

July 6, 2016

**POLICE AND FIREFIGHTERS' PENSION BOARD
REGULAR BOARD MEETING
888 South Andrews Avenue, Suite 202
Fort Lauderdale, FL 33316
Wednesday, July 6, 2016, 10:00 a.m.**

Present

Michael Dew, Chair
Ken Rudominer, Vice Chair
Dennis Hole, Trustee
Jim Naugle, Trustee
Scott Bayne, Trustee
Jeff Cameron, Trustee
Lynn Wenguer, Executive Director

Absent

Richard Fortunato, Trustee

Also Present

Kirk Buffington, Director of Finance
Steve Schott, CapTust
Kevin Schmid, CapTrust
Alexandra Goyes, Deputy Director
Robert Klausner, Board Attorney
John Herbst, City Auditor
Jim Ingersoll, President, Retirees' Association
Paul DeBold, VP Retirees' Assn
Fred Nesbitt, Communication Director
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.

MINUTES:

Regular Meeting: June 7, 2016

Ms. Wenguer said the communication to the City Commission should read that the State had *received* and approved the 2015 annual report.

Motion made by Mr. Naugle, seconded by Mr. Hole, to approve the minutes of the June 7, 2016 meeting as amended. In a voice vote, the motion passed unanimously.

COMMENTS FROM THE PUBLIC

None.

NEW HIRES

Chair Dew recognized the new hires.

BENEFITS:	POLICE DEPT.:	Vesting:	Brent Chase
		Retiree Death:	Johnny L. Walker

BENEFITS:	FIRE DEPT.:	Drop Distribution:	Jerald E. Fuller
		New Retiree: (Term of Drop)	Constantino Pazos
		New Beneficiary:	Kenneth J. Thawley Sharon Arnal

Ms. Wenguer informed the Board that Kenneth Thawley's share amount was wrong because he had signed early and it would change again due to interest that would continue to post. She asked if these changes should be brought back to the Board to approve. Mr. Klausner opined that making these changes was within the Director's purview. If a mistake was discovered, she could report the correction to the Board. He advised that the form members filled out should indicate that share amounts were subject to final confirmation. Ms. Wenguer agreed she would also include the information that amounts were estimates until the final confirmation.

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

BILLS:	Klausner & Kaufman	\$1,625.00
	Milliman	\$4,850.00

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

Mr. Klausner stated there was no effective date on the Klausner & Kaufman contract and asked the Board to consider an April 1 effective date. They would be paid \$3,000 per month since April, less payment(s) already made. Ms. Wenguer said the balance due was the stated \$1,625 plus another \$3,750 for a total of \$5,375.

Motion made by Mr. Naugle, seconded by Mr. Rudominer, to amend the motion to make the Klausner & Kaufman retainer contract effective April 1 and to credit back any charges since that period. In a voice vote, the motion passed unanimously.

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

INPUT FROM ACTIVE & RETIRED POLICE OFFICERS & FIREFIGHTERS

Mr. Ingersoll said they had a great meeting with Mayor Seiler a few weeks ago.

CAPTRUST

Kevin Schmid, Steve Schott, CapTrust

Monthly Investment Review

Mr. Schmid reported stocks had rallied after the Brexit vote. The S&P 500 was up approximately 2.5% for the quarter; mid and small caps were up slightly more than that; international stocks were slightly negatives and bonds were up 1.5%. They were making slow and steady progress toward their 7.5% actuarial return for the plan year.

Performance-based Fees

Mr. Schmid said he had made progress with the managers, but none had matched the InTech model. He reviewed the proposals from the managers and said they needed to consider whether they wished to move forward. The first main concern was that managers would outperform benchmarks and therefore they would pay higher fees. Mr. Schmid stated they would pay managers higher fees in periods of better relative performance and also in periods of weaker absolute performance.

Chair Dew said this was an exercise to ensure the Board met its fiduciary responsibilities and best practices regarding fees.

Mr. Rudominer stated one argument for choosing passive management was the savings on fees; he asked if this research addressed that. Mr. Schmid explained this could give them more comfort that

they were only paying higher fees when managers outperformed the index. He noted that historically, managers who had not met objectives were replaced by the Board. Mr. Schmid's opinion was that they would pay higher fees if they had the right managers in place and they outperformed.

Chair Dew recognized that they had done their due diligence and questioned whether they wished to pursue performance-based fees any further. Mr. Bayne agreed it would not be worth it because the fees may well end up being higher. Chair Dew thanked Mr. Schmid for his efforts.

Chair Dew recalled the FPPTA presentation by Ronald Ryan from Ryan ALM and said he had asked Mr. Ryan to get CapTrust's opinion on asset liability. Mr. Schott stated Mr. Ryan had been accurate in the 1980s regarding use of bonds to "immunize" a fund during high interest rate markets. With the current low interest rates, Mr. Schott did not feel this was an advisable strategy now. Mr. Schmid explained that liabilities were valued based on an interest rate. Mr. Heinrichs used one interest rate to discount all liabilities but Mr. Ryan used a yield curve based approach which worked well in a corporate pension plan model in which the goal was to "get rid of" the pension plan as quickly as possible, the opposite of this pension fund's goal.

COMMUNICATION DIRECTOR'S REPORT:

Mr. Nesbitt thanked Chair Dew for his presentation to the City Commission, which had been very effective, educational and understandable.

Mr. Nesbitt reported that in the June 13 issue of Pensions and Investments Magazine, there had been a good graph showing different investment strategies over a 25-year period. According to the graph, a portfolio comprising active, passive and alternative investments produced the highest risk-adjusted return.

EXECUTIVE DIRECTOR'S REPORT:

Capital Calls

Ms. Wenguer reported there had been five capital calls since the last meeting. Their cash was now down to \$107,000, the lowest ever. They were doing drawdowns on all active equity managers and the Lazard Global Infrastructure Fund to have money available for the next two payrolls.

Investment Workshop

Ms. Wenguer wished to start scheduling for the Investment workshop. The Board agreed on January 11-12 and asked Ms. Wenguer to check availability of the Riverside Hotel.

New Administrative Assistant

Mr. Wenguer announced that she had hired a new assistant, Jazmin Elliott, who would begin the following Monday.

In-Service Distributions

Mr. Buffington reported Ms. Logan-Short was meeting with GERS to resolve one last issue and they would be ready to send the P and F letters the following week.

Officer Copier Lease

Ms. Wenguer said the lease had expired and the new monthly rate would be \$190.00 per month, slightly lower than before. She asked the Board to approve a new lease of up to \$200 per month for the next three years.

Motion made by Mr. Rudominer, seconded by Mr. Cameron, to approve a new officer copier lease of up to \$200 per month for the next three years. In a voice vote, motion passed unanimously.

PENDING ITEMS:

New Business:

No discussion.

Old Business:

Schedule A

No discussion.

FOR YOUR INFORMATION:

**Northern Trust
KCG Recapture Statement**

SEC Examination of Boyd Watterson
Recapture Summary/May, 2016

There being no further business to come before the Board at this time, the meeting was adjourned at 1:16 p.m.

Secretary

Chairman

Any written public comments made 48 hours prior to the meeting regarding items discussed during the proceedings have been attached hereto.

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

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