

**POLICE AND FIREFIGHTERS' PENSION BOARD
REGULAR BOARD MEETING
888 South Andrews Avenue, Suite 202
Fort Lauderdale, FL 33316
Wednesday, April 14, 2021, 12:30 P.M.**

Communication to the City Commission

1. The trustees received and approved the plan's Actuarial Valuation as of October 1, 2020.

Board Members

Ken Rudominer, Chair	P
Richard Fortunato, Vice Chair	P
Scott Bayne, Secretary	P
Jim Naugle, Trustee	P
Jeff Cameron, Trustee	P
Dennis Hole, Trustee	P
Derek Joseph, Trustee	P

Also Present

Lynn Wenguer, Executive Director	Linda Logan-Short, Deputy Finance Director
Robert Klausner, Board Attorney [arrived 1:35]	Susan Grant, Finance Director
Fred Nesbitt, Communications Director	Matthew McCue
Kyle Campbell, CAPTRUST	
Brad Heinrichs, Foster & Foster	
Drew Ballard, Foster & Foster	

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.

MINUTES:

Regular Meeting: March 10, 2020

Motion made by Mr. Hole, seconded by Mr. Fortunato to approve the Board's March 10, 2021 meeting minutes. In a voice vote, motion passed unanimously.

BENEFITS: FIRE DEPT:	New Retiree(Service Retirement):	Paul Bodie Rodney Peeler
	DROP Retiree:	Michael Nolan Tamara Rose
	Beneficiary Death:	Deborah Vitale Deborah Wright Loretta Yohman
POLICE DEPT:	Retiree Death:	Wayne Lowery Hiram Sapp

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

BILLS:	CAPTRUST	\$34,301.19
	Foster & Foster	\$23,653.00
	Marcum LLP	\$6,775.00
	Milliman	\$5,500.00
	Klausner, Kaufman	\$3,500.00
	Klausner, Kaufman	\$1,691.00

Mr. Hole asked Mr. Klausner's final disposition on the prior service issue for Jason Friedman. Ms. Wenguer recalled Mr. Friedman had *volunteer* firefighter service, which did not qualify under the statute.

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

**COMMENTS FROM PUBLIC/ INPUT FROM ACTIVE & RETIRED
POLICE OFFICERS & FIREFIGHTERS:**

None

**FOSTER & FOSTER 20221 Actuarial
Valuation**

Brad Heinrichs, Drew Ballard

Mr. Heinrichs referred to the Summary Report and explained this valuation determined the City's contribution. Mr. Heinrichs said the report was based on the City's past practice of making its contribution in a lump sum at the beginning of the year. He noted the contribution had increased this year, and said this was due to changes in assumptions. He noted they had paused the assumed rate of return this year at 7.3%.

Mr. Hole drew Mr. Heinrich's attention to page 22 regarding the DROP change. Mr. Heinrichs said they had looked at average DROP period participation during the experience study and discovered it was closer to six years than to eight.

Mr. Heinrichs stated over time, there had been a steady decline in the number of actives in the plan, which meant there were lower member contributions and payroll. If they continued to lose actives, payroll would continue to drop and the City would be forced to pay a higher percentage of the unfunded liability in coming years.

Mr. Heinrichs stated investment returns had been 5.62% for the year, which was in the bottom 5-10% for his clients. The gap had also widened between actuarial value and market value. He explained they used the actuarial value when calculating the City's funding requirements.

Regarding unfunded liability, Mr. Heinrichs said this plan was very favorable compared to other plans. He stated over the next five years, there would be a \$3 million reduction in the City's funding requirements due to paying off several bases.

Mr. Heinrichs referred to the cumulative gain/loss position and said they had a favorable experience since 2013, except 2019, when the loss was substantial. He stated per the City ordinance, the Board was not able to grant a COLA until the cumulative actuarial gains exceeded losses since 1995.

Mr. Heinrichs stated the Board and their financial consultant should pay attention to the net cash flow ratio. The plan's net cash flow for the year was -\$24 million or 2.6% of the portfolio, which was not a large negative cash flow position. He felt a good majority of their assets could be invested in performing assets because they did not need to use most of the \$950 million to help pay for benefits and expenses.

Chair Rudominer asked if their risk averse stance was affecting their ability to decrease the net cash flow deficit and offer a COLA and Mr. Heinrichs believed it was.

Chair Rudominer asked if a more in-depth report was possible, since this report was geared specifically toward determining the City's contribution. Mr. Heinrichs explained that they had not valued every potential change; they had worked with one set of assumptions. There were broader studies that could be done to test other eventualities and he had a modeler he could share with the Board.

Chair Rudominer said the City had discovered a discrepancy regarding normal retirement date and he asked the actuarial impact of granting someone in the DROP disability.

Ms. Wenguer explained that when someone was vested, they were assumed to be eligible after 20 years of service, but the ordinance indicated age 50. Ms. Grant said the ordinance indicated normal retirement was when someone hit 20 years *and* attained age 50. The plan had been interpreting this without regard to age 50 for a very long time. Mr.

Heinrichs stated there was a cost to the plan if this was how it was administered. He confirmed he had been assuming 20 years of service and 50 years of age. Chair Rudominer stated this had been addressed and they would adhere to the language of the ordinance going forward.

Mr. Fortunato stated as of now, someone in the DROP could not file for disability and asked the financial reason for that. Mr. Heinrichs explained that if someone in the DROP became disabled, often the disability benefit was their accrued benefit or some percentage of pay and the percentage of pay was less than the accrued benefit so it did not matter.

Mr. Fortunato noted that disallowing a disability application for someone in the DROP would cut the person off from other state and federal benefits. Mr. Heinrichs suggested asking Mr. Klausner to clarify. Mr. Heinrichs said there could be a very small impact to the pension fund contributions if the Board granted a disability claim to someone in the DROP but changed none of his/her benefits.

Mr. Heinrichs wished the Board to address the letter from the Retirees' Association that mentioned him. Chair Rudominer explained that in the annual letter, the Retirees' Association indicated they wished to hire an attorney. They believed they had the basis for a lawsuit and referred to a statement Mr. Heinrichs had made at a meeting a couple of years ago that he could change some assumptions that could get them a COLA but the Board had ignored it. Mr. Heinrichs thought the letter's author may have been referring to the fact that the cumulative loss was given interest every year before he became the actuary. Once he was the actuary, he had interpreted the ordinance to mean that cumulative gains must exceed cumulative losses; it did not indicate that the gains or losses should be given interest. The Board had agreed that this would be better for retirees, and Mr. Heinrichs had removed interest from the calculations and saved \$20-\$30 million on the cumulative loss position. When calculated the previous way, Mr. Heinrichs stated there was almost zero chance of a COLA.

Mr. Hole said it was important to remember that an actuary could value assets differently, but the bottom line would not change. Mr. Heinrichs agreed.

Motion made by Mr. Joseph, seconded by Mr. Bayne to approve the Valuation Report. In a roll call vote, motion passed unanimously.

CAPTRUST:
Monthly Investment Review

Kyle Campbell, Andrew Marino, Steve Schott

Mr. Campbell said looking at the returns in isolation may seem there was insufficient risk in the portfolio, but he noted that over 50% was invested in risk assets. He explained that if they had been even more conservative in 2020, the portfolio would have performed better. He stated returns were 13.5% so far for 2021. Mr. Campbell believed they were

in a desirable position regarding risk, with 50% in equities, 20% in fixed income and the remainder in more risk-seeking alternatives.

Mr. Campbell provided a brief market report. He stated they were positioned well and they would like to interview a couple more private equity and private income oriented alternatives managers.

Mr. Hole recalled Mr. Bayne had requested a comparison of Fort Lauderdale's portfolio returns versus other public sector plans. Mr. Campbell said he would present this at the Board's next meeting.

Mr. Klausner arrived at 1:35.

Chair Rudominer noted that their plan documents indicated they could not lend money directly to individuals. Mr. Klausner stated they were permitted to participate in a trust or limited partnership which had direct lending as its primary goal, provided the trust's goal met the due diligence test by the consultant.

COMMUNICATION DIRECTOR'S REPORT

Fred Nesbitt

Mr. Nesbitt stated he was working on the annual report and he hoped to be finished in the next two to three weeks.

ATTORNEY'S REPORT

Robert Klausner

Regarding the issue of the ordinance indicating normal retirement was when someone was employed 20 years *and* attained age 50, but the plan interpreting this without regard to age 50, Mr. Klausner said anyone who had not yet applied must wait until they turned 50. He would fix the draft in the ordinance.

Mr. Klausner said there was one issue remaining. There was a provision in the plan that was put in when the Police Department had rehired people without informing the fund. They had done a correction with the IRS to grandfather in everyone prior to 2013. After 2013, in-service distributions were provided for reserve officers who were working fewer than 40 hours, and who were providing prisoner transport, prisoner booking or War Memorial Auditorium security. The Police Department wanted to put reserves in civilian positions elsewhere to free up full time officers for more active police work. He had informed the Police Department that this would require a change in the plan. If they moved reserves to positions other than the three assignments permitted for in-service distributions, their pensions must be suspended while in those spots. Putting them in civilian positions would implicate collective bargaining between the non-public safety union and the City. There would also be a cost to the City if they were put in full-time civilian positions. He had advised the Police Department to take this up with City Hall, who must approve a change to the ordinance.

Mr. Klausner felt the Chief of Police would make the request, in order to have the flexibility to keep reserves certified but put them in civilian positions now occupied by police officers. If this was done without a change to the ordinance, they would have to suspend the benefits of the retirees in order to retain their tax qualification. This must be resolved before the ordinance update was sent to the City Commission.

Ms. Grant said the Police Department had talked to her about the reserve officers. Mr. Klausner noted that reserves were permitted to do detail work, but that was considered working for a private employer.

Mr. Klausner reported the Senate had passed a revision to Florida Retirement System that closed the defined benefit plan to new members except for public safety and elected officials. He noted there were 200 cities, including Fort Lauderdale, that had contracted with FRS to provide a defined benefit retirement program. So far, there was no companion bill in the house, and if there was none, it would die. Mr. Bayne stated this could also be done through a committee substitute bill.

Ms. Grant said the City had asked lobbyists to try to have the bill include the ability to opt out. Mr. Klausner thought an opt-out would be permitted as a matter of law.

EXECUTIVE DIRECTOR'S REPORT:

Ms. Wenguer reported Ms. Goyes was recovering from COVID and hoped to be back at work the following week.

Milliman: Updated System Update Proposal

Ms. Wenguer had added to the proposed changes and Milliman had reduced the price to \$19,500.

Motion made by Mr. Hole, seconded by Mr. Joseph to modify the Milliman contract regarding the Share Plan and to pay an additional \$19,500 for the software additions. In a voice vote, motion passed 6-1 with Mr. Fortunato opposed.

PENDING ITEMS:

New Business:

Mr. Bayne said there was no way to estimate individual benefits for members because it was based on the number of members, how much money was provided to the State and how much money came in. Ms. Wenguer agreed.

Mr. Fortunato asked Mr. Klausner about a DROP member collecting disability. Mr. Klausner pointed out that a member in the DROP was considered retired, which eliminated liability exposure for disability. Some funds allowed DROP members to apply for disability but they must surrender what was in the DROP. The Fort Lauderdale plan

would need to be changed to allow for disability once in the DROP. Mr. Klausner noted there were also tax implications, because disability payments were tax free.

Mr. Klausner suggested Ms. Wenguer advise all vested members with 20 years that they would not be able to collect until age 50, because this was what the ordinance specified. Mr. Fortunato asked about those hired when the requirements was 20 years and age 47. Mr. Klausner explained that *Scott v. Williams* determined that anyone who was not eligible to retire on the date the rule changed was subject to the new rule.

Ms. Grant had looked at every union contract and ordinance change and found that whoever had made the changes had kept "age 50" the entire time.

Mr. Bayne thought they were obligated to continue the policy of paying the pensions of those who had worked 20 years, even if they were younger than 50 because this had been represented to them. Ms. Wenguer agreed because she thought people relied on that information. Mr. Klausner asked Ms. Wenguer to look in each person's file to determine what date he/she had been told.

Mr. Bayne wanted to communicate to current members that this long-standing practice was changing. Mr. Klausner suggested distributing an amendment to the summary plan description to each member.

Mr. Fortunato recalled the Board had approved a motion to authorize the firefighters' union to utilize the actuarial services of Foster & Foster, at the union's expense, if needed for their negotiations. He wanted the FOP to be able to do the same. This would apply whenever they began negotiations.

Motion made by Mr. Fortunato, seconded by Mr. Joseph, to authorize the FOP to utilize the actuarial services of Foster & Foster, at the union's expense, if needed for their negotiations. In a voice vote, motion passed unanimously.

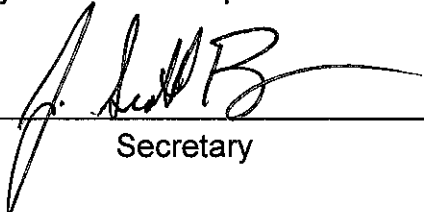
Mr. Hole asked Mr. Klausner who paid workers' compensation for a Fort Lauderdale public safety officer who contracted COVID. Mr. Klausner said at the beginning of the pandemic, the government had indicated that the Workers Compensation Division would treat any public safety officer's COVID infection as in line of duty for a period of time. The Public Safety Officers' Death Benefits Act was revised so any public safety officer who died from COVID would be deemed to have an in-service death, if it occurred between January 1, 2020 and December 31, 2021.

Old Business:

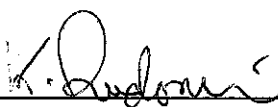
Schedule A

None

There being no further business to come before the Board at this time, the meeting was adjourned at 2:40 p.m.



Secretary



Chairman

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