

**POMPANO BEACH POLICE & FIREFIGHTERS' RETIREMENT SYSTEM**

**50 NE 26<sup>TH</sup> AVENUE  
SUITE 302  
POMPANO BEACH, FLORIDA**

**BOARD OF TRUSTEES MINUTES  
REGULAR MEETING  
JANUARY 17, 2023**

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 2:03 PM.

PRESENT: Chairman Paul O'Connell  
Vice-Chairman Richard Samolewicz  
Trustee Sharra Aaronian  
Trustee Daniel Christophers  
Trustee Vincent Femia (Arrived at 2:06 PM)  
Trustee David Hall  
Trustee Patrick Hanrahan  
Trustee Peter McGinnis (Arrived at 2:47 PM)  
Trustee Jorge Rossi

ALSO PRESENT: Robert Sugarman, Board Attorney  
Pedro Herrera, Board Attorney (departed at 3:28 PM)  
Debra Tocarchick, Executive Director  
Maureen Femia, Deputy Director  
Moises Ariza and Hermes Garzon, Marcum, LLP  
Jeff Swanson, Southeastern Advisory (via Zoom)  
Martin Hahn, Capital Dynamics  
Jens Ernberg, Capital Dynamics  
Gregg Gosh, Churchill  
Alona Gornick, Churchill  
Emily Manuel, Churchill  
Art Penn, Pennant Park  
Pete Mitchell, Pennant Park  
Brian Kendall, Pennant Park

VISITORS: William O'Brien, Retired Police Member  
Jeff Stinemire, Active Fire Member (Via Zoom)

AUDIENCE TO BE HEARD

None

CONSENT AGENDA ITEMS

- a) Approval of Agenda of Regular Board Meeting on January 17, 2023
- b) Approval of Minutes of Regular Board Meeting on December 19, 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.

The Chairman requested the meeting agenda be moved for separate consideration. Seeing no others, the Chairman called for a motion.

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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<p><b>MOTION:</b> To move the meeting agenda from the consent agenda to the regular agenda for separate consideration; and to ratify and approve the remaining consent agenda items as presented. PASSED 7-0.</p> <p>The Chairman requested to amend the meeting agenda by moving the share plan discussion item under the Legal Report to the first item to be heard in consideration of Mr. Herrera’s schedule.</p> <p><b>MOTION:</b> To approve the amended meeting agenda as discussed. PASSED 8-0.</p>		O’Connell Samolewicz Aaronian Christophers Hall Hanrahan Rossi	      X	   X  	      X X X X X X X	
<p><u>SUGARMAN, SUSSKIND, BRASWELL &amp; HERRERA LEGAL REPORT</u></p> <p>Mr. Sugarman and Mr. Herrera were in attendance to report on the status of the firefighters’ share plan ordinance. Mr. Sugarman advised the Board that they worked in conjunction with the City Attorney’s Office to revise the language of the ordinance in between first and second readings so that it contains the necessary language for proper administration. The revised amendment will be presented to the City Commission for adoption at its meeting on January 24<sup>th</sup>.</p> <p>At the request of the Board of Trustees, Mr. Sugarman provided history by explaining the original ordinance amendment was prepared by the City over a period of two to three months without any input from his office. The Executive Director tried to obtain it but could not until it was put on the agenda for first reading. The ordinance language that was adopted presented certain administrative uncertainties and questions. The questions weren’t able to be readily answered without interpretation. In order to address this, Mr. Sugarman drafted a memorandum of understanding (MOU) to amend the collective bargaining agreement and presented it to the Executive Director and the Union to ensure that it answered their questions and contained an accurate interpretation of what was bargained for. However, the City preferred to revise the ordinance rather than enter into an MOU, so the process started over again.</p> <p>A new ordinance amendment was drafted by the City but again was not provided to Mr. Sugarman for review. The Executive Director found it on the City’s meeting agenda scheduled for first reading. The one sentence revision still did not resolve the administrative questions and also presented technical difficulties regarding Chapter 175 premium tax monies. Mr. Sugarman then drafted another revised ordinance and sent it to the City’s Assistant Attorney and the City’s pension attorney, Jim Linn. Mr. Linn was</p>		O’Connell Samolewicz Aaronian Christophers Femia Hall Hanrahan Rossi	      X	   X  	      X X X X X X X	

Board of Trustees Minutes Page Three	January 17, 2023	TRUSTEES	M	S	Y	N
<p>unaware of the nuances of the share plan decision that was bargained. Mr. Sugarman was then contacted by the City and advised they were going to adopt his revised version with some minor formatting edits.</p> <p>Once the revised ordinance amendment is adopted, the firefighters' share plan will be terminated as of 9/30/2022. A plan termination requires all members become 100% vested under IRS rules and permits the funds to be paid out immediately. All members in the share plan must take their funds either as a lump sum distribution of taxable income, or a direct rollover to another qualified plan or IRA where the taxes are deferred, or a combination of both.</p> <p>A new shell share plan is then created with no associated funding in order to satisfy Chapter 175 rules which require a share plan component. This share plan shell will exist in this form until such time as when and if it is changed through mutual agreement between the City and the Union.</p> <p><u>PRESENTATION OF THE 9/30/2022 AUDITED FINANCIAL STATEMENT BY MOISES ARIZA OF MARCUM, LLP</u></p> <p>Hermes Garzon, CPA and Moises Ariza, CPA, with Marcum, LLP presented the September 30, 2022 Financial Statement, with comparison to September 30, 2021. 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 a "clean opinion", was issued.</p> <p>Mr. Ariza pointed out the responsibilities of management to prepare and present the financial statements in accordance with accounting principles accepted by the United States by following Government Auditing Standards (GAS) and the Governmental Accounting Standards Board (GASB). The management discussion and analysis provides a fluctuation and comparison of current and prior year activity, shows quantitative and qualitative differences and provides the underlying explanation for what created the changes.</p> <p>A summary of the highlights from the discussion include:</p> <ul style="list-style-type: none"> <li>• Net position decreased by \$53.7 million from \$286.0 million at September 30, 2021 to \$232.3 million at September 30, 2022, or -18.8%, primarily due to lower-than-expected investment returns as a result of volatile market conditions during the year.</li> <li>• The net investment loss was \$45.8 million. It was noted by Marcum that this level of investment loss has been seen across the board with other clients Marcum has audited due to the volatile market.</li> <li>• The loss on time-weighted rate of return on investments was -15.99% net of fees, on a market value basis, which prevented the System from achieving its assumed rate of investment return of 7.20%.</li> </ul>						

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<ul style="list-style-type: none"> <li>The net pension liability was \$152.5 million, and the Plan fiduciary net position as a percent of the total pension liability was 60.41%. This is a decrease of 17.33% compared to the prior year.</li> <li>No material weaknesses or significant deficiencies of internal control over financial reporting were detected during the course of the audit.</li> <li>Concluded tests of compliance results disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.</li> </ul> <p>Mr. Ariza will provide the Management Representation Letter for signature upon Board approval of the financial statements.</p> <p><b>MOTION:</b> To approve the 9/30/2022 audited financial statement as presented. PASSED 8-0.</p> <p><u>SOUTHEASTERN ADVISORY SERVICES – JEFF SWANSON</u></p> <p><u>Private Credit Investment Manager Candidate Presentations:</u></p> <p><u>Capital Dynamics</u></p> <p>Martin Hahn, CEO, Head of Business Development and Jens Ernberg, Managing Director, Co-Head of Private Credit presented on behalf of Capital Dynamics. Mr. Hahn provided a brief overview of the company which is a mid-size investor managing about \$15B globally with 16 offices worldwide. The passion of the company focuses on middle market investments which are mid-size companies that are growing and expanding their businesses. Approximately 50% of the companies are in the US, 40% in Europe and the remaining 10% worldwide. The company sees the best opportunities in funds ranging from \$500M to \$1B. Capital Dynamics has created specializations in the way they do business. For example, working with first responder pension plans and religious organizations. The focus is to create investment opportunities which generate positive returns while also helping communities flourish.</p> <p>The presentation was turned over to Mr. Ernberg who emphasized the objective of the Private Credit strategy is to deliver high yielding income with solid downside protection. The strategy sits within the fixed income bucket where it generates cash; however, not where it delivers capital over time but rather 12-14% yield on an annual basis. Protecting on the downside is where the company chooses to invest. For example, senior secured, floating rate loans and private equity-backed businesses. Additionally conservative leverage and maintenance covenants allow for flexibility to manage through market cycles and early intervention by lenders if borrowers underperform. The middle market arena allows for diversified investments within a portfolio with low correlation.</p>	<p>O’Connell Samolewicz Aaronian Christophers Femia Hall Hanrahan Rossi</p>	<p>X</p>	<p>X X X X X X X X</p>	<p>X X X X X X X X</p>		

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<p>The Trustees had the opportunity to ask questions. Mr. Emberg summarized the advantages of investing in private credit and the return performance that can be expected by Capital Dynamics consistently on an annual basis. At the conclusion, the representatives thanked the Board for the opportunity to present and left the meeting.</p> <p><u>Churchill</u></p> <p>Gregg Gosch, VP, Institutional Business Development, Alona Gornick, Managing Director and Senior Investment Strategist and Emily Manuel, VP, Investor Relations presented on behalf of Churchill. Mr. Gosch introduced the members of the team and provided a brief background of the company. Churchill is an asset management firm under Nuveen which is owned by the parent company TIAA, the largest user of private credit in the world. Churchill currently has \$46B in private credit.</p> <p>The presentation was turned over to Ms. Gornick who provided a background of her career history within TIAA and Churchill and her role in finding companies to collaborate with to be a lending partner. Focusing on the downside is extremely important in protecting the company. Approximately 90% of the deals are turned down as the strategies do not align with the Churchill approach. Furthermore, Churchill has a sourcing advantage where they are considered not just an investor in a fund but rather part of the family.</p> <p>Churchill is a private capital platform that provides lending to a variety of middle market solutions, senior lending, junior capital, equity co-investments and private equity fund commitments and secondaries. Every year, Churchill is actively engaging about \$1B worth of new funds or existing re-up fund commitments. The company consists of 140 + professionals located all over the country. The partners have been investing together since 2006 which is extremely important as it included the financial crisis, hence lessons have been learned of what works and what doesn't. As a result, this has proven a steady and resilient return with minimal losses.</p> <p>Churchill has chosen to invest in the U.S. middle market for multiple reasons. It is the 3<sup>rd</sup> largest in the global economy with nearly 200,000 companies and highly diversified across the industry with a huge opportunity for growth. The companies are typically high quality and have attractive structures in terms of financing with regards to covenants. Additionally, Churchill only deals with private equity backed businesses which is reassuring in an instance where there may be a concern if something could go wrong. The private equity firm can reinvest more funds as they typically hold 20% in reserve. This creates another layer of due diligence.</p> <p>Churchill has \$12B commitments to private equity funds which drives a robust deal flow and early views on transactions. Of 80% of their commitments, Churchill is part of the advisory board hence giving them high visibility with the firms. The typical size is \$40-\$60M in a fund. The rigorous underwriting focuses on credit and risk adjusted returns. A strong risk management monitoring process is in place once a fund has been loaned.</p>						

Board of Trustees Minutes Page Six	January 17, 2023	TRUSTEES	M	S	Y	N
<p>Ms. Manuel discussed the terms of the senior loan fund Evergreen. The targeted return is 10-12%. The initial minimum commitment is \$5M. The management fees are 50 basis points on invested capital. Investors who close by June 1, 2023 will receive a ten-basis point discount on fees on investments called. Quarterly income distributions are made within 45 days after quarter end which can be reinvested if desired.</p> <p>The Trustees had the opportunity to ask questions. Ms. Gornick emphasized the attractiveness of investing in private credit right now especially with the volatile market. At the conclusion, the representatives thanked the Board for the opportunity to present and left the meeting.</p> <p><u>Pennant Park</u></p> <p>Art Penn, Founder and Managing Partner, Pete Mitchell, Managing Director, Head of Private Capital Fundraising and Brian Kendall, Senior VP presented on behalf of Pennant Park. Mr. Mitchell introduced the members of the team and provided a brief background of the company. Pennant Park is an independent middle market credit platform founded in 2007 who manages approximately \$6.4B and over \$16B of invested capital since inception. The company is comprised of 60 employees with offices around the country and headquartered in Miami.</p> <p>The presentation was turned over to Mr. Penn who discussed the firm's strategies. The focus is on five key sectors where there is high cash flow and positive track record: business services, consumer government services, healthcare, and software/technology. The firm actively covers over 700 middle market private equity sponsors and has a rigorous and selective process for who they invest with. They only invest with approximately 5% of the investments they review. The culture of the firm is very transparent, and they build relationships on integrity with an emphasize on strong alignment of interest with investors and limited team turnover.</p> <p>Pennant Park offers two strategies in middle market private credit: senior debt and opportunistic credit. The opportunistic credit fund being presented offers a return rate of approximately 14.1%. This strategy is positioned to play offense when the market is unstable. Opportunistic credit has been arranged to be all weathered with the ability to move up and down, depending on where the best opportunity is, ranging from first lien, second lien, mezzanine, and equity co-investment.</p> <p>The underwriting process is handled by the same deal team from beginning to the end. Employees are paid based on the performance of the investment of the funds not to just originate deals which is advantageous for the client as employees also have personal gain.</p> <p>Pennant Park focuses on U.S. middle market private credit and floating rate loans which are very attractive and protective in volatile markets such as currently exists. Additionally covenant protection is a very important segment to loan originations and the current investments.</p>						

<b>Board of Trustees Minutes</b> <b>Page Seven</b>	<b>January 17, 2023</b>	<b>TRUSTEES</b>	<b>M</b>	<b>S</b>	<b>Y</b>	<b>N</b>
<p>Mr. Mitchell discussed the terms of the fund PCOF IV which is a 4-year investment period and a 3-year harvest period. The target net return rate in the portfolio is 13-15%. Management fees are 1.50% on invested capital. Minimum commitment is \$5M and is negotiable. Quarterly distributions are 8-10% annually and can be reinvested.</p> <p>The Trustees had the opportunity to ask questions. At the conclusion, the representatives thanked the Board for the opportunity to present and left the meeting.</p> <p>The Board of Trustees and Mr. Swanson commenced discussion regarding the presentations. Mr. Swanson provided a brief overview on each firm, their services, performance and fee structure. While all three are within the same private credit strategy there are some variations. Since there will be additional candidates presenting at the February Board meeting, it was suggested the Trustees rank each firm in order of preference. Pennant Park and Churchill unanimously ranked the top two firms. After hearing from the remaining managers scheduled to be interviewed at the February meeting, the Board will finalize who is to be selected and how to allocate the funds based on the selection. Mr. Swanson noted the Retirement System is large enough to hire 4 or 5 of the firms at the discretion of the Board.</p> <p>Mr. Swanson recommended maintaining cash reserves of around \$10M which is 4% of assets. He favors being conservative when the Fed is not accommodating. The payout of the share plan account balances is forthcoming and expected to deplete approximately \$9.2M. Additionally, the Plan draws down approximately \$1.8M per month for payment of benefits and expenses. The Executive Director will work with the Investment Consultant to draw funds as needed to maintain the cash reserve. The Board agreed by consensus to this recommendation.</p> <p>Lastly, Mr. Swanson discussed the proposed manager line-up for the 2023 Educational Symposium. Eliminating current managers where the investments are winding down or have very minimal funds (Goldman and Blackstone) and adding the newly hired private credit managers would keep the number of presentations at roughly the same level. Mr. Swanson proposed Ademir Zeco, the Director of Research with Southeastern Advisory Services, as the key-note speaker and strategist. He will speak on a manager research and selection and due diligence theme.</p> <p><u>SUGARMAN, SUSSKIND, BRASWELL &amp; HERRERA LEGAL REPORT</u>  <u>(CONTINUED)</u></p> <p>Mr. Sugarman reported on the following items:</p> <ul style="list-style-type: none"> <li>▪ He reviewed the minutes of the December meeting.</li> <li>▪ He provided an update on former firefighter Craig Turturo's interest and share plan funds. After speaking with the state prosecutor in the case, he was advised the case is still pending and a new judge has been appointed. He expects a new hearing date will be set.</li> </ul>						

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<p>Until the case has been resolved, he recommends not paying out any benefits to Mr. Turturo.</p> <ul style="list-style-type: none"> <li>He reviewed a draft reply from Robbins Geller to defendant's motion to dismiss the Berkley Lights case. He had no recommended edits.</li> </ul> <p>Mr. Sugarman was asked to clarify the City's ordinance amendment to Section 34.049 regarding Disability Examinations. Mr. Sugarman indicated that it was explained to him that the City was displeased with a disability case the Board recently handled and this is a way of preventing a recurrence. The amendment assumes the first medical review will be that of the workers compensation physician and the second medical review will be that of the Pension Board's appointed independent medical examiner. If the two physicians do not agree in their opinion, then a third designated IME shall be appointed by the Board and his or her opinion will prevail.</p> <p>The Executive Director requested a motion to approve the firefighters' share plan allocation with the understanding the ordinance amendment is slated for adoption on January 24. Assuming approval, staff could begin the process of collecting the members' application paperwork and creating the payment warrants for signature at the February 21 Board meeting.</p>						
<p><b>MOTION:</b> To approve the Firefighters' Share Plan Allocation as of 1/1/2023 and to authorize the eligible rollover distributions of the 100% vested account balances to the participants at such time as the City adopts an amended ordinance that satisfies all administrative questions, as recommended by Sugarman, Susskind, Braswell and Herrera. PASSED 9-0.</p>	<p>O'Connell Samolewicz Aaronian Christophers Femia Hall Hanrahan McGinnis Rossi</p>	<p>X</p>			<p>X X X X X X X X X</p>	
<p><u>ADMINISTRATIVE AND MISCELLANEOUS ISSUES</u></p>						
<p>The Executive Director submitted a revised DROP Investment Election Form consistent with the Board's change to the self-directed DROP money market fund. The revised format was reviewed by Southeastern Advisory Services and the Plan's legal counsel.</p> <p><b>MOTION:</b> To approve the revised DROP Plan Investment Election Form as presented, as recommended by the Executive Director. PASSED 9-0.</p>	<p>O'Connell Samolewicz Aaronian Christophers Femia Hall Hanrahan McGinnis Rossi</p>	<p>X</p>	<p>X</p>		<p>X X X X X X X X X</p>	
<p><u>COMMITTEE REPORTS</u></p>						
<p>No Committee Reports were rendered.</p>						



CHAIRMAN'S REPORT

Chairman O'Connell submitted a letter dated January 6 to the City Manager with regard to the Board's request to move forward with the ordinance amendment to permit its two employees to participate in the General Employee's Retirement System. He will continue to monitor the action taken on this request.

EXECUTIVE DIRECTOR'S REPORT

- Signed Notification of Benefits Forms for:
  - Peter McGinnis
  - James Leto
  - Steven Von Stetina
  - James Dryden
  - Michael Hohl
  - Steven Hudson
  
- Responded to Martin Currie's annual anti-money certification on January 3.

ADJOURNMENT

**MOTION:** To adjourn the January 17, 2023 Board meeting at 5:14 PM.  
PASSED 9-0.

Respectfully submitted,



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

O'Connell				X	
Samolewicz				X	
Aaronian		X		X	
Christophers				X	
Femia				X	
Hall				X	
Hanrahan				X	
McGinnis				X	
Rossi	X			X	

**REGULAR MEETING – JANUARY 17, 2023**

**CONSENT AGENDA - WARRANT NOS. 5501 THROUGH 5507**

**Ratified and Approved on 01/17/2023**

<b>WARRANT NO.</b>	<b>PAYABLE TO</b>	<b>DESCRIPTION</b>	<b>AMOUNT</b>
<b>5501</b>	Jessica M. Pray	Lump sum distribution of balance of Fund Rate DROP accounts as a result of separation of service on 7/6/2022; <b>\$21,915.14</b>	<b>21,915.14</b>
<b>5502</b>	MissionSquare Retirement/457 FBO Jessica M. Pray	Trustee-to-trustee transfer of Share Plan balance due to separation of service on 7/6/2022; <b>\$66,011.23</b>	<b>66,011.23</b>
<b>5503</b>	Michael J. Hohl	Normal Retirement Benefit effective 12/1/2022; Retroactive benefit due 12/1/2022; \$8,022.11, retroactive benefit due 1/1/2023; \$8,022.11, <b>Total \$16,044.22</b>	<b>16,044.22</b>
<b>5504</b>	Office Depot Florida UC Fund Ascensus (Nyhart)  Marcum, LLP	Inv No. 278842559001, Office Supplies; <b>\$113.93</b> Reemployment taxes quarter ended 12/31/2022; <b>\$63.54</b> Inv no. 153360DB_202212, benefit calculations; \$7,500.00, 10/1/2022 actuarial valuation progress billing; \$1,375.00, 9/30/2022 GASB report progress billing; \$1,725.00, impact statement revisions and consulting; \$3,920.00, <b>Total \$14,520.00</b> Inv no. 10IN50220441, progress audit billing 9/30/2022; <b>\$950.00</b>	<b>15,647.47</b>
<b>5505</b>	Richard Samolewicz  Daniel Christophers  Paul O'Connell  Patrick Hanrahan  Jorge Rossi	Board meeting expense reimbursement, 12/19/2022; <b>\$82.43</b> Board meeting expense reimbursement, 12/19/2022; <b>\$66.00</b> DOR Annual Trustees School expense reimbursement; <b>\$422.63</b> DOR Annual Trustees School expense reimbursement; <b>\$250.00</b> DOR Annual Trustees School expense reimbursement; <b>\$33.14</b>	<b>854.20</b>
<b>5506</b>	Bank of America	Debra Tocarchick: FPPTA Winter Trustee School registration (Trustee Hall & Executive Director); \$1,700.00, Telephone & internet; \$384.31, Courier; \$67.21, Website domain renewal; \$31.16, Postage; \$29.95, <b>Total \$2,212.63</b> Maureen Femia: Board meeting supplies; \$121.51, Publications; \$22.99, <b>Total \$144.50</b> Paul O'Connell: DOR Annual Trustees School hotel expense; <b>\$575.32</b> Daniel Christophers: Board meeting expenses 12/19/2022; \$566.04, Board meeting expenses 1/17/2023; \$690.75; <b>Total \$1,256.79</b> Richard Samolewicz: Board meeting expenses 12/19/2022; <b>\$165.00</b>	<b>4,354.24</b>
<b>5507</b>	Xerox Corp  Economic Computers	Inv No. 017892254, December lease; \$150.59, excess print charges \$118.68, <b>Total \$269.27</b> Inv No. 8741, 1/1/2023, security add-ons 8/1/2022 to 12/31/2023; <b>\$2,295.00</b>	<b>46,330.81</b>

**REGULAR MEETING – JANUARY 17, 2023**

**CONSENT AGENDA - WARRANT NOS. 5501 THROUGH 5507**

**Ratified and Approved on 01/17/2023**

<b>5507 (cont)</b>	Nuance  Sawgrass  Sands	Inv No. 283737, Investment management fee thru 12/20/2022, Final; <b>\$9,933.36</b> Inv No. pbpf112c-123122, Investment management fee 12/31/2022; <b>\$19,290.57</b> Inv No. 94099, Investment management fee 12/31/2022; <b>\$14,542.61</b>	
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