

June, 2013**POLICE AND FIREFIGHTERS' PENSION BOARD****REGULAR BOARD MEETING****WEDNESDAY, JUNE 12, 2013, 12:30 P.M.**Present

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

Also Present

Laurie DeZayas, Pension Secretary
Douglas R. Wood, Finance Director
Kevin Schmid, CapTrust
Paul McDonald, Firefighter
Mary McDonald
James R. Spears, Attorney
Bob Simac, Deputy Fire Chief
Lisa Edmondson, Recording Secretary, Prototype, Inc.

Walt Courtney, President, Retirees' Association
Ann Lindie-MacNeil, Secretary/Treasurer, Retirees' Association
Fred Nesbitt, Director of Media Relations
Gregg Gurdak, Retirees' Association
Janie Carreras, Retirees' Association
Rick Schulze, Retirees' Association
Fuzzy Larkin, Retirees' Association
Keith Koliady, Retirees' Association
Al Scotti, Retirees' Association
Paul DeBold, Retirees' Association
Detective Kim DiCristofalo
Detective Jack DiCristofalo
Detective Tracy Gossett Figone
Detective John A. Franco
Detective Topo Hill
Sergeant Andrea Mueller
Sergeant William Stewart
Lieutenant Glenn Galt
Officer John Davis
Officer John Graul
Officer Mark Parnell
Bob Oelke

Communications to City Commission

None.

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 12, 2013, in the Pension Board Conference Room, 888 S. Andrews Avenue, Suite 202, Ft. Lauderdale, Florida 33316.

Pledge of Allegiance / Moment of Silence

Chair Dew called the meeting to order at 12:30 p.m. and roll was called. All present recited the Pledge of Allegiance and observed a moment of silence.

MINUTES: Regular Meeting: May 8, 2013

Motion made by Mr. Hole, seconded by Vice Chair Rudominer, for the waiving of the minutes. In a voice vote, the motion passed unanimously.

BENEFITS:

Police Department:

New Retiree:	Robert S. Hoffman
	Michael P. Smith
Change of Beneficiary:	Michael J. Moniz
Survivor Death:	Rose Eddy

Fire Department:

Vesting:	Lazaro Perez
	Vidal Lazo
Lump Sum Refund:	Matthew F. Smith
	Fabian E. Tavio

Motion made by Vice Chair Rudominer, seconded by Mr. Bayne, for approval of the benefits for the Police and Firefighters.

Mr. Hole asked how Board members could be made aware of violations of the law, resulting in possible forfeiture, by individuals who may apply for benefits. Ms. Wenguer observed that these individuals will often have been terminated; however, Mr. Hole pointed out that the City may offer them the opportunity to retire.

Mr. Cypen advised that the Board would typically become aware of these violations through the City, through the Commission on Ethics, or through the City's Human Resources Department. He cautioned that while an offense may have been committed prior to the individual's retirement, charges may not be brought against the individual until later, and there may be issues related to the statute of limitations for these charges.

Mr. Cypen added that a recent addition to violations resulting in forfeiture includes the commission of crimes against children. He noted, however, that this section was added during the past five years, which meant any such violation must have been committed after 2008 in order to result in potential forfeiture.

Chair Dew recommended that any members with questions regarding specific violations request an opinion from Mr. Cypen. Mr. Cypen advised that the Board should consider every individual who is terminated, and request information from the City in order to determine if forfeiture is a possibility. He added that it is always possible for an individual to take back his or her contribution without interest.

Mr. Bayne asked if State Statute requires that any violation resulting in forfeiture must be a felony. Mr. Cypen confirmed this was the case, noting that the Statute refers to specific violations, which must be committed in amounts that constitute felonies rather than misdemeanors, as well as other felonies committed during employment

that result in derogation of the employer's right to receive the full benefit of services for which an employee is paid.

Mr. Bayne asked if terminations included resignation. Mr. Cypen confirmed this, clarifying that "termination" is a generic term referring to the separation of services.

Vice Chair Rudominer asked if the Board must be notified of any such violations, or if they were allowed to take action based on information received by other means. Mr. Cypen said if an individual is potentially subject to forfeiture of benefits, Mr. Cypen is asked to review documentation related to the violation; if he feels there is probable cause, an informal hearing is held by the Board. If the Board also finds probable cause, the next step would be a formal hearing.

Mr. Hole asked if the Board could reach out to the Police or Fire Chief or to Human Resources for information regarding a possible violation. Mr. Cypen said the manner in which the Board learns of a potential violation is not critical.

Mr. Bayne observed that the Statute states the Commission on Ethics must be notified by Human Resources or by the Court. Mr. Cypen advised that while the Statute specified that the Commission on Ethics "shall" notify the Board, this did not happen very often.

Fuzzy Larkin, retiree, asked a question regarding a change in benefits listed on p.26 of the Board's materials. Ms. Wenguer explained that the individual in question had elected to change his beneficiary, which resulted in a different actuarial value and re-computation of the benefit.

In a voice vote, the motion passed unanimously.

BILLS:

Agincourt	\$53,970.00
Prudential	\$41,630.34
Prudential	\$41,817.42
Milliman	\$36,250.00
Foster & Foster	\$24,607.00
Marcum	\$2230.00
Klausner, Kaufman	\$1137.25
Holland & Knight	\$400.00

Motion made by Vice Chair Rudominer, seconded by Mr. Hole, for the payment of the bills as documented.

Mr. Hole observed that not all of the Prudential bills had been date stamped. He added that the date on one of the bills for Prudential reflected a five- to six-month delay. Ms. Wenguer advised that Prudential had stated they sent the bills, but the documents had not been received. The total bills do not include any fees related to late payment.

Mr. Hole asked if Ms. Wenguer recalled the total amount of the contract with Milliman. Ms. Wenguer estimated that this was approximately \$144,000.

Ms. Wenguer added that the bill submitted by Foster & Foster included a \$300 payment by a Plan member who had requested a recalculation. The individual had provided the Board with a check for this amount, which will be reflected in a subsequent statement.

Regarding an invitation extended to Foster & Foster for seminar attendance, Mr. Cypen asked if this attendance was outside the scope of the contract with this firm. Chair Dew said Foster & Foster had been invited to this seminar without prior review of their contract. It would be determined at a later time if a fee for attendance would be part of the firm's regular course of action.

Vice Chair Rudominer suggested that before paying this fee, the Board should review the contract to ensure that the fee is in line with Foster & Foster's contractual obligations. Chair Dew agreed, and advised that the bill to

Foster & Foster would be approved less this \$2,607 fee. Vice Chair Rudominer requested that this amount be itemized if it comes before the Board again.

In a voice vote, the motion [as amended] passed unanimously.

Informal Service-Incurred Disability Hearing: Paul McDonald

Mr. Cypen stated that this was a continuation of an informal hearing for service-incurred disability for Mr. McDonald. The Board members were provided with information packets related to this hearing. Criteria for consideration are as follows:

Whether the Applicant is fully incapacitated, physically or mentally, from performing his regular or continuous service as a Firefighter;

Whether the Applicant is fully incapacitated, physically or mentally, from the performance of any other duties available to him through the Fire Department;

Whether the Applicant's incapacity is permanent;

Whether the incapacity is consistent with the incident in the line of duty as described;

Whether the incapacity is the result of aggravation of a pre-existing condition; and

Whether the cause of injury or illness is the habitual use of narcotics or alcohol.

The Board heard Mr. McDonald's case.

In a roll call vote, the motion passed 7-0.

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

ADMINISTRATOR'S REPORT:

Prior GERS Service: (see addendum below)

INPUT FROM ACTIVE & RETIRED POLICE OFFICERS & FIREFIGHTERS:

Walt Courtney, President of the Retirees' Association, read a statement into the record at this time.

Mr. Courtney stated that in April 2011, the Retirees' Association had requested that the Pension Board hire an attorney to examine changes to the Pension Ordinance to determine their impact on the retirees, with particular attention to the cost of living adjustment (COLA) Ordinance and methods of smoothing. He recalled that Mr. Cypen had reviewed the COLA as of May 23, 2012. Mr. Courtney added that Mr. Cypen's memorandum did not address smoothing, although it was stated at a Board meeting that some retirees did receive a COLA and some were also subject to smoothing.

Mr. Courtney continued that in 2013, at the Retirees' Annual Meeting, an individual retiree had asked why he did not receive a COLA. Mr. Courtney recalled that Mr. Cypen had told the individual he would have an answer within two weeks; however, thus far no answer had been received. Mr. Courtney felt that 26 months was "too long to wait for any answers."

Mr. Courtney advised that he was elected to represent all retirees, and when he was called upon to ask questions, he was simply doing his job. He felt that both he and the Retirees' Association had been "attacked" for following up on the question asked at the Annual Meeting, and that the Association's questions regarding COLA had gone unanswered for too long.

Mr. Cypen clarified that after the memorandum had been prepared regarding COLA and the evolution of the Pension Ordinances, it had been questioned by the Retirees' Association. At this time the Board had retained attorney Bob Klausner to review the report and prepare an answer. He pointed out that before the Retirees' Annual Meeting, Mr. Klausner had advised he would have a response within two weeks. This was what Mr. Cypen had reported to the individual who had asked a question about COLA at that meeting. Chair Dew stated and Mr. Cypen confirmed that Mr. Klausner was awaiting a legal ruling before providing his response.

It was suggested that any statements read during the course of a meeting should be made part of the official record. Mr. Courtney provided a copy of his statement for attachment to the minutes.

Chair Dew referred to pp.10-14 of the May minutes, noting that the COLA was discussed in detail, including the fact that it could not be paid at present due to the Plan's outstanding debt. He added that he had reiterated this in other documents, including the Annual Newsletter, explaining that only individuals who had retired prior to July 15, 2008 would be entitled to a COLA. Chair Dew advised that smoothing is an actuarial issue that does not favor any retiree over another.

Mr. Cypen felt the Retirees' Association was entitled to Mr. Klausner's report, which reviews the work he and Ms. Bieler had done as Board Attorneys. Chair Dew requested that a copy of Mr. Klausner's letter on this topic be provided to Mr. Courtney.

Chair Dew concluded that the Board was sympathetic and would take action to address this if they could do so. He recalled that the issue of COLA had been discussed by the Board Actuary as well as by both attorneys. He recommended that the Association reach out to their attorney to determine if he had a different interpretation of the issue.

Mr. Courtney asked to know why COLA was not paid to those retirees who were eligible to receive it prior to the recession beginning in 2008, stating that the Board was operating "under the assumption that there was no more COLA" for these individuals. Chair Dew recalled that the last time a COLA could be paid was in 2000; since then, the Plan has not been financially eligible to pay a COLA.

Mr. Cypen pointed out that when Mr. Courtney had raised individual questions regarding the report Mr. Cypen had prepared and the Board had responded by hiring Mr. Klausner to review the report. Mr. Klausner had advised in a preliminary report that he felt it was best to await a decision on a pending case, *Williams v. Scott*, in the State of Florida.

Mr. Fortunato observed that the Plan had experienced losses since 2000 and 2008 from which it was difficult to recover financially; until these accumulated losses of approximately \$140 million were made up, the Plan cannot legally dispense COLA under State law. Mr. Courtney explained that his primary concern was for retirees who are suffering severe financial hardship. Vice Chair Rudominer said this was why the Board kept suggesting that the Retirees' Association form an ad hoc committee to go before the City Commission with specific cases and request a raise.

Chair Dew added that the Florida Public Pension Trustees Association (FPPTA) has a committee that is also seeking a COLA, which could be helpful to the Retirees' Association in changing the laws to procure COLA for its members. He pointed out that the retirees themselves have a stronger base than the Board members.

Mr. Cypen noted that Mr. Courtney's question was whether some members of a certain group of non-retirees had the rights of retirees and were not subject to subsequent laws currently preventing them from obtaining a COLA. Mr. Cypen pointed out that he had not provided an opinion on this issue; his report had provided a more general view of the Pension Ordinances and COLA.

Ann Lindie-MacNeil, Secretary/Treasurer of the Retirees' Association, asked a question regarding smoothing and Mr. Cypen explained that smoothing was a cost method.

Mr. Courtney recalled that a previous City Manager had asked the Pension Board at one time if they would "go to smoothing," for which he would extend a COLA in return. Mr. Courtney did not see how smoothing could be helpful to any retiree. Chair Dew advised that smoothing is more useful to the City as sponsor of the Pension Plan than it was to the retirees. He pointed out that as sponsor, the City also has a right to be involved with the Plan to ensure it is 100% funded. He concluded that he and Mr. Courtney would meet with Mr. Klausner later in the month to review his report.

Chair Dew added that some of the Pension Ordinances require a legal opinion for full understanding. He did not feel this should be the case, and has requested of the City Manager that any future changes be authored by the Board and then submitted to the City.

2013 ACTUARIAL VALUATION

Chair Dew noted that no representative of Foster & Foster was present. He also advised that hard copies of reports such as the actuarial valuation would no longer be distributed to all present at meetings as they are draft documents and subject to correction. Once the documents have been approved, copies may be distributed.

Ms. Wenguer explained that after reviewing the draft valuation at the May meeting, several corrections had been provided to Foster & Foster, resulting in changes to the document. It has not yet been determined whether these changes apply to 2011, as believed by Foster & Foster, or to 2012, as believed by the Plan and the City.

Chair Dew added that prior to today's meeting, he had met with Brad Heinrichs of Foster & Foster and planned to schedule a conference call with Mr. Wood, City Finance Director, to address the issue. Ms. Wenguer identified the concern as pertaining to the date listed for the past contributions on p.10.

Mr. Wood remarked that Foster & Foster is "pushing the proceeds," or the impact of the pension obligation bond, back to 2011 in order to recalculate what the City's contribution would have been. This would have created a much smaller payment from the City. He was not certain how this change would affect the current actuarial analysis.

Ms. Wenguer advised that Mr. Heinrichs feels the calculation was made correctly, although she pointed out that it does not match the Plan's audited financial statements. Mr. Cypen noted that the actuary should be willing to follow his client's directions in matters such as this.

Ms. Wenguer stated that she would like the City's actuary to review the information in order to help determine which date is accurate. Mr. Wood explained that he cannot directly contact the City's actuary; any such request would need to go through the City's Human Resources Department.

Mr. Hole recalled that the previous month, the Board had asked the actuary to revise actual required contribution (ARC) figures to reflect the City's interest; to revise the GASB statement; to add DROP payroll and total percentage of payroll and to add actual market returns from the consultant from the past five years. Ms. Wenguer said Foster & Foster had addressed most of the changes but noted that they use completely different numbers for rate of return. Foster & Foster use actuarial value of assets and return on actual value of assets as well as a different assumed rate, so their returns would always be different.

Mr. Hole observed that the actuary had planned to send the Board a letter regarding a potential assumption. Chair Dew said Mr. Heinrichs had assured him he was working on this issue, and would come before the Board once again in August. Mr. Hole proposed that information on this assumption be disseminated to the Board, so they could prepare to discuss this and any other issues of concern at Mr. Heinrichs' next appearance.

Vice Chair Rudominer commented that on p.5 of the actuarial valuation, the difference between covered payroll and total including DROP was a 3% decrease in covered payroll. Chair Dew agreed that this was important, as the individuals in DROP were still employed, although the City is not paying for them. Mr. Cypen added that the figure would be distorted without this information. The result was that DROP was determined to be worth 3% of the total covered payroll.

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

ADMINISTRATOR'S REPORT:

Meeting w/City Finance Department

Ms. Wenguer reported that she and Ms. Cintron had met with the City Controller and members of her Staff. The Finance Department advised that reports sent to Ms. Wenguer from the IT Department were not properly reconciled, which meant they often contained incorrect information that created inaccuracies in other documents, such as actuarial reports. As a result, the Finance Department has instituted a new policy requiring any financial report from IT to first be vetted by Finance before it is sent anywhere else.

Mr. Wood added that he had also met with members of the IT Department to ensure they were aware of this new policy and would adhere to it. The IT Department agreed to follow this policy.

Plan Year-End Change

Mr. Wood continued that in conjunction with this proposed change, the generation of population and other reports sent to the Board would be built into the Finance Department's year-end schedule. This will allow these reports to be provided to the Board by November. He advised that if this is done in a timely manner, the Finance Department will not generate independent reports, but will include the GERS and pension audit information in its report.

Chair Dew recalled that the Board had been asked to consider changing their fiscal year to match the City's fiscal year, which ends on September 30 and begins on October 1. While this had been unsuccessfully attempted in the past, it is expected that the prepayment of the City's contribution will allow for an easier transition.

Motion made by Mr. Fortunato, seconded by Vice Chair Rudominer, that the Board will change its fiscal year to October 1 to September 30 to match the City's.

Ms. Wenguer advised that she was opposed to this change, as she did not feel this was the major problem. She pointed out that DROP balances and returns are based on a December 31 year end, so all Ordinances related to this issue would require amendment. There will also be additional costs involved because they would now need a nine-month audit and another audit at year-end. She was concerned that on September 30 they would realize this had not been the right thing to do and they would change it again.

Vice Chair Rudominer noted that the Board had made a motion at an earlier time to implement this change but this motion had later been rescinded. Mr. Bayne recalled that when the Board had previously voted to change its fiscal year, the City had determined they did not want the change to take place; however, at present the City was in favor of the Board's fiscal year matching their own. Mr. Wood explained that the City's prior opposition to this change was due to the prospective cost of roughly \$500,000 to the City, from interest on the ARC for an additional three months. At present, the change in the Plan's fiscal year would not result in any additional cost to the City.

Chair Dew pointed out if the Plan and City operate on the same fiscal year, there would only be "one set of books." Ms. Wenguer explained that her concern was that the year-end figures might be inaccurate. Chair Dew noted that this would obligate the City to help the Board arrive at a solution, as the change would be made at the City's request.

Ms. Wenguer noted that the year-end for the General Employees' Plan is September 30, but this entity has not been provided with its financial reports in a timely manner. Chair Dew observed that this may be due to issues of which the Board is not aware. Mr. Wood said some of the issues affecting the General Employees' system are the same as those affecting the Board, and have been resolved internally by the adoption of the new policy governing financial reports.

Mr. Naugle stated that the City's fiscal year begins on October 1 due to State law, as ad valorem taxes are calculated over the summer and funds are provided afterward. He pointed out that the City did not choose an October 1 fiscal year, but was required to use it.

Mr. Wood noted that there would be a one-time financial shortfall to the Plan. Ms. Wenguer advised that software will also require re-coding in order to change the date from a December 31 to a September 30 year-end. She reiterated that the greater issue will be ensuring that the DROP is coordinated properly. She also noted she will be missing a member of Staff at the time of this proposed change in 2013.

Mr. Bayne asked what costs were incurred when the Board had previously attempted to change to the City's fiscal year. Ms. Wenguer estimated that the cost had been roughly \$2,500 at that time.

Mr. Bayne asked if there were any issues related to new legislation that would affect the change. Mr. Cypen replied that this might be a good time to make the proposed change due to GASB 67-68 as well as recent State law.

In a voice vote, the motion passed 6-1 (Mr. Bayne dissenting).

Ms. Wenguer returned to discussion of the recent meeting with the Finance Department, advising that ledgers will be kept in the Plan's office for regular reconciliation. This will assist in identifying problems quickly rather than allowing them to continue for a longer period of time and then attempting to reconcile the figures.

Mr. Hole asked if the meeting with the Finance Department had addressed the issue of reconciliation with Northern Trust. Chair Dew replied that this was a separate issue.

CAPTRUST:

Investment Review

Kevin Schmid

Mr. Schmid reported that Steve Schott of CapTrust has attempted to speak directly to the chairman of Northern Trust in order to address the Board's issues with the company. Chair Dew stated that Coleen, a member of Northern Trust's staff, has expressed a desire to meet with the Board at the July meeting in order to explain and apologize for the recent difficulties. Mr. Schmid said Coleen is now the relationship manager for the Plan at Northern Trust, and wishes to correct past issues.

Mr., Schmid continued that all Northern Trust draft communications intended for the Board will be reviewed by both Northern Trust and CapTrust before they are sent out. Northern Trust also has a separate investment manager liaison team that will be made aware when wire transfers were coming.

Mr. Wood said he and at least one additional Staff member would plan to attend the July meeting in order to be part of this discussion with Northern Trust. He expressed confidence in the changes the company had made.

Mr. Schmid moved on to the investment review, stating that the stock markets in April and May were relatively stable and trending upward, although they were slightly less stable toward the end of the second quarter. The Federal Reserve has indicated that there may be changes in the interest rate in the future, which introduced an element of volatility that has not recently been present.

Mr. Schmid added that Japan has experienced a strong surge in its equity market that resulted in the devaluation of its currency and a dramatic increase in volatility in its markets, which created a level of volatility in the U.S. markets as well.

Mr. Schmid stated interest rates were slowly creeping up and the 10-year U.S. Treasury yields are now at 2.2%. Managers believed this was more of a trading range as opposed to the beginning of a real, dramatic incremental rise in interest rates. Mr. Schmid noted that neither Agincourt nor Boyd Watterson has responded by shortening their portfolios, although CapTrust will continue to monitor this over the course of the year in case this outlook changes.

Mr. Schmid informed the Board that year-to-date, the intermediate bond index is down by 57 basis points, which is a drop of 83 basis points from the end of the second quarter. Bonds were slightly positive through May 31, but have moved toward negative territory since that time. The stock market year-to-date is up by 15.1%, or a gain of 5% since the end of the second quarter. There has been more volatility in the equity market, which will be monitored as the quarter progresses.

Mr. Schmid reported that international markets are up roughly 7% year-to-date and up 2% since the end of the second quarter. Most recent weaknesses have been driven by the situation in Japan, although unrest in Europe could also create additional volatility. Mr. Schmid recommended moving back toward the original fixed income and cash allocation target of 30% by taking money out of equities, as was done earlier in the year. The greatest overweight is in large cap, which subsidizes the underweight in real estate. He advised that 1.5% could come from mid and small cap and 2% from large cap.

Chair Dew asked if these percentages would come from the total equity in large caps or from each individual manager. Mr. Schmid replied that the three active managers in large cap would be targeted for this change, while a smaller share would come from Rhumblin. He recalled that a reasonably significant amount had been taken from both Systematic and Sawgrass in March. With this in mind, a slightly higher allocation would come from InTech.

Mr. Hole asked when monies were anticipated from K2. Ms. Wenguer said these funds are expected to transfer at the end of June and be available by mid-July. Mr. Schmid said this would also be factored into the increased cash allocation.

Ms. Wenguer asked if the large allocation to Pimco was a concern. Mr. Schmid said this manager is currently at its temporary target weighting, and may also be used as a potential source of funds, although he did not feel they were a major concern. He agreed that over the longer term, they wanted to reduce the 10% Pimco allocation, and noted that infrastructure was a potential alternative asset.

Chair Dew asked if CapTrust considers which funds may have more value when determining what to buy or sell. Mr. Schmid replied that when rebalancing, "one of the things that you end up doing by design is taking from the managers that have done better and reallocating." He noted that recent rebalancing focused on Sawgrass and Systematic rather than from all large cap managers on a pro rata basis.

Infrastructure Education

Mr. Schmid distributed materials on this topic to the Board members, explaining that he planned more of an overview on this asset class than a formal search for potential managers within this class. He stated that infrastructure assets typically have very long lives and are highly regulated, with high barriers to entry into this class. It generates predictable and stable cash flows and generally performs well in an inflation-oriented environment.

Mr. Schmid stated types of infrastructure assets include transportation, such as toll roads. Energy and utilities also make up a significant portion, although utilities have experienced a dramatic decline in concentration. Communications and wireless satellite technologies are fast-growing infrastructure assets. Mr. Schmid explained that against a global equity benchmark, infrastructure equities preserve their value during periods of high inflation. Risks include regulatory risks, such as changes in tax policy, law enforcement, and the privatization or government sale of assets. There is a higher sense of regulatory and government interference risk in infrastructure assets than in the broad equity base.

Mr. Schmid informed the Board that there are three main ways to invest in infrastructure as an asset class. Global listed infrastructure is the most liquid and fastest-growing way to invest. He noted that many of these corporations are not designed with shareholder interest in mind, and can result in UBTIs. Active strategies make up \$23 billion in this asset class. It is also possible to invest in index form, an open-ended or private equity vehicle, which typically have different liquidity constraints.

Mr. Schmid continued that the booklet included examples of active and indexed portfolios and their typical performance, as well as the recent performance of four major firms that invest in this asset class, including Lazard and Morgan Stanley. He noted that CapTrust did not necessarily recommend investing in infrastructure as a stand-alone asset class, as they prefer using a different product to accomplish the same goal.

Vice Chair Rudominer asked if a U.S.-based private equity investment outside the country would count toward the Plan's 25% target international allocation. Mr. Schmid stated whatever was invested internationally would count toward the 25% cap. Mr. Schmid noted that "there may or may not be an entry queue to get in, and then they would call capital as they are investing in future assets." He concluded that fees are slightly higher in private investments, although the net rate of return is also slightly higher. On a correlation basis, infrastructure compares strongly with real estate, as it is not subject to market valuations.

Mr. Schmid concluded that challenges with private investments include decreased liquidity and transparency and less control over when funds are put to work. There is no way to independently evaluate companies owned by private investments. He noted that this is also very similar to real estate valuations, and some infrastructure managers, such as J.P. Morgan, would be considered part of the real estate allocation, as these assets would be managed under that firm's real estate platform. Other possible managers, such as Lazard, would take their funds from the present Pimco allocation; these assets would be part of the equity market and subject to its volatility. These would also have greater liquidity.

Ms. Wenguer asked for information about the fees associated with infrastructure investments. Mr. Schmid estimated that fees for a manager such as J.P. Morgan would be over 100 basis points, while the more liquid assets

could be less. As with real estate assets, he cautioned that infrastructure assets may not be sufficiently liquid when they are needed, or may be more liquid when liquidity is not an issue.

Mr. Schmid concluded that in lieu of a stand-alone investment in infrastructure, CapTrust recommends a diversified real asset program, which provides a stable asset flow and offers some protection against inflation. This fund invests in a broad range of assets, similar to the Pimco All Asset Fund. Mr. Schmid noted that the fund has recently increased its infrastructure weighting from 10% to 15% in acknowledgement of the attractiveness of this asset class. He referred the Board members to p.15 of the handout for an overview of the program's structure, noting that its mutual fund structure would not allow exposure to UBTIs.

Chair Dew expressed concern with the PE associated with this vehicle, noting that it is unusually high. In addition, peer review and returns do not approach the benchmark for global infrastructure. Mr. Schmid advised that he typically considers longer-term performance rather than shorter-term, acknowledging that the lifetime of the diversified real asset program is only three years thus far. He concluded that this approach would be recommended over a stand-alone infrastructure investment, which could be more volatile without offering significantly better return potential.

Mr. Hole recalled that in the last 12 to 18 months before 2013, U.S. institutional investors had put more than \$30 billion into infrastructure. He also recalled hearing a speaker at a recent seminar refer to this level of investment, specifically citing Industry Funds Management (IFM) as one infrastructure product in which his institution was invested. Mr. Schmid said while he was not familiar with this manager, their structure sounded similar to that of J. P. Morgan. He offered to compare the two funds if the Board was interested in pursuing infrastructure investment. He reiterated that CapTrust did not recommend infrastructure as an asset class on a stand-alone basis.

Chair Dew noted that the recent seminar to which Mr. Hole had referred had provided a good deal of education, including the current trend of State and large plans investing aggressively in infrastructure. He asserted that he would prefer to pursue infrastructure on a stand-alone basis rather than as part of a diversified vehicle.

Vice Chair Rudominer noted that the infrastructure class was not associated with the need to build and repair existing infrastructure within the U.S., such as roadways and bridges; instead, infrastructure as an asset class was associated with ownership of toll roads and airports, for example. Chair Dew noted that many former infrastructure investments, such as roadways, are being converted into toll roads as a way to recoup some of the invested funds.

Vice Chair Rudominer observed that the Plan is not currently experiencing any issues requiring greater liquidity, particularly after the influx of pension obligation bond funds. He noted that instead, the Plan continually experiences problems meeting its real estate allocation. Mr. Schmid briefly described the types of infrastructure managers once more, noting that managers such as J. P. Morgan invest in private assets, such as airports and power generation assets, rather than public stocks. CapTrust considered this to be more an extension of a real estate portfolio than infrastructure.

Mr. Cameron noted that the recent conference had described infrastructure as an investment in specific projects rather than in a fund. Mr. Schmid noted that the U.S. is slower to invest in infrastructure than other nations, such as Canada and Australia. He added that investments of the type described by Vice Chair Rudominer, such as specific projects, do not necessarily translate into strong returns at present.

Mr. Schmid continued that there is no guarantee this type of investment will occur in the U.S., as it has been neglected until very recently and is subject to budget constraints. Chair Dew requested that Mr. Schmid provide more information in the future on the success of infrastructure assets on a stand-alone basis.

Chair Dew stated another topic of interest raised at the recent conference was the entrance of some plans into a contract with their money managers. The contracts are evaluated after three or more years to decide whether or not to remain with these managers or go out for RFP. The result was a significant increase in returns and decrease in costs. Mr. Schmid commented that he would be concerned to learn that a manager changed strategy based upon this window, as this could involve taking on additional risk.

Mr. Cypen asked how having a contract result in increased returns. Chair Dew replied that the investors were seeking more active management of their portfolios rather than "style-driven" management. They also found the

managers' fees to be more competitive when contracts were negotiated or renegotiated, as cost and return could be easily compared.

Mr. Schmid requested additional details on this program for review, although he reiterated that he would find it problematic for a manager to handle a portfolio differently due to a set window in which they must perform. Chair Dew pointed out that the result of this approach was an increase in returns. Mr. Cypen stated that this was similar to the issue of incentive fees, which could contribute to a tendency to take more risk. He agreed that a manager's performance should be the same regardless of time frame.

Chair Dew continued that the conference had also included a major discussion regarding proxy voting, particularly related to how certain managers tended to be set up in ways that favor either defined benefit (DB) or defined contribution (DC) plans. Over time, this voting practice tends to erode the value and stability of the DB plans. He requested that Mr. Schmid look into this issue and bring information back to the Board on how the Plan's managers were voting.

Vice Chair Rudominer noted that the plans can influence how their managers vote, and the voting is reported quarterly by Northern Trust. Mr. Hole suggested that the Board look into Northern Trust's policies and voting record as well to determine if any conflicts exist. He suggested that it may be time for the Board to update its guidelines for proxy voting and investigate the managers' policies.

Chair Dew requested that Vice Chair Rudominer take the lead on this issue and follow up on it at a subsequent meeting, noting that the Board is not obligated to remain with a manager that has a record of one-sided votes, particularly if that manager's performance level is not as high as the Board would like.

Mr. Hole asked if the Board could request copies of the managers' proxy voting guidelines and voting records. Mr. Cypen said once a report for a given manager is available, the Board may ask why they voted against a particular issue or policy. Ms. Wenguer advised that some managers call to inform the Board of votes that may not be in the best interest of the Plan. Mr. Hole suggested it may be appropriate to review this information on an annual basis.

Mr. Hole requested an answer to a question raised at a previous meeting, which concerned risk and return. Mr. Schmid said all calculations are based on returns net of fees.

COMMUNICATION DIRECTOR'S REPORT:

Mr. Nesbitt advised that the Annual Report has been sent to the printer, and draft copies will be provided to the Board members for comment when available. Once comments are received, it will be finalized and sent to print.

Chair Dew added that he, Mr. Nesbitt, and Ms. Wenguer plan to meet to set up an updated PowerPoint presentation to be shown to the City Commission.

ADMINISTRATOR'S REPORT:

Public Comment Policy

Ms. Wenguer requested information on this new policy from Mr. Cypen. Mr. Cypen replied that State bill SB-50, which will take effect in October 2013, is not likely to require that the Board make any changes: they will be in compliance with the law as long as they include time for public comment at meetings. He suggested that they may wish to consider establishing a time limit in which public comments may be made.

Disability Timeline

Ms. Wenguer provided copies of a draft updated timeline, which will be given to any individuals applying for disability in the future.

Assistant Administrator's Review

Ms. Wenguer explained that Ms. Cintron had recently received her annual performance review, which was very positive. She added that Ms. Cintron will go on leave in late October, and had requested one additional day off per week instead of an increase in pay upon her return. They had arrived at a schedule that would allow her to work four nine-hour days, with a floating day off each week according to the needs of the office. This policy would be in

place for one year, to be evaluated afterward to determine if it was working well enough to continue. Ms. Wenguer explained that working fewer hours for the same salary equated to an approximate 11% raise.

Chair Dew advised that Ms. Cintron will be able to work from home on any special projects for the Board. He reiterated that the additional day off per week would not be a set day, but would be determined by Ms. Wenguer one month in advance, subject to change as necessary.

Vice Chair Rudominer asked if Ms. Cintron's salary would be adjusted for a 36-hour work week. Ms. Wenguer said it would not change from the salary associated with a 40-hour work week, which would be recorded as four 10-hour days.

Motion made by Mr. Naugle, seconded by Mr. Cameron, for approval. In a voice vote, the motion passed unanimously.

PENDING ITEMS:

Old Business

Ms. Wenguer advised that GTS will be present at an upcoming FPPTA meeting if the Board had any questions regarding its Annual Report. Chair Dew stated that he would like to invite representatives of this firm to the August Board meeting.

Mr. Hole asked how many "soft dollars" the Board had requested. Ms. Wenguer said the Board is provided with checks, which are deposited into an account.

Mr. Schmid added that recapture has no impact on explicit trading costs, and GTS has no way of knowing its potential impact on the prices the Board is getting, as they do not have access to this data. Chair Dew stated that the Board needs to ask several questions of GTS.

Ms. Wenguer continued that FPPTA has provided the Board with a letter, which they requested be sent out on the Board's letterhead. She reported that the document had not been sent.

Chair Dew asked if it was the Board's preference for him to wait and seek their consensus before agreeing or declining to sign and send such a letter, or if they would rather grant him this authority up front. Mr. Cypen advised that up-front authority may not be granted, as this would constitute a violation of the Sunshine Law. He noted, however, that an individual Trustee may send out a letter that made it clear he was speaking solely for himself and not on behalf of the Board.

Mr. Hole requested information on the letters sent to three DROP participants regarding joint survivor benefits. Ms. Wenguer said the letters have not yet been sent, as the actuary was currently working on the appropriate calculation for these benefits.

Mr. Hole asked if Police Officer Isaac had paid a refund in interest of approximately \$14,000 in June. Ms. Wenguer stated she had set this up to come out of Officer Isaac's bi-weekly paycheck.

Mr. Hole continued that with regard to IRS 415, it was recommended that the Plan's retirement application advise individuals to look into this with their accountants. Mr. Hole suggested that these individuals be tested to determine if they are exceeding this limit. Ms. Wenguer recalled that they were tested in the past, but testing stopped once the limit became very high. Mr. Cypen noted that applicability of this rule may depend upon whether an individual's DROP rate is fixed or variable. Ms. Wenguer pointed out that since the City had a 415M excess benefit plan, no one would be out any money.

Mr. Hole asked if corrections noted to the recent audit had been made, including: revisions to COLA changes on pp.16 and 22; rewording of the phrase "increased benefits to retirees," clarifying that the City always pays 100% of its required contribution, and clarification on p.21 that input is provided by the Board and not the Administrator. It was noted that these changes have been made.

New Business

Vice Chair Rudominer noted that Dr. Cornel Lupu had not received a service provider review in 2013. He suggested that this review be conducted in 2014.

Mr. Naugle commented that when the State legislature is in session, it could be beneficial for the Board to discuss any bills that might affect Plan business. Mr. Cypen cautioned that the Trustees must be very careful regarding any such discussions, as they represent neither the Union nor the City: their charge is solely to administer the Plan.

Mr. Naugle recalled that the Board was asked to take a position by requesting that the Governor veto a particular bill, and he had been uncomfortable taking this position without first discussing the bill. Mr. Cypen advised that the Board could take the position that a given bill may result in an administrative burden and undue expense.

Chair Dew asked if it would be possible for Ms. Wenguer to email members with information on issues such as this if it is critical that they are fully informed on a particular issue prior to a meeting. This would allow them to offer opinions to the Administrator and discuss it further at Board meetings. Mr. Cypen pointed out that these issues often appear in the FPPTA or Florida League of Cities newsletters, which provide information for informed discussion.

Mr. Hole recalled that in the past, the Division of Retirement has held both pre- and post-legislative session seminars, which would provide information on upcoming bills and how they may affect retirement plans. These seminars have recently been reinstated at a minimal charge. Mr. Hole reported that he, Vice Chair Rudominer, Mr. Bayne and Mr. Fortunato had attended the Division of Retirement seminar.

Mr. Hole also recommended that the Board send a letter of congratulations and thanks to Patricia Shoemaker, who has recently retired. Chair Dew agreed that a certificate of appreciation from the Board would be appropriate.

Mr. Hole observed that in light of recent news articles regarding travel expenses by Trustees, he would like to recommend that it become Office and Board policy for Trustees to use their pension credit cards for these business expenses whenever possible. Ms. Wenguer observed that while these cards had been intended to offer greater convenience to the Board, not all members or employees prefer this card, and some have discontinued its use. Mr. Hole asserted that both Trustees and Staff should use these cards for business expenses as a matter of policy. Mr. Cypen advised that while this may be strongly suggested, it should not be mandated.

Chair Dew advised that a library of books and documents provided at conferences will be maintained in the office for Board and Staff use. He encouraged the members to include any similar information they felt could be useful.

Chair Dew stated that he meets with new members of the Police Department as part of the new hire orientation process in order to inform new hires about the pension plan and retirement planning. He suggested that this be done for new hires in the Fire Department as well. Ms. Wenguer pointed out that she attends a class on pension topics for the Fire Department in order to provide this information for new hires.

There being no further business to come before the Board at this time, the meeting was adjourned at 3:55 p.m.

ADMINISTRATIVE REPORT: PRIOR GERS SERVICE

(At the request of the Board, this portion of the meeting was taken in detail.)

Chair Dew: We have a group of Police Officers and Firefighters that were previously employed with the City of Fort Lauderdale and they fell under the GRS retirement system, and then they became Police Officers later. The question at hand, apparently, since 2004, has been: Is their time credited as non-participants of the Police and Firefighter Plan – once they become certified Officers, are they now part of that Plan, and does that plan [GRS time] transfer over to the P&F Plan, the GRS time. Through legal counsel, we have talked with Mr. Cypen. Mr. Cypen, why don't you offer your opinion?

Mr. Cypen: Our Plan clearly says that anybody who was previously a member of the General Employees who becomes a member of our Plan and transfers his contributions to us, we then administer the benefit that he had

accrued in the General Employees, together with our benefit that he accrues and he becomes entitled to participate in our Plan, and the first part is paid at the same time as he becomes entitled to our benefits.

Chair Dew: All right. And now there's several options that we have here with this group. We have some that - once they became members of the P&F Plan, they obtained their monies from the GRS.

Mr. Cypen: Let's not say they obtained.

Chairman Dew: They received their monies, or contributions.

Lynn Wenguer: The Plan did.

Chairman Dew: Yes. And we also have some that got it-- the Plan--our Plan got it, and we also have some that it's still over with the GRS. And then I don't know about - maybe we might have somebody else too that, I don't know, may have retired.

Dennis Hole: Don't we have some also that they don't really know where it's at?

Ms. Wenguer: Right. We have a list of people - and we had put this out quite a few years ago because this has been going on for a few years - and some of them, if we can't confirm that we ever got the money, we still assume - if General Employees can't produce a document that shows they transferred the money to us, then we assume it's still with General Employees.

Chairman Dew: Okay.

Ms. Wenguer: Because that's what happened in the past - if we don't - if we have -- our records here -- we reflect everything we know.

Mr. Cypen: Why don't we deal with the concepts first and the proof would be something you would do later?

Chairman Dew: Right, right.

Mr. Cypen: So the first question is: Who has left his money and is still in GE? Money never came -- he came and the money never came, the money should come, together with interest at the assumption rate for the time it should have been here.

Chair Dew: Now, what do you mean by that?

Mr. Fortunato: We were asked to do that.

Chairman Dew: Go ahead.

Vice Chair Rudominer: Did I miss something? Back up to where we have proof that prior GERS service is going to count.

Mr. Cypen: Well, I don't want to say service is going to count. The benefit is going to be credited, not the time.

Mr. Hole: At our multiplier rate?

Mr. Cypen: At their rate, at their time, at their cost. So if somebody was there for two years, and it was a 2.5% multiplier and they made 10,000 bucks, their benefit is frozen and we pay that benefit. After we get their contribution, we pay that benefit when they become eligible to retire in our Plan.

Vice Chair Rudominer: Now is that towards - Let's say the 81% max, or is that above?

Mr. Cypen: It has nothing to do with the max. It's a benefit that we're administering actually in coordination. I'm not sure why they set it up that way, but they did.

Mr. Bayne: Why are we administering their benefits? Why wouldn't they be able to administer it from their side of it?

Mr. Cypen: Because it says in our Plan that we do.

Mr. Fortunato: Because they never vested.

Mr. Cypen: If they've got six years, they would ordinarily lose everything. Now they could've said in the General Plan if you transfer from here to the Police and Fire and you become eligible to retire from Police & Fire you can also retire from GE.

Mr. Naugle: Right, easier.

Mr. Hole: What do you mean they lose everything after six?

Mr. Cypen: If you don't qualify for a benefit, you don't get anything except a refund. In the absence of legislation, it is a separation.

Chair Dew: For us it's ten years.

Ms. Wenguer: But then there's anywhere from eight to five years vesting, but most of them don't meet that.

Mr. Cypen: That's just how you calculate the benefit.

Ms. Wenguer: But Steve, the way it was done in the past, prior to this becoming an issue was that the benefit for the Police and Firefighters was done at 2.5% above and beyond whatever their service was with Police and Fire but it was done at the rate their – their base rate – I mean, whatever their final average earnings were at the time of retirement.

Mr. Cypen: It doesn't say that.

Mr. Bayne: So they would gain a 2.5% multiplier for their retirement as to whatever service they got as a police or firefighter, it would be their rate now.

Mr. Fortunato: Is there a motion that needs to be...

Mr. Cypen: We're a little far from a motion yet.

Vice Chair Rudominer: So going back, we've got to first agree on the concept that we're going to use to administer this benefit.

Mr. Cypen: Well there are some issues because, and I don't know how this happened, but there's a paragraph in the General Employees Plan that's in one copy but not another copy, and that paragraph obligated them to do what you were doing -- the mirror image of yours. There's now no requirement for the General Employees to give us the money.

Vice Chair Rudominer: I have no problem in agreeing that we're going to do it, and then we can start looking at it under different classes and say who's paying for it and where we're getting the money.

Chair Dew: I have been in communication with Lee Bucci, the Chairman of the GRS, and he is supporting us. And he said that whatever calculations we come up with, to get with Dave Desmond and they would work it out. So he's well-versed on it. He met with Assistant City Attorney Dunckel this morning at ten o'clock and Dunckel is aware of it, and so anyways, so, that's not an issue. But I agree with Ken, we need to first go through and acknowledge that we're going to accept this concept and what the concept is. Dennis?

Mr. Hole: I know there was money supposed to be transferred over years ago, and I don't know if anybody in that scenario has retired, but I remember Steve said we can't pay a benefit that was earned under GE plan.

Mr. Cypen: money that wasn't paid or funded.

Mr. Hole: Right. So, you know, we may be in agreement, but yet you can't force them to give us the money.

Chair Dew: That's a different issue. We're going to discuss that – like I said, I got a gentlemen's agreement through Lee Bucci, so that's not an issue right now, I think what we need to do is kind of come up with the overall concept of what we're doing here. I'll be honest with you, I think I understand it.

Mr. Cypen: Keep going until we get it.

Chair Dew: Exactly. For example: a member was a dispatcher for two years, then becomes a Police Officer. Those two years that he was part of the GRS at 2.5% multiplier, whatever monies those are, would be in addition to his calculations at the time he terminates here with the Police Department.

Mr. Cypen: What you do is you take that benefit and then make it seem as though he can leave at that time with that benefit, even though he can't.

Mr. Bayne: It's based off the salary at that point.

Mr. Cypen: Correct. So he's got a benefit – \$150 a month, that's his benefit. That's what you're going to administer when you're paying him \$2000 a month for 10 years.

Chairman Dew: Jack? Stand up and state your name.

Detective Jack DiCristofalo: Jack DiCristofalo, I'm a Detective with the Police Department. I've been looking into this matter for quite some time now, because we haven't been getting straight answers. I'd like to give you guys what I've learned in this. In answer to your question – I'm sorry, I don't know your name - you're already doing this for retired Police Officers whom I've spoken directly to in this matter. The way I understand it, and it was discussed on August 11, 2004 Pension Board meeting, when Mr. Cypen gave an opinion during that meeting – these are all records that I got from Lynn, based on a public records request. The City promised these officers that their time would transfer over, there was even a form that the City had that they all signed, that said if you want your time to count in your retirement in the future, you have to transfer your funds to the Police and Fire. Everyone in here did that, they all did that. Now it's coming up.

Mr. Cypen: That form – not to be too technical, but that's not a City form, that's a General Employees pension form.

Det. DiCristofalo: My wife has a City form.

Mr. Cypen: The ones I've seen from Lynn.

Ms. Wenguer: It says General Employees Retirement System on top.

Det. DiCristofalo: If you'd like, I'd show it to you, sir.

Ms. Wenguer: It came from the General Employees Retirement System.

Ms. DiCristofalo: Mine is old, it's actually typewritten.

Mr. Cypen: I've seen both of them.

Ms. DiCristofalo: It does say General – City of Fort Lauderdale.

Ms. Wenguer: Yeah, but it doesn't matter.

Det. DiCristofalo: It goes back to the same thing that you already went over in 2004, that the City made a promise to these employees, and now we're asking because – we actually asked several years ago, before she went into the DROP plan, to have this rectified and clarified, and it never has. And now we're a year into the DROP, five years is going to come real quick, and, you know, things have been piddling in the wind for too long. So we need to make a decision on – even based on your words back then, Mr. Cypen advised that the situation needs to be remedied by the City. And you said that the City should keep its promises that were made to the employees. You guys are kind of asking should we adopt this – you're already doing it. There's specific police officers, and Lynn knows who they are, and I'm sure there's firefighters too, that you're already doing it. So, we're just asking for what we were promised, and to be made whole.

Chair Dew: We agree. What we're trying to do here is – we're not saying that we're not going to do it, we're just trying to figure out the exact formula that's going to be done, because I'm not really sure exactly what was done. And part of the problem we had is that we were told at one time, it wasn't legal. And now we're finding out that that is not correct. So anyways, the question we have right now is the metrics of how we're going to deal with this. The people that have their money and transferred it over, the people that received their money as whole, the payback, so they can get that benefit. And then also the other people that the GRS already transferred over. So we need to figure that out, we need to get a comprehensive list.

Mr. Fortunato: The promise that was made to these people, though, was that it would be tacked on, because when I first got hired, they tried to get me to work in the jail, and I said "No, I'll go work somewhere else," and they wound up hiring me. But the promise that was made, and the same thing they told me, was it'll get tacked onto the end of your pension and count toward your total service.

Mr. Cypen: Are you talking now about probationary time?

Mr. Fortunato: No, it's just – what they were told is if they worked as a lifeguard or they worked in any City service, that that 2.5% would be tacked on, you know, if it's 67% after 20 years, to the 67% of whatever your total salary was. That's the promise that was made to the people in this room.

Mr. Cypen: If it was an oral promise, I can't speak to it. If it was a written promise, it's in the Plan, and it doesn't say that.

Ms. Wenguer: If I can tell you – I mean, since I've been here for a really long time – that is how we, up until 2004, it's exactly how we did it. So the precedent was set that we did tack that onto whatever their benefit was at the time, and just gave them – if it was another year at 2.5%, we just added it like – we called it like a bonus percentage. Anybody that retired prior to that date, that's how it was calculated.

Mr. Fortunato: So you already had a fleet of people.

Mr. Cypen: It may be the lower percentage but it was the higher salary.

Ms. Wenguer: Right, it was the higher salary. It did not go towards the 20 years, you always had to have 20 years at Police and Fire. That was never a question. You had to work that 20 years as a Police and Firefighter, otherwise you were not entitled to it.

Mr. Bayne: What you're saying is that the higher salary, you could also use the argument that a starting Firefighter or Police Officer had a lower salary than when they finish up. So the salary, to me, isn't as big of a concern, when you start looking at the percentage, that is to me the real factor.

Mr. Fortunato: It's a total compensation package.

Mr. Cypen: Well, there are three things. Other cities do things differently. For example, they won't allow you to accrue that time, use that time, for vesting. Some may say "You've got 15 in our Plan, you've got 5 in theirs, you've got 20." It doesn't say that here. Some may say it will be at the higher salary, and they pay for it. We don't have that here either. Others may say it's the higher multiplier, but you don't have that. You have it frozen in time.

Mr. Bayne: Then, I would say the formula would be the percentage of the time of service that they had from the previous, added to their time of service here. It would be, if they meet normal retirement age, say they did 20 years of service with the Police or Fire Department, their previous service gets added on per years of service times the percentage in that Plan, it's added here.

Mr. Cypen: What I said was -- the problem with that is the higher benefit has not been paid for, because when they contributed, they contributed based upon the lower amount.

Mr. Bayne: The thing is, when they start as a Firefighter or a Police Officer, they're starting at \$26,000 or whatever it is, it's not the higher salary at that point either, so it doesn't make a difference. A starting Firefighter or Police Officer, I'm going to use an arbitrary number \$26,000, we'll say. They start off at \$26,000 when they first start. This time is prior to them even coming into the Police or Fire service, which is going to be at a lower salary.

Mr. Cypen: Actually, you could have 18 years at a lower salary, and you have the higher of the last two years, and that's all that counts.

Mr. Bayne: But no, because they have to vest in our Plan.

Chair Dew: Lynn, what did you do before, prior to 2004?

Ms. Wenguer: We just took what their final average earnings were at their time of retirement, and gave them -- if it was 2.5 -- for one year, we gave them 2.5% of that higher salary. Whatever their highest two years were.

Chair Dew: I don't think we can change it.

Vice Chair Rudominer: Why did we stop at 2004?

Ms. Wenguer: Because the City wrote -- supposedly having an agreement rewriting the documents -- and told to us that it was illegal to pay that benefit out of our Plan.

Vice Chair Rudominer: Right. But see, that's where we need to be right now. The motion is to reverse the ruling in 2004.

Mr. Naugle: Do you have a copy of that ruling?

Ms. Wenguer: It wasn't -- it wasn't a ruling -- it is just minutes. An opinion.

Mr. Hole: That was because it wasn't funded.

Ms. Wenguer: Right.

Mr. Hole: That hasn't changed.

Mr. Cypen: It can be rectified, and it can be funded. If the City's willing to fund it, it's not a problem.

Mr. Hole: But if it wasn't funded, we couldn't pay.

Ms. Wenguer: And realistically, what happened back then was Steve had said let's let General Employees pay their portion, let Police and Fire pay their portion, this is how it should be done. And the City said "Fine, we'll do it that way." And then they ended up doing it completely opposite of that and said forget it, we're not even going to allow you to do that so that's how we got to this point.

Mr. Cypen: They repealed that part of their Ordinance.

Ms. Wenguer: Yeah.

Chair Dew: All right. Steve I think it would be proper for a motion. How would we put it that we would accept the practice prior to 2004 for all current and also retired, because we have some that are in the DROP after 2004 that would meet this criteria on.

Vice Chair Rudominer: Based on the funding being there.

Chair Dew: Based on their funding either from GRS, from them returning their monies, or the transfer that already happened.

Mr. Cypen: But that's a different amount of money, because you're expanding the benefit that it bought. It bought 2.5 at whatever the salary was in that Plan. Now it's going to buy – you're not going to give them a higher multiplier, you're going to stick with 2.5, is that correct?

Chair Dew: Yeah.

Mr. Cypen: That may be 2.5 at five times the salary.

Mr. Naugle: If you did – if you wrote a description of what it is that you want to do, what you think that is fair, and you created a tri-party agreement that – and then asked GRS and the City to sign it, then GRS would be acknowledging that they're going to forward their portion of expense.

Mr. Cypen: GRS should be very happy to forward their portion because it doesn't cost anything, the City doesn't pay anymore and the City pays the same either way.

Mr. Naugle: So the tri-party agreement, then GRS and the City and the P&F would all agree, and then there wouldn't be any lawsuits.

Mr. Cypen: The best thing would be to just make a simple amendment to our Plan to indicate that when you have a transfer like this, you pay at the final average salary of the Police Plan.

Mr. Hole: Simple to amend the Plan?

Mr. Cypen: Well, I'm just saying procedurally — you're right.

Mr. Bayne: Steve – and I guess we're going back to what I was trying to discuss before – when Mike Dew came on the job, he was getting paid as a Patrolman. He's now a Captain. Salary's a completely different range then -- That's where I'm saying – I don't think it matters whether it's two years or whatever, it's a different status – he can go to a Captain his last two years of his job.

Mr. Cypen: Your contribution is based upon your salary.

Vice Chair Rudominer: Not the one – if you want to go to that, they've also held onto some people's money for 20 years, then what about that? Shouldn't they pay interest on that money?

Mr. Bayne: You said that earlier.

Mr. Cypen: That's how you fund the Plan, partially with earnings.

Mr. Bayne: You said that earlier, though, it's paid with the interest from the contributions plus the interest. So that brings it up.

Vice Chair Rudominer: Right.

Chair Dew: I don't see how we can have a two-tier system here, though. That's what I'm concerned about, is that – I mean, all of a sudden in 2004, somebody made a decision that wasn't right, and then we just stopped it, and then all of a sudden these guys are victims of that, and now we're going to try to change that. I can't see how we can do that.

Mr. Bayne: I would think it would remain the same for everybody through that whole time period. I don't see how we could do anything different.

Chair Dew: Jack?

Det. DiCristofalo: Can I ask, how could the people that are already in the boat, how was their extra 2.5% funded?

Ms. Wenguer: Well, it was done. Their money came over, they became part of the Plan, and it was actuarially computed and they – once we got their contributions, it was the same thing, the City contributed on their behalf.

Det. DiCristofalo: So for most of the people in this room, their money was transferred when they came from GERS to Police and Fire. They all signed the forms

Chair Dew: But we do have – we agree, we understand that we do have another bunch. That's not all-inclusive, Jack, so we have some that did do it and we have some that actually took their money because they were told that's what they needed to do. And so we got that.

Det. DiCristofalo: They got some bad information.

Chair Dew: Yeah. So we don't have a clear picture it's not all-inclusive. So you're right to a point, but like I said, it's not all-inclusive. That's objective number two. Objective number one is what we are going to do.

Mr. Cypen: Let me ask Lynn, correct me if I'm wrong. We were going along and everybody was happy and we were doing it the way you said, and then the City came in and said "We're not going to do this anymore."

Ms. Wenguer: Right.

Mr. Cypen: So we said "Why not?" and they said "Because we don't believe and we're not going to pay you anymore." And I said "If we don't get the money to pay for it, we can't pay for it." That's all I said. And I stand by that statement, and I think the City needs to help us fix it up.

Mr. Fortunato: Is it our job to make them whole and then fight with the City.

Mr. Cypen: No, it's not our job. We have no authority to do that. It was a promise made to them by the City, not by us.

Det. DiCristofalo: Okay, so we would like to ask as a group, and I'll speak for the group – we would like to ask the Board's help in pursuing this with the City.

Mr. Cypen: You've got all the minutes and you saw all the times where we talked about the City was going to do this, the City was going to do that – twice in the minutes it says that the problem has been resolved. I don't know how, but it said it had been resolved.

Mr. Hole: I think Lynn sat down with the General Employees' administrator and they agreed.

Mr. Cypen: Minutes of August '08, say so.

Mr. Hole: -- the percentage that they were going to get credit for?

Ms. Wenguer: No, that never happened. It's blown --it's gone completely in like circles, honestly. I mean, we have tried to resolve this problem and we never have been able to. And what we've always been told is "It's not our problem, you need to talk to GERS." But it is our problem, because it was – I promised these people, personally, that they were going to get credit. Most of the people I spoke to, I had a piece of paper, and I even said this – whatever, it was eight years ago, I had a piece of paper that says their money's being transferred and they're going to get credit for that time. And then all of a sudden... .

Mr. Cypen: Well, wait. If it says the money's supposed to be transferred, the money has to be transferred.

Ms. Wenguer: Right, but now you're saying – I mean, even for that money that was transferred, they -- we were told we weren't allowed to pay the benefit. Now you're saying we can't.

Mr. Cypen: Could you repeat what you just said?

Ms. Wenguer: Okay, so we can pay the benefit. So why do we need an agreement between all the different parties?

Mr. Cypen: We can pay the benefit as I have described it.

Ms. Wenguer: Right.

Chair Dew: Yeah, that's what I'm saying.

Ms. Wenguer: And to get the money from General Employees. It's the employees' money. There is no reason that General Employees wouldn't transfer the money.

Mr. Cypen: Well, you're saying that, but what happened?

Ms. Wenguer: No, it's just a request we have to put in for it, but we didn't request the money because we didn't know what our obligations were.

Mr. Cypen: Didn't you tell me that several people had requested money and that GE said no?

Ms. Wenguer: No, no, I never said that. The money got refunded to them. If they requested the money back, they had to go – we gave them their money back.

Mr. Bayne: That's a whole different argument –

Chair Dew: Let's sit back and – let's go back to number one.

Vice Chair Rudominer: Let's roll back to 2004.

Chair Dew: That's what I'm saying. Let's put a motion on the table to roll back to 2004 and stay consistent with prior practice and then we'll deal with the other.

Mr. Bayne: So moved.

Motion made by Mr. Bayne, seconded by Vice Chair Rudominer, to roll back to 2004 and stay consistent with prior practice.

Chair Dew: Discussion? State your name.

Officer John Davis: John Davis. Okay, so is the City's Plan 2.5% every year that you served with them? Because I did two years with the City. So it's 2.5% each year? So when I get my 20 years, you're going to tack on 5%?

Chair Dew: Not of credit service, but of benefits.

Officer Davis: At my rate when I retire. So it would be an extra percentage of my retirement, whatever, a couple hundred bucks every month. Right?

Unidentified Speaker: Yes.

Officer Davis: Okay.

Chair Dew: Any other discussion? Call the roll.

In a roll call vote, the motion passed 7-0.

Chair Dew: Okay, now we're going to do that – the funding issue is that already, you have a group you know –Do you have a complete list of everybody that is eligible that this falls under? Police and Fire?

Ms. Wenguer: I'm going to confirm my list. I do have a list. I'm going to send out notices to everybody to confirm that. Like I said, some people did receive their money, and if they went to GERS, I wouldn't know. There's not 100% certainty that they would have told me that they actually got their money.

Vice Chair Rudominer: In your letter, would you be asking if they received their money or not?

Ms. Wenguer: Right.

Mr. Hole: There was a list of those people?

Ms. Wenguer: Yeah, I have a list.

Mr. Bayne: What we might have to end up doing here is going with GRS and reconciling our members with what their members were to confirm as to who had time of service or not. Because some people may not even be aware of the situation if we're only going by the list that may not be all-inclusive. Might end up with some problems.

Ms. Wenguer: I think the list is pretty good, but I agree. And I will tell you that GRS's records are not good at all. So like if I ask-- I'll ask do you have a file and they'll say no.

Chair Dew: Dennis?

Mr. Hole: A question – those that got the refund, is it refund back plus IRR?

Chair Dew: That's a discussion that I'd want to bring up. What would be the interest that we'd have to collect?

Mr. Cypen: First of all, are you talking about money that you gave back or money that GRS gave back?

Ms. Wenguer: We never gave the money – it came back from GERS.

Mr. Cypen: That's between them and GRS. They have to pay the money back to GRS to seal in that benefit, and then the money has to be transferred to us.

Ms. Wenguer: Why is that? That doesn't make sense. Why couldn't they just give it to us?

Mr. Cypen: Because it's tax-exempt money.

Ms. Wenguer: But still, it just seems like it's – it seems like it's just an extra step that –

Mr. Cypen: GRS owes the interest on top of that because they had the money.

Chair Dew: No, Steve, we're talking about people that actually came up because they were misinformed, saying they were no longer eligible. So they had three or four thousand dollars.

Mr. Cypen: Then it's the other way. GRS is entitled to get interest on it because they didn't have it.

Mr. Bayne: Constructive receipt.

Ms. Wenguer: And then what, they have to send it over to us?

Mr. Bayne: Yeah.

Mr. Cypen: You don't want there to be constructive receipt.

Mr. Bayne: No, no. I'm saying the employee has constructive receipt of those funds that were refunded back to them – they actually received it from GRS. I don't know how you're going to be able to say the employee or the fund can do it at that point, because now you have the tax implications on that.

Mr. Cypen: That may be contingent on how GRS handles the matter. I understand that.

Mr. Rudominer: If they don't have to pay it back, they don't have to get the benefit.

Mr. Cypen: I think they can talk to the tax people and may be treated as a mistake.

Chair Dew: Because that was considered income.

Mr. Bayne: They are in constructive receipt of it, because they got taxed on that money during that time period. And now on top of that, you're going to have all the earnings that would have been gained that weren't gained during that time period, because they had the money versus it being in the GERS Plan.

Mr. Cypen: You can do it on an assumption rate.

Mr. Hole: That's up to them to determine.

Chair Dew: Them being?

Mr. Cypen: General.

Chair Dew: -- what the interest would be?

Vice Chair Rudominer: So basically you're ruling out one of our members paying us directly.

Mr. Cypen: Unless we gave it back.

Chair Dew: And then we'd need to get receipt from them. Steve, one thing like we discussed – once we get all done with this, we need a very clear document of the legal opinion on how the members – where they fall and what they need to do.

Mr. Cypen: When we figure that out, we'll give it to you.

Chair Dew: All right, but I'm just saying I want to put that on there right now. I want to just make sure that that's done.

Mr. Bayne: We also have the other group that they don't know where the money's at, because they say GRS had it, it was transferred and we don't have receipt of it.

Ms. Wenguer: Generally, if somebody transfers money here we have it in their file. So if I don't have it in their file, in a copy of a receipt of receiving money, my assumption is I never got the money. GERS cannot prove – they don't have records of sending it. So if you don't have a record of sending money, then it's on them, and we assume that the money's there.

Mr. Bayne: Now they don't – and here's where I'm getting into a problem here, because now they say "Well, it was transferred," but you don't have anything showing how we got that money from them?

Ms. Wenguer: I don't think – they have not argued with us.

Chair Dew: Right. I spoke with Lee Bucci two times, and he is very receptive and supportive of [these] measures, and he said that once we figure out what goes on, to get with David Desmond – Desmond is out of the office until Monday – and that they would work it out.

Mr. Bayne: Because this came forth with the Boyle case before.

Ms. Wenguer: Right. But they have not contested that at all, they haven't said "Oh, we're not going to pay the money", they do go ahead and pay the money. I have a note from the City saying we don't have any record of this transfer occurring at this time from this period to this period. So they have refunded the money even though they have no record.

Chair Dew: Okay, now what about a member that is retired and into the DROP? You would have to recalculate at that time.

Ms. Wenguer: Right.

Chair Dew: So they would supply you with their time in the GRS, or they all would. But you'd have to do recalculations.

Ms. Wenguer: yes.

Chair Dew: Okay. Did we miss anything?

Ms. Wenguer: I'm sure we did but we'll bring it back when we find out.

Chair Dew: Dennis?

Mr. Hole: Do we have to restate financials?

Mr. Cypen: No, this probably is not material.

Mr. Bayne: To go back to a concern for the Plan that might come up – Steve brought it up momentarily before – a member that does vest in the General Employees Plan, is that time transferable as well? They do say 10 years in the GERS, now they come over and they do 20 years in ours, does that mean they get the 25% from the GERS Plan that gets now tacked onto the Police and Fire for another 20 years?

Mr. Hole: And supposing it goes for 100%, and they're not allowed.

Mr. Fortunato: No.

Mr. Bayne: Why?

Mr. Fortunato: They are vested.

Mr. Cypen: It specifically says that it can't go over the higher of either system, whatever is the higher. It specifically says that.

Mr. Hole: So supposing it does, then they lose?

Mr. Cypen: It specifically says it can't in our Plan.

Mr. Bayne: So the max benefit they'd be able to receive is the 81% either which way. So if they did 23.96 years in our – without going into DROP, they didn't maximize their benefit here.

Mr. Cypen: Now you're off of the multiplier and you're back onto the salary?

Mr. Bayne: No, I'm onto – I'm saying that now you take the 2.5% --two years and 2.5%, he goes 23.96 years, maximize the 81% benefit, is now the benefit 86%.

Mr. Cypen: I think what's happened here is they did it in a way that was kind of unnecessary, because they intended, I believe, as most cities do, to allow you to not be punished by going from one Plan to the other, but to preserve that. And to preserve your benefit in limbo until such time if, as and when you become eligible to retire

from the second system. The second system that administers that benefit as though it were earned there, but it wasn't. And I think if you are going to do that, you might as well leave it in the first system.

Mr. Bayne: So the end result to that question is does he get the 86% or does he get the maximize of 81% at 23.96 years of service?

Mr. Fortunato: It would be the 86. Most of them would have been before the 81% cap anyway.

Mr. Bayne: Hang on, hang on. The reason why is because his other statement was that they get the maximum benefit of ours, which is 81%.

Chair Dew: How was it done before, Lynn?

Ms. Wenguer: It was above the cap, so if you worked 30 years here and you worked for two years at General Employees, you got 81% here and 4%-5% from the other Plan.

Mr. Bayne: So potentially, someone could get in excess of 100%.

Mr. Hole: Yes.

Mr. Cypen: They can't because of the other provision that says you can't.

Chair Dew: There's a State law.

Vice Chair Rudominer: I thought you said when you started this that this is for monies for people who haven't vested.

Mr. Cypen: For people who haven't become entitled to a benefit.

Mr. Bayne: They are entitled to a benefit because they would have vested.

Chair Dew: They would have had two Plans. Is there anything that we're missing?

Vice Chair Rudominer: So what's our next step?

Chair Dew: Well, our next step is going to be Lynn's number one, to get an all-inclusive list and find out exactly where they fall in the category. Then we'll also have to get with GRS – correct me here, Steve, help me out – get with GRS and get with them as far as finding out the guys that did receive their monies and if they're paying it back, what would that total be?

Vice Chair Rudominer: This is going to take some actuarial work?

Chair Dew: Not really. I think Lynn can do that.

Vice Chair Rudominer: To figure out the benefit.

Ms. Wenguer: No. The benefit is easy.

Mr. Naugle: If we quit doing this in 2004, what is the status of the people that retired between 2004 to 2013? They're already retired. We're not talking about the future.

Chair Dew: That's what I'm saying, because we do have some people that their benefit would have to be adjusted.

Mr. Naugle: That they retired in 2008 and – so we'll have to go back and refigure.

Ms. Wenguer: It's not too many people, it's a handful of people, it's not a lot.

Mr. Fortunato: Most would be in the DROP right now.

Chair Dew: Okay, anybody think of anything else that we need to do? Gregg?

Gregg Gurdak: What if there was a break in service, say City Zoning to Police Department, Fire Department. ?

Ms. Wenguer: If there was a break in service?

Mr. Cypen: I believe the Ordinance says there can be no break in service.

Ms. Wenguer: Yes, it's continuous service.

Mr. Cypen: It had to be continuous, that's the benefit you get by having continuous service.

Chair Dew: Good question.

Mr. Bayne: Continuous service, and just because we've had other issues in the past, is one day considered a break in service?

Chair Dew: Well, if you're going through the application process – that's not really, I mean, there's a transfer period that you've got to be reasonable.

Mr. Cypen: It would be according to the City's regulations whether the city considers it continuous.

Chair Dew: I mean, if they – because there's times where you're going to end one job on a Friday and you don't start until Sunday.

Mr. Bayne: I get it, but for DROP distribution purposes, we do it – that's why I'm wondering, I mean we've approved DROP based on a break of one-day service. That's why I'm trying to get a clarification on this, because it can't be both ways.

Ms. Wenguer: Generally when this happened, it was a seamless transition from one job to the other. There was – I mean, we have all the people here, they'll just tell you it was just --you got this position, they were waiting to get the position as a Firefighter or Police Officer and that's why they did something else for a period.

Mr. Cypen: They were still employed until they took the new position.

Mr. Bayne: I get it, I get that. What I'm trying to say, though, is we approve DROPs in here, at this Board, for a separation of one day. So I want to be clear as to which way we're going.

Mr. Cypen: The City has rules on separation, certain things happen when you separate. If you don't separate, certain things don't happen. If it's a separation, then it's not going to apply.

Chair Dew: That's up to the City.

Ms. Wenguer: Right, because they would get their leave and sick and vacation. That would probably be more of the criteria, did you actually terminate your employment and give up your benefits.

Chair Dew: Okay, Lynn and Steve, you guys will kind of work this out here and -- Then – are we going to-- do they need to come back next month to hear this or are we going to end it.

Ms. Wenguer: No, I think we'll --let's work through it, we'll send them out letters, get a list, bring it back to the Board and so everybody can see, I'll give you a progress report on where we are and I'll work with each member individually to make sure that they get credit. If there's people out there that got money, I'm sure they'll let me know, because they're not going to want to jeopardize getting this benefit.

Chair Dew: Now, let me just put this out – this is going to be a process. So with the Staff and everything that's going on, I don't think you're going to be seeing letters on Monday, okay? So anyway, first of all, on behalf of the

Board, we're sorry that this took so long; number two, we appreciate your patience; and number three, we're glad we finally got it resolved.

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