

August, 2014



POLICE AND FIREFIGHTERS' PENSION BOARD
REGULAR BOARD MEETING
888 South Andrews Avenue, Suite 202
Fort Lauderdale, FL 33316
Wednesday, August 13, 2014, 12:30 p.m.

Present

Michael Dew, Chair
Ken Rudominer, Vice Chair
Scott Bayne, Trustee
Jeff Cameron, Trustee
Richard Fortunato, Secretary
Dennis Hole, Trustee
Jim Naugle, Trustee
Lynn Wenguer, Executive Director
Steve Cypen, Cypen & Cypen, Board Attorney

Also Present

Amanda Cintron, Assistant Administrator
Laurie DeZayas, Pension Secretary
Linda Logan-Short, Deputy Director of Finance and CFO
Fred Nesbitt, Director of Media Relations
Kevin Schmid, CapTrust
Ann Lindie-McNeil, Retirees' Association, Secretary/Treasurer
Al Scotti, Retirees' Association
Robert Simac, Deputy Fire Chief
Jack Cann, Retirees' Association
Jim Ingersoll, President, Retirees' Association
Richard Brown, Fire Battalion Chief
Bill Spodwick, Retirees' Association
Steve Sellars, Citizen
Gregg Gurdak, Retirees' Association
Paul DeBold, Retirees' Association
Lisa Edmondson, Recording Secretary, Prototype Inc.

Communications to the City Communication

The Board wished to advise the City Commission that:

The Annual Report had been approved by the State Division of Retirement and would receive funds from the State supplemental monies

They had revised their mission statement

Note: Items were discussed out of order.

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 9, 2014

Motion made by Mr. Hole, seconded by Mr. Naugle, to approve the minutes of the July 9, 2014 meeting. In a voice vote, the motion passed unanimously.

NEW HIRES:

Chair Dew recognized the new hires.

COMMENTS FROM PUBLIC

None.

BENEFITS: POLICE DEPT: New Retiree:	Russell Hanstein, Jr. (Term of DROP)
DROP Retiree:	Paul D. Cristofaro
Lump Sum Refund:	Brian J. Boyd Angie Ramirez Michael E. Sanner
Survivor Death:	Catherine Vetro
FIRE DEPT: New Retiree:	William K. Banks (Term of DROP)
Retiree Death:	Robert D. Nehiba

Motion made by Mr. Hole seconded by Mr. Rudominer, to approve payment of the Police and Fire benefits. In a voice vote, the motion passed unanimously.

BILLS:

Lee Munder	\$56,559.98
Agincourt	\$55,729.48
Eagle	\$54,281.85
Boyd Watterson	\$39,918.00
Northern Trust	\$38,945.70
CapTrust	\$21,250.00
Systematic	\$20,214.44
Intech	\$16,755.27
RhumbLine	\$14,639.00
Holland & Knight	\$3,850.00
Holland & Knight	\$300.00
Klausner, Kaufman	\$2,950.00

Chair Dew said the letter Mr. Friedman, of Holland & Knight, had sent regarding the in-service distribution question had simply quoted the statute and raised more questions instead of providing answers. He was unsure which letters the bills represented on four different dates. Mr. Cypen advised Chair Dew to remove the letters' cost from the original \$3,850 bill [a total deduction of \$1,225]. The adjusted amount was \$2,625. Chair Dew said he had asked Mr. Cypen to write the letter, not Mr. Friedman, but Mr. Cypen recalled that he had informed Chair Dew that he did not have the expertise, and so would ask Mr. Friedman to write it. Chair Dew stated he had no recollection of that comment and would have requested the Board's approval before proceeding with this letter if he knew there would be a charge.

Motion made by Mr. Bayne, seconded by Mr. Hole, to approve payment of the bills as amended. In a voice vote, the motion passed unanimously.

INPUT FROM ACTIVE & RETIRED POLICE OFFICERS & FIREFIGHTERS:

Mr. Ingersoll requested clarification on discussions at the previous meeting regarding the State's ruling that retirees in Hollywood were not entitled to the thirteenth check. Mr. Cypen said the question had been whether there was enough of a positive balance in the account to pay the thirteenth check. Mr. Cypen said they disagreed with the State's determination and were fighting it. Chair Dew explained that the ordinance stated they must have a positive gain before distributing any cost of living adjustments.

CAPTRUST:**Quarterly Investment Review Kevin Schmid**

Mr. Schmid described the overlap between managers. Specifically, there were 88 companies InTech held that overlapped, and Mr. Schmid remarked InTech had over 317 holdings, many of which had very small allocations. He said nothing jumped out as a major concern. Mr. Schmid pointed out that in the Russell 1000 style benchmarks, 30% of stocks were in both growth and value groups.

Char Dew felt they needed to rethink and readjust. Mr. Schmid said they should revisit the presentation they had seen a year ago and talk about it.

Mr. Schmid reviewed the quarterly report and stated it had been a positive quarter across the board. Regarding managers, Mr. Schmid said Lee Munder had been beating benchmarks until 2011 and since then had been behind, sometimes by significant margins. In 2011 and 2013 they were in the bottom quartile of their peer group. He said if they did not show improved performance in July, this would be an issue and they should look at other options. Mr. Rudominer wanted to leave this decision to Mr. Schmid. Ms. Schmid had met with Lee Munder representatives at the FPPTA conference in July and they had requested a meeting with the trustees. The Board agreed to invite them to a meeting. Mr. Schmid said the Board could look at other managers if they wished.

Mr. Naugle felt that there could be a stock market correction after the mid-term elections and wondered if they should remain this heavy in equities. Mr. Schmid said relative to their peers, their equity exposure was on the low side. They were well diversified from a risk perspective and he was comfortable with their current position.

Mr. Schmid reported that year to date, the plan was up 9.8% and he anticipated exceeding the actuarial rate of return. On a twelve-month basis, the plan was up just under 15%, almost double the actuarial rate of return.

COMMUNICATION DIRECTOR'S REPORT: Fred Nesbitt

Mr. Nesbitt had nothing to report.

ADMINISTRATOR'S REPORT**Cumulative Gains & Losses**

Mr. Wenguer referred to the letter from actuary Brad Heinrich in which he had calculated gains and losses. The losses had been lowered by \$18 million, but this was not sufficient to pay a COLA.

Ms. Wenguer asked if the Board wanted to adopt this methodology, which would require changes to the plan. Mr. Cypen wanted to ask Mr. Heinrich to submit this to the Division of Retirement and get something in writing accepting it.

In-Service Distributions

Mr. Cypen said a new chart had been generated describing what must be done to fix the problem. The City's tax counsel had opined that the IRS would not react too negatively as long as they were moving to cure the situation. The City had acknowledged that there were union implications that must be taken into consideration. Mr. Cypen said the meetings the City was holding to discuss this were open to the public. He advised Mr. Bayne to have a union representative who was not a trustee attend the meeting. Ms. Logan-Short agreed to ask the City Manager to post the meeting so Mr. Bayne could attend.

Ms. Wenguer said the City had asked them to determine the actuarial cost to the plan if they had in-service distributions up to this point or if it was allowed in the future. Mr. Cypen said, "We're supposed to get a cost of just going retroactive to the date the first person was hired up until say, 2015, and stopping it there, just making it a window, or to go into the future." Ms. Wenguer said the City would cover the costs and the cost of the study. Chair Dew asked for confirmation from the City on this. He noted the City had adopted a policy of no longer re-hiring employees, effective July 21. Ms. Logan-Short stated exceptions were allowed from the City Manager, and the City would ensure that the IRS criteria were met prior to any potential rehire.

Fire Marshal

Ms. Wenguer stated the Fire Marshal had resigned. Mr. Rudominer was concerned that the Board had found out about this issue in May but nothing had been done. Mr. Bayne said the Fire Marshal had sent an email stating it

would be better for him to continue violating the chapter 175 statute by extending his employment using vacation time rather than pay out because he would continue to receive 401(a) contributions. He had also indicated he would change his plan if that was the Board's desire. Ms. Wenguer suggested Mr. Cypen write a letter from the Board to the City Manager indicating this should not have happened; any certified fire fighter or police officer must be in the pension plan. Mr. Bayne wanted the Fire Marshal and the City to make contributions to the plan at the current contribution rate if he remains after his date of resignation.

Motion made by Mr. Rudominer, seconded by Mr. Hole, to have Mr. Cypen draft a letter asking that the Fire Marshal and the City make contributions to the plan if he is still employed after 9/5/14. In a voice vote, motion passed unanimously.

Mission Statement

Mr. Rudominer submitted proposed language. Chair Dew suggested changing the language to refer to the pension plan for "Police and Fire Fighters" to be consistent with the plan title.

Motion made by Mr. Bayne, seconded by Mr. Cameron, to approve the statement as amended. In a voice vote, motion passed 6-1 with Mr. Fortunato opposed.

Provider Contracts

Ms. Wenguer said CapTrust's contract would end on 12/31/14. The Board was also in the last year of the auditor's contract, but it allowed for yearly renewals. Mr. Cypen confirmed the auditor could also be fired at will. Ms. Wenguer recommended continuing the auditor's services.

Chair Dew had called Steve Schott at CapTrust to discuss his concerns about investment managers being denied the opportunity to perform due diligence reviews and Mr. Schott had agreed to look into this. Chair Dew had also requested CapTrust monitor new managers.

Retirement Seminar

Ms. Wenguer distributed the agenda for the one-day seminar on September 17.

Investment Workshop

Ms. Wenguer had received quotes from the Marriott and the Riverside Hotel and they needed to confirm a date. The Board agreed on the Riverside Hotel on December 3 for the meet and greet dinner and December 4 for the workshop.

2014/2015 Budget

Ms. Wenguer said the big change was on invoiced investment fees. She said it was misleading because the fees did not flow through the budget; the fees were taken out of the managers assets. Ms. Wenguer stated the custodial fees stated were too low and she would change it from \$185,000 to \$220,000. Ms. Wenguer said the computer programming charge for the change to the FOP contract would be \$48,000 but it had not been done yet. The reason the health insurance had increased was because they now offered a \$300 per month stipend to employees that did not sign up for health insurance.

Motion made by Mr. Bayne, seconded by Mr. Rudominer, to approve the budget as amended. In a voice vote, motion passed unanimously.

Contributions from GERS

Ms. Wenguer had attended the GERS meeting and according to the GERS attorney, there was nothing in the ordinance that provided for any interest on contributions being transferred, but when they refunded contributions, they paid 3% interest. Their board had moved to give them their GERS contributions with 3% interest and Ms. Wenguer had asked the actuary to recalculate.

PENDING ITEMS:

New Business:

Ms. Wenguer reported Ms. DeZayas would use vacation time to attend a Tuesday morning class this semester.

Old Business:

Schedule A

Chair Dew asked who paid if a disability applicant missed an appointment. Ms. Wenguer replied that applicants were informed that if they cancelled their appointment, they would pay, but when Mr. Van Choff's letter was written, this had not been stated, so the doctor was kind enough not to charge for his missed appointment.

Communications to the City Commission

The Board wished to advise the City Commission that:

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Motion made by Mr. Rudominer, seconded by Mr. Fortunato, to adopt the 3.32% rate of return as presented by CapTrust to apply to the DROP for the quarter ending June 30, 2014. In a voice vote, all voted in favor. Mr. Cypen suggested that Mr. Schmid certify the rate in writing, to which Mr. Schmid agreed.

FOR YOUR INFORMATION:

Thank you from Ray Edmondson
ConvergEx
Knight

Letter dated July 21, 2014
Recapture Summary/June, 2014
Recapture Summary/June, 2014

There being no further business to come before the Board at this time, the meeting was adjourned at 2:48 p.m.

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