

**July, 2010**

POLICE AND FIRE PENSION BOARD  
REGULAR BOARD MEETING  
WEDNESDAY, JULY 14, 2010, 12:30 P.M.

Michael Dew, Chairman  
Ken Rudominer, Vice Chairman  
Richard Fortunato, Secretary  
J. Scott Bayne, Trustee  
Dennis Hole, Trustee  
Jim Naugle, Trustee  
Steve Cypen, Cypen & Cypen, Board Attorney  
Lynn Wenguer, Administrator

Lynda Flynn, Interim Finance Director  
Liz Davila, Recording Secretary, Prototype, Inc.

Board Members Not Present

Mark Burnam, Trustee

Also Present

Amanda Cintron, Assistant Administrator  
Laurie DeZayas, Pension Secretary  
Gregg Gurdak, President of Retirees' Association  
Rick Schulze, Retirees' Association  
George Farrell, Retirees' Association  
Bill Paton, Retirees' Association  
Jack Chew, Retirees' Association  
Linda Soloman-Duffey, Retirees' Association  
Fred Nesbitt, Director of Media Relations  
Jason Pulos, Asset Consulting Group  
Scott Solsvig, Asset Consulting Group

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, June 9, 2010 in the Pension Board Conference Room, 888 S. Andrews Avenue, Suite 202, Fort Lauderdale, Florida 33316.

Communication to the City Commission

There was consensus among the Trustees that the following items should be communicated to the City Commission: The Board approved the actuarial report. The Board is currently seeking a more opportunistic bond portfolio.

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

## MINUTES:

Regular Meeting                      June 9, 2010

Motion made by Mr. Bayne, seconded by Mr. Hole, to accept the minutes as presented, with the following corrections.

Mr. Hole noted a correction on p.22: "March 31 Code" should be changed to "March 31 date." He added that the term "workman's comp" should be changed to "workers' comp" throughout the document.

He advised that he had asked the City's Administrator to check the recent CAFR report for accuracy of pension information, and had also requested that the Administrator send an email to the City Finance Department with

regard to updating the Department of Revenue premium tax database contact person.

Mr. Bayne noted that Mr. Nesbitt is Director of Media Relations rather than a member of the Retirees' Association.

In a voice vote, the motion passed unanimously.

Benefits Review: FIRE DEPARTMENT

Lump Sum Refund: Justin M. Growick

POLICE DEPARTMENT

New Retiree: Perry L. Buxo

Lump Sum Refund: Justin W. Krashefski  
Jeffrey Overcash

Motion made by Mr. Hole, seconded by Vice Chair Rudominer, to accept benefits.

Mr. Hole asked if lump sum refunds reflect interest. Ms. Wenguer confirmed this. He also noted the difference in contributions for the two Police Officers. It was noted that there was a salary difference for the Officers.

In a voice vote, the motion passed unanimously.

BILLS:

Asset Consulting Group: \$10,625.00  
State Street (SSGA): \$1,507.99  
Ellen Schaffer: \$925.00

Motion made by Vice Chair Rudominer, seconded by Mr. Hole, to accept the bills as presented.

Vice Chair Rudominer asked if there is a threshold before approval is required of bills. Ms. Wenguer said the threshold is \$1,000.00

In a voice vote, the motion passed unanimously.

FIXED INCOME PORTFOLIO DISCUSSION:

Asset Consulting Group  
Jason Pulos

Mr. Pulos introduced Scott Solsvig, who assisted the Group in their research efforts. He also distributed copies of a preliminary June flash report reviewing portfolio performance, noting that although these numbers remain negative for the quarter, real estate returns are expected to be positive.

Mr. Pulos also handed out copies of a mid-year outlook and reviewed its information with the Board, including: Corporate fundamentals and the labor market have improved, and economic indicators remain positive; From a portfolio perspective, allocations to emerging markets will increase over the long term; As volatility in the markets is expected to continue, strategies with greater flexibility are attractive; Multi-sector fixed income managers will move more assets into "an active approach" in order to generate more excess returns; Equity markets across the board are attractive from a current price-to-earnings standpoint.

Mr. Solsvig reviewed the Fixed Income Portfolio with the Board, noting the following: Agencies, treasuries, and mortgage-backed securities are the most sensitive to interest rates, so greater flexibility is an attractive option;

Some fixed income strategies available to managers include non-investment grade or high yield “junk” bonds, non-dollar-denominated securities, emerging market securities, U.S. TIPS, bank or leverage loans with variable rates, and convertible bonds. These create a “less constrained” opportunity set for fixed income managers on a short-term basis;

“Opportunistic” multi-sector managers focus to a greater extent on core plus sectors than on traditional core investment grade sectors.

Mr. Solsvig reviewed the different managers for the Board, noting that the intent of today’s discussion is not to ask the Board to choose a strategy, but to provide them with information on the various managers. Some managers, he pointed out, would not require changes to the policy, while others would.

He distributed a handout that outlines some of the current strategies and results as viewed by the firm. Mr. Pulos clarified that this reflects a “tweak” to the fixed income allocation: the Group is “not abandoning anything,” as the allocation would retain two-thirds bond allocation, one-third unconstrained multi-sector approach. The purpose of this is to have greater flexibility away from what is occurring in the aggregate benchmark in order to mitigate the impact of rising interest rates and inflation on the fixed income portfolio.

Mr. Hole remarked he would feel more comfortable with traditional investments than with derivatives, as there is lower investment-grade quality with the high-yield producers.

Mr. Dew requested more information on AginCourt. Mr. Pulos stated this is an “active core manager” within investment-grade sectors. Their focus is on high-quality, low-priced securities, and they would not purchase securities outside the benchmark. While this is not considered inappropriate by the Asset Consultant Group, he added that it is believed there is a place within the overall fixed-income allocation for a more active, less constrained approach as well. While the cost may be slightly higher, the benefits would include mitigation against a potential rising rate environment.

Vice Chair Rudominer asked what might happen if rates remain the same. Mr. Solsvig pointed out that accessing different interest rate cycles would allow managers the flexibility to find and invest in markets where rates are rising.

Vice Chair Rudominer noted that based on today’s discussion, it may be best to focus on a strategy that would allow a manager to “take advantage of all opportunities.” Mr. Pulos noted that multi-sector managers primarily deal in U.S. securities, which allow a slightly higher yield but less exposure than the non-dollar markets.

Mr. Pulos said at present there is one strategy for the portfolio, which has a strategic allocation of 30% to fixed income. What the Asset Consulting Group is now suggesting for the portfolio is implementing three managers: 33% passive, 33% active, and 33% opportunistic.

Chair Dew stated he felt they should pursue this strategy, as the portfolio currently experiences short-term losses without realizing short-term gains. Vice Chair Rudominer agreed with this.

Mr. Cypen advised the Board would have to look at the policy. Mr. Pulos said it ultimately depends upon the manager as to whether a change in policy is required, and noted that only the “non-U.S. component” in any of the strategies would not trigger a requirement to change the policy. The more opportunistic high-yield strategies would require a change to policy if that manager is selected.

Mr. Pulos advised that the Board will “have to be patient with these strategies,” noting that they can “significantly underperform” in a downward environment, as they are “underweight” on treasuries. He explained this was one reason the Board is not being encouraged to abandon its less opportunistic strategies.

He added that the suggestion is that “the funding of this is one-third” when new managers are brought in.

Motion made by Vice Chair Rudominer, seconded by Mr. Bayne, to pursue with the new allocation through a more opportunistic strategy. In a voice vote, the motion passed unanimously.

Chair Dew asked if there are additional managers in the three different sectors that the Board should look into, or if Mr. Pulos was comfortable that the best ones have been shown. Mr. Pulos advised that the managers the Board has been shown are the best, not only based on numbers but on other factors as well.

Chair Dew concluded that the Board would go with Loomis, PIMCO, Delaware, and Pioneer Plus to be interviewed as managers, and requested an update in September at the regular Board meeting.

#### ANNUAL ACTUARIAL REPORT: Stanley Holcombe & Associates

Ms. Wenguer reported that no numbers were changed in the Annual Actuarial Report that was provided to the trustees. The 2008 earnings were determined to be missing some adjustment payments, but the 2009 earnings were correct.

She continued that "people that entered DROP" were reclassified; as the report did not include this information, and it would be very time-consuming to "go back to the payroll," this was not updated. It would also not make any changes to the dollars shown in the report, but would recalculate percentages of payroll.

Chair Dew noted that while this recalculation "will not change one penny," it changes the percentage for which the City pays. He also pointed out that the Board has paid for the report, which should be accurate; he said this was "an issue that has been ongoing."

Ms. Wenguer clarified that it was not stated that the information was unobtainable, but it was the opinion of Stanley Holcombe & Associates that "it wasn't going to change anything" for the time and expense necessary to obtain the information.

Chair Dew said what was at stake is the ability to give the City a true account of their percentage per pay, and "a couple percent is huge." He also did not see that it would be "a problem" to make the correction, as it is known what payroll is for DROP. He asked what would be involved in obtaining this information, and how it would affect the Board's state report.

Mr. Cypen advised the report would not be affected, and explained it is a matter of including the DROP to accurately reflect the percentage. Chair Dew agreed, and added that this is significant, as it supports the true documentation of information.

Ms. Wenguer said the City would need to supply the Board with a list of all DROP participants, along with their payroll for that year. It was determined that when Ms. Wenguer received the information, the Board members would be informed and could make a decision at the next month's meeting.

Ms. Wenguer reported the state has sent notice to the Board that they feel the City may have underpaid their contribution, as firefighters did not receive supplemental 175 money this year. She noted that this is addressed on p.6 of the report: when 175 money was received, it was "the original \$88,000" put in for "that underpayment." Because these supplemental funds were not received this year, Mr. Stanley believes that the plan is due an additional \$276,000, which would be deducted from the City's contribution of over \$30 million.

She added that the Board should send this information to the City so the amount can be paid, as otherwise it will hold up state monies.

There is also a discrepancy between what the state thinks they owe and what Mr. Stanley believes is owed, as he believes the actual amount is higher than the number provided by the state. He believes the state's computation is not being done correctly.

Chair Dew suggested the Board accept the report with corrections, after which the City will pay at least the lesser of the two amounts as their required contribution. The lesser of the figures, \$187,000, is also the one that will be submitted to the state. He suggested that a "back-up" could be included that there is a discrepancy, and the addition of the shortfall plus interest would bring the actual amount owed by the City to \$292,000.

Chair Dew moved on to the data in the Actuary Report, which was being reviewed by the City payroll department. Ms. Wenguer reported that Mr. Stanley “understands what happened;” in addition, the City has confirmed that there were adjustment pays that were not recorded in 2008. The same issue has occurred with retroactive pays in 2010. Now that the problem has been identified, as of October 1, 2010, the payroll system will be redone to encode information properly.

She noted that the Board is getting the right amount of money into the plan for its members, and the benefit is being calculated correctly. The problem occurred later on when the adjustment pays were not properly recorded. She felt the City should “go back to the beginning of the year” to ensure the 2010 earnings are correct.

Ms. Wenguer explained she had not spoken to Mr. Stanley until she had first spoken to the City to determine the solution to the problem. Mr. Stanley had stated his intentions were to not make changes to the Actuary Report, and any corrections would be provided as a supplement, which would be provided to the City.

Motion made by Mr. Naugle, seconded by Mr. Hole, to accept the Actuary Report. In a voice vote, the motion passed unanimously.

#### INPUT FROM ACTIVE & RETIRED POLICE OFFICERS & FIREFIGHTERS:

None at this time.

#### ADMINISTRATOR’S REPORT:

Fred Nesbitt

Mr. Nesbitt reported that he expects to finish the annual report this week, get it to press, and send it out. He presented the Board with a draft copy, advising that the report is still being edited.

Chair Dew thanked Mr. Nesbitt for the update, and asked that he look into the Board’s inclusion in *FPPTA Voice*, as they had not appeared in the previous issue even though they had paid their membership contribution. Mr. Nesbitt agreed to follow up on this.

He added that the report is mailed to all active members and retirees. It was agreed that copies would also be sent to the City Commissioners as well. Mr. Nesbitt suggested that staff attach the labels, then let the City affix postage and mail out the reports.

#### Investment Consultant RFP

Ms. Wenguer advised that the selection committee has not yet met. One meeting date has been scheduled thus far. She distributed a list of potential dates from which the selection committee members may choose to meet.

Chair Dew confirmed that the first selection committee meeting will be on July 27, 2010, at 12:30 p.m. They will select the next meeting date at that time. He estimated they will be able to make a recommendation in September.

#### DROP Distribution Form

Ms. Wenguer distributed copies of the form, which will be signed by DROP participants to show they have an understanding of the program.

Chair Dew recommended that the administrative fee of 1% be mentioned in relation to “the third option” listed on the form. He felt this should be included so the members are aware of the cost of the fee. It was noted, however, that the fee may be subject to change at a later date. He suggested that the form leave a blank space in which the fee percentage may be listed.

Mr. Cypen suggested language such as “less the administrative fee actually incurred by the Board.” Chair Dew proposed including a letter of explanation stating that fees may be subject to change.

Vice Chair Rudominer said the participant will ask what the plan's actual investment return will be. Chair Dew pointed out that individuals could easily forget this percentage "when they walk out the door" unless the figure is included in writing.

Mr. Cypen proposed the following: "All funds left in the plan will be credited or debited for my share of the plan's actual investment return during the period of time my funds are left in the plan, less an administrative fee incurred by the Board during that same period of time."

Chair Dew asked if enrollment dates should be included in the document as well. Ms. Wenguer pointed out that a participant must make an election 60 days after employment is terminated. Mr. Cypen said the tax notice referred to in the distribution form is an IRS form, which must be filled out "no more than 90 and no less than 30" days prior to retirement.

He asked if an introduction letter would be included with the DROP distribution form. Ms. Wenguer said this would note that the DROP period would be ending in 30 days. Mr. Cypen suggested this letter might address both the annual rate and the administrative fee.

Ms. Wenguer stated since she had no experience creating documents of this nature, she should speak with people who can assist her in writing it. She noted that some plans do have these forms, and she would bring the document back to the next meeting after seeking their assistance, as there were several items on which help was needed.

The following Item was taken out of order on the Agenda.

#### Office Copier

Ms. Wenguer reported that the copier lease has expired, and the office is now considering a color copier. The cost would be \$40 more than the \$192 the Board is currently paying.

Motion made by Vice Chair Rudominer, seconded by Mr. Fortunato, to lease the new copier. In a voice vote, the motion passed unanimously.

#### Pension Office Timeline

Mr. Hole recalled the Comprehensive Annual Final Report (CAFR) has previously been checked in June. Ms. Wenguer explained if this report is going to be checked, it should be done prior to printing, which must be done in "probably March."

It was confirmed that a six-month real estate update should also be included in the timeline.

Mr. Hole asked if a date should be included for checking a vendor's Errors & Omissions (E&O) insurance. Ms. Wenguer explained Ms. Cintron is checking this on a quarterly basis, as each vendor's insurance expires at a different time. Mr. Hole suggested that this be noted on the timeline.

Chair Dew asked if an exact date is available for the Pier 66 and pre-retirement workshops, which will be held in November and September respectively. It was noted that exact dates have not yet been determined for these workshops.

Ms. Wenguer continued that letters had been sent out to the survivors that are currently collecting a benefit, verifying the benefit amount and that they have not re-married. So far quick responses have been received from most of the recipients. Survivors have until August 2, 2010 to respond.

She continued that there are four police and five firefighters who have not yet made a DROP election, which is due Friday, July 16. These individuals have been contacted via certified mail, emailed, and called.

#### Administrator's Annual Review

Chair Dew said he had received most of the evaluations for Ms. Wenguer, which have been reviewed along with her attendance record. He has compiled her overall performance rating and distributed copies to the Board. At his meeting with Ms. Wenguer, goals and strategies for the upcoming year were discussed, including streamlining of efficiency and updating Board members on various issues, via email, on a more timely basis.

Ms. Wenguer thanked the Board members and advised them to come to her if they have concerns. She added that Ms. Cintron has been very helpful; currently "everything is brand new to her," but in the future she expects the office will operate much more efficiently.

Chair Dew concluded that Ms. Wenguer's performance review rating was Above Satisfactory. He recommended a 3% merit increase.

Mr. Cypen departed the meeting at this time (3:16 p.m.).

Motion made by Mr. Naugle, seconded by Mr. Bayne, to approve the 3% retroactive to July 1, 2010. In a voice vote, the motion passed unanimously.

#### PENDING ITEMS:

##### New Business

Ms. Wenguer noted that the Board members had seen the notice she had sent to the auditor, informing them of the Board's displeasure with recent actions. There has been no response to this notice. She added the auditor's two-year contract is coming to an end.

It was noted that only two responses were received to the RFP two years ago; however, changes in the market have occurred, and more firms are seeking government work. Ms. Wenguer recalled one main qualification is that the firm should have public pension experience.

Motion made by Vice Chair Rudominer, seconded by Mr. Bayne, for an RFP for a new auditor that falls under the guidelines required for the Pension Board. In a voice vote, the motion passed unanimously.

Ms. Wenguer noted that one reason the investment seminar has not yet been scheduled is it has not been determined the same consultant can attend. Chair Dew recommended that they secure the venue first. Ms. Wenguer pointed out that a deposit is required, and noted that the asset consultant has made both the deposit and the arrangements in the past. Chair Dew suggested that they learn what dates are available at this point, as the deposit is refundable with appropriate notice.

Chair Dew reported that the Form 1 Declaration and Statement of Financial Interest for the state Code of Ethics is due from Board members. He advised that anyone who has not completed this document do so right away.

Chair Dew recalled the previous month's discussion regarding a change in the Board's fiscal year to make it coincide with the City's fiscal year. Ms. Flynn stated that the City Commission had addressed it at a recent meeting, and agreed to send their response to Ms. Wenguer so the Board can be updated. Ms. Flynn and Ms. Wenguer agreed it would be best to have a planned date on which to make this change, such as September 2011.

Mr. Hole asked the reason for changing the Board's fiscal year to coincide with the calendar year. It was recalled that this had been done several years ago. Mr. Naugle added one reason for making the change now would be to "smooth the information" required by 175 and 185 reimbursement from the state, as the Board often operates on a compressed time frame in getting this information to the state. Ms. Wenguer noted the current system also makes the audit more difficult.

She moved on to the RFP for updating pension programming software, informing the Board that no feedback has been received regarding this update. The actual RFP has not yet been sent out. Chair Dew recommended that she get in touch with Kirk Buffington at the City's Procurement Department.

Ms. Wenguer stated that Robert Soto has hired an attorney regarding disability, and will come before the Board again in August. Chair Dew noted that the information on this hearing was turned in by the Board and must be re-sent prior to the August meeting, along with any new information.

She added that the Officer William Welyzcko, whose hearing was in June, has sent a certified letter that he would like a formal hearing but is presently unable to afford an attorney. The burden is now upon the Officer to prove his case, and he will contact the Board when he is ready to proceed with the formal hearing.

She added that in December 2008, the Board established a policy stating individuals must apply for disability no more than 30 days after termination.

Chair Dew asked if there were any communications to the City Commission. It was determined that the Board will communicate the following:

The Actuarial Report has been approved;

The Board is currently seeking a more opportunistic bond portfolio.

Old Business

None at this time.

There being no further business to come before the Board at this time, the meeting was adjourned at 3:35 p.m.

[Minutes prepared by K. McGuire, Prototype, Inc.]

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