October, 2013

POLICE AND FIREFIGHTERS' PENSION BOARD
REGULAR BOARD MEETING
WEDNESDAY, OCTOBER 9, 2013, 12:30 P.M.

Present

Michael Dew, Chair
Ken Rudominer, Vice Chair
Scott Bayne, Trustee (Left meeting at 2:30pm)
Jeff Cameron, Trustee
Richard Fortunato, Secretary
Dennis Hole, Trustee
Jim Naugle, Trustee (Left meeting at 2:30 pm)
Lynn Wenguer, Administrator
Steve Cypen, Cypen & Cypen, Board Attorney

Also Present

Amanda Cintron, Assistant Administrator
Laurie DeZayas, Pension Secretary
Doug Wood, Director of Finance
John Herbst, City Auditor
Kevin Schmid, CapTrust
Rena Pulido, Industry Funds Management [IFM]
Larry Antonatos, Brookfield Investment Management [BIM]
Todd Lovell, Brookfield Investment Management
Edward Keating, Lazard Asset Management
Thomas Franzese, Lazard Asset Management
Lisa Edmondson, Recording Secretary, Prototype, Inc.

Gregg Gurdak, Retirees' Association
Janie Carreras, Retirees' Association
Paul DeBold, Retirees' Association
Bruce MacNeil, Retirees' Association
Ann Lindie-MacNeil, Retirees' Association
Linda Soloman-Duffey, Retirees' Association
Rick Schulze, Vice President of the Retirees' Association
Fuzzy Larkin, Retirees' Association
Walter Courtney, President of the Retirees' Association
Fred Nesbitt, Director of Media Relations

Communication to City Commission

The Board wished to inform the City Commission that they had received the IRS determination letter.

The Board wished to inform the City Commission that they had hired Lazard Asset Management for infrastructure investments.

The Board wished to inform the City Commission that they had received the PPCC award for Funding and Administration for 2013.

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, August 14, 2013, in the Pension Board Conference Room, 888 S. Andrews Avenue, Suite 202, Ft. Lauderdale, Florida 33316.

Items were discussed out of order.

PLEDGE OF ALLEGIANCE / MOMENT OF SILENCE
Chair Dew called the meeting to order at 12:30 p.m. and roll was called. All present recited the Pledge of Allegiance and observed a moment of silence.

MINUTES:
Regular Meeting: September 2013
Motion made by Mr. Hole, seconded by Mr. Rudominer, to approve the minutes. In a voice vote, motion passed 7-0.

COMMENTS FROM PUBLIC
None.

BENEFITS:

POLICE DEPT:	**New Retiree:**	Jonathan Appel
	DROP Retiree:	Sandra Downs-Keesling
	New Beneficiary:	Dorothy Schiavon
FIRE DEPT:	**DROP Retiree**	Jeremy J. Rifflard
	Vested Retirement	Ian M. Kemp
	Lump Sum Refund	Jesus Roa
	New Beneficiary	Dolores Hone

Ms. Wenguer reported they always paid interest on contribution refunds.
Motion made by Mr. Bayne, seconded by Mr. Rudominer, to approve payment of the Police and Fire benefits. In a voice vote, motion passed 7-0.

BILLS:

CapTrust	$21,250.00
Klausner, Kaufman	$1,000.00

Motion made by Mr. Rudominer, seconded by Mr. Cameron, to approve payment of the bills as documented. In a voice vote, motion passed 7-0.

INPUT FROM ACTIVE & RETIRED POLICE OFFICERS & FIREFIGHTERS:
Walt Courtney referred to discussion at the previous meeting regarding Whitey Grimm's COLA entitlement and said what was stated at the meeting was not quite true. He said Mr. Cypen had been asked, maybe four times at that meeting why Mr. Grimm had not received a raise and Mr. Cypen had replied he would have an answer in two weeks. Mr. Courtney said it had been eight months now. He asked if Mr. Klausner's memo was supposed to answer the question about Mr. Grimm's raise and Chair Dew replied it was. Mr. Courtney said they needed the reasons why.

Chair Dew stated Mr. Klausner had been paid to offer an opinion about Mr. Grimm's COLA and the memo was his response. Chair Dew recommended Mr. Courtney provide the memo to his attorney and consult with him.

Mr. Courtney asked what the following line in the memo meant: "…since the actuary had determined that there was not compliance as far as having additional funds as the ordinance was written." Chair

Dew stated the question had been who made that determination, and the determination had been from the actuary's report that the Board subsequently voted to accept.

Mr. Courtney asked if any computations had been done without smoothing for the people that are not under smoothing. Ms. Wenguer replied that there was only one calculation done for COLA; it was done with the smoothing because that's what's in the ordinance. Mr. Cypen confirmed smoothing was part of the calculation. Mr. Courtney insisted that some people were not under smoothing. Chair Dew again advised Mr. Courtney to consult with his attorney to review Mr. Klausner's letter.

Chair Dew stated articles regarding the Detroit pension fund had been distributed. One article was critical of their Board of Trustees because they had authorized unauthorized benefits to retirees and that violated their fiduciary responsibility and the law. He hoped this would help Mr. Courtney appreciate the situation that this Board was in.

CAPTRUST:

Monthly Performance Review Kevin Schmid

No report.

INFRASTRUCTURE PRESENTATIONS

Industry Funds Management [IFM] Rena Pulido
Brookfield Investment Management [BIM] Todd Lovell
Lazard Asset Management Tom Franzese, Ed Keating

Mr. Schmid stated infrastructure was a wide-ranging asset class and there was not necessarily agreement about what's in it. He explained there were different ways to structure the asset class.

Mr. Schmid said IFM was a privately held fund that held private assets instead of publicly traded securities. He had brought this firm in to represent a contrast to the other two firms. If the Board was comfortable with IFM's approach, they could request additional presentations from other firms dealing in private assets. For this meeting, Mr. Schmid wanted to focus on firms that were as liquid as possible.

Mr. Rudominer pointed out that both Brookfield and Lazard traded stocks and asked if the stocks that they owned were included in the index funds that the trust already owned. Mr. Schmid felt some would be held in the mid-cap index. He said the stocks would have some correlation to the global stock market, versus a privately held asset that would not move with the stock market. Even though they were stocks by definition, Mr. Schmid stated they would consider them in the alternative asset class because of their unique characteristics.

Mr. Rudominer asked how this would affect their 25% global allocation. Mr. Schmid explained that most of the money would come from PIMCO, so this would slightly decrease their international exposure.

Mr. Cypen stated there was a section of 112.661 that indicated a methodology was required for valuation, otherwise the investment policy statement would not be approved. Mr. Schmid said the firms would discuss their valuation policy.

Rena Pulido from IFM distributed a hard copy of her Power Point presentation, a copy of which is included with these minutes for the public record.

Ms. Pulido described the company's valuation and auditing processes and Mr. Wood stated they needed to know market value as of September 30. Ms. Pulido explained that their funds were not traded on a listed market; they were an unlisted, open-end fund. The value of the assets would be the market value of the infrastructure businesses invested in. Mr. Cypen asked if IFM bought 100% or parts of assets and Ms. Pulido stated they looked for value; they had partial interest in some assets and they had

recently acquired a few assets in partnership with strategic operators. For these assets, they had less than 50% interest but a 50% voting right. She stated this was their preferred model for acquiring assets.

Mr. Rudominer asked if IFM was finding it more difficult to find quality assets. Ms. Pulido remarked that the market was more competitive particularly regarding utilities but they were able to focus on areas in which they saw value. Mr. Rudominer asked if there was a set amount of cash that IFM could hold in the plan waiting to buy new assets and Ms. Pulido said they currently had $2 billion in the queue to put to work and their target was $3.5-$4 billion. Their holy grail was to have bilateral negotiations and so they spent a lot of time on relationship development with strategic operators and other vendors looking to dispose of their assets.

Ms. Pulido informed Mr. Cypen that they were unaffected by the current government shutdown because their assets were held privately or by states. If a state shut down, they would seek other opportunities.

Mr. Rudominer asked if most of IFM's clients were reallocating out of equities or fixed income. Ms. Pulido replied it was a bit of both; those reallocating out of fixed income wanted a higher yield. She noted that people investing in their infrastructure debt platform were all coming out of fixed income. She stated IFM had five asset classes: listed equities; private equity; private assets; infrastructure equity and debt investments, including infrastructure debt.

Mr. Hole asked if the performance fee of 20% over 8% applied to both infrastructure and the global infrastructure fund. Ms. Pulido described their fee structure: their fee was 20% above an 8% return; 50% of any performance fee was held back every year to make up for any potential deficits the following year; 60% of the performance fee was allocated to the investment team but was reinvested back into the fund for a period of eight years to align their long-term compensation to the investment performance of their investors; their management fee had recently been reduced from 125 basis points to 97 basis points and was only on drawn capital, not on commitments; the management fee was nonnegotiable; the only exception to the fee structure was the original founders. Ms. Pulido said the minimum investment was $10 million.

Mr. Cypen asked if IFM had ever experienced a time when people had queued up and not been able to get their money out and Ms. Pulido stated they had never had a queue of people seeking to take money out, even through the financial crisis. They had always met any request to take money out within the 90-day request period.

Ms. Pulido informed Chair Dew that the Florida State Retirement System was invested with IFM for $300 to $400 million. Chair Dew recalled that a pipeline had recently blown up and asked how this affected the overall portfolio. Ms. Pulido said the pipeline that they had from Colonial transported product from refineries in the Gulf Coast to the eastern seaboard. They had the option to redirect product at several points along the pipeline if a section were compromised. She stated this would be a very small component of overall performance given the diversification of the asset profile.

Mr. Cypen noted the large amounts of insurance on the assets and asked if they had business interruption insurance. Ms. Pulido said she would need to review individual policies to determine that.

Larry Antonatos and Todd Lovell from Brookfield Investment Management distributed a hard copy of their Power Point presentation, a copy of which is included with these minutes for the public record.

Mr. Bayne asked if Brookfield Investment Management Inc. (BIM) was the same as Brookfield Asset Management Inc. (BAM). Mr. Antonatos explained that BIM was the group that managed all of the public securities and was wholly owned by BAM. BAM owned and operated assets directly.

Mr. Cypen asked how they ensured that the return would grow equal to or greater than CPI and Mr. Antonatos explained there were two drivers of cash flow growth: price and volume. The price caps for most infrastructure assets were tied to inflation.

Mr. Rudominer asked Mr. Antonatos if this was an alternative investment versus an equity sector play. Mr. Antonatos said many people viewed real assets, such as real estate, infrastructure, timber and commodities, as alternatives. This was infrastructure owned in a stock wrapper. The correlation to the MSA World Index was approximately .75. Mr. Lovell informed the Board that pre-crisis, the index had a .45 to .6 correlation to the S&P 500; through the crisis it had peaked at approximately .85. Since then it had settled into the .7 to .75 range. Mr. Antonatos explained that the yield on the underlying stocks was 4.25%.

Chair Dew asked about Florida pension funds investing with Brookfield and Mr. Antonatos stated there were none.

Mr. Hole asked how the Dow had adopted the Brookfield Global Infrastructure Index. Mr. Antonatos explained that when they started the business in 2008 they had looked at the existing infrastructure benchmarks and did not like any of them so they had collaborated with Dow Jones to create a new benchmark. He said their hundred-year history of investing in infrastructure was rooted in two things: visible cash flows and cash flows that grow faster than inflation. In order to get visible cash flows they had concentrated on asset-owning companies. The Dow Jones benchmark specified that at least 70% of the cash flow from the company must be from the asset to be eligible for index inclusion. Mr. Antonatos said they distinguished between infrastructure and utilities. By their definition, infrastructure grew faster than inflation as supposed to utilities. The dominant asset class in most utilities benchmarks was electricity generation, which tended to be heavily regulated, so cash flows grew slower than inflation.

Mr. Schmid asked if Mr. Antonatos saw commodity risk in the portfolio because of the pipeline exposure and where they were in the valuation cycle with pipelines, given the strong energy renaissance they were experiencing. Mr. Antonatos said they felt that North American energy independence was a very powerful thing and the opportunity for infrastructure was to provide the pipelines to connect new oil and gas fields to refineries and processing plants. Because of the dramatic increase in oil and gas production, there was a huge demand for pipelines.

Regarding commodity risk, Mr. Antonatos said this was a secondary risk for pipelines. He explained that an oil and gas production company had direct commodity price risk but pipelines had long-term contracts; the pipeline operator did not have direct commodity price exposure. He cautioned that if the price of oil collapsed to $50 and the cost to get it out of the ground was $50, chances would be that the production company would not pull it out of the ground. If this occurred at the end of a contract period there may be no takers for the pipeline’s capacity.

Mr. Antonatos informed Chair Dew that the minimum investment was $25 million in the institutional separate account.

Edward Keating and Thomas Franzese from Lazard Asset Management, distributed a hard copy of their Power Point presentation, a copy of which is included with these minutes for the public record.

Mr. Franzese informed Chair Dew that the City of Daytona was their only Florida client.

Mr. Rudominer asked about the danger of a bubble and Mr. Keating replied that there already was a bubble in certain areas, particularly in communication companies and LLP's in the United States and Canada. Lazard was invested in areas where they did not believe there were bubbles: in Europe, Japan and Australia, areas of the world that most infrastructure managers and global equity managers had elected to stay away from. He informed Chair Dew that Lazard had the liquidity to invest back in the

United States after the bubble burst. Within a couple of trading days they could move 92% of their portfolio, $2.7 billion.

Chair Dew asked Mr. Keating if they had missed the boat on pipeline investing. Mr. Keating said in the United States, some pipeline companies took on commodity risk by getting involved in trying to make a play on the actual commodity they moved, and this was too risky for Lazard. He stated there had been an energy revolution in the United States; companies had invested in building pipelines across the country but resources had subsequently been discovered closer to their destinations, rendering the original pipelines obsolete. Mr. Keating said these were good assets that would continue to invest capital and grow their earnings, but he did not believe it was worthwhile at the current share price.

Mr. Keating said North America and Canada were the most expensive places in which to invest. Mr. Rudominer asked why, and Mr. Keating explained that since 2009, North America infrastructure companies had been re-rated and now traded at a premium; the utility sector had not traded at a more expensive valuation in the last 25 years. They were trading at over 20 times earnings as opposed to Europe, which was trading at closer to 13 times earnings. The reason North American companies were so expensive was because the market assumed that these would grow as they had until the end of time. Much of the market also assumed they would be able to fund their business at low interest rates, the Mr. Keating pointed out that interest rates would not stay at the current low level.

Mr. Rudominer wondered why the Lazard portfolio had no correlation to their current portfolio if it was so good. He asked why they should consider this as an alternative investment. Mr. Keating said his colleagues who ran strategic portfolios looked at a universe of several thousand securities and they had done well doing this. He noted that they have a much larger fishing pond, they have a different benchmark a different investment objective and different investment strategies. Mr. Keating stated every one of their companies was a publicly traded, liquid security. He said some clients were reallocating money from equities and some were using it as a fixed income alternative. He said this was a middle ground between fixed income and equities.

Mr. Franzese explained that the reason why infrastructure was becoming a desirable asset class was because these types of strategies did well in an inflationary environment. Mr. Franzese stated the reason some clients used it as an alternative for fixed income was because the risk exposure was similar to bonds. Mr. Keating remarked that these companies enjoyed inflation protection but the weakest inflation protection was in the United States. This was another reason they considered the United States a riskier place to be within the utilities sector.

Chair Dew asked when the US market would look attractive and Mr. Keating stated if interest rates increased and US utilities underperformed they may become attractive.

Mr. Keating confirmed for Chair Dew that their management fee was 90 basis points. Mr. Franzese explained that this was not all-inclusive; there were other expenses in the mutual fund or in the trust. For the mutual fund, there was an additional 9 basis points, so the total would be just under 1%. If the mutual fund grew to over $41 billion, the total would be 95 basis points. The fees for the mutual fund were non-negotiable. Mr. Franzese said for the trust, there might be a little bit of movement there, but not a lot. Expenses were also higher for the trust because it was smaller.

Ms. Schmid said based on his conversations with Lazard, considering the size of the investment they were considering, the mutual fund product was slightly more attractive. If they increased the size of the investment, the trust became more attractive. Mr. Franzese said all three vehicles were managed the exact same way. He stated they could start with the fund and if you get critical mass they could transfer into the trust where the management fee could be lower.

Mr. Schmid said their original target for PIMCO was 5% but they had increased it to 10% as a temporary placeholder.

Mr. Schmid agreed one of the challenges of privately held securities from IFM was liquidity compared to Lazard or Brookfield, but he noted IFM had not historically had a problem paying redemptions. Chair Dew recommended tabling discussion until they had a full Board. Mr. Hole asked Mr. Schmid to describe the pluses and minuses of each presentation.

Mr. Schmid stated he had brought in IFM was because of the depth and breadth of their team experience. He preferred IFM's liquidity terms to JP Morgan, which was a rolling four-year lock-up. The disadvantage of IFM versus Lazard or Brookfield was it was much more expensive: the same type of management fee plus the incentive fee of 20% over 8%.

Mr. Schmid felt Brookfield had pointed out the reverse advantages of being in public securities. There was higher correlation to the equities market and Brookfield argued that gave them the opportunity to exploit the volatility there. Between Lazard and Brookfield, Mr. Schmid reported Brookfield had experienced tremendous performance, the vast vast majority of which had been driven by their heavy concentration in the energy pipeline area. Mr. Schmid liked the fact that Lazard was benchmark agnostic. Brookfield was tied to a benchmark that they had helped to create. He thought Lazard had a little more flexibility. Mr. Schmid noted a drawback to Lazard was that they already had some exposure in their international strategy.

Mr. Rudominer did not consider liquid equities as an alternative asset class. He wanted to see the Board take from their fixed income and move the industry fund manager investments as an alternative to fixed income. Then they could concentrate on the two equity managers. Chair Dew asked what they would do with PIMCO and Mr. Schmid stated the .6 - .7 correlation was similar to what PIMCO's correlation had been to the global stock market. He said part of the .3 IFM correlation was due to the fact that their assets were valued quarterly and yielding 5 to 6% cash per year. Mr. Schmid explained that the bulk of the return of an IFM program was what was being spun off as cash flow and not so much on changing the price or value of the assets they owned. This was by nature less correlated and was somewhat artificial.

Mr. Hole asked if Mr. Schmid shared Lazard or Brookfield's opinion regarding United States and Canadian pipeline investments. Mr. Schmid had not analyzed the balance sheets of the pipeline companies and said he trusted the managers when it came to valuations. He pointed out that Lazard was very value biased; Brookfield was looking for assets that were growing rapidly, a more "growth at a reasonable price" bias. He said they were both correct, "Lazard doesn't feel like gambling on the growth in those pipelines… and they're looking at the asset class in a different way, whereas the growth in those pipelines is exactly what Brookfield is looking for." Mr. Rudominer asked if there was a conflict of interest because Brookfield had a private equity side which might be investing against them in the pipelines. Mr. Fortunato remarked that with all the shale, all the natural gas they're finding… the price goes down as they are able to refine all this stuff more easily and at a better price. Chair Dew referred to a series in the Wall Street Journal regarding the pipelines and how the ship had sailed and they were finding oil and gas in more and more locations so the pipelines were not needed.

Chair Dew asked if the Board wished to share this knowledge with other Board members next month and make a decision. Mr. Schmid said he had a difficult time considering something like IFM a direct fixed income, but he did not have a problem with considering the fixed income marketplace and looking at less fixed income and more of something else. Ms. Wenguer said this was perceived in an audit as an alternative investment. She stated they're going to have a tough time with IFM in an audit.

Chair Dew found Brookfield's concentration of 60% of the portfolio in pipelines problematic. He liked that Lazard recognized this fact, and that they were looking at things that were relatively cheap right now to purchase with some growth potential. Chair Dew was more comfortable with Lazard's presentation and the depth of their vehicle but he was a little confused about how they would do this between the commingled and the mutual. Mr. Schmid said part of it depended on how much they were talking about. He assumed a minimum of 2.5% of the portfolio. Mr. Schmid calculated that 5% of the portfolio was approximately $36 million and for that amount, he felt the commingled trust made sense

because of the difference in the blended fee. Unless they got to a bigger number than they were discussing he did not feel there was enough fee benefit in the commingled trust to offset the liquidity difference.

Mr. Hole asked Mr. Schmid, “If Lazard says they don't build a portfolio based on a benchmark, what can we compare it to?” He also wanted to know if Lazard dealt in derivatives and leverage. Mr. Schmid confirmed that Lazard did not deal in derivatives and leverage. Mr. Hole asked if Mr. Schmid considered it a plus or minus that they did not deal in emerging markets. Mr. Schmid considered this a small negative but said he understood the rationale and was fine with that. Regarding the benchmarking, Mr. Schmid said Lazard had a long-term performance objective of inflation plus 5% which was similar to what PIMCO was trying to do. On a shorter-term, Lazard had indicated the best benchmark with which to compare them was the UBS 50-50 infrastructures.

Mr. Schmid stated in the short term, Lazard was in the top quartile for their peer group; in the longer term they had been more median. In 2009, 2010 and 2011, Mr. Schmid informed the Board that the Brookfield benchmark had performed significantly better than two others. A lot of this was due to the growth in the pipeline space and much lower utilities exposure. But Brookfield was not providing this sort of returns today. Chair Dew liked the fact that Lazard was more diversified.

Mr. Schmid said what was attractive to him about Lazard in a marketplace that had multiple accepted benchmarks and no clear-cut market leader was that they were not tying themselves to a benchmark but were rebuilding a portfolio from the ground up.

Mr. Hole asked if it was unusual for funds to have two products with the same company and Mr. Schmid replied it was not uncommon, especially with more diversified portfolios.

Chair Dew wish to wait for their attorney to be present before considering IFM private equity. Mr. Rudominer stated IFM was a co-mingled fund, a private equity. Mr. Hole remarked that if they own the companies, you'd be an owner of the company, and Chair Dew pointed out that if something happened to the company, guess what.

Mr. Schmid considered the private real estate asset class in general to be a semi-liquid asset class in that “you can get liquidity when you don't need it.” In 2008, there had been significant redemption queues to get money out of real estate funds. Mr. Rudominer thought with the $150 million influx last year, liquidity shouldn’t be an issue with us. Mr. Schmid did not disagree with this at a reasonable allocation.

Ms. Wenguer wanted Mr. Cypen to look at IFM before the Board considered a commitment there. Mr. Fortunato said they would definitely want Mr. Cypen's approval of the contract and Chair Dew felt he would have more insight that could help the Board make an informed decision. Mr. Schmid asked if the Board wished to hear from another firm with a similar structure before making a decision. Mr. Rudominer recalled that Mr. Schmid’s firm was actively searching for fixed income alternatives and asked if the Board wished to table this discussion in anticipation of Mr. Schmid presenting other options.

Mr. Rudominer believed that of the three presentations, only IFM met the criteria for an alternate investment. Mr. Fortunato favored going with IFM. Mr. Schmid said he had he a slight concern because the Board had only heard from IFM and no competitors. He stated the Board could decide between Brookfield and Lazard for one segment of the portfolio and they could consider peeling off a percentage of the fixed income allocation and direct it to something like IFM. Chair Dew agreed with pursuing this.

Motion made by Mr. Rudominer, seconded by Mr. Hole, to hire Lazard Asset Management and to invest $22 million in their mutual fund, the funds to come from their current PIMCO allocation. In a roll call vote, with Mr. Bayne and Mr. Naugle absent, motion passed 4-1 with Mr. Hole opposed.

COMMUNICATION DIRECTOR'S REPORT:
None.

ADMINISTRATOR'S REPORT:

CapTrust Contract Renewal

Ms. Wenguer reported the CapTrust contract ended in December 2013. Chair Dew stated they could renew the contract, renegotiate the price, grant an extension or put out an RFP. Mr. Rudominer felt there was not time to go through the RFP process. Also, they were now in the fourth quarter of the plan that CapTrust had set up for them. Chair Dew remarked they were actually in the first quarter because they had just begun a new fiscal year. Mr. Rudominer recommended an extension. Ms. Wenguer confirmed that the contract did not mention an extension. She remarked that contracts were usually renewable annually.

Mr. Fortunato asked Mr. Schmid if a three-year contract was the norm for CapTrust and Mr. Schmid thought the reason the current contract was written this way was partially because of how they had negotiated with the Board for the cost to gradually increase from $75,000 to $85,000. He said they were happy to extend the contract if the Board was comfortable with an $85,000 fee. The Board did have the ability to terminate their services at any time. Mr. Cypen stated the contract would always be at-will and the Board would always have the option to cancel in 30 days. He advised they could extend the current contract for one year at the current price. Mr. Bayne and Chair Dew favored this. Mr. Schmid agreed to work with Mr. Cypen and CapTrust's billing department to draft the extension.

Motion made by Mr. Rudominer, seconded by Mr. Cameron to approve extension of the CapTrust contract for one year, ending December 31, 2014 at a price of $85,000. In a voice vote, motion passed 7-0.

2013/2014 Budget Discussion

Ms. Wenguer recalled that a question had arisen regarding the computer programming and they had removed the software upgrade from the budget because they had paid the contract. She noted that some programming was coming up so there would be additional fees. Ms. Wenguer explained the health insurance had gone down because an employee no longer needed to participate in the plan.

Regarding management fees, Ms. Wenguer had used Mr. Schmid's estimate of 35 basis points for their average investment. She said some managers were not paid by check; payments came out of their accounts directly, so the fees were not reflected in payments made to them. She verified the payments by looking at the bank accounts and entering the fees into a schedule to ensure the fees charged were per the contracts. Mr. Bayne felt they should still receive a statement indicating the fees. Chair Dew asked Mr. Wenguer to request invoices and she agreed.

Chair Dew noticed that custodian fees had increased and suggested negotiating. Ms. Wenguer reported the custodian was scheduled to attend the Board's November meeting and she would advise them that their contract was subject to review and Board intended to discuss it. Mr. Cypen remarked that the custodian's fee of 2.5 basis points without additional transaction fees was pretty low.

Motion made by Mr. Rudominer, seconded by Mr. Fortunato, to accept the proposed 2014 budget as documented. In a voice vote, motion passed 7-0.

Retirement Seminar Recap

Ms. Wenguer said the turnout had been great, the presenters had done a great job and they had received a lot of positive feedback. Chair Dew said next year they would hold a one-day seminar, making it more convenient. They would also lobby more for spouses to attend so they would not need further explanations. Chair Dew also hoped that next year the Fire Department would attend. He thanked staff for doing a terrific job.

2014 Proposed Meeting Dates Discussion

Ms. Wenguer had not received any comments that they needed to change the dates but she was aware of the conflict in October. The Board agreed on an October 15, 2014 meeting date.

Administrator's Annual Review Discussion

Chair Dew reported that he had finished the review with Ms. Wenguer the previous week and she had been above satisfactory, almost to the outstanding. He stated the goal setting had been up to Lynn to figure out because he had not received any suggestions from any trustee.

Mr. Bayne had spoken with Carol Knapp at the previous FPPTA conference and he reported she had expressed very positive comments for the entire staff.

IRS Plan Determination Letter

Ms. Wenguer announced they had received the determination letter after 4 1/2 long years, but unfortunately it expires January 31, 2014. Mr. Cypen explained the problem with this letter was that it's not the ordinance anymore and you have about 270 days - which is longer than until January 31 of 2014 - to make the amendments you told them you were going to make, and you may still have to make those and go through the process of making them and then the new ones. He stated he would wait to hear from Bob Friedman because they have this problem with everybody.

Supplemental 175 Money

Ms. Wenguer reported they had received the supplemental 175 money from the State the previous week.

Investment Seminar

Ms. Wenguer agreed to confirm the dates for the seminar with the hotel.

PENDING ITEMS:

New Business

None.

Old Business

Schedule A

No report.

Employee Handbook

Chair Dew reported he had done some additional research and he intended to work with Mr. Cypen's office to finalize the handbook and present it to the Board.

Funding Policy

Mr. Hole asked for an update from the actuary on the funding policy, but Ms. Wenguer said she had not heard from him yet.

FOR YOUR INFORMATION:

Internal Revenue Service Plan Determination Letter
Supplemental 175 Distribution Check dated Sept. 23, 2013
Trustee Elections Notices **ConvergEx**
Recapture Summary/August, 2013 **Knight**
Recapture Summary/August, 2013

There being no further business to come before the Board at this time, the meeting was adjourned at 3:55 p.m.

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