

**January 6, 2016**

**POLICE AND FIREFIGHTERS' PENSION BOARD  
REGULAR BOARD MEETING  
888 South Andrews Avenue, Suite 202  
Fort Lauderdale, FL 33316  
Wednesday, January 6, 2016, 12:30 p.m.**

**BOARD'S COMMUNICATION TO THE CITY COMMISSION**

**Items that may be of interest to the City Commission:**

Board officers were elected for 2016: Michael Dew, Chairman; Ken Rudominer, Vice Chairman; Richard Fortunato, Secretary.

The Board adopted the NCPERS Code of Conduct for service providers

The Board selected Invesco Private Capital as an alternative investment manager

**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

**Absent**

None

**Also Present**

Alexandra Goyes, Administrative Assistant  
Robert Klausner, Board Attorney  
Linda Logan-Short, Deputy Director/CFO  
Kevin Schmid, CapTrust  
Steve Schott, CapTrust  
Jim Ingersoll, President of the Retirees Association  
Paul DeBold, Vice President, Retirees Association  
Rick Schulze, Retirees Association  
Hank Kim, Executive Director, NCPERS  
Jamie Opperee, Recording Secretary, Prototype Inc.

**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**

The Pledge of Allegiance was followed by a moment of silence.

**ELECTION OF OFFICERS**

Mr. Hole nominated Mr. Dew for Chair, seconded by Mr. Rudominer. Mr. Dew nominated Mr. Rudominer for Vice Chair and Mr. Rudominer nominated Mr. Fortunato for Secretary. In a voice vote, all three were

elected unanimously.

## MINUTES:

**Regular Meeting:** December 9, 2015

**Motion** made by Mr. Rudominer, seconded by Mr. Hole, to approve the minutes of the December 9, 2015 meeting. In a voice vote, the motion passed unanimously.

**Investment Workshop:** December 10, 2015

**Motion** made by Mr. Rudominer, seconded by Mr. Hole, to approve the minutes of the December 10, 2015 meeting. In a voice vote, the motion passed unanimously.

**Special Meeting:** December 14, 2015

**Motion** made by Mr. Hole, seconded by Mr. Rudominer, to approve the minutes of the December 14, 2015 meeting. In a voice vote, the motion passed unanimously.

## COMMENTS FROM PUBLIC

None.

## NEW HIRES

None.

<b>BENEFITS:</b>	<b>Fire Dept.:</b>	<b>Drop Retiree:</b>	David Arcas Timothy Blank John M. Bloomberg Michael Hicks John San Angelo
	<b>Police Dept.:</b>	<b>Drop Retiree: Survivor Death:</b>	Douglas Macdougall Elaine Patterson

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

<b>BILLS:</b>	<b>Vaughan Nelson</b>	<b>\$25,504.63</b>
	<b>Aristotle</b>	<b>\$10,960.85</b>
	<b>Klausner, Kaufman</b>	<b>\$5,580.25</b>
	<b>Milliman</b>	<b>\$4,850.00</b>
	<b>Retiree's Association</b>	<b>\$4,140.00</b>
	<b>Holland &amp; Knight</b>	<b>\$2,400.00</b>
	<b>Marcum</b>	<b>\$1,613.00</b>

**Motion** made by Mr. Rudominer, seconded by Mr. Hole, to approve payment of the bills as stated.

Ms. Wenguer explained the Retirees' Association had submitted a bill for attorney's fees for work related to a retiree's benefit. Mr. Klausner explained that only if there was litigation or an administrative proceeding, the prevailing party was responsible for fees. He stated the Board had no statutory obligation to pay the bill.

Mr. Ingersoll informed the Board that the Retirees' Association had agreed to represent Randy Trout in seeking his benefits and the Board had granted them. The Retirees were requesting reimbursement "because it's the right thing to do." Mr. Hole pointed out that the City had maintained poor records

regarding Mr. Trout; the Board was not responsible. Chair Dew recalled that the Board had accepted Mr. Trout's records in deciding in his favor.

Mr. Klausner cautioned the Board about setting a precedent for future proceedings. He felt if this had been the Board's fault, he would recommend paying the fee, but this had been due to poor payroll records. Mr. Klausner could not recall any previous circumstances when attorney's fees had been paid. Mr. Ingersoll argued that it would therefore not likely set a precedent.

Mr. Hole recalled that the City had not been able to produce any records and the Board had taken Mr. Trout's word for it. There had also been a question regarding whether the certification for which Mr. Trout had been compensated was justified.

**Motion** made by Mr. Rudominer to match the amount Mr. Trout would repay the Retirees' Association to cover the attorney's fees. Motion died for lack of a second.

Mr. Ingersoll stated if the Board refused to cover the attorney's fees, the Retiree's Association would have to institute a policy that they would never settle anything for a member through the Board without going to court, because then they could recover attorney's fees.

**Motion** made by Mr. Rudominer, seconded by Mr. Naugle, to amend Mr. Rudominer's previous motion to pay the bills as stated, less the \$4,140 the Retirees' Association had requested for Mr. Trout's legal fees. In a voice vote, the motion passed unanimously.

Mr. Ingersoll informed the Board that fee represented 30% of the Retirees' Association's annual budget.

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

Mr. Ingersoll had requested information on how their plan had performed compared to 175 and 185 monies for fiscal year 2015 and Chair Dew replied this data was not available yet.

Regarding Mr. Ingersoll's question about how many members would be eligible for a bonus from 1988; Mr. Klausner reported the actuary had determined the threshold had not been met for the 80 or so retirees in question. Mr. Ingersoll asked about a de minimis amount of money being provided to the widows of those members and Mr. Klausner explained that the City ordinance would not allow this unless the City Commission amended it to do so. Chair Dew asked Ms. Wenguer to provide a list of those members and their possible benefits.

Mr. Hole remarked that Mr. Cypen had indicated if a member retired prior to 7/8/2008, he/she would be entitled to the COLA but Mr. Klausner had opined that a member would have had to be "blessed" by the time the sunset was included in the ordinance. Mr. Klausner acknowledged the attorneys had different opinions and stated the Board was the judge of the ordinance. He agreed to confer with Mr. Cypen regarding his reasoning and said the Board would need to make the call.

#### **NCPERS Code Of Conduct: (under separate cover)**

**Hank Kim, Esq.**

Mr. Kim provided a Power Point presentation, a copy of which is included in these minutes for the public record.

Mr. Klausner stated the philosophy of the code of conduct was, "You shouldn't give your money to somebody who's using your money to put you out of business." He believed that the pushback would come with the issue of contributions, not work; if the economic power of an entity was "being used to do you in." He said, "You want people whose thought process as it relates to your business is uninfluenced by anything other than what's in the best interest of you as their customer." Mr. Kim said the goal was to eliminate conflicts of interest. Mr. Klausner said a brief questionnaire should be included in the rfp process if they adopted this code of conduct.

Mr. Rudominer wanted to ensure that adopting the code of conduct would not affect the quality of the people they hired to manage the fund. He added that defending defined benefit plans was part of the Board's mission statement.

Mr. Schott did not feel that adopting the code of conduct would have a material effect on their investing.

Mr. Kim explained that each year, NCPERS reviewed and amended the schedule A list.

Mr. Naugle said he did not support adopting the code of conduct. He thought those who felt defined benefit plans were unsustainable might be right and those were the people who could protect the plan better if it needed to be closed. He believed this was about political views.

Mr. Hole said it might be difficult for him to disengage from an entity that provided great returns but that was found to be working against defined benefit plans.

Mr. Cameron agreed with Mr. Naugle and said if they stuck to their mission, adopting the code of conduct was unnecessary.

**Motion** made by Mr. Bayne, seconded by Mr. Fortunato, to adopt the NCPERS code of conduct for service providers as presented. In a roll call vote, motion passed 5-2 with Mr. Naugle and Mr. Cameron opposed.

Mr. Kim informed Mr. Ingersoll that the fee to join NCPERS was \$250 per year. Mr. Rudominer made a motion to pay the Retirees' fee and Mr. Klausner stated he would donate \$250 to the Retirees' Association to cover the fee for the first year.

## **EXECUTIVE DIRECTOR'S REPORT**

### **Legal Contract**

Mr. Klausner said Mr. Cypen had no objections to the contract and he had incorporated the face sheet from their malpractice policy.

### **In-Service Distributions**

Ms. Logan-Short had brought the 1099s with her for review and explained that they had received a letter from Spodnick's attorney which quoted from ERISA and demanded the City not to send out the 1099s. The City was considering the legal ramifications of releasing the 1099s. Chair Dew asked that the Board's attorneys be provided with the letter and he wanted to ensure that the Board would not be legally liable.

Ms. Wenguer had heard from people whose withholding had increased due to the in-service distributions and Chair Dew asked Ms. Logan-Short to notify people of the change. Ms. Logan-Short said members could be provided with W4Ps that would allow them to elect to pay the taxes on their own instead of have the additional deductions from their checks.

### **Interest on Member Contributions**

Mr. Klausner informed the Board that he and the City Attorney's office had different opinions and this should be put on the Board's agenda to allow them to make the decision.

Mr. Klausner announced that they had funded Invesco by the end of the year. Invesco had agreed to his suggestions on with a side letter.

### **Summary Plan Description (under separate cover)**

Ms. Wenguer explained the plan had been revised to include the new tier. Mr. Klausner suggested the explanation include the caveat that anyone who accepted re-employment with the City after retiring might experience unexpected tax consequences and they should contact the pension office. Some additional suggestions were made to be incorporated in the new SPD. The Executive Director will provide another draft.

### **Salary Survey**

Ms. Wenguer stated Ms. Goyes had prepared the report. She and the Board discussed the results. Mr. Rudominer said this was great data they could use as a starting point when they advertised for an assistant administrator.

**PBI Info**

Ms. Wenguer explained that she used this to determine who had passed away but she had found out that this was not 100% accurate because states were not required to report when someone passed away. They currently paid PBI \$285 per quarter for the information. Social Security had a system that could search social security numbers to determine when someone had died but Social Security had denied their request to perform that review because they did not qualify. Ms. Wenguer and Ms. Goyes were trying to determine why they did not qualify.

Ms. Wenguer informed the Board that PBI had a program that would search the City's database every week and notify them if anyone had passed away. This would cost less than \$500 more per year than the current plan.

**Motion** made by Mr. Bayne, seconded by Mr. Rudominer, to enroll in the PBI weekly notification program for one year. In a voice vote, motion passed unanimously.

**Academic Incentive Payments**

Ms. Wenguer said they paid some retirees on February 1 each year for the prior year. She had asked the City to take this over and the City had agreed, but it could not be done by February 1. She suggested that 1099s be accompanied by a notice that the check would not be issued February 1 but the funds would be included as part of beneficiaries' monthly benefit payments. Ms. Logan-Short explained that the City should be able to add the payment to beneficiaries' March checks.

Ms. Wenguer announced she had been elected as a trustee on the General Employees' board.

**CAPTRUST:****Monthly Investment Review**

Mr. Schmid reported bonds had been slightly negative for the quarter. The S&P 500 had been sharply positive -- over 7% for the first quarter of the plan year.

Mr. Schmid confirmed everything had been completed with Invesco and the capital call had been wired on December 31. They had also submitted the \$11.5 million partial redemption request to Entrust and the funds should be available in April. They were currently down to approximately \$6 million in cash and he would work with Ms. Wenguer to raise the additional \$8 million needed to cover February, March and April benefit payments.

Mr. Schmid announced that Kevin Smith from Prudential would attend the Board's February meeting. He would explain the new method Prudential would use to calculate the fee in the fund, which would result in a slight increase. Chair Dew wondered how the fee could change while they were under a contract.

Mr. Schmid said Pat Kelly at Agincourt had performed scenario testing on the portfolio and he did not recommend any changes based on the results.

**COMMUNICATION DIRECTOR'S REPORT** Fred Nesbitt

Mr. Nesbitt reported they would host the panel on judging disability cases at the FTTPA again. He stated he was working on the annual report and invited input.

**PENDING ITEMS****New Business**

None.

**Old Business**Schedule A

No discussion.

There being no further business to come before the Board at this time, the meeting was adjourned at 2:39 p.m.

**FOR YOUR INFORMATION:  
KCG Recapture Statement**

**November 30, 2015**

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

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