

November, 2010

POLICE AND FIRE PENSION BOARD
REGULAR BOARD MEETING
WEDNESDAY, NOVEMBER 10, 2010, 12:30 P.M.

Michael Dew, Chairman
Ken Rudominer, Vice Chairman
Richard Fortunato, Secretary
J. Scott Bayne, Trustee
Mark Burnam, Trustee
Dennis Hole, Trustee
Jim Naugle, Trustee
Lynda Flynn, Acting Finance Director
Steve Cypen, Cypen & Cypen, Board Attorney
Lynn Wenguer, Administrator

Also Present

Fred Nesbitt, Director of Media Relations
Jason Pulos, Asset Consulting Group
Kevin Schmid, CapTrust
Steve Schott, CapTrust
Alan Eichenbaum, Attorney (for Frank Colleran)
Amanda Cintron, Assistant Administrator
Laurie DeZayas, Pension Secretary
Frank Colleran, Retirees' Association
Gregg Gurdak, President, Retirees' Association
Jack Cann, Retirees' Association
George Farrell, Jr., Retirees' Association
Bill Paton, Retirees' Association
Fuzzy Larkin, Retirees' Association
Jack Chew, Retirees' Association
Barbara Hartmann, Recording Secretary, Prototype, Inc.

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, November 10, 2010 in the Pension Board Conference Room, 888 S. Andrews Avenue, Suite 202, Ft. Lauderdale, Florida 33316.

Communication to City Commission

The Retirement system received a Public Pension Standards Award for Funding and Administration 2010 from the Public Pension Coordinating Council.

The Board received a letter from GASB (Governmental Accounting Standards Board) acknowledging receipt of the Board's letter voicing their concern over proposed changes.

The Trustees elected Dennis Hole to serve as the 7th Board member, which requires City Commission approval.

MINUTES: Regular Meeting October 6, 2010 Motion made by Mr. Hole, seconded by Mr. Burnam, to waive the reading of and approve the minutes of the October 6, 2010 meeting. In a voice vote, the motion passed unanimously.

BENEFITS:

Police Department:

DROP Retiree:

John R. Hospodavis
Thomas K. Reed

Lump Sum Refund:
 Bernie Lopez
 Eric R. Lundahl
 Jason M. Maldonado
 Lakendra D. Palmer
 William H. Righter
 Nicholas J. Wollschlager

Motion made by Mr. Rudominer, seconded by Mr. Bayne, to approve the benefits. In a voice vote, the motion passed unanimously.

BILLS:

Artio Global (6/30/10)	\$50,137.50
Artio Global (9/30/10)	\$52,098.37
Agincourt	\$39,772.62
Sawgrass Asset Mgmt.	\$38,991.00
Northern Trust Co.	\$24,567.23
NorthPointe Capital	\$23,801.01
InTech	\$20,511.30
Stanley, Holcombe & Assoc.	\$30,986.00
Holland & Knight	\$75.00

Motion made by Mr. Rudominer, seconded by Mr. Bayne, for the payment of the bills as documented.

Chair Dew asked Ms. Wenguer if she had spoken with Mr. Stanley regarding the charge by Stanley, Holcombe & Associates. Ms. Wenguer said she had received a draft bill on October 15, 2010, for roughly \$37,000. She advised Mr. Stanley that this charge was very high and she did not agree with the entire bill. She noted in particular that some costs attributed to the annual actuarial report had already been billed. Mr. Stanley removed these items, lowering the bill by approximately \$5,000.

Ms. Wenguer said she had previously discussed with Mr. Stanley the need to bill the Board on a quarterly basis. She concluded that the work for which the Board was billed had been done, but she could not determine how many hours Stanley, Holcombe & Associates had worked. There were no set prices for specific items of work, but an hourly charge.

Chair Dew asked Ms. Wenguer if Mr. Stanley had given her any direction regarding how the total cost adjustment of roughly \$7,000 was made. She pointed out that the work done for Mr. Colleran, for example, was a reiteration of work done earlier by Stanley, Holcombe & Associates. In the end, additional costs were removed from that line item, and Ms. Wenguer said other costs were taken off the out-of-scope data problems.

It was agreed that the issue would be discussed further when Mr. Stanley next appeared before the Board.

In a voice vote, the motion passed unanimously.

QUARTERLY INVESTMENT REVIEW:

Asset Consulting Group Jason Pulos

Mr. Pulos said they would review the capital markets and the Plan's portfolio. He provided an overview, stating that the markets had rebounded in September, with U.S. markets up 11%. As the dollar continued to depreciate, local markets experienced approximately 9.5% positive impact to international returns.

Year-to-date figures, despite the rebound, show large cap stocks up 3.5-4% through the end of September, with small and mid cap stocks outperforming large cap. International stocks had the worst year-to-date performance. Three-year figures remain significantly negative across equity markets, and five- and ten-year figures remain well below the return requirements for long-term investors.

Overall portfolio results show the portfolio up 8.3% for the year. Mr. Pulos noted that among individual managers, NorthPointe has been discussed at length and some changes are expected. Other managers have added roughly 140 basis points on a one-year basis. Sawgrass in particular is up 10.2% for the year. This is a high-growth manager that tends to protect in declining markets.

The real estate component has begun to turn around after experiencing bottom in 2009. Mr. Pulos said it was appropriate to add to this component, as the portfolio is underweight relative to its target allocation. He noted, however, that some real estate managers are not taking new capital and have a queue to get in.

Mr. Hole asked if less money is expected to be available for hedge funds to invest in public employees' pension plans due to the recent election results. Mr. Pulos said fewer dollars going into these strategies will be likely to have a positive impact, as allocations will increase. In addition, institutional investors are considering not making a distinction between hedged and unhedged equity.

He concluded that Asset Consulting Group will work with CapTrust to coordinate a seamless transition of data.

Chair Dew thanked Mr. Pulos for his years of service to the Plan, and the Board presented him with a plaque.

CapTrust Kevin Schmid, Steve Schott

Chair Dew asked that they first discuss the contract. Mr. Cypen said he has resolved some of the legal issues regarding the contract, but asked that the CapTrust representatives review the description of services.

He said they also need resolution of Item 4, noting that the RFP did not have a specific insurance requirement as to deductible. Mr. Cypen said the contract presented by CapTrust reflects \$5 million in limits with a \$150,000 deductible, to which the deductible, he is not authorized to agree.

Mr. Schmid stated the RFP had presented a limit, but not a deductible. Mr. Cypen explained that his concern is not the \$5 million limit, rather the \$150,000 deductible, and reiterated that he could not make this decision.

Mr. Schott said CapTrust fully agreed that there must be \$5 million in coverage, as additional coverage for the Plan's fund would be in excess of their fee. The \$150,000 deductible was seen as more common than \$50,000. He said they wanted to ensure that the Plan's full liabilities were covered.

Mr. Cypen requested clarification that if the deductible is reduced from \$150,000 to \$50,000, the increased premium would exceed CapTrust's fee. Mr. Schott said this was true.

Mr. Cypen advised the Board that CapTrust would not be limited by \$5 million in liability, but wanted \$5 million in insurance. Mr. Rudominer asked if this was because with a higher claim, CapTrust might default. Mr. Cypen explained if CapTrust makes an error, the Plan will want to ensure they can make good for it.

Chair Dew asked Mr. Cypen if he was comfortable with the contract. Mr. Cypen advised while he was comfortable, the issue was not a legal position but a substantive part of the contract.

Motion made by Mr. Rudominer, seconded by Mr. Burnam, to accept the contract as stated. In a voice vote, the motion passed unanimously.

Mr. Cypen said he would have CapTrust's lawyer redo the draft of the contract.

Mr. Schmid provided an asset allocation overview book and a risk posture assessment questionnaire to the trustees, stating that it is helpful to CapTrust, from an opening standpoint, to develop a sense of the risk tolerance and appetite of the Plan and their feeling about specific asset classes.

Mr. Naugle said he would not complete the questionnaire, as he preferred to defer to CapTrust's expertise. Mr. Fortunato agreed. Mr. Rudominer added that while the questionnaire might be useful to complete and review internally, his preference was to take as little risk as possible while reaching the Plan's goal.

Mr. Schmid said based on the Plan's current asset allocation and the state of the capital markets, it would be difficult to reach the 7.75% actuarial rate of return without significant adjustments to either the asset allocation or the risk profile. They would need to take on much more risk in order to reach 7.75%. Mr. Schmid noted that this might involve more risk than the Plan would feel comfortable with. He suggested steps that would improve the probability of reaching this goal.

He referred the Board members to a breakdown of the current policy and various comparative scenarios that showed how returns change according to the risk factor. These reflected reductions in fixed income exposure and adding exposure in alternative investments. The current policy is 50% equity, 30% fixed income, and 20% alternative investments, which gives a 45% chance of reaching the 7.75% goal within any given year. Mr. Schmid noted that the worst-case scenarios are similarly increased along with additional risk. Mr. Schmid continued that the first option for increasing the allocation to alternative investments would mean using income-oriented alternatives, which would increase the income yield on the portfolio and reduce the reliance on capital appreciation in order to reach the goal of 7.75%. These alternatives would include preferred stocks, multi-sector bonds, and high-yield and international debt. These would provide additional income as well as greater diversification. He pointed out that while these are considered "basically fixed-income...entities," CapTrust considers them to be separate from the traditional fixed-income allocation, which is why they are listed instead as alternative strategies. He cited the example of high-yield bonds, which has "significantly riskier" risk return characteristics.

Mr. Cypen commented that high-yield bonds are often known as "junk bonds." Mr. Schmid agreed that because fixed income strategies are intended to be a source of stability for the fund, high-yield bonds have no place in that category. With regard to taxable asset allocation mutual funds, Mr. Schmid said these have similar risk return characteristics to other alternative investments, but have the advantage of being more liquid, more transparent, and lower fees. These would provide the plan "broad exposure" to a wide array of asset classes, and would also add value by changing the dynamic of the asset allocation. He recommended that the fund continue to move back toward the target 10% real estate allocation. While this asset class has been "beaten down" in recent years, Mr. Schmid stated it has since stabilized. In addition, core real estate has a significant income component. He noted that considerations for the future include specific manager discussions, such as the timing and replacement of NorthPointe Capital.

CapTrust has spoken with representatives of this manager in order to determine what has gone wrong recently. The reasons involved multiple issues, including organizational issues that stemmed from when NorthPointe "bought themselves back" some years ago, which placed a financial strain on the firm. This was followed by the significant asset decline of 2008, which resulted in a high debt burden as well as decreasing revenues. Because they declined much more than the benchmark in 2008, NorthPointe tried to significantly turn over their portfolio to protect against this; however, this occurred when the market began to recover, which meant they underperformed "on the way down...and the way up." Mr. Schmid concluded that nothing from that meeting gave CapTrust any additional confidence, and CapTrust is still considering getting rid of NorthPointe as a manager. Artio remains on the watch list as well, but there is less likelihood that a termination will be pursued at this point, as this is a relatively new relationship. They were placed on watch for "both qualitative and quantitative reasons," which include significant organizational changes and performance issues respectively. Mr. Schmid said it made sense to continue to compare this manager with other international options in the coming weeks and months.

Mr. Dew asked what caused CapTrust to place Artio on their watch list. Mr. Schmid said from a qualitative standpoint, Artio had at one time been part of another company, which resulted in organizational changes; he explained that any organizational changes automatically trigger watch list status, as "it's not the same firm as it was before." Quantitatively, their performance issues were similar to those experienced by NorthPointe in that they were "too aggressive on the way down," which made their portfolio conservative at an inopportune time, and "struggled...on the way up." He concluded that Artio has always focused on superior stock selection, and they typically look very different from the benchmark; they suffered performance issues when they "got away from" this focus and more closely resembled the benchmark, losing their earlier ability to outperform. He noted that they are once again "doing what they're supposed to be doing" and no longer closely resemble the benchmark. While they are less fervent in their recommendation to terminate Artio as for NorthPointe, he felt it makes sense to allow them to compete against other recommended options.

Mr. Schmid continued that the duration management of fixed income is a key point, as these benchmarks have high treasury exposure, with low yields and rich valuations. He pointed out that the current environment is not one in which the fund should be "passively invested in fixed income" due to this exposure. If interest rates begin to

rise, he added, the Association will want active management to reduce interest rate risk relative to benchmark. Mr. Schott said CapTrust appreciates both the merits of indexing and active management. The challenge occurs when this “turns from a tailwind to a headwind,” at which point the fund should have “at least the tool” of duration management in order to focus on adjusting the portfolio. He offered the example of Agincourt, which he said had “done a very good job” and had been a good manager. Mr. Schmid said with the understanding that pension liabilities are long-term liabilities, the fund would want to have duration exposure in order to avoid “a significant mismatch” or “wild swings” in the valuation. At the same time, however, they would want to lower exposure and be aware that the fund is taking a slight duration mismatch versus liabilities and be able to rotate out as a tactical measure, rather than as a long-term strategic measure. Finally, he noted that the manager lineup shows significant reliance on quantitative strategies, such as InTech and Sawgrass. He felt it could make sense to add more active managers, particularly as it was quantitative strategies that went bad in 2008-09.

Mr. Schott added that in whipsaw markets, a reliance on quantitative strategies is more likely to suffer. Chair Dew asked what CapTrust’s next plan of action will be. Mr. Schott said they would return with definitive recommendations and determine the Board’s comfort level with the suggested asset allocations. He said this was the big decision rather than focusing on individual managers, although this will continue to be done as well.

Mr. Naugle asked if the plan assumption of 7.75% was realistic. Mr. Schott said this had been discussed internally, and if the Board combined capital market assumptions with practicality and rebalancing, he felt it could be reached. Mr. Schmid characterized this goal as aggressive for the current level of risk, and suggested there would need to be changes to reach 7.75%.

Chair Dew said he would question this assessment, as the actuary report for 2009 showed that over the past 19 years, there were only four “down” markets and the return averaged 8.77%. Mr. Schott said they are looking at the 10-year number, and the major challenge is fixed income, which currently yields 4%. Historically the yield has been “much higher than that.” He reiterated that they proposed to address the Board’s fixed income allocation. Chair Dew recalled that when the trustees made the decision to go with CapTrust, they were acting as laypersons. They expect CapTrust to provide recommendations, and to educate the members on why these recommendations are made. Mr. Schott said this was very helpful, as not all Boards communicate this desire with sufficient clarity.

Upon request, Mr. Schmid returned to p.9 of the presentation, noting that this discusses “the benefits of rebalancing.” He explained that whatever the Board’s rebalancing policy may be, whether very strict and resulting in additional transaction costs or very wide, “it’s better than never rebalancing.” He said the ideal is within the 5-10% range. Mr. Schott said rebalancing is “relatively innocuous and easy” if a previous quarter has been positive, but was tougher in 2008-09, when the market was significantly down. He advised that the difficult times were when they should focus on rebalancing, although he noted that it would also require “more courage” in troubled times. He offered real estate as an example of possible rebalancing in the fund’s current asset allocation, as they are currently “well below” the target allocation in that category.

Chair Dew thanked Mr. Schmid and Mr. Schott for their presentation.

INPUT FROM ACTIVE & RETIRED POLICE OFFICERS & FIREFIGHTERS:

Mr. Gurdak said a law was changed in 2000 to allow current spouses to remarry. He said the Plan had first addressed this issue 11 months ago, and asked that it be revisited with the City Commission.

Chair Dew recalled when the issue was previously addressed, some concerns were raised regarding additional costs. He said members of the City Attorneys office required some education on this issue before it could proceed.

Mr. Cypen felt it would be a mistake to revisit this issue at present. Chair Dew added that there are current concerns with the IRS determination letter that will be discussed at the November 16 City Commission meeting, which will also involve an educational aspect. He concluded that the issue is under consideration, but he did not feel the timing was appropriate.

Mr. Gurdak said another issue is with the election of a seventh member of the Board. He endorsed Mr. Hole as the seventh Board member on behalf of the Retirees’ Association.

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

ADMINISTRATOR'S REPORT:

Retiree Frank Colleran

Alan Eichenbaum, representing Mr. Colleran, recalled that there are two issues here: changes made to the plan in 1994 due to the collective bargaining agreement, and the impact of the Me Too clause. He said in 1994, a split was made available: for those employees who did not take advantage of the retirement window, the plan provided a 3% multiplier with a cap of 75% on their years of service and a 2% bonus. Those who did take advantage of the window received 3% for all years of their service, with no cap on the number of years of service they were allowed to use in determining their pension benefit. In addition, they had a 2% bonus and a 7% bonus. The bargaining agreement also indicates it was the intent of the parties that each firefighter retiring under the window receive the greatest retirement benefit possible.

Mr. Eichenbaum said in 1994, there was a 3% per year with a max of 75% and a 2% bonus; if an individual took advantage of the window, he or she received 3% per year, no maximum for years of service, and two bonuses totaling 9%. In 2000, as a result of the collective bargaining agreement, the 3% multiplier increased to 3 3/8% with a cap of 91.26% for some individuals who were able to take advantage of it, and 81% for others if they stayed on board.

He said this is the point at which he took issue with the formula used by the actuary, which he believed was a legal rather than actuarial determination. He said the formula was determined by the plan, this amendment, and the effect of the Me Too clause. Mr. Eichenbaum said the effect of the Me Too is as follows: either Mr. Colleran's 30 years becomes 30 years at 3 3/8%, because he never had a maximum, or if the maximum of 91.26% is imposed upon him, he would have 27 years at 3 3/8%, and then continue to keep the 3.04 years he did not lose under the window. Mr. Eichenbaum said Mr. Colleran would also be entitled to the 2% and 7% he would have gotten under the window.

He stated that both the maximum and the percentage were raised for individuals who already had a maximum. Mr. Colleran, and others who never had a maximum, did not receive the benefit of the 3 3/8% raise, which Mr. Eichenbaum characterized as being capped artificially and required to give up years of service that were not given up when they went out under the window. The loss of these years of service lowered their benefits.

Mr. Hole said the statute allowed individuals to exceed 100%, which was prohibited by City Ordinance at the time. Mr. Eichenbaum said both the summary plan description and the Florida statute say if an employee was on board before January 1980, they are not capped at 100%.

He added that if the formula applies, there will be people over 100% and below 100%, so the first issue would be to determine the appropriate formula. If there is then a 100% cap, the cap would be applied to the formula.

Mr. Eichenbaum asked if the issue was going to be turned down on the fact that there is discretion, he did not believe this was correct and would have to litigate the case. Mr. Cypen said it would be difficult for Mr. Eichenbaum to litigate against the Board considering his position in the case.

Mr. Eichenbaum read the following statement: "Upon approval of the Board as regards any future amendment to this system, any increases in retirement benefits granted to active employees after the effective date of this system shall also be made available." Mr. Cypen said this is contingent upon approval by the Board. Mr. Eichenbaum asserted that it is upon approval of the benefit increase that is the subject of the Me Too clause, rather than the Me Too clause itself.

Mr. Eichenbaum said when there is an improvement to the benefits of active employees, it is stated those benefits shall be made applicable to Me Too litigants. He did not feel the Board has the discretion to turn down benefits given to active employees under the Me Too clause. Mr. Cypen said the difference is one is the Board and one is the City. He said the Board can do what you're asking, but is not required to do so.

Ms. Wenguer explained that in 1994, it was determined that when there is a benefit increase for active employees, the retirees that fit into that would also receive the increase. As benefits increased, they had a choice between the new benefits or what you already got, which was greater in some cases. The most recent increase, which was to 91.26%, either allowed this benefit with the 2% bonus or what you currently had. She recalled that some individuals were above this percentage, but said they were given a choice between the two programs, not the best of either.

Mr. Eichenbaum felt this was not correct and meant the Board had artificially decided that the max has no value anymore, those years were worthless in the calculations. He said it was not a question of reducing benefits, but a question of whether individuals such as Mr. Colleran get the additional benefit under the Me Too clause.

Mr. Eichenbaum stated for clarification that he does not believe the Board has discretion, but once the benefit increases go in, the benefit increases that are granted to active employees automatically go on to the retirees who have the advantage of the Me Too clause. This was where he and Mr. Cypen disagreed, as he felt the clause specifically states "the approval of the Board specifically says it's... benefit increases of the active employees, not Me Too."

Mr. Cypen said the Board could determine to get a calculation as to what that means in terms of Mr. Colleran and people similarly situated. Chair Dew said the Board has done this every time. Mr. Rudominer recalled that in the last case, they were supposed to determine how many individuals, like Mr. Colleran, would go over 100%. It was noted this would be a small number.

Mr. Colleran estimated there were five individuals in his category who received no benefit from the Me Too clause. Mr. Eichenbaum said this would be a very few people who had in excess of 27 years of service, as they would not lose anything over the 27 by the way the formula was calculated.

Mr. Eichenbaum said he did not know whether the Board determined that a particular benefit increase was not applicable to a group of people or if they just didn't want to extend it to that group of people. He said one position would reflect the Board's position that this is discretionary, while the other position would be that the individuals in question did not qualify.

Mr. Rudominer asked if the Board has the authority to grant a benefit of over 100%. Mr. Cypen said if there was no prohibition against this, the Board has this authority.

He said the Board is entitled to find out how much it would cost to give Mr. Colleran what he is requesting as a matter of law or as a matter of grace, as well as the other individuals who would be affected.

Mr. Naugle asked if there could be another group of individuals who could say they were entitled to additional benefits if Mr. Colleran's request was granted. Mr. Cypen said this is not related to the question at hand, although he had heard about a potential Me Too 3 group of people who were vested on the day the clause was repealed.

Mr. Eichenbaum said he has already been contacted by this group, and has advised the Retirees' Association that he did not believe there was a case for these individuals. He added that anyone else who would claim in excess of 27 years would have had to retire in 1994, which means there can only be these five individuals.

Chair Dew asked that the Board table the issue in order to research what is allowed under the Ordinance from 1994, after which point it would be readdressed. Mr. Cypen said the actuary should be asked to do another calculation.

Chair Dew said he would like to be clear on where the Board stands legally, which he felt would be determined by what the Ordinance says. Mr. Cypen said if the Ordinance had a cap, it would end the confusion; if there was no cap, then we're right where we are.

Motion made by Mr. Rudominer to grant Mr. Colleran's request pending the outcome that we are legally obliged to.

Mr. Cypen suggested that the motion was premature.

Mr. Naugle asked if the Board should calculate the benefit to potential other parties if it is determined there was no cap on the original Ordinance. Mr. Cypen said they should seek an estimate from the actuary during the interim period while the issue is researched. He said this would be not an estimate of the cost, but an estimate of the cost to do a study, as he felt the cost would be part of the Board's discretion.

The motion failed for lack of a second. Chair Dew said Mr. Rudominer's motion would be considered after Ms. Wenguer and Mr. Eichenbaum research the 1994 Ordinance and learn whether or not there is a cap. In addition, Ms. Wenguer would determine who would be eligible if Mr. Colleran's request passes, and would get an estimate of how much it would cost for each of those calculations.

Bear Stearns

Mr. Cypen said the Plan had invested in a tranche of Bear Stearns securities, which resulted in the loss of a substantial sum of money. There is a class action suit pending in which the Plan is the only group thus far to step forward as being invested in this tranche. Chairman Dew signed a document certifying the Board's loss, which can be ratified so their participation in the suit proceeds are withdrawn if they do not want to participate.

Motion made by Mr. Fortunato, seconded by Mr. Hole, to ratify, confirm, and approve the execution and the Board's participation and the delivery by the Chairman of the certification. In a voice vote, the motion passed unanimously.

Pension Software

Ms. Wenguer said she had recently participated in a pension software survey and requested the results at the survey's conclusion. Results show the software used by different Plans and its cost. She noted that this would be a huge investment, but felt the Board should consider new software at the same time its website is redone.

She concluded that more research is planned, including contacting boards that use individual software plans, before making a decision.

Fiduciary Liability Insurance

Ms. Wenguer said this is the same policy as the previous year, which requires Board approval.

Motion made by Mr. Burnam, seconded by Mr. Fortunato, to approve. In a voice vote, the motion passed unanimously.

Systematic

Ms. Wenguer recalled there had been a discrepancy in Systematic's billing. She noted that a representative had contacted the Board, stating that Systematic was not billing according to contract and would correct this practice.

Stanley, Holcombe & Associates

Ms. Wenguer said there have been some pension changes required by law, including designation of beneficiary and inclusion of 40 hours of overtime in the Ordinance. In order for the Ordinance to be passed, an actuarial impact statement is needed.

Chair Dew said this Item will appear on the Agenda for the November 16, 2010 City Commission Conference Agenda meeting. He added that he had requested Ms. Wenguer put together a packet including the correspondence the Board received regarding the determination letter from the IRS. They will give a presentation at the Conference Agenda meeting in order to educate the City Commission on this issue.

FOR YOUR INFORMATION:

Stanley, Holcombe & Associates

Ms. Wenguer said the City had to contribute additional money due to the shortfall in State funds. A letter from Stanley, Holcombe & Associates explains this to the Board and the Finance Department.

BNY Mellon – Securities Lending

Ms. Wenguer said BNY Mellon was removing the restriction that allowed the Board to withdraw a limited amount of money. She has not yet received a letter confirming this policy change.

She provided copies of the budget to the Board members, noting that the City has contributed \$30 million. Asset Consulting Group worked closely with CapTrust to attempt to have managers keep liquidity. She described some of the managers into which funds had been placed.

PENDING ITEMS:

Old Business: Schedule A

New Business:

Chair Dew said GASB had received the letter on behalf of the Board and thanked them for submitting our position on their preliminary views.

7th Board Member

Ms. Wenguer said Mr. Rudominer and Mr. Fortunato were unopposed for the elected seats.

Chair Dew said each candidate for the seventh Board seat had submitted a written document for the Board to review. Both Mr. Hole and Communication Director Fred Nesbitt made brief statements in support of their candidacy. Mr. Cypen advised that in the event of a tie, the person who holds the seat will hold it indefinitely until he is replaced. The seventh member is elected by the other six members.

In a roll call vote, Mr. Hole was re-elected 4-2 (Mr. Rudominer, Mr. Burnam, Mr. Fortunato and Mr. Naugle voting yes) and (Chair Dew and Mr. Bayne dissenting).

Mr. Hole thanked the Board members, and recognized Mr. Cypen's years of service to the Board.

COMMUNICATION DIRECTOR'S REPORT:

Mr. Nesbitt said he and Chair Dew had met with a member of the *Sun-Sentinel* staff who is assigned to City Hall. They spoke with him regarding the pension plan and provided him with a power point presentation used to explain how the pension plan works.

He provided the members with a copy of a PowerPoint presentation given to the League of Cities by Jim Linn. The presentation advocates the elimination of defined benefit plans and replacement with 401(K) accounts.

Mr. Nesbitt said the League of Cities conducted an opinion poll across the state of Florida that is focused on fire and police. He distributed a copy of the poll, noting that the questions of the poll have an obvious inherent bias. He said he was concerned that the poll and the PowerPoint presentation will be used in the League of Cities' lobbying campaign with the state legislature.

He said he would do a news release regarding the Public Pension Coordinating Council award, as this association sets the national standard for public pension plans. There are roughly 2600 pension plans in the United States and approximately 100-125 plans are given the award.

Chair Dew requested the Board's approval to conduct a one-on-one with the City Commission. He has met with the current Commissioners, and advised the Board that when they are seeking Ordinance changes, they should provide greater detail and show documentation of their positions. With the Board's approval, he would give this presentation to the Mayor and City Commissioners, along with an update on the GASB letter and notice of the PPCC award. The Board expressed consensus to approve Chair Dew's requests.

Communications to the City Commission

Mr. Cypen advised that the seventh member of the Board would need to be placed on the City Commission's Agenda for formal appointment by the Commission.

The Board agreed to include the receipt of the letter from GASB, and to acknowledge the increase in the fund made by the City.

Mr. Fortunato asked if Mr. Nesbitt will remain in his current position as Communications Director, and if he is reimbursed for expenses by the Board. Chair Dew said Mr. Nesbitt does not receive any compensation, including expenses, for his work for the Board. Chair Dew suggested that the Board consult its budget to determine whether or not they can include expenses for Mr. Nesbitt as a line item. Mr. Cypen cautioned that this should appear on the following month's Agenda as an action item in order to comply with the Sunshine Law. It was agreed this would appear on the December Agenda.

There being no further business to come before the Board at this time, the meeting was adjourned at 3:20 p.m.

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