

**POLICE AND FIREFIGHTERS' PENSION BOARD
REGULAR BOARD MEETING
888 South Andrews Avenue, Suite 202
Fort Lauderdale, FL 33316
Wednesday, October 16, 2019, 12:30 P.M.**

Board Members

Ken Rudominer, Chair	P
Richard Fortunato, Vice Chair	P
Scott Bayne, Secretary	P
Jim Naugle, Trustee [until 2:33]	P
Jeff Cameron, Trustee	A
Dennis Hole, Trustee	P
Derek Joseph, Trustee	P

Also Present

Lynn Wenguer, Executive Director
Alexandra Goyes, Deputy Director
John Herbst, City Auditor
Jacqueline Smith, Administrative Assistant
Stuart Kaufman, Board Attorney
Kyle Campbell, CAPTRUST
Steve Schott, CAPTRUST
Fred Nesbitt, Board Communication Director
Bhavit Patel, Angelo Gordon
Andrew Solomon, Angelo Gordon
Jamie Opperlee, Prototype Inc. Recording Secretary

ROLL CALL/CALL TO ORDER

The meeting was called to order at 12:30 p.m. Roll was called and a quorum was determined to be present.

PLEDGE OF ALLEGIANCE/MOMENT OF SILENCE

The Pledge of Allegiance was followed by a moment of silence.

MINUTES:

Regular Meeting: September 11, 2019

Motion made by Mr. Naugle, seconded by Mr. Hole to approve the Board's September 11, 2019 meeting minutes. In a voice vote, motion passed unanimously.

NEW HIRES:

Chair Rudominer recognized the new hires.

BENEFITS: POLICE DEPT:	New Retiree: (Term of DROP)	Vincent Castiglia
	Vesting:	Clay Barrett
	Lump Sum Refund:	Ashley F. Cavalier
	Survivor Death:	Quynterra Wright
		Carolyn O'Malley
FIRE DEPT:	DROP Retiree:	Jason Taddonio
		Kurt Phillipson
		Joshua Wells
		Bruce Strandhagen
		Martha Massarelli

Prior Fire Service Purchase:	3/31/19
	6/30/19
	9/30/19

Ms. Wenguer explained that the prior Fire Service Purchase referred to transfers of 175 and other funds, and could also represent military service.

Motion made by Mr. Joseph, seconded by Mr. Bayne, to approve payment of the benefits as stated. In a voice vote, the motion passed unanimously.

BILLS:	Lazard	\$124,087.51
	Vaughan Nelson	\$48,102.47
	Northern Trust	\$38,411.75
	Northern Trust	\$37,752.87
	Northern Trust	\$35,532.68
	Rhumblin	\$15,799.00
	Milliman	\$6,450.00
	Klausner, Kaufman	\$3,000.00

Ms. Wenguer stated Northern Trust had been posting bills to a web portal instead of sending them, without informing Ms. Wenguer.

Motion made by Mr. Fortunato, seconded by Mr. Joseph, to approve payment of the bills as stated. In a voice vote, the motion passed unanimously.

**COMMENTS FROM PUBLIC/ INPUT FROM ACTIVE & RETIRED
POLICE OFFICERS & FIREFIGHTERS:**

None

CAPTRUST:

Kyle Campbell, Steve Schott

Capital Stack

Mr. Campbell informed the Board that at the end of the asset allocation report there was an explanation of capital stack, which represented the order of payouts out if a loan went bankrupt. The order was, from first to last: taxes, employee wages, senior secured, junior secured, senior unsecured, junior unsecured, preferred equity, equity. Most of the investments they were considering were senior secured.

Mr. Schott said the typical loan to value ratio was really "across the board" and could be 75% to 85%. Mr. Naugle asked if they should have a minimum and Mr. Schott stated CAPTRUST could consider this and make a recommendation. Mr. Campbell said each manager had a target.

Regarding the asset allocation study, Mr. Campbell said they were getting closer to the time they would need the alternative income. They were currently at 7-8% of the target of 10% and therefore had room to implement another manager for the remainder.

Private Credit: (under separate cover)

Angelo Gordon

Bhavit Patel, Andrew Solomon

AG Commercial Real Estate Debt Opportunities Fund II

Mr. Patel described the company and stated a significant portion of their clients were public pensions and they were 100% employee-owned. He said protection of the corpus was their priority.

Mr. Solomon explained that the company was a combination of credit and real estate strategies; having both perspectives was very helpful in the investment process. He said their team had been working together for a long time and he believe they took a broader view of the commercial real estate debt space. He stated having a diversified approach allowed them to generate outsized returns. Having a credit team in place allowed them early opportunities to buy these securities, sometimes on an off-market basis. Having the real estate platform in place for sourcing and underwriting was important as well.

Mr. Solomon referred to their track record, and reported they had consistently outperformed the benchmarks. When the market underperformed, their funds outperformed the most.

Mr. Solomon stated they focused on being defensive and diversified. Regarding diversification, they had a broad mandate in the commercial debt space and by market and property type. Regarding being defensive, their "sweet spot" was exposures where the property level loan to value was approximately 65%; even a material, sustained decline in property values should not affect the securities in which they were investing.

Mr. Solomon explained the four sub-types in this fund: multi-borrower pools, loan origination and acquisition, single-asset/single-borrower and CMBS B pieces. In the multi-borrower pools, they tended to find the most value in the BBB- securities, which were rated by an official rating agency. In loans and acquisitions, Mr. Solomon stated the opportunities they saw came from off-market sources. The sweet spot here was properties that were transitional. The single-asset/single-borrower pool, comprised one loan, secured by one property or a portfolio of assets owned by the same group. What had worked best for them was diversified portfolios of primarily hotel properties. Mr. Solomon stated their area of focus in B pieces was in agency deals, such as Freddie Mac K Series transactions.

Mr. Patel stated the target for the fund was \$500 million, they anticipated an 11% return plus net and distributions would be quarterly, targeting 6-8% per annum. Mr. Solomon said the average position size would be approximately \$10 million.

Mr. Hole asked about fees and Mr. Solomon explained the management fee was 1.5% for an under \$25 million investment; there was a 20% incentive to the GP, subject to investors seeing an 8% return.

Mr. Campbell compared this to the other managers they had: Capital Dynamics lent to private equity; Boyd Watterson and GSA focused on long-term government leases and Bloomfield Capital did short-term single-asset/single-borrower deals. This was therefore different, because it was diversified, everything had a CUSIP and most traded on the secondary market.

Chair Rudominer asked about liquidity and Mr. Campbell stated there was a three-year lock-up investment period, three years from harvest period and a one-year GP, for a six to seven year total.

Monthly Investment Review:

Mr. Campbell reported there had been another good quarter, and pointed out that active managers had done very well.

Mr. Campbell stated growth had slowed slightly but earnings had been strong and they were anticipating positive returns for the fourth quarter.

Mr. Campbell referred to two hypothetical scenarios he had created for their asset allocations and Investment Policy Statement (IPS) targets. They currently had committed approximately 8% in private credit/private income, and their total IPS target was 10%, another \$20 million.

Mr. Campbell believed they were well positioned now regarding asset allocation and their IPS target. Hypothetical scenario one represented a significant increase in risk and hypothetical scenario two represented a slight reduction of risk and no additional return.

Mr. Herbst asked if they should consider moving toward reducing the assumed rate of return to 6%. Mr. Campbell said CAPTRUST saw the return outlook for 5-7 years to be lower than 7% but longer term would be a higher assumption. Mr. Schott stated actuaries typically used much longer terms.

Mr. Herbst said he favored making sure the City funded a realistic level of contributions to avoid a growing liability.

Chair Rudominer stated if they stayed with the current IPS targets, they still had room to add an alternative lender. They should first decide if they wanted to keep the current asset allocation and then address any additional alternative lending.

The Board did not recommend any changes to the current asset allocation.

Chair Rudominer asked Mr. Campbell's opinion about adding to private equity or real estate. Mr. Campbell replied that CAPTRUST liked both Churchill and Angelo Gordon. He noted that Churchill had no carry and the fees were less than 1% while Angelo Gordon's fee was 1.5%, with a 20% carry after hitting the 8% preferred rate. He said their top pick in private credit was Angelo Gordon.

Mr. Naugle said real estate lending was not real estate and Mr. Schott agreed.

Mr. Hole felt there was too much risk with Angelo Gordon; he felt Churchill/Nuveen was a safer product. Mr. Campbell said there was a less than 1% default with Churchill.

Mr. Kaufman agreed to review the documents from Churchill and Angelo Gordon.

Chair Rudominer reminded the Board that they had no current contract with CAPTRUST. Mr. Schott said the fund's assets had doubled and their investments in alternative and private equity required additional analytics. Their prior contract was 1.7 basis points, below market rate, which translated to approximately \$175,000.

Mr. Schott proposed that for 1.65 basis points, CAPTRUST would continue to attend the Board's meetings. If they attended only quarterly meetings and called in to monthly meetings, he suggested a rate of 1.25 basis points.

Mr. Kaufman recommended creating an entirely new contract since there had been changes in the law since the current contract was written.

Motion made by Mr. Hole, seconded by Mr. Joseph to continue to retain CAPTRUST for 5 years, with a new contract at a guaranteed rate of 1.25 basis points with the stipulation CAPTRUST would attend meetings by phone every month and in person quarterly. In a voice vote, motion passed unanimously.

Mr. Kaufman agreed to create a draft CAPTRUST contract for review.

ATTORNEY'S REPORT:

Stuart Kaufman

Mamorelli Disability

Mr. Kaufman informed the Board that Mr. Mamorelli's cardiac report was clean but it was recommended he undergo a psychological IME. They had referred Mr. Mamorelli to a Naples psychiatrist and Mr. Kaufman hoped to have the results in a couple of weeks.

Anthony Scott Disability

Mr. Kaufman reported Alan Aronson, Mr. Scott's attorney, was attending a funeral so the Board would not hear the disability case today.

Mr. Kaufman said from what Michael Shrevnik, their advocate, had learned, everything supported the totality and permanence of Mr. Scott's disability. Mr. Kaufman had recommended to Ms. Wenguer and Chair Rudominer that at the Board's November meeting, they hear the advocate's report summarizing his findings, rather than hold a formal hearing. The Board would receive the deposition transcripts in the next week or so. The Board agreed to have Mr. Shrevnik attend their next meeting.

Bloomfield Capital Amended Certificate

Mr. Campbell said the original contract stated the regular investment period was 12 months and they had extended to two years. Mr. Kaufman had no objection.

Motion made by Mr. Bayne, seconded by Mr. Fortunato, to authorize Chair Rudominer to sign off on the Bloomfield Capital extended certificate. In a voice vote, motion passed unanimously.

COMMUNICATION DIRECTOR'S REPORT:

Fred Nesbitt

Mr. Nesbitt reported he had been working with Ms. Wenguer on the website revision.

Mr. Nesbitt stated the chair of the board of Leroy Collins Institute agreed to discuss the pension plan evaluation method and to make changes. Mr. Nesbitt had pointed out that trustees had control over only one of the five criteria: the assumed rate of return.

EXECUTIVE DIRECTOR'S REPORT:

Milliman - License fees

Ms. Wenguer stated Milliman had requested a \$500 increase for 2020 and another \$500 increase for 2021. She felt it was warranted by their responses to issues.

Motion made by Mr. Naugle, seconded by Mr. Hole to approve an increase to Milliman of \$500 for 2020 and another \$500 for 2021. In a voice vote, motion passed unanimously.

Fiduciary Liability Renewal

Ms. Wenguer had not received this yet. She said nothing had changed.

2020 Board Meeting Dates

Ms. Wenguer drew the Board's attention to conflicts. The Board agreed to move the May meeting to May 20 and the November meeting to November 18.

Cyber Security Insurance

Ms. Wenguer had learned that they were covered by the City's cyber security policy and she had this in writing. She agreed to send it to the Board's attorney.

IFEBP Membership

Ms. Wenguer said the membership fee was \$1,000. She recommended they wait until they decided about attending a conference before joining. The Board agreed not to renew their membership at this time.

Retirement Seminar

Ms. Wenguer reported the seminar had been well attended overall but only 19 Police and Fire members had been present. Feedback had been very positive. Ms. Goyes informed the Board that Estate Planning was the attendees' favorite topic, followed by Mr. Nesbitt's presentation.

Mr. Nesbitt said people often attended the seminar a few years in a row just to understand all of the information. Mr. Bayne suggested recording the presentations and making the video available. Ms. Wenguer hoped the new website could handle this.

Investment Workshop - Update

The workshop was scheduled for January 14. Ms. Wenguer said the Riverside Hotel was trying to accommodate them but if they could not, she would find another venue.

PENDING ITEMS:

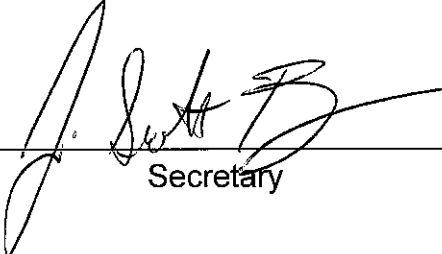
New Business:

None

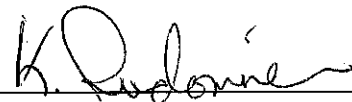
Old Business:

Schedule A

There being no further business to come before the Board at this time, the meeting was adjourned at 2:42 p.m.



Secretary



Chairman

Any written public comments made 48 hours prior to the meeting regarding items discussed during the proceedings have been attached hereto.