

December, 2015

**POLICE AND FIREFIGHTERS' PENSION BOARD
REGULAR BOARD MEETING
888 South Andrews Avenue, Suite 202
Fort Lauderdale, FL 33316
Wednesday, December 9, 2015, 12:30 p.m.**

Present

Michael Dew, Chair
Ken Rudominer, Vice Chair
Jim Naugle, Trustee
Scott Bayne, Trustee
Dennis Hole, Trustee
Jeff Cameron, Trustee
Richard Fortunato, Trustee
Lynn Wenguer, Executive Director
Robert Klausner, Board Attorney

Absent**Also Present**

Alexandra Goyes, Administrative Assistant
Linda Logan-Short, Deputy Director/CFO
Kevin Schmid, CapTrust
Jim Ingersoll, President of the Retirees Association
Al Scotti, Retirees Association
Jack Chew, Retirees Association
Rick Schulze, Retirees Association
Scott Bailey, Fort Lauderdale Police Department
Frank Sebegandio, Fort Lauderdale Police Department
Gregg Gurdak, Retirees Association
Paul DeBold, Vice President, Retirees Association
Ann Lindie-MacNeil, Retirees Association Secretary/Treasurer
Bruce MacNeil, Retirees Association
Bill Sharp, Retirees Association
Lisa Edmondson, Recording Secretary, Prototype Inc.

ROLL CALL/CALL TO ORDER

Chair Dew called the meeting to order at 12:40 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: November 16, 2015

Ms. Wenguer noted two changes to the draft: adding that they had hired Aristotle to replace Systematic Financial Management and a spelling change.

Motion made by Mr. Hole, seconded by Mr. Rudominer, to approve the minutes of the November 16, 2015 meeting as amended. In a voice vote, the motion passed unanimously.

Special Meeting: October 29, 2015

Mr. Bayne requested a change to indicate he was called away from the meeting on duty.

Motion made by Mr. Bayne, seconded by Mr. Rudominer, to approve the minutes of the October 29, 2015 meeting as amended. In a voice vote, the motion passed unanimously.

COMMENTS FROM PUBLIC

None.

NEW HIRES

Chair Dew recognized the new hires.

BENEFITS**FIRE DEPT:**

New Retire:
(Term of Drop) Sandra Michaud
Drop Retiree: Glen J Arnal
New Beneficiary: Glenda Gallo
Lump Sum Refund: Michael Archer

POLICE DEPT:

Edward Wenger
Drop Retiree:
Disability Scott Bailey
Application:
(under separate cover)

Mr. Bailey's Disability application was deferred to later in the meeting.

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

BILLS:	Klausner, Kaufman	\$2,370.00
	Holland & Knight	\$950.00
	Dr. Juan Carlos Brenes	\$2,000.00
	Dr. Max K Dweck	\$1,600.00
	Dr. Cornel J Lupu	\$1,000.00
	Dr. Steven Borzak	\$950.00

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

CAPTRUST:**Monthly Investment Review**

Mr. Schmid reminded everyone of the workshop the following day.

Chair Dew wanted to ensure there were enough score cards to distribute.

Chair Dew asked about how the plan performed compared to similar plans. Mr. Schmid reported that for the fiscal year, they had done better than 70% of their peers; most plans had been negative for the year.

Scott Bailey Disability Application

Mr. Klausner stated there was no question Officer Bailey was totally and permanently disabled from police work. Because this was a heart-related matter, there was a presumption that it was acquired in the line of duty, provided that when the person was hired, he/she had been given an EKG and a physical that showed the absence of heart disease. This officer had been cleared when he was hired, but Officer Bailey had been found later to have a genetic predisposition to conditions that led to plaque within the heart. In order for the presumption to be overcome, the Board would hire an advocate to argue that the presumption was overcome by the officer's family history. Mr. Klausner had provided the Board with copies of a recent workers compensation decision and an order from a case in Key West with similar facts.

Mr. Klausner stated they started by assuming the presumption applied and if the Board denied the application, they would hire an advocate and schedule a formal hearing. The advocate must present "clear and convincing" evidence that the other factors overcame the presumption.

Mr. Klausner explained that if the Board determined that the presumption was overcome, and this was appealed, a court would look at whether the legal standard of "clear and convincing" evidence had been

achieved.

Mr. Hole asked Officer Bailey why he kept going off medications and Officer Bailey said he had serious side effects from statin drugs. Officer Bailey stated he had been on light duty for three years.

Sgt. Frank Sebregandio stated the Police Department had no permanent light duty positions.

Officer Bailey stated his workers compensation claim had been denied approximately two years ago when a Doctor opined his heart condition was a hereditary issue. Officer Bailey had not appealed this.

Mr. Rudominer asked if the presumption under which one was hired withstood new science and Mr. Klausner recalled that Officer Bailey's hiring physical recorded the high cholesterol but found no heart disease and he was subsequently hired.

Chair Dew said the Board had experience with cases such as this and had previously determined that the presumption survived if the member was hired and participated in active duty, even if a subsequent change was based in something identified in the employment physical.

Motion made by Mr. Bayne, seconded by Mr. Fortunato to approve the application on the basis that the disability was service incurred under the presumption, to take effect on 12/9/15, retroactive 90 days. In a roll call vote, Board approved unanimously.

INVESCO Private Capital (under separate cover) Evan Darr, Keri Hepburn

Ms. Hepburn and Mr. Darr provided a presentation. Highlights included:

- A history of the firm
- Invesco Private Capital overview
- The Invesco team
- Growth and strategies
- Their approach
- Direct investments
- Performance
- The "J Curve"
- Fees:
 - A high of 5 basis points, dropped 10% per year after the first three years
 - 5% carried interest on the profit after meeting the benchmark
- 10-year lock-up plus subsequent 1-year extensions
- Options for Fund VI

Mr. Ingersoll asked how a 2016-2017 recession would affect the fund and Mr. Darr explained that this would affect all asset classes but pointed out that the Fund V had been created in 2006 and 2007, and its annualized IRR was still more than 13%.

Chair Dew asked about other State of Florida plans and recalled the Board had run into indemnification problems in the past. Ms. Hepburn said they did not have indemnification issues; this was a private placement agreement.

Mr. Bayne asked if the international exposure would be within their investment policy and Mr. Schmid stated they were comfortably below the limit.

Mr. Klausner remarked there were many pitfalls and issues with private equity and recommended a much more in-depth educational process prior to entering into this. He explained that the Delaware Limited Partnership statute applied, and the standard of care requiring investors to be compensated in cases of "negligence" did not apply; a fund must be found guilty of "gross negligence" or "willful misconduct" for investors to be compensated. If Invesco appeared intransigent to adding protections the Board felt appropriate for the retirement system, he would advise them to move on. Mr. Klausner wished to examine the underlying trust documents.

Mr. Schmid explained this was one fund with three sub-funds. He noted that venture capital was a "high risk/high reward" proposition. He said he would not push the Board toward Invesco's suggestion that they commit additional funds to help seed their newest capital venture fund. Mr. Schmid stated if they wished to invest in private equity, they should do it slowly and gradually, and he was comfortable starting with \$7.4 million. Chair Dew pointed out that they would discuss this at their special meeting on Monday. Mr. Klausner agreed to prepare a memo regarding the trust agreement in time for that meeting.

Motion made by Mr. Bayne, seconded by Mr. Fortunato, to direct Mr. Klausner to review the trust agreement for Invesco's Partnership Fund VI. In a voice vote, motion passed unanimously.

INPUT FROM ACTIVE & RETIRED POLICE OFFICERS & FIREFIGHTERS

Mr. Ingersoll invited everyone to the annual meeting on February 14 at the Firefighters Hall. He wished to know how the plan compared to 175 and 185 plans in Florida. Mr. Ingersoll asked if the Board used the same benchmark for CapTrust as they used for individual money managers. Chair Dew stated the answer was "unofficially yes;" there was nothing in the contract but CapTrust was aware of the rate of return they needed and if CapTrust did not meet it, they would be replaced.

Chair Dew asked if Mr. Klausner had asked Mr. Heinrichs about the pre-1996 members and Mr. Klausner stated Mr. Heinrichs had indicated that the returns at the time did not meet the benchmark in the 1972 ordinance.

COMMUNICATION REPORT

DIRECTOR'S

Mr. Nesbitt was not present.

EXECUTIVE DIRECTOR'S REPORT

Legal Contract

Mr. Klausner explained that the agreement was the same since 2003, except for reflecting the fact that Mr. Klausner's firm had raised the rates. He stated his agreement with Mr. Cypen was that they would work together until Mr. Cypen retired. Mr. Klausner stated they would work it out so the Board did not pay more than they were already paying. He wished to postpone the discussion until Mr. Cypen was present.

Chair Dew believed they needed an updated contract because Mr. Klausner was involved. He noted that they were paying a \$3,000 retainer to Mr. Cypen and he wanted to consider changing Mr. Cypen and Mr. Klausner's roles so the Board could recoup the retainer.

Mr. Bayne and Mr. Hole agreed they should wait until Mr. Cypen was present to continue discussion. Mr. Klausner reported he and Mr. Cypen would meet on December 21 to discuss all the issues.

Chair Dew said the Board would discuss this at the January meeting.

Mr. Klausner reminded the Board that their conference would be on March 6-9 at the Hyatt Pier 66 in Fort Lauderdale.

Motion made by Mr. Hole, seconded by Mr. Naugle to table discussion of the legal contract. In a voice vote, motion passed unanimously.

Motion made by Mr. Hole, seconded by Mr. Bayne to authorize paying Mr. Klausner a rate not to exceed \$300 per hour, for no more than four hours to review the Invesco documents and provide a memo before Monday December 14. In a voice vote, motion passed unanimously.

Interest on Member Contributions

Mr. Klausner stated he had informed Mr. Dunckel that he disagreed with his position and opined that the union contract could only look forward and whatever interest had been earned on contributions until the date of the collective bargaining agreement was intact. He would speak to Mr. Dunckel about this and report back to the Board. Mr. Klausner agreed it was the Board's call whether or not to pay the interest. He advised the Board to pay whatever contributions had been requested and inform members that their request for interest was pending.

In-Service Distributions

Ms. Logan-Short said they had met with the Board's tax attorney, Bob Friedman, and eliminated two members from the list. They were investigating three more members who could also be excluded. Chair Dew explained that when members left, they agreed to keep their certification up, per FDLE standards, and go on the reserve list because if they were gone more than a year, they could not return in any capacity. Ms. Logan-Short stated one of the members on the list had come back to work as a reservist after retiring. Chair Dew felt this determination would kill the reserve program. Ms. Logan-Short said now that they were allowing for in-service distributions it would be treated differently. Chair Dew wanted Ms. Logan-Short to contact FDLE regarding the certification requirement. Ms. Wenguer said they needed to determine what someone was told upon retiring

regarding being a reservist; if they could prove that they were never guaranteed any type of work, they would be okay. Ms. Wenguer indicated the City stated they were waiting for the tax attorney to approve all the 1099Rs before they were distributed.

PENDING ITEMS**New Business**

None.

Old BusinessSchedule A

No discussion.

Mr. Hole asked for an update on the survey the Board had requested in October. Ms. Wenguer reported Ms. Goyes was working on it.

Ms. Wenguer had made an offer to the candidate for the Deputy Director position but she had not replied in three days. Chair Dew asked Ms. Wenguer to call the candidate.

**FOR YOUR INFORMATION:
KCG Recapture Statement****Communications to the City Commission**

None.

There being no further business to come before the Board at this time, the meeting was adjourned at 2:53 p.m.

KKG Recapture Statement**October 31, 2015**

Secretary

Chairman

Any written public comments made 48 hours prior to the meeting regarding items discussed during the proceedings have been attached hereto.

[Minutes prepared by J. Opperlee, Prototype, Inc.]

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