

November, 2012



POLICE AND FIREFIGHTERS' PENSION BOARD
REGULAR BOARD MEETING
MONDAY, NOVEMBER 5, 2012, 11:00 A.M.

Present

Michael Dew, Chair
Ken Rudominer, Vice Chair
Richard Fortunato, Secretary
J. Scott Bayne, Trustee
Jeff Cameron, Trustee (arr. 11:10 a.m.)
Dennis Hole, Trustee
Jim Naugle, Trustee
Steve Cypen, Cypen & Cypen, Board Attorney
Lynn Wenguer, Administrator

Also Present

Amanda Cintron, Assistant Administrator
Laurie DeZayas, Pension Secretary
Kevin Schmid, CapTrust
Lisa Edmondson, Recording Secretary, Prototype, Inc.

PJ Wilcoxson, Disability Applicant
Elizabeth Wilcoxson
James Spears, Attorney
Walt Courtney, President, Retirees' Association
Fred Nesbitt, Director of Media Relations
Linda Soloman-Duffey, Retirees' Association
Bill Paton, Retirees' Association
Jack Cann, Retirees' Association
George Farrell, Jr., Retirees' Association
Fuzzy Larkin, Retirees' Association
Paul DeBold, Retirees' Association

Pursuant to authority of Ordinance C-00-34, Article II, this regular meeting of the Police & Firefighters' Pension Board convened at 11:00 A.M., Monday, November 5, 2012, in the Pension Board Conference Room, 888 S. Andrews Avenue, Suite 202, Ft. Lauderdale, Florida 33316.

Communications to City Commission

The Investment performance for the 3rd quarter of 2012 was 4.52% and for the trailing one year was 15.91%.

The Board renewed its fiduciary insurance policy.

Pledge of Allegiance / Moment of Silence

Chair Dew called the meeting to order at 11:02 a.m. and roll was called. All present recited the Pledge of Allegiance and observed a moment of silence.

MINUTES: Regular Meeting: October 17, 2012

Motion made by Vice Chair Rudominer, seconded by Mr. Hole, to approve. In a voice vote, the motion passed unanimously.

BENEFITS:

Police Department:

New Retiree (Term. of DROP): Samuel A. Bryant
 David J. Dittman
 Martin F. Lenihan
 George Louk
 Brian Fitzgerald

DROP Retiree:
 Fire Department:
 New Beneficiary: Florence Tillinghast

Motion made by Mr. Bayne, seconded by Mr. Naugle, to approve. In a voice vote, the motion passed unanimously.

Service-Incurred Informal Disability Hearing: PJ Wilcoxson

Mr. Cypen stated that in order to determine service-incurred disability, the following questions must be answered:
 Is the disability totally incapacitating, physically or mentally, from the performance of the Applicant's regular duties as a Firefighter or Police Officer?

If the disability is totally incapacitating, physically or mentally, are there any other duties available to the Applicant within the Police or Fire Department?

Is the incapacity permanent?

Is the incapacity claim consistent with an incident in the line of duty?

Is the incapacity the result of, or an aggravation of, a pre-existing condition?

Is the incapacity the result of an illness or the habitual use of narcotics or alcohol?

He referred the Board members to the independent medical reports included in the Applicant's information packet, advising that these would be used, in conjunction with any statements and answers to questions from the Applicant, to make a determination on the case.

The three criteria that must be met require that the disability must be total, permanent, and service-incurred. If, at the end of the presentation, the Board feels these criteria have been met, a motion to grant service-incurred disability would be in order. If any of the three criteria of total, permanent, and service-incurred are not met, Mr. Cypen asked that the Board make a motion to deny based upon all three criteria, so the Applicant could proceed to a formal hearing if he wished.

Motion made by Vice Chair Rudominer to deny this request, based on the fact that it does not meet all three criteria. The motion died for lack of second.

Mr. Cameron arrived at 11:10 a.m.

James Spears, attorney for Mr. Wilcoxson, explained Mr. Wilcoxson case.

Motion made by Vice Chair Rudominer, seconded by Mr. Fortunato, that [the Board] deny the claim for disability, based that it meets none of the three criteria. In a roll call vote, the motion passed 7-0.

BILLS:

Lee Munder	\$53,047.24
Sawgrass Asset Mgmt.	\$36,602.00
InTech	\$21,626.19
Northern Trust	\$31,570.68
AON	\$13,777.42
Nyhart	\$6,520.00
Holland & Knight	\$225.32

Motion made by Vice Chair Rudominer, seconded by Mr. Fortunato, for the payment of bills as documented.

Ms. Wenguer noted that a more clearly itemized bill has been requested from Nyhart in order to ensure that none of the charges belong to the City. She clarified that a portion of this bill for \$2,168, which is related to actuarial equivalence, remarriage of a surviving spouse, and the response to a request for data in assumption and evaluation,

would be paid. The portion listed as Miscellaneous, totaling \$4,352, would be deferred until an itemized bill is available.

Chair Dew asked who was responsible for the calculation of a joint annuity for an individual. Ms. Wenguer advised that while there is now a policy in place regarding this calculation, it does not apply to this individual, as his request was made before there was such a policy. Chair Dew requested that the effective date of the policy be confirmed in order to prevent confusion in the future.

Mr. Hole asked to know the status of the Holland & Knight bill. Mr. Cypen replied that he is still waiting to hear this from the IRS. Ms. Wenguer advised that this item was related to a joint survivor benefit.

Chair Dew noted that a motion was made at the August 8, 2012 meeting to establish a policy that any member changing their beneficiary would pay for the costs associated with this change.

In a voice vote, the motion for the payment of bills passed unanimously.

INPUT FROM ACTIVE & RETIRED POLICE OFFICERS & FIREFIGHTERS:

Mr. Cypen advised that the Board members were provided with copies of an administrative order denying the benefit adjustment requested by retiree Frank Collieran as a result of the hearing held on October 17, 2012. He requested a motion to adopt this order and authorize the Chairman and Secretary to deliver copies to the appropriate parties. The order embodies the ruling made by the Board in October.

Motion made by Vice Chair Rudominer, seconded by Mr. Hole, to adopt the Resolution and authorize and approve the Chairman and Secretary to execute it and deliver it to the appropriate parties. In a voice vote, the motion passed unanimously.

CAPTRUST: Investment Review Kevin Schmid

Mr. Schmid reported that today marks the second interval in which pension obligation bond funds are moved into equities. These funds will go into Rhumblin and Eagle Asset Management. Bonds were put to work in the first interval in October, and proceeds from K2 went into Entrust on November 1. Funds also went to Thornburg on this date, as it is a commingled fund. The final interval will be December 4.

He noted that because the market declined slightly in October, staging these funds was a positive decision. The transition is proceeding on schedule and will conclude in early December.

He moved on to the capital market review, noting that short- to intermediate-term rates for fixed income appear to be the same; on a three-year basis, these managers have made nine basis points annually. Corporate bonds continue to outperform treasuries for both the quarter and the year.

Mr. Schmid advised that while this has been a good year, there have been areas of volatility. He noted that the blended benchmarks for the Plan are beginning to reflect more normalcy and reward of risk with return. Over the past 10 years, however, none of the equity markets have earned 7.5%.

He continued that the Plan was in line with the policy index for the quarter, and is up 9.8% year-to-date on an absolute basis. Large cap managers were in line with the market for both the quarter and the year, with Systematic bouncing back during the current quarter due to strong stock selection. Sawgrass continues to struggle at 5.4%, although over a two-quarter period they still remain ahead due to value preserved in the third quarter.

In small and mid cap, Eagle Asset Management had a 7.4% return in the last quarter due to very strong stock selection, while Lee Munder lagged behind at 4.3%. Mr. Schmid advised that their five-year returns show they have consistently outperformed in the past, and have added value to the Plan, despite the difficulty of the current year. In international managers, Lazard has performed very well since they were added to the Plan, up 8.2% for the quarter. In fixed income, Agincourt and Boyd Watterson continue to add value compared to their benchmarks.

In real estate, Mr. Schmid noted that this sector provides consistent returns in the 2%-2.5% range, with American Realty up 2.1% and Prudential up just below 3%. Year-to-date, these managers are up just over 7% and 11.2% respectively. He observed that there is a higher risk/reward nature to American Realty, with greater return on the upside but the possibility of more risk when they are down.

He moved on to K2, stating that this manager is officially out of the Plan and has wired all proceeds, less 10%, on October 24; these funds were put to work by Entrust on November 1. K2 has been a drag on the total Plan performance for the quarter, year, and longer term. Year-to-date they are only up 6.1% against 16.4% for the S&P 500. While long/short strategies are expected to lag when the market is up, the lag should not be this severe. The Pimco All-Asset Fund had a very strong quarter due to their exposure to various strategies; they are up 6.5% for the quarter and over 12% year-to-date.

Mr. Schmid concluded that much of the underperformance can be tracked to K2; as the Plan is moved in a more alternative direction, with 10% of the Plan in alternative assets as well as Pimco, these funds are more liquid, particularly when compared to K2.

Vice Chair Rudominer asked what percentage of underperformance was contributed by K2. Mr. Schmid advised that on a one-year basis, they are up to 21% behind their benchmark. He added that while cash will also provide a modest drag on the Plan's total performance; while there is no target cash allocation, there must be some cash available on a regular basis.

Ms. Wenguer asked why Pimco was judged against the CPI. Mr. Schmid said this is more sensible over a long-term rather than a short-term basis. Their long-term target is to achieve a real return over inflation at 5%, although this makes less sense on a quarter-by-quarter basis. It is intended to be judged over a five-year cycle. Entrust will be judged against a mixture of stocks and bonds, as well as against the hedge fund-to-funds to determine their performance against their peer group.

COMMUNICATION DIRECTOR'S REPORT:

Mr. Nesbitt stated that he is working with FPPTA to design a status chart that would reflect the tracking of legislation related to pension benefits and plans in general. The chart would show the status of a bill moving through the Florida House or Senate.

ADMINISTRATOR'S REPORT:

Frank Colleran Request

Mr. Cypen said the Board's earlier action was in compliance with the judge's order to hold a hearing within 60 days. If Mr. Colleran wishes to have a hearing, he must notify the Board within 30 days of the filing of the administrative order. Mr. Colleran's attorney was notified that the order would be signed at today's meeting, and will be provided with a copy.

Service Provider Evaluations and Timeline

Ms. Wenguer advised that the requested changes have been made since the October Board meeting. A timeline for the different evaluations is also provided.

2013 Board Meeting Dates

Although the Board briefly discussed the possibility of changing the regular meeting time, it was determined that the meeting schedule would remain the same, with meetings scheduled for 12:30 p.m. on the second Wednesday of each month.

7th Trustee Seat

Ms. Wenguer reported that nominations have closed for this seat, and Mr. Hole will remain the seventh Trustee. She clarified that terms will remain four-year rather than two-year periods. The cutoff date for nominations, which

is now listed as prior to the monthly meeting, will be clarified as the last Friday in October.

Trustee Elections

She continued that Mr. Fortunato's seat is up for election, and there is another nomination for this seat. The Ordinance, which refers to staggered terms, requires that an election for two of the four elected seats will be held every other year.

2012 Budget

Ms. Wenguer stated that this is an update to the budget, with information provided by the City after their year ended in September. Next year's budget will be presented at the December meeting.

Mr. Hole asked if the line item for computer programming includes the software upgrade. Ms. Wenguer explained that the Plan's computer programmer was required to perform extra work related to the upgrade, which accounts for part of this cost. The telephone and internet upgrades listed are in relation to the City's recent upgrade for these services.

Mr. Bayne recommended that the Board consider switching to another service provider for telephone and internet services. Chair Dew pointed out, however, that this could make it more difficult to access the City's system. Vice Chair Rudominer suggested inviting a City representative to attend the December Board meeting and explain the changes in service and cost.

Office Staff Benefits / Employee Handbook

Ms. Wenguer explained that although union contracts are in writing, the City itself does not have an employee handbook for its Staff. Ms. Cintron has been working to extract information on all City policies and procedures in order to provide a guideline for the Board's employee handbook. Ms. Wenguer observed that while the Board has its own guidelines for personnel policies, such as sick and leave time, following City policy would mean changing guidelines each time the City makes changes.

Ms. Cintron noted that she had attempted to highlight all relevant information, although this is a lengthy project and has been difficult to compile. Ms. Wenguer added that Staff needed clarification from the Board of whether or not to strictly follow City policy, or to devise a separate handbook. She concluded that would need further input from the Board on what they would like to see in a handbook.

Mr. Cypen proposed that Ms. Wenguer and Ms. Cintron work with Alison Bieler, as Ms. Bieler has experience with human resources.

Chair Dew stated that Ms. DeZayas's job description had been developed prior to Ms. Cintron joining the Staff. He said he would like for a member of the City's Human Resources Department to review this position and provide a recommendation on whether or not this job description placed Ms. DeZayas in the category of a confidential employee for the purposes of evaluation. He will bring this opinion back to the Board following this review. Ms. Wenguer added that this position, like her own, had originally begun as a City position; over time, once the position of Administrator became a Board position, other Staff positions followed suit.

Mr. Hole stated that he would like to see a listing of comparisons between Board Staff positions and equivalent positions with other pension boards, as he felt these would be more helpful than the comparisons with City positions. Ms. Wenguer advised that while an Administrator salary scale has been compiled from this information, an Assistant Administrator salary scale is still in process.

Chair Dew suggested that a presentation on the proposed handbook be provided at the January 2013 Board meeting, as this would provide sufficient time to compile all the necessary data. Ms. Wenguer advised that later in the new year, such as March 2013, would be preferable due to the size of the project. Chair Dew noted that Ms. DeZayas's review is due in December 2012, and suggested that any changes following this review could be made retroactive to that date.

Ms. Wenguer observed that the City's health insurance program has greatly increased, and explained that she felt it was unfair to Board Staff to have to pay these costs if there was no other option. She proposed that one option would be for Board employees to use a portion of their benefit package to purchase their insurance outside the City's plan. Chair Dew commented that this plan would need an effective date, as well as a determination of what amount the Board would provide to purchase other insurance. It was noted that there was not sufficient information on hand for Staff members to be able to make an informed decision on insurance enrollment at this time.

Mr. Bayne asked if Board employees would have the option of using a wellness center, which is scheduled to open in early 2013 and would be an option for City employees. There was also not enough information to answer this question at present.

Vice Chair Rudominer asked if it would be more appropriate for the Board to hire a human resources firm to take over work on the employee handbook, rather than requiring Board employees to prepare the handbook themselves. Ms. Wenguer advised that she and Ms. Cintron were using online templates to help compile information for the handbook.

Chair Dew said it would be preferable to grant employees the option of remaining on the City's insurance, or providing a percentage of benefits with which to purchase outside insurance. This would provide them with a choice of insurance provider. Mr. Bayne pointed out that it would be difficult to determine what amount would be provided for the purchase of outside insurance, among other considerations.

Mr. Naugle advised that because the Board is too small to be considered its own insurance group, it would make more sense to either remain on the City's insurance plan or become part of an umbrella group under a separate insurance company. It was noted that once an individual has made a selection of his or her insurance, that person is locked into the selected program for at least one year.

Chair Dew suggested that a member of the City's human resources department could attend a future Board meeting and advise the members of the available options. Ms. Wenguer said she would try to bring a proposal back to the December meeting.

Vice Chair Rudominer proposed that the health care budget be increased, and the employees allowed to either remain on the City's insurance or choose another option with Ms. Wenguer's assistance. Chair Dew stated he felt this would require Board approval.

Mr. Hole asked if the Board's insurance policy with AON was being renewed, noting that this item is listed under Bills. Ms. Wenguer confirmed that this policy was being renewed.

PENDING ITEMS:

New Business

Chair Dew moved on to the remarriage survivor benefit, stating that this Ordinance had been redrafted by Ms. Bieler and sent to Assistant City Attorney Bob Dunckel for approval. Once approved, Chair Dew said he would take the redrafted Ordinance, as well as documentation provided by City Auditor John Herbst that showed there would be no new costs associated with this benefit, for placement on an upcoming City Commission agenda.

Mr. Courtney recalled that additional counsel was sought by the Board on four items, including Mr. Colleran's case, the remarriage issue, and the 3 and 3/8 issue. He asked if any information has been received on these items. Chair Dew replied that there is presently a lawsuit pending at the State level which could affect one of these items, and Counsel had recommended that they wait until the suit is resolved to make a determination.

Mr. Courtney advised that a check-off list for Retirees' Association dues has been completed, and asked if the Board could send this list to the retirees with a cover letter. He explained that the Retirees' Association does not have a list of all the addresses of retirees. Mr. Cypen said the Association could provide the necessary information to the Board so it could be sent out, although the Board would not be able to share the addresses with the Association.

Chair Dew informed the Board that Phil Girrbach, who had recently appeared before the Board, would petition the City Commission at its November 6 meeting with regard to his case. The Chair advised that with the Board's approval, he would be prepared to respond to any questions the Commission might have, such as any legislative recourse that might be applicable to Mr. Girrbach's case. He added that any questions he was not able to answer would be referred back to Mr. Cypen for further discussion.

Old Business

Mr. Hole recalled that, as discussed at a previous meeting, the Board has a long-standing policy in which salary and group review recommendations of Staff are produced by the Administrator and subject to the Chair's approval. He recalled that at the October meeting, he had stated these reviews should be approved by the Administrator only or by the full Board.

Motion made by Mr. Hole, seconded by Mr. Bayne, that the Board change the policy on Staff reviews: that the reviews, subject to and including salary reviews, will be brought before the Board, [and] that the recommendations of the Administrator be brought before the Board. In a voice vote, the motion passed unanimously.

Chair Dew requested an update on the new pension software. Ms. Wenguer reported that this installation was going very well, and some minor issues are being worked through.

Vice Chair Rudominer asked if any responses to the recent actuary RFP had been received. Ms. Wenguer said there had been no responses thus far, and noted that the closing date for the RFP is November 9, 2012. She advised that if responses are received, she would make copies available for the Board's review.

It was decided that the communication to the City Commission would include the renewal of the Board's fiduciary insurance.

There being no further business to come before the Board at this time, the meeting was adjourned at 12:42 p.m.

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