

April, 2010

POLICE AND FIRE PENSION BOARD
REGULAR BOARD MEETING
WEDNESDAY, APRIL 14, 2010

Ken Rudominer, Vice Chairman
Richard Fortunato, Secretary
Mark Burnam, Trustee
Dennis Hole, Trustee
Jim Naugle, Trustee
Steve Cypen, Cypen & Cypen, Board Attorney
Lynn Wenguer, Administrator
Amanda Cintron, Assistant Administrator
Laurie DeZayas, Pension Secretary
Liz Davila, Recording Secretary, Prototype, Inc.

Absent:

Michael Dew, Chairman
J. Scott Bayne, Trustee

Also present:

Bill Paton, Retirees' Association
Fuzzy Larkin, Retirees' Association
Linda Soloman-Duffy, Retirees' Association
Gregg Gurdak, Retirees' Association President
Rick Schulze, Retirees' Association
Varion Harris, Retirees' Association
Michael Grady, Retirees' Association
Frank Colleran, Retirees' Association
George Farrell, Jr., Retirees' Association
Harry Wood, Retirees' Association
Gloria LeClaire, Controller
Nohe Ezzadine, Treasury
Alan Eichenbaum, Counsel to Frank Colleran
Lynda Flynn, City acting Finance Director

Pursuant to authority of Ordinance C-00-34, Article II, this regular meeting of the Police & Firefighters' Pension Board convened at 12:30 P.M., Wednesday, April 14, 2010 in the Pension Board Conference Room, 888 S. Andrews Avenue, Suite 202, Ft. Lauderdale, Florida 33316. The meeting was called to order at 12:31 by Vice Chairman Rudominer.

Ms. Wenguer said she received a message from Mr. Bayne asking the Board to excuse his absence, as he is in Tallahassee observing the pension bills moving forward. Vice Chairman asked that it be noted his absence is excused.

MINUTES:

Regular Meeting March 10, 2010

Motion made by Mr. Burnam, seconded by Mr. Naugle to approve the minutes from the March 10, 2010 meeting.

Ms. Wenguer stated she received an email from Chairman Dew requesting the following change on Page nine, under new business, 3rd paragraph, after Mr. Cypen gives his comment that the proposed legislation does not

directly affect retirees, Chairman Dew wanted the following statement, "This legislation affects the Board's fundamental make-up, reducing employee participation, which may have an affect on the plan, thus affecting the retirees and members."

Mr. Burnam asked that on page 10 to change the wording to "we are" instead of "they are."

Mr. Hole asked that on pages 3 and 9, "Gurdack" be changed to "Gurdak."

Mr. Fortunato asked Mr. Cypen if the statement, "if there are any duties he could perform," on the bottom of page 3 is correct. Mr. Cypen said that is the correct statement.

The **motion** to approve the minutes as corrected was approved unanimously in a voice vote.

Mr. Cypen requested an item be taken out of order and allow Mr. Eichenbaum, the representing attorney for Frank Colleran, to speak first. The Board agreed.

Mr. Alan Eichenbaum informed the Board that he has been asked to speak to the Board concerning the calculation of Mr. Colleran's benefit and the impact of the Me Too litigation on Mr. Colleran's current benefit. Mr. Eichenbaum is limiting his comment to those retirees who went out under the window in 1994. Back in 1994 when the multiplier was increased, there would have been a group of employees who would have retired that did not take advantage of the window and Mr. Eichenbaum's comments do not apply to them.

Mr. Cypen asked Mr. Eichenbaum if he is speaking on behalf of others, as well as Mr.

Colleran. Mr. Eichenbaum stated he is speaking on behalf of the association and there will be 6 or 7 individuals who would have taken advantage of the window, which existed from January 31, 1994 - March 31, 1994. If an individual took advantage of that window, their multiplier would have been 3%, with a maximum cap of 75%. Those individuals who did not go out during the window have no credits for service they had at the time in excess of 25 years. As to the employees who took advantage of the window, their service in excess of 25 years was given a value of 3% and on top of that, they were given a 2% bonus and a 7% bonus. When the actuary went back and looked at the affect of the Me Too clause, it is Mr. Eichenbaum's opinion that he improperly calculated. Mr. Eichenbaum believes the actuary eliminated the value formerly preserved by the advantage of the window by imposing a cap, which had not previously been imposed on the years in excess of the percentage multiplier. Mr. Eichenbaum requested the Board to review the letter he submitted to illustrate his point that, had there not been a total reduction, or a total diminution of the years in excess of the cap, Mr. Colleran would have his benefit recalculated at a higher benefit. Mr. Eichenbaum stated, "I think it is fairly clear that there was a loss of the benefits that were extended to those who took advantage the window. In fact, if it is not calculated in that way, the people who went out under the window are treated exactly the same was as those who did not take advantage of the window, thereby losing all the benefit of the window."

Mr. Hole referenced the calculations on page 76, of 108% and 109% and asked Mr. Cypen if the City said you cannot exceed 100%. Mr. Cypen responded that there is a City and State provision, but he is unsure of whether, or not they would apply. Mr. Cypen asked Mr. Eichenbaum to explain why his calculations are appropriate.

Mr. Eichenbaum stated that when Mr. Colleran went out there was a 3% with a 75% cap, under the Me Too clause anybody who went out at 3% is bumped up to 3.375% and there is a new cap. The difference between the people who took advantage of the window is they would be losing the years of service that had a 3% value under the window, which would put them in the same basket as those who did not go out under the window. The benefit of the window, preserving your years in excess of the percentage maximum goes away. The actuary erased the value of the years in excess of the percentage maximum. Mr. Cypen said the actuary states he did not do that. Mr. Eichenbaum said the actuary does not do that, he caps it.

Mr. Cypen suggested waiting until the actuary can come and address this situation in person. Mr. Eichenbaum said that is reasonable. Mr. Cypen asked Mr. Eichenbaum if he was aware of the discussion the Board had regarding the report the actuary conducted in November. Mr. Eichenbaum was not aware of the discussion or the report, so Mr. Cypen asked that the minutes from the November meeting be forwarded to him. Ms. Wenguer said she will let Mr. Eichenbaum know when the actuary is going to address the Board. Vice Chairman Rudominer tabled this subject until the actuary is able to address the Board.

Motion made by Mr. Naugle, seconded by Mr. Hole to accept the Police and Fire benefits as documented. In a voice vote, the **motion** carried unanimously.

Benefit Review April 14, 2010				
Fire Department				
	Rank	Benefit	Retirement Date	Form of Benefit
Hector Loiz	Firefighter	DROP Retiree	April 4, 2010	100% J&S
Police Department				
	Rank	Benefit	Retirement Date	Form of Benefit
Donald Hammond	Police Officer	New Retiree	April 16, 2010	100 J&S
Rosalind Wilson	Police Officer	DROP Retiree	April 18, 2010	Life Annuity

BILLS:

Northern Trust	\$26,092.70
Stanley, Holcombe	\$10,800.00
Asset Consulting Group	\$10,625.00
Cornel J. Lupu, MD	\$1,200.00
Cornel J. Lupu, MD	\$1,500.00

Ms. Wenguer said she received the bill from Stanley, Holcombe and Associates at the last-minute and would prefer to get an itemization of the \$8,475. Ms. Wenguer suggested approving \$2,325 and waiting to approve the \$8,475 until an itemization is received.

Mr. Hole asked if the charges could be attributed to the expenses for DROP. Mr. Cypen said if it pertains to new terms to the DROP, it is not appropriate to apply the administrative charges because those are legislative charges and amendments. Ms. Wenguer stated she did discuss it with them and anything that was done prior to the reading of the first ordinance was charged to the union and anything after is charged to us. Mr. Cypen said internally that would not be a DROP charge.

Motion made by Mr. Fortunato, seconded by Mr. Hole to accept the bills as amended, approving the first \$2,325 billed by Stanley, Holcombe and Associates, asking for an itemization of the \$8,475, and approving the rest of the bills as presented. In a voice vote, the **motion** carried unanimously.

INPUT FROM ACTIVE & RETIRED

POLICE OFFICERS & FIREFIGHTERS:

None.

ADMINISTRATOR'S REPORT:

Assistant Pension Administrator

Ms. Wenguer introduced the new Assistant Pension Administrator, Amanda Cintron.

Pension Ordinance 10-11

Ms. Wenguer said the Pension Ordinance has been approved and she is working with current members to go into the extension of the DROP. About 75 people are currently in the DROP, so they need to be re-counseled and most of them will be extending their DROP. In order to extend their DROP, they need to revoke their old drop and sign new paperwork to extend their drop a year, or two. Ms. Wenguer mentioned that the ordinance is a very complicated ordinance.

Ms. Wenguer said she contacted the computer consultant because now we need a 4-tier DROP system. At first, Ms. Wenguer said she was very concerned, but the consultant assured her many DROP plans have different rates of return and different investments, so the process to expand our DROP plan to a multi-tiered DROP plan will be fairly simple. Mr. Cypen said he was unaware of any DROP plan where the different tiers included length. Ms. Wenguer said she is going to have to put in strict end dates and then move into a plan.

Ms. Wenguer said every person in the DROP plan is different. The new people go in the new DROP plan for five years and then they either get six, seven, or eight. The older people all have different dates. The due date to decide on extending the DROP is July 18th. Ms. Wenguer is trying to get everyone their paperwork so they can make their decision as soon as possible.

Actuarial Impact Statement

Ms. Wenguer stated the Actuarial Impact Statement was completed and the determination was that it is cost neutral.

Investment Consultant RFP

Ms. Wenguer said she has not sent out the Investment Consultant RFP. A draft has been put together, but it needs Board input. Mr. Hole mentioned on page 67, the last line needs to change to December 31st. Ms. Wenguer said she has received a few names of people to send the RFP to and encouraged the Board to send her the names of anyone else they would like this RFP to be sent to.

Vice Chairman Rudominer asked if on page 67, Item 1, language could be placed in the RFP that would reflect the Board's desire to have a consultant who comes to the Board with fresh, new ideas. Mr. Naugle suggested adding a question that asks for specific examples where they have taken a proactive approach that resulted in a positive benefit. Mr. Cypen agreed with Mr. Naugle and added that we should ask for the names of specific plans where they have taken a proactive approach that resulted in a positive benefit.

There was a discussion about whether or not the RFP should be published in the magazine Pensions & Investments.

Motion made by Mr. Burnam, seconded by Mr. Fortunato, to approve a response date of 6 weeks for the RFP from the date it can be published in Pensions & Investments. In a voice vote, the **motion** carried unanimously.

Office Internet Connection

Ms. Wenguer said that in the last month, the office internet connection was down for three full days and has been consistently slow. The City explained to Ms. Wenguer that the reason DSL is so slow is because they have to encrypt the data as it goes back and forth. The City suggested obtaining a separate line that does not interface with the City. Ms. Wenguer wants to obtain a separate line through Comcast.

There was a brief discussion about going through AT&T for internet service and it was determined that the most affordable and dependable solution is Comcast.

Motion made by Mr. Burnam, seconded by Mr. Fortunato, to approve a one-year contract with Comcast, at the rate of \$89.00 a month. In a voice vote, the **motion** carried unanimously.

PENDING ITEMS:

Schedule A:

Ms. Wenguer reported that the additional city contribution was received, deposited on March 31st. There are two disability applications coming up in the next two months and both packages are large. One of the packages will be distributed to the Board members by the end of the week. After reviewing the package, if any Board member has a question, Ms. Wenguer asked that the Board members do not wait until the meeting, but to contact her immediately. Mr. Cypen also encouraged Board members to review the package and let Ms. Wenguer know if any items are missing so she can resolve them as quickly as possible and save the Board a deferral.

Ms. Wenguer stated that Chairman Dew wanted to inform the Board that he went to the City Commission about the proposed Pension Ordinance. In regards to the Trustee term of office, the Mayor asked that the Board make it three years, not just two or four years, because it would not give a new Mayor a chance to choose someone for the Board. But, after the decision was made, it was reviewed by the State, which rejected any terms other than two or four years.

The 40 hours of overtime will be written into the Pension Ordinance. The beneficiary change, which is mandated by the State, was approved. The survivor remarriage was pulled until Chairman Dew feels it is a better time to address the issue.

Ms. Wenguer reported that she and Vice Chairman Rudominer discussed the RFQ for the website, but did not get very far with it because Ms. DeZayas was out sick for three weeks.

Vice Chairman Rudominer stated that the first RFP for the consultant takes precedence over the RFQ for the website.

Ms. Wenguer said both Chairman Dew and Mr. Hole requested status on the Annual Report and as far as she knows, the auditors have received all the information they need and are in the final stages of the audit. Ms. Wenguer stated she has not received any preliminary figures. The State has been made aware of the situation. The report was due March 15th, and they said to turn it in when we receive the auditors report. The audit is also part of the actuarial report. As soon as the audit is done, the State report will be completed, as well as the actuarial report.

Vice Chairman Rudominer, speaking on behalf of Mr. Nesbitt, reported on the newsletter. Mr. Nesbitt has decided to put together a one-page written mailing in order to keep costs down, act as a newsletter and steer people towards the electronic distribution newsletter. Once the news slows down, Mr. Nesbitt will present a one-page newsletter to send to the retirees.

Vice Chairman Rudominer asked Mr. Naugle if anything had been done in regards to real estate and looking for a new office. Mr. Naugle said he is waiting on a copy of the current lease. Ms. Wenguer apologized that it had not been sent to him and assured him he would receive it shortly.

NEW BUSINESS:

Mr. Cypen brought up two items. First, Mr. Cypen told the Board that if they would like to use anything from his newsletter for the Board's newsletter, they are more than welcome.

Second, Mr. Cypen said he had received a letter from the Board's counsel in regards to the IRS stating, "We have not received a compliance statement from IRS with respect to identified failures. The plan is in final review stage for the compliance statement. We are working with the assigned IRS agent to address the outstanding issues and expect the compliance statement to be issued shortly. Once the compliance statement is issued, the plan will be sent to the IRS office responsible for the determination letter reviews and a reviewing agent will be assigned.

Once the assigned IRS agent finalizes the review, he/she will contact counsel and if there is any request for information, clarification, or revisions they expect to get it soon."

Vice Chairman Rudominer mentioned that for the last 3 months the Board's investment allocation has not been in accordance with policy. Vice Chairman Rudominer said that the Board is supposed to rebalance on the 20th of the month. Ms. Wenguer said there is no cash left, so the Board will have to take approximately \$4M out of the large cap equity. Mr. Burnam said that the large cap equity with Sawgrass and Systematic are above their policy targets and since Systematic is \$4M above Sawgrass, he suggested taking \$4M from Systematic and reducing both equally from then on. Ms. Wenguer reminded the Board that the numbers in the report are close, but they are not completely accurate because some of them only report monthly.

OLD BUSINESS:

Mr. Hole asked Ms. Wenguer if she had drawn up a schedule of the administrative costs of the new DROP plan. Ms. Wenguer responded that she is waiting for Ellen to get back to her on the cost of the plan.

Mr. Hole also asked if ACG responded to the Board's inquiry about the Dow Index, Ms. Wenguer said she has not heard from ACG. Mr. Burnam said he thinks the answer ACG gave at the last meeting they attended, where they indicated they do not use the Dow Index, is sufficient. Ms. Wenguer said she did speak with ACG about their universe and they use a national universe, not a local universe. There was discussion about the different kinds of universes available and Ms. Wenguer said she would ask ACG which universes they use.

Mr. Hole asked Ms. Wenguer to bring the office timeline to the next meeting.

With no further business to conduct, the meeting adjourned at 1:17 p.m.

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