

# November 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., Wednesday, November 4, 2009 in the Pension Board Conference Room, 888 S. Andrews Avenue, Suite 202, Ft. Lauderdale, Florida 33316.

### PRESENT:

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

### ABSENT:

Michael Dew, Chairman

### ALSO PRESENT:

Michael Kinneer, Ex-Officio Member  
 George Farrell, Jr., Retirees' Assoc.  
 Bill Paton, Retirees' Assoc.  
 Jack Chew, Retirees' Assoc.  
 Fred Nesbitt, Director of Public Relations  
 Jason Pulos, Asset Consulting Group  
 Gregg Gurdak, President, Retirees' Assoc.  
 Linda Solomon-Duffey, Retirees' Assoc.

### ASSET VALUE as of November 3, 2009: \$405,284,342

Vice Chairman Burnam called the meeting to order at 12:25 p.m.

**MINUTES: Motion** made by Mr. Naugle, seconded by Mr. Hole, to waive the reading of the minutes for Regular Meeting, October 14, 2009, and approve them as a whole. Due to the agenda going out concurrently with the execution of the Retirement Seminar, Ms. Maldonado noted two corrections that were not applied in the final version of the minutes. On page 5, the word "posted" in reference to the Public Records Policy should have read, "adopted and noticed." Also on page 6, the Age Discrimination case should have read "Lerman" not "Lehrman."

Mr. Hole also listed his changes and corrections. On page 2, where a typo was noted on the September minutes, Mr. Hole wanted the typo specified. Under the Elections on page 3, he recommended changing "must renew" to "consider renewing". On page 4, he asked that Jose Fernandez's firm, Cavanaugh, be listed by name. On that same page, he said that the word "take" in the Asset Consulting discussion seemed misplaced. In the motion under that same discussion, Mr. Hole suggested changing "to accept the rebalance as proposed" to "to accept the modified proposal."

Under the Administrator Review on page 5, Mr. Hole noted the person who discussed the Administrator's rating was Chairman Dew, not himself. In that same discussion and page, Mr. Hole noted that the Chair would not be absent so much as Mr. Dew would not be present at the November meeting. Mr. Burnam would act as Chair on that day. Also on that page, Mr. Hole noted that the reason for the suggested Public Records Policy was "because there was an absence of one." Finally, on page 6, Mr. Hole noted that under the Quarterly Budget Discussion, all other expenditures were not in line with the budgeted expectations as documented. The "Miscellaneous/Operating Expenses" item was over its allotment for the year. With no further discussion, the **motion** carried unanimously.

### BENEFITS REVIEW:

POLICE DEPARTMENT	BENEFIT TYPE	RETIREMENT DATE	TERM DATE	FORM OF BENEFIT
Albert F. Lafferty	Retirement	11/20/2009		Life Annuity

**Motion made by Mr. Rudominer, 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.**

**BILLS:** The following bills were submitted:

- Sawgrass for management fees through 9/30/2009 in the amount of \$50,453.00.
- Intech for management fees through 9/30/2009 in the amount of \$27,863.67.
- NorthPointe for management fees through 9/30/2009 in the amount of \$9,450.12.
- RhumbLine for management fees through 9/30/2009 in the amount of \$5,203.19.

**Motion** made by Mr. Rudominer, seconded by Mr. Fortunato, to waive the reading of the bills and approve them as a whole. Mr. Rudominer noted the \$15,890.56 credit applied to the 3rd quarter bill from NorthPointe as a result of the renegotiated fees earlier in the year. In a voice vote, the **motion** carried unanimously.

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

**QUARTERLY PERFORMANCE REVIEW, Jason Pulos:** Mr. Pulos began with a review of the markets. Mr. Pulos reported a significant price recovery for the areas that were down the most in 2008, including securities in fixed income and stock. Also, international equities and emerging markets were positive. The US stocks are still negative.

Year-to-date (YTD), growth stocks have outperformed value stocks, but in the last quarter the reverse is true. In a sector summary, the best YTD numbers belong to technology, materials, and financials. In fixed income markets, there were nominal returns by sectors. High-yield had a good year YTD going up over 50%. The lower quality had the higher return.

Mr. Pulos also reviewed the Plan's specific performance. The allocation of the plan versus the median allocation in the public funds universe is quite different. The biggest difference to its peers is the lower allocation in International and the slightly higher allocation in Real Estate. These have already been addressed with the recent rebalancing. Mr. Hole asked about the news of investors pulling out of Intech. Mr. Pulos said that it was mostly in the large cap growth, not the large cap core that the Plan operates under.

Component returns were relative to the benchmarks and bonds were in line. In Real Estate, the NCREIF is down 22% relative to our composite -37%. Mr. Pulos informed the Board that this 3rd quarter report was produced a week before the close of the reporting period. Therefore, the comparison for the peer group universe may be skewed because some of the numbers had not yet been reported.

In highlighting some specific managers, Artio and Thornburg enjoyed a 20+% increase. There were some concerns expressed over the liquidity constraints of Mellon Bond due to securities lending. Mr. Pulos presented three candidates for passive bond strategies that the Board could explore including State Street Global Advisors US Aggregate Bond Index (SSgA), Northern Trust, and Barclay's. Mellon Bond does not have and will not create a non-lending index fund. Mr. Pulos proposed moving the cash available into one of the options and then wind down Mellon bond as cash becomes available.

Mr. Pulos confirmed that the GTS Contract was signed the week prior to the meeting. He already sent the rebalancing plan from the October meeting to them so the transactions will begin shortly.

**Motion** made by Mr. Rudominer, seconded by Mr. Naugle, to use SSgA as a non-security index bond fund. In a voice vote, the **motion** carried unanimously.

**Motion** made by Mr. Rudominer, seconded by Mr. Bayne, to wind down Mellon as liquidity becomes available. In a voice vote, the **motion** carried unanimously.

Mr. Pulos also touched on the Investment Management Seminar. He confirmed that the agenda was set and the presentation materials will be turned into him by November 20th.

**ADMINISTRATOR'S REPORT – Randall Stanley's Letter:** Mr. Stanley submitted a letter to the Board regarding the City's contributions. The State contributions were reduced unexpectedly this year. Therefore the City will need to contribute more to keep the Plan in compliance. Ms. Wenguer said she would forward the letter to City as the Board has no action to take on this.

**AON:** Ms. Wenguer reported the renewal of the fiduciary liability policy. She said that everything relating to the policy remained the same.

**Motion** made by Mr. Fortunato, seconded by Mr. Hole, to continue with AON for fiduciary liability. There was a discussion on why the Board does not employ a local agent. Ms. Wenguer said that it was based on the bid and AON remains the least expensive option. In a voice vote, the **motion** carried unanimously.

**Credit Card Policy: Motion** made by Mr. Hole, seconded by Mr. Rudominer, to adopt the credit card policy presented to the Board by the Administrator. Mr. Kinneer inquired about an item listed in the policy called "Schedule of Delegations" and what it entailed. The Administrator did not have one of those schedules.

Mr. Kinneer also asked about the role of the Finance Department in the payment of the credit card bills and reimbursements. It was confirmed that in regards to the Pension expenses, the Finance department should not act in the role of an auditor. Because there is a process to scrutinize and approve all documents at the administrative office of the Board, the Finance Department will issue payment for all

submissions. Ms. Wenguer agreed to reissue the travel policy at the next meeting. With no further discussion, the **motion** carried unanimously.

**Retirement Seminar:** There was a general discussion on the success of the seminar in October. The Board asked that a meeting be arranged between the GERS and P&F Administrators and Chairpersons to discuss the successes and the weaknesses of the seminar for 2010.

**Frank Colleran:** Due to his absence, this discussion will be deferred until December.

**NEW BUSINESS – Book Orders for the Board:** Mr. Hole asked that two copies of Roberts Rules of Order be ordered for Mr. Naugle and Mr. Bayne. Also the publication “Attorney General’s Guide to Sunshine Law” published by First Amendment Foundation should be ordered for all trustees to own.

**OLD BUSINESS – Public Records Policy:** This discussion was deferred until December meeting.

**Calendar Updates:** Mr. Hole requested that the calendars be updated with the following items:

- Receipt of 175/185 monies.
- SPD change before 2011 should the pension ordinance change.
- The Expiration of the Administrator’s contract in June 2011.
- Form 1 due in July.
- Expiration of Office Lease in 2012.
- The Member Customer Service Survey in 2011.

**Trustee Elections:** The Administrator confirmed that Mr. Bayne and Mr. Dew ran unopposed. Therefore, they will each serve another term on the Board through 2011.

**Division of Retirement Conference:** Mr. Hole reported on attorney Robert Sugarman’s presentation and noted the following pending pension related legislation: HR 1413, HR 721, and HR 710. Also, Mr. Hole discussed the Division of Financial Services and 8% charge to hold our 175/185 monies in 2010.

**Rate of Return:** The Board discussed the possible implications should the negotiations change the rate of return on DROP accounts, changing to plan performance-based. It could impact the interest and the guidelines to withdraw DROP monies.

Mr. Cypen gave some advice on the policy. He suggested that in item 2, the wording should change from “may insist” to “may require” a written request. However, he noted that the Sunshine Law does not require a written request so a person can ultimately refuse. He also cautioned that the policy as stated charges a copying fee from the first minute of the work. Most policies should and do include an initial period of time that is considered “free” before charging any rate. Finally, Mr. Cypen suggested adding the following phrase into the policy: A copy of these guidelines shall be provided upon request. Mr. Naugle suggested that the Board review the City’s policy for Public Records request, as well.

**BLBG Conference:** Mr. Rudominer reported on the BLBG conference. The conference focused on corporate governance and hedge funds. He attended a panel of hedge fund managers who, when asked if they thought 7 ¾ % return on the Plan could be achieved in the next 10 years, all felt the percentage would not be achievable.

**Motion made by Mr. Rudominer, seconded by Mr. Fortunato, to adjourn the meeting at 2:30 P.M. With no further business brought before the Board, the motion carried unanimously.**

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