

**April, 2014**

POLICE AND FIREFIGHTERS' PENSION BOARD  
REGULAR BOARD MEETING  
888 South Andrews Avenue, Suite 202  
Fort Lauderdale, FL 33316  
Wednesday, April 9, 2014, 12:30 p.m.

Present

Michael Dew, Chair  
Ken Rudominer, Vice Chair  
Scott Bayne, Trustee  
Jeff Cameron, Trustee  
Richard Fortunato, Secretary [arrived 12:37]  
Dennis Hole, Trustee [arrived 12:32]  
Jim Naugle, Trustee  
Lynn Wenguer, Administrator  
Steve Cypen, Cypen & Cypen, Board Attorney

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  
Ann Lindie-MacNeil, Secretary and Treasurer of the Retirees' Association  
Bruce MacNeil, Director of the Retirees' Association  
Walt Courtney, Director of the Retirees' Association  
Steve Thomas, Fire Department  
Rick Schulze, Director of the Retirees' Association  
James Ingersoll, President of the Retirees' Association  
Paul DeBold, Retirees' Association  
Al Scotti, Retirees' Association  
Jim McDonald, Retirees' Association  
Frank Coleman, Retirees' Association  
Robert Simac, Fire Department  
John Herbst, City Auditor  
Robert Klausner, Klausner, Kaufman, Jensen and Levinson  
Charmaine Gittens, Retiree  
Lisa Edmondson, Recording Secretary, Prototype Inc.

Communications to the City Communication

None.

Note: Items were discussed out of order.

**ROLL CALL/CALL TO ORDER**

Chair Dew 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**

A moment of silence was followed by the Pledge of Allegiance.

**MINUTES:**

Regular Meeting: March 12, 2014

Motion made by Mr. Rudominer, seconded by Mr. Bayne, to approve the minutes of the March 12, 2014 meeting.  
In a voice vote, the motion passed unanimously.

Mr. Bayne pointed out that his name had been spelled incorrectly on page 2. Also, he wished to correct a statement he made on page four to indicate that his concern about PIMCO was due to a statement made by a PIMCO representative that they had not looked good in the past and he did not see anything changing in the future. Mr. Bayne asked that his name be added to the list of those who had attended the Klausner client conference.

Mr. Hole arrived at 12:32.

Investment Workshop: February 21, 2014

Motion made by Mr. Bayne, seconded by Mr. Rudominer, to approve the minutes of the February 21, 2014 Investment Workshop. In a voice vote, the motion passed unanimously.

Mr. Hole requested the addition of the names of trustees who had been present at the workshop.

NEW HIRES: None.

COMMENTS FROM PUBLIC None.

BENEFITS:	POLICE DEPT:	New Retiree:	Mary L. Gillis
		(Term of DROP)	
		Lump Sum Refund:	Jonathan J. Lopez
	FIRE DEPT:	Retiree Death:	Dennis P. O'Bea
		Survivor Death:	Ruth Cooper

Motion made by Mr. Bayne seconded by Mr. Rudominer, to approve the payment of the Police and Fire benefits. In a voice vote, the motion passed unanimously.

BILLS:	Foster & Foster	\$31,204.00
	CapTrust	\$21,250.00
	Milliman	\$4,500.00
	Holland & Knight	\$100.00

Motion made by Mr. Hole, seconded by Mr. Cameron, to approve payment of the bills as documented. In a voice vote, the motion passed unanimously.

Ms. Wenguer confirmed that the \$4,500 Milliman licensing fee would be paid every quarter.

INPUT FROM ACTIVE & RETIRED POLICE OFFICERS & FIREFIGHTERS:

Mr. Ingersoll said they were still waiting to find out the date of the Tallahassee meeting. Mr. Bayne reported he had spoken with the actuary, who was waiting for an update from Keith Brinkman. He agreed to keep Mr. Ingersoll apprised.

CAPTRUST: Quarterly Performance Review Kevin Schmid

Mr. Schmid reported the market was modestly up for the first quarter. He had rebalanced the portfolio at the end of the first quarter, per the Board's discussions at the February meeting. Mr. Schmid stated INTECH had requested an exemption from one of the provisions in the investment policy statement limiting equity managers to 5% ADR holding. This had already been granted to Systematic, so he saw no structural reason not to grant it to INTECH. Mr. Schmid suggested adjusting the investment policy statement to 7.5% for INTECH.

Motion made by Mr. Rudominer, seconded by Mr. Naugle, to amend the Investment Guidelines section 3, exhibit B to increase INTECH's ADR from 5% to 7.5%. In a voice vote, the motion passed unanimously.

Mr. Schmid recommended a \$5 million participation in Prudential, which was reopening later in the year, since they were underweighted now; the \$5 million could be taken from PIMCO. Chair Dew asked Mr. Schmid to make the decision when the time was right.

Mr. Schmid reported EnTrust was offering their third special opportunities fund and he suggested the trustees hear a presentation and decide if they wanted to invest. Chair Dew wished to see a presentation.

Mr. Bayne recalled there had been discussion at a conference regarding the Manhattan Institute, a group that some money managers funded to help in the fight against defined benefit plans. He asked if any of their money managers were involved in this. Mr. Schmid had discussed this with EnTrust, which was aware of the issue and had discussed it with Dan Loeb at Third Point. Mr. Rudominer said Mr. Loeb had indicated he was a member of the Board of the Manhattan Institute because he was a strong supporter of charter schools. Mr. Rudominer had read that part of the group's strategy for promoting charter schools was to destroy public teachers' pension plans and turning them into 401Ks, making it easier to hire teachers at charter schools. Mr. Bayne was hesitant about investing any more with a firm that opposed defined benefit plans.

Mr. Naugle objected to the conversation and said their business was to get the best return on the fund's investment and not to take political activities into account. He also stated he had contributed to the Manhattan Institute. Mr. Cypen said as trustees, their one duty was to put their personal policies aside. Chair Dew remarked that they wanted to support their supporters and not assist in the disqualification of plans because "united we stand, divided we fall."

Ms. Wenguer agreed to schedule an EnTrust presentation for the Board's June or July meeting.

Chair Dew discussed the current process for selecting new money managers and wanted additional time to perform due diligence. He suggested the Board be provided a week to think about presentations and get answers to any additional questions before making a decision. Mr. Rudominer agreed. Mr. Naugle felt they should decide on a case-by-case basis, if the Board felt they needed additional time.

Chair Dew also wished to allow a total of one hour for the presentations and question and answer periods. Mr. Cypen asked if the Board would be receptive to presentations made using Skype, and Chair Dew stated, "The personal touch is so much more effective." Mr. Schmid felt it would make sense to schedule the presentation meetings a week before the regular meetings so they were not pressed for time. They could then vote at the regular meeting. The Board agreed with this idea.

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

Mr. Nesbitt had received an inquiry from the Jacksonville Times Union newspaper, which was comparing pension funds across the state. He had agreed to share the information.

Mr. Nesbitt informed the Board he was working on the annual report. Chair Dew wanted to get the report out in May.

#### ADMINISTRATOR'S REPORT: Lynn Wenguer

##### Actuarial Valuation Draft

Ms. Wenguer said they had come to an understanding with the actuary, who would check with the State before issuing the report. She described the changes to the Board.

Motion made by Mr. Bayne, seconded by Mr. Hole, to approve the actuarial valuation. In a voice vote, the motion passed unanimously.

#### 1% Pension Contribution

Mr. Cypen stated in 1994, the parties had negotiated a contract and amended the ordinance to indicate that once an employee reached the maximum percentage, he or she no longer had to contribute to the plan. They also recognized that at the time, there was a State requirement for an employee to contribute 1%, so the City would provide the employee a 1% raise to compensate for the contribution. The minimum contribution required by the State has been reduced to one half of one percent, and theory was that an employee would not pay any more. Mr. Cypen said, "We think that everybody was paid their increase to make up for it and we don't think anything should be done." Mr. Cypen said the City had followed the law and Mr. Klausner stated this was a labor issue, not Board issue.

Mr. Simac stated he had never received the 1% raise from the City and they had been led to believe that they would get the money back when they retired. Mr. Cypen explained that the ordinance had not contemplated a reduction to one half of one percent; it had only contemplated the contribution going to zero. Mr. Klausner explained that the Board had no control over this and Mr. Simac's argument was with City management. Ms. Wenguer confirmed that the collective bargaining agreement stated 1% and the ordinance stated the minimum was the minimum allowed by State law. She explained that Chief Simac and those similarly situated did receive a 1% pay raise when they reached maximum benefit accrual.

#### Steve Thomas Request

Mr. Thomas said he had taken a five-year DROP five years ago but he wished to stay another year. He did not object to a change in his rate if that was necessary. Mr. Cypen confirmed that there was no way Mr. Thomas's DROP could be extended. Mr. Bayne explained that in the past, during collective bargaining, people currently in the DROP had been allowed to extend it. This was only to grandfather those members in that had not yet retired during the adoption of a new contract. Chair Dew stated a change would require an amendment to the ordinance.

Mr. Klausner said there was a difference between rules made through collective bargaining and ratified by the City Commission and the Board's power to administer the plan.

#### In Service Distributions

Mr. Klausner informed Chair Dew that there was nothing they should do while waiting for the City to respond. He stated Pembroke Pines was much farther along on this issue and he recommended the Board wait for that resolution. Mr. Klausner said the IRS felt that when one retired, one should leave. There had been a big problem regarding school resource officers because there were not enough full time police officers to also fill those positions. Mr. Klausner said the retirement plan must specify that a retiree could get paid while working at the same job post-retirement. He added that the IRS and Treasury Department had issued "normal retirement age rules" about which they had litigated and lost several times. As of now, the rule stated that if one wanted to come back to work as a fire or police officer, in order to have an in-service distribution, the employee must be 50.

Chair Dew asked if the member or City would have to pay it back and Mr. Klausner did not know. Mr. Cypen said the IRS code was unclear, but it must be paid back. Mr. Cypen said the best possible solution would be to make the amendments retroactive so there would be nothing to pay back.

#### Interest on Contributions

Ms. Wenguer had asked Mr. Cypen the ramifications of the ordinance change accepted in March 2014 that stated employees of fewer than ten years would not receive interest on their contributions. Mr. Cypen explained that this must be on the amount going forward only; accrued interest could not be taken away. This applied to everyone, not just new hires. Chair Dew said this had been changed because "we got tired of paying people that left the system interest."

#### May Meeting

Ms. Wenguer informed the Board that their May meeting coincided with the Division of Retirement conference in Tallahassee. The Board agreed to change their meeting date to May 21.

#### City's Pension Contribution

Ms. Wenguer recalled that the Board had asked her to let the City know that from now on, they would no longer give interest on prepaid contributions. There was still a \$3 million overpayment.

Motion made by Mr. Naugle, seconded by Mr. Bayne, to approve sending a letter to the City indicating that going forward, interest would not be paid on prepaid contributions. In a voice vote, the motion passed unanimously.

#### Administrator's Contract

Ms. Wenguer stated she needed to resolve the issue of her prior GERS service. Mr. Cypen suggested Chair Dew discuss it with the Personnel Director or the City Manager. Chair Dew asked Ms. Wenguer to provide him with a synopsis and he would discuss it with someone at the City. Mr. Cypen said he would ask the actuary, Brad Heinrichs, to perform the calculation for Ms. Wenguer.

**Legal Counsel Alliance - Notice dated March 18, 2014**

Mr. Cypen stated he and Mr. Klausner were going to be an unbeatable team. Chair Dew remarked on Mr. Cypen's vast institutional knowledge and asked what would happen when Mr. Cypen retired. Mr. Cypen had no plans to retire, and indicated that this relationship would ensure a smooth transition when it occurred. He was still the Board's General Counsel. Mr. Klausner agreed, and reminded the Board that he also had institutional knowledge of the City, having bargained for the Police and Fire Departments in the past. He added that the Board would now have the benefit of six lawyers instead of one.

**PENDING ITEMS:****New Business:**

Mr. Hole reported that he, Mr. Fortunato and Ms. Wenguer had attended a client educational session presented by the BLBG.

Mr. Naugle had attended the OPAL real estate summit in Miami the previous week and said he had learned that things would be fine until 2017 when the next crash would occur.

**Old Business:****Schedule A**

No discussion.

**Communications to the City Communication**

None.

**FOR YOUR INFORMATION:**

ConvergEx

Recapture Summary/February 2014

Knight

Recapture Summary/February 2014

There being no further business to come before the Board at this time, the meeting was adjourned at 2:25 p.m.

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