2,860.95
4615	UBS Financial Services – IRA FBO Peter Clavell	Trustee-to-trustee transfer of residual balance of Fund Rate DROP account earnings less fees as of 3/31/15 due to separation of service on 12/15/14; \$41,261.12	41,261.12