

**POLICE AND FIREFIGHTERS' PENSION BOARD
REGULAR BOARD MEETING
888 South Andrews Avenue, Suite 202
Fort Lauderdale, FL 33316
Wednesday, May 10, 2023, 12:30 PM**

Communications to the City Commission:

1. Trustees received and approved the audited financial statement as of September 30, 2022.
2. Trustees received and approved the actuarial valuation as of October 1, 2022
3. Trustees received and approved the second quarter performance report, showing a 3.65% return on investment for the quarter and 8.75% return for year to date. Trustees approved 3.65% as the return for the quarter.

Board Members

Ken Rudominer, Chair	P
Derek Joseph, Vice Chair	P
Scott Bayne, Secretary	P
Jeff Cameron, Trustee [via Microsoft Teams]	P
Richard Fortunato,	P
Dennis Hole, Trustee	P
Jim Naugle, Trustee	P

Also Present

Lynn Wenguer, Executive Director	Scott Hoffer
Alexandra Goyes, Deputy Director	John San Angelo
Hermes Garzon, Marcum LLP	Jo-Ann Lorber
Robert Klausner, Board Attorney	Roberths Torres-Guzman
Kyle Campbell, CAPTRUST [via Microsoft Teams]	Eric Pekrol
Fred Nesbitt, Communication Director	Victoria Negrón Rodriguez
Brad Heinrich, Drew Ballard, Foster & Foster	Giovanni Morales
	Abdel Bryson

ROLL CALL/CALL TO ORDER

The meeting was called to order at 12:30 PM. Roll was called and a quorum was determined to be present.

MINUTES:
Regular Meeting: April 12, 2023

Motion made by Mr. Naugle, seconded by Mr. Hole to approve the Minutes of the Board's April 12, 2023, meeting. In a voice vote, motion passed unanimously.

NEW HIRES:
Chair Rudominer welcomed the new hires.

BENEFITS:

FIRE DEPT:	New Retiree:(DROP Termination):	Robert Siegel
	DROP Retiree:	Rolando Smith
		Christopher Archambault
		Chad Robertson
		Christopher Czipulis

POLICE DEPT:	Service Retirement:	Michael Gelberg
	DROP Retiree:	Joshua E. Mijal
	New Beneficiary:	Paula Bukata
	Survivor	

Death:
Sus

an Kaye

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

BILLS:	Lazard	\$143,140.20
	Waycross	\$63,140.43
	Vaughan Nelson	\$73,328.06
	Boyd Watterson	\$43,424.00
	Agincourt	\$42,752.20
	Eagle	\$39,607.64
	William Blair	\$37,970.28
	Rhumblin	\$14,103.00
	Marcum	\$6,000.00
	Dr. Domingo Delgado-Garcia	\$1,500.00
	Marcum	\$1,250.00

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

**COMMENTS FROM PUBLIC/ INPUT FROM ACTIVE & RETIRED
POLICE OFFICERS & FIREFIGHTERS:**

Scott Hoffer, president of the Police Union, spoke in opposition to the proposed change in the buyback policy requiring the balance be paid within five years. He said allowing a longer period to pay it back would not increase liability on the Plan.

**2022 ACTUARIAL VALUATION:
Foster & Foster**

Brad Heinrich, Drew Ballard

Mr. Heinrich reviewed the valuation report. He noted that for the upcoming fiscal year, the City's contribution had decreased, despite an actuarial loss. The main reason was that one "mortgage" had fallen off. He pointed out that this would recur over the next three to four years. There was also the change in the assumed rate of return from 7.25% to 7.2%.

Mr. Heinrichs discussed the change over time to the Unfunded Actuarial Accrued Liability and how they reconciled the unfunded liability and the assumption change. Mr. Heinrichs discussed payroll growth rate and its impact on payments. Mr. Klausner explained that the purpose of the valuation was to determine the City's contribution and for a plan if this size, with components that gained and lost differently, it would be unwise not to do it annually. Mr. Heinrichs discussed the reasons for and effect of reporting the DROP money as a separate asset/liability.

Mr. Heinrichs explained that the Actuarial Value represented the Smoothed Value, and the Market Value was how much money they actually had. Last year, they had \$1.115 billion in market value of assets and the actuarial value was \$1.047 billion. The funding requirements were developed as if they had \$1.047 billion in the plan, but they really had \$1.115 billion. Last year, there were many unrecognized gains that were not smoothed yet. Mr. Heinrichs said this situation was now flipped because of the 10% investment loss. He reiterated that future losses would continue to be offset by the "mortgages" that were continuously being paid off.

Mr. Heinrichs referred to the market value of assets, divided by the present value of accrued benefits to calculate that they currently had 88.4% of the money needed to cover all pensions earned up to this point. This funding ratio put them in the top ten percent of public plans.

Chair Rudominer asked about member contributions for buybacks and Mr. Heinrichs explained that buybacks were at no cost to the Plan.

Mr. Heinrichs responded to a list of questions provided by Ms. Wenguer. Regarding term-vested retirement, there was a question about when a person could retire with an unreduced benefit. Mr. Heinrichs said he used the following normal retirement age definition from the Code: the date on which a former Police Officer or Firefighter would have attained 50 years of age and 20 years of creditable service if employment had not been terminated. Mr. Klausner noted that there was a provision elsewhere stating that for those hired after 1991, it was 47 years of age and 10 years of creditable service, which

was causing confusion. Mr. Bayne said Mr. Heinrichs should use the same calculation the Board was using. Chair Rudominer said the Board would provide Mr. Heinrichs with direction about which calculation to use in the future. Mr. Heinrichs explained how this could be taken as a gain/loss or an ordinance interpretation change. Mr. Klausner advised the Board to treat it as an ordinance change. Mr. Klausner agreed to send a copy of the re-written ordinance to Mr. Heinrichs.

Regarding buying prior service, Mr. Heinrichs said as long as a member paid interest, he would not object to allowing an extended period of time to pay but thought that if a member left prior to paying in full, the member should be required to pay it off then. If the member did not have the balance, they must pay for another calculation of how much time had been paid for.

Motion made by Mr. Bayne, seconded by Mr. Fortunato to accept the Actuarial Valuation Report, including the assumptions used. Motion passed unanimously.

ATTORNEY'S REPORT

Robert Klausner

Mr. Klausner reported he had a pretrial conference with the City and judge regarding Ms. Wenguer's contract. They were waiting for the judge to grant a final hearing in the next few months.

Mr. Klausner said the State had passed HB 3, which changed some rules regarding investment. He said proxy voting had a complicated set of rules, and he agreed to send a memo to Mr. Campbell. The investment rules only applied to investment agreements as of July 1, 2023. This meant that each manager would need to acknowledge the proxy voting rules in their contract. Mr. Klausner would provide a recommendation for a revision to the Investment Policy to adopt this, as well as language to be included in each manager's agreement.

Mr. Campbell asked about mutual funds and Mr. Klausner thought Mr. Campbell would need to inquire about the underlying investments and the investment policy of the mutual fund.

Mr. Klausner said the Board's fiduciary duty was to invest for the highest return at a reasonable rate of risk.

Buybacks

Mr. Heinrichs said he would set up a payment schedule, including interest [7.2% now]. The member should sign a document agreeing to the terms and stating that if he/she left prior to completing the buyback, the note was due entirely on the date the member left, or they must pay for a calculation determining how much time they had actually paid for. Mr. Heinrichs said his current calculation included the future salary increases.

Chair Rudominer said they wanted this to be equitable and affordable to members, while protecting the Plan. Mr. Heinrichs agree to provide a guide estimating how much it would cost to buy back service.

Mr. Klausner said the policy must be clear about whether there was a limit to the number of years to repay. If there was none, the policy should also indicate that the actuary would determine the amortization cost and if the member separated prior to finishing the payment plan, the member agreed to pay for the actuary to determine how much time the member had purchased. Mr. Bayne noted that assumption changes would affect the value of the time purchased and Mr. Klausner said the policy would also indicate that this was subject to annual revision with assumption changes.

Mr. Klausner agreed to discuss a buyback policy with Mr. Heinrichs to present to the Board at their June meeting.

**2022 AUDITED FINANCIAL
STATEMENTS: Marcum LLP**

Hermes Garzon

Mr. Garzon discussed the audit report, noting the report now began with the "clean" opinion, which was the most important part. He referred to the Management Discussion and Analysis, which summarized fluctuations over the year and provided reasons for the changes. Mr. Garzon went on to describe other changes in the report. He stated they received the total net pension liability directly from the actuary's GASB67 disclosures and the long-term expected rate of return was from the investment consultant. He drew the Board's attention to pages 38 and 39, which reflected both the defined benefit plan portion and share plan portions for each fiscal year.

Mr. Hole asked if Mr. Garzon had experienced delays in obtaining information from the Pension office, the actuary or from the city. Mr. Garzon said the delays were primarily in obtaining a finalized trial balance report from the city. Also, the GASB 87 entries were not in the report; Marcum had added them to save time. He said it was critical to have the trail balance much sooner than it was being provided.

The Board noted the following changes: on page 4, a typographical error under Financial Highlights, System and Share Plan Assets should be \$1.159 **Billion** instead of Million. On page 14, under the Membership figures, change terminated vested [second line] from 39 to 35 to match the actuary's figure, and the 35 disability retirees should be included in the top line figure. On page 15, Tier Two reflected members hired after 2014, not 2010.

Motion made by Mr. Fortunato, seconded by Mr. Hole to accept the audit report with the revisions discussed on pages 4, 14, and 15. Motion passed unanimously.

**CAPTRUST:
Quarterly Investment Review**

Kyle Campbell

Mr. Campbell provided the update. He noted that even though returns were down 10% last year, he felt they were well positioned, having outperformed 90% of peers. He discussed how to calculate the return once the private market was factored in. After they had the final valuation he could provide the final number.

Mr. Campbell stated the portfolio was 78% fully liquid [\$840 million], 16% semi-liquid and 6% illiquid. He would present a liquidity study at the next meeting describing how much they anticipated putting out in capital into next year.

Mr. Hole requested the full report be in color for clarity.

Mr. Campbell said the last two quarters had been strong. With approximately 7% of the portfolio not reporting yet, and a lot of the investments in private credit, which was expected to benefit from banks tightening and interest rates rising, the rate of return was 8.75% for the fiscal year.

Mr. Campbell said they still anticipated a recession, and noted the first sign was financial strain in banks. Once this happened, they expected the Federal Reserve would cut rates.

Mr. Campbell felt being conservative in their fixed income allocation was prudent and noted active managers had held up very well.

Mr. Campbell anticipated inviting two small-cap growth managers to the June meeting. He noted strong performance from Waycross and recommended allocating an additional \$10-\$15 million.

Mr. Campbell reported the current return was 3.65% for the quarter and he believed it would improve with Private Credit factored in. For the last year, the portfolio was down 3.32% and for the past three years, the portfolio was up 10%; since inception, it was up 7.06%.

Mr. Hole asked about portfolio benchmarks for 2014 - 2023, and said it seemed they were in the bottom two-thirds. Mr. Campbell acknowledged this was based on positioning, and noted that in 2018, 2019, and 2020 once they had moved into private credit, they had seen public equities and fixed income rally.

Chair Rudominer asked about changing their allocation if the traditional market was coming back and Mr. Campbell said the current assumption was 7.25% for public equities and private credit was in the 10% range. The big change was in fixed income from 1.5% to an anticipated 3.5%. He felt they were allocated well.

Ms. Wenguer said that currently, their rental income from real estate was reinvested and Mr. Campbell recommended changing that. He agreed to work with Ms. Wenguer.

Motion made by Mr. Fortunato, seconded by Mr. Joseph, to allocate \$15 million from Rhumblin S&P to Waycross, per Mr. Campbell's recommendation. In a roll call vote, motion passed 7-0.

Motion was made by Mr. Fortunato, seconded by Mr. Joseph to accept the 3.65% rate of return for the quarter. In a voice vote, motion passed unanimously.

COMMUNICATION DIRECTOR'S REPORT

Fred Nesbitt

Mr. Nesbitt had nothing to report.

EXECUTIVE DIRECTOR'S REPORT:

Prior Service Purchase

Discussed earlier.

Vested Retirement

Discussed earlier.

Office Staffing

Ms. Wenguer said the new person had not completed the application and they still needed to do a background check.

SPD

Ms. Wenguer said this would be updated with the financials and uploaded.

Board members discussed June agenda items and the June meeting date. Ms. Wenguer agreed to send an email with possible dates.

PENDING ITEMS:

New Business:

Chair Rudominer said the City wanted to hire Mr. Heinrichs to perform some studies for negotiations. Board members had no objections.

Chair Rudominer said Boyd Watterson had brought in an outside consultant to determine that their business structure matched their growth, and he proposed the Board do the same for the operational side of the Plan. He recommended creating a subcommittee to draft an RFP for a consultant.

Motion made by Mr. Fortunato, seconded by Mr. Joseph to form a subcommittee to investigate hiring a consultant. In a voice vote, motion passed unanimously.

Chair Rudominer said they would schedule the subcommittee after they scheduled the June Board meeting.


Old Business:

Schedule A

Old Business:

Schedule A

There being no further business to come before the Board at this time, the meeting was adjourned at 4:00 p.m.


Secretary


Chairman

Any written public comments made 48 hours prior to the meeting regarding items discussed during the proceedings have been attached hereto.