

**January, 2014**



**POLICE AND FIREFIGHTERS' PENSION BOARD  
REGULAR BOARD MEETING  
888 South Andrews Avenue, Suite 202  
Fort Lauderdale, FL 33316  
Wednesday, January 8, 2014 at 12:30 p.m.**

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**Present**

- Michael Dew, Chair
- Ken Rudominer, Vice Chair
- Scott Bayne, Trustee
- Jeff Cameron, Trustee
- Richard Fortunato, Secretary
- Dennis Hole, Trustee
- Jim Naugle, Trustee
- Lynn Wenguer, Administrator
- Steve Cypen, Cypen & Cypen, Board Attorney

**Also Present**

- Laurie DeZayas, Pension Secretary
- Kevin Schmid, CapTrust
- Fred Nesbitt, Director of Media Relations
- Jack Cann, Retirees' Association
- John Abrams, Retirees' Association
- Mike O'Connor, Retirees' Association
- Walter Courtney, President of the Retirees' Association
- Frank Collman, Retirees' Association
- Paul DeBold, Retirees' Association
- Linda Soloman-Duffey, Retirees' Association
- Fuzzy Larkin, Retirees' Association
- Lisa Edmondson, Minutes 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**

A moment of silence was followed by the Pledge of Allegiance.

**MINUTES:**

**Regular Meeting:** December 11, 2013

**Motion** made by Mr. Rudominer, seconded by Mr. Hole, to approve the minutes of the December 13, 2013 meeting. In a voice vote, the motion passed unanimously.

**COMMENTS FROM PUBLIC**

None.

**BENEFITS: POLICE DEPT.:**

**DROP Retiree**

Dale W. Iben

Harvey R. Jacques

**New Beneficiary**

Joan L. Yonkman

**FIRE DEPT.:****DROP Retiree  
Beneficiary Death**Jeffrey A. Jacks  
Ida Nation

**Motion** made by Mr. Bayne, seconded by Mr. Rudominer, to approve the payment of the police and fire benefits. In a voice vote, the motion passed unanimously.

**BILLS:**

<b>CapTrust</b>	\$21,500.00
<b>Milliman</b>	\$4,500.00
<b>Holland &amp; Knight</b>	\$2,675.00

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

**INPUT FROM ACTIVE & RETIRED POLICE OFFICERS & FIREFIGHTERS:**

None.

**“EVERYBODY BUT ME”** Robert Klausner

Mr. Klausner stated the “Me Too 3” issue pertained to people vested in 1994 when the fire and police collective bargaining agreements were amended. He gave a brief history of the issue and explained that his opinion was that a vested, separated member was the same as a retiree, but someone who continued to work was different because collective bargaining and changes in the ordinance only applied to current employees. Mr. Klausner recalled that in 1994, the collective membership had taken raises and other benefit changes in return for giving away the “Me Too” clause.

Mr. Courtney said it had never occurred to an employee to quit his or her job because of a new collective bargaining agreement. Mr. Klausner said it had been clearly explained to those who were staying that this right was being given away and pointed out that those who stayed had actually done better.

Mr. Courtney asked about the lack of COLA increases for 10 years and said the retirees’ association had suggested requesting a 13<sup>th</sup> yearly benefit check. Mr. Klausner stated this was up to the City Commission, not the Pension Board. He explained that Florida law stated that after an employee retired, he/she could not receive any kind of bonus. The Commission could amend a COLA to provide for people who made less than a certain amount and this would have to be funded actuarially out of the plan.

**CAPTRUST:**

Monthly Performance Review Kevin Schmid

Mr. Schmid agreed to provide a fourth quarter review at the Board’s February meeting.

Mr. Rudominer suggested including termination criteria if these were not included in the investment policy. Mr. Schmid could not recall if the policy included specific guidelines, but said the Board could decide to terminate a manager based on qualitative reasons related to significant changes in the firm or the portfolio’s management. He said after hearing the presenters today, the Board could decide to replace Thornburg with one of them or they could elect not to replace Thornburg.

**INTERNATIONAL MANAGER PRESENTATIONS****Manning & Napier** John Mann, Michael Magiera

Mr. Mann and Mr. Magiera gave a presentation including a company overview, personnel backgrounds, their portfolio process, investment strategies and analysts’ compensation. They distributed copies of the presentation, one of which is attached to these minutes for the public record.

Chair Dew asked about costs and Mr. Mann stated the fund was 76 basis points and a separately managed account would be 60 - 65 basis points. Mr. Mann informed Mr. Bayne that in 2013 they had

taken advantage of the Japanese market performance and they planned to find more opportunities in Europe and in emerging markets in 2014.

#### **Harbor Funds Distributors Edward Leedom**

Mr. Leedom gave a presentation including a company overview, and a description of their investment strategy. He distributed copies of the presentation, one of which is attached to these minutes for the public record.

Mr. Hole asked under what conditions fees or expenses were waived and Mr. Leedom replied that the management fees had been reduced by one or two basis points in the past when the fund had a lower asset base and was newer and smaller, so the expense ratio would not be unreasonable.

The Board took a brief break.

#### **Harding-Loevner John Parsons**

Mr. Parsons gave a presentation, including an overview of the company's investment strategy and company culture. He also distributed copies of the presentation, one of which is attached to these minutes for the public record.

Mr. Parsons replied to a question from Mr. Hole that fund and separate accounts were managed on the same principles. He explained that the fee was currently 83 basis points for a fund and variable for a separately managed account.

#### **Dodge & Cox Matthew Beck**

Mr. Beck gave a presentation, including the company's approach to investing, philosophy, process, portfolio management and current clientele. He also distributed copies of the presentation, one of which is attached to these minutes for the public record.

Mr. Beck informed Chair Dew that the fee was 64 basis points: 60 for management and 4 for operational expenses. Mr. Rudominer asked about the lack of utilities in the portfolio and Mr. Beck replied that they were wary of investments with caps or regulations on profits.

#### **Discussion**

The Board discussed the four firms' investment strategies and weightings with Mr. Schmid. Mr. Schmid preferred Dodge & Cox and Harding-Loevner, and remarked that Harding-Loevner was a true growth firm and Dodge & Cox were value-oriented. If it were his personal decision, he stated he would choose Harding-Loevner.

Board members discussed the firms' investment strategies, personnel, fees, and comparisons to indices and ranked the firms. Mr. Schmid said these managers consistently outperformed indices.

Chair Dew announced that five of seven Board members had rated Dodge & Cox #1; the other two Board members had ranked the firm #2.

**Motion** made by Mr. Hole, seconded by Mr. Fortunato, to terminate Thornburg. In a voice vote, motion passed 6-1 with Mr. Rudominer opposed.

**Motion** made by Mr. Hole, seconded by Mr. Fortunato, to hire and transfer all funds, when available, to Dodge & Cox International Stock Fund, pending approval of the contract by Cypen and Cypen. In a voice vote, motion passed unanimously.

#### **COMMUNICATION DIRECTOR'S REPORT: Fred Nesbitt**

Mr. Nesbitt reported there would be a briefing on public pensions at the Budget Advisory Board meeting on January 15 to educate the members.

**ADMINISTRATOR'S REPORT: Lynn Wenguer****Randy Trout AIP Benefit**

Ms. Wenguer remarked that Mr. Trout was not present and said she had sent information regarding his request. She explained Mr. Trout had gone on disability in 1979 and retired in 1995. Mr. Cypen suggested postponing discussion until Mr. Trout was present.

**DROP Distribution Forms**

Ms. Wenguer reported she had simplified the forms. Mr. Bayne suggested adding "Police" to the form name so it was clear to firefighters that it was not for them.

**Investment Workshop**

Ms. Wenguer stated February 20 was a busy date for meetings and it was proving difficult to find a suitable space for that date. Chair Dew suggested booking the Marriott Harbor Beach for February 20 and 21.

**ConvergEx SEC Investigation/Final Order**

Ms. Wenguer said because of the investigation, the Board may not want to use ConvergEx any longer for commission recapture. Mr. Schmid said ConvergEx had explained that the investigation was limited to the actions of a few individuals and Fort Lauderdale's plan was not affected by the activity. Mr. Cypen said this type of investigation always called a firm's ethics into question and recommended the Board ask ConvergEx to attend their next meeting. Mr. Rudominer wished to cut ConvergEx entirely because of this and Mr. Bayne agreed. Mr. Schmid felt the Board could suspend their activities with them and give ConvergEx the opportunity to explain their actions.

**Motion** made by Mr. Bayne, seconded by Mr. Rudominer, to suspend ConvergEx until further notice. In a voice vote, motion passed 5-2 with Chair Dew and Mr. Fortunato opposed.

**Motion** made by Mr. Fortunato, seconded by Mr. Rudominer, to terminate ConvergEx. In a voice vote, motion failed 2-5 with Mr. Rudominer, Mr. Bayne, Mr. Cameron, Mr. Hole and Mr. Naugle opposed.

**PENDING ITEMS:**

**New Business:** None.

**Old Business:** None.

**FOR YOUR INFORMATION:**

**BNY ConvergEx  
Knight**

Recapture Summary/November, 2013  
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There being no further business to come before the Board at this time, the meeting was adjourned at 4:22 p.m.

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