

**February, 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 12:35 P.M., **Wednesday, February 13, 2008** in the Pension Board Conference Room, 888 S. Andrews Avenue, Suite 202, Ft. Lauderdale, Florida 33316.

**PRESENT:**

- Allan Curry, Chairman
- Michael Dew, Vice Chairman
- Romney Rogers, Secretary
- Mark Burnam, Trustee
- John San Angelo, Trustee
- Richard Fortunato, Trustee
- Dennis Hole, Trustee
- Ray Mannion, Ex-officio
- Steve Cypen, Board Attorney
- Lynn Wenguer, Administrator
- Laurie DeZayas, Recording Secretary

**ALSO PRESENT:**

- Fuzzy Larkin, President, Retirees' Assoc.
- Bill Paton, Vice President, Retirees' Assoc.
- Jack Chew, Director, Retirees' Assoc.
- Rick Schulze, Director, Retirees' Assoc.
- Nancy Cone, Treasurer, Retirees' Assoc.
- Ann Lindie-MacNeil, Retirees' Assoc.
- Frank W. Schueler, Retirees' Assoc.
- Jason Pulos, Asset Consulting
- Russell Bjorkman, InTech
- Pat O'Hara, Agincourt Capital Management
- Pat Kelly, Agincourt Capital Management
- Reg Wagner
- Jim Behrendt

**ASSET VALUE** as of February 12, 2008: **\$466,441,123.**

Chairman Curry called the meeting to order at 12:35 p.m.

**MINUTES: Regular Meeting, December 12, 2007.** Mr. Hole made a motion to approve the minutes with Mr. Dew seconding the motion. Mr. Hole then made a correction to add that the Administrator had been asked to check the City payroll for lifeguards and that Mr. Cypen had been asked to contact Trish Shoemaker concerning Wilton Manor's 175 monies. The motion to approve the corrected minutes was approved **UNANIMOUSLY** by the Board.

**Special Meeting, December 28, 2007.** Mr. Hole made a motion to approve the minutes with Mr. San Angelo seconding the motion. Mr. Hole made a correction to the minutes requesting that on page one the date of April 30<sup>th</sup> be included in addition to the reference of "120 days". The motion to approve the corrected minutes was approved **UNANIMOUSLY** by the Board.

**Regular Meeting, January 9, 2008.** Mr. Hole made a motion to approve the minutes with Mr. San Angelo seconding the motion. Mr. Hole referenced a request made previously by Mr. Burnam that the financial recap that is presented at each meeting include the minimums and maximums and that there be a figure shown for the ongoing total for the international manager at cost. The motion to approve the corrected minutes was approved **UNANIMOUSLY** by the Board.

Mr. Rogers arrived at 12:45 p.m.

**BENEFIT REVIEW: POLICE DEPARTMENT - New Retirees: Paul J. Kiley, Major.** Date of retirement March 1, 2008 with 31.33 years of service. Monthly pension benefit \$8,392.23.

**Richard A. Milroy, Police Officer.** Date of retirement December 22, 2007 with 20.04 years of credited service. Monthly pension benefit \$3,475.47 (100% Joint & Survivor).

**New Retiree (Termination of DROP Retirement): Roderick J. Bauder, Police Officer.** Date of DROP retirement December 21, 2003, with 20.94 years of credited pension service and 25.00 total years of service. Termination date January 12, 2008. Monthly pension benefit \$3,651.99. DROP account total \$206,565.70.

**DROP Retirees: Perry L. Buxo, Police Officer.** Date of DROP retirement February 1, 2008 with 21.08, monthly pension benefit \$4,197.15.

**Ghalib Carmichael, Police Officer.** Date of DROP retirement February 10, 2008 with 21.00 years of service, monthly pension benefit \$4,073.02 (100% Joint & Survivor).

**Raymon L. Hall, Police Officer.** Date of DROP retirement February 1, 2008 with 20.00, years of service, monthly pension benefit \$4,551.31 (Life Annuity).

**Kevin S. Shults, Sergeant.** Date of DROP retirement February 10, 2008 with 21.156 years of service, monthly pension benefit \$5,047.23 (100% Joint & Survivor).

**Vested Retirements: Patrick French, Police Officer.** Date of termination February 27, 2004 with 16.07 years of credited pension service. Monthly pension benefit \$3,735.71 (Life Annuity).

**Alfred Lewers, Jr., Police Officer.** Date of termination January 1, 2007 with 18.84 years of credited pension service. Monthly pension benefit \$4,281.50 (100% Joint & Survivor).

**Gerald D. Machurick, Jr., Police Officer.** Date of termination October 2, 2007 with 19.672 years of credited pension service. Monthly pension benefit \$4,655.45 (Life Annuity).

**Non-Service Incurred Death Benefit: John V. Joliet. Beneficiary Joseph Joliet.** Date of death December 6, 2007. Monthly benefit \$2,795.52. **Benefit ends December 6, 2015.**

**Beneficiaries (Retiree Death): Ruth Rue dependent upon Arthur J. Rue.** Date of retirement May 1, 1975. Monthly pension benefit \$2,058.84 for one year; reduced to (60%) \$1,235.30 thereafter.

**Request for Lump Sum Refund: Michael Johnston, Police Officer.** Date of separation January 19, 2008 with 2.40 years of creditable service. Lump sum payment due \$7,772.98

**Survivor Death: Beda McMahan, dependent upon Paul McMahan.** Survivor date of death December 26, 2007. No further benefits payable.

**FIRE DEPARTMENT - New Retiree (BAC-DROP Retirement): James N. Heller, Firefighter.** Date of BAC-DROP retirement April 13, 2008 with 20.01 years of credited pension service and 20.01 total years of service. Monthly pension benefit \$4,816.26 (Life Annuity). BAC-DROP account total \$100,000.00.

**New Retiree: (Termination of DROP Retirement): Douglas C. LeValley, Lieutenant.** Date of DROP Retirement December 7, 2003 with 21.809 years of credited pension service and 25.96 total years of service. Termination date January 31, 2008. Monthly pension benefit \$5,317.15 (Standard). DROP account total \$308,274.53.

**DROP Retiree: Kenneth H. See, Lieutenant.** Date of DROP retirement January 27, 2008 with 20.46 years of service, monthly pension benefit \$4,547.04 (100% Joint & Survivor).

**New Beneficiary (Retiree Death): Delores Y. Kenney,** dependent upon Harry M. Kenney. Date of retirement January 22, 2008. Monthly pension benefit \$2,585.06 for one year; reduced to (60%) \$1,551.04 thereafter.

**Requests for Lump Sum Refund: Kalee Bowen, Firefighter.** Date of separation December 16, 2007 with .59 years of creditable service. Lump sum refund payment \$1,744.72.

**Liza P. Chapman, Firefighter.** Date of separation February 4, 2008 with 2.02 years of creditable service. Lump sum refund payment \$6,983.17.

Mr. Dew made a motion to approve the Benefit Review with Mr. Fortunato seconding the motion. The motion was approved **UNANIMOUSLY** by the Board.

#### **BILLS:**

**Sawgrass Asset Management** submitted a bill for investment management fees for the period ending 12/31/07 in the amount of \$81,234.00.

**Systematic Financial Management** submitted a bill for investment management fees for the period ending 12/31/07 in the amount of \$57,287.14.

**NorthPointe Capital** submitted a bill for investment management fees for the period ending 12/31/07 in the amount of \$52,216.27.

**Lee Munder Capital Group** submitted a bill for investment management fees for the period ending 12/31/07 in the amount of \$48,396.22.

**InTech** submitted a bill for investment management fees for the period ending 12/31/07 in the amount of \$44,295.89.

**The Northern Trust Company** submitted a bill for custodial services for the period ending 12/31/07 in the amount of \$45,999.01.

**Agincourt Capital Management LLC** submitted a bill for investment management services for the period ending 12/31/07 in the amount of \$44,903.35.

**Prudential Financial** submitted a bill for investment management services for the period ending 12/31/07 in the amount of \$10,972.85.

**Standish Mellon** submitted a bill for investment management services for the period ending 12/31/07 in the amount of \$9,464.21.

**RhumbLine** submitted a bill for investment management services for the period ending 12/31/07 in the amount of \$8,209.36.

**Ellen Schaffer** submitted a bill for the annual software support contract fee for the period 2/1/08 through 2/1/09 for \$784.00. A second bill was submitted for consulting and programming services for 2 hours in the amount of \$210.00.

**Atkinson, Diner, Stone, Mankuta & Ploucha** submitted a bill for services through 12/25/07 in the amount of \$8.00.

Mr. Dew made a motion to approve payment of these bills with Mr. San Angelo seconding the motion. The motion was approved **UNANIMOUSLY** by the Board.

Mr. Burnam expressed his concern regarding the bill from Northern Trust regarding their fees. The Administrator advised the Board that she has discussed this issue with Northern Trust and that they will let her know by February 21, 2008 their decision concerning a flat fee versus a per transaction fee. She will advise the Board at the next Board meeting in March.

Mr. Hole questioned the Administrator concerning Ellen Schaffer's bill for work done to add the 55/10 retirement eligibility into our benefit calculation system. She explained this change in programming was for both police and fire.

Chairman Curry questioned Mr. Cypen on the Atkinson, Diner bill concerning the charge of \$8.00. Mr. Cypen advised that was a charge for parking for attorney David Mankuta.

**QUARTERLY PERFORMANCE REPORT - Asset Consulting Group - Jason Pulos** reviewed the equity index returns for the fourth quarter. He also provided the Board with a breakdown of 2007 entitled "Year In Review". For the year, 2007 was an okay year, not good, not bad. The first half of the year there was continued growth; however, concerns about credit and Sub-Prime mortgages slowed the economy down tremendously in the second half of the year. The economy and the market continued to show signs of weakness; the Fed has lowered interest rates by another 125 basis points in January, 2008. The Fed fund rate now stands at 3%; the lowest it's been in years.

For the past five years the S&P 500 returned 12.83% with the Russell 1000 Value returning 14.6%. Mr. Pulos also reviewed corporate profits, domestic equities, domestic fixed income and international markets. For one year the S&P 500 returned 5.50%, Russell 1000 Growth returned 11.82%, Russell 1000 Value (0.17)%, MSCI EAFE returned 11.62%, Lehman Aggregate returned 6.96% and NCREIF Property returned 15.84%.

The beginning market value for the portfolio for the last twelve months was \$476,606 with the ending market value at \$501,700.

Chairman Curry thanked Mr. Pulos for his review of the portfolio.

**INTECH: Russell Bjorkman** advised the trustees of InTech's objectives for the plan. The current market value of the fund is \$50.1 million dollars. Mr. Bjorkman explained that InTech's process is to address the volatility and correlation of individual stocks, and explained the process to the Board. They employ staff to study ways to create better portfolios through mathematics. They look for a 50/50 between the overweights and the underweights of stocks. In recap of the plan, Mr. Bjorkman advised that their objectives are for an excess return of between 175 and 200 basis points.

Chairman Curry thanked Mr. Bjorkman for his report.

**AGINCOURT CAPITAL MANAGEMENT: Pat O'Hara and Pat Kelly.** Mr. O'Hara began the discussion by advising the trustees that Agincourt was formed in 1999 and is 100% employee-owned. Current market value of the fund is \$83,556,694. He explained, as did Mr. Pulos, that at the beginning of 2007 there was a flat yield curve and that it dramatically changed with the interest rates coming down in the last half of the year. Mr. Kelly advised that it was the worst year ever for high-grade corporate bonds. Mr. O'Hara spoke concerning a lingering negative investor sentiment in the market. Mr. Kelly talked about the factors that are driving the bond prices. He predicts that the economy in the first half of 2008 will be close to, if not in, recession. The second half of the year looks better and what Agincourt is focusing on are the values that exist in the bond market.

Chairman Curry thanked Mr. O'Hara and Mr. Kelly for their report.

Mr. Kelly expressed to the Board his thanks and appreciation to Ms. Wenguer for her professionalism in his dealings with her as representative of the Board over the past 15 years.

**INPUT FROM ACTIVE & RETIRED POLICE OFFICERS & FIREFIGHTERS:** None.

#### **ADMINISTRATOR'S REPORT:**

**Equity Long/Short Managers:** Jason Pulos reviewed this item with the Board. He advised that there had been legal questions posed to the three presenters following the December 2007 Board meeting. Mr. Cypen stated that of the three managers, K2

had answered all the legal questions positively. Mr. Pulos will request further documentation from K2 to be reviewed by Mr. Cypen.

After a discussion, Mr. Rogers made a motion to hire K2 upon legal approval of contractual provisions. Mr. Dew seconded the motion. The Board approved this motion UNANIMOUSLY.

Mr. Burnam reminded the Board that the policy had been modified to have a 0-10% with a policy target allocation of 7%.

**Securities Litigation Policy:** Mr. Cypen praised Mr. Pulos on a job well done. Several changes and clarifications were discussed and will be made by Mr. Pulos to be presented to the Board at the next meeting.

**Proxy Voting Policy:** Mr. Pulos reviewed this item as well for the Board. Mr. Hole referred to a handout he provided to the trustees prior to the start of the meeting. After a discussion, this item was tabled to next month's meeting.

**Custody Fees:** The Administrator advised the Board that Northern Trust will be having a meeting the following week to discuss negotiating a better fee schedule for the plan. She will advise the Board concerning their decision at the next meeting.

**Pension Overpayment (Peney):** Check was received in the mail today for \$5,866.00 representing payment towards the overpayment. Mr. Cypen advised that he had spoken to the Peney's attorney, Mr. Eichenbaum. They will be getting a refund from the IRS for \$10,000. plus interest. Once those monies are received and a new balance is calculated, they will sign a Promissory Note.

Mr. Hole asked the Administrator if we had used the Pension Benefit information to track social security death records. She advised that we did have a semi-annual contract and there were no records that were amiss.

**NEW BUSINESS: Hiring Committee** - Mr. Dew drafted three documents (criminal, financial, and employment history) for the purpose of conducting a background investigation for applicants for the Plan Administrator position. He advised the trustees that it will take approximately two (2) weeks to do an extensive background check.

Discussion ensued concerning the process to be used to decide upon a final few to be interviewed face-to-face by the entire Board. Mr. Rogers requested that there also be a waiver form to be sent to past employers. Mr. Cypen gave his input as to what should be included on this form. He also advised that the word "Confidential" be removed from the cover letter that will be sent with the forms.

Mr. Mannion left the meeting at 3:15 pm.

It was decided that a Special Board Meeting for the Hiring Committee to meet to decide which applicants to conduct a telephone interview with and which questions will be asked will be held on February 22, 2008.

Mr. Rogers made a motion to accept the hiring procedure as discussed. Mr. Dew seconded the motion. The motion was approved UNANIMOUSLY by the Board.

Mr. Rogers expressed his concern about the Pension Office being understaffed. Ms. Wenguer advised him that we have currently hired a temporary person to work 20 hours per week and there are no outstanding projects at this point.

**OLD BUSINESS:** Mr. Hole requested an update on several items:

1. Auditor Request for Proposals

RFP's have not been sent, however, they are being worked on

2. Administrator resignation contract being signed

Resignation contract has been signed.

3. Policy & Procedures Manual

Policy and Procedures Manuals are being updated.

4. Letter to City of Fort Lauderdale

Mr. Hole requested that a letter be sent to the City to schedule a

Pre and Post Retirement Seminar.

5. Disaster Management Policy

Disaster Management Policy is being worked on.

Chairman Curry asked Mr. Cypen for further information concerning the issue with Wilton Manors about the 175 monies. Mr. Cypen advised the Board that the State has said that if they have something under oath from the City that they are a duly constituted Fire Department which would consist of one person, that's it.

**FOR YOUR INFORMATION:** No action.

There being no further business to be brought before the Board, Mr. Dew made a motion to adjourn the meeting at 3:45 P.M. Mr. Rogers seconded the motion. The motion was approved **UNANIMOUSLY** by the Board.

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