POLICE AND FIREFIGHTERS' PENSION BOARD
REGULAR BOARD MEETING
888 South Andrews Avenue, Suite 202
Fort Lauderdale, FL 33316
Wednesday, June 10, 2020, 12:30 P.M.

Notice is hereby given that due to the state of emergency created by COVID-19, the Pension Board will not be meeting in person; rather, the meeting will be held electronically. Pursuant to Governor DeSantis' Executive Order Number 20-69 issued on March 20, 2020, "Local government bodies may utilize communications media technology, such as telephonic and video conferencing, as provided in Section 120.54(5)(b)2. of Florida Statutes."

Communication to the City Commission:
The Board approved the -12.44% Plan Rate of Return for the last quarter.

Board Members

Ken Rudominer, Chair	P
Richard Fortunato, Vice Chair	P
Scott Bayne, Secretary	P
Jim Naugle, Trustee	P
Jeff Cameron, Trustee	P
Dennis Hole, Trustee	P
Derek Joseph, Trustee	P

Also Present

Lynn Wenguer, Executive Director
Alexandra Goyes, Deputy Director
Jacqueline Smith, Administrative Assistant
Fred Nesbitt, Communications Director
Robert Klausner, Board Attorney
Susan Grant, Finance Director
Ryan Hill and Steve Schott, CAPTRUST
Kevin Smith and Justin Gleason, Prudential Real Estate
John Frady and Casey Wendeln, Boyd Watterson
Richelle Hayes, Scott Darling, Jay Butterfield, American Realty
Mike Lucci and Jason Jarjosa, Bloomfield Capital
Brad Heinrichs and Drew Ballard, Foster and Foster
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.

MINUTES:
Regular Meeting: May 20, 2020

Motion made by Mr. Hole, seconded by Mr. Fortunato to approve the Board's May 20, 2020 meeting minutes. In a voice vote, motion passed unanimously.

BENEFITS:	**FIRE DEPT:**	**DROP Retiree:**	John Heiser Stephanie Pingol Benjamin Johnson
		Vested Retirement:	Michael Reimer
		Member Termination:	John Silvestre
	POLICE DEPT:	**Service Retirement:**	Thomas Pfund
		Vested Retirement:	Eileen Reyes
		Survivor Death:	Patricia Whipple

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

COMMENTS FROM PUBLIC/ INPUT FROM ACTIVE & RETIRED POLICE OFFICERS & FIREFIGHTERS:
None

REAL ESTATE INCOME FUND PRESENTATIONS:
Bloomfield Capital Mike Lucci, Jason Jarjosa

Chair Rudominer asked how the Covid-19 pandemic had affected the fund and Mr. Jarjosa explained that their business plan adapted to down cycles. He said now, the majority of their opportunities would come from buying loans at discounts to prior value and they were currently reviewing hundreds of millions of dollars in loans from sellers who needed to sell. He stated they were receiving 80-90 loan requests per week due to something Covid-19 related. Mr. Jarjosa reminded the Board that ultimately, they controlled the asset; if a borrower failed, they could close, restructure or hold the asset until the market came back.

Chair Rudominer asked if the fund would be subject to write-downs. Mr. Jarjosa stated they invested conservatively so that if they ended up owning an asset, their collateral value would be safe. Currently, six of the 25 loans in the portfolio had informed them that they were having issues related to Covid-19. These were all in hospitality, retail and senior housing. Mr. Jarjosa did not anticipate any write-downs; he believed they would fully recover and generate a return on those assets.

American Realty Richelle Hayes, Scott Darling, Jay Butterfield

Regarding the American Core Realty Fund, Mr. Darling explained that they had benefited from being overweight in industrial property and from an absence of investment in regional malls. He reported that performance had exceeded the benchmark for the 2020 first quarter, over one year and over three years. It matched the benchmark over five years and since inception.

Mr. Darling said there had been substantial requests for rent relief but portfolio-wide, collections were good, approximately 90%. Collections in retail were approximately 70%.

Mr. Darling stated they expected an impact to valuations this quarter, and they were seeing appropriate valuation write-downs in early appraisals for the second quarter. He anticipated overall write-downs in the 2-5% range for the second quarter. They felt the Core Fund was well positioned to weather the storm and to provide competitive returns relative to the benchmark.

Regarding the Strategic Value Fund, Mr. Butterfield reported the fund was 86.5% leased, which allowed a value creation opportunity with solid, in-place income which provided enhancement and stability to the return.

Mr. Butterfield stated in 1, 3 and 5 years, they had outperformed the Odyssey Index by 200 basis points. He said returns overall were down from the double digits of 2016 and 2017 but there was still solid income and positive appreciation. He emphasized that the fund was diversified, with low exposure to retail. Mr. Butterfield said their rent collection had been 82% in April, May and June. The requests for rent relief were primarily from Mom and Pop stores and they were working with the tenants by restructuring leases and deferring lease payments to keep the tenants in place.

Mr. Butterfield stated they saw opportunities to buy assets at substantial discount to their value and they had significant capital to invest.

Mr. Schott asked Mr. Darling's opinion on the future of office rental space and Mr. Darling noted that many employers were becoming comfortable with remote working for staff which could prompt a shift in demand. They were seeing interest in Manhattan tenants moving off the island.

Chair Rudominer asked if they anticipated the write-down would be just a one-quarter event and Mr. Darling said the key would be resumption of transaction activity. If transaction activity did not resume in the third quarter, he would expect further write-downs.

Mr. Darling stated collections would have an impact on cash flow more than the return number because accounting rules allowed them to accrue some income in the second quarter.

Prudential Kevin Smith, Justin Gleason

Mr. Smith reported the PRISA II Fund had an average return over the past ten 10 years of over 10% net of fees.

Mr. Gleason stated this was an income and growth fund, not through an excessive amount of leverage but through active asset management. He noted they had no exposure in hotels, malls, department stores or co-working buildings and they were overweight in multi-family and suburban dwellings. Their retail was mostly in grocery, drug stores and side shops, which are recession resistant. He stated they were working with tenants who were having problems. Mr. Gleason said their pipeline of new investment was predominantly industrial and multi-family and they been shifting the portfolio toward the sunbelt, where markets were more business-friendly markets.

Mr. Gleason informed the Board that performance has been solid for 11 years, exceeding the Odyssey Index over 275 basis points over that period. He anticipated values would come down approximately 2-5% due to Covid-19. Mr. Gleason stated they had been shifting investment dollars to suburbs, building more affordable apartments and industrial. He acknowledged that retail rent collection had been slow, 40-60%.

Mr. Gleason informed Mr. Schott that they believed the opportunities going forward were in housing. Aside from the suburban apartments, he said they were interested in larger, more luxury-oriented units.

Mr. Hole was encouraged by what the managers were saying and asked about investors requesting their funds be returned. Mr. Butterfield said they had received three times the redemption requests than they normally did, but 97% of investors still felt real estate was a good long-term investment.

Chair Rudominer asked the tipping point of investors "running for the door" having an impact on the fund. Mr. Smith explained that they had funds across the spectrum with different liquidity needs and they managed the funds for investors who wanted to be in the asset class long-term.

Boyd Watterson John Frady, Casey Wendeln

Mr. Frady said the Covid-19 pandemic and the resulting recession it caused were the reasons why there was a market for real estate investments such as theirs. He stated they had collected 99% of all rents in both strategies and 100% in governmental real estate.

Mr. Frady stated the Odyssey Index member firms anticipated the price appreciation return to be -7.% for 2020. Boyd Watterson anticipated appreciation in their GSA and State funds to be flat or slightly positive.

Mr. Wendeln explained that the GSA Fund invested in federally leased assets and the State Fund invested in state and local office properties. The GSA Fund had a 40% concentration in the greater Washington DC area.

Mr. Wendeln stated they had not changed their return expectations for the rest of the year; their income would come in as expected. Only a few retail tenants have been unable to pay rent and they were deferring them.

Mr. Wendeln said they had a strong queue of capital in growth funds and had not experienced redemption requests. They were poised to acquire assets now.

Chair Rudominer asked about state and local real estate going forward due to lack of revenue and Mr. Wendeln explained that they had concentrated on AAA- or better credit rated states and they were not seeing requests for rent deferrals.

Mr. Schott said CAPTRUST felt comfortable with Boyd Watterson, and the GSA Fund had the least challenges. Regarding Prudential and American, he agreed it was impressive they had navigated areas of retail. He said CAPTRUST had built a relationship with Bloomfield Capital and spoke with Mr. Lucci often. Mr. Schott stated they were in a lot better place than they had been.

Mr. Schott stated CAPTRUST was comfortable with the real estate managers and believed they had created an all-weather portfolio that was acting as they had hoped in the downside.

FOSTER & FOSTER

2020 Experience Study Brad Heinrichs, Drew Ballard

Mr. Heinrichs explained that the study would revise assumptions for the 10/1/2020 actuarial valuation to develop fund requirements for the 2021-2022 fiscal year for the City.

Mr. Heinrichs referred to his summary of possible changes to the assumption:

Assumption	Increase (Decrease) in Required City Contribution	Increase/(Decrease) in Unfunded Liability	Funded Ratio
		Current:	92.2%
1. 7% Investment Return	3,946,436	32,461,866	89.4%
2. Salary Increases	(90,131)	(390,656)	92.2%
3. Mortality Rates	983,601	9,176,456	91.4%

4. Retirement Rates	322,601	3,107,568	91.9%
5. DROP Participation Period	34,674	0	92.2%
6. Withdrawal Rates	230,394	(610,183)	92.3%
7. Disability Rates	(110,791)	208,627	92.2%
8. Combination (7.3%)	1,371,068	11,570,689	91.2%
9. Combination (7%)	5,395,254	44,623,377	88.3%

He described the seven possible changes.

1. 7% Investment Return – If they reduced the assumed rate to 7% all at once, this would represent an almost $4 million increase in contribution requirements and a $32 million increase in the unfunded liability. Reducing by five basis points per year, costs would increase approximately $650,000 each year.
2. Salary Increases - If they were tightened up the salary increases, it would decrease costs almost $100,000 per year.
3. Mortality Rates – If they used the Florida Retirement System tables (which they would probably be forced to) costs would increase by almost $1 million per year.
4. Retirement Rates – If they tightened up retirement rates, costs would increase approximately $300,000 per year.
5. DROP Participation Period – Little change
6. Withdrawal Rates – If they lowered turnover rates, more people would become vested, increasing costs by approximately $230,000 per year.
7. Disability Rates – Fewer disabilities would reduce costs by $110,000.
8. Combination (7.3%) – If they made all changes but kept a 7.3 Assumed Rate of Return, it would cost over $1.4 million per year.
9. Combination (7%) - If they made all changes and went immediately to a 7% Assumed Rate of Return, it would cost over $5 million per year.

Mr. Heinrichs stated they did not need to make any changes until the end of the calendar year.

Mr. Bayne suggested postponing any action to better know the impact of the Covid-19 pandemic.

Mr. Hole asked about possible impacts on disability/PTSD due to Covid-19. Mr. Heinrichs said Covid-19 could lead to an increase in disability rates, if it were determined it would qualify one for disability. Mr. Klausner said the State had already decided that if a first responder contracted Covid-19, it would be treated as a line of duty presumptive disease under the Workers' Compensation law. Regarding PTSD, Mr. Klausner stated they were seeing more claims, but more were not being granted.

ATTORNEY'S REPORT Robert Klausner

Hector A. Loiz Jr - Service Incurred Disability

Mr. Klausner said the nature of Mr. Loiz's claim made it risky for him to meet face-to-face with another doctor. He recommended the Board adopt the workers' comp doctors as the IME and possibly send the reports to Dr. Lupu for a concluding opinion. They could set a step one disability hearing for their next meeting. Ms. Wenguer had already sent all Mr. Loiz's records to Dr. Lupu. Mr. Klausner was concerned about Mr. Loiz's being exposed to infection because his lungs were compromised.

Chair Rudominer suggested asking Dr. Lupu if he needed to see Mr. Loiz. Chair Rudominer asked if the workers' comp doctor could complete the disability form and Mr. Klausner confirmed that because the doctor was supposed to tell the truth, there would be no conflict.

Mr. Bayne asked if the Board would have any liability if they sent him to meet a doctor in person. Mr. Klausner guessed that there would be a claim if Mr. Loiz was infected as a result of a doctor visit, but felt their liability would be limited by the tort statute.

Ms. Wenguer agreed to contact Dr. Lupu and explain the Board's position.

Mr. Klausner pointed out that telemedicine was also an option.

Jason Mammarelli – Non-Service Incurred Disability

Mr. Klausner stated psychiatrists wanted to see clients face to face, but Mr. Mammarelli's agoraphobia made him essentially housebound, so he recommended sending his file to Dr. Lupu as well. Dr. Lupu may want a telemedicine interview but if Mr. Mammarelli did not cooperate, Mr. Klausner felt the Board was under no obligation to advance the application.

Pension Ordinance Rewrite

Mr. Klausner reported the City had the Ordinance re-write. Ms. Grant said she was going to revisit the remaining question about Police pay.

Benefit Suspension – Sharon Arnal

Ms. Wenguer said Ms. Arnal was not responding to phone calls or emails and a remittance had been returned with "return to sender." Ms. Wenguer had suspended the benefits payment as of June 1.

Mr. Bayne informed the Board that he had just called someone who lived in that area and agreed to try to contact Ms. Arnal.

Chair Rudominer advised Ms. Wenguer to suspend Ms. Arnal's benefits until/unless they heard from her.

Mr. Rudominer stated the Governor's executive order would expire on July 7. Ms. Grant said the City Commission intended to meet remotely through their summer break and to resume in-person meetings on August 18.

CAPTRUST:
Monthly Investment Review Ryan Hill, Steve Schott

Not discussed.

EXECUTIVE DIRECTOR'S REPORT:
Chair Rudominer wanted the Board to meet in person on July 8. Mr. Klausner said he would attend remotely. Mr. Bayne noted that only four trustees needed to be physically present for quorum requirements. Chair Rudominer, Mr. Fortunato, Mr. Bayne and Mr. Cameron agree to attend in person.

COMMUNICATION DIRECTOR'S REPORT Fred Nesbitt
Mr. Nesbitt informed the Board that the annual report was done and printed. It would be mailed to retirees and sent via email to active members. Hard copies would be available at Fire and Police stations.

Mr. Nesbitt stated the FPPTA had held their second virtual learning program of a total of 12. For every six sessions a member attended, he/she would receive five continuing education credits.

Ms. Wenguer asked the Board to approve the -12.44% Plan Rate of Return for the last quarter.

Motion made by Mr. Fortunato, seconded by Mr. Hole, to approve the -12.44% Plan Rate of Return for the last quarter. In a voice vote, motion passed unanimously.

Executive Director's Contract Renewal
Ms. Wenguer said her contract would be up at the end of October and asked if the Board wanted to form a committee.

Mr. Naugle said he was comfortable having Chair Rudominer meet with Ms. Wenguer. Ms. Wenguer agreed to send Board members the current contract.

Ms. Wenguer said she would put Mr. Heinrichs's study on the Board's October agenda.

Mr. Klausner informed Mr. Hole that the ordinance re-write included changing the investment policy from calendar year to plan year.

PENDING ITEMS:

New Business:

Old Business:

Schedule A

There being no further business to come before the Board at this time, the meeting was adjourned at 3:04 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.