

**December, 2014**

POLICE AND FIREFIGHTERS' PENSION BOARD  
REGULAR BOARD MEETING  
888 South Andrews Avenue, Suite 202  
Fort Lauderdale, FL 33316  
Wednesday, December 10, 2014, 12:30 p.m.

Present

Michael Dew, Chair  
Ken Rudominer, Vice Chair  
Scott Bayne, Trustee  
Richard Fortunato, Secretary  
Dennis Hole, Trustee  
Jim Naugle, Trustee  
Jeff Cameron, Trustee  
Lynn Wenguer, Administrator  
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  
Kevin Schmid, Cap Trust  
Jim Ingersoll, Retirees' Association President  
Fred Nesbitt, Communication Director  
Kenneth Durlau, Retirees' Association  
Paul DeBold, Retirees' Association  
Thomas Clements, Fire Member Disability Applicant  
Robert Simac, Deputy Fire Chief  
Ann Lindie-MacNeil, Retirees' Association  
Lisa Edmondson, Recording Secretary, Prototype Inc.

Communications to the City Commission  
None.

Note: Items were discussed out of order.

**ROLL CALL/CALL TO ORDER**

Chair Dew called the meeting to order at 12:32 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: November 12, 2014

Chair Dew noted a correction on page 3.

Motion made by Mr. Hole, seconded by Mr. Naugle, to approve the minutes of the November 12, 2014 meeting.  
In a voice vote, the motion passed unanimously.

Special Meeting: November 10, 2014

Motion made by Mr. Rudominer, seconded by Mr. Naugle, to approve the minutes of the November 10, 2014 meeting. In a voice vote, the motion passed unanimously.

**NEW HIRES:**

None.

## COMMENTS FROM PUBLIC

None.

BENEFITS: POLICE DEPT.: New Retiree: Kevin J. Sheehan

FIRE DEPT.:

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

Service-Incurred Disability Application: Thomas Clements

Mr. Cypen said if all three questions were answered in the affirmative, Lieutenant Clements would be entitled to disability; if any question was answered in the negative, a formal hearing would be required.

The disability was heard.

Motion made by Mr. Bayne, seconded by Mr. Hole to approve that this was a service-incurred disability, beginning 90 days ago. In a roll call vote, the motion passed unanimously.

2013 175 Share Distributions

Ms. Wenguer had distributed a corrected draft to Board members.

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

## BILLS:

Cornel J. Lupu	\$1,500.00
Seth Gottlieb, MD	\$1,200.00
Marcum	\$415.00

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

## INPUT FROM ACTIVE &amp; RETIRED

## POLICE OFFICERS &amp; FIREFIGHTERS:

Mr. Ingersoll had been very impressed with the quality of the managers at the seminar the previous week, but said the returns were still "sad." He had been researching other Florida pension plans and noted that several small cities were doing better than Fort Lauderdale. Mr. Ingersoll had noticed that Fort Lauderdale had more managers and a smaller percentage of the fund in equities than other funds. Mr. Ingersoll was investigating revenue sources they could use to provide a COLA. He thanked Chair Dew for attending the Wharton School to gain insight. Mr. Ingersoll wished everyone Happy Holidays.

## CAPTRUST:

Monthly Investment Review Kevin Schmid

Mr. Schmid said the replacement for Lee Munder for a small cap value manager had not been identified yet and would require a special meeting. Mr. Rudominer recalled that Mr. Schmid and Mr. Schott had agreed they should seek more active management for the large caps, and perhaps they should consider this for small caps as well. Mr. Schmid confirmed that active management added value in the small cap market.

Chair Dew wanted to know how they could improve the fund's performance, since it was inferior to their own benchmark and "the universe." Suggestions from the managers included American Realty Value Added Fund, and Chair Dew wanted to pursue that. Mr. Schmid agreed with this for some of the PIMCO funds. Chair Dew also wanted to consider buying more B and BB bonds for growth potential. Mr. Hole suggested they could cut the percentage of fixed income. Mr. Schmid said the last thing the plan could afford was to be overexposed to equities in the event of a correction. Chair Dew did not feel that adding 5% to equities would put them too much at risk.

Chair Dew asked if Mr. Schmid feared higher interest rates or a market correction more and Mr. Schmid said these went hand-in-hand; the equity market had been fueled by the low interest rate environment. If interest rates rose in response to an improved economy, this would be good for stocks but if interest rates rose due to inflation, this would be bad for bonds and worse for stocks.

Chair Dew had read that the Federal Reserve intended to begin increasing interest rates in mid-2015. He wanted to plan ahead for next year, since it took some time for them to make changes to the fund. He asked Board members if they felt the need for a special meeting to discuss their objectives with American Realty and PRISA.

Mr. Rudominer wanted to talk now about authorizing Boyd Watterson to implement their LDMG strategy with their current fund. Mr. Cypen asked Mr. Schmid about research on defaults of non-investment grade bonds versus investment grade bonds. Mr. Schmid said the default rate was higher for non-investment grade bonds but right now, default rates were far below historical averages.

Mr. Ingersoll felt that BBB and below bonds were a bad idea because of the risk and bad market timing. He did not feel the risk was worth the possible return. His research indicated that funds with more in equities were performing better. Mr. Rudominer explained they were discussing strategy within the bond portion of the portfolio, not increasing the portion of the portfolio invested in bonds.

Mr. Schmid agreed to get a formal proposal from Boyd Watterson to present to the Board at their next meeting. He would also schedule a presentation from American Realty. Chair Dew also asked Mr. Schmid to come back with a recommendation regarding putting 5% from the bond portfolio in the American Realty Value Added Fund. The Board agreed that no special meeting would be needed.

Mr. Ingersoll wanted to ask Mr. Schmid to provide a list of managers and all the stocks in which they invested. Mr. Schmid agreed to provide these to Ms. Wenguer to distribute.

#### COMMUNICATION DIRECTOR'S REPORT:

Fred Nesbitt

Chair Dew announced they had won the PPCC award for the fifth year. A draft letter was awaiting approval to send to the Mayor, City Commissioners, City Manager and City Auditor. The Board had consensus to send the letter.

Mr. Nesbitt reported the FPPTA had asked Chair Dew and staff to provide a disability hearing workshop at the October school as part of the continuing education unit. Chair Dew and Mr. Cypen suggested the entire Board attend. Chair Dew wanted to apply to get credit for their workshop. Mr. Nesbitt said they would focus on questions trustees would ask, not the legal issues.

#### EXECUTIVE DIRECTOR'S REPORT

##### AON Proposal

Discussion

Ms. Wenguer recalled that the Board had asked at their last meeting what they could save by increasing their fiduciary liability insurance deductible. They currently paid \$15,000 with a \$100,000 deductible for \$2 million of insurance. If they increased the deductible to \$250,000, they could save \$2,000; if they increased the deductible to \$300,000 they could save \$2,500. Mr. Cypen did not feel it was worth it and the Board agreed.

##### Investment Seminar

Update

Ms. Wenguer asked for feedback on the seminar. The Board agreed that:

December was convenient for money managers.

The venue was appropriate.

The dinner should stay the night before the seminar.

They wanted a podium and a larger round table to accommodate all the managers.

They should locate a better projector.

##### Program Update for DROP

Discussion

Ms. Wenguer wanted to move forward with the programming change for the new DROP and not wait to settle with the firefighters. It would cost an additional \$5,000 to do them separately. The Board agreed to implement the

DROP changes now.

Motion made by Mr. Bayne, seconded by Mr. Rudominer, to approve spending \$38,000 for the DROP software update. In a voice vote, the motion passed unanimously.

**PENDING ITEMS:**

New Business:

None.

Old Business:

Chair Dew had spoken with Mr. Feldman regarding the in-service distribution. Mr. Feldman said he was waiting for Mr. Coleman to provide him information and by the end of the year, a proposal would be sent to the FOP to change the ordinance. Chair Dew said the distribution affected Police, Fire and General Employees.

Mr. Cypen reported the 415(b) issue had still not been resolved with the IRS.

Mr. Hole asked about getting a report from the actuary in January and Ms. Wenguer reported Mr. Heinrichs had all the information he needed and was working on the report. Chair Dew thought the presentation would be in February or March. Ms. Wenguer agreed to ask Mr. Heinrich the status of the report.

Ms. Wenguer said the City had been unable to locate General Employee contributions for the two police officers who were at the last meeting. City staff was researching this now. She felt they may need to rely on the paperwork they had. There were approximately 10 people involved.

Ms. Wenguer stated they were still drafting the office job descriptions and would bring it to the Board in February.

Chair Dew suggested adding an agenda item to indicate any responses to communications they had sent to the City Commission.

Chair Dew said he would prepare an informational packet with audit and actuary information to provide to City Commission members.

Communications to the City Commission

None.

**FOR YOUR INFORMATION:**

Public Pension Coordinating Council (PPCC)

ConvergEx

Knight

Award for Funding

Recapture Summary/Oct., 2014

Recapture Summary/Oct., 2014

There being no further business to come before the Board at this time, the meeting was adjourned at 1:58 p.m.

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