

May 2009



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., Tuesday, May 12, 2009 in the Pension Board Conference Room, 888 S. Andrews Avenue, Suite 202, Ft. Lauderdale, Florida 33316.

PRESENT:

Michael Dew, Chairman
 Mark Burnam, Vice Chairman
 Dennis Hole, Secretary
 J. Scott Bayne, Trustee
 Jim Naugle, Trustee
 Ken Rudominer, Trustee
 Richard Fortunato, Trustee
 Steve Cypen, Cypen & Cypen, Board Attorney
 Lynn Wenguer, Administrator
 Rachel Maldonado, Assistant Pension Administrator
 Laurie DeZayas, Pension Secretary

ALSO PRESENT:

Fred Nesbitt
 Gregg Gurdak, President, Retirees'
 Fuzzy Larkin, Retirees' Assoc.
 Jason Pulos, Asset Consulting Group
 Ken Hudson, NorthPointe
 Mike Hayden, NorthPointe
 Carl Knas, NorthPointe
 Jim Wallerius, Systematic
 Pat Kelly, Agincourt

ASSET VALUE as of April 6, 2009: \$350,231,587

Chairman Dew called the meeting to order at 12:30 p.m.

INTRODUCTION OF NEW TRUSTEES: Chairman Dew welcomed the new trustees to the Board. J. Scott Bayne ran unopposed and was selected as the new Fire Trustee. The City appointed James "Jim" Naugle to the Board. Mr. Cypen swore in Mr. Naugle. Mr. Bayne was previously sworn in at the City Clerk's office.

MINUTES: Motion made by Mr. Rudominer, seconded by Mr. Burnam, to waive the reading of the minutes for Regular Meeting, April 8, 2009, and approve them as a whole. In a voice vote, the **motion** carried unanimously.

The Administrator asked that the March minutes be re-approved. There was a change on page 6 of the March minutes concerning the City CAFR. **Motion** made by Mr. Hole, seconded by Mr. Rudominer to approve the change. In a voice vote, the **motion** carried unanimously.

BENEFITS REVIEW:

Motion made by Mr. Fortunato, seconded by Mr. Bayne, to waive the reading of the benefits and approve them as a whole. In a voice vote, the **motion** carried unanimously.

POLICE DEPARTMENT	BENEFIT TYPE	RETIREMENT DATE	TERM DATE	FORM OF BENEFIT
Christopher Dodd	Refund Request		April 23, 2009	Lump-Sum Refund
Yan Kleyman	Refund Request		April 23, 2009	Lump-Sum Refund
Arthur Glover	Death of Retiree	August 1, 1980	April 20, 2009 (DOD)	New Beneficiary(Winifred Glover)
FIRE DEPARTMENT	BENEFIT TYPE	RETIREMENT DATE	TERM DATE	FORM OF BENEFIT
John M. Galarneau	Term of DROP	April 18, 2008	May 8, 2009	100% J&S
Herbert P. Knauf	Death of Retiree	March 1, 1979	April 22, 2009 (DOD)	No further benefits.
Marian Ritsema	Death of Survivor		April 1, 2009 (DOD)	No further benefits.

BILLS:

Sawgrass Asset submitted a bill for management fees through 3/31/09 in the amount of \$46,554.00

Agincourt submitted a bill for management fees through 3/31/09 in the amount of \$34,322.47.

NorthPointe Capital submitted a bill for fees through 3/31/09 in the amount of \$32,780.02.

Systematic submitted a bill for management fees through 3/31/09 in the amount of \$32,442.08.

Lee Munder submitted a bill for management fees through 3/31/09 in the amount of \$28,895.71.

InTech submitted a bill for management fees through 3/31/09 in the amount of \$24,416.66.

Northern Trust submitted a bill for services through 3/31/09 in the amount of \$23,768.66.

Artio Global submitted a bill for management fees through 3/31/09 in the amount of \$15,933.31.

Standish submitted a bill for services through the period ending 12/31/08 in the amount of \$8,500.82.

BNY Mellon submitted a bill for services through 3/31/09 in the amount of \$6,990.86.

RhumbLine submitted a bill for management fees through 3/31/09 in the amount of \$3,956.72.

Motion made by Mr. Hole, seconded by Mr. Fortunato, to waive the reading of the bills and approve them as a whole. The Administrator noted Standish and BNY Mellon are the same company. Mr. Rudominer asked if NorthPointe's bill would be paid without adjustments. The Chair confirmed that any adjustments would be applied to future bills. In a voice vote, the **motion** carried unanimously.

ADMINISTRATOR'S REPORT – Summary Plan Description (SPD): The SPD was presented again to the Board. Mr. Hole had a number of suggestions and corrections to make. The Administrator informed the Board that the final draft, including the financials from the audit, would be included in the June agenda packet.

Mr. Cypen asked if the Board wanted to consider holding off the printing of the SPD until it was determined if any other minimums would be purchased. In 1999, amendment 99-1 established that certain benefits had to be bought with premium tax monies before that money could be used for other pension benefits. The City of Fort Lauderdale left it up to the unions to determine the timetables of purchase and implementation of these minimums.

The Board didn't think that this would be the year when anything would be added, but advised the Administrator to contact FOP President Jack Lokeinsky and discuss his intentions on purchasing the Early Retirement Benefit or additional overtime this year. If he will not, than we can proceed with producing the SPD.

NorthPointe Fee Proposal: The discussion was postponed until NorthPointe's presentation later in the meeting.

2008 Annual Audit: The Administrator expects Rachlin to present at the June meeting. She was working on the preliminary draft.

Disability Applications: The Administrator reported the receipt of the disability applications of Firefighters Raymond Coons and Robert Soto.

INPUT FROM ACTIVE & RETIRED POLICE OFFICERS AND FIREFIGHTERS: Mr. Gurdak asked about the status of retiree Jim Culp receiving AIP payments. Ms. Maldonado confirmed that no further information was attained from any of the offices that were able to provide AIP proof. Therefore, there is no current proof that Mr. Culp is eligible to receive AIP payments. Mr. Gurdak suggested sending a letter to Mr. Culp in case he could provide an old pay stub or some other paperwork. It was agreed that the office would take that final step.

OLD BUSINESS: IRS Determination Letter – The letter was sent and the Board is awaiting a response.

Pension Benefit Verification Letters - There was a discussion on whether the office should send out Pension Benefit Verification letters. The Administrator mentioned that since we pay Pension Benefits Information (PBI) to perform a death audit of records, a mailing would be unnecessary. The Board thought the mailing should occur since they questioned the frequency and sources used in the PBI death audit. Mr. Cypen thought that PBI only received information for those that applied for a Social Security death benefit.

FPPTA Retiree Panel – Mr. Gurdak promised a status report at the June meeting.

Public Relations Approach – Chairman Dew announced that Mr. Fred Nesbitt agreed to operate as the Director of Public Relations, at no cost to the Fund. Mr. Nesbitt will filter everything through the trustees and will work closely with the Administrator on the Web site and

other areas related to Board business. Mr. Hole agreed to help educate Mr. Nesbitt on the Plan specifics.

Commission Meetings – Chairman Dew reported the success of his April meetings with the Commission. He will conduct follow-up meetings in the next few weeks.

NEW BUSINESS: Stimulus Money – Mr. Cypen explained how the stimulus money was filtered through the State and that the Board should not expect any direct benefit under that program.

Senate Bill 538 – Mr. Cypen stated Senate Bill 538 passed. Among many changes, it will allow the increase of International Investment to 25% of the portfolio. Tenure for the Trustees could increase to 4 years but that change is at the City's discretion. All the trustees agreed that they would like the tenure to increase to 4 years. Chairman Dew said he would share this with the Commissioners at his next round of meetings.

QUARTERLY INVESTMENT REPORT – Systematic (Jim Wallerius): Mr. Wallerius mentioned the relationship Systematic has had with the Board since 2002. As such, the fees the Board enjoys are deeply discounted because they have been “grandfathered in.” Mr. Wallerius discussed the portfolio's performance and indicated that numbers have been rising since March 9th.

Mr. Wallerius assured the Board of the continued strength of the company, citing client growth in the past year. Chairman Dew also noted that Systematic was a finalist among five firms for Equity Manager of the Year at the end of 2008.

NorthPointe Presentation (Ken Hudson): Mr. Hudson addressed the Board as its primary contact. He also introduced the company's CEO, Mike Hayden, and a company partner, Carl Knas. Mr. Hudson reported that since November our portfolio is up 34% versus the benchmark 24%, despite the market and litigations in 2008.

Mr. Hayden also addressed the Board, reporting the cutting of bonuses in 2007, 2008, and 2009 to create a “comfortable cash position” or “working capital.” At this time, they now have twelve months of working capital. Additionally, the eleven partners have put money into the company in September 2007 to buy the company back from Nationwide, who owned 65% at the time. Currently, the obligations to Nationwide and the bank are approximately \$6 million and \$9 million, respectively.

Chairman Dew asked about the November '08 Investment Meeting. He wondered why NorthPointe had not mentioned the Emcore litigation. Mr. Knas said that because NorthPointe does not own the stock or initiate litigation, they are often informed of lawsuits late in the process, as is the Board.

Mr. Knas explained the brief history of NorthPointe's dealings with Emcore. Emcore operated in both communications and solar equipment. NorthPointe invested with them in January 2008 primarily because of their involvement in solar equipment. The company met the investment thesis throughout the year until October/November, at which point, Emcore reported at the end of their third quarter that they were experiencing problems due to the credit crisis. They significantly reduced forecasting. NorthPointe had no reason to believe that the credit crisis was not responsible for Emcore's struggles, but NorthPointe sold the stock in late November anyway. It was after this time that they became aware of the lawsuit claiming fraudulent misrepresentation against Emcore. Mr. Knas reported that there were not prior indicators of troubles in the year.

Mr. Hayden discussed the Performance-Based Fee Proposal. He stressed his emphasis on fairness so that when the performance is up, the Board would not be excessively charged. There was a discussion on determining a maximum amount. NorthPointe ensured the Board that there would have to be significant outperformance before fees are increased. If the Board decided to move to Performance-Based fees, the Board would see immediate relief and pay half of what they are charged now. Barring an extreme upturn in the market, it could be another year before additional fees would be in play. They assured the Board that they would not change their investment strategy. The NorthPointe team will work with Mr. Pulos to finalize the proposal.

Agincourt Presentation (Pat Kelly): Mr. Kelly reiterated some of the general market information that had already been addressed. Agincourt also was able to experience client growth in the last year, and are adding an analyst and operations person to their team

In the 2008 bond market, treasuries were great and everything else was not. Using treasuries as a baseline, A-rated bonds were down more than 20 percent while the corporate bond market was down almost 20 percent. Mr. Kelly said that in a typical “bad” year, investment grade bonds can be expected to go down 1.5 to 2 percent.

Although we fared a little worse than the index last year, we have picked up 124 basis points year-to-date. For April, we have beat the benchmark by over 200 basis points.

Asset Consulting Group (Jason Pulos): Mr. Pulos covered a wide variety of topics, both summarizing what was discussed and bringing up other highlights. He reported a significant rally in the equity market since March 2009. Credit markets were also marginally better during that same time period.

Emerging Markets and Value Stock, which were the lowest categories at the end of last year, have enjoyed the biggest rallies of late. Treasury yields have increased. Mr. Pulos discussed long-term performance, relaying that no asset class had a long-term outperformance

thanks to 2008. He discussed the policy index.

Mr. Pulos also briefly returned to the discussion concerning NorthPointe. He shared with the Board his confidence in the NorthPointe team. He said their underperformance had nothing to do with the structure of the company and he expects to shortly enjoy investment success with them again.

NEW BUSINESS (cont'd): 2009 Budget – The Administrator said that the current budget showed the expenses through April and all monies were being dispersed well up to this point.

Saxena White – There was a discussion about recoveries. The Administrator reported that there was a \$4500 recovery just received at the office.

Web Site Training – Ms. Wenguer reported that she and Ms. Maldonado attended a Web Site training to better understand the program used for posting information. Though there were some tricks learned to improve the site's appearance, our current version is an old version and needs to be replaced. The latest version will be released at the end of 2009. Ms. Wenguer reported her intent to upgrade to the new software and the need for technical support at that time.

Motion made by Mr. Hole, seconded by Mr. Burnam, to adjourn the meeting at 4:15 P.M. With no further business brought before the Board, the motion carried unanimously.

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