

POMPANO BEACH POLICE & FIREFIGHTERS' RETIREMENT SYSTEM

**50 NE 26TH AVENUE
SUITE 302
POMPANO BEACH, FLORIDA**

**BOARD OF TRUSTEES MINUTES
REGULAR MEETING
DECEMBER 19, 2022**

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 3:01 PM.

PRESENT: Chairman Paul O'Connell
Vice-Chairman Richard Samolewicz
Trustee Daniel Christophers
Trustee Vincent Femia
Trustee David Hall
Trustee Patrick Hanrahan
Trustee Peter McGinnis
Trustee Jorge Rossi

ABSENT: Trustee Sharra Aaronian

ALSO PRESENT: Robert Sugarman, Board Attorney
Pedro Herrera, Board Attorney (Via Zoom)
Debra Tocarchick, Executive Director
Maureen Femia, Deputy Director
Jeff Swanson, Southeastern Advisory Services
Bobby Robbins, Esq., RGRD
Sabrina Tirabassi, Esq., RGRD

AUDIENCE TO BE HEARD

None

CONSENT AGENDA ITEMS

- a) Approval of Agenda of Regular Board Meeting on December 19, 2022
- b) Approval of Minutes of Regular Board Meeting on November 21, 2022
- c) Ratification and Approval of Warrant Log

The Chairman asked if any Trustee wished to move an item from the consent agenda to the regular agenda for separate consideration. Seeing none, the Chairman called for a motion.

MOTION: To ratify and approve the consent agenda items as presented.
PASSED 8-0.

	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	
Christophers			X	
Femia			X	
Hall	X		X	
Hanrahan		X	X	
McGinnis			X	
Rossi			X	

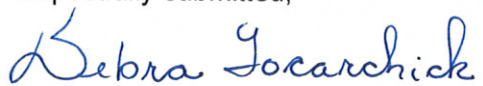
<p>Board of Trustees Minutes Page Two</p> <p style="text-align: right;">December 19, 2022</p>	TRUSTEES	M	S	Y	N
<p><u>SOUTHEASTERN ADVISORY SERVICES – JEFF SWANSON</u></p> <p>Mr. Jeff Swanson was in attendance on behalf of Southeastern Advisory Services to present various materials the team has been evaluating within the current investment portfolio.</p> <p>Mr. Swanson presented an asset allocation study with the purpose of identifying whether the Plan’s current goals are achievable, whether the necessary asset classes are represented, and what an acceptable level of risk is for the most efficient portfolio. Past performance of the fund compared to other public plans showed the Plan fell slightly below average. It was noted that while the last decade enjoyed a robust market, it will be more challenging going forward. The Plan’s current target index strategy was compared to other public plans with a similar average line-up creating average results.</p> <p>Mr. Swanson discussed the capital market assumptions and expected returns using a long-term 20-year time horizon. Within the next 20 years, bonds are expected to earn between 2-3.5%, which doesn’t contribute greatly to achieving the Plan’s target investment goal of 7.0%; however, they are low risk. On the contrary, private debt, which is currently absent in the portfolio is expected to reach 7.0% over the next 20 years. Private debt is similar to equities with less risk. Looking at the long-term capital market assumptions/returns and the existing target index of the Plan, and assuming the assumptions are correct, a more reasonable expected return would be 6.20% as opposed to 7.0%. Mr. Swanson reviewed modeling constraints of alternative portfolios that could be considered. Additionally, Mr. Swanson stressed the importance of maintaining low correlation among asset classes. Various potential options of alternatives offering the highest expected return for a given level of risk were reviewed. Mr. Swanson explained the value of the full-scale option which looks at all of the data and market history rather than just market averages. For investments such as pension plans with a longer investment time horizon it is ideal because risk is less important since it can be sustained through bear markets.</p> <p>Mr. Swanson concluded with the findings of the study showing the current portfolio structure is expected to deliver returns closer to 6.20%. The probability of achieving 7.1% is less than 38%; however, it is achievable under the highest risk model which produces an expected return of 7.25%. There are other portfolio mixes that are more efficient and less risky.</p> <p>Mr. Swanson advised the Board that the current portfolio has very good managers and is in a good risk position; however, it is lacking any investment in private credit and would benefit from increasing the real estate asset class. His recommendations for 2023 are as follows:</p> <ol style="list-style-type: none"> 1) Initiate Private Credit / FI Alt Strategy 2) Evaluate Domestic Equity Segment (Including Core Allocation/ Nuance Fee Issue) 3) Re-establish Private Equity Allocation (in wind-down) 4) Consider Increase to Real Estate with Complementary Strategies 					

Board of Trustees Minutes Page Three	December 19, 2022	TRUSTEES	M	S	Y	N
<p>Mr. Swanson discussed the fee issue presented by Nuance. The current contract is between the PBPFRS and Nuance; however, it contains a favored nations clause with Morgan Stanley. Because of the termination of the Graystone relationship, Nuance wants to double the fee from 35 basis points to 70 basis points. Mr. Swanson recommended liquidating the Nuance portfolio and transferring the funds to an S&P 400 Value index at a much lower fee to be re-evaluated in a few months.</p>						
<p>MOTION: To terminate Nuance as soon as administratively feasible and transfer the assets to an S&P 400 Value Index Fund at a 7 basis point fees, as recommended by Southeastern Advisory. PASSED 8-0.</p>	<p>O'Connell Samolewicz Christophers Femia Hall Hanrahan McGinnis Rossi</p>	<p>X</p>	<p>X</p>	<p>X X X X X X X</p>	<p>X X X X X X X</p>	
<p>Mr. Swanson provided a list of approved private credit manager funds for the Board's review. Due to the similarity of the strategy amongst the managers, the Board elected to interview a majority of the managers and then narrow down the pool. Those firms selected for interview at the January 17 meeting are: Capital Dynamics US Middle Market Credit II, Churchill Senior Loan Fund V, and Pennant Park Credit Opportunities III. Those managers selected for interview at the February 21 meeting are: Blue Ocean Maritime Ocean II, JPM Transportation Income Fund and Serenitas Credit Gamma. Both meetings will commence at 2:00 PM.</p>						
<p>Mr. Swanson reviewed the Plan's existing Investment Policy Statement and provided a revised draft and recommended revisions. The Board will evaluate and revisit the proposed revisions in early 2023.</p>						
<p>Lastly, Mr. Swanson discussed the DROP self-directed money market fund which is currently provided on the Morgan Stanley platform. Due to the higher fees as a result of the termination of the Graystone relationship, coupled with the lower returns of this fund, he recommended changing to the Goldman Sachs FS Treasury Obligation Fund which is already held at Salem Trust. The Executive Director will confirm with Salem that it can handle the administrative requirements.</p>						
<p>MOTION: To replace the Morgan Stanley Institutional Liquidity Fund Government Securities Portfolio with the Goldman Sachs FS Treasury Obligs Adm Fund as the money market fund for the DROP Self-Directed program, as recommended by Southeastern Advisory Services and subject to Salem's ability to satisfy the program's administrative requirements. PASSED 7-0 (Trustee McGinnis was out of the room).</p>	<p>O'Connell Samolewicz Christophers Femia Hall Hanrahan Rossi</p>	<p>X</p>	<p>X</p>	<p>X X X X X X X</p>	<p>X X X X X X X</p>	
<p><u>SUGARMAN, SUSSKIND, BRASWELL & HERRERA LEGAL REPORT</u></p>						
<p>Mr. Sugarman introduced Mr. Bobby Robbins and Ms. Sabrina Tirabassi who were present on behalf of Robbins, Geller, Rudman & Dowd (RGRD) to discuss a securities litigation case regarding FIGS, Inc.</p>						

Board of Trustees Minutes Page Four	December 19, 2022	TRUSTEES	M	S	Y	N
<p>RGRD is recommending the Board of Trustees apply for lead plaintiff status in this case by the filing deadline on January 3, 2023.</p> <p>Mr. Robbins described the case as one where company insiders used two stock offerings to raise hundreds of millions of dollars for themselves rather than the company. There was an initial public offering at \$22/share, and then a secondary public offering at \$40/share. The Retirement System bought in the secondary public offering in September 2021, and by May 2022, the stock was around \$6/share.</p> <p>Ms. Tirabassi added that FIGS, Inc is a medical supply company that sells its products through the direct- to-consumer model and provided further details regarding the case. Ms. Tirabassi noted the Retirement System is uniquely positioned in this case due to the timing of its purchase. The company went public which is a Section 11 IPO, and there's a class period that gives a 10-b claim. The secondary public offering then gives an additional claim which strengthens the class. RGRD believes the case is compelling factually and the Retirement System's position brings added value to it.</p> <p>MOTION: To authorize Robbins, Geller, Rudman and Dowd, LLP to file for lead plaintiff status on behalf of the Plan in the FIGS, Inc. securities case, and to authorize the Chairman to sign the required documents, as recommended by RGRD. PASSED 6/1 (Trustee McGinnis was out of the room).</p> <p>Mr. Sugarman reported on the Olo, Inc. case noting that the Retirement System did not have the largest financial interest. Saxena White filed a notice of non-opposition to the competing motions expressing willingness to serve as lead plaintiff should the Court identify any issues with remaining movants.</p> <p>Mr. Sugarman submitted a proposed fee arrangement to extend his fee for an additional two years ending 12/31/2024.</p> <p>Some discussion ensued as to when the next RFP for Legal Services is due. According to the existing Service Provider Review policy, legal services will be review in 2024; however, it was noted that the Board is free to conduct an RFP at any time it deems prudent.</p> <p>MOTION: To approve extending the current fee arrangement for legal services with Sugarman, Susskind, Braswell & Herrera for a two-year period ending December 31, 2024, and to authorize the Chairman to execute the Amendment to a Fee Agreement for Legal Services. PASSED 7-0 (Trustee McGinnis was out of the room).</p>	<p>O'Connell Samolewicz Christophers Femia Hall Hanrahan Rossi</p>	<p>X</p>	<p>X</p>	<p>X X X X</p>	<p>X</p>	
	<p>O'Connell Samolewicz Christophers Femia Hall Hanrahan Rossi</p>	<p>X</p>	<p>X</p>	<p>X X X X</p>		

Board of Trustees Minutes Page Five	December 19, 2022	TRUSTEES	M	S	Y	N
<u>ADMINISTRATIVE AND MISCELLANEOUS ISSUES</u>						
<p>The Executive Director submitted Ordinance 2023-19, adopted by the City on December 13. She also submitted a final share plan allocation which allocates the excess Chapter 175 premium tax monies as of September 30. According to the new share plan provision, all future Chapter 175 monies will be allocated to the City.</p>						
<p>The Executive Director reiterated the administrative issues raised at last month's Board meeting regarding in-service distributions, vesting, and earnings or losses. Mr. Sugarman contacted Mr. Herrera who appeared via electronic medium to report on these issues.</p>						
<p>Mr. Herrera reported that he reviewed the collective bargaining agreement and the share plan ordinance and noted that the ordinance expressly provides for an in-service distribution of the share plan monies. For the distribution to occur, a member must have reached the age requirement of the Plan which is 47.</p>						
<p>If the share plan were terminated rather than just a cessation of Chapter 175 allocation, then the result would be different in that the members' accounts would become immediately vested and available. If the City and the Union's intention was to terminate the share plan and make the balances immediately available, then this would be possible by modifying the ordinance language to reflect the Plan termination.</p>						
<p>The in-service distribution is one issue separate and apart from the eligibility to receive the funds. The in-service distribution is whether a member can receive a retirement income while essentially still working at the same job. The IRS allows for it under certain circumstances and this issue has been fully satisfied from a tax perspective if the plan is terminated. The other issue is when a member is eligible to receive the in-service benefit which is either when the member has reached normal retirement age as defined by the Plan, or when the Plan is being terminated. Mr. Herrera advised that he still hasn't received the opinion from the City Attorney's Office, but it is his understanding that the Plan is being terminated.</p>						
<p>The Executive Director inquired regarding the paragraph of the existing ordinance regarding applying gains/losses on January 1. Mr. Sugarman responded that the City chose to enact a retroactive ordinance by adopting on December 13 what went into effect October 1. The Board should proceed with the share plan balances as of October 1. Any actuarial loss will be valued by the actuary and included in the calculated annual required contribution.</p>						
<p>Some discussion ensued regarding the method to accomplish what is needed to administer the share plan provision. It was suggested that perhaps a Memorandum of Understanding could be drafted to guide the Board. The Board directed Mr. Sugarman and Mr. Herrera to reach out to the City attorney to explore an MOU.</p>						

Board of Trustees Minutes Page Six	December 19, 2022	TRUSTEES	M	S	Y	N
<p>The Board of Trustees reviewed the semi-annual staff sick and vacation accruals.</p> <p><u>COMMITTEE REPORTS</u></p> <p>No Committee Reports were rendered.</p> <p><u>CHAIRMAN'S REPORT</u></p> <p>The Chairman brought up the issue of staff joining the General Employees' Retirement System and noted he plans to attend the January 10 City Commission meeting to follow-up.</p> <p><u>EXECUTIVE DIRECTOR'S REPORT</u></p> <ul style="list-style-type: none"> ➤ The Executive Director signed Notification of Benefits Forms for: <ul style="list-style-type: none"> ○ David Bialecki ○ Patrick Cronin ○ Glenn Mackie ○ Donald Desmond ○ Jason Conger ○ William Krebs ○ Robert Fisher ○ Mathew Fitzgerald ○ Michael Scanzera ○ Neil Weidman ○ David Henghold ○ Harrison Boyd ○ Gerald Graziose ○ Michael Guardalebene ○ Steven Sirota ○ Michael Geer ○ Matthew Whitton ○ James Robinson ○ Mark Salisbury ➤ The City reimbursed \$4,792.50 in actuarial fees on December 12 for a revised impact statement for the firefighters' contract. ➤ In July, the Board approved a transition from Paychex to ADP for processing staff's payroll. Staff had to obtain a form from the IRS confirming the EIN in order to contract with ADP. It took six months to obtain this form. In the meantime, Paychex resolved its administrative issues and staff is now satisfied with their level of service. The Board agreed to maintain its contract with Paychex rather than transition to ADP at this time. ➤ The Executive Director sought approval to close the office for January 30 through February 1 for staff training. 						

Board of Trustees Minutes Page Seven	December 19, 2022	TRUSTEES	M	S	Y	N
<p>MOTION: To close the Pension Office January 30 through February 1 so staff can attend the FPPTA Winter Trustee School in Orlando. PASSED 8-0.</p>		O'Connell Samolewicz Christophers Femia Hall Hanrahan McGinnis Rossi	X	X	X X X X X X X	
<p><u>ADJOURNMENT</u></p>						
<p>MOTION: To recess the December 19, 2022 meeting at 5:22 PM. The meeting will reconvene at 6:30 PM at Café Vico for a holiday dinner and will adjourn following dinner. PASSED 8-0.</p>		O'Connell Samolewicz Christophers Femia Hall Hanrahan McGinnis Rossi	X	X	X X X X X X X	
<p>The meeting adjourned at 9:15 PM.</p>						
<p>Respectfully submitted, </p>						
<p>Debra Tocarchick, CEBS Executive Director</p>						
<p><u>DISTRIBUTION:</u> 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</p>						

REGULAR MEETING – DECEMBER 19, 2022

CONSENT AGENDA - WARRANT NOS. 5492 THROUGH 5500

Ratified and Approved on 12/19/2022

WARRANT NO.	PAYABLE TO	DESCRIPTION	AMOUNT
5492	9463 Foundation for Florida's Fallen Officers	Donation for Florida's Fallen Officers Fund; \$1,200.00	1,200.00
5493	Gerald J. Graziose	Normal Retirement effective 10/18/2022; retroactive benefit 10/18-10/31/2022; \$3,606.44, benefit owed 11/1-11/30/2022; \$7,985.69, benefit owed 12/1-12/31/2022; \$7,985.69, Total \$19,577.82	19,577.82
5494	Xerox Corp Ascensus/Nyhart Marcum Economic Computers	Inv No. 017641626, November lease; \$150.59, excess print charges; \$84.37, Total \$234.96 Inv No. 153360DB_202211, Revised Impact Statement (to be reimbursed by the City); \$4,792.50, 10/1/22 Actuarial valuation progress billing; \$1,387.50, Total \$6,180.00 Inv No. 10IN50209563 Progress audit billing for 9/30/2022; \$9,490.00 Inv No. 8693, BitDefender Anti-virus Renewal 1/1/2023-1/1/2024; \$212.50	16,117.46
5495	Pension Technology Group, Inc.	Inv No. 2890, Support & hosting services for quarter ended 12/31/2022; \$7,000.00	7,000.00
5496	Fidelity Management Trust Company/IRA FBO James Pendergast	Lump sum distribution of balance of Fund Rate DROP account via trustee-to-trustee transfer to Fidelity Management Trust Company/IRA due to separation of service on 11/11/2022; \$400,271.69	400,271.69
5497	Peterson Guerrier	Refund of contributions as a result of separation of employment on 11/02/2022; \$36,099.49	36,099.49
5498	Travelers Richard Samolewicz Southeastern Advisory Services Inc. Morgan Stanley	Account No. 8958VA069, Policy No. UB-8J390756-23-42; Workers' Compensation 1/1/2022-1/1/2023; \$999.00 Board meeting expense reimbursement 11/21/2022; \$132.71 Investment consulting retainer fee 12/1/2022- 12/31/2023; \$1.00 Investment consulting fee final billing 10/1/2022-11/30/2022; \$11,253.05	12,385.76
5499	James Pendergast	Required Minimum Distribution (RMD) from DROP account for tax year ending 12/31/2022; \$20,487.57	20,487.57
5500	Bank of America	Debra Tocarchick: Zoom VOIP Annual License; \$879.99, Telephone & internet; \$360.94, Courier; \$68.48, Office supplies; \$66.86, Total \$1,376.27 Maureen Femia: Board meeting supplies; \$178.96, Office Supplies; \$36.15 Publications; \$22.99, Total \$238.10 Paul O'Connell: Educational Symposium Hotel Deposit; \$3,000.00 Daniel Christophers: Board Meeting Expense 11/21/2022; \$808.33 Richard Samolewicz: Board Meeting Expense 11/21/2022; \$159.00	5,581.70