

October, 2010



POLICE AND FIRE PENSION BOARD
REGULAR BOARD MEETING
WEDNESDAY, OCTOBER 6, 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
Steve Cypen, Cypen & Cypen, Board Attorney
Lynn Wenguer, Administrator

Also Present

Amanda Cintron, Assistant Administrator
Laurie DeZayas, Pension Secretary
Gregg Gurdak, President, Retirees Association
Rick Schulze, Retiree's Association
George Farrell, Retiree's Association
Bill Paton, Retiree's Association
Linda Soloman-Duffey, Retiree's Association
Fuzzy Larkin, Retiree's Association
Jack Chew, Retiree's Association
Steve Malinowski, GTS Advisors
Stephen Schott, CapTrust
Kevin Schmid, CapTrust
Marian Dollard, Accountant II, City of Fort Lauderdale (arr. 1:50 p.m.)
Richard Sicking, Esq. (for Robert Soto)
Robert Soto FF/PM
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, October 6, 2010 in the Pension Board Conference Room, 888 S. Andrews Avenue, Suite 202, Ft. Lauderdale, Florida 33316.

Communication to City Commission

GTS presented their annual trading cost analysis and overall, the plan's execution costs were below the industry average.

The Board is still waiting for the City Commission to approve an ordinance change officially implementing the 40 hours of overtime for police officers. Also, the Board is awaiting the implementation of the necessary changes to the pension ordinance as drafted to obtain an IRS determination letter.

As of September 29, 2010, J. Scott Bayne and Jim Naugle have achieved their Certified Public Pension Trustee (CPPT) certification. All seven Board members are now certified through the Florida Public Pension Trustee Association.

MINUTES:

Regular Meeting September 1, 2010

Motion made by Mr. Bayne, seconded by Vice Chair Rudominer, to accept the reading and waiving of the minutes as documented.

Mr. Hole noted the following correction on p.6, paragraph 6: "terminated firms..." should be "will contact terminated clients of the firms and ask why they were terminated."

In a voice vote, the motion passed unanimously.

RFP Committee Meeting August 31, 2010

Motion made by Vice Chair Rudominer, seconded by Mr. Fortunato, for the acceptance of the RFP Committee minutes.

Mr. Cypen noted that the Committee should approve its minutes first and send them to the full Board for approval. As the members of the RFP Committee were present, he stated they could make the necessary motion.

The motion was rescinded.

Motion made by Mr. Bayne, seconded by Mr. Hole, on behalf of the RFP Committee, to approve the reading and waiving of the minutes. In a voice vote, the motion passed unanimously.

Motion made by Mr. Hole, seconded by Vice Chair Rudominer, to waive the reading as accepted for the minutes of the RFP Committee Meeting of August 31, 2010. In a voice vote, the motion passed unanimously.

Special Board Meeting September 23, 2010

Motion made by Mr. Hole, seconded by Mr. Burnam, for the reading and waiving and acceptance of the Special Board minutes of September 23, 2010. In a voice vote, the motion passed unanimously.

BENEFITS:

Police Department:

New Retiree: Dorothy J. Littlefield

New Retiree: Rick W. Burn

Survivor Death: Carlene R. Wolfe

Lump Sum Benefit: William J. Welyzcko

Motion made by Vice Chair Rudominer, seconded by Mr. Bayne, for the acceptance of the benefits for the Police Department. In a voice vote, the motion passed unanimously.

Informal Service-Incurred Disability Hearing (continued) for Robert Soto

Mr. Cypen explained that the hearing for Mr. Soto was continued from August 11, 2010 to determine if there were any materials from the City or the Fire Department indicating a connection between the services being rendered at the time of the injury and the services required or normally rendered for the Department itself. He noted that the materials before the Board do not seem to give any additional information or answer any questions.

He stated that this is an informal hearing, which means the issue before the Board is whether it is beyond doubt that Mr. Soto is entitled to service-incurred total and permanent disability.

Motion made by Vice Chair Rudominer, seconded by Mr. Bayne, to grant disability as submitted.

In a roll call vote, the motion was defeated 5-2 (Chair Dew, Mr. Fortunato, Mr. Burnam, Mr. Hole, and Mr. Naugle dissenting).

Mr. Cypen advised that the vote only defeated the motion to grant disability, and another motion would be required for final action.

Motion made by Mr. Fortunato, seconded by Mr. Hole, to deny on the grounds that disability is not total, not permanent, and not service-incurred.

Mr. Cypen explained that the informal hearing is a matter of grace, and if the application is not granted, the individual can have a formal hearing as if the informal one had never been conducted.

In a roll call vote, the motion passed 5-2 (Vice Chair Rudominer and Mr. Bayne dissenting).

BILLS:

Asset Consulting Group \$10,625.00

State Street Global Advisors \$4,690.19

Holland & Knight \$604.40

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

INPUT FROM ACTIVE & RETIRED POLICE OFFICERS AND FIREFIGHTERS:

None at this time.

COMMUNICATION DIRECTOR'S REPORT:

Chair Dew noted that the GASB letter was presented at the FPPTA meeting. The item will not come up for a vote until "about a year from January."

Ms. Wenguer said the City Commission had directed the City Auditor to send the letter to GASB prior to the September 17, 2010 deadline. She was not aware of whether the letter had been submitted before that deadline. Mr. Hole commended the Board and Mr. Cypen for bringing this item to their attention and making the recommendation to send the letter.

TRADING REVIEW: GTS

Steve Malinowski, representing GTS Advisors, said he would present the annual brokerage analysis and perform a transaction cost audit from a compliance perspective on behalf of the Board, as well as identifying fiduciary best practices. He stated that he would present findings and observations at the executive summary level to the Board and identify the timetable for additional steps GTS anticipates taking. He distributed copies of the executive summary to the Board.

Points of the executive summary included the following:

Outside managers have roughly \$325 million in open market transactions, using 114 brokers;

Average execution costs were 53.6 basis points, for a total of approximately \$1.7 million;

He noted positive and negative attributes of specific manager performances associated with the fund. GTS will also investigate why some managers are significantly more expensive in relation to the others, who have very good execution results. Mr. Malinowski expected this discussion would take place over the next quarter.

Vice Chair Rudominer said after the Board's last special meeting, he felt they should get out of NorthPointe, and asked Mr. Malinowski how this might be achieved. Chair Dew said he would like to hear the consultant's input on this as well. Mr. Malinowski said when a poor performer has been identified, termination is one option; many pension funds come out of the asset class.

He said many pension funds may move from the manager in question to an exchange-traded fund, or an index fund that gives exact exposure to the asset class in the style the manager was managing to, such as small cap growth. Later on, when the Board is considering hiring a new active manager, they would simply liquidate the exchange-traded fund, which will then fund the new manager on the future date.

He concluded that this is an interim solution to address performance issues on behalf of the fund.

Kevin Schmid, representing CapTrust, said they had looked at the NorthPointe situation, and came to the meeting with the understanding that later on they may look to an index or exchange-traded fund. Due to the size of the fund, he recommended an index, which is a longer-term option. They would have to review transaction costs to ensure these remained competitive.

Stephen Schott, also representing CapTrust, noted that with exchange-traded funds, the historical performance over shorter time frames is not consistent with what people would expect.

Chair Dew said some concerns had arisen with CapTrust, stating that there may be some relevance or participation with a broker/dealer relationship. He asked the CapTrust representatives to address this.

Mr. Schmid said he had sent their standard contract to Mr. Cypen, which included a clause that differentiates the services CapTrust provided through their registered investment advisors versus services provided prior to that time, when they were part of another financial securities network with Wells Fargo. The clause is intended to demonstrate that there is no relationship between any broker and any services CapTrust would provide in their relationship.

Mr. Hole said his concern was in reading the sample contract, which referenced Wells Fargo Financial Network. He explained that Mr. Burnam works for a different portion of Wells Fargo.

Mr. Cypen said the clause had raised a warning light with him as well through the reference to Wells Fargo. While CapTrusts' response to the RFP appeared to make it clear that there was no relationship, he had felt it was best to let the issue come before the Board for further clarification.

It was noted that Mr. Schott is a licensed broker, and his license is held by a Wells Fargo firm. The legacy relationship with Wells Fargo allows him to maintain the license. He asserted that this would have no influence or bearing on their relationship with the Board.

Mr. Cypen asked with what type of organization the licenses must be registered. Mr. Schott said the organization cannot have a brokerage arm or an investment banking arm.

Chair Dew said at this point he would take recommendations from the Trustees.

Vice Chair Rudominer said he had heard the recommendation to get out of NorthPointe many times during the RFP meetings. Because they made up a large percentage of the fund, he felt they should take steps to get out of this before others learned that they were leaving.

Mr. Schmid said he had prepared a summary report, and referred the Board to a comparison of NorthPointe with recommended small cap managers. He provided a brief background on the three recommended managers for comparison, stating that any of them would provide significant improvement over NorthPointe's performance.

Chair Dew clarified that the discussion of NorthPointe was just for educational purposes right now. Mr. Cypen agreed that taking action on NorthPointe at this time would not be appropriate under the Sunshine Law.

Vice Chair Rudominer said the Board should allow the new consultant to give their total asset allocation, possibly including a new manager, before they take action to get out of NorthPointe. Chair Dew agreed that this issue could be raised again once a contract has been awarded.

Chair Dew asked if the contract could be expected to be complete by the time of the next Board meeting. Mr. Cypen said this was a realistic timeframe to be completed.

The Board members thanked the CapTrust representatives for attending the meeting and addressing their concerns.

ADMINISTRATOR'S REPORT:

Audit Services RFP

Ms. Wenguer said six responses were received for the audit RFP. She clarified that this would not be for the current audit, but for the year ending September 30, 2011.

Vice Chair Rudominer said he would like the Administrator's input presented to the Board in a report, as she deals with the current auditor. Chair Dew clarified that this meant Ms. Wenguer could narrow the responses down to three, which would then be reviewed by the Board. Ms. Wenguer briefly discussed the firms with which she was familiar, and those that had been recommended by other individuals. It was agreed that Vice Chair Rudominer would work with Ms. Wenguer to determine the three firms to be interviewed.

GASB - Project 34

It was reiterated that the Board sent a letter signed by the Chair to GASB, forwarded to the City Commission.

Trustee Elections

Ms. Wenguer noted that three seats are open: Mr. Fortunato's, Vice Chair Rudominer's, and Mr. Hole's.

Retirement Seminar

Ms. Wenguer said this was believed to be a great success and a good deal of positive feedback had been received. She thanked Ms. Cintron and Ms. DeZayas for doing an outstanding job with the seminar.

DROP Program

Mr. Bayne reported that the Memorandum of Understanding (MOU) is still moving. He has spoken to Assistant City Attorney Bob Dunckel and expects to have something to bring to the City by next week. He noted that unions must bring this item to their body in a two-shift meeting in order to vote on it, and seven days' notice is required for that meeting.

Mr. Cypen asked why this was not included in the current draft of the Ordinance. Mr. Bayne said the process has to go through the contract, and then the Ordinance must be changed to reflect the contract.

Mr. Hole asked if Attorney Dunckel had referred to Board policy on the window for applying for disability. Mr. Bayne said this was not discussed.

Chair Dew said the Board is in need of more direction with regard to the determination letter for the IRS, which is expected to be on the agenda of the next week's City Commission meeting.

Mr. Cypen said that Attorney Dunckel realized that once a benefit is put in, it cannot be taken away. This is now part of the Ordinance. However, the Ordinance now also states if the amount of money is insufficient for the 40 hours, then the parties need to renegotiate.

Benefit Verification Letters

Ms. Wenguer said all responses have been received, and no benefits were stopped.

PENDING ITEMS:

New Business

Chair Dew noted that the Board has received no response from the City regarding their communication about service-incurred and non-service-incurred disability requirements not being accepted more than 30 days after termination. He asked if there could be follow-up on this issue. Mr. Cypen recommended that it may not be appropriate to elevate this matter to a level of necessity and suggested that the Board should ensure this information is clearly communicated when documentation is given on disability.

Chair Dew said this information should be part of the documents for the application process. Ms. Wenguer asked if information can be included in the SPD if it is not part of the Ordinance itself. Mr. Cypen said if this information is included in the forms for application, it may also be included in the SPD.

Mr. Hole asked if there has been a response from the City Commission regarding their communication about changing the Board's fiscal year. Ms. Wenguer said this was brought before the City Commission but there has been no formal response. She believed the Board has discretion to set its own year-end. Chair Dew asked to see the minutes of the City Commission meeting at which this was discussed.

Old Business

Ms. Wenguer continued that the E&O renewal is in process. Vice Chair Rudominer also requested information on proxy voting by Northern Trust, stating this should be reviewed as well. Mr. Cypen commented that voting is supposed to be in the best interest of the shareholder regardless of anything else, and said an explanation can be requested for any vote that appears not to be in accordance with your policy. Ms. Wenguer said she would follow up on this.

The Board agreed to send the following communications to the City Commission:

They have spoken with GTS regarding the possibility of better performance by trades;

The Board is awaiting approval of the Ordinance change regarding overtime;

The need for direction regarding the determination letter to the IRS.

There being no further business to come before the Board at this time, the meeting was adjourned at 2:10 p.m.

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