POMPANO BEACH POLICE & FIREFIGHTERS' RETIREMENT SYSTEM

2335 EAST ATLANTIC BLVD.
SUITE 400
POMPANO BEACH, FLORIDA

BOARD OF TRUSTEES MINUTES
REGULAR MEETING
JUNE 21, 2021

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 3:23 PM.

PRESENT:
Chairman Paul O'Connell
Vice-Chairman Richard Samolewicz
Trustee Sharra Aaronian
Trustee Daniel Christophers
Trustee Vincent Femia
Trustee Patrick Hanrahan
Trustee Peter McGinnis

ABSENT:
Trustee David Hall
Trustee Jorge Rossi

ALSO PRESENT:
Robert Sugarman, Board Attorney (via Zoom)
Debra Tocarchick, Executive Director
Maureen Femia, Deputy Director
Scott Owens, Graystone Consulting
Frank Sposato, Director, Lazard
Thomas Boyle, Director Portfolio Manager, Lazard
Steven Keeler, Senior VP, Lazard
Susan Gim, Client Portfolio Manager, Martin Currie
John Rayson, Esq.
Vincent Corraro, Retired Police Member (via Zoom)

AUDIENCE TO BE HEARD

None

APPROVAL OF AGENDA

MOTION: To approve the June 21, 2021 agenda as presented. PASSED 7-0.

	MOTION	SECOND	VOTED YES	VOTED NO
O'Connell			X	
Samolewicz			X	
Aaronian			X	
Christophers	X		X	
Femia			X	
Hanrahan			X	
McGinnis		X	X	

APPROVAL OF MINUTES

MOTION: To waive the reading of the minutes of the Regular Board Meeting on May 10, 2021, and the Special Board Meeting on June 14, 2021, and to approve same as presented. PASSED 7-0.

	MOTION	SECOND	VOTED YES	VOTED NO
O'Connell			X	
Samolewicz			X	
Aaronian			X	
Christophers			X	
Femia			X	
Hanrahan	X		X	
McGinnis		X	X	

APPROVAL OF DROP APPLICATIONS

MOTION: To approve the application for Normal Retirement and DROP Entry effective 7/1/2021 from Battalion Chief Jorge Rossi. PASSED 7-0.

TRUSTEES	M	S	Y	N
O'Connell			X	
Samolewicz		X	X	
Aaronian			X	
Christophers			X	
Femia			X	
Hanrahan			X	
McGinnis	X		X	

MOTION: To approve the application for Normal Retirement and DROP Entry effective 8/1/2021 from Captain Egon Koves. PASSED 7-0.

TRUSTEES	M	S	Y	N
O'Connell			X	
Samolewicz	X		X	
Aaronian			X	
Christophers		X	X	
Femia			X	
Hanrahan			X	
McGinnis			X	

RATIFICATION AND APPROVAL OF WARRANTS

MOTION: To ratify and approve payment of benefits and expenses as set forth on Warrant Nos. 5341, $973.52; No. 5342, $10,000.00; No. 5343, $68,855.96; No. 5344, $54,417.40; No. 5345, $7,000.00; No. 5346, $839.38; No. 5347, $56,122.19; No. 5348, $5,000.00; No. 5349, $20,210.40; No. 5350, $50,000.00; No. 5351, $2,029.04; No. 5352, $4,267.60; No. 5353, $28,182.10. PASSED 7-0.

TRUSTEES	M	S	Y	N
O'Connell			X	
Samolewicz			X	
Aaronian			X	
Christophers			X	
Femia	X		X	
Hanrahan		X	X	
McGinnis			X	

PRESENTATION OF EMERGING MARKET EQUITIES MANAGERS

The Board of Trustees conducted investment manager candidate interviews for an emerging market equities mandate to replace one of the Retirement System's hedge fund-of-funds managers, Pine Grove, whose account was fully redeemed. The selected candidate will manage a 5% allocation to a separately managed liquid emerging market equities portfolio.

The Chairman informed the attending candidate firms that the meeting is a public forum, and each participant has the right to be present during the course of the full meeting, or any part of the meeting, and observe the presentations of the other firms if they so choose. Both firms declined the option to observe.

Lazard Asset Management

Frank Sposato, Director, Thomas Boyle, Director Portfolio Manager and Steven Keeler, Senior Vice President, presented on behalf of Lazard Asset Management. Mr. Sposato provided a brief background on the firm and its emerging markets strategy before turning the presentation over to Mr. Keeler.

TRUSTEES	**M**	**S**	**Y**	**N**

Mr. Keeler noted Lazard has been investing in emerging markets for the past 30 years with approximately $30 billion in assets making it a very meaningful part of Lazard's overall assets under management. Currently Lazard has seventy investment professionals dedicated to focusing on emerging markets and its mandates. Mr. Keeler then turned the presentation over to Mr. Boyle.

Mr. Boyle, one of the lead Portfolio Managers for emerging markets spoke about the strategy. The Lazard philosophy and objective is to deliver outperformance over the market cycle, participate in up-markets and provide protection in down-markets, with a target of 2-3% outperformance per year which they have achieved since inception. The strategy does not focus on growth or value but rather the best opportunities within the asset class, providing increased flexibility and prospect. The company lifecycle approach focuses on where a company is in the stage of development to identify the right metric for the right company. Macro matters and is important in performance along with Environmental Social Governance (ESG) which is key to the process. Lazard's investment philosophy is to invest in high quality companies at reasonable valuations with diversified cash flows while also trying to identify and analyze factor exposures which could impact the portfolio. The portfolio trades in ADR's on US exchanges, representing a share of ownership of a foreign company and not in a foreign currency. The targeted holdings within the ADR portfolio are 35 – 55 stocks, currently around middle to low 40's.

At the conclusion, the Lazard representatives took questions, thanked the Board and departed the meeting.

<u>MARTIN CURRIE</u>

Susan Gim, Client Portfolio Manager, presented on behalf of Martin Currie. Ms. Gim gave a brief background of herself and the Martin Currie firm. Martin Currie was established in 1881, acquired by Legg Mason and most recently acquired in 2020 by Franklin Templeton when it acquired Legg Mason and its affiliates. Franklin Templeton is a global leader, 6^{th} largest asset manager in the world with over $1.6 trillion in assets and over 1,250 investment professionals. Franklin Templeton's infrastructure benefits Martin Currie by allowing the company to focus on two key priorities: client service and investment performance. Currently Martin Currie manages $6 billion in emerging markets.

Martin Currie is highly committed to investing in Environmental Social Governance (ESG) and ranks in the top 8% of asset managers investing in ESG. The investment team consists of six portfolio managers who conduct stock analysis and focus on risk. The company investment philosophy looks at three attributes: quality, growth and ESG. Martin Currie seeks to invest in companies with a competitive advantage, strong balance sheet and management capability with a long future in investing in growth. Martin Currie invests for the long-term holding their stocks for a minimum of five years. Approximately 65% of companies owned by Martin Currie are IP leaders in their space.

Martin Currie's strategy is to invest in the emerging market champions who are defensive leaders in their distinct category. The portfolio is constructed of 40 – 60 holdings and is currently at 45. It is a core portfolio which bridges both value and growth stocks with low turnover. Martin Currie focuses on quality companies that are profitable rather than bottom up. The sector is well diversified and controlled in country risk. Performance results for the last 5- years have Martin Currie in the top 8% of the asset class. They have outperformed the asset class in the last seven out of 10-years.

Ms. Gim concluded the presentation by taking questions, thanked the Board for the opportunity and departed the meeting.

Mr. Owens provided a brief overview of the two presentations and the key take-aways. Due to the types of companies Martin Currie invests in, the upside potential will be higher, however, the downside will as well. Lazard on the other hand provides slightly more protection on the downside and also slightly less on the upside. Both managers present higher risk, higher return and beat the benchmark on a risk-adjusted basis. Each manager looks to invest in quality companies but with a different focus. Lazard appears to concentrate on company balance sheets and cash flow where Martin Currie appears to look at company structure and IP leaders which allows for more growth companies. The fee structures are very similar. The question for the Board to consider is the objective of this asset class and whether they want to focus more on downside protection or higher returns?

The Trustees discussed the presentations and services provided by each firm.

MOTION: To retain Martin Currie as the Plan's emerging market equities manager subject to successful negotiation of the Investment Management Agreement, as recommended by Graystone Consulting. PASSED 7-0.

TRUSTEES	M	S	Y	N
O'Connell			X	
Samolewicz			X	
Aaronian	X		X	
Christophers		X	X	
Femia			X	
Hanrahan			X	
McGinnis			X	

SUGARMAN & SUSSKIND, PA LEGAL REPORT

Mr. Sugarman reminded the Trustees to file their annual Financial Disclosure Form which is due on July 1.

Mr. Sugarman reported on a memorandum received Friday afternoon from Robbins, Geller, Rudman, Dowd ("Robbins Geller"), requesting the Board sign on in support of an Amicus Curiae brief in connection with the appeal of a securities case regarding Palm Tran vs. Grupo Televisa ("Grupo"). The memo was distributed to the Board.

By way of background, Robbins Geller was disqualified from serving as the plaintiff in the case by the order of Judge Stanton of the US District Court of the 7th District of New York. Judge Stanton ruled that Robbins Geller should have disclosed a hedge fund investment that held Grupo securities held by a Canadian pension fund who was the previous lead plaintiff in the case.

The Canadian pension fund had direct holdings in Grupo stock and when Grupo was disclosed to have committed certain improprieties, the stock price fell, and the Canadian pension fund suffered a loss thus making it an appropriate lead plaintiff. However, the Canadian pension fund was also one of many investors in the hedge fund and the hedge fund had shorted the stock, so when the stock price fell, the hedge fund made money and consequently all the shareholders in the hedge fund made money including the Canadian pension fund. The Judge knocked the Canadian pension fund out as an appropriate lead plaintiff thus leaving Palm Tran as a lead plaintiff. The judge indicated that the Canadian pension fund was not typical in that it lost money on its direct holdings but gained money on its indirect holdings.

Robbins Geller asserts that if this ruling is upheld it would cause a Fund to have to look at not only its direct holdings but also its indirect holdings through mutual funds, comingled funds and index funds, making it next to impossible to determine if someone can be a lead plaintiff. A Fund would have to look at every single holding that occurred during the class period and determine whether there was a gain or loss. Robbins Geller believes this is not the intention of the federal legislation and is appealing this ruling to the 2nd Circuit Court of Appeals in New York.

Mr. Sugarman indicated that by signing on in support of the brief, the Board would not be liable for any cost in the case, nor would it be a party to the case. The outcome of the case will only affect the class that is involved in the case. Basically, the Board would be saying to the Court it agrees with what Robbins Geller is arguing. Robbins Geller is one of the Board's securities monitoring firms and it is recommending the Board sign on to this brief because it is in the overall best interest of institutional plaintiffs.

The Board inquired whether any other pension systems are being asked to do this and Mr. Sugarman affirmed that all of Robbins Geller's clients are being asked.

MOTION: To table this item to the July 19 meeting to permit the Trustees time to read the full brief and to learn what other Florida pension funds are electing to do. PASSED 7-0.

TRUSTEES	M	S	Y	N
O'Connell			X	
Samolewicz			X	
Aaronian	X		X	
Christophers			X	
Femia			X	
Hanrahan			X	
McGinnis		X	X	

Mr. Sugarman reported that he will be having a Zoom meeting with Trustee McGinnis, the Deputy City Attorney and the City HR Director at the conclusion of the pension Board meeting to discuss an ordinance amendment the City is formulating.

Attorney John Rayson appeared on behalf of retired police members, William O'Brien and John Stabile, to discuss their request for an actuarial impact statement in connection with an ordinance amendment they are seeking.

Mr. Rayson discussed disabling injuries suffered by the two members during their many years of continuous service as police officers with the City of Pompano Beach and Broward Sheriff's Office. He is seeking the pension Board's assistance to reclassify their monthly pension benefit to compensatory damages not taxable under the IRS code. Mr. Rayson believes these are the only two members who fit into this category at this time. Mr. Rayson indicated his understanding is this would be similar to the recently added 911 Ground Zero provision and there would be zero cost to the pension plan.

Mr. Sugarman responded that the Board expresses no opinion as to whether a converted benefit would be subject to federal income tax as that is a matter between the member and the federal government. Mr. Rayson's characterization of the benefit as compensatory damages is a novel approach; however, there are rulings by the Internal Revenue Service that speak more directly to the nature of disability payments.

Mr. Sugarman continued that the cost to the Retirement System would be two-fold. Direct costs would be in the form of an actuarial impact statement if the Board were to pay for it, as well as the costs to gather the medical records and conduct an independent medical examination. Indirect costs would be in the form of staff time to process the records and Trustee time to conduct the disability hearings.

Further, the potential to which it is determined that making this conversion available would affect the behavior of the 51 retired police members who are still in the active employ of BSO could impact the cost. The actuary bases its assumptions upon the behavior of the members in terms of when people will retire, how many disabilities may occur, etc.; and if the actuary determines this change would increase the likelihood that someone would apply for a disability benefit, it may have an adverse actuarial impact thereby increasing the cost. What is being proposed is legal; however, it involves a business judgment and discussion with the actuary. Further, there would have to be a discussion as to whether it must be collectively bargained to avoid any unfair labor practice issues.

Chairman O'Connell raised the issue of the existing service-incurred disability formula being 75% of annualized earnings at the time of retirement such that a member who retired under a lower percentage [20 years versus 25 years] would require a recalculation to an increased benefit amount thereby creating a cost to the Plan.

The Executive Director added that the formula for a normal retirement benefit is based, in part, on years of service. This does not satisfy Treasury regulations for a tax-free benefit. The regulations stipulate that the benefit cannot be calculated according to age, years of service or prior contributions. To simply recharacterize the existing members' benefits as service-incurred disabilities rather than normal retirements would not change the fact that they were calculating according to age and service. The service-incurred disability formula is a function of 75% of annualized earnings at the time of

	TRUSTEES	M	S	Y	N
retirement and therefore is not based on age, service, or prior contributions. In keeping with the Chairman's comment, a recalculation of a benefit according to this formula would likely increase the benefit of those who retired at less than 75% of average monthly earnings and create a cost to the Plan. Mr. Sugarman affirmed this information and stated that while they do not give tax advice to the members, they do provide tax advice to the Retirement System in terms of how 1099-R Forms should be coded for disability pensions. The 75% is the minimum benefit for every service-incurred disability retiree. Mr. Rayson noted that the two members are not seeking any increase to their pension benefit but rather seeking that their benefit be construed as compensatory damages and paid out at their current level. He would like to see the question put to the actuary as to whether the benefit can be considered compensatory damages. Mr. Sugarman responded that service-incurred disability benefits are in the nature of worker's compensation benefits according to the Internal Revenue Code. Worker's compensation benefits are not taxable and are no-fault. The concept of compensatory damages has some concept of fault. The Retirement System does not have the ability to pay compensatory damages. In order to achieve what Mr. Rayson requests, there would have to be an arrangement whereby the City and BSO would agree to make the future payments to the members and the members would have to disclaim their lifetime pension benefit from the Retirement System. The actuarial impact of this action would be the dollar amount of savings the City would receive in its annual contribution and whether this would provide sufficient funds to pay these members their monthly lifetime benefit in the form of compensatory damages. Mr. Rayson indicated that there should be an actuarial study ordered to determine whether it is feasible to change the ordinance in a very limited circumstance when there is a total and permanent on-the-job disability that forces the retirement of the disabled employee. Some discussion ensued as to when the disabilities occurred compared to when the members' retired from this Retirement System and entered the Florida Retirement System.					
MOTION: To deny the request made by members William O'Brien and John Stabile to purchase an actuarial impact study. THE MOTION DIED FOR LACK OF SUPPORT.	Samolewicz	X			
During discussion, it was noted that the Board paid for the actuarial impact statement for the 911 Ground Zero provision because it was an ordinance amendment the City was moving forward with adopting.					

Mr. Rayson indicated that it would be important for him to know if there is a cost burden on the Retirement System which can be determined with an actuarial impact statement.

The Executive Director stated that she is unsure the actuary can render an impact statement with the way the proposed ordinance amendment is drafted.

Mr. Sugarman agreed and indicated that before an impact statement can be ordered there would have to be a decision as to what will be done. If the City wants to create a tax-advantaged retroactive disability benefit for a member who has not yet met the 75% minimum benefit, it will have to amend the Plan to lower the benefit for everyone to this level. This will have an impact on the two remaining active members should they become disabled and would require approval of the union. Mr. Sugarman noted that there are a lot of moving parts to get to an end result.

Chairman O'Connell commented that the Board of Trustees does not negotiate benefit levels but rather administer the benefits as established by the employers. A change to the plan design would have to be made by the City Commission and the Board would take its direction from the City as was the case in the 911 Ground Zero ordinance amendment.

MOTION: To table the request for an actuarial impact study by members William O'Brien and John Stabile until direction is received from the City of Pompano Beach. PASSED 7-0.

TRUSTEES	M	S	Y	N
O'Connell			X	
Samolewicz			X	
Aaronian			X	
Christophers		X	X	
Femia	X		X	
Hanrahan			X	
McGinnis			X	

ADMINISTRATIVE AND MISCELLANEOUS ISSUES

The Executive Director submitted information regarding electronic voting services from the American Arbitration Association along with a cost comparison to conduct Trustee elections in-house. She noted that she is happy to research other third-party voting services if the Board desires. The Trustees agreed that they would like to look more into this type of service.

The Executive Director submitted the 2021 Trustee election timetable and the Board agreed it was acceptable. The Chairman appointed Trustees Aaronian, Christopher, and Samolewicz to serve as the 2021 Election Committee.

The Executive Director submitted a proposal from Economic Computers for an enhanced computer protection/security package. Due to the uptick in cyber-crime in 2020, cyber insurance carriers are requiring more stringent loss prevention measures to mitigate incidents. She is recommending these improvements for purposes of the cyber liability insurance renewal.

MOTION: To approve the security and protection enhancements for office computer equipment and data systems at a one-time cost of $2,278.20, and a monthly recurring cost of $144.00, as recommended by Economic Computers and the Executive Director. PASSED 7-0.

TRUSTEES	M	S	Y	N
O'Connell			X	
Samolewicz		X	X	
Aaronian			X	
Christophers	X		X	
Femia			X	
Hanrahan			X	
McGinnis			X	

The Board reviewed the semi-annual staff sick and vacation accruals.

The Board reviewed the Executive Director's annual performance review conducted by the Chairman and the Vice-Chairman.

MOTION: To approve the Executive Director's annual performance review and salary recommendation by the Chairman and Vice-Chairman effective July 1, 2021, in accordance with the Board's Compensation Policy. PASSED 7-0.

TRUSTEES	M	S	Y	N
O'Connell			X	
Samolewicz			X	
Aaronian			X	
Christophers	X		X	
Femia			X	
Hanrahan			X	
McGinnis		X	X	

<u>COMMITTEE REPORTS</u>

No Committee Reports were rendered.

<u>EXECUTIVE DIRECTOR'S REPORT</u>

- ❖ The firefighters' share plan allocation was corrected for the misstated rate of return and member statements were reissued on May 18.
- ❖ The new firewall was installed on May 27.
- ❖ The final Pine Grove liquidation proceeds in the amount of $425,951.21 were received on June 1.
- ❖ The March 31 DROP statements with the retroactive corrective adjustment were issued on June 11. Staff is working on recouping overpayments for four accounts.
- ❖ The Executive Director will be on vacation July 5 – 9.

The Board of Trustees requested that future meetings utilize a Consent Agenda.

Vice-Chairman Samolewicz advised the Board that the Public Funds Forum is scheduled on September 26-28, 2021.

Mr. Owens reported an organizational change that occurred at BlackRock noting that there is no action required on the Board's part.

	TRUSTEES	M	S	Y	N
ADJOURNMENT					
MOTION: To adjourn the June 21, 2021 Regular Board meeting at 5:58 PM. PASSED 7-0.	O'Connell			X	
	Samolewicz			X	
	Aaronian			X	
	Christophers			X	
	Femia		X	X	
	Hanrahan	X		X	
	McGinnis			X	

Respectfully submitted,

Debra Tocarchick

Debra Tocarchick, CEBS
Executive Director

DISTRIBUTION:
Board of Trustees
Robert A. Sugarman, Esq.
Pedro Herrera, Esq.
Lawrence Watts, Actuary
City Manager
Mayor and City Commission
City Clerk
Assistant City Attorney
City HR Director
President IAFF Local 1549
Marcum

REGULAR MEETING – JUNE 21, 2021

ITEM NO. 7 - WARRANT NOS. 5341 THROUGH 5353

Ratified and Approved on 6/21/2021

WARRANT NO.	PAYABLE TO	DESCRIPTION	AMOUNT
5341	Bank of America Francotyp-Postalia, Inc Xerox Corporation	Debra Tocarchick: Telephone & internet; $400.21, Publications (WSJ); $116.97, Courier; $47.43, Board meeting supplies; $24.98, **Total $589.59** Maureen Femia: Board meeting supplies; **$87.58** Paul O'Connell: Publications; **$22.99** Inv No. RI104883073, 5/2/21 – 8/1/21, postage meter lease; **$78.00** Inv No. 013230411, April lease; $150.59; excess print charges; $44.77, **Total $195.36**	**973.52**
5342	Kerry M. Justice Florida Department of Revenue Nyhart	DROP loan net amount to Kerry M. Justice; **$9,815.00** Documentary stamps for Kerry M. Justice DROP loan; **$35.00** Loan processing fee for Kerry M. Justice; **$150.00**	**10,000.00**
5343	Robert A. Major	Lump sum distribution of entire balance of Share Plan account as a result of separation of service on 5/25/2021; **$68,855.96**	**68,855.96**
5344	Kayle T. Bryant	Lump sum distribution of entire balance of Share Plan account as a result of separation of service on 7/9/2021; **$54,417.40**	**54,417.40**
5345	Barbara A. Smith	Change in annual installments from DROP account commencing 7/1/2021; **$7,000.00**	**7,000.00**
5346	Office Depot US Postal Service Universal Solution Providers, LLC Minuteman Press CNI	Inv No. 172629120001, Office supplies; **$131.17** Postage; **$300.00** Inv No. 16109, Final fee for Fortinet monitoring service; **$125.00** Inv No. 70035, dated 6/4/2021, Envelopes; **$185.71** Inv No. CW-1646, dated 5/31/2021, Website form; **$97.50**	**839.38**
5347	Robert Major and PBPFRS	Lump sum distribution of Fund Rate DROP account to pay off outstanding DROP loan balance due to separation of service on 5/25/2021; **$56,122.19**	**56,122.19**
5348	Robert A. Major	Annual installment payment from DROP account commencing 8/1/2021; **$5,000.00**	**$5,000.00**
5349	Morgan Stanley Nyhart Xerox Corporation Occupational Health Centers of SW, PA	Investment consulting fee quarter ending 3/31/2021; **$16,477.50** Inv No. 0167872, Actuarial Services 5/1 to 5/31/2021; **$1,250.00** Inv No. 013478246, May lease; $150.59; excess print charges; $92.31, **Total $242.90** Inv No. 1154959619, (3) Pre-employment Physicals; $840.00, Inv No. 1154971892, (5) pre-employment physicals; $1,400.00, **Total $2,240.00**	**20,210.40**

REGULAR MEETING – JUNE 21, 2021

ITEM NO. 7 - WARRANT NOS. 5341 THROUGH 5353

Ratified and Approved on 6/21/2021

5350	Michael E. Gurr Florida Department of Revenue Nyhart	DROP loan net amount to Michael E. Gurr; **$49,675.00** Documentary stamps for Michael E. Gurr DROP loan; **$175.00** Loan processing fee for Michael E. Gurr; **$150.00**	**50,000.00**
5351	Bank of America	Debra Tocarchick: Telephone & internet; $400.22, Board meeting supplies; $24.98, Laptop Speakers; $19.99 Courier; $19.26, Office supplies; $10.99, Microsoft 365 credit; ($81.53), **Total $393.91** Maureen Femia: Board meeting supplies; **$62.14** Paul O'Connell: Publications; **$22.99** Sharra Aaronian: FPPTA Annual Conference Registration; **$775.00** David Hall: FPPTA Annual Conference Registration; **$775.00**	**2,029.04**
5352	Jordano E. Mape	Refund of contributions as a result of separation of employment on 05/21/2021; **$4,267.60**	**4,267.60**
5353	Anthony L. Annunziata Nationwide Retirement Solutions/457	Refund of contributions and interest as a result of separation of employment on 05/21/2021; partial direct distribution to member; $13,000.10, and balance as trustee-to-trustee transfer to 457 account; $15,182.00, **Total $28,182.10**	**28,182.10**