

## October Special, 2015



**POLICE AND FIREFIGHTERS' PENSION BOARD  
SPECIAL BOARD MEETING  
888 South Andrews Avenue, Suite 202  
Fort Lauderdale, FL 33316  
Thursday, October 29, 2015, 10:00 a.m.**

### **Present**

Michael Dew, Chair  
Ken Rudominer, Vice Chair  
Jim Naugle, Trustee  
Scott Bayne, Trustee (called out on duty at 10:47am)  
Dennis Hole, Trustee  
Jeff Cameron, Trustee  
Richard Fortunato, Secretary  
Lynn Wenguer, Executive Director  
Robert Klausner, Esquire, Board Attorney  
Alexandra Goyes, Administrative Assistant  
Kevin Schmid, CapTrust  
Lisa Edmondson, Recording Secretary, Prototype Inc.

Chair Dew called the meeting to order at 10:05 a.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.

### **COMMENTS FROM PUBLIC**

None.

### **LARGE CAP VALUE MANAGERS (Presentation binders were provided by all companies)**

#### Aristotle Value Equity

Mr. William Averill and Mr. Jim Henderson gave a presentation to the Board, the highlights of which were as follows:

- ✓ Company overview and ownership structure
- ✓ Current clientele
- ✓ Investment team structure and experience
- ✓ Firm philosophy
- ✓ Portfolio holdings and allocations
- ✓ Sell discipline
- ✓ Historical performance
- ✓ Private equities
- ✓ Liquidity
- ✓ Sector allocations
- ✓ Plan holdings in Florida (none)
- ✓ Terminations (none)
- ✓ Fee schedule (30% discount, 50 basis points, performance based fee possible)
- ✓ Indemnification
- ✓ Benchmarks

#### Great Lakes Value Equity

Mr. Wells Frice and Ms. Laurie Watson gave a presentation to the Board, the highlights of which were as follows:

- ✓ Firm overview
- ✓ Mission statement
- ✓ Clientele
- ✓ Products offered
- ✓ Organizational structure
- ✓ Team experience
- ✓ Investment philosophy
- ✓ Earnings and cash flow models
- ✓ Portfolio criteria
- ✓ Sell discipline
- ✓ Firm selection criteria
- ✓ Top ten holdings
- ✓ Actual returns
- ✓ Standard deviations
- ✓ Risk assumption and returns
- ✓ Fee schedule (42 basis points 1<sup>st</sup> \$50 million)
- ✓ Terminations (none in large cap value)
- ✓ Indemnification
- ✓ Dividend yields
- ✓ Downturn recovery strategy

#### Diamond Hill Large Cap

Mr. Ric Dillon and Mr. Jason Job gave a presentation to the Board, the highlights of which were as follows:

- ✓ Alignment of client interests and investments
- ✓ Investment strategy and philosophy
- ✓ Client relationships
- ✓ Industry and team experience
- ✓ Research commitment
- ✓ 22% portfolio turnover
- ✓ Fundamental analyses
- ✓ Intrinsic values/risk controls
- ✓ Portfolio requirements
- ✓ Discount rates
- ✓ Current holdings
- ✓ Ranking versus peers
- ✓ Benchmarks
- ✓ Active/passive management
- ✓ Fee structure - fixed and variable
- ✓ Five year projection estimates
- ✓ Active share numbers
- ✓ Sector allocations

#### Seizert Capital Partners

Mr. Tom Kenny and Mr. Chris Heatley gave a presentation to the Board, the highlights of which were as follows:

- ✓ Firm makeup and history
- ✓ Investment philosophy and process
- ✓ Research process
- ✓ Price targets

- ✓ Clientele portfolio value
- ✓ Risk assessment
- ✓ Florida public plans (none)
- ✓ Indemnification
- ✓ Fee schedule (55 basis points)
- ✓ New clientele
- ✓ Market direction strategy

(A brief break was then taken from 12:05 to 12:15 p.m.)

## **PORTFOLIO REVIEW**

### **CapTrust**

Mr. Schmid addressed the Board summarizing his thoughts on the prior four presentations. He noted that none of the four could match the low fee schedule of the pension plan's current large cap value manager. Mr. Schmid commented on Aristotle's focus on better quality companies, and although they had no Florida public plan clients and had a recent merger, their performance shows the best of all four. He was not in favor of performance based fees.

With regard to Great Lakes, Mr. Schmid stated that company has the most Florida public plan exposure, high dividend yields, and lowest fees. He pointed out their recent acquisition and that this company was the weakest of all four in terms of performance.

Mr. Schmid pointed out that Diamond Hill has a long history and a consistent intrinsic value philosophy, but the highest flat fee.

As to Seizert Capital, Mr. Schmid felt this company "goes out of the box" in speculative situations and has the most consistent performance; however, Seizert is managing no Florida public plans. Their fee was in the higher range, but indications were they may be willing to negotiate.

Mr. Schmid's recommendation was favorable toward Seizert first, and Aristotle second.

The Board members then ranked the companies in order of preference.

**Motion** made by Mr. Rudominer, seconded by Mr. Hole, to hire Aristotle pending a contract. In a voice vote, the motion passed unanimously (6-0).

Chair Dew was in favor of transferring the entire amount held by Systematic.

**Motion** made by Mr. Rudominer, seconded by Mr. Hole, to terminate Systematic upon agreement of the contract with Aristotle. In a voice vote, the motion passed unanimously (6-0).

At Mr. Schmid's recommendation, it was decided to allow Aristotle to do the transition in lieu of a third party transition manager.

With regard to the distribution issue, Chair Dew reported that the member meeting with the City Manager had been canceled and the 1099Rs had not yet been redone. He requested that an informational session be held prior to the Board's next meeting scheduled for November 16, 2015, starting at 11:00 a.m.

Mr. Klausner cautioned against giving individual tax advice and that this meeting should be for informational purposes only.

Mr. Schmid indicated that he is doing his due diligence pertaining to private equity offerings and would work to schedule presentations after the first of the year for the Board.

(A break was then taken from 12:45 to 1:00 p.m.)

## **EXECUTIVE DIRECTOR'S REPORT**

### **Executive Director's Contract**

Chair Dew announced to the Board that Ms. Wenguer had been offered a position with Jacksonville Florida Police and Fire Pension. He asked the Board members their thoughts with regard to countering the offer in order to keep Ms. Wenguer in Fort Lauderdale.

Lengthy discussion ensued regarding Ms. Wenguer's performance, current salary, and benefit parameters for the administrator position, the steps and costs involved in retaining a recruiting firm and hiring a new administrator, as well as ongoing efforts and expectations in now hiring an assistant administrator.

**Motion** made by Mr. Hole, seconded by Mr. Fortunato, to allow Chair Dew to negotiate with Ms. Wenguer for a new 5-year contract not to exceed the following terms:

- First year - Salary increase to \$150,000
- Years 2 and 3 - 5% increase consisting of 3% merit, and 2% pension adjustment
- Years 4 and 5 - 3% increase consisting of 1% merit, and 2% pension adjustment
- Car and phone allowances as well as longevity remain the same
- With the following proviso: This agreement releases the Board of financial responsibility with regard to buy back.

In a roll call vote, (with Mr. Bayne absent) the motion passed 6-0.

Further discussion continued regarding advertising the assistant position, with the Board requesting that Mr. Klausner include a succession plan in Ms. Wenguer's contract when renegotiated. It was also determined that a recruiter would be hired for the assistant position if necessary. Mr. Klausner will report back to the Board regarding the hiring requirements for the position.

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