

**March, 2014**

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

-

Present

Michael Dew, Chair  
 Ken Rudominer, Vice Chair  
 Scott Bayne, Trustee  
 Richard Fortunato, Secretary  
 Dennis Hole, Trustee  
 Jim Naugle, Trustee [arrived 1:22]  
 Lynn Wenguer, Administrator  
 Steve Cypen, Cypen & Cypen, Board Attorney

Absent

Jeff Cameron, Trustee

Also Present

Amanda Cintron, Assistant Administrator  
 Laurie DeZayas, Pension Secretary  
 Linda Logan-Short, Director of Finance  
 Brad Heinrichs, Foster and Foster  
 Drew Ballard, Foster and Foster  
 Kevin Schmid, Cap Trust  
 Fred Nesbitt, Director of Media Relations  
 James Ingersoll, President of the Retirees' Association  
 Walt Courtney, fire retiree  
 Russ Hanstein, Assistant Chief of Police  
 Frank Coleman, retiree  
 Paul DeBold, Retirees' Association  
 Rick Schulze, Retirees' Association  
 Bob Oelke, resident

## Communications to the City Communication

The Board reported they were performing due diligence regarding the IRS In-Service Distributions issue to ensure they were in compliance.

Note: Items were discussed out of order.

## 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

A moment of silence was followed by the Pledge of Allegiance.

MINUTES: Regular Meeting: February 12, 2014

Motion made by Mr. Bayne, seconded by Mr. Hole, to approve the minutes of the February 12, 2014 meeting. In a voice vote, the motion passed unanimously.

## COMMENTS FROM PUBLIC

None.

BENEFITS: POLICE DEPT.:	DROP Retiree:	Aaron J. Baxter Christopher Herbert
	New Beneficiary:	Margaret Ricci
	Survivor Death:	Patricia Sedberry
FIRE DEPT.:	New Retiree: (Term of DROP)	Keith Gair Renard D. Jacobs Troy C. Lanier
	DROP Retiree:	Lillian D'Agostino Kim M. Shewbridge

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

#### BILLS:

Prudential	\$62,381.16
Agincourt	\$55,521.22
Klausner, Kaufman	\$2,825.22
Marcum LLP	\$2,165.00
Marcum LLP	\$2,026.00
Holland & Knight	\$750.00
Klausner, Kaufman	\$250.00

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

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

Walt Courtney introduced the new Retirees' Association President and Vice President: Jim Ingersoll and Paul DeBold.

#### FOSTER & FOSTER: 2013/2014 Actuarial Valuation Brad Heinrichs

Brad Heinrichs and Drew Ballard provided the Valuation Report. Mr. Heinrichs explained the impact changing the plan year from 1/1 to 10/1 had on interest.

Mr. Heinrichs informed the Board that interest on pre-paid city contributions was not a Division of Retirement or actuarial requirement; it was a policy of the Board of Trustees. Chair Dew was unsure how this practice was started and he wanted to revisit it. Ms. Logan-Short said this interest had not been recorded in the City's system. The City provided cash up front for a future payment, and the cash should be earning interest at the actuarial assumed rate the plan was getting. As of this year, there was no more pre-paid so this was no longer an issue. Ms. Wenguer stated there had only been one year they had made a pre-paid contribution. Ms. Logan-Short said the City would not do this again. Mr. Cypen suggested an agenda item for the Board's next meeting: drafting a letter to the City stating that if this was proposed again, the city would not be given credit.

Mr. Heinrichs remarked that the smoothing technique the City used was "non-traditional and is becoming out of vogue with the actuarial standards." He recommended they look at this, and stated it would be addressed in an experience study. Mr. Heinrichs said GASB standards were more toward a market approach and they would "completely change the way pensions are viewed." Currently, funding and accounting were very much linked, but as of 9/30/14 when GASB 67 came into effect, funding and accounting would be divorced and what was now a \$170 million pension asset would become a \$37 million liability: a \$200 million swing. Ms. Logan-Short explained this was why the City had issued the POBs - to keep the unfunded liability to \$37 million.

Mr. Oelke asked why liabilities were higher for DROP retirees. Mr. Heinrichs guessed this was due to the balance being carried forward and the present value of their future benefits.

Mr. Heinrichs reported the unfunded actuarial accrued liability had decreased from 40.3 million to 37 million in nine months because they had been making contributions and because gains had driven it down. The present value of accrued benefits was overfunded by \$16 million.

Mr. Heinrichs explained that the \$17 million unfunded liability was a series of many mortgages, but pointed out that once they were paid, the liability went away.

Mr. Ingersoll asked if the unfunded liability for the prior 10 years was gone. Mr. Heinrichs explained that in 2003, the Board had taken all prior bases and put them together. They did not need to worry about anything prior to 2003.

Mr. Heinrichs said the annual determination of cumulative gain/loss experience position, for the purpose of COLAs, was intuitively wrong. He described how it was currently calculated and pointed out that this resulted in an expected \$103 million asset, but when calculated with components of cost, contributions and interest, the expected position was \$112.6 million. The cumulative loss went from \$143.8 million to \$149.5 million, which affected their ability to pay a COLA. This was due to the way the cumulative gain/loss position was being calculated. He thought there was a better way than using cumulative gain/loss position for granting COLAs and said he needed to discuss this with the State because this method was statutory. Chair Dew asked Mr. Heinrichs to report back to the Board next month after he spoke with the State. Mr. Heinrichs suggested one Board member participate in his call to the State. Ms. Wenguer said the COLA calculation was spelled out in the ordinance but perhaps the way it was being interpreted actuarially could be looked at. Chair Dew instructed Mr. Heinrichs to call the State to discuss options, and asked Mr. Bayne to accompany him on the call. Mr. Heinrichs wanted to find an option that was more "retiree friendly" and fair.

Chair Dew asked about the experience study and noted there would be some assumption changes. Mr. Heinrichs said any changes in assumptions would affect the current unfunded liability from which they were determining their cumulative net position but would not affect his phone call to the State about options for COLA calculation. Chair Dew suggested Mr. Heinrichs and Mr. Bayne meet with the Division of Retirement in person in Tallahassee and Mr. Heinrichs agreed to coordinate this.

#### CAPTRUST: Quarterly Performance Review Kevin Schmid

Mr. Schmid invited feedback from the workshop. Chair Dew asked about CapTrust's PIMCO position. Mr. Schmid agreed it was never a good thing when dirty laundry was aired so publicly, but they were still comfortable with the PIMCO All Asset Fund and assured the Board that they were monitoring PIMCO very closely.

Mr. Bayne said his concern about PIMCO's statement was that PIMCO felt it had not looked good in the past and he did not see anything changing in the future. They had been hired for their strategy but he was not seeing any positive movement forward. Mr. Schmid said international managers saw great value in emerging markets over three to five years but there was short-term volatility.

#### COMMUNICATION DIRECTOR'S REPORT: Fred Nesbitt

Mr. Nesbitt reported he was waiting for the approval of the actuary's report to create the annual newsletter.

#### ADMINISTRATOR'S REPORT: Lynn Wenguer

##### In-Service Distributions

Chair Dew stated they had asked the City to begin due diligence and he had received a message from Attorney Bob Friedman indicating that if they were moving along, they would be in compliance and the tax status would not be in jeopardy. The Board had also asked the City for the names of members who may be affected immediately and past members who had separated from the City but had been involved with this so they could begin due diligence. Ms. Logan-Short stated their first look-back had been to 2008 when the IRS rules changed. Ms. Wenguer had requested information back to 2000, but Ms. Logan-Short explained that the database only went back to 2002. They had already provided the list going back to 2008 and a team member was working on the rest of the data.

Chair Dew asked if this had taken effect on a certain date. Mr. Cypen said not really; it seems to have been facilitated by a 2006 amendment to federal law. Chair Dew had been inundated with questions from members on this subject.

Chair Dew said they needed something to provide members to explain what they were doing. Mr. Cypen wanted to wait until the issue was resolved. Mr. Bayne suggested telling members that it had been brought to the Board's attention that there were issues with IRS in-service distributions and the Board was taking every action possible to be able to correct the issue. Mr. Cypen said some people had already sought their own counsel but he thought this was premature; they had been informed that it would take at least nine months for the IRS to provide an answer.

Chair Dew stated once they had the list, they would need to communicate with members. Mr. Cypen said the solution would be a generic settlement and the City should be thinking about how to solve it. Ms. Logan-Short informed the Board that City Management had the list and was in discussion. She agreed to provide the Board with a timeline for when Human Resources would complete their analysis.

#### GERS Contributions

Ms. Wenguer reported everything had gone well collecting money back from members. There were still approximately 10 people with contributions at GERS. She asked Mr. Cypen if they should request interest and/or actuarial value along with the contributions. Mr. Cypen said it should match the assumption rate of interest of the Police and Fire plan, which Ms. Wenguer said was 7.5 - 7.75%. Ms. Wenguer would provide the actuary the list to perform the calculations.

#### Pension Funding Policy

Mr. Rudominer distributed a memo from the Society of Actuaries and said after the experience study, if the actuary recommended changes to assumptions, they would not be able to "cherry pick" which assumptions that would change.

Chair Dew had read the memo and said he felt good about their corporate governance and noted no conflicts.

#### Maximum Accrual Contribution

Ms. Wenguer explained if an employee reached 81%, they dropped the pension contribution to 1% to keep their earnings pensionable. A member had requested a refund of the 1% and she had informed him that this was not done. The ordinance mentioned that once the maximum accrual was reached, the minimum contribution would be whatever was allowed by State law, which was ½%, not 1%. They may therefore want to consider moving to ½%.

Mr. Bayne stated members were told that they would make the 1% contribution and then receive it back once they terminated employment with the City. Ms. Wenguer said members had been told that their pay would be increase 1% to cover the contribution, and this had been done.

Ms. Wenguer referred to the ordinance Section 21-30 and said she recalled when this had been done. The Fire union contract had been pulled to see about the 1% but she was unsure about the Police contract.

Chair Dew recommended tabling discussion until their next meeting after Ms. Wenguer and Mr. Cypen performed additional research.

#### Investment Consultant Evaluation

Ms. Wenguer reported the evaluation was available and distributed it to Board members. Chair Dew agreed Board members would turn them in next month.

#### Employee Handbook

Board members had been provided copies of the handbook for review. Mr. Fortunato referred to item 3.5 regarding the prohibition of the use of illegal drugs or tobacco during work hours and asked if current employees had been hired under this prohibition. Chair Dew said they had no existing smokers, so this applied to employees going forward.

Ms. Wenguer reported performance reviews had been changed from the employee's anniversary date to July 1 to aid budget planning.

Motion made by Mr. Naugle, seconded by Mr. Hole, to accept the employee handbook. In a voice vote, the motion passed unanimously.

### Investment Workshop

Ms. Wenguer informed the Board the workshop had gone well and she had received a lot of positive feedback. Chair Dew pointed out this had not cost the Board anything. He thanked staff and Mr. Schmid for coordinating the event. Chair Dew said the managers had indicated they would rather meet mid-week and said they would consider this scheduling next year. Mr. Bayne recommended moving it to the off season. Ms. Wenguer said the least busy time of year was two weeks before Christmas. Mr. Schmid agreed this was a slower time of year for them as well.

### Retirement Seminar

Ms. Wenguer announced the tentative date was Wednesday, September 17, all day.

### PENDING ITEMS:

#### New Business:

Mr. Bayne informed the Board that Deputy Fire Chief Simac had sent Ms. Wenguer an email about having a member address the Board regarding a reconsideration of his DROP decision. Chair Dew stated any member had the right to address the Board.

Mr. Hole reported that he, Ms. Wenguer, Chair Dew, Mr. Rudominer, Mr. Bayne, Ms. Cintron and Mr. Nesbitt had attended the Klausner client conference.

#### Old Business:

##### Schedule A

#### Communications to the City Communication

The Board reported they were performing due diligence regarding the IRS In-Service Distributions issue to ensure they were in compliance.

### FOR YOUR INFORMATION:

ConvergEx

Recapture Summary/January 2014

Knight

Recapture Summary/January 2014

There being no further business to come before the Board at this time, the meeting was adjourned at 2:47 p.m.

[Close Window](#)