POLICE AND FIREFIGHTERS' PENSION BOARD
REGULAR BOARD MEETING
888 South Andrews Avenue, Suite 202
Fort Lauderdale, FL 33316
Wednesday, October 13, 2021, 12:30 P.M.

Board Members

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

Also Present

Lynn Wenguer, Executive Director	Michael Dew
Alexandra Goyes, Deputy Director	Robert Bacic
Robert Klausner, Board Attorney	Jason Fithian
Fred Nesbitt, Communications Director	Dan Holland, Providence Equity Partners
Kyle Campbell and Steve Schott, CAPTRUST	Susan Grant, Finance Director

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: September 8, 2020

Ms. Wenguer wished the minutes to note that Mr. Bayne had been absent for the vote on page 4.

Motion made by Mr. Naugle, seconded by Mr. Joseph to approve the Board's September 8, 2021 meeting minutes as amended. In a voice vote, motion passed unanimously.

NEW HIRES:

Chair Rudominer welcomed the new hires.

BENEFITS:

POLICE DEPT:

New Retiree:(DROP Termination):	Karen E. Dietrich
	Francis J. Sousa
	William Lilliston Jr.
	Justin E Moody
New Retiree:(Service Retirement):	Crystal Brignoni
Vested Retirement:	Alexander B Belfield IV
DROP Retiree:	Michael T. Lopinot
Vesting:	Ernst Etienne
	Nicholas Cuevas
Member Termination:	Maria G. Feria
	Joseph M Esposito

FIRE DEPT:

New Beneficiary:	Kathleen Weston
Survivor Death:	Marian Sheehan

Ms. Wenguer explained how the new interpretation of the vesting affected Alexander Belfield and Nicolas Cuevas. Mr. Klausner advised that members' ages, but not dates of birth, be indicated.

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

BILLS:

CAPTRUST	$36,173.08
Affiliated Housing	$18,750.00
Rhumbline	$16,454.00
Foster & Foster	$5,900.00
Milliman	$5,500.00
Klausner & Kaufman	$3,500.00
Dr. Jeffrey Worth-IME	$1,600.00
Dr. Domingo Delgado-Garcia-IME	$1,200.00

Ms. Wenguer said they had been billed by Klausner & Kaufman for copy fees but she had not paid them, since they were still under the retainer. Mr. Klausner said the copy fees would be zeroed out when they received the retainer.

Motion made by Mr. Hole, seconded by Mr. Bayne, 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:
Ms. Wenguer had received a letter from a retired Police officer regarding the COLA. The letter would be attached to these minutes for the public record. The Board would discuss it at their next meeting.

PRIVATE EQUITY PRESENTATION: Daniel Holland, Davis Noell
Providence Equity Partners

Mr. Campbell said they had very high confidence in private equity for the next 7 to 10 years and this was an area in which they would like some additional allocation. He stated CAPTRUST had high confidence in Providence Equity partners.

Mr. Holland and Mr. Noell provided a presentation describing the background of their company, their market positioning and strategy, the types of companies in which they invested, their team, and how they evaluated opportunities. He reviewed the performance of their Providence VII and Providence VIII funds.

Chair Rudominer noticed there were six years between Providence Fund VII and Providence Fund VIII but only three years between Providence Fund VIII and Providence Fund IX. Ms. Noell sad there would be approximately four years between Providence Fund VIII and Providence Fund once they closed and started investing. He believed four years would be a normalized pattern; he thought Providence Fund VII was unnaturally long.

Chair Rudominer asked how SPACs were competing with private equity, and asked Mr. Campbell to discuss IRR and MLIC. Mr. Noell felt the SPAC market would continue to exist but it would shrink and be focused on more mature managers with more public market experience. He said they had not raised or done any deals taking a SPAC public. They would be open to a SPAC deal but it must be with a manager who understood this was a capital raising activity and a step toward building a better business.

Mr. Campbell explained that IRR (Internal Rate of Return) annualized returns over a period of years. MOIC (Multiple On Invested Capital) compared an investment's current value to the amount of money an investor initially put into it.

Mr. Hole said the agenda in DC and the DOJ seemed more concerned about "equality and censorship and economic issues and the burden of proving that you're not harming the competition now..." He asked if Mr. Noell thought this could harm startups or M&As. Mr. Noell felt this would have an impact on the M&A market. He did not fell this was necessarily a bad thing and it would not have a huge impact on Providence. It may cause them to consider whether a merger of two businesses in the same sector made sense. He also thought it would slow down purchasing by mega corporations.

Mr. Hole thought startups were tending to hold on "looking for the bigger bucks" and asked if that changed Providence's market. Mr. Noell said IPO markets had gotten much stronger with more companies going public, but startups were waiting longer and longer and raising more capital in the private markets. Valuations for true growth equity businesses were extraordinarily high. This was why they avoided the classic growth equity part of the market: they felt the valuations relative to the potential risk would not afford the kind of return they liked. They focused on more mature, slower-growth business.

Mr. Schott said a lot of private equity funds were considering the education space. Mr. Noell stated there had been a big shift in the way people learn. They were investing in tools and technology for new models of education. In Europe, there were opportunities to invest in schools as well.

Mr. Schott asked Mr. Noell to differentiate between "building from scratch" and pure venture. Mr. Noell stated when they identified deals, they were thematic and sought companies that met that theme, and approached them before any process or auction started. They thought about how to get in front of companies earlier to build relationships and be the best partner and buyer. This was not the same as venture capital because they were not starting with an idea and building a product; they started with a small acquisition with the intention of making more over time.

Mr. Schott asked where Mr. Noell felt their best success had been and where it would be in the future, onshore or offshore. Mr. Noell explained that this year, they had invested in more US based companies but in other years, they had invested more heavily in Europe. They were selective based on where they saw opportunities.

Mr. Hole asked if Mr. Noell thought the capital gains tax rate would increase significantly. He also noted that the Institutional Limited Partners Association was discontinuing its private market benchmark next year and asked if they would then use Cambridge Associates. Mr. Noell said there were several other benchmarks they could use. Regarding taxes, Mr. Noell said they concentrated on investing in great business, building them and selling them at the right time. He anticipated the capital gains rate would increase and carried interest would most likely be extended. He said there were serious disincentives to bringing the capital gains rate to the ordinary income rate. Mr. Noell expected the capital gains rate and tax rate would increase, which would be necessary to fund programs the Biden Administration was advocating.

Mr. Campbell noted they had money coming back from Invesco to deploy. He anticipated a three-to-five-year investment period. He stated Providence was a top quartile manager and the risk adjusted returns were good as well.

Chair Rudominer said he had been concerned Providence would be too narrow, but he was more comfortable about not being in a focus fund.

Mr. Hole recalled in 2007 and 2008, Providence had lost a couple billion dollars and the CEO had taken responsibility, admitting they had grown too fast and not paid sufficient attention to quality and style drift. Mr. Hole said there was a change in his position and asked Mr. Campbell if that would be a good thing for the company. Mr. Campbell thought this would be positive. He noted they were just starting to see private equity companies' succession planning, which Providence had already been through.

Mr. Campbell reiterated this was an area of the market that CAPTRUST liked and a general partner they really liked.

Mr. Campbell reviewed the management fees for Providence: If they were in the first close, there would be a discount to management fees: from 1.4% down to 1% after the investment period; 20% carried interest with a hurdle rate of 8%.

Mr. Campbell advised increasing their private equity allocation by $4.5 million to $20 million to give them a meaningful position.

CAPTRUST: Kyle Campbell
Monthly Investment Review

Mr. Campbell reported Ellwood Associates in Chicago had been brought into CAPTRUST and they were now the largest RAA in the country with over $700 billion under advisement.

Mr. Campbell stated returns should be available in two to three weeks. For the quarter, the portfolio was at $1.15 billion, slightly below the last quarter. Equities were down, fixed income was flat and he was anticipating positive numbers from Boyd Watterson, Capital Dynamics and GSA Capital partners.

He said traditional had been slightly outperforming some of the alternatives, but he anticipated a reversal of that in the fourth quarter. Active management had performed well. The rate of return at the end of the last quarter was just under 18% and he anticipated this would remain the same for the fiscal year.

Mr. Campbell recommended investing in AgAmerica to increase their alternative strategy. Mr. Klausner stated he had drafted the side letter in response to their documents and would speak with AgAmerica in the next week to resolve that. Mr. Campbell agreed to confirm that the fee structure had not changed.

Chair Rudominer said they had received an explanation from Entrust regarding the capital call. Mr. Campbell said this was generally a fee they would have taken from the account and budgeted for but it was not, so they had another capital call. He considered it like a clawback on some of the assets they thought they had in the account but they did not.

Mr. Klausner had asked Entrust for a full accounting: expected expenses, what was spent, and what the difference was. He recommended decreasing the next distribution, making Entrust cover the cost.

ATTORNEY'S REPORT Robert Klausner

Mr. Klausner stated HB 117, a substitute for HB 53, would create a presumption for COVID-19 disability and deaths, had been filed. The bill was essentially the same and would require vaccination He did not anticipate it would be retroactive.

Mr. Klausner was still waiting for the City to put the rewritten ordinance on the City Commission's agenda. He had sent a note to the City attorney asking to know where it stood.

Mr. Klausner was about to send a note to the City Attorney, the CFO and the internal auditor regarding Ms. Wenguer's contract and said the Board had statutory authority to pay her. If the City would not pay her through the General Employees retirement plan, he would recommend the City go back to an earlier legal opinion issued by the City Attorney approximately four years ago, which would have grandfathered Ms. Wenguer in. Otherwise, he would recommend the Board purchase an annuity with an effective date of her retirement date to pay Ms. Wenguer the difference. Someone in his office was calculating this difference.

Mr. Klausner said a question had arisen regarding the calculation of the highest two years. He explained that the 27th paycheck received every few years represented benefits outside the "high two year" period. This had already been litigated in Jacksonville and the Circuit Court determined that in a two-year period, an employee had 52 pay periods. An extra check did not represent services rendered within the period. One may receive 53 checks, but it was not services rendered within the pay period.

Mr. Klausner said if the Board passed a motion that there were 52 pay period/paychecks in the high two years, he would send a denial letter to the member who had inquired. He agreed to summarize this in a memo and the Board could choose whether or not to adopt his advice.

SelectQuote Securities Litigation

Mr. Klausner had received a memo from a securities monitor regarding a $108,000 loss in SelectQuote, an insurance brokerage. They were alleged to have intentionally overstated policy renewal numbers, which violated generally accepted accounting practices and Sections 10B and 11 of the Securities Act. If the Board approved, they would intervene in an existing action, partnering with the West Palm Beach public safety plans, which had suffered similarly sized losses. He reported insiders in the company had dumped $180 million in stock during this critical period.

Motion made by Mr. Bayne, seconded by Mr. Joseph to authorize Bernstein Litowitz Berger & Grossmann LLP to seek lead plaintiff status on the pension fund's behalf. In a voice vote, motion passed unanimously.

Ms. Wenguer said a member who had applied for disability was awaiting a third medical report. Ms. Wenguer had asked if the application could go forward with two reports. Mr. Klausner noted that the disability would be retroactive. Ms. Wenguer stated they needed the third report; Dr. Lupu would not see the member until she had the third report. She said the Board could ask Dr. Lupu to create his report based on the two medical reports. If there was a conflict, they could submit the third report. Mr. Klausner noted the Board set the rules and could tell Dr. Lupu go ahead using two reports. Ms. Wenguer agreed to call Dr. Lupu.

COMMUNICATION DIRECTOR'S REPORT Fred Nesbitt

Mr. Nesbitt reported Social Security payments were increasing 5.9%, the biggest increase in 39 years. He noted this would have an impact across the board. Medicare would increase approximately $10 per month.

Mr. Nesbitt had written two papers, one on the financial personalities of pension plans and one on asset allocations for eight different categories of investments for public plans across the State of Florida. Next year he would add contributions to the report.

EXECUTIVE DIRECTOR'S REPORT:

Milliman - License Fees

Ms. Wenguer said the fee was increasing $500 per year. She reported some of the software updates were dragging out. Ms. Wenguer noted it would be extremely expensive to switch providers.

Chair Rudominer recalled that when they hired Milliman, they were the most economical choice. He asked if they should put out an RFP. Ms. Wenguer suggested waiting until General Employees received quotes for their plan.

Motion made by Ms. Joseph, seconded Mr. Hole, to approve the $500 per year increase in the Milliman licensing fee. In a voice vote, motion passed unanimously.

Entrust - Capital Call

Previously discussed

Pension Calculation (Highest 2 Years)

Previously discussed.

PENDING ITEMS:

New Business:

None

Old Business:

Schedule A

None

There being no further business to come before the Board at this time, the meeting was adjourned at 2:35 p.m.

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Secretary	Chairman

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