

**March, 2015**

POLICE AND FIREFIGHTERS' PENSION BOARD  
 REGULAR BOARD MEETING  
 888 South Andrews Avenue, Suite 202  
 Fort Lauderdale, FL 33316  
 Wednesday, March 11, 2015, 12:30 p.m.

**BOARD'S COMMUNICATION TO THE CITY COMMISSION**

Items that may be of interest to the City Commission:

The Board adopted a revised investment policy reflecting recent changes in portfolio allocation.

The Board approved reduced fees for the fixed income manager.

The Board approved the actuarial valuation report as of October 1, 2014. The plan is pre-funded at 97.56%.

Present

Michael Dew, Chair  
 Ken Rudominer, Vice Chair  
 Scott Bayne, Trustee  
 Richard Fortunato, Secretary  
 Dennis Hole, Trustee  
 Jim Naugle, Trustee  
 Jeff Cameron, Trustee  
 Lynn Wenguer, Executive Director  
 Steve Cypen, Cypen & Cypen, Board Attorney

Also Present

Amanda Cintron, Assistant Administrator  
 Laurie DeZayas, Pension Secretary  
 Emilie Smith, Budget Manager  
 Laura Garcia, Acting Controller  
 Kevin Schmid, CapTrust  
 Paul DeBold, Retirees' Association Vice President  
 Jim Ingersoll, Retirees' Association President  
 Drew Ballard, Foster & Foster  
 Brad Heinrichs, Foster & Foster  
 Fred Nesbitt, Communication Director  
 Rick Schulz, Retirees' Association  
 Lisa Edmondson, Recording Secretary, Prototype Inc.

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**

The Pledge of Allegiance was followed by a moment of silence.

**MINUTES:**

Regular Meeting: February 11, 2015

Mr. Hole asked for clarification on amendments made to the January minutes at the February meeting and asked that amendments be noted in the minutes.

Motion made by Mr. Rudominer, seconded by Mr. Bayne, to approve the minutes of the February 11, 2015 meeting as amended. In a voice vote, the motion passed unanimously.

Special Meeting: February 25, 2015

Motion made by Mr. Hole, seconded by Mr. Naugle, to approve the minutes of the February 25, 2015 meeting. In a voice vote, the motion passed unanimously.

#### COMMENTS FROM PUBLIC

None.

#### BENEFITS: POLICE DEPT.:

New Retiree: (Term of DROP)	John Clark
DROP Retiree:	Karl D. Maracotta Mark A. Parnell
Vested Retirement: New Beneficiary:	Jonathan A. Welker Patricia Kroeger
Lump Sum Refund:	Jeremy D. Jones Kyle P. McLeod

#### FIRE DEPT:

New Retiree: (Term of DROP)	Steven E. Doty Gary D. Miller
DROP Retiree:	Darrell R. Comer Jorge L.

#### Moral

Peter Santamarina	
Vested Retirement:	Penelope M. Wright
Vesting:	Freddy Rodriguez
Retiree Death:	George Shackelford

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

BILLS:            Marcum                            \$5,686.00

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

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

Mr. Ingersoll thanked the Board for the increase in the pension fund. Mr. Ingersoll asked if the 16% finder's fee paid to the Pension Board attorney when someone was sued for refunds presented a conflict of interest. Mr. Hole stated this was work Mr. Cypen performed on behalf of the Board.

#### CAPTRUST: Kevin Schmid

##### Small Cap Manager Comparison

Mr. Schmid said they wished to narrow the selection to three or four for interviews. He asked if they wanted to use fees as a tie breaker; the range was 70 basis points to 1%. He noted there was less willingness to negotiate fees in small caps because it was a capacity-strained asset class.

The Board discussed dates for a special meeting and decided on April 22 at 9 AM.

### Investment Policy Statement

Mr. Schmid confirmed they had increased the target allocation in real estate with the investment in American Realty and would adjust the investment policy statement accordingly.

Chair Dew asked about the page 2 entry, where Barclay's Capital Intermediate Bonds showed 33.75% for the index to which it would be compared but on page 3, it was listed as fixed income at 33%. Mr. Schmid explained that the 12.5% allocation for alternatives had been fluid. They had benchmarked what had been a 15% allocation to a 12.5% allocation for alternatives to a 70/30 split between equities and fixed income.

Chair Dew asked if Mr. Schmid was comfortable with having 25% in bonds. Mr. Schmid explained that the bonds acted as a "shock absorber" against volatility. They had anticipated the Federal Reserve would pull off the quantitative easing program and interest rates would rise but just the opposite had happened due to global factors. Global interest rates were still coming down and fuel process had declined. Mr. Schmid stated if interest rates rose, the magnitude of the possible negative total returns in the equity market would far exceed what they would see in bonds. He was comfortable keeping 25-30% in bonds.

Motion made by Mr. Rudominer, seconded by Mr. Hole, to approve the changes to the investment policy statement as presented. In a voice vote, the motion passed unanimously.

### EnTrust Reallocation

Mr. Schmid said they had an 8.5% total cap on the two EnTrust positions. Chair Dew noted EnTrust's poor performance and asked if Mr. Schmid was still comfortable with that position. Mr. Schmid replied that since being in the portfolio, EnTrust had achieved the return objectives he had for them at 7.5%. He noted they would never hit the highs and lows of the equities market. Mr. Schmid said EnTrust had banked on a couple of things happening last year that never had. He said hedge funds were the highest cost investment so if it was not performing they would take steps to address it.

Mr. Schmid said because the Special Opportunities Fund would be calling capital over time with a six month window between when they wanted to pull money and when they would get it, they needed to keep in from of it so they did not risk exceeding the 8.5% cap. Their total exposure, including a pending capital call, was \$41.5 million, a little over 5% of plan assets. He did not feel there was any danger of reaching the cap.

### Investment Fee Adjustment

Mr. Schmid had spoken with the investment managers and Agincourt had proposed a reduction of 5 basis points across the board -- retroactive to January 1, 2015 -- saving \$55,000 annually in fees. He was still talking with Boyd Watterson.

Motion made by Mr. Naugle, seconded by Mr. Cameron to approve the new Agincourt fee structure. In a voice vote, the motion passed unanimously.

### Foster & Foster: Brad Heinrichs 2014 Actuarial Valuation

Mr. Heinrichs reported there was very good news; contribution requirements had dropped \$1.4 million, due to a \$10 million actuarial gain. Investment return was \$2.4 million which meant that on the 5-year smooth basis, they earned more than 7.5%. Salary increases were also less than they had assumed: 2.4% instead of 4.6%, resulting in a \$6.4 million salary gain. Lower turnover and more costly retirements had resulted in a \$2.4 million loss.

Mr. Heinrichs described how the contribution was calculated and how they assumed the same State contribution as the previous year. He noted that there was no guarantee that the State contribution would be the same so an additional contribution might be required. Mr. Heinrich stated when the State checks came out, he would look at the components and send a letter to the City stating whether there was a deficiency or not.

Mr. Heinrich explained that member contribution was a projection as well; the State allowed them to lock in the anticipated members' contribution.

Mr. Heinrichs pointed out that the \$1 million reduction in contribution requirements was despite having 18 more active members. He added that the actuarial value of assets was \$6.7 million different from the market value and explained that when the actuarial value was less than the market value, they had deferred investment gains that had

not flowed into the system yet. They currently had \$6.7 million of those gains. This told him to expect downward pressure on funding requirements in the future.

Mr. Ingersoll asked if the difference helped retirees in their actuarial assumption of gains and losses as far as receiving a COLA. Mr. Heinrich stated it did not; the calculated gain did not include that \$6.7 million. He said there were \$6.7 million in gains “standing at the door, waiting to be let in over the next five years.” Mr. Ingersoll asked about doing away with the 5-year smoothing and Mr. Heinrich stated new GASB rules would not allow smoothing of the actuarial value of assets when showing funded status; they must use market, but this was purely for accounting; it had nothing to do with funding. They could still use smoothing for funding.

Mr. Heinrichs stated the unfunded liability had decreased from \$36 million to \$24 million. He explained that part of the City’s annual contribution went toward lowering the unfunded liability.

Mr. Hole recalled Mr. Heinrich had talked about looking at some assumptions, including the optional elections of retirement. Mr. Heinrich stated part of his experience study would be recommendations regarding changes to some assumptions and methods. He had not yet received the data to perform the experience study.

Motion made by Mr. Bayne, seconded by Mr. Fortunato to accept the Foster & Foster actuarial valuation report. In a voice vote, the motion passed unanimously.

#### City Contribution for FYE 9/30/15

Mr. Heinrichs said the City was interested in making contributions at the beginning of the fiscal year in order to pay no interest. The change he was suggesting would include a lag between the time the City received the actuarial valuation report and the time they made the contribution. He suggested they adopt the “projection method” and future actuarial valuation reports would give the City six to seven months’ notice of what the contribution should be in October. In order to do that, they would file a letter with the State explaining they were using the October 1, 2013 actuarial valuation to determine the October 2014 funding requirements. The City would make an additional \$15.6 million contribution this fiscal year so they were not making contributions 15 days after the end of the plan year. After this one-time fix, the City would make the contribution on October 1, the first day of the plan and fiscal years. Mr. Heinrichs said the State would not have an issue with the additional contribution. Using the projection method, when the valuation was delivered, the City would know the contribution on October 1, 2015 for the 2016 plan year.

Motion made by Mr. Rudominer, seconded by Mr. Fortunato to move to the projection method per the Foster & Foster letter dated 3/10/15 pending review by the Board’s attorney and City management. In a voice vote, the motion passed unanimously.

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

Mr. Nesbitt said he would begin working on the end report now that he had the valuation report.

#### EXECUTIVE DIRECTOR’S REPORT

##### Fort Lauderdale Retirees’ Association Letter Dated 2/18/15

Ms. Wenguer reported the retiree’s association attorney had requested they postpone this until the April meeting when their attorney would be available. At Chair Dew’s request, Mr. Cypen had asked Mr. Klausner if there was any update since his last opinion. Only if there was an update would the item would be put on the Board’s agenda. Chair Dew said their goal was to put finality to this matter.

##### Prior GERS Service

Ms. Wenguer stated Foster & Foster had provided a list with amounts to be paid back.

Mr. Bayne noted that some people on the list were no longer with the City. Chair Dew asked if people who were completely separated were entitled to this. Mr. Cypen explained this depended on the conditions the Board put on the entitlement.

Motion made by Mr. Hole, seconded by Mr. Naugle to accept the actuarial payback submitted by Foster & Foster. In a voice vote, the motion passed 5-1 with Mr. Bayne opposed.

#### Experience Study-Nyhart Fee

Ms. Wenguer said the cost would be \$750 to \$1,000 for Nyhart to provide this data for Foster & Foster's report.

Motion made by Mr. Naugle, seconded by Mr. Fortunato to authorize a payment of \$750 to \$1,000 to Nyhart for the experience study data. In a voice vote, the motion passed unanimously.

Mr. Heinrich estimated it would take 60 days to perform the experience study once he received the data.

#### City Indirect Service Charges

Ms. Wenguer said they had noticed \$95,000 in charges to the plan that had not been incurred in the past: \$60,000 was for payroll costs and \$25,000 was for communication charges. Ms. Smith explained the City had hired a firm to conduct two studies: a General Fund indirect cost allocation study and an IT indirect cost allocation study to identify costs associated with services the General Fund provided. For the pension funds, they allocated payroll costs and some IT costs.

Chair Dew questioned the cost for payroll and Ms. Smith stated this was based on the cost to provide payroll services to retirees. Ms. Wenguer noted that once a retiree's pension payment was set up, it did not change as an employee's payment might. Mr. Bayne asked if the departmental contributions meant that there was no cost to the City for the payroll department. Ms. Smith stated they did not charge the General Fund departments, they absorbed the costs.

Chair Dew was concerned about the accuracy of the costs, i.e., \$3,300 for the IT Help Desk. He wondered what the cost was to talk to the Help Desk, and if they were charged for repeated phone calls needed to resolve one problem. Ms. Smith stated they tracked help requests by department and by individual and she could provide that information.

#### In-Service Distributions

No update.

#### Office Staff Job Descriptions

Motion made by Mr. Hole, seconded by Mr. Cameron to approve the new job descriptions. In a voice vote, the motion passed unanimously.

#### Annual Retirement Seminar Update

Ms. Wenguer informed the Board that they had reserved September 18. Mr. Bayne said he would not be available so Ms. Wenguer agreed they needed to change the date.

#### Saxena White Fee Disclosure

Mr. Cypen explained this was an agreement that must be disclosed per the Florida bar.

#### New Contribution Letter

Ms. Wenguer said the City was changing the financial statements due to the new contribution and Mr. Cypen had provided a letter explaining why this was being done.

#### PENDING ITEMS:

New Business:

None.

Old Business:

Schedule A

No discussion.

#### IRS Compliance Letter

Ms. Garcia reported Assistant City Attorney Bob Dunckel was working on the ordinance. Chair Dew said the Board had an agreement with the City Manager that Mr. Cypen would be the final author of the ordinance. Mr. Cypen agreed to contact Mr. Dunckel.

American Realty Contract

Mr. Hole asked about the contract and Ms. Wenguer said it had been signed. Mr. Schmid stated it would be a few months before the initial capital call.

FOR YOUR INFORMATION:

Home Loan Servicing Litigation  
Knight  
Saxena White Fee Disclosure

Fee Summary  
Recapture Summary/Jan., 2015

There being no further business to come before the Board at this time, the meeting was adjourned at 2:40 p.m.

[Close Window](#)