

November 8, 2017



**POLICE AND FIREFIGHTERS' PENSION BOARD
REGULAR BOARD MEETING
888 South Andrews Avenue, Suite 202
Fort Lauderdale, FL 33316
Wednesday, November 8, 2017, 12:30 P.M.**

Communication to the City Commission:

1. Fourth quarter performance review shows plan assets earning 11.69% for the fiscal year and earning 8.28% over five years.
2. Over the past 27 years, plan earnings have been positive 22 of those years, with a fourth quarter to fourth quarter average return of 8.8%.
3. The Board approved the funding policy for the plan.
4. The Board approved an administrative budget for fiscal year 2018.

Board Members

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

Also Present

Alexandra Goyes, Deputy Director
Jazmin Elliott, Administrative Aide
Fred Nesbitt, Board Communication Director
Linda Logan-Short, Deputy Director/CFO
John Herbst, City Auditor
Stuart Kaufman, Board Attorney
Kevin Schmid, CAPTRUST
Paul DeBold, Retirees Association
Jack Chew, Retirees Association
Derek Joseph, Police Dept.
Jamie Opperee, 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: October 18, 2017

Ms. Wenguer noted a change to the minutes.

Motion made by Mr. Bayne, seconded by Mr. Hole, to approve the minutes of the October 18, 2017 meeting as amended. In a voice vote, the motion passed unanimously.

Fixed Income Committee Meeting: October 17, 2017

Motion made by Mr. Rudominer, seconded by Mr. Bayne, to approve the minutes of the October 17, 2017 meeting. In a voice vote, the motion passed unanimously.

COMMENTS FROM THE PUBLIC

None.

NEW HIRES

Chair Dew recognized the new hires.

BENEFITS:	POLICE DEPT:	DROP Retiree:	Edward D Stewart
		Vesting:	Christopher Clemons
		Lump Sum Request:	Daniel Leone
		Survivor Death:	Martha Young
			Janice Innis

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

BILLS:	Agincourt	\$42,663.97
	Boyd Watterson	\$39,594.00
	Sawgrass	\$27,259.53
	Intech	\$5,215.31
	Holland & Knight	\$425.00

Ms. Wenguer has asked Mr. Heinrichs about the fees the Board had discussed at the previous meeting. She said Mr. Heinrichs had been very upset and reminded her that Foster & Foster had not increased their yearly contract and other plans were charged much more. Mr. Kaufman said Foster & Foster had done the same thing with other plans. Chair Dew had spoken with Mr. Heinrichs and said he agreed with his reasoning.

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

ATTORNEY'S REPORT

Mr. Kaufman reported there had been no movement regarding Mr. Brutus.

INPUT FROM ACTIVE & RETIRED POLICE OFFICERS & FIREFIGHTERS

Mr. DeBold thanked the Board for their support. Chair Dew stated the Board would not respond to the letter from the Georgia Boys. The Board supported Mr. Ingersoll's efforts. Mr. Ingersoll had acknowledged the difficulties and taken efforts to address them.

CAPTRUST: (under separate cover)

Quarterly Investment Review

Kevin Schmid

Mr. Schmid reported it had been a good year for domestic and international stocks, helping to raise overall return. There had also been positive returns in the bond market. Real estate had slowed down a bit compared to prior years.

Mr. Schmid continued that economic growth had picked up globally, and consumer business confidence was positive. Future headwinds included future global monetary policy, geopolitical risks and tax policy. He stated there was a split opinion about what was priced into the market regarding tax policy. Mr.

Schmid said the past year had seen exceptionally low volatility. They had been cautiously optimistic about U.S. equities for some time and valuations continued to creep higher. He felt they were currently overvalued, but not dramatically.

Mr. Schmid reported quarterly returns were just over 3% and for the year, they were up 11.7%. Both were slightly behind the benchmark for the year.

Mr. Schmid explained that large cap growth had been a difficult environment for managers in general but he did not feel comfortable adding risk to the portfolio. Board members could “de-brief” after the investment workshop with managers next month before the next Board meeting. Mr. Schmid agreed to update the managers’ comparison he had prepared for the Board prior to the December meeting.

Chair Dew asked Mr. Schmid how long he would be comfortable with Sawgrass’s underperformance. Chair Dew noted there were other growth funds that were not struggling like Sawgrass was. Mr. Schmid explained that Sawgrass was focusing on the lower volatility growth segment and reiterated that this year, there had been no volatility at all, so Sawgrass had gotten “crushed.” Mr. Schmid stated on a risk-adjusted basis, Sawgrass still seemed okay and he anticipated they would provide protection in a down market. But that protection would not “save the plan” so it was appropriate to look at it again in December after speaking with Sawgrass at the workshop.

Chair Dew asked about the \$500,000 holdback in EnTrust Diversified and Mr. Schmid explained that the audit was done at the end of the year, so the \$500,000 would not come back until early 2018. EnTrust had reduced the holdback from 10% to 3% to compensate for the Peru bonds. He stated this was standard procedure for hedge funds.

Chair Dew had spoken with City Manager Feldman and City Auditor Herbst about public/private partnerships and said it was very involved. Mr. Feldman had agreed to attend and Mr. Herbst agreed to call in during the next Fixed Income Committee meeting to help educate Committee members.

Mr. Hole distributed a magazine article about factor-based investing.

COMMUNICATION DIRECTOR’S REPORT:

Mr. Nesbitt had nothing to report.

EXECUTIVE DIRECTOR’S REPORT:

Pension Funding Policy

Ms. Wenguer said Mr. Heinrichs had reviewed and edited the policy and she had distributed the amended copy to Board members. Chair Dew requested time to review the updated document because he had just received it. Ms. Wenguer said there only were five grammatical changes, nothing substantive.

Motion made by Mr. Rudominer, seconded by Mr. Hole, to adopt the policy.

Mr. Kaufman stated he had no concerns about the policy. Mr. Hole had written the original policy and indicated he was very comfortable with the attorneys’ and Mr. Heinrichs’s input. Mr. Kaufman said the policy was always amendable.

Mr. Fortunato did not understand why they needed the line about the cumulative gain or loss and COLAs. Mr. Hole said he had included the COLA language and the attorney had removed it but Mr. Heinrichs felt it should remain because it was in the ordinance.

Mr. Kaufman said the policy was biding, but if there was any conflict between the policy and the ordinance, the ordinance ruled. He informed Mr. Rudominer that the statement about COLAs was informative, not restrictive.

In a voice vote, **motion** passed 5-1 with Mr. Fortunato opposed.

Revised 2017/2018 Budget

Ms. Wenguer said she had added a \$10,000 budget item to upgrade the website. She said the rent had increased this year, and she needed to renegotiate the rental agreement but she did not anticipate a large increase. They had just conducted the survey and election, which included posted return envelopes, so she had added to postage, shipping and print shop costs. She had added \$200,000 to invoiced investment managers' fees and subtracted \$50,000 from custodian fees.

Motion made by Mr. Bayne, seconded by Mr. Rudominer to approve the revised budget.

Ms. Wenguer itemized the changes:
Added \$10,000 for website redesign
Added \$1,000 for office rental
Added \$1,000 for postage and shipping
Added \$10,000 for education
Added \$2,400 for retiree health insurance
Added \$1,000 for the City print shop
Added \$200,000 for invoiced investment manager fees
Subtracted \$50,000 from custodial fees

Ms. Wenguer stated the total budget was now: \$3,234,010, an increase of \$159,279.

Ms. Wenguer explained that some investment managers' fees were taken out before returns and some were invoiced. She estimated that investment managers' fees represented approximately 35 basis points of their entire budget.

Mr. Hole suggested an asterisk indicating that there were other managers' fees that were netted against the returns, not charged via invoice.

In a voice vote, **motion** passed unanimously.

Website Design

Ms. Wenguer had received a proposal for the website redesign from Cause and FX Website Design for \$6,500. She stated this person had already designed several pension plan websites. Mr. Bayne asked Ms. Wenguer to get proposals from other vendors for comparison. She agreed to see what other plans had paid for their website design before going forward. Mr. Hole wanted to be sure that SSL encryption, security scans and backups would be included in a contract.

Motion made by Mr. Bayne, seconded by Mr. Rudominer to authorize Ms. Wenguer to enter into an agreement for website design for an amount not to exceed \$7,000 after looking at other companies. In a voice vote, motion passed unanimously.

Milliman

Ms. Wenguer reported she had informed Milliman that their increase was a bit high and they had offered an increase of \$500 per year for the next two years instead of \$900 per year for the next three years. She felt his was reasonable.

Motion made by Mr. Bayne, seconded by Mr. Rudominer to approve the amended contract with Milliman. In a voice vote, motion passed unanimously.

Foster & Foster

Ms. Wenguer said Mr. Heinrichs had not been "enthusiastic" about her request for a reduction.

Chair Dew pointed out that with only 24 hours' notice, Foster & Foster had sent an employee from Fort Meyers to the City Commission meeting to provide a presentation recently.

Motion made by Mr. Rudominer, seconded by Mr. Hole, to approve the Foster & Foster contract. In a voice vote, motion passed unanimously.

Mr. Wenguer announced the retirement seminar would be held on December 6.

Investment Workshop

Ms. Wenguer stated the investment workshop was scheduled for December 12 and she asked the Board when they should have the dinner. The Board decided to have the dinner on December 11, the investment seminar on December 12 and the Board meeting on December 13.

Ms. Wenguer reported Board members had all been recertified through the FPPTA.

Ms. Wenguer stated the customer service survey had been sent out and there had been 100 online responses. Ms. Goyes reported over 200 retired members had responded via mail.

Ms. Wenguer said the ballots had been mailed out and the results would be available prior to the December meeting. Mr. Bayne had no opposition so he had been automatically reelected.

Fixed Income Committee

Chair Dew reported the Committee would meet next on November 10.

PENDING ITEMS:

New Business:

Mr. Rudominer recalled that after Hurricane Irma, the City gotten payroll out that week. He asked what would happen to retirees if payroll did not go out. Ms. Logan-Short said the City had an emergency payroll file that included a monthly pension report. The only people in danger of not getting paid in such a situation would be retirees receiving their pension checks for the first time.

Ms. Wenguer said they would be distributing the 175 funds to firefighters and the amounts had been calculated.

Ms. Wenguer asked the Board to approve the rates of return: 11.69% for the year and 3.08% for the quarter.

Motion made by Mr. Naugle, seconded by Mr. Rudominer, to approve the quarterly rate of return of 3.08% and the yearly rate of 11.69%. In a voice vote, motion passed unanimously.

Chair Dew informed the Board that he had told the City Commission that the Board accepted lowering the assumed rate of return and said it had been well-received by the City Commission. He had assured them that if the fund became overfunded, it would be adjusted.

Old Business:

None.

There being no further business to come before the Board at this time, the meeting was adjourned at 1:55 p.m.

FOR YOUR INFORMATION:

**Trustee Election
KCG Recapture Statement**

**Notice of Election
Recapture Summary/September, 2017**

Secretary

Chairman

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

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