

February 8, 2017

**POLICE AND FIREFIGHTERS' PENSION BOARD
REGULAR BOARD MEETING
888 South Andrews Avenue, Suite 202
Fort Lauderdale, FL 33316
Wednesday, February 8, 2017, 12:30 P.M.**

Communication to the City Commission:

- Return on Investment for the first quarter of the fiscal year was 1.43% (exceeding the policy index); 7.09% for one year and 8.26% for five years.

Present

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

Also Present

Alexandra Goyes, Deputy Director
Jazmin Elliott, Administrative Aide
Stuart Kaufman, Board Attorney
Kevin Schmid, CapTrust
Linda Logan-Short, Deputy Director/CFO
Ash Benzo, City Treasurer
Derek Joseph, Fort Lauderdale Police Department
Fred Nesbitt, Communication Director
Jim Ingersoll, President, Retirees' Association
Paul DeBold, VP Retirees' Association
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: January 11, 2017

Motion made by Mr. Naugle, seconded by Mr. Rudominer, to approve the minutes of the January 11, 2017 meeting. In a voice vote, the motion passed unanimously.

Investment Workshop: January 12, 2017

Motion made by Mr. Rudominer, seconded by Mr. Hole, to approve the minutes of the January 12, 2017 investment workshop. In a voice vote, the motion passed unanimously.

COMMENTS FROM THE PUBLIC

None.

Chair Dew introduced Derek Joseph, member of the Police Department, who was considering running for a Board seat.

NEW HIRES

Chair Dew recognized the new hires.

BENEFITS:	FIRE DEPT.:	New Retiree: (Term of DROP)	Timothy Blank
		DROP Retiree:	Julio Garro Richard Thorpe
	POLICE DEPT.:	DROP Retiree:	Eric Brogna Charles S Livingston Thor Lockhart
		Vesting:	Nicholas Rollins
		Member Termination:	Austin J Massey

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

BILLS:	Agincourt	\$41,953.68
	Boyd Watterson	\$36,684.00
	Sawgrass	\$27,285.35
	CapTrust	\$21,250.00
	InTech	\$17,951.27
	Rhumblin	\$17,901.00
	Marcum	\$12,728.00
	Klausner & Kaufman	\$3,130.00

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

ATTORNEY'S REPORT

Mr. Kaufman reported they had received a complaint regarding the Brutus disability matter the previous day and they had 20 days to file a response. Mr. Kaufman said there was no dispute about the facts and circumstances but there was a question of law that must be decided by the court. He anticipated after the initial pleading, it would move to re-judgment and he hoped it would be resolved within a couple of months.

Securities Litigation Policy

Mr. Kaufman said the usual problem they encountered in securities cases was that immediate action was sometimes needed between Board meetings. They had therefor defined a policy allowing the Chair to act on behalf of the Board in exigent circumstances only. Mr. Kaufman had also included a minimum \$100,000 potential loss threshold. A retainer agreement was also needed for the firm with whom they proceeded. If there was no recovery, the firm would cover fees and costs.

Mr. Kaufman agreed to amend the policy to include the retainer agreement to present for the Board's approval at a future meeting.

INPUT FROM ACTIVE & RETIRED POLICE OFFICERS & FIREFIGHTERS

Mr. Ingersoll reminded everyone that the annual meeting would be held on Sunday, February 19 at noon.

Mr. Ingersoll said the Retirees' Association had endorsed him to run for the Board's seventh seat. He thanked the two Board members who had voted for him.

CAPTRUST

Kevin Schmid, Steve Schott, CapTrust

Quarterly Investment Review

Mr. Schmid distributed a report to Board members. He said the interest rate spike after the election had resulted in a negative environment for fixed income. There had been a large disparity in the quarter between growth and value, particularly for small caps. Post-election, international benchmarks were down 71 basis points for developed markets and 4.2% for emerging markets. Since last month, stocks were up slightly and interest rates were approximately the same.

Mr. Schmid reported for the first quarter of the plan year, the portfolio was up 1.43%. He said financial stocks had rallied sharply after the election in anticipation of a "more favorable regulatory environment."

Mr. Schmid informed the Board that Vaughan Nelson continued to struggle. He explained that Vaughan Nelson sought stocks that could increase by a considerable margin over the next three years and did not try to match the index. So far, those "deep values" had not been unlocked in the time they had been in the portfolio.

Mr. Schmid stated it had been a very strong year for Dodge and Cox, up 3.4%, but Lazard was down 5.7%. Fixed income was suffering negative performance, in line with benchmarks and real estate was still showing strong performance, up 2.5% to 2.9%.

Mr. Schmid said the big positives over the first quarter of the plan year were Dodge and Cox, Entrust Special Opportunities and Lazard Infrastructure; the big negatives were InTech, Vaughn Nelson and Lazard.

Chair Dew had recently attended the Institutional Investor Forum and discussed points he felt were important. They had discussed how corporate governance, specifically education of Board members and performance managers, could improve the plan rate of return. Mr. Schmid said he attended educational seminars a couple of times per year. Chair Dew strongly encouraged Board members and CapTrust attend seminars together.

Chair Dew stated the forum suggested evaluating returns with no names attached to avoid any type of bias. He said they could do this using their spreadsheet, removing the managers' names. Mr. Hole agreed with removing emotions from investing but was unsure if removing the names was necessary. Mr. Rudominer said to make it truly blind, the spreadsheet should indicate only percentage lost or gained; otherwise, they could figure out which manager it was. Mr. Schmid agreed to edit the spreadsheet.

Chair Dew said forum attendees had also discussed compound returns with unrestricted benchmarks. Mr. Schmid said the idea was that managers usually structured portfolios to compete with a specific benchmark and he was unfamiliar with "unrestricted" benchmarks.

Investment Fees

Chair Dew recalled that they had discussed fees at the investment seminar and Mr. Schmid had sent Board members a relevant memo. Chair Dew felt they should take performance into consideration regarding fees. He asked if the Board wanted to consider InTech's performance fee. Mr. Schmid stated InTech's fee was an outlier but he felt there was not a lot of fat to cut regarding fees. He acknowledged that many clients were questioning fees and it was important to keep asking the question. He stated they were already receiving the best possible fees from most of the managers. Mr. Schmid stated fees were always negotiated to the best of their ability when hiring a manager.

Mr. Schmid felt that the only real mechanism for lowering fees dramatically would be to continue to push toward indexing in large caps. Currently, they had the majority of their large-cap and all of their mid-cap money in indexed funds but they needed to strike a balance between focusing on fees and maintaining diversification.

Mr. Schmid agreed to talk to InTech and the Board agreed to accept the reduced fees from Boyd Watterson and Rhumblin.

Mr. Schmid informed the Board that they were a little high in cash since they received the money from Entrust and the Board had expressed a desire to top off their infrastructure investment. He suggested putting another \$8.5 million in the Lazard Global Infrastructure Fund, and another \$5 million in Boyd Watterson, which would keep them under the 25% fixed income threshold.

Chair Dew reminded the Board that they must approve the rate of return and the transfers Mr. Schmid suggested.

Motion made by Mr. Naugle, seconded by Mr. Bayne, to accept the quarterly rate of return of 1.43%. In a voice vote, motion passed unanimously.

Motion made by Mr. Rudominer, seconded by Mr. Hole, to put another \$8.5 million in Lazard Global Infrastructure fund and another \$5 million in Boyd Watterson. In a voice vote, motion passed unanimously.

Mr. Schmid informed the Board that they were slightly overweight in real estate, which generated an income stream that was currently reinvested. He and Ms. Wenguer had discussed changing that policy to distribute the income on a quarterly basis, putting it in the cash account. Ms. Wenguer recalled that the contracts with the managers included the provision to reinvest so the Board must make a motion to change that if they wished to distribute instead.

Motion made by Mr. Rudominer, seconded by Mr. Hole, to distribute instead of reinvest income from American Realty Stable and Prisa II. In a voice vote, motion passed unanimously.

COMMUNICATION DIRECTOR'S REPORT:

Mr. Nesbitt had nothing to report.

EXECUTIVE DIRECTOR'S REPORT:

Ms. Wenguer thanked Mr. Nesbitt for teaching the intermediate class at the workshop and using Fort Lauderdale as a model. She had received compliments on how Fort Lauderdale did things from people who saw Mr. Nesbitt's presentation.

Cavanaugh Macdonald Audit

Ms. Wenguer had sent the results of the audit to Mr. Heinrichs, who commented it was very positive and promised to provide a report to the Board.

Funding Policy

Motion made by Mr. Rudominer, seconded by Mr. Fortunato to form a committee, with Mr. Hole as the sole member, to develop a funding policy. In a voice vote, motion passed unanimously.

Trustees Training

Ms. Wenguer and Mr. Kaufman discussed the options: institute an advisory committee, whose members could be sent to conferences, invite interested people to attend Board meetings, and offer training. Mr. Kaufman said it was within the Board's discretion to use funds for trustee training. He recommended requiring a person to attend a certain number of meetings before the Board would consider paying for training.

Mr. Rudominer pointed out that there were currently no qualification requirements for active Board members and thought it made sense to institute requirements for them first, but doubted this was possible. Mr. Rudominer felt if they established requirements for Board members in the future, sponsors could use these criteria for selecting their Board members. Chair Dew thought if someone was attending the meetings and wished to join the Board, it would be advantageous to offer him/her training. Mr. Kaufman agreed to draft a policy to present to the Board.

Ms. Wenguer asked if the Board wanted members with DROP on Account money to receive their distributions automatically instead of waiting for Board approval. Chair Dew noted that there were policies and procedures in place, so it should be automatic.

Ms. Wenguer wished to send Ms. Goyes and Ms. Elliott to the FPPTA this summer when she would be out of town, necessitating closing the office for three days. The Board agreed.

PENDING ITEMS:

New Business:

None

Old Business:

Schedule A

Assumed Rate of Return

Chair Dew had discussed reducing the assumed rate of return with Mr. Heinrichs, who quoted a cost of \$1,500 to \$2,000 to develop a few different ways to reduce the rate over a period of time. Ms. Logan-Short stated the City would schedule another workshop on this topic after the Board received that report from Mr. Heinrichs.

Motion made by Mr. Rudominer, seconded by Mr. Cameron, to have Mr. Heinrichs calculate different scenarios for reducing the assumed rate of return for a cost not to exceed \$2,000. Mr. Rudominer later rescinded his motion until after the Board received the report from Mr. Schmid.

Mr. Bayne wanted an estimate from Mr. Schmid on the likelihood of meeting different rates of return before having Mr. Heinrichs conduct his calculations and Mr. Schmid agreed to provide this within a couple of weeks. He explained that lowering the actuarial assumption was done because of a belief that the existing allocation could not meet the threshold. He encouraged the Board to lower the assumption rather than increase the risk in the portfolio. Chair Dew recalled that predictable funding was one of the Board's goals so the City knew "what the bill would be." It would also lessen the threat of having to reduce benefits.

Attorney's Fees for In-service Distribution

Chair Dew recalled that the Board had requested the City reimburse them for the attorney's fees related to the in-service distribution. Ms. Logan-Short stated she was awaiting an update from Mr. Buffington. Chair Dew intended to follow up with the City Manager, sending a copy of the original request to him.

There being no further business to come before the Board at this time, the meeting was adjourned at 2:07 p.m.

FOR YOUR INFORMATION:

KCG Recapture Statement

Recapture Summary/December, 2016

Secretary

Chairman

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

[Close Window](#)