

August 2009



POLICE & FIREFIGHTERS' PENSION BOARD REGULAR MEETING

Pursuant to authority of Ordinance C-00-34, Article II, this regular meeting of the Police & Firefighters' Pension Board convened at 12:30 P.M., Wednesday, August 12, 2009 in the Pension Board Conference Room, 888 S. Andrews Avenue, Suite 202, Ft. Lauderdale, Florida 33316.

PRESENT:

Michael Dew, Chairman
 Mark Burnam, Vice Chairman
 Dennis Hole, Secretary
 Ken Rudominer, Trustee
 Richard Fortunato, Trustee
 J. Scott Bayne, Trustee
 Jim Naugle, Trustee
 Steve Cypen, Cypen & Cypen, Board Attorney
 Lynn Wenguer, Administrator
 Rachel Maldonado, Assistant Pension Administrator
 Laurie DeZayas, Pension Secretary

ALSO PRESENT:

Jack Chew, Retirees' Assoc.
 Fuzzy Larkin, Retirees' Assoc.
 Rick Schulze, Retirees' Assoc.
 Fred Nesbitt, Director of Public Relations
 Linda Solomon-Duffey, Retirees' Assoc.
 Gabriel McInerny, Thornburg
 Jennifer Young, InTech
 John Brandt, InTech
 Frank Colleran, Retirees' Assoc.
 Bill Patton, Retirees' Assoc.
 Scott Rubin, Artio Global
 Tim Devlin, Artio Global
 Jason Pulos, Asset Consulting Group
 David Farrand, Attorney, Cypen & Cypen
 Gregg Gurdak, President, Retirees' Assoc.
 Randall Stanley, Stanley Holcombe & Assoc.
 Captain Eric Brogna, FLPD

ASSET VALUE as of August 10, 2009: \$376,692,217

Chairman Dew called the meeting to order at 12:30 p.m.

Communications to City Commission

- Chairman Dew has addressed Commission/ Mayor on Pension Ordinance amendments including: reinstatement of COLA clause, removing remarriage penalty for widows, refining language for Police O/T, extending trustee term to 4 years.
- Quarterly Performance Review: Overall Fund performance gained 8.7% for the last quarter or \$16 million since March 31.
- IRS application for qualification of public funds boards is in progress. Special Tax Counsel will address at the September meeting.

MINUTES: Motion made by Mr. Rudominer, seconded by Mr. Burnam, to waive the reading of the minutes for Regular Meeting, July 15, 2009, and approve them as a whole. Mr. Hole asked that when corrections are noted for the minutes, there should always be a specific explanation as to what was corrected. With no further discussion, the **motion** carried unanimously.

BENEFITS REVIEW:

Motion made by Mr. Fortunato, seconded by Mr. Bayne, to waive the reading of the benefits and approve them as a whole. The Administrator mentioned that the monthly amount for Glenn Gilley was incorrect on the summary sheet and should be changed to \$5,869.09. This was due to the fact that the factor necessary to compute Mr. Gilley's BAC-DROP was not available at the time the agenda packets were distributed. In a voice vote, the **motion** carried unanimously.

FIRE DEPARTMENT	BENEFIT TYPE	RETIREMENT DATE	TERM DATE	FORM OF BENEFIT
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Glenn Gilley	BAC DROP Retirement	August 31, 2009	August 30, 2009	Life Annuity
Randy Bonsignore	DROP Retirement	August 10, 2009	August 9, 2014	Life Annuity
Constantino Pazos	DROP Retirement	October 10, 2009	October 9, 2014	Standard
Fabio Guzman	Request for Refund		July 23, 2009	Lump-Sum Refund
POLICE DEPARTMENT	BENEFIT TYPE	RETIREMENT DATE	TERM DATE	FORM OF BENEFIT
Dennis W. Nelson	Term of DROP	October 15, 2004	September 1, 2009	100% J&S
Michael Lilly	DROP Retirement	October 2, 2009	October 1, 2014	Life Annuity
Eleanor Deats	New Beneficiary		July 13, 2009 (DORD)	Standard
Ellen Long	New Beneficiary		August 4, 2009 (DORD)	

BILLS: The following bills were submitted:

- Sawgrass Asset Mgmt for management fees through 6/30/09 in the amount of \$46,815.00.
- Systematic for management fees through 6/30/09 in the amount of \$35,705.87.
- Agincourt for management fees through 6/30/09 in the amount of \$34,598.42.
- InTech for management fees through 6/30/09 in the amount of \$27,548.39.
- NorthPointe Capital for management fees through 6/30/09 in the amount of \$21,205.59.
- Artio Global for management fees through 6/30/09 in the amount of \$18,987.45.
- RhumbLine for management fees through 6/30/09 in the amount of \$4,574.51.
- Northern Trust for custodial fees through 6/30/09 in the amount of \$21,774.54.
- Stanley, Holcombe for the valuation/presentation in June in the amount of \$2,461.00.
- Holland & Knight for professional fees in the amount of \$1,100.00.

Motion made by Mr. Fortunato, seconded by Mr. Rudominer, to waive the reading of the bills and approve them as a whole. Mr. Hole raised a few concerns regarding the bills. Mr. Hole asked if the first quarter fees for NorthPointe fees were retroactively reduced based on the new Fee for Performance agreement. Ms. Wenguer said it had not but she would request a credit for the next quarter. Also, Mr. Hole found a discrepancy in Artio's advisory fees that were five basis points less as discussed in their presentation versus what was available to the Board in its contract.

Artio said that these different rates were for LLC versus the Group Trust that applies to the Board. Mr. Hole asked for a status update on the overdue Holland & Knight invoices discussed at the July meeting. Ms. Wenguer indicated that one of the two invoices is up for approval by the Board and the last one should be addressed at the next meeting. Finally, Chairman Dew wanted to know if the bill for Stanley Holcombe fell within the amount approved in the contract. Ms. Wenguer confirmed that it did and that this bill was submitted to reflect progress. In a voice vote, the **motion** carried unanimously.

SEPTEMBER MEETING CHANGE: Chairman Dew noted the date and time change for the September meeting. The next meeting is scheduled for Wednesday, September 2 at 10:00 AM.

INPUT FROM ACTIVE & RETIRED POLICE OFFICERS & FIREFIGHTERS: Mr. Gurdak had nothing to report at the time of the meeting. Mr. Colleran addressed the Board on the actuary's response to his letter concerning the formula affecting him in the Me Too II case. Since the Board did not have a copy of Mr. Colleran's original letter in their possession, the Board asked that this discussion be moved to the September meeting agenda so they might review all letters involved.

NON-SERVICE INCURRED INFORMAL DISABILITY HEARING, Michael Nahum: Mr. Steve Cypen, Board attorney, addressed the Board on the significance of an informal disability hearing. It is a process that helps expedite those cases deemed as a "slam dunk". In a non-service incurred disability, the Board must find that the disability is permanent and total; "total" denotes that the City has no other jobs available to the employee because of his/her disability.

In the case of Police Officer Michael Nahum, who could not be present at the hearing, Captain Eric Brogna was present to speak on behalf of the Fort Lauderdale Police Department. Captain Brogna reported that Mr. Nahum was currently on medical leave, but due to the nature of his illness, his disability would progressively worsen. Capt. Brogna reported that the Police Department offers light duty for temporary illnesses or injuries. Seeing that Mr. Nahum's condition would not improve, the Police Department could not offer him a position since permanent light duty is not available at the department. He reported that Mr. Nahum would eventually be terminated from the department.

Mr. Cypen asked the Board to grant, deny, or defer the approval of Mr. Nahum's application for disability. **Motion** made by Mr. Fortunato, seconded by Mr. Bayne, to grant the Non-Service Incurred Disability finding that the disability incurred 91 days prior to the day of the meeting. In a voice vote, the **motion** carried unanimously. Chairman Dew noted that Mr. Nahum was a good officer and lamented that he was suffering an illness. He stated that Mr. Nahum would stay on the force if he could because he is a dedicated young man.

QUARTERLY PERFORMANCE REVIEW, Artio Global, Scott Rubin/Tom Devlin: Mr. Rubin addressed the Board as the Relationship Manager for Fort Lauderdale. In addition, Mr. Devlin was present as the Director of Client Services. Mr. Rubin said that the most notable change of late was the company's name change in July 2008 from Julius Baer. However, the company had yet to change in terms of their pending IPO since the name change occurred at the time of the market's downturn last year and was therefore postponed. Mr. Rubin reported that there has not been any turnover among their portfolio managers.

Mr. Rubin reported that the Plan performance was in step at the start of the year but had lost track with the benchmark since March due to the low quality bias as a result of government spending. It caused Artio to lose some alpha because they were underweight in financial. Artio did not expect the magnitude of the government stimulus that prevented the expected dilution of the shareholder. After the first six or seven weeks of the second quarter, the Plan's performance is now coming in line with the benchmark. Mr. Hole asked that the Artio submit net numbers to Ms. Wenguer. Mr. Rubin confirmed that he would forward the net numbers since inception.

QUARTERLY PERFORMANCE REVIEW, Thornburg, Gabriel McInerny: Senior Portfolio Specialist Mr. McInerny addressed the Board and said though the Plan's performance outperformed in a relative sense, they did lose ground in an absolute sense. That was due largely to the Emerging Markets that was not in line with the benchmark's Emerging Markets. There were some smaller sectors (i.e. smaller cap emerging markets) that were not available to the Plan because of its size.

Mr. McInerny reviewed the performance reminding the Board that the YTD numbers were preliminary as they did not include July numbers. He told the Board that the firm lost its Chief Compliance Officer due to a family issue. A need to seek pediatric medical care outside of the region caused the officer to move and relinquish his position. Finally, Mr. McInerny reported that as of next May, Israel would no longer be considered an Emerging Market, which would allow Thornburg to look at picking up a lot of other names that could benefit the Plan's performance.

QUARTERLY PERFORMANCE REVIEW, Intech: Ms. Jennifer Young Co-CEO of Intech and Mr. John Brandt, Vice President of Client Relations, addressed the Board. Ms. Young quickly addressed the firm's recent turnover, including the Board's contact Russell Bjorkman who passed away unexpectedly. She and Mr. Brandt will act as points of contact for the Board until a replacement is selected. The Board should take into consideration Mr. Bjorkman's extensive experience in investing and the public funds arena. The firm is painstakingly reviewing each applicant in an attempt to more closely match these qualities. The firm also lost Dr. Greene who was in charge of the Florida research team, which is primarily responsible for performance analysis, the portfolio implementation process and solutions engineering. Dr. Greene returned to academia.

Ms. Young and Mr. Brandt reviewed the history/mission of the company as well as the impact of their mathematical approach on investing. They also touched on the Plan's performance. Chairman Dew asked that they send an updated report to the Administrator with YTD numbers. The Board inquired as to the reason their report had a representative account for comparative purposes instead of the Board's actual account information. Ms. Young said that since the numbers are based on mathematical formulas, every account ends up with almost identical numbers. So though their reports seem generalized, if a report was issued that was specific to the Plan, nothing would really change except the amount of time spent generating them.

QUARTERLY PERFORMANCE REVIEW, Asset Consulting Group, Jason Pulos: Mr. Pulos began an overview of the market through June 30, 2009. Though the year started out very positive for most sectors, gains have slowed down since March mostly due to the continued status of the country's unemployment rate. U.S. Treasury prices continue to fall as investors are turning their attention towards High-Yield bonds.

As for the Board's general performance, though it is currently underperforming the Policy Index and the median public fund for this quarter, the Plan still posted an 8.7% increase in returns for the same time period. Over the last five years, the Plan has returned an annualized 1.6% outperforming the Policy Index for that time period. The Fund's total market value increased about \$16 million, from approximately \$346 million on March 31st to \$362 million at the end of the second quarter. He reviewed the highlights from the various sectors that impacted these numbers.

The remainder of his discussion was around the proposed changes in the Investment Policy. The Board talked about the ability to increase the international investing. They also identified that the definition of international based on "domicile" is too broad and needs to be refined with a more detailed definition. The Board agreed to review and vote on the policy at the September meeting.

The Board also asked Mr. Pulos about his opinion concerning GTS. Mr. Pulos said that their service could be helpful but more research is required. Mr. Cypen also expressed concern that the Board would make a decision without hearing from other firms that offer similar services. Chairman Dew asked that the discussion be deferred as the research continues.

MEDIA REPORT, Fred Nesbitt: The Board discussed the presentation put together by Mr. Gretsas, which they said was factual but skewed in its relevance to the Plan. Mr. Nesbitt constructed the Board's own presentation to give a more accurate picture of the monetary concerns of the Plan as they relate to the City of Fort Lauderdale.

ADMINISTRATOR'S REPORT – COLA Impact Statement: In response to Mr. Hole, Ms. Wenguer reported that the statement had been forwarded to the State and the City.

Receipt of 185 Monies: Ms. Wenguer reported to the Board that the State had approved the annual report submitted on behalf of the Plan. A letter was sent to the Administrator with the confirmed amounts of 175/185 monies received, with the 185 monies having just been deposited. The funds have understandably been reduced over last year, with the Police Department receiving 7.4% less, and the Fire Department receiving 5.7% less.

Memo from City Clerk's Office: The Administrator reviewed a memo sent to all Boards in reference to providing a highlight of minutes to the City Commission. Each Board is expected to include a top sheet for each set of minutes highlighting specific items that the Board would want to bring to the Commission's attention. Mr. Bayne clarified that the Board would have to approve the bullet points at the end of each meeting that will be included with the minutes for that meeting.

Mr. Hole made suggestions as to what should be listed on the first "hot points" sheet, including the changes in Senate Bill 538, the Heart Act passed in 2008, and issues around the recently passed Pension Provision Act. Mr. Cypen thought it was premature to send that information since the Board hadn't been properly briefed on the Act and its impact. He suggested the Board wait until Mr. Friedman, who was scheduled to attend in September, addresses the Board. After much discussion, they agreed to wait until Mr. Friedman's presentation.

Pension Ordinance Amendments: Chairman Dew reported once again that no progress can be made on these amendments until September budget and October negotiations are addressed by the Commission. He also reported that he has still not been able to meet with Commissioner Rogers.

NEW BUSINESS – City/Disability Process: Ms. Wenguer discussed with the Board a letter the City sent to a member encouraging him to apply for disability, effectively insinuating that the benefits may be due to him. Ms. Wenguer asked for guidance on how to approach. Mr. Cypen had contacted the Human Resources office and Mr. Naugle suggested appealing to the Commission who sets the policy.

OLD BUSINESS – Securities Litigation: Ms. Wenguer and Mr. Hole continue to collaborate and will bring suggestions to the Board in September. Mr. Cypen offered his opinion on eight firms that he was familiar with. The Administrator asked the Board if they had input on criteria that they want to be addressed as firms are considered.

Summary Plan Description: The Administrator reported that the office staff was deciding on the format for the best distribution and easiest read. It will be sent to the printing shop this month.

Administrator's Evaluation: This discussion has been deferred once again.

Commission Hot Points: The Board asked that the August highlights for the Commission include the following items: the Pension Ordinance Amendments (COLA, the term of trustees, overtime for Police, and the remarriage penalty for widows), the Quarterly Investment Presentation including the YTD numbers, and the pending application to be compliant with the IRS. Since the bullets would not be available until the minutes are approved at the September meeting, the Board asked that a letter be sent to all the Commissioners inviting them to the September meeting to hear the Special Tax Counsel that would address compliance with the IRS as well as the Pension Protection Act.

Police O/T Status: Randall Stanley was asked about the status of Police O/T discussions. He said that they would have to re-evaluate due to the decrease of the State 185 monies this year. He thinks that the department may be able to still buy 10 additional hours.

Stanley Holcombe Billing for City Support: Mr. Stanley reported that, due to the retirement of the State's actuary, the State hired two actuaries to compensate for the loss of extensive experience. Mr. Stanley has since been called and questioned for explanation on the 2007 smoothing of assets as well as on other general areas. The current actuaries have referred to Mr. Stanley to try to get up to speed, which so far has incurred a cost of \$5,000. He expects the conversations will continue and the cost may reach \$10,000. The Board expressed concern for paying this since Mr. Stanley is assisting the State and this was not something that the Board expressly dictated should be done.

Motion made by Mr. Naugle, seconded by Mr. Fortunato, to adjourn the meeting at 4:40 P.M. With no further business brought before the Board, the motion carried unanimously.

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