

## January, 2012



### POLICE AND FIREFIGHTERS' PENSION BOARD REGULAR BOARD MEETING WEDNESDAY, JANUARY 11, 2012, 12:30 P.M.

#### Present

Michael Dew, Chair  
Ken Rudominer, Vice Chair  
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

#### Also Present

Amanda Cintron, Assistant Administrator  
Laurie DeZayas, Pension Secretary  
John Herbst, City Auditor  
Kevin Schmid, CapTrust  
Amanda Lebofsky, Recording Secretary, Prototype, Inc.  
Gregg Gurdak, President, Retirees' Association  
Linda Soloman-Duffey, Retirees' Association  
Rick Schulze, Retirees' Association  
Jack Chew, Retirees' Association  
George Farrell, Retirees' Association  
Bill Paton, Retirees' Association  
Jack Cann, Retirees' Association  
Walter Courtney, Retirees' Association  
Frank Collieran, Retirees' Association

Pursuant to authority of Ordinance C-00-34, Article II, this regular meeting of the Police & Firefighters' Pension Board convened at 12:30 P.M., Wednesday, January 11, 2012, in the Pension Board Conference Room, 888 S. Andrews Avenue, Suite 202, Ft. Lauderdale, Florida 33316.

#### Communications to the City Commission

None.

Chair Dew called the meeting to order at 12:30 p.m. and roll was called. All present recited the Pledge of Allegiance and observed a moment of silence.

Chair Dew stated that the first order of business would be the election of Officers.

Motion made by Mr. Hole, seconded by Mr. Fortunato, to nominate Chair Dew to another term.

Motion made by Mr. Naugle, seconded by Mr. Fortunato, to close the nominations.

In a roll call vote, Chair Dew was unanimously re-elected.

Motion made by Chair Dew, seconded by Mr. Hole, to nominate Vice Chair Rudominer to another term.

Motion made by Mr. Naugle, seconded by Mr. Hole, to close the nominations.

In a roll call vote, Vice Chair Rudominer was unanimously re-elected.

Motion made by Vice Chair Rudominer, seconded by Mr. Bayne, to nominate Mr. Fortunato to another term as Secretary.

Motion made by Mr. Naugle, seconded by Mr. Bayne, to close the nominations.

In a roll call vote, Mr. Fortunato was unanimously re-elected.

#### MINUTES Regular Meeting

Motion made by Mr. Hole, seconded by Mr. Bayne, to waive the reading of the December 14, 2011 minutes.

Chair Rudominer noted a correction on p.10, paragraph 7: change "this change" to "the benefit change" and remove "for Mr. Cameron."

In a voice vote, the motion passed unanimously.

#### NEW MEMBERS

Chair Dew noted that new members are listed on p.13 of the Board's information packet.

#### BENEFITS:

##### Police Department:

New Retiree (Term of DROP):	Christine Nelson-Lott
DROP Retiree:	Michael Balke

##### Fire Department:

DROP Retiree:	Claus Poehl
Retiree Death:	Harry L. Kerlin
2010 Share Distributions	

Motion made by Vice Chair Rudominer, seconded by Mr. Fortunato, for the approval of the benefits for the Police and Fire Department. In a voice vote, the motion passed unanimously.

#### BILLS:

Agincourt	\$45,607.55
CapTrust	\$18,750.00

Motion made by Mr. Bayne, seconded by Vice Chair Rudominer, for the payment of the bills as documented. In a voice vote, the motion passed unanimously.

#### INPUT FROM ACTIVE & RETIRED POLICE OFFICERS & FIREFIGHTERS

Frank Colleran, retiree, recalled that at the December 14, 2011 meeting, he had requested the dates upon which smoothing was changed. Ms. Wenguer explained that a project to put this and other data together in a comprehensive document has recently been sent to Mr. Cypen's office for review. Mr. Cypen said a copy of the document in process could be provided at this time. Chair Dew cautioned that it is a working document and not in its final form at present.

Walt Courtney, retiree, asked who was reviewing the Ordinances for the document. Chair Dew said Ms. Cintron had assembled the information and provided it to Mr. Cypen for review.

#### CAPTRUST

##### Monthly Progress Report Kevin Schmid

Mr. Schmid recalled that the Board has seen some educational presentations, including private equity, commodities, and hedge fund-to-funds. He asked if the members had any interest in moving in a particular

direction, or if they would like to see additional presentations. Chair Dew said the presentations were valuable and educational, but he would like additional time to digest some of the facts the Board has seen.

Vice Chair Rudominer said while a monthly recap is useful, CapTrust had originally presented the Board with an overall plan to rebalance large cap and alternative investments. Mr. Schmid said they could allocate more of the alternatives budget to the Pimco All-Asset Fund; this would serve as a placeholder for the alternative allocation while the Board evaluated some of their additional alternative opportunities. At present, just under 4% of planned assets are in this fund, although this allocation could go as high as 10%. He noted that the allocation is planned at roughly 5%, although with Board approval this percentage could be raised.

He continued that the Pimco All-Asset Fund allocates across several asset classes, including some that the Board would not otherwise be exposed to, such as international fixed income or emerging market fixed income.

Chair Dew asked what Mr. Schmid to explain what he was proposing. Mr. Schmid said allocating up to 10% to Pimco would bring the fund closer to the target for alternative investments; the money would come from the existing overweight in large cap equities, as well as some of the excess cash the plan is carrying.

Vice Chair Rudominer recalled that this policy was set in 2011 and the fund had been moved toward this goal throughout the year. He said they should continue to move toward this mandate even if a new alternative manager has not yet been found, as conditions have not changed significantly since the previous year.

Mr. Schmid pointed out that it is relatively easy to shift funds from Pimco into alternatives. In the meantime, Pimco provides some diversification, which is the intent of getting into alternative markets. Chair Dew added that it would also allow the Board the opportunity to see the result of some of their other decisions from 2011.

It was noted that no motion was necessary to make this change, as the allocation change would be for purposes of rebalancing.

Mr. Schmid continued that some rebalancing could also be done in international equities, although he would not recommend allocating up to the 15% target at this time. He said he was comfortable at present with the fund being slightly underweight in international equities, due to ongoing issues in Europe.

He concluded that he had provided Ms. Wenguer with a draft agenda of the upcoming investment seminar.

Another outstanding issue is the investment policy that would change Agincourt from a core mandate to an intermediate mandate, reducing their interest rate risk exposure. Mr. Schmid said this would protect the fund as much as is practical, as CapTrust feels that the intermediate duration is the right place to be at present.

## COMMUNICATION DIRECTOR'S REPORT

None.

## ADMINISTRATOR'S REPORT

### Plan Year End

Ms. Wenguer said she had met with the City's Finance Department regarding the City's request to keep the 12/31 year end, as changing the date at this time would cost the City money. She concluded that aligning the year ends had turned out to be a disadvantage rather than the advantage the Board had expected.

Chair Dew said he concurred with keeping the 12/31 date. It was noted that the Board had made a motion to change the date, but had never acted to make this change. Mr. Cypen advised that they would need to resolve not to make the change.

Motion made by Mr. Naugle, seconded by Mr. Fortunato, to rescind the previous action to change the annual operating date, based upon things that have been brought to the Board's attention by the City, and at its request. In a voice vote, the motion passed unanimously.

## DROP Administration Fee

Ms. Wenguer recalled that this primarily affected individuals who remained in the DROP after termination. A fee of 50 basis points had been determined; however, at that time, CapTrust had not included investment fees in their returns. Now that their returns have been readjusted, the rate of return is quoted net of fees. She proposed that the fee be reduced from 50 basis points to 25 basis points due to the change.

Mr. Cypen asked why CapTrust had made this change. Mr. Schmid explained that for most clients, fees run through their custody statements; once it was determined that the plan operated differently, the change had been made to capture investment fees.

Chair Dew noted that this issue also fell under the Memorandum of Understanding (MOU) with which the Board was currently dealing. He advised that he had met with the individual assigned to this task by the Assistant City Manager, and that the fee issue was addressed in a study of the program. A meeting is scheduled for Tuesday, January 17, at 10:00 a.m. for Chair Dew, Ms. Wenguer, the Assistant City Manager, and the City Manager, as well as the Finance and Personnel Directors. He invited Mr. Cypen to attend as well.

Ms. Wenguer said the City's concern was the possibility of everyone in the extended DROP making a run on their money at the same time in the event of a bad market. She had explained that there are multiple provisions in the plan that would prevent this.

Mr. Hole asked why this would only affect individuals who have taken the DROP. Ms. Wenguer explained that while a person is in the DROP, the first five years guarantee 6%; the next six to eight years guarantee a minimum and maximum of 3% and 6% respectively. The fee may affect those individuals who are in this "middle," but the majority of those affected will be in the extended DROP period.

Mr. Cypen referred to a sentence in Lillian Rosa's document stating that in 2010, retirees were allowed to leave their DROP accounts in the pension plan, and DROP accounts must remain in the pension plan until the individual reaches the age of 59 ½. He stated that this was not accurate. Chair Dew said he had just received the document in question shortly before today's meeting, and would discuss the document further with Mr. Cypen and Ms. Wenguer to make appropriate clarifications.

Ms. Wenguer recommended that the change from 50 to 25 basis points be dated back to the beginning of 2012. Mr. Cypen advised that clarifications to the MOU should also say the fee is determined by the Board rather than the 50 basis points.

Motion made by Mr. Naugle to approve the change and go back and adjust the persons previously billed.

Mr. Schmid explained that the return, as of September 30, had been adjusted and new reports have been issued. Ms. Wenguer said the returns of March 31 and June 30 had not reflected the fees, but the September 30 return reflects the three quarters, which include all investment fees.

Vice Chair Rudominer seconded the motion.

Mr. Bayne asked if a \$250,000 expense included only DROP expenses or if it included the entire plan. Ms. Wenguer said this was for the entire plan. Mr. Bayne pointed out that "DROP plan expenses" are listed at \$250,000. Ms. Wenguer explained that the cost includes new software, anticipated administrative expenses, and other investment expenses. The total is \$1,020,000 for overall plan expenses.

Mr. Bayne advised that the general public could perceive the expenses listed on the document differently. Mr. Cypen said the document does not have to be distributed just because it is a public document. Chair Dew advised that the change to overall plan expenses should be noted.

In a voice vote, the motion passed unanimously.

## Five Year Experience Study

Ms. Wenguer recalled that this study was last conducted in 2006. She added that the City would like the study to be done, as it is helpful to them as well. John Herbst, City Auditor, noted that this would be particularly useful, as the City is currently considering the pension obligation bond issue.

Chair Dew suggested that this could be an opportune time to put out an RFP for a new actuary. He stated that while Randall Stanley has done a good job for the Board, he appears to be preparing for retirement, and it would be best to select a new actuary in advance of this decision.

Vice Chair Rudominer asked if the Board has an existing contract with Mr. Stanley, and if so, when this contract would expire. He also asked if they must use Mr. Stanley as their actuary for purposes of the study. Mr. Cypen said the Board did not have to use their current actuary, although it could be less expensive to do so, as the current actuary has all the data. He said it would be more fiscally efficient to use the current actuary.

Mr. Bayne asked how soon the study would be needed. Ms. Wenguer noted that the plan's actuarial report would not be ready before the end of March 2012. Mr. Herbst said the study would be a prerequisite to any action taken regarding the pension obligation bond, and advised that the sooner it could be done, the better.

Mr. Bayne said he would like to consider rotating the plan's service providers every couple of years and sending out RFPs to learn more about the competitive market for these providers. Vice Chair Rudominer said this could be considered as a different subject from the experience study, and an RFP for a new actuary could go out for the following year.

Mr. Cypen added that the Board has an existing contract with Randall Stanley, although he was not aware of its expiration date.

Ms. Wenguer noted that the existing budget states the experience study is not to exceed \$25,000. The contract had originally expired on 11/12/08. Chair Dew recalled that it had been renewed the previous year.

Ms. Wenguer asked if contracts may be terminated with 30 days' notice. She noted that the contract lists a fee schedule through 2011. No modifications were made to the contract upon renewal. The Board may terminate within 90 days with written notice. \$50,000 is budgeted for actuary services. She noted that up to \$15,000 can be authorized for an experience study.

Motion made by Vice Chair Rudominer, seconded by Mr. Naugle, to hire the current actuary to do a five year experience study, with costs not to exceed \$15,000. In a voice vote, the motion passed unanimously.

#### Pension Software RFP

Ms. Wenguer advised that there have been ongoing discussions regarding the contract for the new software, as the document provided was very old. A different service agreement was requested from the software provider, and ultimately the vendor has asked that the contract be drafted by the Board's counsel. This process is currently underway.

#### Investment Seminar

Ms. Wenguer provided a preliminary agenda for the upcoming investment seminar. A speaker is still being sought for the seminar, which is scheduled for February 16-17, 2012. She confirmed that the City Commissioners are among those invited to attend. Retirees are also welcome. Mr. Schmid said the managers invited have received "save the date" notices, and none have informed him of any scheduling issues.

#### NEW BUSINESS

None.

#### OLD BUSINESS

Mr. Bayne asked if any disability applications are forthcoming. Ms. Wenguer said hearings are scheduled for February and March. There have been additional inquiries but no other applications at present.

There being no further business to come before the Board at this time, the meeting was adjourned at 1:32 p.m.

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