

February, 2015

POLICE AND FIREFIGHTERS' PENSION BOARD
 REGULAR BOARD MEETING
 888 South Andrews Avenue, Suite 202
 Fort Lauderdale, FL 33316
 Wednesday, February 11, 2015, 12:30 p.m.

BOARD'S COMMUNICATION TO THE CITY COMMISSION

Items that may be of interest to the City Commission:

The Board received the plan qualification determination letter from the IRS, stating that the plan qualifies under IRC 401(a) as a qualified plan and is entitled to favorable tax treatment.

The Board approved a quarterly return of 1.91%: a 1-year return of 5.95% and 3-year return of 10.96%.

Present

Ken Rudominer, Vice Chair
 Scott Bayne, Trustee
 Richard Fortunato, Secretary
 Dennis Hole, Trustee [arrived 12:47]
 Jim Naugle, Trustee
 Jeff Cameron, Trustee
 Lynn Wenguer, Administrator
 Steve Cypen, Cypen & Cypen, Board Attorney

Absent

Michael Dew, Chair

Also Present

Amanda Cintron, Assistant Administrator
 Laurie DeZayas, Pension Secretary
 Linda Logan-Short, Deputy Director of Finance and CFO
 Terri Lea Hugine, Finance Department
 Kevin Schmid, CapTrust
 Steve Schott, CapTrust
 Jim Ingersoll, Retirees' Association President
 Fred Nesbitt, Communication Director
 Brian Kahley, Franklin Templeton
 John Kane, Retirees' Association
 Lisa Edmondson, Recording Secretary, Prototype Inc.

Note: Items were discussed out of order.

ROLL CALL/CALL TO ORDER

Vice Chair Rudominer 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: January 14, 2015

Mr. Bayne noted two changes to the minutes: on page 3 that Risk Management has authority regarding disability, and that the bills included a charge for Ms. Wenguer's buyback calculation

Motion made by Mr. Naugle, seconded by Mr. Bayne, to approve the minutes of the January 14, 2015 meeting as amended. In a voice vote, the motion passed unanimously.

NEW HIRES:

Vice Chair Rudominer recognized the new hires. Mr. Bayne wished the Board to be notified of any new hire who was previously employed by the City. Ms. Logan-Short stated the City's policy was not to rehire anyone who was in a City retirement plan.

COMMENTS FROM PUBLIC

None.

BENEFITS: POLICE DEPT.:

New Retiree:	William J. Rousseau (Term of DROP)
DROP Retiree:	Scott B. Neily Mark A. Parnell
New Beneficiary: O'Malley	Carolyn S. Patricia Whittleton
Survivor Death:	Gertraud Peterson
Lump Sum Refund:	Alex Alvarez

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

BILLS:

Eagle	\$56,271.14
Agincourt	\$56,022.65
Boyd Watterson	\$40,305.00
Northern Trust	\$39,223.48
Sawgrass	\$27,981.00
Systematic	\$20,799.29
RhumbLine	\$18,768.00
InTech	\$18,294.99
Marcum	\$6,574.00
Holland & Knight	\$1,000.00

Vice Chair Rudominer asked who was paying Holland and Knight for the in-service distribution work. Ms. Wenguer said the pension plan was paying; the City had stated they would not pay for it. Ms. Logan-Short said the City would not pay for the Board to have a separate tax counsel to review the plan. Mr. Cypen felt it was important enough to warrant paying for the additional oversight.

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

INPUT FROM ACTIVE & RETIRED POLICE OFFICERS & FIREFIGHTERS:

Mr. Ingersoll asked if the Board received a quarterly report listing all the equities the pension plan owned showing the date each equity had been purchased and the current value. He reported this was supposed to be provided, per the investment policy. Mr. Schmid stated the quarterly report did not list individual holdings. Mr. Schott informed Mr. Ingersoll that this information was in the Northern Trust statement, which was sent every month.

Mr. Ingersoll requested a list of the last paid COLAs and Ms. Wenguer agreed to provide it. Ms. Wenguer confirmed that Randy Trout's bill had been paid.

Mr. Ingersoll announced the retirees' annual meeting would be held at the union hall at 309 SW 26 Street on Sunday, February 15 at 12:30 p.m. He invited everyone to attend.

CAPTRUST:

Quarterly Investment Review

Kevin Schmid, Steve Schott

Mr. Schott said they were coming up on the 6-year anniversary of the return of the market from 2009 and it was one of the longest bull markets on record. Return on three-month treasuries was 0 for the quarter, suggesting the prolonged low-interest rate environment. This had encouraged people to take more investment risks.

Mr. Schott explained that large caps and mid-caps had good quarterly and year-to-date returns but small caps had a mediocre year. The international and emerging markets were down for the quarter. He noted that "domestic had clearly been the place to be." Mr. Schott said valuations of international stocks were becoming compelling and they were discussing overweighting in international stocks. Mr. Cypen asked how they handled the loss on exchange because the dollar was getting stronger and said everything he was reading was talking about "major risk" in internationals. Mr. Schott stated they believed in buying when valuations were attractive. Mr. Schmid reminded the Board that their only exposure to international equities was in funds that had the ability to "hedge-out" some of the currency risk.

Mr. Schmid stated for the quarter they were up 1.9%, driven by the performance of their alternative investments. Large cap managers had done well, due to stock selection and being underweighted in energy. Regarding small caps, Mr. Schmid said this had been a strong rebound quarter. He advised they needed to move forward with the replacement of Lee Munder and recommended a special meeting to discuss this in the next quarter. American Realty was in communication with Mr. Cypen and would provide him comments on the current draft of the agreement today.

Regarding alternative investments, EnTrust was down 1.3% for the quarter and 1.8% for the year. Mr. Schmid explained their returns were provided not on market risk but through non-market related activities. They had a high exposure to event-driven strategies and had experienced problems with some exposures to Europe, energy and merger/arbitrage. Until there was a dramatic risk event, EnTrust would be a negative drag on performance. Lazard Global Infrastructure Strategy was a bright spot in alternatives; it was up 4% for the quarter and over 18% for the year.

Mr. Schott said they had set a benchmark for 11% over three years and last year they had not met that at 6%. The long-term numbers had put them close to the 7.43% actuarial assumption. He believed EnTrust needed to be looked at, but said the alternatives allocation was part of the "all weather" portfolio based on a full market cycle. He did not feel they needed to be more aggressive.

Mr. Schmid stated the EnTrust Special Opportunities Fund had begun a capital call and they would discuss the possibility of putting in partial redemptions in advance to ensure they did not exceed the 8% cap the trustees had set.

Mr. Hole asked if Mr. Schmid felt Greece would default or exit the EU. Mr. Schmid said there had been "interesting rhetoric" from Greece but exiting the EU was a big hurdle. There was not a lot of concern about how Greece's exit would affect the global economy.

Vice Chair Rudominer asked if Mr. Schmid was concerned about stock overlap and Mr. Schmid replied InTech was skewing the overlap analysis and it was the weightings that mattered. Mr. Schmid stated they believed the portfolio was a balance of risk versus reward.

Mr. Ingersoll agreed they did not want a lot of volatility and risk, and remarked that every time he looked at international stocks, they were always in the red. He said in his own investments, he sold stock that performed poorly and put more into something that was performing better. He wondered why InTech had 11.9% of their fund portfolio invested in positions that were under \$10,000.

Vice Chair Rudominer said when he joined the Board, he had been an individual investor as well. He stated the Board hired professionals for their advice and he had learned to heed it.

Motion made by Mr. Hole, seconded by Mr. Fortunato, to adopt a quarterly return of 1.91%. In a voice vote, motion passed unanimously.

Ms. Wenguer asked Mr. Schmid if there was a way to lower their investment fees and Mr. Schmid agreed to look into this.

COMMUNICATION DIRECTOR'S REPORT:

Fred Nesbitt

Mr. Nesbitt had nothing to report.

EXECUTIVE DIRECTOR'S REPORT

Home Loan Servicing Litigation

Discussion

Mr. Cypen stated Home Loan Servicing had committed fraud and they had lost \$110,000. He asked the Board to authorize Chair Dew to sign the documentation to file a complaint if no lawsuit had been filed or to move to be a plaintiff if a lawsuit had already been filed.

Motion made by Mr. Hole, seconded by Mr. Bayne to authorize Chair Dew to execute documents to file a complaint or a motion regarding Home Loan Servicing. In a voice vote, motion passed unanimously.

Mr. Cypen reported he had received a note from Jason VanChoff indicating he would not pursue a formal hearing regarding his service-incurred disability application.

IRS Determination Letter

Update

Mr. Cypen reported they had received the approval from the IRS. He said that the Ordinance must be amended within the next four months and must be done by May 16 and Ms. Logan-Short agreed to handle this item with the City.

Mr. Cypen stated the IRS had changed its' position on tax ability under section 415. The Board will proceed with the IRS required amendments.

GASB 67 Report (Item added at the table)

Ms. Wenguer informed the Board that they had requested a GASB 67 report from Foster & Foster. The auditor had sent the financials to Mr. Heinrich to prepare the report. Ms. Logan-Short said the City relied on this report to avoid auditing the pension fund themselves. The City auditors needed the report by February 26, and Ms. Logan-Short recommended the Board hold a special meeting to approve it. Ms. Wenguer agreed to coordinate the special meeting as soon as she received the report. Mr. Cypen advised the Board could adjourn the meeting and reconvene at a later date instead of holding a separate, special meeting. The Board decided on February 25 at 9:00 a.m.

Holland and Knight Letter (under separate cover)

Discussion

No discussion.

EnTrust Capital Call (under separate cover)

Discussion

Ms. Wenguer stated EnTrust had issued a second capital call. The first had been for \$800,000 and the second was for \$1.2 million. She said they had agreed to a cap of 8% of the fund, which was \$65 million. Mr. Cypen suggested setting a dollar amount instead of percentage. Mr. Schmid said he would discuss this with EnTrust before the Board's next meeting and make some projections for the next quarter regarding pulling money.

Mr. Schmid said they could set up another special meeting between their regular March and April meetings to discuss a new small cap manager.

State Supplemental Money

Discussion

Ms. Wenguer stated a check for the State supplemental insurance money had been misplaced after the October meeting. The State was re-issuing the check and because of this incident, they had instituted new procedures to have the funds wired to the checking account. Ms. Wenguer said the auditor and actuary had both been notified of the initial receipt of these funds so it did not affect any of the reports.

Prior GERS Service

Update

Ms. Wenguer reported she had not received anything back from the actuary yet.

In-Service Distributions**Discussion**

Ms. Logan-Short had nothing to report.

Office Staff Job Descriptions**Draft**

Ms. Wenguer explained they had just re-titled the positions in response to her title change to Executive Director. They intended for Ms. Cintron to have the title of Pension Administrator. Mr. Cypen said this title did not indicate authority, and he suggested Assistant or Deputy Director.

PENDING ITEMS:

New Business:

None.

Old Business:

None.

Communications to the City Commission

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FOR YOUR INFORMATION:

IRS DROP

Cypen memo dated Jan, 30, 2015

ConvergEx

Recapture Summary/Dec., 2014

There being no further business to come before the Board at this time, the meeting was adjourned at 2:06 p.m.

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