

October 17, 2017

**City of Fort Lauderdale Police and Fire Retirement System
Fixed Income Investment
Tuesday, October 17, 2017**

Present

Michael Dew, Chair
Ken Rudominer, Vice Chair
Scott Bayne, Trustee

Also Present

Lynn Wenguer, Executive Director
Alexandra Goyes, Deputy Director
Kevin Schmid, Cap Trust
John Herbst, City Auditor
Paul Debold, Vice-President Retirees Association
Scott Moseley

Pursuant to authority of Ordinance C-00-34, Article II, the meeting of the Police & Firefighters' Pension Board convened at 10:30 A.M., Tuesday, October 17, 2017 at the Police & Fire Retirement System, 888 S Andrews Avenue, Fort Lauderdale, Florida.

Chair Dew called the Fixed Income Investment meeting to order at 10:30 am.

PLEDGE OF ALLEGIANCE/MOMENT OF SILENCE

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

The Chair acknowledge the present of Kevin Schmid from CapTrust. The purpose of the meeting is for the sub-committee team to discuss infrastructure investment funding by the pension plan. Chairman Dew said that the ultimate goal is to invest to get a greater rate of return.

Chair Dew identified 3 objectives to be discussed today.

First, where are we getting our funding source or sources?

Second, what type of funding are we looking at? The cost, the value and amount

Third, what type of infrastructure we want to invest in?

Chair Dew asked Kevin Schmid for his recommendation on the funding source. Mr. Schmid said that he has to know the characteristic of the investment. Mr. Bayne said investing in fixed income.

Mr. Schmid refers to some concerns broad from last month's meeting was maybe some source of real estate type of loan or mortgage loan. He will consider taking most from fixed income but it will take to shave off some of the real estate allocation to fund that. It all depends in the amount. He feels comfortable taking the amount of \$75 million from fixed income without impacting the liquidity needs of the plan.

Mr. Schmid said that as of June 2017 the plan has \$212 Million in a fixed income.

Ms. Wenguer said that the plan needs every month \$50 million for payroll plus \$19 million for expenses. \$75 Million will be sufficient to cover all needs including the DROP.

Ms. Wenguer said that last year the benefits paid \$48 million including DROP.

They all agreed that \$75 million will be a comfortable amount to have in liquidity to run the plan.

Chair Dew recapped that the purpose for the investment is to make money and for it to have a social impact on benefits in a long term. He also refers to Boyd Watterson giving 3% return for fixed income. Mr. Schmid said that their return has been 2.5 % annually and that the bond program is gaining 2% annually in the last 5 years.

Mr. Rudominer stated that this is a fixed income alternative and that whatever we do should meet or beat the benchmark we have set for others notwithstanding any positive political or good will associated with this type of investment.

Mr. Bayne questioned the liquidity amount, should the plan maximize the liquidity to get the return? Chair Dew asked how much we want to allocate for this project. He is looking into the P3 for the new Fort Lauderdale police station which will cost an estimated amount between \$85 to \$90 million dollars.

Ms. Wenguer asked what type of new parking garage and if the plan will fund the building? And after the construction, how it gets paid?

Mr. Herbst gave a couple of models; one will be the plan acting as a developer and the other as a financial partner. There will be 6 to 7% return in a private mortgage. Chair Dew said that he had done a research on it and the average percent will be 5 to 7 % return.

Mr. Rudominer wants to define the investment plans and question if the plan is changing its asset allocation. Chair Dew said no. Mr. Rudominer clarified that he wants to meet his fiduciary responsibility and be actuarially sound.

Mr. Bayne said that the goal is to get better returns and that is his main concern. He is interested in investing in the city water & sewer and he believes that they can get a decent return from it.

Mr. Herbst explains that the city is working on it and will be ready by December, but he does not recommend investing in it; he recommends for the plan to act as a developer of the new police station or the downtown new city hall building.

Mr. Bayne said that his second option will be investing in the parking garage at FAU as a partner in building and owning it and they are looking at 8% return. Mr. Herbst said that to have caution in regards of risk in the long term.

Mr. Rudominer asked if the city will be willing to give the plan a piece of land as a contribution. Mr. Herbst said there is a possibility. Mr. Rudominer asked regarding something that he heard at NCPERS regarding other plans reclassifying their fixed asset. Mr. Schmid said that is not a good idea.

Chair Dew said "We don't want to increase risk" but, we are looking for a greater return in value. Mr. Schmid wants to have a clear understanding were the risks are and he wants the plan to have a greater idea of potential risk factors.

Mr. Herbst said that the primary reason of owning a P3 is that the private sector can deliver a building cheaper and faster than the public sector.

Mr. Bayne said that he liked the idea of a partnership with the City that shows a good will, but they have a fiduciary responsibility and the need to find the best possible that we can for the plan.

Mr. Schmid said that he feels more comfortable with the plan doing P3 with the city which is responsible for paying contributions to the plan.

Mr. Bayne said that he feels that they should look everywhere for what is best for the plan.

Mr. Herbst said that you should be looking very closely at your developer partner, someone who can deliver a project on time. A good option will be a multi -million dollar organization and go out to bid for a development team.

Mr. Herbst said that city is more interested in water & sewer, storm water & sea walls which are a public infrastructure and a good General Obligation Bond for a police station or city hall.

Chair Dew said that we need to get a consensus from the City to be interested in working with the plan. The project's budget range will be between \$75 to \$100 million dollars.

Bullet points for next day Board meeting.

- 1) Minimize risk – take risk off the table
- 2) Have an income stream coming from it
- 3) Look for alternatives resources
- 4) Budget range between \$75 and \$100 million dollars
- 5) Get Board consensus to go forward.

All agreed the next Fixed Income Investment meeting for November 10, 2017 at 10 a.m.
Meeting adjourned at 11:30 am.

[Close Window](#)