

August, 2010



POLICE AND FIRE PENSION BOARD
REGULAR BOARD MEETING
WEDNESDAY, AUGUST 11, 2010, 12:30 P.M.

Michael Dew, Chairman
Ken Rudominer, Vice Chairman
Richard Fortunato, Secretary
J. Scott Bayne, Trustee
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.

Pursuant to authority of Ordinance C-00-34, Article II, this regular meeting of the Police & Firefighters' Pension Board convened at 12:31 P.M., Wednesday, August 11, 2010 in the Pension Board Conference Room, 888 S. Andrews Avenue, Suite 202, Ft. Lauderdale, Florida 33316.

Communication to City Commission Motion made by Mr. Hole, seconded by Mr. Rudominer, to specifically request of the City that they include the Board's policy from December 10, 2008, stating that applications for both service and non-service disability retirements will not be accepted after 30 days from termination. In a voice vote, the motion passed unanimously. There was consensus among the Trustees that the following items should also be communicated to the City Commission: The Board has conducted two meetings to review the Investment Consultant RFP responses and they are scheduled to have another meeting on August 31, 2010. The Board is hosting a Retirement Seminar for all members of the retirement system on September 13th – 14th. The meeting was called to order at 12:31 p.m.

MINUTES:

Regular Meeting July 14, 2010

Motion made by Mr. Hole, seconded by Mr. Fortunato, to approve the minutes of the July 14, 2010 meeting with corrections.

Mr. Hole noted the following corrections:

P.1: Ms. Flynn's name appears twice as being present;

P.4: multi-sector managers focus, to a greater extent, on core plus sectors; change "Asset Group" to "Asset Consulting Group."

Mr. Cypen noted the following corrections:

P.5: change "group" to "Asset Consulting Group."

P.5, paragraph 7: clarify that the managers noted by the group are to be interviewed.

Chair Dew noted the following correction:

P.7, Administrator's Report, final paragraph: correct name of publication is *FPPTA Voice*.

In a voice vote, the motion passed unanimously.

RFP Committee Meeting July 27, 2010

Motion made by Mr. Fortunato, seconded by Mr. Hole, to accept the minutes of the RFP Committee Meeting. In a voice vote, the motion passed unanimously.

Benefits Review: POLICE DEPARTMENT

Lump Sum Refund: Andrea J. Garcia
Beneficiary Death: Ivan Blood

FIRE DEPARTMENT

DROP Retiree: R. Patrick Gillis

Motion made by Mr. Bayne, seconded by Mr. Fortunato, for the benefits of the Police and Fire Department as documented.

Ms. Wenguer clarified that the benefit for Ivan Blood should be listed as Retiree Death.

In a voice vote, the motion passed unanimously.

Service-Incurred Informal Disability Hearing for Robert Soto

Mr. Cypen advised this was a continuation of the informal hearing for Mr. Soto, and briefly reviewed the contents of the information packet for the hearing, including recent correspondence. He introduced Richard Sicking, attorney for Mr. Soto, who presented the case to the Board.

Mr. Cypen stated there were "several options" for the Board: they could move to grant disability if they felt all criteria were present; if they require further clarification or feel additional information should be presented, they could move to continue; or if they feel the necessary criteria for disability are not present, they could move to deny. He added that today's hearing is informal and is not final if Mr. Soto wishes to pursue the case.

Motion made by Mr. Hole, seconded by Mr. Burnam, that the Board deny Mr. Soto's service-incurred disability application, as none of the three conditions are present.

Chair Dew asked what would happen if another motion was made. Mr. Cypen advised it would stop debate on the motion already on the floor. He added that Chair Dew would have to relinquish the gavel if he wished to make a motion himself.

Mr. Hole's motion was not voted upon.

Chair Dew gave the gavel to Vice Chair Rudominer for the purpose of making a motion.

Motion made by Chair Dew, seconded by Mr. Bayne, to defer and request additional documentation to see if there was any prior or subsequent authorization for this off-duty training employment. In a roll call vote, the motion passed 5-2 (Mr. Hole and Mr. Burnam dissenting).

The gavel was returned to Chair Dew at this time.

BILLS:

Lee Munder	\$44,168.04
Sawgrass Asset Mgmt	\$40,983.00
Agincourt	\$38,861.19
NorthPointe Capital	\$21,818.08
InTech	\$20,447.99
RhumbLine	\$4067.03
Northern Trust Co.	\$26,333.06
Minuteman Press	\$1079.00
Holland & Knight	\$201.00

Motion made by Mr. Naugle, seconded by Mr. Rudominer, for acceptance of the payments of the bills as documented. In a voice vote, the motion passed unanimously.

Chair Dew requested that the Board's next meeting date be changed to September 1, 2010. The Board members agreed to this change.

QUARTERLY PERFORMANCE REVIEW:

Asset Consulting Group

Jason Pulos

Mr. Pulos referred the Board to the capital markets overview, recalling that the previous month they had discussed a mid-year outlook for the fixed income portfolio. He stated from a fundamental standpoint, there are a number of economic factors that now look better than the markets had indicated during the 2nd Quarter. Equity markets increased across the board in July, and spreads in the fixed income sector narrowed, and bond prices increased outside treasuries. The Federal Reserve continues to be cautious and has expressed the intent to keep rates low in the near future. Concerns include deflation in the near term.

He noted the year-to-date figures for 2010, including the following highlights:

Equity markets were down 6% or more through June, while emerging markets lost slightly less; Small cap outperformed large cap by roughly 10% on a one-year basis; Year-to-date, all equity sectors are negative.

Mr. Pulos emphasized that this market volatility is one reason why the Board should remain "disciplined" in its strategic allocations. The portfolio is well diversified and structured for the long term.

Mr. Pulos noted that the decision was made with regard to the Board's portfolio to "change the weightings between active and passive." As a result, Agincourt represents roughly 60% of the fixed income portfolio, and State Street, which is more passive, makes up 40%. Modifying the fixed income portfolio the previous month introduced a more active manager than Agincourt, as well as a multi-sector approach with greater flexibility. He advised that "over all time periods" ending June 30, 2010, the portfolio results have outperformed the policy index.

Chair Dew requested an explanation of "total value added." Mr. Pulos said this occurred when the portfolio return outperformed the policy index return by a specific number of basis points.

He recalled that the portfolio's real estate allocation was discussed at the May 2010 meeting; they are considering this as "an area to re-balance into." He noted that the local market may be different from core investment-oriented real estate as an asset class.

Three major themes in the intermediate term include: Increased exposure in emerging markets; Introduction of "more nimble" tactical multi-sector fixed income strategies; Continued emphasis on long/short strategies and more active management.

He called the Board's attention to NorthPointe, stating that their strategy has not changed and they remain highly sensitive to movements in the market. Mr. Rudominer noted that at an earlier time, Mr. Pulos was a staunch supporter of this manager, and asked what has changed his mind. Mr. Pulos replied that Asset Consulting Group is "disappointed" in what has happened over the last few months; there may be other strategies that are more appropriate.

Mr. Hole asked if the investment policy should specify which benchmarks go under which specific asset class. Mr. Pulos explained the section in question is "the composition of your policy index." Mr. Cypen observed that the information could include a brief description of each benchmark's asset class.

Mr. Hole noted that there had been discussion of looking into "opportunistic fixed income" in September 2010, which has since been delayed. He asked if the Board must change its IPS depending upon which manager(s) they select. Mr. Pulos replied this would be dependent upon the managers.

He distributed a timeline and summary of the Pension Board's relationship with the Asset Consulting Group over the past 12-13 years, adding that this also applies to pension funds and Board-directed investment pools. It shows changes in various allocations over the period of the business relationship, including changes in managers. Mr. Pulos stated the timeline illustrates the evolution of portfolio change for a pool of capital intended to meet long-term capabilities.

Mr. Hole continued that he is not comfortable making the final decision on such a change, and would prefer to delegate it to the Asset Consulting Group. Mr. Cypen advised this authority cannot be delegated to anyone: the Board may make a decision based upon the input and recommendations of the Asset Consulting Group, but the ultimate decision lies with the Board.

Chair Dew also noted when it comes to these decisions the Board would "rather go to the professional," such as a member of the Asset Consulting Group. Mr. Cypen reiterated that the Board must make the ultimate decision in these cases, despite being insulated from fiduciary liability. Information and recommendations may be delegated, but the final decision must come from the Board.

Mr. Hole recalled that he had been asked to draft a "watch status" policy with regard to an individual manager. Mr. Cypen stated this is part of the Asset Consulting Group's responsibility. Mr. Hole explained the concern is that the specific manager "may not be to our satisfaction," as it is not considered sufficiently aggressive.

Mr. Pulos replied that Asset Consulting Group can draft a watch policy, as a number of their clients incorporate this provision into their investment policy. He asserted that managers are on watch "100% of the time" whether or not there is such a policy.

Chair Dew asked if the potential change had been discussed with NorthPointe. Mr. Pulos advised that the Asset Consulting Group has "regular communications" with NorthPointe regarding their processes and capital structure. Chair Dew asked if, since a replacement is now being discussed, the Asset Consulting Group has informed NorthPointe that they are now in the position of recommending a change to their clients. Mr. Pulos said there have been internal discussions of this nature about the portfolios that include NorthPointe.

Chair Dew asked if metrics are involved in bringing ACG to the point of making a change. Mr. Pulos explained that "performance that is not consistent with our expectations" would trigger this approach; over the past two Quarters, they would have expected NorthPointe to "participate...and protect more." July 2010 in particular was a disappointing month for this manager.

Mr. Burnam observed there will always be a money manager, under proper diversification, with whose performance the Board is unhappy for periods of time. Chair Dew pointed out that NorthPointe, however, has consistently underperformed.

Chair Dew stated he would like Mr. Burnam to complete his recommendation on policy amendments and present it to the Board to determine if they should make changes in their investment policy. Mr. Burnam advised he would send it to Mr. Pulos for review before presenting it to the Board.

Mr. Bayne asked Mr. Pulos for his opinion on the "policy maximums and minimums." Mr. Pulos said the portfolio has "operated very close to targets" so far, and "functional rebalancing" is done each month to meet the Board's cash needs. He estimated the Board's monthly cash needs are roughly 10%.

Mr. Hole asked what the next step would be, as there is an issue of "not [being] aggressive enough." Chair Dew replied this is up to the trustees, and the Board is in the process of its consultant search. He felt they should wait until the search process is complete before proceeding. Vice Chair Rudominer noted that the consultant search is "holding us up" regarding the strategy discussed in July, and he felt they must address this issue before proceeding with any asset allocation. Several of the Board members agreed with this.

The Board members discussed other potential allocations within the portfolio, including hedge funds, global real estate, global bonds, and private equity. Mr. Pulos noted that there are "a lot of implementation issues" to undertake if private equity is considered, as this introduces several other issues. It would mean an ongoing commitment to "developing a program of investments over time."

Mr. Cypen asked if real estate is being considered. Mr. Pulos explained that some underlying assets are real estate; however, for the asset allocation for the portfolio, publicly traded REITs are not incorporated into the risk return.

Chair Dew thanked Mr. Pulos for his presentation.

INPUT FROM ACTIVE & RETIRED POLICE OFFICERS AND FIREFIGHTERS:

Gregg Gurdack reported that they are awaiting a letter from the actuary, and would defer the report until it has been received.

ADMINISTRATOR'S REPORT:

DROP Program & Forms

Ms. Wenguer noted that members of the DROP program are now allowed to leave their money in the plan; forms are being developed to make the members aware of guidelines associated with this. She provided the Board members with copies of a draft form and cover letter, noting that it has not yet been finalized.

She added that research has been conducted on how other plans address this issue, and requested the Board's input on the draft.

Vice Chair Rudominer recommended adding a reference to a minimum account balance. Mr. Bayne noted that the draft states it is possible to remove 80% of the account balance, and stated eventually the individual should be able to remove the remainder.

Mr. Cypen referred to p.35 of the draft document, stating it should be noted that the balance will be distributed "as soon as the calculation is made."

Ms. Wenguer clarified that retirees who had not made a determination by August 2, 2010 "stayed in the old plan" if they did not confirm alternate plans.

Mr. Cypen referred to p.37 of the document, noting he did not recall language in the ordinance that allowed for emergency distribution. He stated this authorization is required by IRS guidelines as a hardship distribution, and suggested that the ordinance be amended to provide for emergency distribution as required by law.

Ms. Wenguer pointed out that Ordinance 1011 refers to a one-time lump sum distribution. It was noted that the City Attorney's Office would be asked to make a determination on this language. Mr. Cypen contacted the City Attorney's Office at this time via telephone.

Mr. Naugle asked how interest is handled if there are no earnings. Ms. Wenguer advised there will always be earnings, "positive or negative;" a member may only receive 80% of these earnings until the rate of return is determined.

Mr. Cypen stated that Assistant City Attorney Bob Dunckel had informed him that if all members are in agreement, he could draft a Memorandum of Understanding (MOU) "and resolve it." Mr. Cypen requested that Attorney Dunckel address the issue as discussed. Chair Dew added that although emergency and hardship are considered different issues, both should be addressed in the MOU.

Mr. Cypen continued that Attorney Dunckel is "working on some amendments," including the IRS amendment. Chair Dew asked if "the ordinance changes with the beneficiaries" would also be included in any forthcoming amendments.

Mr. Cypen clarified that Attorney Dunckel was "not comfortable" making the IRS changes "with reference to the determination" without further consultation with the City Attorney.

Retiree Frank Colleran

Ms. Wenguer reported that Randall Stanley had sent a letter to Mr. Colleran, but he was unable to attend. He has requested to attend the November Board meeting with his attorney.

Additional City Contribution

Ms. Wenguer stated that both the Actuarial Report and the state had noted the City needs to make an additional contribution of approximately \$276,000. The state, City, and actuary worked to arrive at this figure. The amount was paid on July 29, 2010.

Investment Consultant RFP

Chair Dew advised there have been two meetings, which have been very informative and “full of debate.” Only one applicant has been eliminated thus far, bringing the number of applicants to nine. The next meeting will be August 31, and it is hoped that a short list can be presented at the September 1 Board meeting. He invited any interested trustees to attend the next RFP meeting.

Retirement Seminar

Ms. Wenguer stated the Seminar will be held on September 13-14 in the City Commission Chambers, and the agenda for the Seminar has been finalized.

Chair Dew added that he has sent two letters to the respective Chiefs, asking that employees be allowed to attend while on duty, with the understanding that they may have to leave if necessary.

Pension Office Timeline

Ms. Wenguer noted that some revisions were made since the July meeting.

Benefit Verification Letters

Ms. Wenguer stated 108 letters have been sent out, only four of which were not received. These four individuals have been contacted to advise them that a certified letter will follow.

Investment Workshop

Ms. Wenguer advised that the dates the Board had wanted for December are available, and she has received a contract if they wish to proceed with reserving the space. The contract would have to be signed by September 3.

Chair Dew asked Fred Nesbitt, Director of Media Relations to comment on the newsletter. He recognized Mr. Nesbitt’s work in producing the newsletter, and reported he had received many favorable comments on the publication.

Mr. Nesbitt stated he had been pleased with the experience of working through the City. Nearly 1800 newsletters were sent out, and periodic updates via email will follow, although he stated a printed newsletter is planned at least once per year.

He advised that “people do read the website,” pointing out that he had received calls asking questions about the investment consultant RFP.

Vice Chair Rudominer said he had attended a benefit communication technology seminar in Boston, and the Board is “pretty much in line” with others with regard to communications. He suggested that they consider having “pre-made press releases” on certain subjects that are ready for distribution. This would include pre-made comments that could be made on blog posts, for example.

Vice Chair Rudominer continued that web communication will continue to grow in importance in the future, and noted that the Board is “moving in the right direction” with the pending RFP for administrative software and a website update.

Ms. Wenguer continued that the seventh-member seat will be up at the end of the year, and anyone that has a recommendation of requirements for the seat is asked to make these known. A notice of election for elected members will be posted in October.

She stated that the auditor RFP has been sent to 16 accounting firms, including some large national firms. No responses have been received at this time.

Mr. Hole requested a copy of the final Actuarial Report when they are available.

Mr. Hole noted that the City Commission had given feedback on changing the Board's fiscal year to September 30. Chair Dew pointed out that the Board has not, however, received a written response on this topic stating that they do or do not concur with the proposed change.

Ms. Wenguer stated that all Board minutes will be corrected before they are posted.

PENDING ITEMS: NEW BUSINESS

Vice Chair Rudominer returned to the Retirement Planning Seminar, stating that there are "so many facets between wellness, Social Security, and the like;" he asked how the Pension Board specifically fits into some of these topics. Mr. Cypen explained that the Board of Trustees is responsible to administer the retirement system. He noted that the Board's official title may differ from the title commonly used to refer to it.

Chair Dew stated that the Board first began by asking what topics the membership wanted to hear discussed, such as Social Security.

Ms. Wenguer clarified that presenters are specifically cautioned not to "sell" to the attendees. She also pointed out that potential retirees are often not well-informed of how the retirement system works, and attending seminars in advance is very helpful to them.

OLD BUSINESS: Schedule A

Nothing at this time.

FOR YOUR INFORMATION: Stanley, Holcombe & Associates Letter dated July 27, 2010

Ms. Wenguer recalled that when employee contributions were reviewed, they came to "actually more than what was in the Actuarial Report," and it was asked if this could be used toward the total funding of the plan. Randall Stanley had advised, however, that the state does not allow employee contributions to be used toward this goal.

Chair Dew noted that the percentage of the City's contribution would be different because of the error in employee contributions. Ms. Wenguer stated Mr. Stanley had been notified of the change but has not responded. Chair Dew stated he would like to see this information at the September meeting.

Mr. Fort asked if a motion would be necessary with regard to Attorney Dunckel's work in "rewriting the ordinances to add in the section...about police officers into the firefighters section." It was noted that the legislature would have to amend the 185 statute regarding disability during off-duty detail. Mr. Fort asked if this could be "added to the ordinance under firefighters since it's not in 175." Mr. Cypen clarified that neither could be amended at the City level.

Mr. Hole recalled there had been discussion of including policy regarding the termination / disability window in the ordinance. Mr. Cypen stated he would "strongly suggest that that be put in the ordinance," and suggested this could be sent to the City Commission as a communication.

City Clerk – Jonda Joseph Letter dated July 20, 2010

Chair Dew explained the letter requests some procedural differences regarding communications to the City Commission. Communications would need to be “transcribed by Amanda and sent over” to the City Clerk’s Office.

Motion made by Mr. Hole, seconded by Vice Chair Rudominer, to specifically request of the City that they include our policy of December 10 of ’08 as far as 30-day limitation on disability application acceptance, 30 days after termination. In a voice vote, the motion passed unanimously.

Chair Dew stated that they should also communicate that two consultant RFP meetings have been held thus far, with a third scheduled for August 31, 2010, and that a Retirement Seminar will be held for all members on September 13-14.

Chair Dew noted that information must be posted quickly if the Board plans to meet on September 1, and asked if disability information will be available by that time. Mr. Cypen advised planning on this topic appearing on the September 1 Agenda; if materials are not available by a specific date, the issue would not appear on the Agenda.

Knight Recapture Summary / June 2010

Mr. Hole asked if the Administrator had been receiving checks regularly. The Administrator replied affirmatively.

BNY ConvergeX Trading Summary / June 2010

There being no further business to come before the Board at this time, the meeting was adjourned at 3:51 p.m.

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