

June, 2014

POLICE AND FIREFIGHTERS' PENSION BOARD
REGULAR BOARD MEETING
888 South Andrews Avenue, Suite 202
Fort Lauderdale, FL 33316
Wednesday, June 11, 2014, 12:30 p.m.

Present

Michael Dew, Chair
Ken Rudominer, Vice Chair
Scott Bayne, Trustee
Jeff Cameron, Trustee
Richard Fortunato, Secretary
Dennis Hole, Trustee
Jim Naugle, Trustee [arrived 12:40]
Lynn Wenguer, Administrator
Steve Cypen, Cypen & Cypen, Board Attorney

Also Present

Amanda Cintron, Assistant Administrator
Laurie DeZayas, Pension Secretary
Linda Logan-Short, Deputy Director of Finance and CFO
Fred Nesbitt, Director of Media Relations
Kevin Schmid, Cap Trust
Christopher Keenan, Kevin Manning, Jack Farland, EnTrust Capital
Alan Eichenbaum, attorney for Randy Trout
Randy Trout, Retirees' Association
Rayann Trout, spouse of Randy Trout
Walt Courtney, Retirees' Association
Al Scotti, Retirees' Association
Paul DeBold, Retirees' Association
David Raines, Fire Marshal
James Ingersoll, President of the Retirees' Association
Lisa Edmondson, Recording Secretary, Prototype Inc.

Communications to the City Communication
None.

Note: Items were discussed out of order.

ROLL CALL/CALL TO ORDER

Chair Dew called the meeting to order at 12:31 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: May 21, 2014

Mr. Bayne and Chair Dew noted a change to the minutes.

Motion made by Mr. Rudominer, seconded by Mr. Hole, to approve the minutes of the May 21, 2014 meeting as amended. In a voice vote, the motion passed unanimously.

NEW HIRES:

Chair Dew recognized the new hires.

COMMENTS FROM PUBLIC

None.

BENEFITS: POLICE DEPT.:

New Retiree: (Term of DROP) Randall L. Pelham
Vested Retirement: Michael R. Williams
DROP Retiree: Karen E. Dietrich
New Beneficiary: Elenor Picard
Survivor Death: Barbara Rizzitello

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

BILLS: Holland and Knight \$50.00

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

INPUT FROM ACTIVE & RETIRED POLICE OFFICERS & FIREFIGHTERS:

Mr. Ingersoll noted there was an imbalance in benefits depending on when one retired that needed to be corrected. Chair Dew reported the actuary was working on this now. The Board would get a report as soon as the actuary was finished.

CAPTRUST:

Monthly Performance Review Kevin Schmid

Mr. Schmid reported the market continued to do well. They had raised cash from the fixed income managers the previous week. He said they were looking at potential fee reductions at RhumbLine and Eagle.

ENTRUST

Special Opportunities Fund III

Mr. Keenan and Mr. Manning provided a presentation and distributed information binders to Board members.

Mr. Keenan said they had raised \$200 million in Fund I in August 2008 and there had been multiple closes. In Fund II there had been one close in November 2011 and Fund III would have one close in the fall/winter of 2014/2015.

Mr. Keenan said there was no cap on asset allocation; the managers had tremendous flexibility but he thought they had never had one investment exceed 12-14% of the fund.

Chair Dew asked what the fees would be. Mr. Keenan stated the management fee would be 1.25% with a 10% incentive fee, assuming they achieved a 7.5% return. Any incentive fees were held in escrow until the end of the life of the fund. Mr. Manning clarified that the incentive fee was on gains only.

Mr. Bayne asked if any of the firm's practices or policies were contrary to supporting defined benefit pension plans, specifically supporting legislation, groups or organizations that opposed defined benefit plans. Mr. Keenan said they did not and stated they managed money for more defined benefit plans than their competitors.

Mr. Rudominer asked about Fund I in 2008 and Mr. Keenan said they had launched that fund to take advantage of the illiquidity in the marketplace caused by the financial crisis. He was confident they could find investments that could generate the kind of returns consistent with this strategy.

Mr. Schmid informed Chair Dew that there were other opportunistic funds out there. He said the higher returns were from the liquidity risk they were taking.

Mr. Cypen asked if the fact that there was no cap on the percentage they segmented in an investment scared Mr. Schmid. Mr. Schmid said this was a concern, not a major one. This was a higher risk investment. He did not

anticipate they would ever get over 30-35% in any one investment. If an opportunity was very special, Mr. Schmid wanted to give EnTrust the flexibility to put a decent chunk of money in it but he acknowledged this increased risk.

Mr. Hole asked about minimum investments and Mr. Schmid thought EnTrust would work with them. Based on the size of the fund, he did not feel less than 2% of the fund would be worth it. Mr. Schmid had other funds considering this investment but no one had committed to it yet. He noted that, on an absolute basis, it looks nice, but again, it's actually underperformed what the equity markets have done. It was therefore not a necessary investment. Mr. Schmid explained that the opportunistic wave had escalated post-2008 to pick through the wreckage of the 2007-2008 financial crisis.

Chair Dew wished to think about this more and revisit it in September. He also wanted to hear from other opportunistic fund representatives.

COMMUNICATION DIRECTOR'S REPORT: Fred Nesbitt

Email from William Goetz

Chair Dew reported that William Goetz, a resident, had sent an email to the City Auditor and the City Attorney regarding the pension fund's performance review and Mr. Heinrichs had opined that most of it is misrepresentation and inaccuracies. Chair Dew and Mr. Nesbitt had drafted a response letter and asked the Board to authorize sending it. Mr. Rudominer felt it was not worth responding to something sent to someone else. Chair Dew said Mr. Goetz had the ear of the Commission and Chair Dew considered this response to be the proactive approach to Mr. Goetz's claims. Chair Dew said Mr. Herbst had requested a response.

Chair Dew agreed to send the letter to those who had received Mr. Goetz's correspondence.

Mr. Nesbitt had received an inquiry from a reporter at the Florida Union Times investigating DROP plans. She wanted information for a comparison piece.

ADMINISTRATOR'S REPORT

Randy Trout's Academic Incentive Pay

Mr. Eichenbaum reviewed a calculation sheet to Board members and said no interest had been included in the calculations of retroactive payments. He stated since 2004, the IRS had required that plans have an interest rate provision for retroactive payments in ERISA plans. Mr. Cypen said this did not apply here. Mr. Eichenbaum added that the disability retirement had not been included but Mr. Trout had been out on disability retirement prior to retiring during the time. Mr. Cypen agreed Mr. Trout was entitled to the Incentive pay for the periods he was out on disability. Mr. Eichenbaum stated there were additional courses which had not been included in the pay calculation. The Trustees explained that they could not include courses that Mr. Trout did not receive academic pay for. Chair Dew stated the Board would handle this next month.

Mr. Cypen asked if there had been a civil compensation case against the City resulting from Mr. Trout's suffering a gunshot wound at the hands of a coworker. Mr. Trout explained that he was not allowed to sue the City civilly. He had sued the employee who shot him and the gun manufacturer for the unsafe weapon. Mr. Trout said there had been a lien against the award from the gun manufacturer for the City to collect costs for Mr. Trout's medical costs and salary. He had returned all the salary he was paid during the time he was injured and the City paid the medical costs. Mr. Trout stated the pension plan said he was guaranteed no less than 65% of his salary if he was injured.

Fire Marshal Position

Ms. Wenguer reported that firefighter certification was a requirement of the Fire Marshall position when Mr. Raines was hired, contrary to what Human Resources had stated. Mr. Cypen said they must now correct the situation.

Mr. Raines said when he was hired, he should have been offered the opportunity to join the pension. Mr. Cypen stated this was mandatory, not an option. He advised the Board to inform the City Manager that the City must take retroactive action.

Ms. Logan-Short explained that for the 401(a), the City contributed 9% and the employee contributed nothing; there was no option for the employee to contribute.

Mr. Cypen stated Mr. Raines should be put into the pension plan now but Mr. Bayne pointed out Mr. Raines would be terminating his employment soon so he could not be put into the pension plan. Mr. Raines stated he would terminate in July.

Mr. Raines said the City Manager had informed him that if the City needed to pay restitution to the pension, they would take money from his 401(a) to offset the costs. Mr. Cypen said this was an issue with the City because Mr. Raines would not be put in the pension plan if he was leaving. Mr. Cypen advised the Board to table the item to the Board's August meeting.

Motion made by Mr. Rudominer, seconded by Mr. Hole to table this item to the Board's August meeting. In a voice vote, motion passed unanimously.

In-Service Distributions

Chair Dew reported the Executive Board of the Fort Lauderdale Police Union had decided they would not open any pension articles. The Executive Board pointed out that Pembroke Pines now has a in-service distribution ordinance but Fort Lauderdale does not, so there was no reason to wait for resolution of the case in Pembroke Pines. Mr. Bayne confirmed the Fire Department was in the same position. Ms. Logan-Short had compiled a list that would help the Board move forward. Ms. Logan-Short did not anticipate any additions to the system-generated list. She agreed to add columns for original hire date, termination date, past position name and any additional columns Mr. Cypen requested. Ms. Logan-Short said the list was only of active employees; they still needed to generate a list for terminated employees and this would be drawn from archived files. The Board agreed to send this information to Mr. Cypen. Mr. Cypen will forward this information to Attorney Bob Friedman for his review.

Interest on Cumulative Gains & Losses

Ms. Wenguer said Mr. Heinrich was looking at this and he estimated it would cost \$2,000 to \$2,500 for him to prepare the study.

Motion made by Mr. Bayne, seconded by Mr. Rudominer to authorize paying Mr. Heinrichs up to \$2,500 to prepare the study on Interest on Cumulative Gains & Losses. In a voice vote, motion passed unanimously.

Milliman Software Changes- Revised Quote

Ms. Wenguer reported the revised quote was as follows:

Police only:	\$38,000
Police and then Fire:	\$48,000
Police and Fire together later:	\$43,000

Ms. Wenguer said they could wait; there were only three people who had DROPs on account.

Annual Report

Regarding the annual report, Ms. Wenguer said Mr. Heinrich was talking to the State about problems the State had with not reporting the City's contribution.

Chair Dew wanted to pursue this as soon as possible because this could hold up their State funding. Ms. Wenguer agreed to call Mr. Heinrich.

GERS

Ms. Wenguer said they had submitted the request to GERS regarding the eight or nine members they wanted money from, including the 7.5% interest. GERS stated if they had refunded money to the people, it would have been at 3% and questioned why they were requesting 7.5%. There would be a special meeting Monday, June 16 to discuss it. Ms. Wenguer agreed to attend.

RhumbLine Fees

Ms. Wenguer had noticed that RhumbLine's fees were higher than another plan and RhumbLine had sent her a new contract that would save them 20% on the fee.

Motion made by Mr. Cameron, seconded by Mr. Naugle to approve the revised contract with RhumbLine. In a voice vote, motion passed unanimously.

Form I

Ms. Wenguer reminded everyone to complete the form by July 1.

PENDING ITEMS:

New Business:

None.

Old Business:

Schedule A

No discussion.

Funding Policy

Mr. Hole asked if Mr. Heinrich had responded regarding the Funding Policy and Ms. Wenguer reported he had not provided input yet.

Ms. Wenguer's Contract

Mr. Heinrich had created a report regarding Ms. Wenguer's contributions for her GERS time. She had informed GERS that she would send the report and the funds could be taken out of her 457 money. Mr. Cypen had called Mr. Dunkel but he had not returned the call yet. Mr. Cypen remarked Ms. Wenguer was not asking for anything to which she was not entitled and Chair Dew pointed out it had been done in the past.

Chair Dew said Ms. Wenguer's request for her title to be changed to Executive Director was appropriate. He was researching additional information regarding a salary adjustment.

Pembroke Pines In-Service Distributions

Mr. Cypen said as far as he knew, Rick Burke, the attorney representing the City of Pembroke Pines, had not heard back from the IRS yet.

Communications to the City Communication

None.

There being no further business to come before the Board at this time, the meeting was adjourned at 2:42 p.m.

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