

**August, 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 12:30 P.M., **Wednesday, August 13, 2008** in the Pension Board Conference Room, 888 S. Andrews Avenue, Suite 202, Ft. Lauderdale, Florida 33316.

**PRESENT:** Michael Dew, Chairman  
Mark Burnam, Vice Chairman  
Romney Rogers, Secretary  
John San Angelo, Trustee  
Dennis Hole, Trustee  
Steve Cypen, Attorney  
Lynn Wenguer, Administrator  
Rachel Maldonado, Assistant Pension Administrator  
Laurie DeZayas, Pension Secretary

**ABSENT:** Richard Fortunato, Trustee

**ALSO PRESENT:** John Jackson, Asset Consulting Group  
Denise D'Entremont, Rhumblin  
Fuzzy Larkin, Retirees' Assoc.  
Bill Paton, Retirees' Assoc.  
Linda Soloman-Duffey, Retirees' Assoc.  
Frank Collieran, Retirees' Assoc.  
Mike Martin, Retirees' Assoc.  
Ann Lindie-MacNeil, Retirees' Assoc.

**ASSET VALUE** as of August 12, 2008: **\$446,184,682.**

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

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**MINUTES:** Regular Meeting, July 9, 2008. Mr. Hole made a motion to waive the reading of and approve the minutes with Mr. San Angelo seconding the motion. The Board approved the motion **UNANIMOUSLY**.

**BENEFIT REVIEW:**

<b>FIRE DEPARTMENT</b>	<b>BENEFIT TYPE</b>	<b>RETIREMENT DATE</b>	<b>TERMINATION DATE</b>	<b>FORM OF BENEFIT</b>
<b>Wayne E. Marshall</b>	Retirement	November 1, 2003	August 8, 2008	Life Annuity
<b>William K. Banks</b>	DROP	July 30, 2008		Standard
<b>Dennis B. Bambach</b>	Vested Ret	August 23, 2008	February 25, 2005	100% J & S
<b>Joseph Richter</b>	Death	February 29, 2000		Benefits to Spouse

<b>POLICE DEPARTMENT</b>	<b>BENEFIT TYPE</b>	<b>RETIREMENT DATE</b>	<b>TERMINATION DATE</b>	<b>FORM OF BENEFIT</b>
<b>William Lauginiger</b>	Retirement	November 9, 2003	July 11, 2008	100% J & S
<b>Robert Montagano</b>	Retirement	November 9, 2003	July 31, 2008	Standard
<b>Kenneth J. Kelley</b>	Retirement	August 10, 2008	August 10, 2008	100% J & S
<b>Glenn Gavic</b>	DROP	August 18, 2008		100% J & S
<b>George E. Holmes</b>	Death	February 1, 1980		No Further Benefits
<b>David Patterson</b>	Death	August 28, 1986		Benefits to Spouse

Mr. San Angelo made a motion to waive the reading of and approve the benefits. Mr. Hole seconded the motion. The Board approved the motion **UNANIMOUSLY**.

**INPUT FROM ACTIVE & RETIRED POLICE OFFICERS & FIREFIGHTERS:** A question was put forth on whether or not, in the past, bonuses were given to retirees if they retired within a certain time frame. Was the bonus a one-time payment or was it included in pension as a percent raise? Steve Cypen answered that it was a one-time incentive. A follow-up question was asked on whether the retirement incentives were also affected by Me Too II. Mr. Cypen felt that as a one-time incentive, this was not included in Me Too II calculations.

It should be noted that the retirement incentives are considered a part of the pension benefit calculation upon retiring.

Chairman Dew also asked the Administrator to send a sympathy card to retiree and association president Gregg Gurdak on behalf of the board for the fatal accident that had occurred in his family.

**BILLS:** The Administrator read the bills listed below.

**Sawgrass Asset Management** submitted a bill for investment management fees for the period ending 6/30/08 in the amount of \$56,976.00

**NorthPointe** submitted a bill for investment management fees for the period ending 6/30/08 in the amount of \$43,186.55.

**Agincourt** submitted a bill for investment services rendered through the period 4/1/08 ending 6/30/08 in the amount of \$40,789.86.

**InTech** submitted a bill for professional services from 4/1/08 to 6/30/08 in the amount of \$33,867.17.

**Rhumblin** submitted a bill for investment management fees for the period 4/1/08 ending 6/30/08 in the amount of \$6,382.57.

**Northern Trust** submitted a bill for professional services through the period ending 6/30/08 in the amount of \$28,903.00.

**Stanley Holcombe** submitted a bill for professional services from 11/27/07 through 6/12/08 in the amount of \$37,476.00.

**Atkinson, Diner, et al** submitted a bill for legal services in the amount of \$3,778.41.

A lengthy discussion ensued concerning the detailed list provided by Stanley Holcombe. Some of the charges were thought to be covered by the original contract. The Administrator presented a breakdown of the itemized charges with input on whether they seemed outside of the scope of the agreement or not. The Board thought that the Administrator should pull all charges from the entire year of 2007 to the present and compare with the actuarial contract. The Administrator calculated a total of \$23,588.00 and will discuss with Randall Stanley to bring his bill down to this amount.

Mr. San Angelo made a motion to approve the bills, with the changes noted for Stanley Holcombe. Mr. Rogers seconded the motion. The Board approved the motion **UNANIMOUSLY**.

#### ADMINISTRATOR'S REPORT:

**7<sup>th</sup> Seat of the Board:** In accordance with the Standard Operating Procedures for the Trustee Election Procedures, Ms. Wenguer notified the Board that the term of the 7<sup>th</sup> Seat of the Board is due to expire at the end of the year. The purpose of the 7<sup>th</sup> Seat, which is elected by the other six Trustees, is to have a chance to add any competencies that are viewed as necessary for the effective operation of the particular Board and that may be missing from the current arrangement of Trustees. For example, based on the Board's needs, it might be beneficial to have a Trustee who has a background in medicine, public affairs, or real estate.

By the meeting of September 3, the Board will determine if there are any specific skills or competencies that they are looking for in the 7<sup>th</sup> Member. However, any recommendations are preferences and cannot exclude a nominee from being considered.

Auditor RFP's: A side-by-side comparison of Rachlin Cohen and Koch Schecter Reiss was provided to the Board. The Administrator felt that the difference between the two firms was slight. She felt that they both would do a good job. Both firms have worked with the Board: Rachlin Cohen from 1996-2001 and Koch Schecter Reiss from 2002-Present. Although Rachlin Cohen's quote was lower than Koch Reiss, Koch Reiss's hourly fees are 15% lower across the board.

Mr. Rudominer made a motion to select Rachlin Cohen as the new auditor for the Plan. Mr. Rogers seconded the motion. Mr. Hole questioned the reasoning behind the Plan switching away from Rachlin Cohen in the first place. Also, the Administrator reported that Rachlin Cohen currently services the General Employees' Retirement System (GERS). She is waiting to hear from the Administrator of GERS about his experience with Rachlin Cohen, as he was on vacation when she placed the call.

Mr. Rogers made a motion to table the original motion of selecting Rachlin Cohen. Mr. San Angelo seconded the new motion. The Board approved the motion UNANIMOUSLY. The Administrator was asked to pull the minutes from the time Koch Schecter Reiss was selected, to be discussed at the next meeting. Also, she was asked to get the response from GERS on their recent experience with Rachlin Cohen.

COLA Sunset: The COLA has sunset. Based on the July meeting, the Board was asked to petition the city. The City Manager's office has not yet confirmed whether or not the item will be added to the September agenda. When the Administrator made contact in order to check on the status, the City Manager was out of town. The City Clerk's office was contacted as well, but they could not confirm if it was added either.

The Chairman stated that he intended to be present at the September commission meeting. Mr. Cypen confirmed that the Board does not bear the responsibility of ensuring the issue of the COLA Sunset is on the City Commission agenda until an active or retired member of the plan requests that the Board address it.

Securities Lending: Attorney Steve Cypen asked that a verbatim conversation from the April '08 meeting between himself and Christopher Harlin of Northern Trust be added to the minutes. He felt the detailed discussion was important to have since it involved the guarantee against borrower default. He wanted to ensure there was a record of the conversation should an issue arise over whether the Board was covered for absolute or contingent borrower default, in case of Securities Lending.

Mr. Hole made a motion to amend the April '08 minutes to include the transcribed conversation, with Mr. San Angelo seconding. The Board approved the motion UNANIMOUSLY. Mr. Rudominer asked if the Board approved Securities Lending at that April meeting; to which, the answer was "no."

Retirement System Survey: Mr. Hole drafted a Customer Service survey to go out to all active and retired members of the Plan. Chairman Dew worked with the Assistant Administrator to reduce the amount of questions and improve the format. Although the survey is anonymous, there was a suggestion made to provide the option for the participant to give their name and e-mail.

Mr. Cypen said that we must clearly disclose the fact that e-mails can become public record and we must do it so the participant is aware beforehand. He also suggested that we ensure that the statement is included on our Web site and all of our e-mails.

It was agreed that the Customer Service Survey would be sent out before the next meeting, Sept. 3, 2008. Mr. Hole also suggested that we include the flyer announcing the Pre-Retirement Planning Seminar scheduled for Sept. 16 & 17 so that the retirees would be aware of our events.

GE Prior Service: At the request of Mr. San Angelo, Ms. Wenguer included a copy of the Ordinance that discusses prior service with the General Employees' Retirement System for those who are currently policemen or firemen. The question from some active Members is how to include time spent in the GERS in their creditable time for retirement. Specifically, if an employee spent 5 years in GERS and 15 years in P&F, he/she would like to receive credit for 20 years and retire at that time, receiving one pension from just one source.

The Administrator explained that the any employee must work 20 years as a police officer or firefighter to receive a benefit from our plan. Mr. Cypen added that it is not possible without an Ordinance change. There would have to be provisions made to bridge the two systems, in effect, so that the benefits could go to the retiree from one source and one fund would not be unfairly treated over the other. There is nothing that the P&F Fund can do to affect this kind of change.

Recalculations: Ms. Wenguer reported that the recalculations for the pay increase that began in October 2007 have been computed and distributed to the affected parties in the DROP. She wanted to reiterate that although the retro pay may have come in one check, it is not a lump-sum payment.

Budget Review: Mr. San Angelo asked if there were expenses that can be shifted around being that some areas are well under spent, while others are year-to-date already above the annual maximum. Mr. San Angelo suggested that the Board dispose of the current method of recording meetings through analog tape recorder. Since there seems to be some money available in other areas, he wants the Board to apply that to the purchase of digital recording equipment, i.e. laptop and CD burner. Others agreed it is something to be looked into and priced to make the change.

Since there were a number of discrepancies in the budget allocations, the Chairman asked the Administrator to itemize the budget even more than it was because some of the topics were vague.

For example, "computer" was too vague as it does not detail if it covers equipment, software, Web hosting, etc. Mr. Hole inquired about the Web host expenses and its expiration.

Peney Pension Overpayment: Mr. Cypen reported that the Peney's attorney proposed a schedule for the Board's approval that replaces the schedule agreed upon at the July meeting. According to the proposal, a large payment would be paid by the end of 2009. The balance would then be paid in equal yearly increments until it is paid off no later than 2020.

After some discussion about whether to accept the interest-free proposal, Mr. Hole made a motion to give the Peney's until 2020 with no periodic schedule of payments, but with 3% interest added onto the balance. The motion was not seconded and so the motion died.

Mr. Rogers discussed making the schedule over a total of 7 years with bi-annual or quarterly payments. No motion was made.

Mr. San Angelo made a motion to accept the schedule outlined by the Peney's attorney but with 3% added to the annual payment, not compounded. Mr. Hole seconded the motion. The Board approved the motion UNANIMOUSLY.

QUARTERLY INVESTMENT REVIEW: Asset Consulting Group, John Jackson. Jason Pulos was not able to attend the meeting as schedule so his colleague, John Jackson, covered the Investment Performance Review for the last quarter ending in June 30, 2008.

Mr. Jackson reviewed the overall market. In the wake of the Fed cutting rates in April, they continue to exact measures to hold off a recession while being concerned with inflationary pressures. Although April was a positive month for equity markets, the housing slow down and continual pressure on the mortgage market resulted in May growth coming to a halt, and June experienced considerable down pressure. The S&P was -8.7% in June, with an overall -2.7% for the quarter.

As a result, people are moving to the safer treasury markets away from equity. Within equity, there are two primary sectors driving its performance: energy and financials. Even with negative numbers, the Mid Cap investments represent the "sweet part of the market", outperforming the S&P 500.

International markets are faring better than the US markets but are beginning to experience a slowdown. Mr. Jackson credited this to the fact that US investors who have historically put their money overseas are beginning to move their more strategic money back into the US. They feel that the non-US counterparts are not able to fully appreciate the global slowdown. For emerging markets, Japan was up 2.5% for the quarter.

Mr. Jackson reviewed the Fund's performance and its managers. He noted that we continue to experience a decline. We started the year with \$501,674 million; the quarter began at \$462,717

million while as of 8/11/08, the Fund value was at \$450,751 million.

Systematic is down 2%, but it is still well ahead of the Russell 1000 Value Index which is down 5.3%. Over the last 3-5 years, Systematic has done well for the Fund with top quartile performance. K2 Advisors was also a good addition to our managers. They were up 2.11% vs. the S&P that was up 1.3% in the month of May. In June, K2 was down 2.2% and the S&P 500 experienced -8.4% returns. InTech, the Large Cap Core was down 1.7, which is very favorable against the Benchmark that experienced a decline of 2.7.

Sawgrass has 10% of the portfolio. It has struggled; it is down 1.1% vs. the Russell 1000 Index, which has gone up 1.3%. That posts Sawgrass in the bottom quartile of their group. One of the reasons for the disparity is that the Russell 1000 has a broader representation in the Mid & Small Cap categories as opposed to Sawgrass.

Northpointe is also struggling. They have posted a positive return but they are still trailing the benchmark; so much so they are below the median for their group. They are "overweight" in financials, and financials continues to get beaten up in the market.

Rhumblin, Denise D'Entremont. Wayne Owens was not able to attend the meeting as scheduled so his colleague, Denise D'Entremont, covered Rhumblin's performance review through June 30, 2008.

Ms. D'Entremont discussed the role of Rhumblin as an index manager relative to the S&P 500, a Large Cap Core. She confirmed Mr. Jackson's report that Large Cap stocks are taking hits so the rates of return are down quite a bit.

In July, the portfolio returned -0.80, while the index was down -0.84. It is rebounding a little for August. The Plan has invested with Rhumblin for almost 13 years and, over that entire period, the Plan has had a growth of 8.28%, over the benchmark of 8.15%. In order to keep the costs down, Rhumblin does not trade everyday; they trade every 3-4 weeks. That "lag" in trading can sometimes create a slower growth, but keeping down the costs of trading helps to offset that.

ADMINISTRATOR'S REPORT CONTINUED: Board Calendar: The newly created calendar was discussed. The Chairman recommended incorporating all of the items Mr. Hole had emailed to everyone in the month of July. He wanted to make the calendar all-inclusive in order to minimize the number of lists/calendars the Board would have to refer to.

OLD BUSINESS:

175 Monies Posted: Due to the Administrator's efforts in ensuring that the maximum amount of the Fire Department payroll was correctly reported to the state, we received an approximate \$1 million increase in 175 Monies.

Office Lease: Still awaiting response from Coon Holdings.

Me Too II: The Administrator confirmed that the actuary quoted a rate that was in line with what the Board agreed to pay. Therefore, calculations for Me Too II are underway.

Summary Plan Description: Mr. Hole asked if a new SPD would be ready to distribute at the September Seminar. The Administrator explained it would be much more appropriate in terms of time and costs for the SPD to reprint it in January once the Trustee elections are complete.

Issues resolved for State Report: All issues were resolved. In regards to the ordinance change for the 40 hrs of O/T, Trish Shoemaker agreed to accept the report without the change. However, she stipulated that the next time the Ordinance is set to change, the 40 hrs O/T must be included. The Chairman asked that this be placed on a "Task Master" so that when the time comes, the Board doesn't overlook the need to request this.

Holland & Knight: They have agreed to work on the IRS determination letter and have sent the confirmation of the \$25,000 fee. They have not yet detailed when it will begin or be completed. The Chairman asked the Administrator to follow-up on these two items.

Administrator's Evaluation: Mr. Hole asked if the Chairman had made any decisions on the draft evaluation form. It is still on-going.

Retirement System Investment Workshop: The Administrator is looking for venues and exploring pricing. Mr. Pulos is choosing who will present on the days designated and which managers will instead present at a regular Board meeting. The Chairman set a goal to have the agenda set by October 1<sup>st</sup> to allow enough time for RSVPs.

NEW BUSINESS:

Julius Baer: Change name on investment sheet to Artio Global Investment

Policy Maximum on Investment Sheets: Under international funds, remove the individual policy maximums.

**There being no further business to be brought before the Board, Mr. San Angelo made a motion to adjourn the meeting at 3:35 P.M. Mr. Burnam seconded the motion. The Board approved the motion UNANIMOUSLY.**

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Chairman

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Secretary

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