

May, 2008

POLICE & FIREFIGHTERS' PENSION BOARD REGULAR MEETING

Pursuant to authority of Ordinance C-00-34, Article II, this regular meeting of the Police & Firefighters' Pension Board convened at 12:35 P.M., **Wednesday, May 7, 2008** in the Pension Board Conference Room, 888 S. Andrews Avenue, Suite 202, Ft. Lauderdale, Florida 33316.

PRESENT:

- Michael Dew, Vice Chairman
- Romney Rogers, Secretary
- John San Angelo, Trustee
- Richard Fortunato, Trustee
- Dennis Hole, Trustee
- Mark Burnam, Trustee
- Steve Cypen, Board Attorney
- Lynn Wenguer, Administrator
- Rachel Maldonado, Assistant Pension Administrator
- Laurie DeZayas, Recording Secretary

ALSO PRESENT:

- Gregg Gurdak, President, Retirees' Assoc.
- Fuzzy Larkin, Retirees' Assoc.
- Jack Chew, Retirees' Assoc.
- Rick Schulze, Retirees Assoc.
- Carl Borino, Retirees' Assoc.
- Bill Paton, Retirees' Assoc.
- Ann Lindie-MacNeil, Retirees' Assoc.
- Jeff Justinak, Fire Department
- William Humphrey, IAFF
- Allan Lerner, Police Department
- David Hebert, Assistant City Manager
- Jose Fernandez, Actuary
- Cavanaugh MacDonald
- Allan Curry

Randall Stanley, Stanley Holcombe & Assoc.

Jason Pulos, Asset Consulting

April Simon, Invesco

ASSET VALUE as of May 6, 2008: **\$468,110,992.**

Vice-Chairman Dew called the meeting to order at 12:30 p.m.

ELECTION OF OFFICERS: Chairman - Mr. Rogers nominated Mr. Dew for the position of Chairman. Mr. Burnam then made a motion to close nominations. Mr. Fortunato seconded the motion. The motion was approved **UNANIMOUSLY** by the Board. There being no further nominations, Mr. Dew was elected Chairman by acclamation.

Vice Chairman - Mr. Dew nominated Mr. Burnam for the position of Vice Chairman. Mr. Hole made a motion to close nominations. Mr. Fortunato seconded the motion. The motion was approved **UNANIMOUSLY** by the Board. There being no further nominations, Mr. Burnam was elected Vice Chairman by acclamation.

MINUTES: Regular Meeting, April 9, 2008. Mr. Rogers made a motion to approve the minutes with Mr. San Angelo seconding the motion. Mr. Hole requested that two changes be made to the minutes; on page 8 the word "auditor" be added before RFP's and that the title "President" be removed before Fuzzy Larkin's name. The motion was approved with the noted changes **UNANIMOUSLY** by the Board.

BENEFIT REVIEW: see Exhibit I for additional information.

FIRE DEPARTMENT	BENEFIT TYPE	RETIREMENT DATE	TERMINATION DATE	FORM OF BENEFIT
Donald Williams	Retirement	September 20, 2004	May 4, 2008	100% J&S
Timothy Boyle	DROP	April 14, 2008		Life Annuity
James Chovan	DROP	April 14, 2008		100% J&S
Thomas Connor	DROP	April 14, 2008		Life Annuity
Kevin Johns	DROP	April 14, 2008		100% J&S
Michael Ondrejicka	DROP	April 14, 2008		100% J&S
Marcus Trobaugh	Vested	May 1, 2008	October 11, 1996	Standard
Allan Curry	Refund		March 5, 2008	Lump-Sum

POLICE	BENEFIT	RETIREMENT	TERMINATION	FORM OF
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DEPARTMENT	TYPE	DATE	DATE	BENEFIT
William McGarry	Retirement	August 2, 2004	April 30, 2008	100% J&S
Richard Temple	Retirement	September 21, 2004	April 30, 2008	Life Annuity
Kevin Finn	DROP	April 21, 2008		Standard
Richard Kelly	DROP	April 20, 2008		100% J&S
Joseph Joliet	Beneficiary		December 6, 2007	8 Year Benefit

BILLS: Sawgrass Asset Management submitted a bill for investment management fees for the period ending 03/31/08 in the amount of \$69,498.00.

Systematic submitted a bill for investment management fees for the period ending 03/31/08 in the amount of \$51,022.69.

Lee Munder Capital Group submitted a bill for investment management fees for the period ending 03/31/08 in the amount of \$44,092.93.

NorthPointe Capital submitted a bill for investment management fees for the period ending 03/31/08 in the amount of \$43,325.69.

InTech submitted a bill for investment management fees for the period ending 03/31/08 in the amount of \$39,760.92.

Julius Baer submitted a bill for investment management fees for the period ending 03/31/08 in the amount of \$21,450.85.

RhumbLine submitted a bill for investment management fees for the period ending 03/31/08 in the amount of \$7,406.72.

Northern Trust Company submitted a bill for custodial service fees for the period ending 03/31/08 in the amount of \$31,306.46.

Goldstein Schechter Koch submitted a bill for audit work for the period ended 12/31/07 in the amount of \$14,500.00.

Atkinson, Diner et al submitted a bill for professional services through the period ending 03/25/08 in the amount of \$7,082.88

Mr. Hole made a motion to waive the reading of and approve the payment of these bills with Mr. Rogers seconding the motion. The motion was approved **UNANIMOUSLY** by the Board.

INPUT FROM ACTIVE & RETIRED POLICE OFFICERS & FIREFIGHTERS: None.

2008 ACTUARIAL REPORT - Stanley, Holcombe & Associates: Mr. Randall Stanley presented the actuarial report. During this period, salaries for continuing actives increased by 7.49% with an unexpected increase of 5.78%, which increased the Unfunded Liability by \$879,616 and the contribution amount by \$241,272. However, as a percentage of payroll the contribution rate decreased 0.2%.

There were two deaths of active members compared to 1 expected. There were 19 deaths among inactives compared to 14.3 expected. This decreased the Unfunded Liability by \$272,298 and decreased the annual contribution by \$41,601.

There were 3 disabilities compared with 2 expected. Costs decreased slightly by \$11,438 per year.

There were 15 employee terminations compared with 12 expected. This decreased the Unfunded Liability by \$395,028 and the annual contribution amount by \$102,811 or 0.1% of pay.

There were 9 retirements compared to 14 expected. This decreased the Unfunded Liability by \$20,966 but increased the annual contribution by \$10,434 (due to the normal cost of the more than expected remaining actives).

Over 111 police officers in the data file provided by the City were found to be miscoded as terminated, instead of active. Including these participants in the valuation increased the Unfunded Liability by \$4,775,533 and the annual contribution by \$1,699,571. Because of the increase in payroll due to these members, the cost as a percentage of pay decreased by 2.4%.

The rate of return on the market value of assets for the year ending 12/31/07 was 7.2%, the rate of return on the actuarial value of assets was 9.6%. The expected rate of return was 7.75%, resulting in an experience gain. The 14-year average rate of return on the actuarial value of assets has been 8.7%. This decreased costs by \$765,226 or 1.4% of pay.

Following the 2002-2006 Experience Study performed in 2007, the retirement and salary increase assumptions were changed. The overall effort was a decrease in cost of \$391,046 or 0.71% of pay.

After a lengthy discussion of this report, Mr. Rogers made a motion to accept the actuarial report, which will include the implicit adoption of the following two changes in the assumptions; 1) to retroactively change the asset smoothing from 5 years ago under the 20% write up method and limit it at 1/1/08 to market value less 10 million dollars and 2) to take the existing unfunded liability as of 1/1/08 and instead of amortizing using the level dollar payments amortize it with scheduled increases at 2% per year. Mr. Hole seconded the motion. The motion was approved **UNANIMOUSLY** by the Board.

Chairman Dew thanked Mr. Stanley for the presentation of the report and for the time he spent on the report and answering questions.

A short break was taken at 2:00 PM. The meeting resumed at 2:05 PM.

INPUT FROM ACTIVE & RETIRED POLICE OFFICERS & FIREFIGHTERS: None.

ADMINISTRATOR'S REPORT - Board attorney Steve Cypen addressed the Board concerning the following items:

Me Too II: Case is set for oral argument on May 27, 2008 with the Fourth District Court of Appeals.

Pension Administrator's Contract: Mr. Cypen has prepared an amendment to the original agreement with the Plan Administrator to extend the original agreement to August 31, 2008. Mr. Cypen is waiting for a term sheet in order to draft a new contract.

A motion was made by Mr. Rogers, seconded by Mr. San Angelo, to ratify and confirm Chairman Dew's agreement and signature to execute the extension of the agreement. The motion was approved **UNANIMOUSLY** by the Board.

Saxena White: Mr. Cypen addressed the Board concerning the recommendation of our monitor, Saxena White, that the Board file suit as lead plaintiff against Trizetto Company. There is no cost to the Board to be the lead plaintiff. Mr. Cypen answered questions and explained the process to the Board.

A motion was made by Mr. Rogers, seconded by Mr. Burnam, to ratify and confirm Chairman Dew's action in authorizing the direction of litigation being filed in between meetings. The motion was approved **UNANIMOUSLY** by the Board.

Securities Lending: A handout of a recent magazine article concerning Northern Trust's co-mingled securities lending fund loss was provided to the Board. At the previous month's Board meeting, Northern Trust had given a

presentation concerning their securities lending plan and at that time had advised that they had never incurred any losses. Jason Pulos of Asset Consulting Group joined the discussion and clarified some of the issues surrounding the loss. Mr. Pulos had advised the Plan Administrator that this is not the time to be going into securities lending.

Mr. Fortunato left the meeting at 2:30 pm.

Peney Pension Overpayment: Mr. Cypen requested that Ms. Wenguer provide him with the balance still due, so that the Peney's attorney can prepare a promissory note with terms acceptable to the Peney's and the Board.

Mr. Hole asked Mr. Cypen concerning the fact that the CAFR Report prepared by the City had just come out and there were mistakes concerning the Police and Fire Retirement System in the financial statements. Mr. Cypen suggested that the Administrator write a letter to the City and follow up concerning this.

Mr. Hole also questioned if the Ordinance re-write had been done and sent to Bob Dunckel. Ms. Wenguer advised that Mr. Dunckel had acknowledged receipt of it and he was going to follow up with the Trish Shoemaker with the State. Ms. Wenguer will follow up with Mr. Dunckel concerning this item.

Assistant Pension Administrator: The Plan Administrator presented the salary and benefit package for the Assistant Pension Administrator position. She explained to the Board that Ms. Maldonado had signed a letter stating that she understands that this is a Board appointed position, not a City position, and that we use the City's package as a guide for benefits. All benefits listed are in line with the City's Management Category V benefits, and all sick and vacation time will be tracked by the City system. A motion was made by Mr. Hole, seconded by Mr. Rogers, to approve the Assistant Pension Administrator salary and benefit package. The motion was approved UNANIMOUSLY by the Board.

Mr. Hole questioned Chairman Dew if he had completed the evaluation form to be used in the evaluation of the Plan Administrator position. He is in the process of completing it. Ms. Wenguer will forward a copy of the job description to Chairman Dew.

Auditor RFP's: Ms. Wenguer advised the Board that the Auditor RFP's had been sent out. She sent them to the top five local firms and gave a date of June 30, 2008 for them to be returned by.

Firefighter Trustee Election: Election voting forms must be returned by 5:00 pm May 16th and they will be counted Monday, May 19, 2008. Mr. Hole volunteered to be present May 19th when the ballots are counted.

Office Lease: Ms. Wenguer is waiting for a response from the landlord concerning negotiations.

Chairman Dew requested that this item be added to the task schedule.

QUARTERLY INVESTMENT REPORT: Asset Consulting Group, Jason Pulos. Mr. Pulos reviewed the first quarter that ended March 31, 2008. He discussed how difficult this quarter had been due to the continuing downturn in the equity and credit markets that began in the second quarter of 2007. The economy has slowed, oil prices continue to rise, and the Fed has tried to add liquidity to the market by lowering interest rates. There is a continued slow economic growth, though this month there has been some signs of optimism, however, he feels that there is still some pain to come.

The financial sector, the investment banks, have been hit very hard, culminating with the collapse of Bear Sterns. Across the board, treasury rates have gone down significantly, leading to the rally of treasuries. Through the end of April 2008, on a one-year basis, the yield on fed funds is down 3 ¼ %. Longer term rates on two-year notes has gone down 2 ½ % over the past year. The yield on five-year notes has gone down 1 ½ %.

For the quarter the equity market was down 10%; the S&P 500 down 9.45%; large cap growth, as measured by the Russell 1000, down 10.19% and value down 8.7%.

On a one-year basis, growth has significantly outperformed value. While still negative, the large cap growth is down 75 basis points, large cap value down 10%; small cap growth down 8.9%, small cap value down 17% for the year. Small cap growth, for the quarter, is the worst performing asset class, down 13%.

The total fund market value was \$462,700,000. as of the end of the first quarter which was a decrease from the December 31, 2007 market value. In the first quarter, the total fund returned -6.0%, underperforming the blended index. The median peer with less than 6% international equity did outperform by 280 basis points. The one-year total return for the fund was -1.3%, ranking in the 82nd percentile amongst their peers with a similar equity allocation (less than 6% international equity). Over the five-year period the total fund has gained 9.4% relative to 8.7% for the policy index and 8.0 % for the median total fund universe (less than 6% international equity).

Mr. Pulos advised the Board that our portfolio has been put together to perform efficiently over the long term, and that at this point in time it is not advisable to make any changes.

Chairman Dew thanked Mr. Pulos for his report.

OLD BUSINESS:

1. Ms. Wenguer is in the process of discussing a pre-retirement conference with Dave Desmond at GERS. She will follow up with the City concerning the timing and the space needed.
2. The final copy of the Annual Audit has been received.

FOR YOUR INFORMATION: No action.

There being no further business to be brought before the Board, Mr. Rogers made a motion to adjourn the meeting at 3:55 P.M. Mr. San Angelo seconded the motion. The motion was approved UNANIMOUSLY by the Board.

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