

March 14, 2018

**POLICE AND FIREFIGHTERS' PENSION BOARD
REGULAR BOARD MEETING
888 South Andrews Avenue, Suite 202
Fort Lauderdale, FL 33316
Wednesday, March 14, 2018, 12:30 P.M.**

Communication to the City Commission:

1. The Board approved the audited financial statements for the plan year ending September 30, 2017.

Board Members

Ken Rudominer, Chair	P
Richard Fortunato, Vice Chair	P
Scott Bayne, Secretary	P
Jim Naugle, Trustee	P
Jeff Cameron, Trustee	A
Dennis Hole, Trustee	P
Derek Joseph, Trustee	P
Lynn Wenguer, Executive Director	P

Also Present

Alexandra Goyes, Deputy Director
 Fred Nesbitt, Board Communication Director
 Bonni Jensen, Board Attorney
 Linda Logan-Short, Acting Director of Finance
 Kevin Schmid, CAPTRUST
 Tammy Goldstrich, Marcum LLP
 Paul DeBold, Retirees Association President
 Rick Schulze, Retirees Association Vice President
 Brad Heinrichs, Foster and Foster
 Michael Dew, former Chair of Police and Firefighters' Pension Board
 Jamie Opperlee, Prototype Inc.

ROLL CALL/CALL TO ORDER

The meeting was called 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.

COMMENTS FROM THE PUBLIC/ ACTIVE & RETIRED POLICE OFFICERS & FIREFIGHTERS

Mr. DeBold reported he had been elected President and Rick Schulze had been elected Vice President at the annual meeting.

Michael Dew, former Chair of the Board, thanked the Board for their work and wished them good luck.

MARCUM LLP: (under separate cover)

Tammy Goldstrich

2016/17 Audited Financial Statements

Ms. Goldstrich noted Board members had been supplied with draft copies of the report and reviewed the audit. She reported the financial statements presented fairly, in all respects, the financial condition of the plan. Total return on investments for 2017 was 11.69%, compared to 8.11% in 2016. The funded

ratio had increased from 92% in 2016 to 96% in 2017. She said there had been no issues this year, and no significant changes from last year.

Chair Rudominer asked if there was another type of audit that would reveal material weaknesses and Ms. Goldstrich said there was, but this audit had not revealed any. Ms. Wenguer stated she was very comfortable with the results of this audit.

Motion made by Mr. Bayne, seconded by Mr. Fortunato, to approve the 2016/17 Audited Financial Statements. In a voice vote, motion passed unanimously.

FOSTER & FOSTER: (under separate cover) Brad Heinrichs
2017 Actuarial Valuation

Mr. Heinrichs reviewed the Actuarial Valuation Report, which was used to determine the City's contribution for the year. He reported funding requirements had increased because they had lowered the assumed rate of return from 7.5% to 7.4%. Turnover was lower than anticipated, which also increased costs.

Mr. Heinrichs drew the Board's attention to page eight and said there were 25 more plan members this year. He noted there was \$33 million in unrecognized investment gains that had not yet flowed into the system. If they met the assumptions next year, a portion of that \$33 million would be used to offset funding requirements and would also be recognized in the cumulative gains and losses .

Mr. Heinrichs reminded the Board that they must now use the mortality tables per the Florida Retirement System's actuarial report and this had resulted in reducing the probabilities of death for active members, meaning there was a greater probability that they would make it to retirement. Using the lower assumed rate of return had also helped increase the present values.

Mr. Heinrichs continued: the total present value of liabilities of the fund was \$1,062,000,000. He said they had enough money to cover all benefits earned up to this point. Mr. Heinrichs stated the unfunded liabilities had been \$72.7 million last year; if they had not changed the assumption, it would have been \$61 million. The funded ratio was 92%.

Board members had not had time to read the entire report because it had just been received the previous day and agreed they should table the item.

Motion made by Mr. Bayne, seconded by Mr. Naugle, to table the item. [Motion was never voted on] Mr. Dew asked if other entities were reducing their assumed rate of return and Mr. Heinrichs said plans "across the board" were lowering the assumed rate of return toward 7.5%; the Board was on the leading edge in reducing it to less than 7.5%.

Ms. Logan-Short said the City agreed with the GASB schedules Mr. Heinrichs had provided.

MINUTES: February 14, 2018 Meeting

Mr. Hole and Mr. Nesbitt noted changes to the minutes.

Motion made by Mr. Naugle, seconded by Mr. Joseph to approve the Board's February 2018 minutes as amended. In a voice vote, motion passed unanimously.

BENEFITS:	POLICE DEPT:	New Retiree:	Gary P Meixner
		Retiree Death:	Thomas G Randel
	FIRE DEPT:	New DROP Retiree:	Milton Selimos
			John H Ramirez
			Antonio Yon
		Vested Retirement:	Brett J Greene

Ms. Wenguer clarified that Mr. Randel no longer had a survivor.

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

BILLS:	Klausner, Kaufman	\$18,870.00
	Klausner, Kaufman	\$ 3,000.00

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

CAPTRUST:

Monthly Investment Review - Kevin Schmid

Mr. Schmid remarked that after the last quarter of the calendar year/first quarter of the plan year they were up approximately 3% so they were on pace to match last year's return. For the second quarter of plan year, the equity market had been strong in January but given the gains back in February. There had been an upward trend in March.

Fixed Income Alternatives

Mr. Schmid said they wanted to increase the return without compromising the risk profile. He had prepared a table comparing types of investments they could consider.

Multi-sector Fixed Income and Emerging Market Debt were expanding the fixed income beyond what they had now. He had disqualified these because they did not provide enough returns and introduced a higher level of risk.

Mr. Schmid stated reinsurance, or "catastrophe bonds" were higher yielding but were not correlated with the rest of the asset market. He explained that the bonds had event risk, which made them unpalatable.

Mr. Schmid explained that Alternative Lending return rates were higher and there were many types of structures and a bit less liquidity. The downside was the risk profile; if they partnered with someone for direct lending, they must focus on their risk control. This type of investment was potentially interesting with slightly more risk but not the level in the equity markets.

Mr. Schmid stated they already had a familiarity and background in real estate. There were a handful of providers of Government Real Estate including Boyd Watterson, with whom they had a fixed-income portfolio. Mr. Schmid had spoken with Boyd Watterson representatives and they informed him that they had a government real estate fund and would be engaging in a sale/lease-back program for a Police Station and jail facility in Ohio. Mr. Schmid had asked the Boyd Watterson to speak to Chair Rudominer about this type of investment.

Regarding Private Core Infrastructure, Mr. Schmid recalled they had already had a great experience with Lazard in liquid infrastructure. The private side focused on regulated utilities, energy and transportation. The main challenge was currency risk because a lot of the assets were outside the U.S. This introduced additional risk they may not want to take.

Mr. Schmid said the two things that stood out as potential options were alternative lending and governmental-oriented real estate. The next step would be to invite three or four of these managers to a special meeting to make presentations to the Board.

Chair Rudominer asked if it was still prudent to be considering this, since the interest rate environment had changed. Mr. Schmid pointed out that rates were still relatively low. There was a lot of potential upward pressure on interest rates that could be a negative headwind for the bond process. Mr. Schmid acknowledged they would need to tweak the investment policy first.

Mr. Hole suggested inviting Boyd Watterson to make a presentation on their federal and state real estate funds.

Chair Rudominer asked if any of the funds was big enough to transfer the entire \$75 million and Mr. Schmid advised they would not want to be the major investor, so he would recommend investing in a mixture of funds.

Mr. Bayne wanted to hear from all of the players before making a decision. Mr. Schmid agreed to bring representatives to a special meeting.

Chair Rudominer recalled how they had ended up with EnTrust; they had sought downside protection and some returns. Mr. Schmid said the goal of investigating fixed-income alternatives was enhanced returns.

Chair Rudominer recalled Mr. Schott had mentioned discussing governance issues with EnTrust before moving forward and Mr. Schmid believed Mr. Schott was focused on the "overall relationship and communication effort" and acknowledged the Board's frustration with how EnTrust communicated certain aspects of their program. Mr. Schmid was comfortable with EnTrust overall but admitted there were things that could be improved upon, including communication and disseminating information.

Ms. Jensen asked if they had received the money from EnTrust and Ms. Wenguer replied that they had, but they had still not received a breakdown of expenses. They had also not been paid interest, despite this being stipulated in the contract. She said Mr. Klausner agreed to follow up with EnTrust about the interest.

Mr. Dew was still bothered about EnTrust's lack of communication and underperformance and wondered why they would consider any additional investments with them.

Mr. Schmid recalled having the discussion that they would not move forward with EnTrust; they had attended the last meeting primarily to provide a relationship overview and address questions, communication issues, the audit holdback and the Peruvian bonds.

ATTORNEY'S REPORT

Ms. Jensen referred to a letter she had sent to Ms. Wenguer regarding members' buying back prior service.

Ms. Jensen reported a PTSD bill had passed the State legislature and was awaiting Governor Scott's signature. The bill clarified that PTSD alone was compensable; no concurrent physical injury was required. There were several criteria that must be satisfied for PTSD to be compensated. Ms. Jensen felt the impact would be positive because if people could be treated through workers compensation, they were less likely to apply for disability.

Mr. Bayne said the intent of the bill was not to make it easier to collect disability but to allow members to receive treatment for PTSD through workers compensation, allowing them to be an active member of society. He believed the Governor intended to sign it.

Mr. Fortunato said this was "nonsense; they're turning PTSD into ADHD or whatever, this is ridiculous. Because you saw a dead body, now all of a sudden you have PTSD?" Mr. Bayne said there was a "full mechanism they have to go through" to get the assessment.

Mr. Naugle said it was "true that some people are affected that way; it's a very small number. But once you introduce compensation for it, you get all these claims that people that don't have it they are trying to get it."

Mr. Bayne stated PTSD was actually very difficult to fake.

Ms. Jensen remarked that if PTSD could be treated through workers' compensation, it could reduce the number of members applying for total disability.

Ms. Jensen reported they had filed a motion for summary judgment in the Brutus case and this should be the bulk of the work for the case.

COMMUNICATION DIRECTOR'S REPORT:

Mr. Nesbitt had begun work on the annual report and asked members to submit their ideas. He added that they needed a new group photo, since the Board membership had changed. He would take the photos at the April Board meeting.

Mr. Nesbitt had seen an article discussing how the new treasurer of New Jersey had raised the assumed rate of return from 7% to 7.5%, giving local governments more flexibility, but Mr. Nesbitt noted this would be a "killer to the pension plan."

EXECUTIVE DIRECTOR'S REPORT:

Fire Prior Service Purchase

Ms. Wenguer had discovered that every situation "has some sort of twist to it." A lot of firefighters assumed they would buy prior service back but it was not working out this way. She suggested the Board attorney draft a form letter to suit the different situations.

Ms. Wenguer explained some cities had a 401A to which the employee and the municipality contributed. Per State Statute, if an employee left and took any part of the municipality's contribution, it was considered a received benefit and it was not eligible to be bought back.

Ms. Wenguer described other scenarios that disqualified one from being able to buy time back.

Mr. Klausner had already written a letter explaining the qualifications for the buyback.

Ms. Wenguer stated they had also developed a Fire Service Policy. Some members wanted to use 175 funds money for their buyback. The Board needed to determine if it would be paid back at the assumed rate of return if it was paid by payroll deduction.

Motion made by Mr. Hole, seconded by Mr. Joseph, to confirm that if an individual was buying back prior employment benefits by any method that was not a lump sum payment, he/she would be charged the actuarial assumed rate of return as interest. In a voice vote, motion passed unanimously.

Retirement Seminar Date

Ms. Wenguer had tentatively scheduled the event for September 28, 2018.

Special Meeting to Hear Alternative Fixed Income presentations

The Board discussed scheduling and decided on April 11 at 9 a.m. prior to the Board's regular meeting.

PENDING ITEMS:

New Business:

Mr. Bayne announced he had decided to run for the FPPTA board of directors.

Old Business:

Schedule A

None.

The Board's next meeting was scheduled for April 11, 2018.

There being no further business to come before the Board at this time, the meeting was adjourned at 2:33 p.m.

FOR YOUR INFORMATION:

KCG Recapture Statement

Recapture Summary/January, 2018

Secretary

Chairman

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

[Close Window](#)