

August 10, 2016

**POLICE AND FIREFIGHTERS' PENSION BOARD
REGULAR BOARD MEETING
888 South Andrews Avenue, Suite 202
Fort Lauderdale, FL 33316
Wednesday, August 10, 2016, 12:30 P.M.**

Present

Michael Dew, Chair
Ken Rudominer, Vice Chair
Richard Fortunato, Trustee
Dennis Hole, Trustee
Scott Bayne, Trustee
Jeff Cameron, Trustee
Lynn Wenguer, Executive Director

Absent

Jim Naugle, Trustee

Also Present

Steve Schott, CapTust
Kevin Schmid, CapTrust
Julian Kasdin, CapTrust
Alexandra Goyes, Deputy Director
Jazmin Elliott, Administrative Aide
Laura Garcia, Comptroller
Stuart Kaufman, Board Attorney
Jim Ingersoll, President, Retirees' Association
Paul DeBold, VP Retirees' Association
Jack Chew, Retirees' Association
Fred Nesbitt, Communication Director
Lisa Edmondson, Recording Secretary, Prototype Inc.

ROLL CALL/CALL TO ORDER

Chair Dew called the meeting 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: July 6, 2016

Motion made by Mr. Rudominer, seconded by Mr. Fortunato, to approve the minutes of the July 6, 2016 meeting. In a voice vote, the motion passed unanimously.

COMMENTS FROM THE PUBLIC

None.

NEW HIRES

Chair Dew recognized the new hires.

BENEFITS:	POLICE DEPT.:	New Retiree:	Aaron Baxter
		(Term of Drop)	John C. Wright

	Lump Sum Refund:	William Rippy Kevin G Pisano
FIRE DEPT.:	New Retiree:	Richard P. Gillis Randy Bonsignore
	(Term of Drop)	

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.

BILLS:	Prudential	\$90,702.77
	Vaughan Nelson	\$68,523.70
	Eagle Asset Management	\$48,854.73
	Eagle Asset Management	\$46,890.12
	Agincourt Capital Management	\$42,370.25
	Northern Trust	\$39,673.10
	Boyd Watterson Asset Management	\$37,463.00
	Sawgrass Asset Management	\$28,670.04
	Aristotle Capital Management	\$26,142.87
	CapTrust	\$21,250.00
	InTech	\$18,563.20
	RhumbLine	\$17,591.00
	Foster & Foster	\$8,117.00
	Klausner & Kaufman	\$3,000.00
	Holland & Knight	\$625.00

Motion made by Mr. Rudominer, seconded by Mr. Hole, to approve payment of the bills as stated.

INPUT FROM ACTIVE & RETIRED POLICE OFFICERS & FIREFIGHTERS

Mr. Ingersoll stated the current plan assumed that retirees would live to be 81 or 82 but the average age of death was actually 69. They averaged 5.4 deaths per year for Firefighters and 8.4 per year for Police. Mr. Ingersoll said they planned to meet with City representatives in the next few months. Mr. Ingersoll announced that Stan Jansen, former captain in the Fire Department, had passed away one week ago.

CAPTRUST

Kevin Schmid, Steve Schott, CapTrust

Quarterly Investment Review

Mr. Schott introduced Julian Kasdin, a new member of their firm in the Miami office.

Mr. Schott provided a capital market review: the bond market had done well so far; stocks had rallied; domestic equities in the most recent quarter had risen 2.46%; large-cap growth stocks had done well for the year so far; mid-cap stocks had done particularly well, up 5.5%; small-caps were down 1.59% for the year; international stocks were up 1% for the quarter.

Mr. Schott noted in the past ten years, the more conservative portfolios had performed better than more aggressive portfolios.

Chair Dew said this was compelling information. He asked if the Board should consider re-evaluating and possibly reducing their assumed rate of return. Mr. Schott felt this required revisiting the asset allocations and assumed rate of return. He said actuarial assumptions were based on 20-year periods. Mr. Schmid stated the assumption was for the life of the plan and they needed to balance short and intermediate-term assumptions with longer-term history. Looking ahead 40 to 50 years, a 7.5% return was perfectly reasonable. There were benefits to getting the assumed rate down if there was money that could come into the plan; otherwise it would just widen the gap.

Chair Dew said they wanted stable funding so the sponsor did not need to seek additional cash.

Mr. Schmid stated they had seen a flow of assets into "bond substitutes:" higher-yielding utilities, REITS, telecom and consumer staples. This had made the market more challenging for active managers because they were typically underweight in those classes.

Mr. Schmid said the fund was up 1.6% this quarter and most managers had done reasonably well. Most large-cap managers were in line with their benchmarks for the quarter but InTech had lagged. In mid-caps, Eagle had beaten the benchmark by 1.4% for the quarter and doubled the benchmark for the year. In international stocks, Dodge & Cox was damaged the week of the Brexit but were up over 9% in July. Mr. Schmid said real estate continued to be a good absolute driver of performance.

Mr. Schmid said the biggest detriment to the plan return for the quarter was Lazard Global infrastructure, which was down 1.6% while the index was up 5%. He pointed out that year-to-date, Lazard was up 6.6%.

Chair Dew asked about increasing their allocation in infrastructure, since infrastructure was something cities were acknowledging the need to invest in. Mr. Schmid felt they had a healthy weight - 6% - in that fund. They could go up to 7.5% but their target weight was 5%.

Mr. Schmid reported because of additional monies coming out of the Drop, they would trim a little from large-cap equities to raise cash until October.

COMMUNICATION DIRECTOR'S REPORT:

Mr. Nesbitt had nothing to report.

EXECUTIVE DIRECTOR'S REPORT:

Ms. Wenguer introduced Jazmin Elliott, the new office assistant.

2016/2017 Budget

Ms. Wenguer reported she had incorporated the City's expenses into the budget and distributed a list of items included. Chair Dew asked if it was time to consider doing their own payroll. Ms. Wenguer said she would evaluate it, but noted she might need additional staff to run a payroll.

Mr. Rudominer said the City should reimburse the Pension Fund for the yearly retirement seminars because this should be a City function. Chair Dew stated they needed to research this. Ms. Garcia said if the Board had questions regarding specific charges, they should discuss it with the Budget Division.

Ms. Wenguer said the budget was an estimate based on last year. She described the fluctuations since last year. Mr. Bayne asked if there were additional expenses during contract years, pointing out that next year was the beginning of a negotiating cycle. Ms. Wenguer stated any change would necessitate an impact statement and Chair Dew recommended budgeting an additional \$10,000 for it.

Motion made by Mr. Rudominer, seconded by Mr. Hole, to approve the proposed budget, to include changing actuarial services to \$50,000. In a voice vote, motion passed unanimously.

Motion made by Mr. Rudominer, seconded by Mr. Bayne, to approve the 1.57% rate of return for the quarter. In a voice vote, motion passed unanimously.

Ms. Wenguer stated a member had died and his family applied for a service-incurred death benefit. She was gathering his medical records and would send them to Dr. Lupu. Mr. Kaufman advised getting an initial recommendation from Dr. Lupu and if he suggested they get a review from another doctor, they could do it then.

Employee Handbook

Ms. Wenguer said they were reviewing everything and some changes were needed to the handbook.

Mr. Rudominer wished to change the language regarding fiduciary responsibilities “of the plan” to “of the Board.” Chair Dew suggested office hours should remain at 8:00 a.m., not 8:30. Mr. Rudominer wanted to ensure that the waiver for health insurance coverage was ACA-compliant.

The Board discussed retirement benefits and Ms. Wenguer noted she was the only one who was a member of the General Employees’ pension plan. Chair Dew recalled that when they discussed this in 2005, they decided to use General Employees Retirement System qualifiers. Ms. Wenguer said a 401A did not define retirement. Mr. Kaufman agreed to get a copy of the 401A plan.

Mr. Hole suggested in section 4.4, line 2, deleting the word “of” and changing “correspondent” to “corresponding.” Also, changing the term “Administrator” to “Executive Director.”

Mr. Kaufman stated there was a Broward County human rights ordinance that might apply, depending on the number of employees. He agreed to research this.

Ms. Wenguer reported one of their disabled firefighters was now working at another location and Mr. Klausner was drafting a letter she would send indicating the City would stop making his disability payments. She said this person was not currently being paid and there were no funds to recover because he had made more than was allowable under their disability.

Trustee Election - Term expiration of 7th Member

Ms. Wenguer stated the 7th member seat was coming up this year and they would be accepting resumes in September. Two other trustee seats would come up in October.

PENDING ITEMS:

New Business:

Chair Dew said now that the in-service distribution was settled, he wanted to know the total cost and asked Mr. Kaufman if they should consider suing to recover the costs, since it was not their actions that caused them. Mr. Kaufman agreed to perform research to ensure their position was meritorious.

Mr. Rudominer thought the Board and Ms. Logan-Short had discussed this already. Ms. Wenguer stated, “Originally, they (the City) said they were paying and then they backtracked on that and they said no.” The Board agreed to discuss this at their next meeting once they knew the actual costs.

Old Business:

Schedule A

No discussion.

FOR YOUR INFORMATION: KCG Recapture Statement

Recapture Summary/June, 2016

There being no further business to come before the Board at this time, the meeting was adjourned at 1:43 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.

[Minutes prepared by J. Opperlee, Prototype, Inc.]

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