

POMPANO BEACH POLICE & FIREFIGHTERS' RETIREMENT SYSTEM

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

**BOARD OF TRUSTEES MINUTES
REGULAR MEETING
FEBRUARY 20, 2024**

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 David Hall
Trustee Sharra Aaronian (arrived at 3:05 PM)
Trustee Daniel Christophers
Trustee Richard Cupo (arrived at 3:05 PM)
Trustee Vincent Femia
Trustee Patrick Hanrahan
Trustee Peter McGinnis (arrived at 3:08 PM)
Trustee Jorge Rossi

ALSO PRESENT: Gregg Rossman, Board Attorney
Mike Spano, Board Attorney
Debra Tocarchick, Executive Director
Maureen Femia, Deputy Director
Lawrence Watts, Nyhart
Samantha Olson, Nyhart
Jeff Swanson, Southeastern Advisory (Via Zoom)
Ademir Zeco, Southeastern Advisory (Via Zoom)

AUDIENCE TO BE HEARD

None

CONSENT AGENDA ITEMS

- a) Approval of Agenda of Regular Board Meeting on February 20, 2024.
- b) Approval of Minutes of Medical Review Committee Meeting on January 16, 2024.
- c) Approval of Minutes of Regular Board Meeting on January 16, 2024.
- d) Approval of Normal Retirement and DROP Entry Effective March 1, 2024 for Assistant Fire Chief Matthew Aldrich.
- e) Approval of DROP Loan Application from Driver/Engineer Steven Sirota
- f) Approval of DROP Loan Application from Driver/Engineer Jason Conger.
- g) 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.

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	February 20, 2024	TRUSTEES	M	S	Y	N
<p>MOTION: To ratify and approve the consent agenda items as presented. PASSED 6-0.</p>					X	
<p><u>PRESENTATION OF OCTOBER 1, 2023 ACTUARIAL VALUATION BY NYHART</u></p>					X	
<p>Mr. Lawrence Watts and Ms. Samantha Olson of Nyhart were in attendance to present the 10/1/2023 Actuarial Valuation Report.</p>					X	
<p>Highlighted information included:</p>					X	
<ul style="list-style-type: none"> • The investment return on the market value of assets was 9.06%, resulting in a 3.46% actuarial return versus the expected 7.10% from the prior valuation assumption. • The final two active police members entered DROP during the valuation year and a large number of firefighters entered DROP due to capped accruals. • Liabilities were higher than expected, there were fewer deaths than expected and pay changes were greater than assumed. • The assumed rate of return was lowered from 7.10% to 7.00% on 10/1/2023 in accordance with the Board's incremental reduction of the assumed rate to 7.00%. • The Plan's funding level decreased 4.4% compared to last year primarily due to the smoothed asset return being less than assumed, plus salary increases and the lowering of the discount rate. • The total recommended employer contribution for fiscal year 2024-25 is \$23.6 million – an increase of approximately \$3.4 million from the prior year. • The Board should continue to monitor the discount rate with the rapidly changing interest rate environment. Plans are continuing to lower their discount rate, and many are lowering below 7.00%, with the Florida Retirement System currently at 6.7%. Nyhart is not recommending the Board lower it further at this time but rather continue to monitor it. • The poor asset returns from 2022 will have an impact over the next three valuations – the substantial loss will continue to smooth into asset value. • The actuary summarized the results of the Plan's experience and its impact on unfunded accrued liability. Unfunded accrued liability on 10/1/2023 increased to \$202.7 million, up approximately \$32.6 million from the prior year. • The funding ratio decreased from 59.4% to 55.0%. The poor asset performance from 2002 and the negotiated firefighter benefit structure contributed to the decline. 		X		X	X	

Board of Trustees Minutes Page Three	February 20, 2024	TRUSTEES	M	S	Y	N
<ul style="list-style-type: none"> The drastic decrease to the state reserve is due to the termination and payout of the firefighters' share plan. Many gain bases from the 1990 tech run-up will be fully amortized in coming years causing "tail volatility" to remain on the radar. There was some preliminary discussion with City officials a couple years ago on the issue regarding methods to mitigate or smooth the employer contributions over the next few years; however, no action was taken at the time. Ideally, it would be beneficial to compress some years of gains and losses to counteract each other in order to level out the expected spike in employer contributions. The actuary noted the indirect future cost associated with the increase of firefighters who entered DROP. The City will need to hire new firefighters to replace those who will exit DROP which will increase the future required contributions as those new firefighters begin to accrue benefits. The new required disclosure for Actuarial Standards of Practice (ASOP 4) Low-Default-Risk Obligation Measure (LDROM) is based on a single effective discount rate of 5.87%. This means if the Plan were to use 5.87% as the assumption rate, the unfunded liability would be at \$294.6 million compared to the current unfunded liability of \$202.7 million, hence a further \$92 million of liability. The actuary noted the Board has taken proactive steps in the past to improve the Plan's funded position by lowering the discount rate and shortening the amortization period; however, significant Plan changes and the market environment necessitate further discussion. Ideas discussed included the adoption of a formal written funding policy, conducting an updated experience study (the last one was performed in 2019), and collaboration with the City on ideas for funding the expected increase to employer contribution obligations moving forward. 						
<p>MOTION: To approve the October 1, 2023 actuarial report as presented and recommended by Nyhart. PASSED 9-0.</p>		O'Connell Hall Aaronian Christophers Cupo Femia Hanrahan McGinnis Rossi		X	X X X X X X X X X	
<p>MOTION: To authorize Nyhart to conduct a five-year experience study as recommended by Nyhart. PASSED 9-0.</p>		O'Connell Hall Aaronian Christophers Cupo Femia Hanrahan McGinnis Rossi			X X X X X X X X X	
<p>The experience study is expected to be completed in mid to late June.</p>			X		X X X X X X X X X	
				X	X X X X X X X X X	

Board of Trustees Minutes Page Four	February 20, 2024	TRUSTEES	M	S	Y	N
<p>Further discussion ensued regarding funding ideas such as looking at a 15-year amortization of unfunded liabilities or perhaps some derisking of the portfolio. Conversely, ideas for bringing more money into the Plan can be looked at such as increasing employer contributions or the possibility of pension obligation bonds as other cities have done. The actuary pointed out that pension obligation bonds are a form of leverage and interest rates are higher now, so he felt this is a decision best left to the City's financial people.</p> <p>The Chairman recommended the Board engage the City for further discussion after the experience study is complete and strategies for the tail wind volatility issue can be evaluated.</p> <p><u>SOUTHEASTERN ADVISORY SERVICES, INC – JEFF SWANSON</u></p> <p>Mr. Swanson reviewed the December 31, 2023 Performance Evaluation Report noting 2023 ended well for both equities and fixed income. The investment performance for the quarter was 8.13%, net of fees, increasing the Plan's market value of assets to over \$264 million.</p> <p>In reviewing the 5 and 10-year performance results, it was noted that the Plan's lower risk level caused it to perform lower than the median. The Plan was over-diversified with lower return type strategies; however, the changes made by the Board within the past year are making a difference now. Many of the changes within the domestic equity strategy of the portfolio were attributed to the positive returns for the quarter and year. Eliminating the lower performing investment managers, adding Waycross, and investing in the passive equity indices proved to be beneficial. The international equity segment did well for the quarter earning over 10%. On the other hand, real estate was down due to high interest rates. The hedge fund-of-fund manager, Ironwood, performed as expected and the public infrastructure fund, Cohen & Steers, performed very well at nearly 11%.</p> <p>The fixed income performed well with this being the first quarter that Serenitas ranked below other managers in the asset class due to rates coming down during the quarter. However, Serenitas is already up in the first quarter of 2024 when other bond managers are down. Mr. Swanson indicated there are no investment managers on watch status.</p>						
<p>MOTION: To approve the December 31, 2023 Performance Evaluation Report as presented by Southeastern Advisory Services, Inc. PASSED 9-0.</p>	<p>O'Connell Hall Aaronian Christophers Cupo Femia Hanrahan McGinnis Rossi</p>	<p>X</p>	<p>X</p>	<p>X X X X X X X X</p>	<p>X X X X X X X X</p>	

Board of Trustees Minutes Page Five	February 20, 2024	TRUSTEES	M	S	Y	N
<p>MOTION: To set the net investment rate of return for the quarter ended 12/31/2023, at 8.13% for purposes of the Fund Rate DROP earnings in accordance with Southeastern Advisory Services' 2/09/2024 letter of certification. PASSED 9-0.</p>		O'Connell Hall Aaronian Christophers Cupo Femia Hanrahan McGinnis Rossi	X		X X X X X X X X	
<p>MOTION: To confirm the DROP self-directed money market account earnings for the quarter ended 12/31/2023 in accordance with Southeastern Advisory Services' 2/09/2024 letter of certification. PASSED 9-0.</p>		O'Connell Hall Aaronian Christophers Cupo Femia Hanrahan McGinnis Rossi		X	X X X X X X X X	
<p>Mr. Swanson reviewed the proposed draft agenda for the 2024 Annual Education Symposium for the Board's consideration. Due to the increased number of investment managers, Mr. Swanson proposed certain asset classes that contain multiple investment managers conduct a joint session/roundtable discussion rather than an individual presentation making it more interactive and dynamic. The Board agreed with the proposed change and felt it would facilitate the diversified portfolio more efficiently over two days.</p>						
<p>MOTION: To approve the format and investment manager line-up for the 2024 Educational Symposium as recommended by Southeastern Advisory Services. PASSED 9-0.</p>		O'Connell Hall Aaronian Christophers Cupo Femia Hanrahan McGinnis Rossi	X	X	X X X X X X X X	
<p>Mr. Swanson provided his recommendation to meet cash needs in 2024 for the capital currently being called by the new alternative investment managers, and the Plan's benefits and expenses. At this time, existing cash reserves will sustain plan obligations through the middle of the year.</p>						
<p>The liquidity needs for the second half of 2024 can be satisfied by redeeming \$5 million from the Ironwood portfolio on its July 31 redemption date which requires application prior to April. In addition, Yousif/Insight can be used for any liquidity needs that may arise in the meantime.</p>						

Board of Trustees Minutes Page Six	February 20, 2024	TRUSTEES	M	S	Y	N
<p>MOTION: To drawdown \$5 million from Ironwood to meet liquidity needs in the second half of 2024, and to raise funds from Yousif/Insight in the meantime if needed, as recommended by Southeastern Advisory Services. PASSED 9-0.</p> <p>Mr. Swanson proposed transferring the entire portfolio of the Vanguard Mid-Cap Index to a Vanguard Small-Cap Index Fund. The Small-Cap Index Fund has performed better over the past year and the trend is likely to continue. The Small-Cap Index is more diversified with 1,400 stocks as opposed to 200.</p>					<p>X</p> <p>X</p> <p>X</p> <p>X</p> <p>X</p> <p>X</p> <p>X</p> <p>X</p>	
<p>MOTION: To transfer the entire balance from the Vanguard S&P 400 Mid-Cap Value Index Fund (VMVAX) to a new Vanguard Small-Cap Index Fund (VSMAX), as recommended by Southeastern Advisory Services. PASSED 9-0.</p> <p>The Board brought up the previous discussion with the actuary and inquired about further derisking the Plan. Mr. Swanson responded that the Plan is not in as a favorable position to derisk as it was before. The Plan takes a prudent amount of risk and adding the private credit asset class was one way of lowering risk. Mr. Swanson added that the direct arbitrage opportunity of pension obligation bonds has gone away. The arbitrage opportunity today is in private credit.</p>			<p>X</p> <p>X</p>		<p>X</p> <p>X</p> <p>X</p> <p>X</p> <p>X</p> <p>X</p> <p>X</p>	
<p><u>GREGG ROSSMAN LEGAL REPORT</u></p> <p>Mr. Rossman reviewed his February fee invoice and explained that the costs outside the agreed upon retainer were a result of extensive time spent reviewing five new alternative investment manager subscription agreements and side letters during the timeframe from October to December. The Board was comfortable with the billing.</p> <p>Mr. Rossman briefed the Board on the issue of normal retirement age for deferred vested firefighters. Assistant Attorney Tracy Lyons, Union President Neil Weidman and himself agree that firefighters who terminate employment in a vested status are eligible to commence their pension benefit at age 47. It was agreed that this was the intent of contract negotiations.</p> <p>The Executive Director requested the ordinance be amended to clearly reflect the intent as it is currently silent under the accrued benefit section 34.059(A)(2) since normal retirement can be defined as at least 7 years at age 47, or 20 years at any age. Mr. Rossman will reach out to Ms. Lyons to discuss an ordinance amendment.</p> <p>Mr. Rossman informed the Board that the disability applicant met with the</p>			<p>X</p>	<p>X</p>		

Board of Trustees Minutes Page Seven	February 20, 2024	TRUSTEES	M	S	Y	N
<p>independent medical examiner, Mr. Gavin Rose, and the IME report was submitted to him the evening prior to the meeting. Mr. Rossman will thoroughly review the report and forward it to the Executive Director to schedule the informal hearing.</p> <p>Mr. Rossman reported that Blackrock has communicated it cannot adhere to the Board's revised Proxy Voting Guidelines. Since this issue is not unique, Blackrock has created a program called Choice Voting which allows for Funds to easily vote their own proxies and eliminates Blackrock from the voting process. Blackrock's other proposed solution is that they will acknowledge Florida law but still vote how they feel is best as a fiduciary which falls short of compliance with Florida law in Mr. Rossman's opinion. The Board also has the option of hiring a third-party company to vote proxies. Mr. Rossman opined as a last resort, he could vote the proxies on behalf of the Board in accordance with the policy or the Board could opt to not vote proxies at all.</p> <p>The Executive Director informed the Board that another investment manager has some similar concerns but was waiting to see how the Board responded to Blackrock before raising objections. Discussion ensued and the Board agreed by consensus to evaluate third-party proxy voting companies as an alternative. The Executive Director will identify some third-party proxy voting services and their cost.</p> <p>Mr. Rossman briefed the Board on a request from former firefighter Craig Turturo for the return of the interest and share plan monies standing to his credit. Although Mr. Turturo indicated the charges brought against him have been dismissed and the case is closed, Mr. Rossman noted that the Statewide Prosecutor has time to request a rehearing and after that an appeal process. Until those timeframes expire or until an appeal is decided, the case is not final, and therefore funds should not be returned at this time.</p> <p>Mr. Rossman discussed a communication from Taurus regarding the Most Favored Nations (MFN) status of side letters of other clients. The Board has until April 5 to make elections if there are provisions included by other clients that the Board would like to also incorporate. Mr. Rossman highlighted a few elections he thought may be a good idea, but even if none were elected, he is still satisfied with the existing side letter with Taurus. This item is deferred until next month.</p> <p>Mr. Rossman discussed the proposed extension and closing date for the Capital Dynamics Global Secondaries VI Fund and opined there is no legal issue in the Chairman executing the document. Mr. Rossman suggested Mr. Swanson confirm whether there is any adjustment to fees.</p> <p><u>ADMINISTRATIVE AND MISCELLANEOUS ISSUES</u></p> <p>The Executive Director discussed the Board's long standing policy that stipulates the retirement date for members entering the DROP program. Based on the timing of four firefighter members, she asked for a deviation from the policy to permit their retirement and DROP dates to be May 1.</p>						

Board of Trustees Minutes Page Eight	February 20, 2024	TRUSTEES	M	S	Y	N
<p>MOTION: To allow the normal retirement date for May 1, 2024 DROP entry to be May 1, 2024 for firefighters Griffith, Linhares, Sampson and Weihs, as recommended by the Executive Director. PASSED 9-0.</p>					X	
<p>The Executive Director submitted a fiscal review of the Fund Rate DROP fees.</p>					X	
<p>MOTION: To maintain the Fund Rate DROP fee at 0.60% of account balance in accordance with the 9/30/2023 annual fee review. PASSED 9-0.</p>					X	
<p>The Trustees reviewed the 'Your Pension Matters' newsletter.</p>					X	
<p><u>COMMITTEE REPORTS</u></p>						
<p><i>Budget Committee:</i></p>						
<p>An informal Budget Variance Report was distributed for the quarter ended 12/31/2023.</p>						
<p>No Committee Reports were rendered.</p>						
<p><u>CHAIRMAN'S REPORT</u></p>						
<p>None.</p>						
<p><u>EXECUTIVE DIRECTOR'S REPORT</u></p>						
<p>The Executive Director reported the following:</p>						
<ul style="list-style-type: none"> ➤ The Hartford Business and the Property Insurance policies were paid in advance of their due dates. 						
<ul style="list-style-type: none"> ➤ The Trustees were reminded to register electronically for their 2023 financial disclosure Form 1 filing due on July 1. 						
<ul style="list-style-type: none"> ➤ Staff will book hotel rooms for the 2024 Educational Symposium. 						
<p><u>ADJOURNMENT</u></p>						

MOTION: To adjourn the February 20, 2024, Board meeting at 4:56 PM.
PASSED 9-0.

O'Connell
Hall
Aronian
Christophers
Cupo
Femia
Hanrahan
McGinnis
Rossi

X

X

X
X
X
X
X
X
X
X

Respectfully submitted,



Debra Tocarchick, CEBS
Executive Director

Board of Trustees
Gregg Rossman, Esq.
Michael Spano, 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 – FEBRUARY 20, 2024

CONSENT AGENDA - WARRANT NOS. 5831 THROUGH 5845

Ratified and Approved on 2/20/2024

WARRANT NO.	PAYABLE TO	DESCRIPTION	AMOUNT
5831	Yousif Blackrock Renaissance Insight	Inv management fee ending 12/31/2023; \$7,209.91 Inv management fee beginning 1/1/2024; \$13,178.13 Inv management fee ending 12/31/2023; \$23,633.73 Inv management fee ending 12/31/2023; \$7,937.84	44,021.77
5832	Steven A. Sirota Florida Department of Revenue Ascensus (Nyhart)	DROP loan net amount to Steven A. Sirota; \$24,762.50 Documentary stamps for Steven A. Sirota DROP loan; \$87.50 Loan processing fee for Steven A. Sirota; \$150.00	25,000.00
5833	Robert C. Wolfe	Refund of contributions as a result of separation of employment on 1/31/2015, and irrevocable forfeiture of vested pension benefit; \$85,867.44	85,867.44
5834	Jeffrey J. Valerga	Normal Retirement benefit commencing 3/1/2024 as a result of reaching end of DROP period on 2/29/2024; \$6,138.59	6,138.59
5835	Jeffrey J. Valerga	Monthly installment from Fund-Rate DROP account commencing 3/1/2024 as a result of separation of service on 2/05/2024; \$2,500.00	2,500.00
5836	Jason R. Conger	DROP loan net amount to Jason R. Conger; \$49,675.00 Documentary stamps for Jason R. Conger DROP loan; \$175.00 Loan processing fee for Jason R. Conger; \$150.00	50,000.00
5837	All Florida Alarm Systems Xerox Corp Ascensus (Nyhart) Marcum, LLP	Inv No. 558169, quarterly alarm monitoring fee; \$81.00 Inv No. 020602832, January lease; \$136.11, excess print charges; \$68.56, Total \$204.67 Inv No. 153360DB_202401, benefit calculations (5); \$1,500.00, GASB 67 Report 9/30/2023; \$4,000.00, 10/1/2023 actuarial valuation progress billing; \$2,965.00, Total \$8,465.00 Inv No. 10IN50389277, Final audit billing 9/30/2023; \$2,550.00	11,300.67
5838	Bateman, Gordon and Sands, Inc.	Commercial property policy renewal 2/15/24 – 2/14/25; \$4,487.50	4,487.50
5839	Paul O'Connell Patrick Hanrahan Richard Cupo	FPPTA Winter Trustee School expense reimbursement; \$371.68 FPPTA Winter Trustee School expense reimbursement; \$261.30 FPPTA Winter Trustee School expense reimbursement; \$187.00	819.98
5840	Bank of America	Debra Tocarchick: Business insurance policy premium; \$1,863.17, Telephone & internet; \$444.73, Publications; \$132.93, Network speaker; \$54.11, Courier; \$18.40, Total \$2,513.34	9,106.10

REGULAR MEETING – FEBRUARY 20, 2024

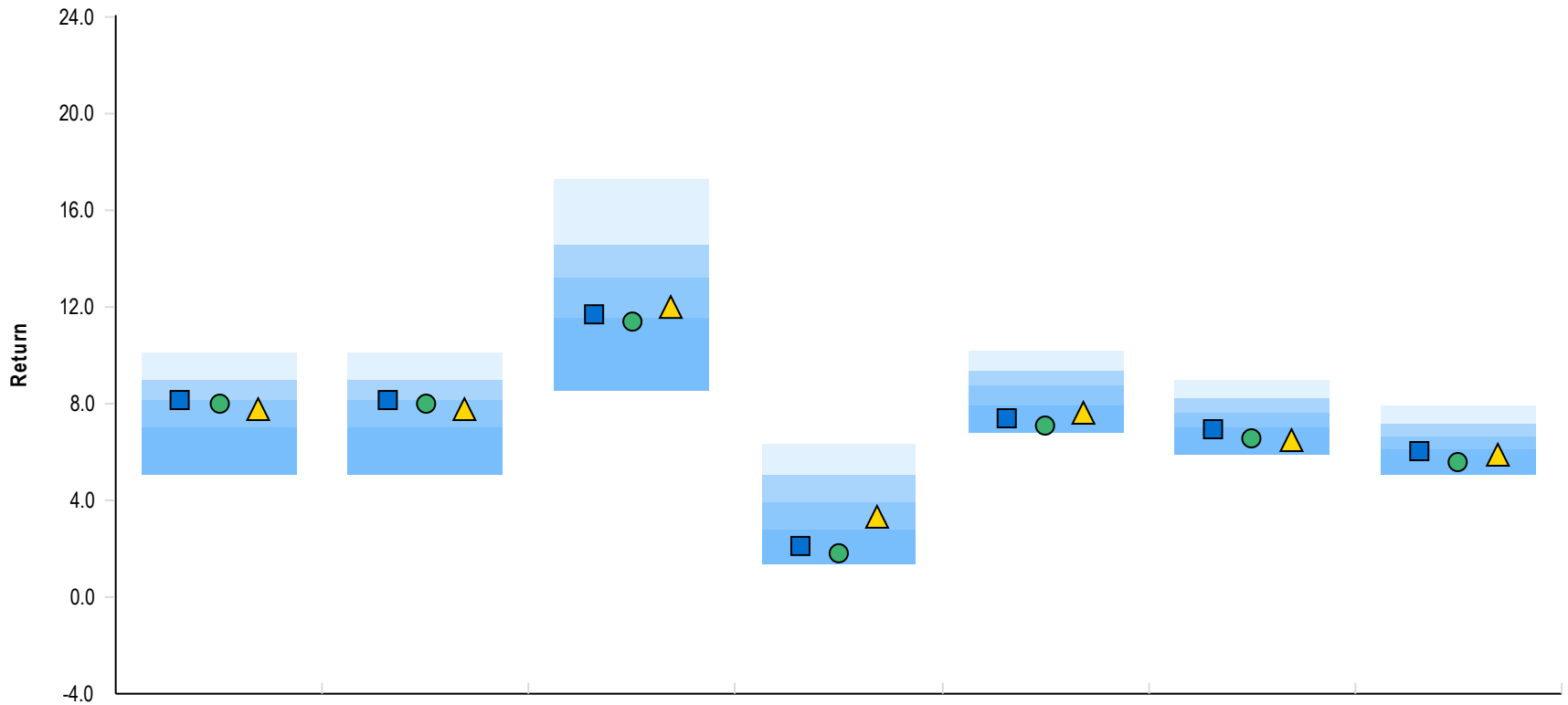
CONSENT AGENDA - WARRANT NOS. 5831 THROUGH 5845

Ratified and Approved on 2/20/2024

		Maureen Femia: Board meeting supplies; \$265.70, Publications; \$22.99, Finance charge credit; (23.09), Total \$265.60 Paul O'Connell: FPPTA Winter Trustee School expenses; \$818.04 Daniel Christophers: NCPERS Annual Conference registration; \$1,550.00, Board meeting expenses, 1/16/2024; \$712.52, Total \$2,262.52 Richard Cupo: FPPTA Winter Trustee School expenses; \$1,037.41 David Hall: FPPTA Winter Trustee School expenses; \$1,537.22 Patrick Hanrahan: FPPTA Winter Trustee School expenses; \$671.97	
5841	Allspring Rossman Legal Daniel Christophers	Inv management fee ending 12/31/2023; \$18,120.72 Inv. No 614, Retainer February 2024; \$7,250.00, Inv No. 633, IMA Agreements outside retainer; \$26,134.50, Total \$33,384.50 Board meeting expense reimbursement 1/16/2024; \$66.00	51,571.22
5842	Charles Schwab & Co. FBO Robert Olsen/IRA	Final lump sum distribution of balance of Fund Rate DROP account via trustee-to-trustee transfer to Charles Schwab/IRA due to separation of service on 8/10/2023; \$785.50	785.50
5843	Charles Schwab & Co. FBO Robert Major/IRA	Final lump sum distribution of balance of Fund Rate DROP account via trustee-to-trustee transfer to Charles Schwab/IRA due to separation of service on 5/25/2021; \$1,305.62	1,305.62
5844	UBS Financial Services FBO Kerry Justice/IRA	Trustee-to-trustee transfer of 10% holdback and earnings/losses, less fees, for quarter ended 12/31/2023; \$76,498.87	76,498.87
5845	Chad E. Brocato	Trustee-to-trustee transfer of 10% holdback and earnings/losses, less fees, for quarter ended 12/31/2023; \$4,033.50	4,033.50

All Public DB Plans

Plan Sponsor Peer Group Analysis - All Public DB Plans



	1 QTR	Fiscal YTD	1 Year	3 Years	5 Years	7 Years	10 Years
■ Total Fund (Gross)	8.13 (52)	8.13 (52)	11.67 (72)	2.09 (86)	7.43 (87)	6.96 (78)	6.01 (81)
● Total Fund (Net)	8.01 (55)	8.01 (55)	11.38 (76)	1.79 (91)	7.07 (93)	6.57 (86)	5.59 (88)
▲ Policy Index ¹	7.81 (59)	7.81 (59)	11.96 (71)	3.31 (66)	7.59 (86)	6.50 (88)	5.89 (83)
5th Percentile	10.11	10.11	17.32	6.31	10.19	9.00	7.95
1st Quartile	9.00	9.00	14.58	5.06	9.36	8.22	7.19
Median	8.16	8.16	13.21	3.94	8.79	7.64	6.68
3rd Quartile	7.02	7.02	11.52	2.78	7.94	7.05	6.11
95th Percentile	5.05	5.05	8.56	1.38	6.78	5.91	5.07
Population	318	318	292	273	264	252	228

The current Policy Index composition is: ¹Russell 2500 Growth Index: 10.00%, MSCI EAFE (Net): 15.00%, MSCI Emerging Markets Index: 5.00%, Blmbg. U.S. Aggregate Index: 20.00%, NCREIF ODCE: 10.00%, HFRI FOF: Conservative Index: 5.00%, FTSE GLOBAL CORE INFRASTRUCTURE 50/50 INDEX (Net): 5.00%, CPI + 3%: 0.00%, Russell 1000 Index: 25.00%, 90 Day U.S. Treasury Bill: 5.00%.

