

**November, 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, November 14, 2007** in the Pension Board Conference Room, 888 S. Andrews Avenue, Suite 202, Ft. Lauderdale, Florida 33316.

**PRESENT:** Alan Curry, Chairman  
 Michael Dew, Vice Chairman  
 Ian Kemp, Secretary  
 Mark Burnam, Trustee  
 Romney Rogers, 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  
 Renee Lipton, Recording Secretary

**ALSO PRESENT:** Fuzzy Larkin, President, Retirees' Assoc.  
 Bill Paton, Vice President, Retirees' Assoc.  
 Jack Chew, Director, Retirees' Assoc.  
 Rick Schulze, Director, Retirees' Assoc.  
 Nancy Cone, Treas., Retirees' Assoc.  
 Frank Collieran, Retirees' Assoc.  
 Jack Lokeinsky, President, F.O.P. 31  
 Mike Tucker, vice President, F.O.P. 31  
 William Humphrey, Local 765  
 Steve Bull, Retirees' Assoc.  
 David Wheeler, Capt., Police Dept.  
 Ralph Parente, Retirees' Assoc.  
 Linda Soloman-Duffey, Retirees' Assoc.  
 Matthew Adams, Local 765  
 John San Angelo – Fire Dept.  
 Gregory A. Salters, Capt., Police Dept.  
 Jim Chioffe, Fire Dept.  
 Jeff Justinak, Fire Dept.  
 Doniel Acosta, Disability Applicant  
 Randall Stanley, Stanley, Holcombe  
 Jason Pulos, Asset Consulting

**ASSET VALUE as of November 13, 2007: \$496,711,159.**

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

**MINUTES:** Regular Meeting, October 3, 2007. Mr. Hole made a motion to approve the minutes as submitted. Mr. Dew seconded the motion. Chairman Curry made a correction to Page 4 changing “three year term” to “2 year term”. The motion to approve the corrected minutes was approved **UNANIMOUSLY** by the Board.

**BENEFIT REVIEW: POLICE DEPARTMENT – New Retiree: Randy D. Schertler, Police Officer.** Date of retirement November 4, 2007 with 18.645 credited pension service and 18.645 total years of service. Monthly pension benefit \$3,921.35 (Life Annuity).

**Requests for Lump Sum Refund: James A. Pinkney, Police Officer.** Date of separation November 15, 2007 with 1.10 of creditable service. Lump sum payment due \$3,429.45.

**Gerome Wright, Police Officer.** Date of separation September 21, 2007 with 1.30 of creditable service. Lump sum payment due \$4,023.69.

**Beneficiary (Retiree Death) Dorothy Eipper dependent upon Donald E. Eipper.** Date of retirement August 31, 1983. Date of death October 20, 2007. Monthly pension benefit \$2,432.37 for one year. Reduced to \$1,459.42 (60%).

**FIRE DEPARTMENT – New Retiree – Termination of DROP Retirement: Brian D. Fort, Driver/Engineer.** Date of DROP retirement October 2, 2002 with 21.04 years of credited pension service and 26.04 total years of service. Termination date October 1, 2007. Monthly pension benefit \$4,050.08. DROP account total \$292,416.42.

**Beneficiary – Retiree Death. Ellen Tinsley dependent upon Melvin E. Tinsley.** Date of retirement August 31, 1981. Retiree date of death October 24, 2007. Monthly pension benefit \$2,522.83 for one year. Reduced to \$1,513.70 (60%).

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

Mr. Hole asked whether the Share Money would be included in the Benefit Review. Ms. Wenguer advised that she would request an annual blanket approval when this listing is available.

**BENEFIT REVIEW - POLICE DEPARTMENT – Disability: Doniel Acosta** is applying for a service-incurred disability due to a heart condition, back and shoulder problems. Mr. Cypen reviewed the medical information packets that had been furnished to the trustees including Dr. Lupu's evaluations. Mr. Cypen then swore in Captain Greg Salters who read a letter dated November 13, 2007 from Bruce G. Roberts, Chief of Police stating that there were no permanent light duty positions available in the Police Department. Mr. Cypen then asked if there were any pending applications of appeal or grievances from Mr. Acosta and he was told that there were no appeals or grievances pending.

Mr. Cypen then swore in Captain David Wheeler who stated that the discipline investigation was closed when Mr. Acosta separated from the Police Department.

Mr. Cypen advised Mr. Acosta that he was still under oath from the previous meeting.

The trustees discussed at great length the medical information presented at this informal hearing.

After discussion, Mr. Hole made a motion to deny the applicant's request for a service-incurred disability for his heart, back and shoulder injuries due to the fact that it was not total, not permanent and not service-incurred. Mr. Rogers seconded the motion. The motion was approved **UNANIMOUSLY** by the Board.

**INPUT FROM ACTIVE & RETIRED POLICE OFFICERS & FIREFIGHTERS: None.**

**QUARTERLY INVESTMENT REVIEW – Asset Consulting Group: Jason Pulos** reviewed the capital markets for the quarter ending September 30, 2007 which included the weakening of the U.S. dollar, oil prices rising, the CPI increased 0.3% in September as well as a weakening of the residential real estate markets.

The beginning market value for the quarter was \$483,297,000. with an ending market value of \$490,751,000. The total fund returned 2.5% for the quarter and 11.9% for the year. Systematic returned 2.2% for the quarter and 20.5% for the year. InTech returned 1.9% for the quarter and 14.8% for the year. RhumbLine returned 2.1% for the quarter and 16.5% for the year. Sawgrass returned 6% for the quarter. Lee Munder returned -3.0% for the quarter and 7.1% for three quarters. NorthPointe returned 0.6% for the quarter and 11% for three quarters. The Boston Co. returned 0.7% for the quarter and 24.6% for the year. Agincourt returned 2.8% for the quarter and 5.1% for the year. Mellon Bond returned 2.9% for the quarter and 5.1% for the year. American Stable Value returned 4.7% for the quarter. PRISA II returned 3.2% for the quarter.

The trustees discussed the method of valuing foreign securities at cost or market. Mr. Pulos suggested that he return with a policy for the Board's review.

Mr. Pulos then reviewed the Hedge Fund Strategy using a Fund-to-Fund Manager with long/short stocks. These funds generally outperform in modestly appreciating markets and underperform in significant market rallies. This strategy provides support in declining market environments and participate in market appreciation. Mr. Pulos also discussed manager risk, volatility, transparency, liquidity and fees. He reviewed several options and recommended the Fund of Funds approach. (Investing in a fund that allocates to several managers with different types of hedge fund strategies.)

The trustees discussed an allocation that would be feasible of 5-10% of the portfolio. These funds would be allocated from the large cap equity position.

The trustees discussed interviewing prospective managers at the next meeting. It was decided that the candidates would have 30 minutes for their presentation. Mr. Pulos will advise the administrator as to which firms that will be included in this search.

Chairman Curry thanked Mr. Pulos for his reports.

**STANLEY HOLCOMBE & ASSOC., 2007 Special Cost Analyses:** Randall Stanley discussed the Unfunded Actuarial Accrued Liability as well as the Actuarial Asset Value. He discussed various valuation methods that would change the contribution requirements. Mr. Stanley also reviewed the lack of growth in the payroll that affected the contribution requirements.

Mr. Stanley pointed out that the impact on the 2007 City contributions of the change in Asset Valuation Method, development of \$12.9 million contribution credit, and 2% payroll growth assumption would have been a reduction from \$21,322,840 (49.79%) to \$17,476,716 (40.79%). This does not reflect use of the \$12.9 million credit to further reduce City contributions.

Changing the Asset Valuation Method should permit the change in value to be immediately reflected in the Cumulative Experience Position, for Cost of Living Adjustment transfer purpose. Combined with an adjustment to the treatment of the 2003 COLA transfer this results in a change from a Cumulative Experience Loss of \$42,586,868 as of January 1, 2007 to a Cumulative Experience Gain of \$6,627,343.

Chairman Curry thanked Mr. Stanley for his in-depth reports.

**ADMINISTRATOR'S REPORT – Fiduciary Liability Insurance:** Ms. Burrell was asked to review the City's position on this insurance and she stated that the City's broker has advised her that it makes no sense for the trustees not to carry this insurance. She further noted that the quotes she got were more expensive than the quote gotten from Chubb. Mr. Cypen stated that Chubb was an excellent company and as their quote was the least expensive, he recommended purchasing a 2 million dollar policy with a \$100,000. deductible and a Waiver of Recourse.

Mr. Rogers made a motion to purchase a 2 million dollar policy from Chubb with a \$100,000. deductible and a waiver of recourse. Mr. Fortunato seconded this motion. The motion was approved **UNANIMOSLY** by the Board.

**Me Too II:** Mr. Cypen advised the trustees that there was an appeal that was dismissed, but the City's attorneys have 30 days to reinstate the appeal.

**Letter from Mierzwa & Assoc:** Letter from our actuary Randall Stanley reviewing George M. Amberge's benefit. Mr. Stanley stated as follows " Therefore, in my opinion, this issue seems to be one of cash or accrual. Since the definition of "Earnings" is paid, and since "Average Monthly Earnings" is defined in terms of "Earnings," our conclusion is that there is no justification (absent an ordinance amendment) in using accrued earnings."

It was decided that in light of this opinion, Mierzwa & Assoc., on behalf of Mr. Amberge, would be informed that no changes to his benefit would be made.

**Maximum Benefit Limitations Under Internal Revenue Code Section 415 – Randall Stanley’s letter dated November 12, 2007:** Mr. Stanley reviewed the questions about the maximum benefit limitations and his conclusion was that “given the level of maximum benefits under 415(b)(1)(A), combined with no reduction for early commencement for police and firefighters, we see little or no potential impact on System benefits of 415 limits”.

**STANLEY HOLCOMBE & ASSOC., 2002 – 2006 Experience Study:** Mr. Stanley summarized the results of this study as follows:

1. Recommended that the age-based assumptions be replaced with assumption based on service. This change decreases costs.
2. Recommended no change in the 7.75% investment return/interest discount assumption.
3. Retirement experience shows more retirements than expected. Recommended a change to retirement assumptions based on service, together with an additional 4.5% adjustment in the year of retirement. This change increases cost.
4. Consistent pattern of higher turnover than expected for police and lower for fire during this 5-year period. Results are opposite of that in the previous 5-year period. Recommends no adjustment to the turnover assumption.
5. Recommends no change to the current mortality assumption of the 1994 Group Annuity Mortality Table. Recommends no change to the current disability rates.
6. Continue to recommend that the current 100% marital status assumption for retirees be changed to 80% for those married to the spouse at retirement, with the remaining 20% to cover those not married to that spouse at retirement; elimination of the remarriage penalty, and an actuarial adjustment for post-retirement Joint & Survivor benefits if a new spouse after retirement is more than 5 years younger than the member.
7. Recommended demographic and economic assumption refinements would decrease annual costs by approximately \$85,000 or 0.2% of pay.

Mr. Hole made a motion to accept the 2002 – 2006 Experience Study with the two recommendations of the actuary. Mr. Kemp seconded the motion. The motion was approved **UNANIMOUSLY** by the Board.

Mr. Dew then made a motion to accept the Special Cost Analyses and to make a future determination, if any, at a later date. Mr. Kemp seconded the motion. The motion was approved **UNANIMOUSLY** by the Board.

#### **BILLS:**

**Sawgrass Asset Management** submitted a bill the 3<sup>rd</sup> quarter ended 9/30/07 in the amount of \$81,806.

**Systematic Financial Management** submitted a bill for the period 7/1/07 – 9/30/07 in the amount of \$54,914.78.

**Northpointe Capital** submitted a bill for the period of 7/1/07 – 9/30/07 in the amount of \$50,226.35

**Lee Munder Capital Group** submitted a bill for the quarter ended 9/30/07 in the amount of \$47,248.48.

**Agincourt Capital** submitted a bill for the quarter ended 9/30/07 in the amount of \$50,226.35.

**InTech** submitted a bill for the quarter ended 9/30/07 in the amount of \$42,690.09.

**Northern Trust** submitted a bill for the quarter ended 9/30/07 in the amount of \$41,453.01.

**The Boston Co.** submitted a bill for the billing period of 10/01/07 through 11/01/07 in the amount of \$31,200.12.

**The Boston Co.** submitted a bill for the International Core Equity Management for November 1, 2007 in the amount of \$14,639.90.

**Standish Mellon** submitted a bill for the quarter ended 9/30/07 in the amount of \$11,781.55.

**RhumbLine Advisers** submitted a bill for the quarter ended 9/30/07 in the amount of \$6,972.17.

**Stanley Holcombe & Assoc.** submitted a bill for Actuarial Consulting Service from 8/11/07 through October 8, 2007 in the amount of \$16,935.

**Stanley Holcombe & Assoc.** submitted a bill for Actuarial Consulting Services for the Firefighters Share Plan in the amount of \$4,445.

**Atkinson, Diner** submitted a bill for professional services through 10/25/07 in the amount of \$350.00.

**Ellen Schaffer** submitted a bill for consulting and programming service in the amount of \$742.50.

Mr. Hole made a motion for payment of these bills with Mr. Burnam seconding the motion. The motion was approved **UNANIMOUSLY** by the Board.

**Pension Board Election:** Nominations for the firefighter trustee position is open until November 16, 2007.

**Pension Overpayments:** Mr. Peney has made arrangements with the administrator for repayment. The administrator is looking into a program that will serve as a “virtual office” so that this will not occur again.

**Firefighter Share Plan:** Statements will be mailed this month.

**Assistant Pension Administrator:** Discussion of suggestion of hiring a “head hunter” due to poor response to advertising.

**OLD BUSINESS:**

Mr. Hole reviewed the following items that need to be completed and suggested that the trustees submit their ideas on the following items:

Governance Policy

Proxy Policy

Securities Litigation Policy

Disaster Policy

It was noted that the City is working on a Disaster Recovery System

Chairman Curry distributed the NCPER’s Proxy Guidelines. This item will be on next month’s Agenda.

Pre-retirement Seminar: Mr. Hole asked Mr. Behrendt the status of this and he replied that he was discussing this item with I.C.M.A.

Auditor Request for Proposals: The administrator will find out which firm was hired by the G.E. Board.

2% Bonus for Firefighters: The administrator is look into whether the information re the 2<sup>nd</sup> tier is on the Website.

Retirement Date for Firefighters: This date was in question due to the first shift starting at night. The administrator to look into this and report to the trustees.

**FOR YOUR INFORMATION:** No action.

There being no further business to be brought before the Board, Mr. Dew made a motion to adjourn the meeting at 5:35 P.M. Mr. Burnam seconded the motion. The motion was approved **UNANIMOUSLY** by the Board.

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