

April 17, 2019

**POLICE AND FIREFIGHTERS' PENSION BOARD
REGULAR BOARD MEETING
888 South Andrews Avenue, Suite 202
Fort Lauderdale, FL 33316
Wednesday, April 17, 2019, 12:30 P.M.**

Communications to the City Commission:

1. The Board reviewed and approved the audited financial statement for the year that ended on September 30, 2018
2. The Board reviewed and approved the actuarial valuation as of October 1, 2018

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
Lynn Wenguer, Executive Director	P

Also Present

Alexandra Goyes, Deputy Director
 Fred Nesbitt, Board Communication Director
 Pamela Winston, City Treasurer
 John Herbst, City Auditor
 Robert Klausner, Board Attorney
 Paul DeBold, retirees' association president
 Jack Chew, retirees association
 Brad Heinrichs, Foster & Foster
 Tammy Goldstrich, Marcum LLP
 Steve Schott, CAPTRUST
 Kyle Campbell, 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:**Regular Meeting: March 13, 2019**

Chair Rudominer noted a change to the minutes.

Motion made by Mr. Naugle, seconded by Mr. Hole to approve the Board's March 13, 2019 meeting minutes as amended. In a voice vote, motion passed unanimously.

NEW HIRES:

Chair Rudominer recognized the new hires.

BENEFITS:	POLICE DEPT:	New Retiree: (Term of DROP)	Karl D Maracotta
			Charles Sierra
		Member Termination:	James Wheelhouse
	FIRE DEPT:	New Retiree: (Term of DROP)	Timothy Habig
		DROP Retiree:	Paul J. Prezzemolo
			Michael E. Cochran

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:	Vaughan Nelson	\$45,778.49
	Sawgrass Asset	\$34,119.08
	CAPTRUST	\$21,250.00
	Rhumblin	\$15,988.00
	Milliman	\$5,250.00
	Klausner & Kaufman	\$3,870.00

Motion made by Mr. Joseph, seconded by Mr. Hole, 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 stated they were looking forward to Mr. Heinrichs's report.

COMMUNICATION DIRECTOR'S REPORT: **Fred Nesbitt**

Mr. Nesbitt invited Board members to send him links to pension clips for the newsletter.

2018 AUDITED FINANCIAL STATEMENTS:

Marcum LLP

Tammy Goldstrich

Ms. Goldstrich summarized the audit opinion and highlights. Return on investments for the year ending September 30, 2018 was 7.36%, compared to 11.69% in 2017. The plan's funded ratio was 96%. Ms. Goldstrich stated there were no significant material weaknesses, instances of non-compliance or deficiencies in internal controls,. They had identified one issue regarding incorrect contributions in the Police Plan, but this was not a material weakness or deficiency.

Motion made by Mr. Bayne, seconded by Mr. Fortunato, to adopt the audit. In a voice vote, motion passed 7-0.

2018 ACTUARIAL VALUATION:

Foster & Foster

Brad Heinrichs, Drew Ballard

Mr. Heinrichs referred to the City's contributions for fiscal year 10/1/19 through 9/30/20 and explained that they obtained census data and asset information as of 10/1/18 to determine the City's funding requirements for that period. He said funding requirements were also based on payroll, and as payroll increased, so did the contribution. The percentage of payroll, 23.6%, was actually a reduction.

Mr. Heinrichs reported the cumulative gain for the year was \$7 million. He stated there was \$21.3 million of unrecognized investment gains that had not flowed into the system yet but would be coming in the future. This was reflected in the difference between the actuarial and market value of assets and would result in decreasing cumulative losses from \$105 million to \$85 million.

Mr. Heinrichs stated the unfunded liability was \$64 million; it had been \$72 million the previous year. If they had not lowered their assumed rate of return, it would have been \$59 million. They were paying off their liability and the City's liability was shrinking as well.

Mr. Heinrichs informed the Board that if the plan were shut down today, they would have the funds for everyone's pension.

Mr. Heinrichs said he had split the statistical data by Police and Fire, per Chair Rudominer's request.

Mr. Heinrichs stated actuaries were expected to opine on risk now, and the next report would discuss this. For instance, what the risks to the plan would be if a significant number of members were in DROP and they all decided to take their money out at once. Chair Rudominer said within 18 months, there was the possibility that 80-90 members would want their money at once. Mr. Heinrichs suggested the Board discuss this with their investment advisors.

Motion made by Mr. Bayne, seconded by Mr. Naugle, to adopt the Actuarial Valuation report and assumptions. In a voice vote, motion passed 7-0.

Mr. Heinrichs anticipated that the Florida Retirement System would change to the public plans mortality tables. He did not feel this would change much.

**CAPTRUST:
Monthly Investment Review**

Steve Schott, Kyle Campbell

Mr. Campbell reported in 2018, US stocks in the S&P 500 were down 5% but so far in 2019 the S&P was up 14%. Internationals had been down 14% in 2018 and were up 10% in 2019. Fixed income bonds were flat in 2018, but were up 3% in 2019. Technology was the highest returning sector and healthcare the lowest this year so far.

Mr. Campbell stated they had been watching the inversion of the yield curve in the first quarter because this sometimes signaled a coming recession. He explained that they believed an inverted yield curve *correlated* with a potential recession but was not a cause. He pointed out that the yield curve was no longer inverted.

Mr. Campbell stated EnTrust Special Opportunities Fund had underperformed and he noted there had been a delay on some of their IPOs.

Mr. Schott reported they had sent the new contract to Ms. Wenguer for Mr. Klausner to review.

Chair Rudominer asked where money would come from if there was a mid-month capital call. Ms. Wenguer stated they always determined where the money would come from beforehand and they typically had the cash on hand.

ATTORNEY'S REPORT:

Robert Klausner

Mr. Klausner said he received monthly reports from the Board's investment monitors. Mr. Hole asked how much difference there was between the lists compiled by the different monitors and Mr. Klausner said they usually caught the same things. He stated he followed all cases that affected the Board whether they were a lead plaintiff or not.

Mr. Klausner explained that the custodian received class notices automatically and if they were in it, Mr. Klausner followed up with their securities attorneys.

Robert Soto Disability Status

Mr. Klausner said a disability retiree wanted to take a regular service retirement. Ms. Wenguer confirmed Mr. Soto was eligible for vested retirement. Mr. Klausner stated the Board should discontinue Mr. Soto's disability retirement effective upon the commencement of his vested service retirement. This was based on Mr. Soto's representation that he was no longer disabled.

Mr. Bayne said Mr. Soto had returned to work as a firefighter elsewhere. Ms. Wenguer confirmed that the City had never made any disability payments to Mr. Soto. Mr. Klausner stated this could not be changed back.

Motion made by Mr. Bayne, seconded by Mr. Fortunato to eliminate Robert Soto's disability benefit and approve a vested retirement benefit, based on his request. In a roll call vote, motion passed 7-0.

Mr. Klausner invited the Board to attend their investment seminar.

Mr. Klausner said the firefighters' cancer bill in the state legislature was expected to pass unanimously. Mr. Bayne explained that the bill was meant to get wages covered under workers compensation during the period one was out of work for treatment.

Chair Rudominer said they needed to discuss IT security. Mr. Klausner said their conference would include a session on this and included recommendations to address it.

Mr. Klausner reported there was a new trend in litigation, suing websites that were not accessible for sight and mobility impaired people and recommended having the website evaluated. He stated they were working with the Florida Division of Blind Services to provide clients guidance.

Mr. Klausner said the most common recommendation was to stop using social security numbers when corresponding with members and Ms. Wenguer stated they had been using unique ID numbers [employee numbers] instead of social security numbers for quite some time.

Mr. Herbst explained that private health information was worth even more to hackers than social security numbers.

Mr. Fortunato wished to conduct a cyber security audit and Mr. Klausner agreed to provide the name of the firm they used.

Ms. Wenguer referred to the issue Ms. Goldstrich had brought up regarding the retroactive contributions being done incorrectly. The City had agreed, and promised to show the method they would use to Ms. Wenguer in the future for her to do a spot test. Ms. Winton agreed to inform the Board when the next retroactive pay was scheduled.

EXECUTIVE DIRECTOR'S REPORT: Retirement Seminar

Ms. Wenguer stated last year's seminar had not been well-attended by Police and Fire employees so she had considered holding it every other year. She asked the Board for input. Chair Rudominer said much of the curriculum was not geared toward their members but there was a need for retirement education. He wanted to make a date for this year and Mr. Bayne stated they could adjust the content. Mr. Nesbitt said people returned two or three years in a row because there was so much to absorb.

Mr. Bayne suggested recording the seminar and rebroadcasting it as a webinar.

PENDING ITEMS: New Business:

Old Business:

Schedule A

Mr. Bayne recalled the Board had asked about leaving the 175 money on deposit with the plan. Mr. Klausner said whatever the terms were for the DROP money the share plan would follow. Mr. Bayne wanted to use the same policy as with the DROP and Mr. Klausner suggested amending the DROP rule to include it. He agreed to work with Ms. Wenguer on an administrative rule change the Board could consider at their May meeting.

There being no further business to come before the Board at this time, the meeting was adjourned at 2:20 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

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