

September 12, 2018



**POLICE AND FIREFIGHTERS' PENSION BOARD
REGULAR BOARD MEETING
888 South Andrews Avenue, Suite 202
Fort Lauderdale, FL 33316
Wednesday, September 12, 2018, 12:30 P.M.**

Board Members

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

Also Present

Alexandra Goyes, Deputy Director
Jacqueline Garcia, Administrative Assistant
Fred Nesbitt, Board Communication Director
Robert Klausner, Board Attorney
Ronald Cohen, Retirees Association Attorney
Paul DeBold, Retirees Association President
Jack Chew, Retirees Association
Michael Viveros, fire captain
Dave McGrath, Retirees Association
Captain Josh Wells, fire captain
Brad Heinrichs, Foster and Foster
Drew Ballard, Foster and Foster
Kevin Schmid, CAPTRUST
Jamie Opperlee, Prototype Inc.

ROLL CALL/CALL TO ORDER

The meeting was called 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:

Mr. Hole noted changes to the minutes.

Motion made by Mr. Naugle, seconded by Mr. Bayne to approve the Board's August 8, 2018 regular meeting minutes as amended. In a voice vote, motion passed unanimously.

Motion made by Mr. Hole, seconded by Mr. Joseph to approve the minutes of the July 10 education committee meeting. In a voice vote, motion passed unanimously.

NEW HIRES:

Chair Rudominer recognized the new hires.

BENEFITS:	FIRE DEPT.:	DROP Retiree:	Kevin Sumner
		Lump Sum Refund	Brzysztof
		Request:	Boszko

POLICE DEPT.: New Retiree:Rafael
Fernandez
Jeremiah Brutus**Lump Sum Refund
Request:**Jacqueline
Salvati
Adam Stern

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

BILLS:	Aristotle	\$29,352.59
	Klausner & Kaufman	\$3,000.00
	Klausner & Kaufman	\$882.50

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

COMMENTS FROM THE PUBLIC/ACTIVE & RETIRED POLICE OFFICERS & FIREFIGHTERS

Mr. DeBold thanked Mr. Klausner and the Board for their cooperation with the retirees' association. He asked if the Board needed to vote on an opinion regarding the COLA.

FOSTER & FOSTER:

Brad Heinrichs, Drew Ballard

Prior Service Calculation

Mr. Heinrichs provided a presentation on how he performed the prior service calculations.

Mr. Klausner pointed out that Mr. Heinrichs used the mortality table to calculate the present value of the future benefit, and this would make one person's benefit more expensive due to the age differential. He also took into account the time between buying the service and entering the DROP or retirement. Mr. Heinrichs explained that a young person buying service would pay a lot less than someone who was about to retire. Mr. Heinrichs also used the actuarially assumed salary increases.

Mr. Klausner said one would assume that two people of approximately the same age, salary, tenure and eligibility date for DROP or retirement would pay about the same. Mr. Heinrichs explained that the next variable was the valuation. He said the difference in yearly valuations could make a significant difference in the calculations.

Mr. Heinrichs explained the advantages to Foster and Foster's buyback calculation methodology.

Mr. Heinrichs stated buying back years that put one closer to retirement became progressively more expensive but beyond that, they were less expensive because they were just adding to the benefit, not reducing one's time left to DROP or retirement.

Mr. Heinrichs described disadvantages to performing the calculations at different times of the year, and how pay increases different from what was anticipated could change the outcome.

Mr. Ballard showed how they had calculated the buyback for two individuals and explained the differences. He also showed how calculating with a different valuation affected one person's calculation.

Mr. Heinrichs suggested "taking some of the precision" out of the calculation, i.e., calculating someone's buy back based on the date the request was submitted and not using the valuation software. He said they would lose some precision from an actuarial cost perspective but the difference was not material enough to justify the inequities of the current calculation method. He offered to create a "buyback grid" that would allow a member to determine the approximate cost for each year of service. The request date could be used regardless of the time it took to get information collected from former employers.

Mr. Klausner asked if any calculations already done would be an overpayment based on the simplified approach. Mr. Heinrichs said there would be winners and losers if they recalculated all that had already been done.

Mr. Klausner advised the Board to adopt a policy that would be included in the ordinance.

The Board discussed who would pay for any recalculations. Mr. Heinrichs agreed to charge half the usual price for recalculations: \$100. Mr. Hole felt the Board should pay for the recalculation, not the member.

Michael Viveros, member, said the delay in his application was due to waiting for the City of Miramar to provide the information; it was not his fault.

Motion made by Mr. Bayne, seconded by Mr. Hole, that the Board authorizes that all fire service purchase calculations shall be performed using the present value of future benefits, based on the 10/1/16 valuation, provided an application for purchase was made on or before 12/31/18. Thereafter, all service purchase calculations shall be performed using the actuarially recommended methodology, which shall be defined in a separate policy approved by the Board. Members who had already received a proposed cost to purchase service based on the 10/1/17 valuation may request a recalculation using the 10/1/16 valuation, provided the request for review was made by 12/31/18. Thereafter, the cost of recalculation shall be borne by the member. Any difference in purchase cost shall be credited to the member, consistent with the Internal Revenue Code. In a roll call vote, motion passed 7-0.

COLA Funding

Mr. Heinrichs noted the plan specified that a COLA could only be granted when cumulative actuarial gains exceeded losses. They currently had a \$112 million deficit, so there were no cumulative gains and a COLA could not be paid. If they ever did have a cumulative gain, part of it would be set aside for a COLA.

Ronald Cohen, the Retirees Association's attorney, said the cumulative actuarial gains exceeding losses requirement was not in the ordinance. He read from the 1986 ordinance that explained how to calculate a COLA and stated the amount would be based on whichever was less using two methods. The first method was based on CPI and the second was based on "excess gains" which was equal to "one third of the sum of all actuarial gains and losses of the system for the preceding three calendar years." Mr. Klausner stated the actuarial gain was always less.

Mr. Heinrichs said if the Board agreed a COLA would be paid every year, the actuarial valuation would need to be adjusted and the costs to the City would increase significantly.

Mr. Cohen said the statute did not use the same language regarding cumulative actuarial gain. The statute indicated that "unless you have a cumulative actuarial gain, it can't be used to *fund* additional benefits; it doesn't say you can't *pay* additional benefits."

Mr. Hole recalled that in the past, they had paid a 13th check based on extra earnings. Mr. Heinrichs explained that the Division had taken the position that if there was a benefit that had a reasonable probability of happening, the actuary must fund for it and take into account the probability of that happening.

Mr. Klausner said he understood that the Board's view was that the eligibility for a COLA was extended to anyone vested up to 2008. His view was that once the sunset was added in 1986, if a condition came to pass, the benefit was gone. Mr. Naugle confirmed that when he was Mayor, it was his understanding that the COLA benefit would be available to those retiring up until July 15, 2008.

Mr. Klausner said the Board should instruct Mr. Klausner that in the process of revising Chapter 20 of the City Code, the COLA provision should reflect that those to be considered for a COLA were those who were retired or eligible to retire through and including July 2008.

Motion made by Mr. Bayne, seconded by Mr. Hole to confirm that if there was an opportunity for a COLA, it would be available to those who were retired or eligible to retire as of July 2008. In a roll call vote, motion passed 7-0.

ATTORNEY'S REPORT:

Mr. Klausner reported the Brutus settlement had been signed and submitted to the court.

Mr. Klausner had sent Boyd Watterson his standard letter and was awaiting their response. He said there was a disagreement regarding the standard of care. Mr. Schmid had requested a follow-up from Boyd Watterson and they indicated they needed to talk to Mr. Klausner. Mr. Klausner asked Mr. Schmid to inform Boyd Watterson to contact Mr. Klausner. Mr. Klausner said it was a fairly standard limited partnership agreement, the only question was what recourse the Board would have if Boyd Watterson did something wrong.

New Business:

Mr. Klausner did not object to adding another monitoring firm.

Motion made by Mr. Bayne, seconded by Mr. Joseph, to authorize Mr. Klausner to engage Pomerantz in a monitoring agreement. In a voice vote, motion passed unanimously.

Disability Procedures

Ms. Wenguer stated Dr. Lupu had informed her that some plans had all doctors examine the applicant and then submit a joint report instead of having each doctor review all of the documents. Mr. Klausner felt this was reasonable. He advised seeing how this worked with the doctors; if they felt they were not adequately assessing the circumstances, the doctors would say so.

Motion made by Mr. Naugle, seconded by Mr. Joseph, to authorize Ms. Wenguer to have all doctors examine an applicant and then submit a joint report instead of having each doctor review all of the documents. In a voice vote, motion passed unanimously.

Ms. Wenguer said another application was on the west coast of Florida. Mr. Klausner stated they had been unable to find a doctor willing to examine the applicant in Cape Coral. A doctor here had advised him to provide him with the records and he would hold a video conference assessment with the applicant. If a test were needed, that could be done in a local lab.

Mr. Klausner said he had identified a cardiologist in Bradenton who would examine the applicant. Ms. Wenguer agreed to set up an appointment.

CAPTRUST:

Kevin Schmid

Monthly Investment Review

Mr. Schmid reported that they had been at a 4.26% rate of return last quarter and now they were near 7% for the year.

Mr. Schmid stated EnTrust had provided an estimated liquidity schedule for the Special Opportunities Fund III. There would be a distribution coming soon, followed by another near the end of the year. EnTrust estimated the majority of assets to roll off in 2019.

Mr. Schmid stated so far, the Special Opportunities Fund III had made just under 10% but there was a long way to go. He informed the Board that almost 11% of the fund was invested in CSX and EnTrust believed there would be additional upside as CSX went through its reorganization plan.

Chair Rudominer asked if Mr. Schmid would advise keeping the same balance in alternative investments. Mr. Schmid stated they had committed \$25 million to Capital Dynamics and \$30 million to Boyd Watterson. Accounting for the EnTrust assets, they would have another \$55 million to deploy elsewhere. He reported Entrust was going through some changes so it was hard to have a conviction in further investment with them now.

Mr. Naugle said they anticipated a 17% return of capital from EnTrust at the end of the year and asked if they should revisit it once they had 50% return of capital. Mr. Schmid said EnTrust had talked about extending the window for Special Opportunities Fund IV so he could follow up with them and the Board could continue their discussion.

COMMUNICATION DIRECTOR'S REPORT

Mr. Nesbitt had nothing to report.

Ms. Wenguer stated the Retirement Seminar would be on September 28.

EXECUTIVE DIRECTOR'S REPORT:

Electronic Device Policy

Motion made by Hole, seconded by Mr. Joseph, to approve the electronic device policy. In a voice vote, motion passed unanimously.

Ms. Wenguer informed the Board that the City was moving to SharePoint, which included Microsoft Office products, but only City employees could use it now. Until Board members could use SharePoint, they would keep documents on One Drive.

Education and Travel Policies

Ms. Wenguer had added language to include herself and staff in the policies.

Motion made by Mr. Joseph, seconded by Mr. Hole, to approve the education and travel policy. In a voice vote, motion passed unanimously.

Administrative Assistant

Ms. Wenguer introduced Jacqueline Garcia, the new administrative assistant.

PENDING ITEMS:

Old Business:

Schedule A

None

There being no further business to come before the Board at this time, the meeting was adjourned at 3:16 p.m.

FOR YOUR INFORMATION:

KCG Recapture Statement

Recapture Summary/July, 2018

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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