

September, 2014



POLICE AND FIREFIGHTERS' PENSION BOARD
REGULAR BOARD MEETING
888 South Andrews Avenue, Suite 202
Fort Lauderdale, FL 33316
Wednesday, September 10, 2014, 12:30 p.m.

Present

Ken Rudominer, Vice Chair
Scott Bayne, Trustee
Jeff Cameron, Trustee
Richard Fortunato, Secretary
Dennis Hole, Trustee
Jim Naugle, Trustee
Lynn Wenguer, Administrator
Steve Cypen, Cypen & Cypen, Board Attorney

Absent

Michael Dew, Chair

Also Present

Amanda Cintron, Assistant Administrator
Laurie DeZayas, Pension Secretary
Linda Logan-Short, Deputy Director of Finance and CFO
Fred Nesbitt, Director of Media Relations
Kevin Schmid, Cap Trust
Steve Schott, Cap Trust
Phil Dever, Lee Munder
Todd Vingers, Lee Munder
Richard Schaefer, Retirees' Association
Kim Rudominer
Jim Ingersoll, Retirees' Association President
Steve Sellars
Richard Theiss, Police Department
Paul DeBold, Retirees' Association
Lisa Edmondson, Recording Secretary, Prototype Inc.

Communications to the City Communication
None.

Note: Items were discussed out of order.

ROLL CALL/CALL TO ORDER

Vice Chair Rudominer 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: August 13, 2014

Ms. Wenguer said Chair Dew had phoned her to request a change regarding the Holland and Knight bill discussion. Vice Chair Rudominer requested clarification on the paragraph in which Cap Trust and the auditors' contracts were discussed. He also asked for clarification that the Board had adopted the 3.32% rate of return as calculated by Cap Trust.

Motion made by Mr. Hole, seconded by Mr. Bayne, to approve the minutes of the August 13, 2014 meeting as corrected. In a voice vote, the motion passed unanimously.

COMMENTS FROM PUBLIC

None.

BENEFITS: POLICE DEPT:	New Retiree: (Term of DROP)	Anthony C. Williams
	DROP Retiree:	Wade R. Brabble, Jr. William G. Stewart III

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

BILLS:	Prudential	\$69,761.52
	Holland and Knight	\$1,225.00

Ms. Wenguer reminded the Board that at the previous meeting, the Board had deducted the \$1,225.00 from the Holland and Knight bill for the letter Mr. Friedman had written regarding in-service distributions because they felt they had not authorized the charge. Mr. Cypen said he had asked Mr. Friedman to write the letter and Mr. Friedman had indicated that he had done as asked and was requesting the Board reconsider.

Vice Chair Rudominer recalled that Chair Dew had brought up this issue and Vice Chair Rudominer felt they should table it until Chair Dew was present. Ms. Wenguer stated Chair Dew had seen Mr. Friedman's letter but had not commented on it.

Motion made by Mr. Hole, seconded by Mr. Fortunato, to approve payment of the bills as stated. In a voice vote, the motion passed 5-1 with Mr. Naugle opposed.

INPUT FROM ACTIVE & RETIRED POLICE OFFICERS & FIREFIGHTERS:

Mr. Ingersoll stated they were not happy with the savings they would get from the actuary so they would pursue different avenues toward getting a COLA.

CAPTRUST: Monthly Investment Review Kevin Schmid, Steve Schott
Regarding Lee Munder, Mr. Schmid pointed out that nothing had changed organizationally or with their investment process since the Board had hired them. He added that in 2014, they were outperforming but had not made up for the past three years' losses. He had made a comparison of Lee Munder and other small cap firms and determined that over the long term, Lee Munder was in line with several of the other managers.

Mr. Schott stated their goal was to meet the actuarial assumption, net of fees over time with less risk. He said in a down market, they needed to preserve and if they did not, that was when they would eject the manager and the consultant but he expected they would participate on the upside and preserve on the downside. Vice Chair Rudominer did not feel there was sufficient reason to consider other managers.

Mr. Schmid stated the Board should advise Cap Trust about any managers with whom they wanted Mr. Schmid to speak. He explained that their comparison list had not included higher-risk managers or some of the best performers because they were closed to new investment. Mr. Schott pointed out that managers who did very well in a bull market typically performed the worst in a bear market.

Mr. Schott would be meeting with Northern Trust soon and asked for Ms. Wenguer's and the trustees' perspective. Ms. Wenguer stated they had had valuation issues but they had addressed them.

Regarding EnTrust, Mr. Schmid asked if the Board wished to move forward with an interview in October, noting that their final close would be in November. Vice Chair Rudominer said they could consider bringing in one

manager a month for review. He cautioned they were not in a position to take on any new investment that would increase their fee costs. Mr. Schmid said if they intended to review potential managers, the Board could hold a special meeting to allow managers time to present. Vice Chair Rudominer said interviewing one per month would avoid the need for a special meeting. Mr. Schmid agreed to schedule a manager from Grosvenor and Fir Tree in October and November and if the Board wished, a European dislocation fund or Oak Tree later on.

An audience member asked if in general, Mr. Schmid considered all their managers to be pretty conservative. Mr. Schmid felt Systematic and InTech were not overly conservative, but it depended on the type of investments. Regarding alternative investments, Mr. Schmid said they generally reduced the overall risk of the portfolio without impacting the total return, and noted that there were different risk factors and drivers of return.

LEE MUNDER: Todd Vingers and Phil Dever

Mr. Dever distributed a pamphlet with an update on the organization. He stated nothing had changed recently at the firm. He said acquisition of the small cap growth team three years ago was the last meaningful event at the firm.

Mr. Vingers confirmed that their investment philosophy and process had not changed since 2008 when the Board had hired them. Mr. Vingers stated there were five people on the team running the small cap value product in which the pension was invested. He said they invested in good, high quality businesses. Mr. Vingers explained they liked companies that had short term problems to which the market was overreacting. Mr. Vingers stated this year, they were up 200 basis points on the benchmark.

Vice Chair Rudominer stated the Board had come up with its own measurement to help them with their argument in the active versus passive debate. Mr. Schmid said the Board had asked for this additional calculation and it translated to performance in terms of dollars. This was a negative number for performance against the benchmark even though returns had been very strong on a three-year basis. Mr. Vingers said this was negative versus the benchmark was due to stylistic headwinds. Gross of fees, they had delivered 9% annualized against a benchmark of 5.5%. He implored the Board to stay with active management in the future, especially in small caps because active managers tended to outperform their benchmarks by enough to justify the fees.

Mr. Schmid asked how other clients had handled the three-year window of underperformance. Mr. Vingers said they had lost no clients because of dissatisfaction with performance. He admitted clients were monitoring them because their style had fallen out of favor.

COMMUNICATION DIRECTOR'S REPORT: Fred Nesbitt

Mr. Nesbitt Had spoken with someone at Pension and Investments, who was doing a story on Thornburg about why pension plans were terminating them. He had referred the person the Board's minutes regarding their discussions about Thornburg.

Mr. Nesbitt advised he was creating the annual report and invited input.

EXECUTIVE DIRECTOR'S REPORT

In-Service Distributions

Ms. Logan-Short had no update on the in-service distributions. She said the investigation was ongoing. Ms. Wenguer stated they had provided information from the actuary a couple of weeks ago indicating there would be no actuarial cost but had heard nothing back from the City since.

Fire Marshal

Ms. Wenguer said Mr. Raines had thanked the Board for their understanding. She reported he had officially terminated from the City on September 5.

Retirement Seminar

Ms. Wenguer informed the Board that 110 people had already registered. She encouraged everyone to attend.

Contributions from GERS

Ms. Wenguer reported the list of contributions had been provided to the Finance Department. The information had been provided by General Employees. The Finance Department had taken issue with the figures and they were

working on determining the right number and finalizing the list. Ms. Logan-Short stated they were working on reconciling the differences. Ms. Wenguer anticipated this would be resolved soon.

Proposed 2015 Meeting Dates

Ms. Wenguer stated they needed to change the November meeting date because it fell on Veterans Day.

PENDING ITEMS:

New Business:

Denial of Disability

Ms. Wenguer stated a member who had been denied disability had called and requested the minutes be taken off the website because the discussion about him had been very derogatory and defamation. She had reviewed the minutes and not found anything objectionable, and asked the Board's opinion. Mr. Cypen had suggested that the member attend a meeting and point out exactly the language he felt was incorrect and his statement would be included in the minutes. Mr. Naugle did not feel the Board should alter their minutes for this reason; the minutes reflected what happened at the meeting. Mr. Cypen explained that the minutes could not be changed, but a note could be made in subsequent minutes. The Board discussed keeping minutes online and determined that for transparency, it was preferable to keep as many posted as possible.

Old Business:

Mr. Hole recalled the Board had requested something in writing from the actuary regarding the State approving their methodology. Ms. Wenguer said he had been asked to provide the letter and he was also supposed to attend a Board meeting. She pointed out that they had not adopted the change he had recommended yet. Ms. Wenguer stated she could ask Mr. Heinrichs to attend the Board's October meeting.

Ms. Wenguer announced that the investment seminar would start on December 3rd and they had signed a contract with the Riverside Hotel.

Mr. Ingersoll asked if the Randy Trout issue had been settled. Ms. Wenguer replied he had been paid but he was unhappy that taxes had been taken out of his \$22,000. Ms. Logan-Short thought this had been resolved.

Communications to the City Communication

None.

FOR YOUR INFORMATION:

Approved Budget

ConvergEx

Knight

Recapture Summary/July, 2014

Recapture Summary/July, 2014

There being no further business to come before the Board at this time, the meeting was adjourned at 2:01 p.m.

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