

November, 2015

**POLICE AND FIREFIGHTERS' PENSION BOARD
REGULAR BOARD MEETING
888 South Andrews Avenue, Suite 202
Fort Lauderdale, FL 33316
Wednesday, November 16, 2015, 12:30 p.m.**

Communication to the City Commission

1. The pension plan was recognized for the sixth consecutive year by the Public Pension Coordinating Council for excellence in plan funding.
2. The Board terminated Systematic Financial Management, a large cap value manager, for poor performance and hired Aristotle to replace them.
3. Return on investments for the fiscal year ending September 30, 2015 was 0.74%; 7.16% for three years and 7.39% for five years.
4. An investment workshop is scheduled for 12/10/15.

Present

Michael Dew, Chair
Ken Rudominer, Vice Chair
Jim Naugle, Trustee [arrived 12:37]
Scott Bayne, Trustee
Dennis Hole, Trustee
Jeff Cameron, Trustee
Lynn Wenguer, Executive Director
Steve Cypen, Board Attorney

Absent

Richard Fortunato, Trustee

Also Present

Alexandra Goyes, Administrative Assistant
Robert Klausner, Board Attorney
Linda Logan-Short, Deputy Director/CFO
John Herbst, City Auditor
Kevin Schmid, CapTrust
Dave McGrath, Retirees Association
Paul DeBold, Vice President, Retirees Association
Ann Lindie-MacNeil, Retirees Association Secretary/Treasurer
Bruce MacNeil, Retirees Association
Bill Sharp, Retirees Association
Christine Lott
Brad Mestor
Fred Nesbitt, Communication Director
Lisa Edmondson, Recording Secretary, Prototype Inc.

Note: Items were heard out of order.

ROLL CALL/CALL TO ORDER

Chair Dew called the meeting to order at 12:35 p.m. Roll was called and a quorum was determined to be present.

PLEDGE OF ALLEGIANCE/MOMENT OF SILENCE

The Pledge of Allegiance was followed by a moment of silence.

MINUTES:

Regular Meeting: October 14, 2015

Motion made by Mr. Bayne, seconded by Mr. Rudominer, to approve the minutes of the October 14, 2015 meeting. In a voice vote, the motion passed unanimously.

COMMENTS FROM PUBLIC

None.

NEW HIRES

Vice Chair Rudominer recognized the new hires.

BENEFITS

POLICE DEPT:	New Retiree: (Term of DROP)	John L. Labandera
	Drop Retiree: Vesting	James Hancock Brian C. Dodge
	Lump Sum Refund	Billy C. Koepke
	Lump Sum Refund	Justin E. Houston
FIRE DEPT:	New Retiree: (Term. of DROP)	Walter S. Schrubbs

Motion made by Mr. Rudominer, seconded by Mr. Naugle, to approve payment of the benefits as stated. In a voice vote, the motion passed unanimously.

BILLS

Prudential	\$90,849.84
Eagle Asset Management	\$46,447.40
Agincourt Capital Management	\$43,091.37
Sawgrass Asset Management	\$27,006.00
RhumbLine	\$18,925.00
Systematic Financial Management	\$18,614.63
InTech	\$18,552.30
Klausner, Kaufman	\$2,580.00
Marcum	\$1,919.00
Holland & Knight	\$975.00

Motion made by Mr. Rudominer, seconded by Mr. Hole, to approve payment of the bills as stated. In a voice vote, the motion passed unanimously.

**INPUT FROM ACTIVE & RETIRED
POLICE OFFICERS & FIREFIGHTERS**

Mr. DeBold thanked the Board for working with the Retirees Association.

Chair Dew asked if a determination had been made yet about providing a COLA for people eligible for retirement prior to the 1985 ordinance change. Mr. Klausner had not heard from Mr. Heinrich but agreed to follow up and inform the Board.

CAPTRUST:**Quarterly Investment Review**

Mr. Schmid stated the Federal Reserve not raising the interest rates had caused interest rates to go down, which was positive for the bond market. The S&P 500 had declined 6.5% for the quarter and 5.3% year-to-date. Mid-caps were down 8% for the quarter and small caps were down 12%; the international markets were down 10% and emerging markets were down 18%. Since the end of the quarter, the market had stabilized. Mr. Schmid said there had been consensus that the Federal Reserve would raise interest rates in December but the recent terror attacks in Paris could affect that.

Mr. Schmid said earnings growth was still projected for the S&P 500 with the exception of the energy sector due to the price of oil. There was still significant activity in capital expenditures and mergers and acquisitions.

Mr. Schmid reported the pension fund was down 3.9% for the quarter; a return of 0.74% for the plan year. Most of the active managers had performed as anticipated. InTech had preserved 2% of value for the quarter, finishing the plan year up 3.3%; Sawgrass preserved 1% for the quarter but lagged for the year; Eagle had preserved 4% of value over the last two quarters; Lazard was in line with the benchmark, down 10.7% for the quarter but beat the benchmark by 2% for the year; Dodge and Cox was down 15.4% for the quarter, down 16.2% for the year. Real estate was up 3.6% for the quarter and up 13.1% for the year. The Lazard Global Infrastructure fund was up 2.5% for the quarter and up 10.3% for the year, well above benchmark; EnTrust Special Opportunities was up 60 basis points for the quarter; Entrust Diversified Fund was down 5.5% for the quarter, down 6.2% for the year.

Mr. Schmid said EnTrust's founder and CIO would attend the upcoming workshop and would have the opportunity to address why hedge funds were not doing well in general and why EnTrust in particular was not doing well.

Mr. Schmid reminded the Board that they had discussed the Invesco Private Equity Fund and no red flags had subsequently gone up under their due diligence. He stated it would be best to get into the fund before December 31 and asked if the Board would like Invesco to make a presentation in December. Chair Dew said EnTrust was supposed to be their "insurance policy for the volatile market" but it had not performed like that. He asked how Invesco fit into their investment policy and if they would need policy revisions. Ms. Schmid was not sure if the investment policy specifically referred to private equity, so it may need to be updated. Invesco would be part of the alternative investment allocation.

Mr. Rudominer felt every time they hired a new alternative manager they fired them, and wondered if they were reacting too quickly in firing EnTrust. Mr. Schmid said they were not necessarily going to fire EnTrust and he felt the private equity opportunity was unique and they should get additional information. Mr. Rudominer said they would need a special meeting in December to hear a presentation from Invesco. The Board discussed this and decided on to have Invesco present at the December Board meeting but have a special meeting, December 14 at 10 a.m to make a final decision.

Mr. Bayne asked if there were indemnity issues with Invesco. Mr. Klausner requested a copy of all documents to review before Invesco made a presentation to the Board. He said often, managers were willing to issue a side letter to a governmental pension fund because they were not covered by ERISA and certain State law requirements applied.

Mr. Schmid said he had drafted an agenda for the workshop and was waiting for information on a keynote speaker. Chair Dew said he was working on it.

Motion made by Mr. Rudominer, seconded by Mr. Hole, to accept the -3.9% return for the quarter. In a voice vote, motion passed unanimously.

COMMUNICATION DIRECTOR'S REPORT

Fred Nesbitt

Mr. Nesbitt reported the disability panel that Ms. Wenguer and Mr. Rudominer had put on at the FTTPA conference had been rated the highest of all the breakout sessions and the recommendation was to do it at every school, for two hours.

EXECUTIVE DIRECTOR'S REPORT

CapTrust Contract

Ms. Wenguer informed the Board that the contract would expire on December 31. Chair Dew asked about the fees and Mr. Schmid stated they were willing to honor the fees currently in place.

Motion made by Mr. Rudominer, seconded by Mr. Hole, to renew the CapTrust contract for one year under the current terms. In a voice vote, motion passed unanimously.

In-Service Distributions

Ms. Wenguer reported there had been an informational meeting earlier in the day but no 1099Rs had been issued yet.

Chair Dew said members had discussed their anxiety and they had been provided the best advice possible. Mr. Klausner said Bob Friedman would be proceeding with the voluntary compliance program with the City and IRS, which would determine the ultimate effect: who would pay additional tax, penalties and/or interest.

Interest on Member Contributions

Mr. Klausner reported Assistant City Attorney Dunckel had opined that the end to interest on contributions the unions negotiated operated retroactively as well as prospectively. Mr. Klausner had reviewed the opinion, researched it and drafted a response stating they disagreed. The union had the ability to negotiate a prospective change in interest accrual, but a member had the right to interest on contributions up to the effective date of the collective bargaining agreement. He cited a Florida Supreme Court decision stating that benefits tied to service performed prior to amendments to the retirement plan could not be lost or impaired. Mr. Klausner remarked that the economic impact of the opinion was "no big deal."

Assistant Administrator/Deputy Director

Ms. Wenguer said they had found a candidate who would fit well with the office and she intended to speak with her once more before making an offer. The offer would be at the lower salary range because the candidate had no pension experience.

Mr. Hole asked about the salary survey the Board had discussed in October. Ms. Wenguer stated the City of Miami was already conducting a survey and they had agreed to share the results after they were presented to the Miami board. Mr. Bayne suggested a public records request to obtain the actual survey results.

AON Proposal

Ms. Wenguer had requested the quotes with different retention levels as the Board suggested at the previous meeting. She informed the Board that there was little difference when the deductible was raised.

2016 Meeting Calendar

Chair Dew requested moving the January meeting to 1/6 at 12:30 and the Board agreed.

PENDING ITEMS

New Business

Mr. Klausner explained the Code of Conduct and Schedule A packet from the National Conference on Public Employee Retirement Systems (NCPERS). He stated it was a code of ethics as well as a sort of loyalty oath to prevent those who made their living off of public pension funds from giving money to those who wanted to do away with public pension funds. Mr. Cyphen said Hank Kim could speak to the Board about this and Mr. Klausner agreed to ask him to speak at the workshop lunch on December 10.

Old Business**Schedule A**

No discussion.

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There being no further business to come before the Board at this time, the meeting was adjourned at 1:53 p.m.

FOR YOUR INFORMATION:

Public Pension Coordinating Council
KCG Recapture Statement

PPCC Award for Funding
September 30, 2015

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