

## March, 2012



POLICE AND FIREFIGHTERS' PENSION BOARD  
REGULAR BOARD MEETING  
WEDNESDAY, MARCH 14, 2012, 12:30 P.M.

### Present

Michael Dew, Chair  
Ken Rudominer, Vice Chair  
Richard Fortunato, Secretary  
J. Scott Bayne, Trustee  
Jeff Cameron, 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  
Doug Wood, Director of Finance  
John Herbst, City Auditor  
Kevin Schmidt, CapTrust  
William Findlan, Assistant Fire Chief  
William Humphrey, IAFF 765  
James Spears, attorney for Scott Willey  
Scott Willey, Firefighter  
Dr. Cornel Lupu [by phone]  
J. Opperee, Recording Secretary, Prototype, Inc.

John Stuber, President, Retirees' Association  
Walt Courtney, Vice President, Retirees' Association  
Linda Soloman-Duffey, Retirees' Association  
Fred Nesbitt, Director of Media Relations, Retirees' Association  
Jim McDonald, Retirees' Association  
Al Scotti, Retirees' Association  
Fuzzy Larkin, Retirees' Association  
Jack Caan, Retirees' Association  
George Farrell, Retirees' Association  
Rick Schulze, Retirees' Association  
Paul DeBold, Retirees' Association  
Bill Paton, Retirees' Association  
Gregg Gurdak, Retirees' Association  
Bob Oelke, Citizen

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, March 14, 2012, in the Pension Board Conference Room, 888 S. Andrews Avenue, Suite 202, Ft. Lauderdale, Florida 33316.

### Communications to the City Commission

The Board would like to recognize James B. Gaughan, Police Officer, who is retiring after more than 41 years of service to the City. They would also like to welcome new Trustee Jeff Cameron to the Board.

Chair Dew called the meeting to order at 12:31 p.m. and roll was called. All present recited the Pledge of Allegiance and observed a moment of silence.

Chair Dew introduced new Trustee Jeff Cameron and welcomed him to the Board. Mr. Cameron is a lifetime resident of Fort Lauderdale and attended both the University of Miami and Florida Atlantic University.

#### MINUTES

Regular Meeting: February 15, 2012  
Investment Workshop: February 16-17, 2012

Motion made by Mr. Bayne, seconded by Mr. Hole, to approve the minutes of the February 15, 2012 meeting. In a voice vote, the motion passed unanimously.

Motion made by Vice Chair Rudominer, seconded by Mr. Naugle, to approve the minutes of the February 16-17, 2012 investment workshop. In a voice vote, the motion passed unanimously.

#### BENEFITS:

##### Police Department:

New Retiree (Term of DROP):	Michelle Burgess Michael W. Hennessy
BAC-DROP Retiree:	James B. Gaughan
DROP Retiree:	John R. Eaves
Lump Sum Refund:	Jefferson Alvarez

##### Fire Department:

New Retiree (Term of DROP):	Juana M. Carreras Dale Zimmerman
-----------------------------	-------------------------------------

Ms. Wenguer noted that Ms. Burgess has withdrawn her application for retirement, and her name should be removed from the above list.

Motion made by Mr. Fortunato, seconded by Vice Chair Rudominer, to approve the benefits [as corrected]. In a voice vote, the motion passed unanimously.

#### BILLS:

Prisa II	\$40,093.36
Milliman	\$36,250.00
Dr. Kurlander	\$1,000.00

Motion made by Mr. Bayne, seconded by Mr. Fortunato, for the payment of bills as documented.

Ms. Wenguer advised that this will be the first of four payments to Milliman.

In a voice vote, the motion passed unanimously.

Chair Dew stated that Trustee Bayne requested to speak to Dr. Lupu. A conference call for the hearing is scheduled for 1:05 p.m. It was noted that the Board would return to that Item at 1:00 p.m.

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

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

John Stuber, new President of the Retirees' Association, introduced himself to the Board at this time. The new Vice President of the Retirees' Association is Walt Courtney.

#### INVESTMENT REPORT:

CapTrust	Kevin Schmid
----------	--------------

Mr. Schmid said he is continuing to work with Mr. Cypen and Ms. Bieler regarding the revised Investment Policy Statement. He estimated that it will be available for the Board's review at the April meeting. There were no major

changes to the document.

He continued that he had spoken with Ms. Wenguer with respect to the most recent asset balances, as the plan currently has sufficient cash to last only through April 1, 2012. He recommended moving \$10 million in cash from the large cap managers on a pro rata basis, as the plan is nearly 5% overweight in terms of large cap equity at this time.

Chair Dew asked why the cash would not be taken from the Pimco All Asset Fund. Mr. Schmid said the alternative investments are presently in line with their target allocations of 15%, while large cap is over 22% against its target of 17.5%. The removal of cash would reduce this overweight.

Mr. Bayne asked if other investments that were close to being overweight, such as alternatives and small- and mid-cap would also be rebalanced. Mr. Schmid stated he was comfortable with the allocations in these categories, as the plan is only 25 basis points over on mid- and small cap and modestly underweight in both international and fixed income. By comparison, when money has been moved from large cap to cash, that allocation will still remain marginally overweight.

Mr. Hole requested an update on Atlanta Capital, recalling that this manager had recently replaced their chief investment officer. Mr. Schmid said this manager remains on CapTrust's watch list, although they have not yet determined whether or not termination is recommended. He did not feel they should begin an educational process for the Board to replace Atlanta Capital, noting that it was possible to proceed with two managers rather than three.

Mr. Hole asked if CapTrust had given consideration to an equal-weighted index. Mr. Schmid said this idea had never gained traction, as most indexes are capitalization-weighted so the biggest companies make up the greatest percentage of the index; the equal-weighted index was more diversified and less momentum-driven, and has historically done better because mid-cap companies perform better than larger-cap companies over time due to their increased risk and higher return.

Mr. Hole asked if the performance numbers would differ greatly under equal weighting. Mr. Schmid said over time, equal weighting would perform better, with slightly less volatility, as it is less momentum-driven. He advised that if the Board wished, educational material on this change could be presented at the next meeting.

#### Investment Workshop

Ms. Wenguer reported that this seminar had gone very well, and she had received positive feedback from the attendees. Potential improvements for next year include preparing a single book of materials prior to the workshop.

Ms. Wenguer asked if the Board preferred a seminar that lasted two half-days, or if they would rather consolidate it into a single day. Chair Dew said he would prefer to hold the seminar on a single day, noting that on the second day of this year's seminar, the majority of attendees were not presenters. He added that he had found the seminar to be very informative. Mr. Bayne agreed that a one-day seminar would be easier in terms of planning.

Ms. Wenguer added that while there is consideration of changing the time of year in which the seminar is held, it should continue to be scheduled after year-end. She observed that if the seminar is changed to one day, February may continue to be an appropriate date.

Informal Service-Connected Disability Hearing: Richard Scott Willey

Mr. Cypen explained that the procedure is informal, which means there would be no testimony other than questions asked of the witnesses or statements made by attorneys. The three criteria that must be met require that the disability must be total, permanent, and service-incurred.

Three motions may be made at the end of the hearing: a motion to grant disability, a motion to table or defer the hearing because the information presented is not complete, and a motion to deny. He requested that if a motion to deny is made, all three criteria should be included in the motion. He added that if disability is denied at this level, the Applicant is entitled to a full evidentiary hearing if he wished to proceed with his request.

Mr. Cypen continued that the Board makes the following inquiries in order to determine that the necessary criteria are met:

Whether the Applicant is totally incapacitated, physically or mentally, from his regular or continuous duties as a Firefighter;

Whether the Applicant is totally incapacitated, physically or mentally, from the performance of any other duties available to him as a Firefighter;

Whether the incapacity is permanent;

Whether the incapacity is consistent with a line-of-duty accident, if such an accident occurred;

Whether the incapacity is the result of an aggravation of a pre-existing condition; and

If the incapacity is the result of an illness or habitual use of narcotics or alcohol, it would be a disqualifying factor.

The Board heard Mr. Willey's case.

Mr. Cypen reiterated the three potential motions that could be made: if the Board felt all three criteria were present, they could move to grant disability; if they felt the evidence was incomplete, they could move to table the issue; and if they felt any one of the three criteria was not met, they could move to deny. He added once more that any motion to deny be made on all three grounds.

Motion made by Mr. Bayne, seconded by Vice Chair Rudominer, to grant the service-incurred disability, on the grounds that it is total, permanent, and service-incurred, and was suffered 91 days prior to today. In a roll call vote, the motion passed 4-3 (Mr. Bayne, Rudominer, Fortunato and Dew assenting; Mr. Naugle, Mr. Hole, and Mr. Cameron dissenting).

The Board took a brief recess from 2:04 to 2:07 p.m.

#### COMMUNICATION DIRECTOR'S REPORT:

Mr. Nesbitt advised that he would like to take a photograph of the Board at the April meeting for publication in the Annual Report. It was determined that this meeting would be scheduled for April 4.

Mr. Nesbitt continued that a meeting will be held on Friday, March 16, between the National Conference on Public Employee Retirement Systems (NCPERS) and the Florida Public Pension Trustees Association (FPPTA) to discuss the NCPERS proposal for retirement choice. This plan would take retirement plans to small employers, using the mechanism of a public plan to cover administrative costs and procure retirement for private employees. He clarified that the intent is not to open up the City's plan to other people, but to create a new hybrid plan consisting of half government trustees and half employee trustees.

#### ADMINISTRATOR'S REPORT:

##### Retirement Seminar

Ms. Wenguer noted that the retirement seminar is tentatively scheduled for September 27-28. It will follow the same format as previous seminars. She encouraged the Board members to plan to attend if possible. Chair Dew asked that she inform the Police and Fire Chiefs of these dates so they can plan for on-duty personnel to attend if they wished.

#### PENDING ITEMS:

##### NEW BUSINESS

Ms. Wenguer advised that when the upcoming experience study was discussed with the plan's actuary, he had noted that his contract calls for \$25,000 for this study rather than \$15,000. He had stated that for the lesser cost, the experience study would not be as thorough as he usually prepares. He had asked that this be brought back to the Board, as he did not feel this was the proper way to proceed with the study.

Chair Dew noted that the topic of assumption rates had been raised with regard to preparing for a possible pension obligation bond. He stated that copies of correspondence related to this issue, including his response, were in the

members' information packets. He explained that the intent is to ensure good lines of communication with the City Auditor and City Commission.

Chair Dew continued that Commissioner Rodstrom would like to schedule a workshop that would allow for time to discuss these and other issues. He asserted that if a workshop is planned, the Board should present a very detailed and comprehensive experience study.

Ms. Wenguer confirmed that the actuary's contract specifies the \$25,000 rate, and clarified that the \$15,000 figure had been raised as the result of a discussion on whether or not the actuary might be able to do the study for less. She observed that she did not feel this should be a flat rate, but should reflect hours and time up to a total of \$25,000. Mr. Cypen pointed out that other studies, such as the annual evaluation, also specify flat rates. He suggested that the actuary be asked to keep a record of his time in order to justify the final billing.

Motion made by Mr. Bayne, seconded by Mr. Hole, for \$25,000 for the experience study, to be completed by [the actuary], by the end of May.

Mr. Herbst advised that the most recent communication by the City Manager had stated he hoped to schedule the workshop in May. Mr. Cypen observed that a 60-day time frame would make the report available by May 15. Chair Dew said this request could be made of the actuary.

In a voice vote, the motion passed unanimously.

Ms. Wenguer stated that she and Mr. Hole had found some out of date information regarding the plan on the State website. The State has advised that corrections will be made when they make updates for their next booklet.

Chair Dew asked Mr. Bayne to take over the responsibility of working with Mr. Cypen with regard to the memorandum of understanding (MOU), as well as other responsibilities related to meeting with City Commissioners on this issue. Mr. Bayne agreed to do this.

## OLD BUSINESS

Ms. Wenguer reported that the contract regarding the new pension software has been signed and firm dates have been established for payment. The live date for this software is November 15, 2012.

She added that while the City had considered the possibility of outsourcing payroll to the software provider, this could not be done. Payroll responsibilities will remain with the City and will be made more efficient through an automated time system.

Mr. Hole recalled that the Board had discussed alternative assets for some time and had seen presentations by prospective managers. He asked if they could discuss this further in April. Chair Dew noted that the Board had been aggressive with regard to making allocation changes in 2011, and suggested that they wait until they had a clearer picture of the current developments with Atlanta Capital before making additional changes.

Vice Chair Rudominer asked if there were more potential alternatives for alternative investment managers to be seen. Mr. Schmid observed that the Board had seen presentations regarding private equity, long/short commodities, and diversified hedge funds, all of which offered both positive and negative possibilities. He suggested if the Board wished to consider hedge funds in particular, he would recommend bringing in additional presenters. It was determined that if more presentations were required, they would be scheduled at a later date, such as June.

Chair Dew commented that the disability form currently used by the City asks a question that is not applicable, as no permanent light duty or civilian positions are available to Police Officers or Firefighters. Mr. Cypen said this reference comes from the Ordinance and cannot be removed from the form. Chair Dew asked if it would be possible to clarify this question for doctors, as it appears to be problematic for them in the cases of individuals who cannot perform all the duties required of a Police Officer or Firefighter.

Mr. Cypen said the issue is that the City refuses to accommodate disabled employees, which means at times disability is granted in some cases where it might not otherwise be granted. He noted that in other cities, where

individuals who are disabled are accommodated in their jobs, there are markedly fewer disability applications.

Vice Chair Rudominer stated that James B. Gaughan, whose retirement was noted earlier in Benefits, is a Police Officer retiring after nearly 42 years of service to the City. It was agreed that recognition of his service would be sent as a communication to the City Commission. The Board agreed they would also officially welcome Mr. Cameron as a new member in their communication.

There being no further business to come before the Board at this time, the meeting was adjourned at 2:43 p.m.

[Close Window](#)