

April, 2008

POLICE & FIREFIGHTERS' PENSION BOARD REGULAR MEETING

Pursuant to authority of Ordinance C-00-34, Article II, this regular meeting of the Police & Firefighters' Pension Board convened at 12:35 P.M., **Wednesday, April 9, 2008** in the Pension Board Conference Room, 888 S. Andrews Avenue, Suite 202, Ft. Lauderdale, Florida 33316.

PRESENT:

- Michael Dew, Vice Chairman
- Romney Rogers, Secretary
- John San Angelo, Trustee
- Richard Fortunato, Trustee
- Dennis Hole, Trustee
- Stephen Scott, Assistant City Manager
- Steve Cypen, Board Attorney
- Lynn Wenguer, Administrator
- Laurie DeZayas, Recording Secretary

ABSENT: Mark Burnam, Trustee

ALSO PRESENT:

- Fuzzy Larkin, President, Retirees' Assoc.
- Jack Chew, Retirees' Assoc.
- Rick Schulze, Retirees Assoc.
- Carl Borino, Retirees' Assoc.
- Mike Martin, Retirees' Assoc.
- Rick Perez, Retiree
- Dee Seibert, Retiree
- Jack Lokeinsky, FOP
- William Humphrey, IAFF
- Allan Curry
- Bernie Schinder, Goldstein Schechter Koch
- Elisabeth Capota, Goldstein Schechter Koch
- Steve Miller, Goldstein Schechter Koch

Bradley Mayer, Northern Trust Company

ASSET VALUE as of April 7, 2008: **\$465,240,776.00**

Vice-Chairman Dew called the meeting to order at 12:30 p.m.

Election of Chairman: Election of Board Chairman was tabled until the May 7, 2008 or until there is a full Board.

MINUTES: Regular Meeting, March 12, 2008. Mr. Hole made a motion to approve the minutes with Mr. San Angelo seconding the motion. Mr. Hole questioned Ms. Wenguer concerning a request to ask the Custodian to report on possible claims concerning the Securities Class Action Policy, listed on page 4 of the minutes. She did consult the Custodian concerning this and was advised that the ability to check claims can be done on-line. The motion approve the minutes was approved **UNANIMOUSLY** by the Board.

Special Meeting, February 22, 2008, February 28, 2008 and February 29, 2008. Mr. Hole made a motion to approve the minutes with Mr. San Angelo seconding the motion. The motion to approve the minutes was approved **UNANIMOUSLY** by the Board.

BENEFIT REVIEW: POLICE DEPARTMENT - DROP Retirees: Felicia Barnwell, Detective. Date of DROP retirement March 2, 2008 with 20.10, monthly pension benefit \$3,869.26 (100% J&S).

Jeffrey L. Brooks, Police Officer. Date of DROP retirement March 9, 2008 with 20.11 years of service, monthly pension benefit \$4,305.18 (Life Annuity).

Daniel Dodd, Police Officer. Date of DROP retirement March 9, 2008 with 20.12 years of service, monthly pension benefit \$3,929.30 (100% J&S).

Michael W. Hennessy, Police Officer. Date of DROP retirement March 9, 2008 with 22.11 years of service, monthly pension benefit \$4,290.48 (100% J&S).

William J. Rousseau, Sergeant. Date of DROP retirement March 31, 2008 with 22.00 years of service, monthly pension benefit \$5,192.36 (100% J&S).

Beneficiary (Retiree Death): Janet VanSant dependent upon Alan L. VanSant. Date of retirement January 11, 1989. Monthly pension benefit \$4,904.47 for one year; reduced to (60%) \$2,942.68 thereafter.

Requests for Lump Sum Refund: Michael Alvarez, Police Officer. Date of separation April 4, 2008 with 0.83 years of creditable service. Lump sum payment due \$2,550.47.

Samuel Nunez, Police Officer. Date of separation February 26, 2008 with .725 years of creditable service. Lump sum payment due \$2,251.29.

FIRE DEPARTMENT - New Retiree: Ivette Spence-Brown, Driver/Engineer. Date of retirement April 15, 2008 with 17.48 years of credited pension service and 22.93 total years of service. Monthly pension benefit \$3,902.33 (Standard).

DROP Retirees: Richard S. Brown, Battalion Chief. Date of DROP retirement April 14, 2008 with 22.00 years of service, monthly pension benefit \$6,792.01 (100% J&S).

Steven E. Doty, Lieutenant. Date of DROP retirement April 14, 2008 with 22.00 years of service, monthly pension benefit \$5,594.74 (Life Annuity).

William C. Findlan, Battalion Chief. Date of DROP retirement April 14, 2008 with 22.00 years of service, monthly pension benefit \$7,303.16 (Life Annuity).

Keith Gair, Lieutenant. Date of DROP retirement March 23, 2008 with 20.20 years of service, monthly pension benefit \$4,936.82 (100% J&S).

John M. Galarneau, Fire Fighter. Date of DROP retirement April 18, 2008 with 20.00 years of service, monthly pension benefit \$3,806.21 (100% J&S).

Renard D. Jacobs, Lieutenant. Date of DROP retirement April 14, 2008 with 20.00 years of service, monthly pension benefit \$4,667.05 (100% J&S).

Jeffrey A. Justinak, Assistant Fire Chief. Date of DROP retirement April 18, 2008 with 20.00 years of service, monthly pension benefit \$7,639.08 (Life Annuity).

Troy Lanier, Fire Fighter. Date of DROP retirement April 13, 2008 with 22.00 years of service, monthly pension benefit \$5,026.25 (100% J&S).

Gary D. Miller, Lieutenant. Date of DROP retirement April 14, 2008 with 22.00 years of service, monthly pension benefit \$5,601.33 (Standard).

New Beneficiary (Retiree Death): Peggy Zettek, dependent upon Alan W. Zettek. Date of retirement August 1, 1988. Monthly pension benefit \$4,103.62 for one year; reduced to (60%) \$2,462.17 thereafter.

Request for Lump Sum Refund: Ashley Heath, Fire Fighter. Date of separation March 11, 2008 with .83 years of creditable service. Lump sum refund payment \$2,741.29.

Mr. Rogers made a motion to waive the reading of and approve the Benefit Review with Mr. Hole seconding the motion. The motion was approved **UNANIMOUSLY** by the Board.

Mr. Hole asked Ms. Wenguer about Ivette Spence-Brown's benefit as she had previous credit with General Employees Retirement System. Ms. Wenguer advised that we are not allowed to give credit from our plan for GERS time unless the money had previously been moved over. In Ms. Spence-Brown's case this was not an issue, as she received a refund of contributions when she transferred to the Fire Department.

BILLS:

Asset Consulting Group submitted a bill for investment management fees for the period ending 03/31/08 in the amount of \$10,625.00.

Atkinson, Diner, et al submitted a bill for professional services for rendered through 02/25/08 in the amount of \$3,181.13.

Goldstein Schechter Koch submitted a bill for professional services for the period ending 09/30/07 in the amount of \$1,000.00.

Ellen Schaffer submitted a bill for programming and consulting fees for adding the pensionable assignment pay to the 2006 and 2007 pay history files in the amount of \$341.25.

Mr. Rogers made a motion to waive reading of and approve payment of these bills with Mr. San Angelo seconding the motion. The motion was approved **UNANIMOUSLY** by the Board.

2007 ANNUAL AUDIT - Goldstein Schechter Koch: Bernie Schinder, Elisabeth Capota and Steve Miller representing Goldstein Schechter Koch.

Mr. Schinder advised the Board that according to the tests that were performed, to the best of their knowledge, our internal controls are working to our benefit. They then presented the financial highlights of the 2007 Annual Audit report.

1. System and Share Plan assets totaled \$500 million.
2. Total returns were (12/31/07) 7.4% and (12/31/06) 10.7%.
3. The funded ration, as of December 31, 2006 and 2005 (the dates of the latest actuarial valuations) was approximately 76.9% and 76.2% respectively.

4. Revenues were (12/31/07) 64.0 million and (12/31/06) 70.9 million with contributions of (12/31/07) \$30.1 million and (12/31/06) 28.1 million. Investment income of (12/31/07) 33.9 million and (12/31/06) 42.7 million.
5. Expenses were (12/31/07) 39.8 million and (12/31/06) 38.5 million, comprised primarily of benefit payments of (12/31/07) 39.0 million and (12/31/06) 37.9 million.

Mr. Schinder explained to the Board that most public pension plans they audit have a September 30th year-end, which would give them a better overall result for the year. Due to the fact that we have a December 30th year-end, our audit includes the last quarter of 2007, October 1st through December 31st, which was when we began to anticipate a recession. If the financial analysts are correct and the recession is mild, we will be coming out of it in the third and fourth quarter of 2008, so we will get the benefit of the fourth quarter having a December 31st year end next year.

Total return on investments was (12/31/07) 7.4% and (12/31/06) 10.7, which takes into consideration dividends, interest, all income plus appreciation and depreciation in assets.

For the year 2007, the total assets were \$506,174,890. with total liabilities of \$6,011,042. Membership consists of 888 retirees, 287 vested employees and 354 non-vested employees. Member's contribution is 7% of their salary.

Mr. Schinder touched on the fact that in 2007 the Plan obtained real estate investments that were taken out of equities and bonds and invested in Prudential and American Realty.

In the Report on Internal Control Over Financial Reporting, they stated "We noted no matters involving the internal control over financial reporting and its operation that we considered to be material weaknesses".

Mr. Schinder concluded his report by offering Goldstein Schechter Koch's services, at no charge, for a future employee pre-retirement conference. He thanked Ms. Wenguer and her staff for their time and assistance in performing the audit.

Vice-Chairman Dew thanked Mr. Schinder for his report.

A motion was made by Mr. Hole to approve the audit. Mr. San Angelo seconded the motion. The motion was approved **UNANIMOUSLY** by the Board.

Vice-Chairman Dew introduced Assistant City Manager Stephen Scott.

ACTUARY'S SPECIAL COST STUDY: Randall Stanley for Stanley Holcombe, present by phone. Vice-Chairman Dew gave a breakdown of the objectives to be discussed today concerning Mr. Stanley's special assessment and recommendations for ways for the Plan to meet its fiduciary responsibilities as well as reduce costs. The City had responded with a proposal dated March 4, 2008 to our actuary's recommendations.

Mr. Stanley advised he had spoken with the City's actuary, Jose Fernandez, concerning the City's proposal and they were basically in agreement. There are some differences, but Mr. Stanley did not feel, after his conversation with Mr. Fernandez, that these differences could not be resolved. Mr. Stanley's recommendations are noted in his March 12, 2008 letter to the Board.

Vice-Chairman Dew questioned Mr. Stanley as to what impact to the Plan changing from a 16-year to a 20-year liability would have. He also asked for confirmation from Mr. Scott concerning the fact that this was the City's recommendation, which Mr. Scott stated was correct. Mr. Stanley stated that the impact would be the Plan receiving somewhat less contributions from the City; however, his experience is that the State Actuary would not approve such a change.

Jack Lokeinsky, President of the Fraternal Order of Police # 35, addressed the Board and expressed his disapproval that the Board would discuss any proposal the City would put forth. As fiduciary's to the System he stated that his expectations of the Board were to take the recommendations of Mr. Stanley and either agree or disagree.

After a lengthy discussion, it was decided that Mr. Stanley would address the Board, in person, concerning this issue at the May 7, 2008 meeting. This will be added as an action item to the May agenda.

SECURITIES LENDING PRESENTATION - Northern Trust Company: Bradley Mayer and Christopher Harlin representing Northern Trust Company. Mr. Mayer, our relationship manager with Northern Trust, introduced himself and Mr. Harlin, who is the Securities Lending relationship with Northern Trust.

Mr. Mayer gave an overview of Northern Trust Company, which has been in the securities business for over 100 years and are the third largest investment manager in the world of cash. He has been in relationship management with Northern Trust for over 20 years. Since he began in 1987, the company has doubled in growth. Northern caters to two sets of clients, both institutional and personal. They have several offices all over the world. They are continually looking for improvement and do a client satisfaction survey every two years to make sure that they are providing an outstanding product.

Mr. Harlin continued with an explanation of what Securities Lending is. Northern Trust works as the lending agent. They would take the Plan's stocks, bonds, treasuries, et cetera and lend them to borrowers. The borrowers then over-collateralize and give a percentage back in addition to what they had borrowed, which goes back to a collateral pool. Borrowers borrow for one of several reasons; hedging product, short selling, to increase the yields on their portfolios or offset their custody and trust fees. It is run as a low-risk investment designed to enhance the return of the overall investment program working with the money managers. Northern Trust was one of the first custodians to begin Securities Lending in 1981. Securities Lending represents 6% of Northern Trust's revenue and it's 10% of their total trust fees. They have 164 dedicated lending employees throughout the world.

Our consultant, Jason Pulos, would have to work out the details of customizing the program.

While reviewing the handout, it became apparent that the numbers used in the presentation were not correct. Mr. Harlin will re-run the numbers upon his return to the office and get back in touch with Ms. Wenguer.

Vice-Chairman Dew thanked Mr. Mayer and Mr. Harlin for their presentation.

INPUT FROM ACTIVE & RETIRED POLICE OFFICERS & FIREFIGHTERS: None.

ADMINISTRATOR'S REPORT: Northern Trust: The proposal has been accepted by Northern Trust to accept a custody fee of 2.5 basis points on all assets retroactive to January 1, 2008.

Pension Administrator: This item was covered at the Special Meeting that was held prior to the regular Board meeting.

Assistant Pension Administrator: Ad was posted in Career Builder and we, so far, have received 173 applicants, which has been narrowed down to 6 applicants to be interviewed. Interviews have been set for Thursday and Friday, April 17th and 18th, and dependent upon background checks, the new person may be hired by the May Board meeting.

May Meeting Date Change: Several Trustees will not be available on the 14th of May, so the meeting is rescheduled for May 7, 2008.

Firefighter Trustee Notice of Election: The Notice of Election was posted, however, apparently there were some complaints that several firefighters did not see the notices. The Notice of Election was reposted for two more weeks (nominations closing April 18) and an e-mail was sent to all firefighters advising of the upcoming election.

OLD BUSINESS:

1. Auditor RFP's will be sent out May 1, 2008.
2. Policy and Procedures Manual, as previously discussed, will be handled by the Assistant Pension Administrator.
3. Letter was sent to the City Manager after the March 2008 meeting concerning Randall Stanley's letter of March 12, 2008. No reply was received.
5. Disaster Management Policy is in place and the Administrator has been added to the City's notification list.

Mr. Hole made a motion to approve the Disaster Management Policy with Mr. Rogers seconding the motion. The motion was approved UNANIMOUSLY by the Board.

NEW BUSINESS:

Vice-Chairman Dew advised the Board that a task schedule will be provided to the Trustees at each meeting giving an update of ongoing projects. He has also asked that any opinion that comes into the office, (i.e. Steve Cypen, Randall Stanley), be sent out right away to the Trustees by e-mail.

Ms. Wenguer had received a call from the Trish Shoemaker at the Division of Retirement about the 40 hours of overtime for the Police Department. They are requesting an ordinance change showing that we are now paying 40 hours of overtime. Mr. Cypen advised Ms. Wenguer to send an e-mail to City Attorney Bob Dunckel to handle. Vice-Chairman Dew requested that Jack Lokeinsky from the FOP be advised also.

Mr. Rogers asked when the office lease is due for renewal and if we have any options available to us where the lease is concerned. The lease is due for renewal in February 2009. Ms. Wenguer will speak with the landlord concerning the lease.

FOR YOUR INFORMATION: No action.

There being no further business to be brought before the Board, Mr. Rogers made a motion to adjourn the meeting at 2:45 P.M. Mr. Rogers seconded the motion. The motion was approved UNANIMOUSLY by the Board.

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