

May 2007**POLICE & FIREFIGHTERS' PENSION BOARD REGULAR MEETING**

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, May 9, 2007** in the Pension Board Conference Room, 888 S. Andrews Avenue, Suite 202, Ft. Lauderdale, Florida 33316.

PRESENT:

- Allan Curry, Chairman
- Michael Dew, Vice Chairman
- Romney Rogers, Secretary
- Ian Kemp, Trustee
- Mark Burnam, Trustee
- Richard Fortunato, Trustee
- Dennis Hole, Trustee
- Betty Burrell, Ex-officio
- James G. Behrendt, City Controller
- Steve Cypen, Board Attorney
- Lynn Wenguer, Administrator
- Laurie DeZayas, Pension Aide

ALSO PRESENT:

- Fuzzy Larkin, President, Retirees' Assoc.
- Bill Paton, Vice President, Retirees' Assoc.
- Jack Chew, Director, Retirees' Assoc.
- Ann Lindie-MacNeil, Director, Retirees' Assoc.
- Linda Solomon-Duffey, Retirees' Assoc.
- Harry Wood, Retiree
- Don Muller, Retiree
- Jeff Justinak, Fire Dept.
- Rick Schulze, Retirees Assoc.
- Alan Summersgill, Retirees Assoc.
- Horace Oliver, Fire Department
- Richard Sicking, Attorney

Jason Pulos, Asset Consulting

Jonathan Craven, Stanley Holcombe & Assoc.

Randall Stanley, Stanley Holcombe & Assoc.

Elisabeth Capota, Koch Reiss & Co.

Bernard J. Schinder, Koch Reiss & Co.

Clement Johns, Koch Reiss & Co.

ASSET VALUE as of May 8, 2007: \$478,104,715.

Chairman Curry called the meeting to order at 12:30 P.M.

MINUTES: Regular Meeting, April 11, 2007. Ms. Burrell noted that Mr. Hong was not a member of the DROP System, therefore, there was no DROP distribution. Mr. Hole made a motion to approve the minutes as corrected with Mr. Kemp seconding the motion. The motion was approved **UNANIMOUSLY** by the Board.

BENEFIT REVIEW: POLICE DEPARTMENT – New Retirees – Termination of DROP Retirement: Keith Kowalski, Police Officer. Date of DROP retirement July 6, 2004 with 20.42 credited years of service and 23.31 total years of service. Termination date May 25, 2007. Monthly pension benefit \$4,101.60 (Life Annuity). DROP account total \$158,762.47.

Richard S. Love, Detective. Date of DROP retirement June 9, 2002 with 20 credited years of service and 25 total years of service. Termination date June 8, 2007. Monthly pension benefit \$3,288.46 (100% Joint & Survivor). DROP account total \$237,417.56.

Mary N. Negrey, Assistant Chief. Date of DROP retirement May 18, 2002 with 23.23 credited years of service and 28.23 total years of service. Termination date May 17, 2007. Monthly pension benefit \$6,508.10 (100% Joint & Survivor). DROP account total \$469,901.62.

Cristobal Reyes, Police Officer. Date of DROP retirement May 9, 2002 with 20 years of credited pension service and 25 total years of service. Termination date May 8, 2007. Monthly pension benefit \$3,313.53 (100% Joint & Survivor). DROP account total \$239,354.17.

DROP Retiree: Nathaniel Jackson, Detective. Date of DROP retirement May 4, 2007 with 20 years of service. Monthly pension benefit \$3,713.05.

Requests for Lump Sum Refund: Peter D. Bisbano, Police Officer. Date of separation April 23, 2007 with .48 years of creditable service. Lump sum payment due \$1,683.17.

William J. Drake, Police Officer. Date of separation May 16, 2007 with 1.51 years of creditable service. Lump sum payment due \$5,973.65.

Victor H. Nardone, Police Officer. Date of separation April 11, 2007 with .9471 years of creditable service. Lump sum payment due \$3,591.88.

Juan Charles Ortega, Police Officer. Date of separation April 26, 2007 with .58 years of creditable service. Lump sum payment due \$2,724.29.

Rodney M. Roper, Police Officer. Date of separation April 20, 2007 with 8.67 years of creditable service. Lump sum payment due \$34,267.04.

Anthony Day, Police Officer. Date of separation April 23, 2007 with .60 years of creditable service. Lump sum payment due \$2,091.37.

Peter Raftopoulos, Police Officer. Date of separation March 7, 2007 with .47 years of creditable service. Lump sum payment due \$1,638.60.

Leighton McLean, Police Officer. Date of separation March 16, 2007 with .98 years of creditable service. Lump sum payment due \$2,901.12.

Retiree Death: Merle Getty. Date of retirement May 1, 1969. Retiree date of death April 13, 2007.

No further benefits payable.

FIRE DEPARTMENT – Request for Lump Sum Refund: LaJuan McDuffie, Firefighter. Date of separation November 17, 2006 with .04 year of creditable service. Lump sum payment due \$229.56.

Mr. Rogers made a motion to approve the Benefit Review with Mr. Hole seconding the motion. The motion was approved **UNANIMOUSLY** by the Board.

BILLS:

Systematic Fin. Mgmt. Submitted a bill for investment management fee for the period of 1/1/07 through 3/31/07 in the amount of \$66,151.10.

Lee Munder Cap. Group submitted a bill for investment management fees for the quarter ended 3/31/07 in the amount of \$50,390.46.

Boston Co. submitted a bill for investment management fees for the period of 01/01/2007 through 03/31/2007 in the amount of \$43,400.87.

InTech submitted a bill for investment management fees for the period of 01/01/07 through 03/31/07 in the amount of \$36,842.57.

Standish Mellon submitted a bill for investment management fees for the period ending 03/31/07 in the amount of \$11,848.47.

Sawgrass Asset Management submitted a bill for investment management fees for the period ending 03/31/07 in the amount of \$7,142.00.

RhumbLine Advisers submitted a bill for investment management fees for the period ending 03/31/07 in the amount of \$6,625.93.

Koch & Reiss submitted a bill for professional services rendered in the amount of \$8,000.

Cornel J. Lupu, M.D. submitted a bill for physical examination and report on Horace Oliver in the amount of \$1,500.

Michael Feany, M.D. submitted a bill for physical examination and report on Horace Oliver in the amount of \$1,060.

Cypen & Cypen submitted an interim invoice for professional services rendered from 01/01/07 through 03/31/07 in the amount of \$375.

Atkinson, Diner, Stone Mankuta & Ploucha, PA submitted a bill for legal services through 03/25/07 in the amount of \$355.29.

Mr. Hole made a motion to approve payment of these bills as submitted with Mr. Rogers seconding the motion. The motion was approved **UNANIMOUSLY** by the Board.

INPUT FROM ACTIVE & RETIRED

POLICE OFFICERS & FIREFIGHTERS: Mr. Larkin questioned whether the Academic Incentive Payments had been completed. Ms. Wenguer advised him that there were several people whose payment calculations were still being worked on due to adjustments that have to be made. Mr. Larkin then thanked Mr. Cypen for the newsletter that he sends out.

FIRE DEPARTMENT – Service-Incurred Disability Informal Hearing: Horace Oliver, Firefighter. Date of injury December 5, 2003. City date of hire April 1, 1999. Fire Date of Hire September 29, 2002. Estimated disability pension \$2,663.44. Current status: Terminated.

Mr. Cypen advised the trustees that should they approve the disability request based upon the evidence they must conclude that the applicant is totally incapacitated physically and mentally from regular duties as a firefighter as well as other duties that are available through the Fire Dept., whether the incapacity is permanent and whether it was suffered in the line of duty.

The trustees have reviewed the medical reports as well as Dr. Lupu's evaluation. Mr. Oliver was represented by Mr. Sicking who reviewed the facts of the injury as well as the surgeries that Mr. Oliver has undergone.

FIRE DEPARTMENT – Service-Incurred Disability Informal Hearing (continuation): Mr. Kemp made a motion to grant the application for full and permanent service-incurred disability on the finding that the disability occurred 91 days prior to today's date. Mr. Fortunato seconded the motion. The motion was approved **UNANIMOUSLY** by the Board.

2006 ANNUAL AUDIT – Koch, Reiss & Co.: Mr. Clement Johns and Mr. Bernard Shinder representing Koch, Reiss & Co. in advising the Board of the passing of Mr. Donald Bellantoni. The trustees expressed their condolences.

They then presented the financial highlights of the 2006 Annual Audit report as follows:

1. System and Share Plan assets exceeded its liabilities at the close of the year ended 12/31/06 with \$476 million and at the close of the year ended 12/31/05 with \$444 million.
1. Total returns were (12/31/06) 10.7% and (12/3/05) 6.8%.
2. The funded ration was approximately (12/31/06) 76.2% and (12/31/05) 76.6%, respectively.
3. Revenues were (12/31/06) \$70.9 million and (12/31/05) \$53.7 million with contributions of (12/31/06) \$28.1 million and (12/31/05) \$26.9 million. Investment income of (12/31/06) \$42.7 million and (12/31/05) \$26.8 million.
4. Expenses were (12/31/06) \$38.5 million and (12/31/05) \$31.9 million. Comprised primarily of benefit payments of (12/31/06) \$37.9 million and (12/31/05) \$31.1 million.

The System and Share Plan's combined net assets have experienced increases over the last 5 years. The System is in a financial position to meet its current obligations. They stated that they believe that the current financial position will continue to improve due to a prudent investment program, cost controls and strategic planning.

For the year 2006, the total assets were \$477,810,706. with total liabilities at \$1,830,729. Membership consists of 865 retirees, 302 vested employees and 329 non-vested employees. Member's contribution is 7% of their salary.

In the Report on Internal Control Over Financial Reporting, they stated, "We noted no matters involving the internal control over financial report and its operation that we considered to be material weaknesses".

Mr. Kemp made a motion to accept the report with the corrections noted on page 2 of the report.

Mr. Hole seconded the motion. The motion was approved **UNANIMOUSLY** by the Board.

At 1:10 P.M. Mr. Dew arrived at the meeting and apologized for being late due to his responsibilities as a police sergeant.

2006 ACTUARIAL REPORT – Stanley Holcombe & Assoc.: Mr. Randall Stanley and Mr. Jonathan Craven presented the actuarial report. During this period, there was a salary increase gain, which decreased the Unfunded Liability by \$796,002 and the required contribution by 0.27% of payroll. Salaries increased by 6.04% compared with an expected 5.83%. Salaries of the higher paid more senior members were less than expected, resulting in the gain.

There were no deaths in the active group; for inactive members there were 21 deaths (9 with survivors) as compared to 13 expected. The Unfunded Liability decreased by \$635,452, and the required contribution percentage decreased by 0.21% of payroll.

There were 2 disabilities. The Unfunded Actuarial Accrued Liability decreased by \$724,352 and the required contribution percentage decreased by 0.17% of payroll.

There were 14 employee terminations. The Unfunded Actuarial Accrued Liability increased by \$442,399 and the required contribution increased by 0.3% of pay.

There were 22 retirements that resulted in a \$711,268 increase and an increase of 0.93% in the required contribution percentage.

The rate of return was 6.3% on actuarial asset value compared with a market rate of return of 9.7%. The expected rate of return was 7.75%. The loss on the actuarial value of assets increased the Unfunded Actuarial Liability by \$5,910,637 and increased the required contribution percentage by 1.28%.

Since the 2006 experience resulted in a loss, the amount available for an increase in a cost of living adjustment is \$0. The System provisions do not permit a COLA on the July 1 following a year with an actuarial loss. Mr. Stanley reviewed the market smoothing techniques that are being used noting that in the event of something traumatic happening there was \$40,000,000. that could be used for smoothing market volatility.

After a lengthy discussion of this report, Mr. Hole made a motion to accept the report with Mr. Rogers seconding the motion. The motion was approved **UNANIMOUSLY** by the Board.

ME TOO II: Mr. Cypen reported that there was no ruling at present.

HECKMAN LAWSUIT: Mr. Cypen advised the trustees that Mr. Heckman has paid the amount he owed in full plus our attorney's fees and all costs. We are requesting a refund from the Internal Revenue Service. If we do not receive this refund within 120 days, it will be Mr. Heckman's responsibility to pay this also.

REAL ESTATE MANAGER INTERVIEWS – American Realty Advisors: K. Richelle Hayes presented this portfolio. They are an American owned privately-held company, 100% owned by senior management with domestic private market real estate transactions only. The presentation included a core strategy and an enhanced/value-added strategy. The core strategy would provide a stable income with low-risk assets and a long-term appreciation potential. The enhanced/value-added strategy had a high return focus with a low-risk strategy and short-term appreciation potential.

Their public fund client list included nine Florida municipal funds including the Fort Lauderdale General Employees Retirement System. As of December 31, 2006, the income yield from stocks (S&P 500) was 1.8%, bonds yielded (10 year Treasury) 4.6% and real estate (NCREIF) %5 – 7%.

Ms. Hayes reviewed their investment process as well as the team's market research process.

The fee schedule was 110 basis points up to \$25 million. 95 basis points from \$25 million to \$75 million. 85 basis point from \$75 million and above.

Chairman Curry thanked Ms. Hayes for her presentation.

Mr. Rogers left the meeting at 2:50 P.M.

J. P. Morgan Institutional Investments Inc: J. D. Sitton and Michael E. Smith presented their portfolio. They reviewed their company's financial services in Florida. This firm has 37 years of real estate investment management experience with a stable, experienced management team. They have a diverse client base including more than 300 institutional clients. The performance was been a consistent top performance versus benchmarks.

The investment strategy is to focus on attractive stabilized investments with high quality physical improvements and excellent locational factors which will generate a high quality income stream.

The fees are 1.00% of the participant's pro-rate share of the net asset value of the Strategic Property Fund, except that the fee will only be 0.15% with respect to the market value of cash and cash equivalents in excess of a 7.5% reserve position for cash and cash equivalents. No acquisition or disposition fees or fees charged on any debt existing on any asset of SPF. Fees shall be computed and billed on a calendar quarter basis, in arrears.

Chairman Curry thanked Mr. Sitton and Mr. Smith for their presentation.

Prudential Financial PRISA II: **Kevin Smith** stated that they have been managing real estate for US institutional clients since 1970 with over \$27.1 billion in gross assets under management. They have 260 total U.S. staff, including 91 investment professionals with a research team of 14: 9 in the US and 5 overseas. Investment professional compensation tied to portfolio performance. As of March 31, 2007 PRISA II had 73 clients with 22 public pension funds.

Their investment philosophy is to offer clients a diversified real estate portfolio with superior income growth and appreciation potential compared to a core portfolio and to outperform the NCREIF Property Index by at least 200 basis points over a complete market cycle.

Their 2006 total return was 18.65% with an income return of 5.79%. The first quarter of 2007 the total return was 4.10% and the income return was 1.29%. As of March 31, 2007 the net assets were \$4.4 billion.

The annual fee percentage on the first \$10 million is 85 basis points, \$10-\$25 million, 75 basis points, \$25-\$50 million, 70 basis point, \$50-\$100 million, 65 basis points and \$100 million and over, 60 basis points.

Asset Consulting Group: **Jason Pulos** reviewed the three portfolio manager presentations.

After his review and discussion by the trustees, Mr. Hole made a motion to hire **American Realty Group** with \$25,000,000 and **PRISA II** with \$15,000,000. Mr. Curry seconded the motion. The motion was passed **UNANIMOUSLY** by the Board.

FOR YOUR INFORMATION: No action.

There being no further business to be brought before the Board, Mr. Fortunato made a motion to adjourn at 4:55 P.M. with Mr. Hole seconding the motion. The motion was **UNANIMOUSLY** approved.

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