

June 14, 2017

**POLICE AND FIREFIGHTERS' PENSION BOARD
REGULAR BOARD MEETING
888 South Andrews Avenue, Suite 202
Fort Lauderdale, FL 33316
Wednesday, June 14, 2017, 12:30 P.M.**

Communication to the City Commission:

The trustees approved moving approximately one-third of the plan's small equity allocation from active management to indexed funds.

Present

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

Also Present

Alexandra Goyes, Deputy Director
Jazmin Elliott, Administrative Aide
Fred Nesbitt, Board Communication Director
Ash Benzo, City Treasurer
Linda Logan-Short, Deputy Director/CFO
Robert Klausner, Board Attorney
Kevin Schmid, CAPTRUST
Paul DeBold, Retirees' Association
Jim Ingersoll, President, Retirees Association
Sharon Leslie-Clarke, Retirees Association Secretary
Jamie Opplerlee, 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: May 3, 2017

Mr. Bayne requested a clarification to the minutes regarding fees on EnTrust Special Opportunities Fund III.

Motion made by Mr. Bayne, seconded by Mr. Rudominer, to approve the minutes of the May 3, 2017 meeting as amended. In a voice vote, the motion passed unanimously.

COMMENTS FROM THE PUBLIC

None.

NEW HIRES

Chair Dew recognized the new hires.

BENEFITS:	FIRE DEPT.:	DROP Retirement:	Walter Dietz Edward Webster
	POLICE DEPT.:	DROP Retirement:	Robert Borowski
		Vesting:	April Reddish
		New Beneficiary:	Jessica Lokeinsky
		DROP Distribution:	Jennifer Lokeinsky
		Lump Sum Refund Request:	Xavalys Figueroa
			Riccardo Aime
			Laura Johnston
		Survivor Death:	Vivian D. Bigney Dorothy MacNeil
	Service Incurred	Disability Application: (under separate cover)	Debora Burke

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

BILLS:	Foster & Foster	\$28,153.00
	Aristotle	\$25,173.04

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

Mr. Fortunato asked about the buyback calculations for Mr. Dupree in the Foster & Foster bill. Ms. Wenguer explained that Mr. Dupree had left and returned to the City and would have to pay the full actuarial cost because his absence had been more than one year.

ATTORNEY'S REPORT

Mr. Klausner reported the legislative session had ended "without any damage." He stated he had spoken with Richard Sicking, Mr. Brutus' attorney, and he was waiting for Mr. Sicking to provide him with a stipulation of facts, after which they would file motions for summary judgment. After that, he would request an executive session with the Board.

Chair Dew said they had received less than 24 hours' notice of cancellation for a disability hearing scheduled for this meeting and asked if the Board could hold a hearing without the applicant present. Mr. Klausner said the notice should be very clear that if the applicant could not appear, he/she should provide written notice.

Ms. Wenguer stated the applicant had called and said she had an attorney, who had not had time to read the records yet. Chair Dew asked to set the hearing for August and to have Mr. Klausner send a letter indicating the hearing would take place even if the applicant did not attend.

INPUT FROM ACTIVE & RETIRED POLICE OFFICERS & FIREFIGHTERS

Mr. Ingersoll introduced Sharon Leslie Clarke, the Retirees Association's new secretary.

Mr. Ingersoll said their thoughts and prayers went out to the victims of the shooting in Alexandria Va. earlier in the day.

Mr. Ingersoll reported they had lost four members since the Board's last meeting.

Mr. Ingersoll thanked the Board for the annual report and thanked Chair Dew for working with the retirees.

CAPTRUST: (under separate cover)
Monthly Investment Review

Kevin Schmid

Mr. Schmid referred to the blind scorecard and said the managers were now listed in order of relative performance. Chair Dew asked about active managers prior to 2007 who were still involved with the plan. Mr. Schmid remarked that it was difficult to go back more than 10 years and noted that all of the history was included in the "since inception" figure.

Mr. Schmid drew the Board's attention to information on indexing in the folder. He said in large caps, the chances were 50/50 that a manager would outpace the index. In mid-caps, indexed funds were dominant because only 18% of active managers outperformed the index. In small-cap, 80% of active managers outperformed the index but this had become more muted and mixed since 2007. Looking at the data, Mr. Schmid said there had been a shift in the effectiveness of active management since the financial crisis and it made sense to introduce some indexed funds in small-caps.

Mr. Schmid recommended introducing some small-cap indexed equity into the portfolio. He noted that the two small-cap active managers were above \$30 million and recommended trimming them to \$20 million each and transferring some of the assets to Rhumblin. They were also in a bit of a cash crunch, so they would reserve some of the remaining cash, as well as some funds from Vaughan Nelson and Eagle Asset.

Motion made by Mr. Hole, seconded by Mr. Rudominer, to accept CAPTRUST's recommendation to allocate some funds into indexed small-cap equities. In a roll call vote, motion passed unanimously.

Chair Dew was concerned about Mr. Schmid's remarks in the report regarding Sawgrass's returns because historically, Sawgrass had underperformed, per the scorecard. Mr. Schmid explained that the key word was "risk adjusted." Sawgrass had taken less risk than the benchmark and the better comparison for risk adjusted returns was the Sharpe ratio. Since inception, Sawgrass was even with the benchmark. In down markets, Sawgrass lost 20% less than the benchmarks but did not make as much in the up market because of the lower risk. Mr. Schmid stated if they had a bias in active manager selection, it was toward managers that were less volatile and preserved value in negative markets.

Chair Dew asked if there were any other managers with the same Sharpe ratio, but had better overall returns. Mr. Schmid said there were, and if the Board wished, he could provide them with a comparison of Sawgrass and other large-cap growth managers.

Mr. Schmid noted that tech sector stocks had been "absolutely crushed" in the last week and Sawgrass would show very good relative performance because they were underweight in tech stocks compared to the benchmark.

Chair Dew wanted Mr. Schmid to perform the comparison and bring it back to the Board. Mr. Klausner agreed to send Ms. Wenguer a list of things that must be in an agreement with a manager.

Chair Dew asked about the Lazard trust documents and Mr. Klausner stated he had not reviewed them yet. Mr. Schmid stated this would be a low impact change, with a slightly lower fee slightly more flexibility to invest in emerging markets.

CAPTRUST Merger & Contract Assignment

Mr. Schmid announced that CapTrust was now CAPTRUST; they had merged with CapTrust in Raleigh, North Carolina. He said this would give them access to a broader base of resources, and from having \$20 billion in assets under advisement to \$250 billion. He stated nothing would change for clients.

Mr. Schmid said their existing agreement had a yearly rolling renewal and would be assigned to the new entity. Mr. Klausner suggested adding to the agreement that the assignment was under the same terms and conditions and it would not act as a renewal of something with unknown obligations attached to it.

Mr. Rudominer said this was a 180-degree turn from what they had been hearing from CapTrust. He said in the past, CapTrust indicated that they only shared the same name with other entities named CapTrust. Then last month, Mr. Schmid acknowledged a common lineage. Mr. Schmid explained that the firms had operated completely independently. They shared a common history but had split in 1998 and the only linkage was an agreement to use a common name.

Chair Dew thought Mr. Schmid could have acknowledged what was occurring last month. Mr. Schmid stated he had been unaware of any aspects of the negotiations; he knew the merger was possible but nothing else. He added that the Board meeting was a public meeting and it would not have been proper for him to discuss a possible merger in public.

Motion made by Mr. Hole, seconded by Mr. Naugle, to approve assignment of the existing contract to the new entity, subject to revisions of the assignment document. In a roll call vote, motion passed unanimously.

COMMUNICATION DIRECTOR'S REPORT:

Mr. Nesbitt reported they had sent out the annual report. He thanked staff and trustees for their help and input.

EXECUTIVE DIRECTOR'S REPORT:

Plan Funding

Chair Dew stated he and Ms. Wenguer had met with Mayor Seiler, City Manager Feldman, City Auditor Herbst and Mike Tucker from FOP to discuss reducing the assumed rate of return. They had presented the Foster & Foster proposal for reducing the rate, which would have a minimal cost to the City. The City had indicated they would rather buy it out up front. Chair Dew noted the subject had arisen because of the Board's education and that the decision ultimately was up to the Board.

Chair Dew confirmed that the Board's joint meeting with the City Commission would probably be in October.

Mr. Klausner confirmed that changing the assumed rate of return was the Board's decision, not the City's.

2016/17 Budget Update/ Travel Policy Update

Ms. Wenguer had the revised trustee training for approved conferences in Florida in accordance with the travel policy. She had also created a spreadsheet indicating which workshops trainees could attend and the cost. Mr. Klausner stated the Division of Retirement was considering holding just one conference per year, the one in Orlando.

Ms. Wenguer said the FPPTA certification program cost an additional \$900 on top of the registration fee. If they agreed to adopt this policy, they may need to adjust the budget to include that.

Mr. Bayne wondered if they should limit the number of trainees to two from Police and two from Fire. Mr. Klausner advised not specifying because it could result in a lack of interest. He recommended stating that "there shall be two active Police Officers and two active Firefighters, but in the absence of sufficient applications from one or the other, a larger number of one may be considered. They should also create a basic application, with a deadline for submittal, followed by an interview.

Mr. Hole recalled that the original Foster & Foster contract from 2013 included a 5% increase every year. Ms. Wenguer explained that the additional amount in the budget was for special studies and reports; if they did not need the total, they would reduce it next year.

Mr. Hole asked about a membership survey and Ms. Wenguer said they conducted one every two to three years. Chair Dew believed it had been at least three years since they conducted a survey. Ms. Wenguer agreed to bring the questions and responses to the Board's next meeting.

Motion made by Mr. Rudominer to conduct a member survey via email. Motion died for lack of a second.

Mr. Bayne suggested waiting until a date close to annual meeting as he felt there would be a better response. Ms. Wenguer agreed that summer would not be the ideal time.

Ms. Wenguer reported they had sent the annual affidavits to all members and of the 900 that had gone out, 44 were still missing and they must decide what to do about those who had not replied. Mr. Ingersoll agreed to put this on their website and send emails to those who had not replied. Ms. Wenguer agreed to call the non-responsive retirees and send certified mail to them prior to giving Mr. Ingersoll their names.

Ms. Wenguer reported the office would be open during FPPTA.

PENDING ITEMS:

New Business:

None.

Old Business:

Mr. Hole inquired about a funding policy and Mr. Klausner said he had read Mr. Hole's draft and would be ready to discuss it at the next meeting.

Mr. Bayne asked that the benefit review include retirement dates for deceased members.

There being no further business to come before the Board at this time, the meeting was adjourned at 2:01 p.m.

FOR YOUR INFORMATION:

KCG Recapture Statement

Recapture Summary/April 2017

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](#)