

**July, 2011**

POLICE AND FIREFIGHTERS PENSION BOARD  
REGULAR BOARD MEETING  
WEDNESDAY, JULY 13, 2011, 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  
Gloria LeClaire, Controller  
Gregg Gurdak, President, Retirees' Association  
Linda Soloman-Duffey, Secretary, Retirees' Association  
Fred Nesbitt, Director of Media Relations  
Jack Cann, Retirees' Association  
Jack Chew, Retirees' Association  
Frank Colleran, Retirees' Association  
Walter Courtney, Retirees' Association  
Bob Dawson, Retirees' Association  
George Farrell, Jr., Retirees' Association  
Jim Ingersoll, Retirees' Association  
Fuzzy Larkin, Retirees' Association  
Bill Paton, Retirees' Association  
Rick Schulze, Retirees' Association  
John Stuber, Retirees' Association  
Jason Hersh, Fort Lauderdale Police Department (former)  
Officer V. Schrider, Fort Lauderdale Police Department  
Captain Eric Brogna, Fort Lauderdale Police Department  
Michelle Klymko, Esq.  
Kevin Schmid, CapTrust  
Barbara Hartmann, Recording Secretary, Prototype, Inc.

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, July 13, 2011, in the Pension Board Conference Room, 888 S. Andrews Avenue, Suite 202, Ft. Lauderdale, Florida 33316.

Communications to the City Commission

The Board anticipates that the City will save approximately \$290,000 by making a prepayment of their employer contribution.

Chair Dew called the meeting to order at 12:30 p.m.

MINUTES: Regular Meeting

Motion made by Vice Chair Rudominer, seconded by Mr. Hole, for the acceptance of the minutes of the June 8, 2011 meeting. In a voice vote, the motion passed unanimously.

#### BENEFITS:

Police Department:

New Retiree: Daniel L. Dodd

(Term of DROP): Jack R. Gee, Jr.

Raymon L. Hall

Charles J. Stack

DROP Retiree: Robert Bolden

Vesting: Robbie Blish

Refund Request: Brandon Barlow

Survivor Death: Ruth Dietrich

Motion made by Mr. Fortunato, seconded by Vice Chair Rudominer, for acceptance of the benefits. In a voice vote, the motion passed unanimously.

The following Items were taken out of order on the Agenda.

#### BILLS:

|                     |             |
|---------------------|-------------|
| Northern Trust      | \$29,766.79 |
| NorthPointe Capital | \$21,743.94 |
| CapTrust            | \$18,750.00 |
| Cornel Lupu, M.D.   | \$1,500.00  |
| Ellen Schaffer      | \$925.00    |

Motion made by Vice Chair Rudominer, seconded by Mr. Fortunato, for the payment of the bills as documented.

Ms. Wenguer noted that Northern Trust had referred to a transition account of \$80 million; she had advised that this was not the fund's account balance as of March 31, 2011, based upon a statement that showed this balance at \$480 million. The bill should be for \$29,766.79.

In a voice vote, the motion passed unanimously.

#### CAPTRUST:

Monthly Progress Report Kevin Schmid

Mr. Schmid advised that the fund is reaching the end of its initial transition phase, and recalled what has been done thus far: two passive bond strategies have been terminated on the fixed income side and were replaced by two active managers, and small cap manager NorthPointe was terminated and replaced with Eagle Asset Management and Franklin Portfolio Advisors. The mid cap index was also funded by the end of June.

On the real estate side, American Realty approved a \$7.5 million contribution, \$4.5 million of which was called up on June 24. This helped reduce the plan's excess cash. On the alternative investment side, a \$20 million partial redemption for K2 should come in by the end of July. An additional allocation was made to Pimco Asset Fund, which was completed today.

Mr. Schmid stated that throughout 2011 and 2012, CapTrust will continue its discussions with the Board on how to further diversify the plan's alternative investment allocation. He continued that today he would discuss international equities with the Board; the normal quarterly review would be given at the August meeting, and international equity managers would present to the Board in September. Today's presentation would be an initial review of this asset class.

## International Equities – Manager Comparisons

Mr. Schmid explained that this preliminary comparison, prepared by CapTrust, quantitatively reviewed a group of managers, including the two incumbent international equity managers, Artio and Thornburg. The figures listed are accurate through March 31, 2011. Mr. Schmid concluded that the list is intended to help the Board determine which managers they might want to hear from in September.

Vice Chair Rudominer asked Mr. Schmid to briefly discuss how the managers listed might complement the plan's current international equities managers. Mr. Schmid referred the Board to a comparison of the managers listed in the handout, stating that all the choices on the list would be good ones, as most are in the top quartile; those managers with a 10-year track record often rank even higher.

He advised that the Board should consider another manager that does not invest and perform in the same way as one incumbent international manager, Thornburg, in order to diversify the plan. He referred the Board to a correlation of the over- or underperformance of the managers in comparison with one another. Two managers in particular, Manning Napier and Lazard, have no correlation with Thornburg. He cited examples of other international managers with slightly higher correlations, noting that the other current international manager, Artio, has an 0.33% correlation with Thornburg.

Some managers were included in the list for comparison only, and Mr. Schmid advised that he would not recommend the Board use them in addition to Thornburg. While he has confidence in all the managers listed, the key differentiation would be the one that fits best with what is already in place as an international mandate.

Mr. Schmid said the document on international managers would be updated through June 30 by the August meeting; this could aid the Board in making a decision on which managers they would like to present in September.

### Service Connected Disability: Jason Hersh

Mr. Cypen stated that this was the informal disability hearing for the service-incurred disability pension of Jason Hersh. He noted that the first 73 pages of the information packet deal with the application and the reports of various medical examinations, including Dr. Cornel Lupu, the Board's standing physician.

Mr. Cypen explained that three criteria must be met to the Board's satisfaction:

- Disability is total;
- Disability is service-incurred;
- Disability is permanent.

He continued that if an individual is terminated due to disability, this answers the question of whether the disability is total, as the City has determined that there is no position for that individual. Permanence means the disability is not expected to go away within the reasonable medical future, and service-incurred means the disability occurred in the line of duty or as a result of the individual's service. The Applicant may make a statement and answer questions from the Board, and other individuals present from the City may address the circumstances of the termination.

The Board heard Mr. Hersh's case.

Motion made by Mr. Hole, seconded by Vice Chair Rudominer, that Jason Hersh's disability be denied, as all three criteria are not present: total, service-incurred, and permanent.

In a roll call vote, the motion passed unanimously.

Mr. Cypen said the administrator would send the appropriate letter with notice and requirements.

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

Mr. Colleran said he understood the costs associated with his issue had been calculated, and that this information would be distributed at today's meeting and placed on the August agenda for further discussion. Ms. Wenguer confirmed this.

Chair Dew recalled that some members of the Retirees' Association had requested that copies of the agenda be available upon arrival. He said Staff would have these additional copies in the future.

#### COMMUNICATION DIRECTOR'S REPORT:

Mr. Nesbitt said he had nothing to report.

Chair Dew stated that on July 6, he gave a presentation to the City Commission. Trustee Naugle was also present at this time and offered additional information. There was no negative feedback, and the Chair received correspondence from the Commissioners stating that the Trustees were doing a good job.

#### ADMINISTRATOR'S REPORT:

Ms. Wenguer requested that the members give their disability packets to Ms. Cintron so Staff would not need to reproduce this information in the event of a formal hearing. She noted that there are additional disability hearings coming up, and suggested that the first part of the packet, with the Board's doctors' reports and information, be provided in the form of a hard copy while the remainder of the packets would be distributed electronically.

She continued that another suggestion was that the Board purchase a television so pages could be put up on the screen electronically; this would prevent the members from having to keep all the information in front of them. All presentations would be shown on-screen so everyone in the room could see what is being discussed. She felt they could get a sufficiently large screen for less than \$1000, and it would be a worthwhile investment and would cut down on paperwork.

Motion made by Vice Chair Rudominer, seconded by Mr. Fortunato, for that expenditure. In a voice vote, the motion passed unanimously.

Chair Dew asked that, if possible, disability hearings be gauged so there are no overly long meetings featuring both hearings and multiple presentations. If both a hearing and a presentation are scheduled for the same meeting, he requested that the presentation be relatively brief.

Mr. Naugle observed that the Chair has the right to limit discussion to a specific time frame for presentations. Chair Dew noted that at times he allows presentations to go over their time because they are very informative, citing last month's private equity presentation as an example. It was also noted that Trustees are allowed to ask questions for as long as necessary.

#### Fort Lauderdale Office Space

Mr. Naugle noted that the members' information packets contained an email from Capstone Title Partners, the owner of the building, offering to reduce the rent by \$2.10 per sq. ft., effective immediately; they would also like the Board to sign a lease for an additional five years. The unfavorable part of this offer is that upon renewal of the lease, they would like a 4% per year increase as opposed to the current 3% per year.

He said when the Board first leased the building, they paid \$18.50 per sq. ft. The charge is now \$25.85 per sq. ft., which would be reduced to \$23.75 with the offer described above. The landlord finds the Board to be a low-maintenance tenant and would like to retain them.

Mr. Naugle observed that some leases are calculated on a consumer price index (CPI), which means the rent only increases as the CPI does, as opposed to the automatic 3% annual increase. The current lease does not expire until February 2013. The Board's options are to consider the offer made by the landlord, counter the offer, or leave their options open and continue until the following year, at which time one full year would remain until the lease expires.

He called the Board's attention to a property located at Cypress Creek, which would cost approximately half the rent they are paying for the current building. Mr. Naugle advised that Staff felt this current location was a good location. Ms. Wenguer agreed, adding that she felt they should be in the Downtown area. The location is close to both the Police Department and City Hall, and would make it easier for consultants who attend meetings, as it is located near the airport. It was noted that another space in the current building is also available.

Mr. Cypen and the Board members discussed potential counteroffers to the proposed changes to the existing lease, as well as details of both the current space and the proposed Cypress Creek location. Chair Dew observed that the current economic climate may place the Board in a better position to negotiate the terms of the proposed renewal, and suggested that they might take the renewal with a 3% annual increase, unless Mr. Naugle was able to negotiate a better deal.

Motion made by Vice Chair Rudominer, seconded by Mr. Hole, to counter at \$22.00 and 3% or CPI, whichever is lower. In a voice vote, the motion passed 6-1 (Mr. Bayne dissenting).

Ms. Wenguer advised that the final Actuarial Report has been received, and copies are available to those who want them. Chair Dew asked that City Director of Finance Doug Wood and new City Manager Lee Feldman have hard copies as well as electronic copies.

Ms. Wenguer concluded that she had provided members with a nine-month budget, which will have one minor change: there is a "sweep fee" associated with the Northern Trust account, and that institution's auditors now require that income and expenses generating income be broken out on the bank statement. She explained that the bank fee will look slightly higher because of this.

#### Pension Software RFP

Ms. Wenguer said the committee will meet the following week to discuss the RFP, and she hoped to have information on this for the Board at the August meeting. She reported that some of the bids are significantly more expensive than anticipated.

In addition, the City is reviewing its own payroll system. Ms. LeClaire said the Budget Advisory Board has requested that the City consider outsourcing payroll, and RFPs for this process are currently under review.

#### PENDING ITEMS:

New Business

None.

Old Business

Chair Dew asked if SPDs had been mailed out. Ms. Wenguer said a sample printing is being sent to the office for review, after which time it will be printed and distributed.

Chair Dew requested an update regarding the Deferred Retirement Option Plan (DROP) distribution options. Ms. Wenguer said she had not received an update at this time. Mr. Bayne said there is a possibility this would be discussed during the next contract negotiations, which would begin in March and take effect in October 2012. Chair Dew advised Ms. Wenguer to address the issue with Mr. Wood when possible.

Ms. Wenguer said the City has decided to make their \$15 million contribution to the plan on Friday, July 15, rather than in October in order to avoid paying additional interest. The actuary must first confirm the computation showing it will save the City roughly \$300,000 in interest. They will work on making the contribution in a different manner in 2012 in order to save on the 7.75% interest they have been paying.

The Board determined that their communication to the City Commission would be as follows: the City will save approximately \$290,000 by making a prepayment of their employer contribution.

There being no further business to come before the Board at this time, the meeting was adjourned at 1:40 p.m.

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