

August, 2015



POLICE AND FIREFIGHTERS' PENSION BOARD
REGULAR BOARD MEETING
888 South Andrews Avenue, Suite 202
Fort Lauderdale, FL 33316
Wednesday, August 12, 2015, 12:30 p.m.

BOARD'S COMMUNICATION TO THE CITY COMMISSION

Items that may be of interest to the City Commission:

- The investment account return for the third Quarter of the fiscal year was .05%; year-to-date was 3.69% and for the past three years was 10.20%.
- The Board approved its FY 2015-2016 budget.

Present

Michael Dew, Chair
Ken Rudominer, Vice Chair
Jim Naugle, Trustee
Scott Bayne, Trustee
Richard Fortunato, Secretary
Dennis Hole, Trustee
Jeff Cameron, Trustee
Linda Logan-Short, Deputy Finance Director/ Ex Officio
Lynn Wenguer, Executive Director
Steve Cypen, Board Attorney
Stuart Kaufman, Board Attorney

Also Present

Amanda Cintron, Deputy Director
Alexandra Goyes, Administrative Assistant
Kevin Schmid, CapTrust
John Herbst, City Auditor
Paul DeBold, Retirees Association Vice President
Bill Sharp, Retirees Association
Jim Ingersoll, Retirees' Association President
Fred Nesbitt, Communication Director
Charles Morales, Retiree, Fire Department
Dave McGrath, Retirees Association
Carl Borino, Retiree, Police Department
Al Scotti, Retiree, Police Department
Matt Palmieri, Retiree, Police Department
Rick Schulze, Retiree, Police Department
Ron Cohen Esq., Retirees Association attorney
Jamie Opperee, Recording Secretary, Prototype Inc.
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

The Pledge of Allegiance was followed by a moment of silence.

MINUTES:

Regular Meeting: July 15, 2015

Mr. Hole requested changing the word “attendant” to “intended” on page 4 paragraph 4 and removing the word “they” after Vaughn Nelson on page 7 paragraph 1.

Motion made by Mr. Hole, seconded by Mr. Naugle, to approve the minutes of the July 15, 2015 meeting as amended. In a voice vote, the motion passed unanimously.

COMMENTS FROM PUBLIC

None.

NEW HIRE

Chair Dew recognized the new hire.

BENEFITS

POLICE DEPARTMENT:

New Retiree:	Gregory A. Blaz
(Term of DROP)	Lisa Cahir
DROP Retiree:	Jeffrey R. Brull
	Scott Hussey

FIRE DEPARTMENT:

Lump Sum Refund:	Eric B. Craig
Retiree Death:	James W. Morgan

Motion made by Mr. Naugle, seconded by Mr. Rudominer, to approve payment of the benefits as stated. In a voice vote, the motion passed unanimously.

BILLS:	Prudential Management	\$82,382.78
	Eagle Asset Management	\$60,133.10
	Eagle Asset Management	\$57,977.29
	Agincourt	\$42,832.26
	Boyd Watterson	\$31,017.00
	Sawgrass Asset Management	\$28,192.00
	Foster & Foster	\$23,700.00
	Systematic	\$21,063.08
	Rhumblin	\$20,948.00
	Intech	\$19,004.94
	Dr. Cornel J. Lupu	\$1,500.00

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

Mr. Hole reminded staff to stamp bills when they were received.

Mr. Bayne asked if Eagle had reduced their fee and Mr. Schmid explained the fee was reduced when the balance in the account was higher.

INPUT FROM ACTIVE & RETIRED POLICE OFFICERS & FIREFIGHTERS

Mr. Ingersoll asked if Hollywood had paid a thirteenth check (for which they were being sued) against the advice of their attorney and Mr. Cypen said their attorney had advised them to pay it.

Mr. Cohen distributed a letter in response to Mr. Klausner’s last letter. He explained he had been asked by the Retirees Association to look into payment of a COLA. He had reviewed documents and he had concluded that this was not subject to cumulative actuarial gains and sent a letter to Mr. Cypen asking him to address it.

The more recent letter Mr. Cohen had distributed addressed Mr. Klausner’s letter in June which indicated that anyone who had retired by or was eligible for retirement in 1986 was eligible to receive a COLA because a sunset

provision had gone into effect on that date. Mr. Cohen said this opinion differed from an opinion from Mr. Cypen's office in an April 12, 2011 letter.

Regarding the sunset provision, Mr. Cohen stated Mr. Cypen's April 12, 2011 letter indicated that everybody who retired or was eligible to retire before July 15, 2008, when the sunset came into effect, was eligible to receive a COLA if it was paid. He cited the Summary Plan Description that stated "The repeal of the COLA (on July 15, 2008) did not take away any COLA previously granted to and being received by any retiree or beneficiary." Mr. Cohen believed Mr. Cypen's opinion was correct.

Mr. Cohen referred to a subsection of the ordinance that indicated the sunset provision was repealed on July 14, 2000, unless readopted by the City Commission. He said the COLAs were always readopted by the City Commission until 2008 when it was sunsetted. Mr. Cohen believed the interpretation to take away the COLA from those who retired between 1986 and 2008 should not be adopted by the Board.

Mr. Kaufman said they needed time to address new arguments raised in Mr. Cohen's letter. Mr. Cohen did not object to Mr. Klausner's office taking time to respond. Mr. Rudominer felt part of the problem was that too many people were involved. He noted there was one class of those who retired prior to the sunetting and Mr. Klausner was investigating if there was another class of people who retired prior to the conditions changing.

Mr. Bayne suggested the attorneys needed to review this and report back to the Board. Mr. Cohen said he would address the cumulative gains issue at the next meeting or in another letter to the Board.

CAPTRUST: Kevin Schmid

Quarterly Investment Review

Mr. Schmid reported the Vaughn Nelson contracts had been signed. The next Rhumblin mid-cap fund liquidity window would be the following week and they would transfer the funds then.

Mr. Schmid said this had not been a spectacular quarter. He felt China's devaluation of their currency could cause additional delay in the Fed raising interest rates. In this quarter, intermediate bonds were down almost 62 basis points and aggregate bonds were down almost 1.7%.

Mr. Schmid reported the S&P 500 was up 28 basis points for the quarter and 1.2% for the year and there had been volatility since July. REITs had been sharply negative for the quarter but private real estate had produced strong returns for the year.

Mr. Schmid informed the Board that the portfolio was flat for the quarter; it was up 50 basis points for the calendar year and up 4.8% for the fiscal/plan year. They needed a strong six weeks to attain the actuarial rate of return. He noted they were still comfortably ahead of the pension obligation bond interest payment.

Mr. Schmid referred to the supplemental report he had provided regarding EnTrust and stated they were still comfortably under the 8.5% limit on total exposure. Chair Dew noted EnTrust was \$1.5 million behind their benchmark and asked if Mr. Schmid was concerned. He also wondered why there had been a draw for the Opportunities III Fund because EnTrust's director had indicated they would only move if they felt there was a very reasonable comfort level of a double-digit return. Mr. Schmid explained that the anticipated 20% return was over the life of the fund, so he was not overly concerned. He said the lifecycle of this fund was probably 18-24 months. He stated there were other options in alternative investments -- specifically in hedge funds -- that had performed better but carried a higher fee structure. Mr. Schmid felt EnTrust was the best fund-to-fund investment they recommended to clients.

Mr. Rudominer wondered why EnTrust was included in the Board's "score card" since there was no benchmark against which it could be compared. Mr. Schmid stated the hedge fund to funds index was the best benchmark they had for comparison purposes.

Mr. Ingersoll was pleased the fund had made 4.8% in the recent market. He asked about exposure limits and Mr. Schmid explained it was prudent to have exposure limits and this would vary by asset class; he felt 8.5% was reasonable for the EnTrust asset class.

Mr. Schmid reported Bill Nobles, a recent research team hire, was leaving CapTrust.

COMMUNICATION DIRECTOR'S REPORT

Fred Nesbitt

Mr. Nesbitt had nothing to report.

EXECUTIVE DIRECTOR'S REPORT

COLA Lookback

Ms. Wenguer referred to the letter from Mr. Heinrichs indicating he did not feel there were sufficient actuarial gains to provide a COLA benefit to people who retired prior to 1986. Chair Dew was unsure if Mr. Heinrichs had considered actuarial gains back to 1986 or the current year and requested clarification.

In-Service Distributions

Ms. Wenguer had met with City officials and said they were still in limbo. The City was seeking clarification from the IRS regarding a waiver of the penalties. Chair Dew stated Bill Coleman anticipated a response from the IRS and was scheduling a meeting the following week for an update. Ms. Logan-Short said the City was actively working on this. Chair Dew stated they wanted to inform the 12 affected members and wished a forum with the City's attorneys to answer their questions.

Firefighter Overtime

Ms. Wenguer reported the City had agreed to cover the cost of a study.

IRS Determination Ordinance Change

Ms. Wenguer stated Mr. Friedman had informed her that the IRS was scrapping its five-year cycle in January 2017, so the plan would rely on its January 2015 determination letter and Mr. Friedman would ensure it was compliant with tax qualification requirements.

Marcum Engagement Letter

Ms. Wenguer stated they were very pleased with Marcum and their fee was increasing \$950 from last year.

Motion made by Mr. Rudominer, seconded by Mr. Fortunato to approve the contract with Marcum. In a roll call vote, the motion passed unanimously.

2015/16 Budget

Ms. Wenguer said they needed to add the \$133,000.00 in service costs to the City into their budget. Chair Dew had informed the City Auditor that he wished an audit of the City's charges. Mr. Herbst reported that his office performed a review of the City's annual budget and scrutinized any change over 10% or \$10,000. They intended to review the Budget Office's methodology of this charge to the pension plan.

Regarding the Information Technology Service charges, Mr. Herbst said there were two types of charges, one was for infrastructure and one was for actual utilization.

Motion made by Mr. Naugle, seconded by Mr. Fortunato to approve the budget. In a roll call vote, motion passed 5-2 with Mr. Rudominer and Mr. Bayne opposed.

Investment Seminar

Ms. Wenguer reported the Riverside was available on December 9 and 10 or 10 and 11.

The Board agreed to hold the meet and greet on December 9 at 6:30 P.M. and the conference on December 10.

PENDING ITEMS

New Business

Mr. Cypen announced his firm was forming a strategic alliance with Klausner, Kaufman, Jensen and Levinson. Each would maintain their own office and Mr. Cypen would be senior council to their office. He would personally attend some of the Board's meeting in the future.

Mr. Hole thanked Mr. Cypen for all the work he had done for the Board.

Ms. Wenguer asked anyone interested in attending the FTTPA to contact Ms. Goyes.

Ms. Wenguer said they had noticed that some contributions had not been taken out properly on some firefighters' last paycheck. Ms. Logan-Short explained there had been a computer error. They were researching it and would correct it.

Mr. Bayne asked if they could find disability doctors within the county. Ms. Wenguer explained it was extremely difficult to find any doctor to perform independent medical evaluations. She said they tried their best to find local doctors.

Old Business

Schedule A

No discussion.

Communications to the City Commission

The investment account return for the third Quarter of the fiscal year was .05%; year-to-date was 3.69% and for the past three years was 10.20%.

The Board approved its FY 2015-2016 budget.

There being no further business to come before the Board at this time, the meeting was adjourned at 2:07 p.m.

FOR YOUR INFORMATION:

Knight

Recapture Summary June 2015

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