

May 11, 2016

**POLICE AND FIREFIGHTERS' PENSION BOARD
REGULAR BOARD MEETING
888 South Andrews Avenue, Suite 202
Fort Lauderdale, FL 33316
Wednesday, May 11, 2016, 12:30 p.m.**

Present

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

Also Present

Alexandra Goyes, Deputy Director
Stuart Kaufman, Board Attorney
Linda Logan-Short, Deputy Director/CFO
Fred Nesbitt, Retirees Association
Paul DeBold, Retirees Association
Jim Ingersoll, President of the Retirees Association
Jack Chew, Retirees Association
J. Wells, Retirees Association
Rick Maglione, Assistant Chief
Rick Schulze, Retiree Association
Jack Lokeinsky, Fort Lauderdale FOP Lodge 31 President
Lisa Edmondson, Recording Secretary, Prototype Inc.

ROLL CALL/CALL TO ORDER

Chair Dew called the meeting to order at 12:30 p.m. Roll was called and a quorum was determined to be present.

PLEDGE OF ALLEGIANCE/MOMENT OF SILENCE

The Pledge of Allegiance was followed by a moment of silence.

MINUTES:

Regular Meeting: April 13, 2016

Motion made by Mr. Bayne, seconded by Mr. Hole, to approve the minutes of the April 13, 2016 meeting. In a voice vote, the motion passed unanimously.

COMMENTS FROM THE PUBLIC

None.

NEW HIRES

Chair Dew recognized the new hires.

BENEFITS:

POLICE DEPARTMENT:	Drop Retiree:	Rick Maglione
	Retiree Death:	Duane C. Bearror
	Survivor Death:	June Grounds

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

BILLS:	Prudential	\$83,764.30
	Vaughan Nelson	\$62,917.34
	Agincourt	\$41,858.27
	Boyd Watterson	\$36,828.00
	Sawgrass	\$29,516.76
	Aristotle	\$26,205.02
	Intech	\$18,459.38
	Rhumblin	\$16,814.00
	Minuteman Press- Newsletter	\$1,300.00

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

Interest on Member Contributions

Mr. Kaufman said his interpretation was that the ordinance should be applied on a prospective basis, so anyone getting a return on contributions would be entitled to interest prior to the passage of the ordinance. Ms. Logan-Short stated Mr. Dunckel had confirmed that he disagreed with this position. Mr. Kaufman said the Board should make a decision today. It was his recommendation they apply the ordinance prospectively and grant interest to all members who received a return on contributions prior to December 2013. Mr. Lokeinsky agreed with Mr. Kaufman and said they had never negotiated a retroactive pension benefit. He referred to his notes taken during that negotiating session and said they read, "No interest earned after ratification." It was never contemplated that interest earned prior to ratification would be taken away from a member. Ms. Wenguer confirmed that Mr. Dunckel was aware this item was on the Board's agenda.

Mr. Kaufman said if the City refused to pay the interest, the plan could cut the checks. Ms. Wenguer explained that over the last two years, the amount totaled approximately \$8,000.

Ms. Logan-Short felt the Board should request Mr. Dunckel address them to provide his opinion and explain why he disagreed with the plan counsel's opinion. Chair Dew said they had made this request.

Ms. Logan-Short stated, "The City is your partner when paying things...we don't fight you guys."

Motion made by Mr. Bayne, seconded by Mr. Fortunato, to accept the interpretation of plan counsel that the ordinance should be applied only prospectively, not retroactively. In a voice vote, motion passed unanimously.

INPUT FROM ACTIVE & RETIRED POLICE OFFICERS & FIREFIGHTERS

Mr. Ingersoll reported their secretary/treasurer had resigned and they were seeking a new one. He noted that the 1996 law was a state-wide issue; many municipalities had been affected over the last 20 years.

CAPTRUST: (under separate cover)

Kevin Schmid

Monthly Investment Review

Mr. Schmid provided a capital market review. He said the quarter had ended up better than anticipated; there had been a sharp rebound in mid-February. The S&P had finished the quarter up 1.35%. Some trends had reversed over the quarter; value stocks had outperformed growth stocks and emerging markets were up 5.7%. There had also been better than anticipated bond performance for the first quarter.

Mr. Schmid stated valuation was approximately the same as at the beginning of the year and they were still reasonably valued. He said profit margins were peaking out and reversing course a bit and this was their main concern over the next few months. He expected additional volatility around the presidential election in November. Mr. Schmid reported the fund was up 1.19% for the quarter, 3.65% for the fiscal year, which was half way to where they needed to be.

Mr. Schmid stated he had spoken with EnTrust about converting from the current fund exposure to something "kind of one-off" and they were evaluating this change. He would have a formal recommendation at the Board's June meeting. Chair Dew reported he had spoken with EnTrust via conference call recently and they explained the redemption from the New York City retirement plan. EnTrust's position was that this had been "very political" and concerned charter schools. EnTrust had encouraged Chair Dew to be patient and "wait for the cycle."

Mr. Schmid noted there was an incentive fee component to EnTrust which was subject to a high watermark and in many cases, the underlying strategies were working for free right now. If there was a rebound, the fund would benefit more significantly because there would be no "fee drag." Mr. Schmid was concerned that because EnTrust's equities were more idiosyncratic and event-driven, they were not participating in the updraft in the market.

Investment Policy Statement

Mr. Schmid said they had made one change on page 4 stating that if ADRs were still, by nature, U.S. companies, they would not hold that against them in international securities with U.S. managers.

Motion made by Mr. Naugle, seconded by Mr. Rudominer, to accept the change in the Investment Policy Statement language. In a voice vote, motion passed unanimously.

Performance Based Fees:

Mr. Schmid explained that currently, they paid flat fees and he had investigated a possible performance-based fee structure. He stated if he and the Board did their jobs properly, they should end up with managers who beat their benchmarks and could therefore end up paying higher fees with a performance-based structure. Mr. Schmid had back-tested domestic equity managers with whom they had some negotiating power. He referred to his analysis and said the managers' suggestions ranged from 10-30 basis points. The second aspect was the participation rate, which was the percentage of the excess return that was converted into a performance fee; a higher participation rate meant the manager would earn the performance fee faster.

Mr. Schmid's analysis had considered three proposals: InTech, Aristotle and Sawgrass and applied a performance-based fee for the past 5 and 10 years for comparison. He reported the InTech proposal was on the low end for all the managers, and it also had the lowest participation rate. If they could get this fee from all of the managers, it would have provided a reasonable savings over the past five years and even more in 10 years. In 10 years, the Aristotle model became neutral, and there would have been modest savings from Sawgrass and InTech. Mr. Schmid remarked that the psychological benefit of a performance-based system was they would pay managers less when they were not performing well.

Chair Dew had sent Mr. Schmid information on direct and indirect costs, which they had not explored yet. He asked if Mr. Schmid could incorporate these into his analysis. Mr. Schmid thought it would be difficult to back-test those; they should consider what they were doing with brokerage costs to ensure they were as low as possible. He agreed the next aspect of the fee overview was assessing the indirect costs.

Mr. Rudominer wondered if they were just considering performance-based fees now because it was becoming part of the active/passive debate. Mr. Schmid said they basically did not favor performance-based fees because their goal was to have managers outperforming and this would result in higher fees. He stated they also needed to make sure that performance-based clients' portfolios were being managed the same way as those paying flat fees and agreed to look into this. Mr. Ingersoll asked how much they could save in fees over one year and Mr. Schmid replied the goal was not necessarily to save fees over time, it was to pay for good performance and not pay for bad performance. Chair Dew asked Mr. Schmid to continue his research and report back to the Board.

COMMUNICATION DIRECTOR'S REPORT:

Mr. Nesbitt announced the annual report had been mailed to retirees and emailed to active members.

EXECUTIVE DIRECTOR'S REPORT:**Legal Contract**

Mr. Kaufman stated Mr. Cypen had been away. They were trying to work out a deal to keep Mr. Cypen on a consulting basis. He hoped they would have a final contract next month.

In-Service Distributions

Ms. Logan-Short announced the 1099s had been prepared and were ready for release. The City was waiting to send them because GERS also needed to amend the 2012 tax return. The City was aggressively working with GERS to finalize their 1099Rs so that one amended 2012 tax return could be submitted. She agreed to send Mr. Ingersoll an update on when she anticipated the 1099s would be mailed.

PENDING ITEMS:**New Business:**

Ms. Wenguer provided the Board with a 6-month budget.

Old Business:**Schedule A**

No discussion.

Board Discussion and Updates

Ms. Wenguer informed the Board that she had not hired a new assistant as yet. She had gone through all of the applicants and may need to start the process over again.

Mr. Rudominer asked Ms. Wenguer to keep track of costs for the retirement planning seminar because this should be covered by the City's Human Resources Department.

Chair Dew said his presentation to the City Commission had been moved to June 7. Because of a scheduling, the Board moved the June Board meeting to June 7 at 10:00 A.M.

FOR YOUR INFORMATION:

Retirement Planning Seminar
KCG Recapture Statement

September 23, 2016
Recapture Summary/March, 2016

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

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

[Minutes prepared by J. Opperlee, Prototype, Inc.]

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