

**February, 2014****POLICE AND FIREFIGHTERS' PENSION BOARD  
REGULAR BOARD MEETING**

888 South Andrews Avenue, Suite 202

Fort Lauderdale, FL 33316

Wednesday, February 12, 2014 at 12:30 p.m.

Present

Michael Dew, Chair  
 Ken Rudominer, Vice Chair  
 Scott Bayne, Trustee  
 Jeff Cameron, Trustee  
 Richard Fortunato, Secretary  
 Dennis Hole, Trustee  
 Jim Naugle, Trustee  
 Lynn Wenguer, Administrator  
 Alison Bieler, Cypen & Cypen, Board Attorney

Also Present

Amanda Cintron, Assistant Administrator  
 Laurie DeZayas, Pension Secretary  
 John Herbst, City Auditor  
 Steve Schott, Cap Trust  
 Fred Nesbitt, Director of Media Relations  
 Jack Cann, Retirees' Association  
 Paul DeBold, Retirees' Association  
 Shane Calvey, Police Officer  
 Jack Lokeinsky, FOP  
 Rick Schulze, Retirees' Association  
 Linda Soloman-Duffey, Retirees' Association  
 Fuzzy Larkin, Retirees' Association  
 Linda Logan-Short, City Employee  
 Bob Oelke, Resident  
 Tammy Goldstrich, Marcum LLP  
 Michael Futterman, Marcum LLP

Note: Items were discussed out of order.

**ROLL CALL/CALL TO ORDER**

Chair Dew called the meeting to order at 12:30 p.m., roll was called, and a quorum was determined to be present.

**PLEDGE OF ALLEGIANCE/MOMENT OF SILENCE**

A moment of silence was followed by the Pledge of Allegiance.

MINUTES: Regular Meeting: January 8, 2014

Motion made by Mr. Rudominer, seconded by Mr. Hole, to approve the minutes of the January 8, 2014 meeting.  
 In a voice vote, the motion passed unanimously.

**COMMENTS FROM PUBLIC:**

None.

**BENEFITS: POLICE DEPT.:**

New Retiree	Karl Maracotta
New Retiree	Felicia Barnwell
(Term of DROP)	

DROP Retirees	Reginald S. Gillis
Michael J. Heller	Karl Robertson
Vested Retirement	Kathleen Abrahamsen
Lump Sum Refund	Crystal Billins
	John-Arnold Kessler

## FIRE DEPT.:

New Retiree:	Wayne Johnson
Vested Retirement:	Michael Dombrowski
Vesting:	PJ Wilcoxson
New Beneficiary:	Norma J. Strong

Motion made by Mr. Rudominer, seconded by Mr. Hole, to approve the payment of the Police and Fire benefits.

Trustee Bayne inquired if any retirees were currently working at the city. Chair Dew confirmed that Karl Maracotta had been re-hired for a position in the City's IT Department. Mr. Bayne said that it was his belief that Mr. Maracotta was probably not entitled to receive pension benefits from the plan when he was re-employed because the pension plan did not allow it. Ms. Bieler confirmed that the Plan did not have a provision permitting in-service distributions so benefits could not be paid to someone still working for the City. Ms. Bieler explained that it was not the Board's responsibility to educate potential retirees of the inability of the Board to pay benefits if they were rehired or continued their employment with the City after retirement from the Plan because the Board was not their employer. Further, as the employer, it was the City's responsibility to let the Board know about any retiree employee who was rehired by the City.

Ms. Bieler stated if the Board believed a former employee was receiving an improper in-service contribution, they must investigate the "facts and circumstances" surrounding that person's rehire to determine whether a violation of the Internal Revenue Code and IRS Regulations occurred. She advised the Board to contact the City for information regarding Mr. Maracotta possible reemployment. She said the Board could also ask the City for a list of retired members of the pension plan who were currently working for the City in another capacity. She stated that if others had been reemployed by the City, then each situation would need to be evaluated based upon the particular facts and circumstances surrounding each individual's re-employment by the City. Mr. Naugle stressed that this was never allowed under their retirement plan.

Ms. Bieler informed the Board that if improper in-services distributions were made, then it was an operational failure. Under the IRS Regulations, an employee could be responsible for paying back the improper benefit either as a lump sum or as a reduction from future benefits. The City could consider retroactively amending the plan, which would required approval by the IRS. In addition, any change to the ordinance must be agreed upon by the City and Union.

Ms. Bieler suggested the plan Administrator send the request for information to the City and, upon receipt, Ms. Bieler's office in conjunction with tax counsel would evaluate the information.

Ms. Logan-Short indicated that she knew Mr. Maracotta was working full-time for the city in the IT department as a division head.

Mr. Lokeinsky stated that as Union President he would speak for Mr. Maracotta and requested the Board approve benefits for all retirees except Mr. Maracotta and make a determination about him after the issues were resolved.

Motion made by Mr. Naugle, seconded by Mr. Bayne, to approve payment of police and fire benefits to all retirees listed except Karl Maracotta. In a voice vote, motion passed unanimously.

Motion made by Mr. Naugle, seconded by Mr. Fortunato, to defer action regarding Mr. Maracotta until their next meeting. In a voice vote, motion passed unanimously.

## BILLS:

Lee Munder	\$56,450.79
Eagle Asset Mgmt.	\$54,267.02

Northern Trust	\$46,560.17
Boyd Watterson	\$39,960.00
Sawgrass	\$28,900.00
Systematic	\$21,869.91
InTech	\$19,803.35
RhumbLine	\$18,173.00
Marcum	\$9,976.00
Ellen Schaffer	\$862.00
Holland & Knight	\$450.00

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

Taken out of Order:

Prior GERS Service Shane Calvey

Mr. Lokeinsky distributed a packet of information on Officer Calvey. He explained that Officer Calvey had completed forms to transfer his GERS time to the Police and Fire pension but GERS Administrator Mr. Desmond had informed him a mistake had been made; the ordinance had changed and he could no longer transfer his time. Officer Calvey had then requested his money back from GERS. Mr. Lokeinsky stated there had been a later finding that those retiring after 2006 would be permitted to transfer their credits.

Motion made by Mr. Bayne, seconded by Mr. Fortunato, to accept the repayment, with interest, to allow Officer Calvey credit in the GERS fund. In a voice vote, motion passed unanimously.

INPUT FROM ACTIVE & RETIRED POLICE OFFICERS & FIREFIGHTERS:

Retiree Paul DeBold announced that their annual meeting would be held Sunday the 16<sup>th</sup>.

CAPTRUST:

Quarterly Performance Review Steve Schott

Mr. Schott summarized the recent activity of the markets. He recommended they use the profits from the increases in equities to rebalance the portfolio back to target.

Mr. Schott discussed issues with Pimco, and said they were way behind averages for returns. He reported Pimco CEO Mohammad El-Erian would leave the firm in March, the second time he had done so, and this seemed to be a surprise to the fund manager, making many people uncomfortable. Mr. Schott did not feel Mr. El-Erian's departure would make a big impact. He stated Pimco was already on CapTrust's internal watch list because of Mr. El-Erian's departure and they had also been concerned about their performance.

Mr. Schott and Board members discussed how they could rebalance the portfolio.

Motion made by Mr. Hole, seconded by Mr. Naugle, to accept the performance review rating dated 12/31/13 and to approve the consultant's recommendation to rebalance the portfolio allocation per the targets. In a voice vote, motion passed unanimously.

Chair Dew referred to the Investment Manager scorecard, and said he wanted to discuss this at the workshop. He asked Mr. Schott to update the card "to day one" to prepare for their discussion.

COMMUNICATION DIRECTOR'S REPORT: Fred Nesbitt

Mr. Nesbitt thanked members for attending the Budget Advisory Board meeting recently and providing input.

Chair Dew stated the year-end report was near and asked Board members about any topics they would like covered. Mr. Bayne cited in-service distributions.

**ADMINISTRATOR'S REPORT: Lynn Wenguer****Audited Financial Statement Draft**

Mr. Futterman summarized the audit report. He stated the net position of the portfolio had increased by \$48 million since December 2012. Mr. Futterman stated there had been no issues in internal controls to report and there had been no issues with management.

Motion made by Mr. Bayne, seconded by Mr. Fortunato, to accept the Audited Financial Statement. In a voice vote, motion passed unanimously.

**Actuarial Experience Study**

Ms. Wenguer reported that Brad Heinrichs had sent the revised report for 1/1/13.

Motion made by Mr. Rudominer, seconded by Mr. Cameron, to approve the revised report. In a voice vote, motion passed unanimously.

Chair Dew stated Mr. Heinrichs had recommended a new experience study that would be completed in April. Ms. Wenguer reported the cost would be \$10,000 to \$15,000, based on his hourly rate. The board discussed holding off on the experience study until the annual valuation was complete.

**Investment Seminar**

Ms. Wenguer reminded Board members that the seminar would begin on February 20 at 6:30 with dinner at the hotel. She asked Board members to confirm attendance, since seating was limited.

**ConvergEx**

Ms. Wenguer had met with ConvergEx representatives, who had explained that the commission recapture division had nothing to do with transaction services and the problem had been minor and related to one employee. She had informed them that the Board had suspended their managers from trading until the Board made another decision.

Ms. Bieler said what disturbed her was that the SEC action had occurred in November but ConvergEx had not provided that information to clients. She informed the Board that there were many recapture brokers they could add to their lineup.

**Member Survey**

Ms. Wenguer asked if the Board would consider conducting the survey electronically in the future and the Board agreed. The survey will be sent out after the rollout of the member site to the Retirees.

**PENDING ITEMS:****New Business:**

Mr. Hole reported he had attended the FPPTA school recently and that Mr. Rudominer and Ms. Wenguer attended the EnTrust conference.

The Board discussed using Pension Board credit cards that should make them eligible for tax exemptions. Mr. Herbst explained that the tax exemption only applies within Florida.

Mr. Bayne suggested adding a "Trustee Reports" agenda item. Ms. Bieler cautioned that the Attorney General had ruled that if an item was controversial, it must be specifically stated on the agenda.

Mr. Bayne requested an update on Senate Bill 246 and Ms. Bieler reported it was similar to the prior bill that had failed the prior year.

Chair Dew said he had been asked about the following issue: a retiree who received a benefit check but paid someone child or spousal support from that check still paid all of the taxes. Some members wanted the checks to be written to the former spouse. Ms. Wenguer said this was not legal; they could not issue a check to anyone other than the member. Chair Dew requested a legal opinion to which he could refer when asked about this. Ms. Bieler said they would not provide legal advice to an individual member and if they created an opinion as he requested, then "somebody is going to construe that as being tax advice on the part of the plan and that's going to open up the

door to potential issues.” Ms. Wenguer clarified that the City could direct payment to someone else, but the member would still be liable for taxes on the entire amount. Ms. Bieler said the tax partitioning was included in marital settlement agreements. The parties worked this out between themselves and neither the Board nor the City involved.

Mr. Bayne asked about the 10% penalty regarding in-service distributions. Ms. Bieler explained that the IRS had said that for public safety employees, there was a pending regulation approving normal retirement eligibility at age 50. She stated there was an excise tax if one collected a benefit before the age of 50.

Ms. Wenguer informed the Board that before Mr. El-Erian left Pimco, Pimco had called to let her know he was leaving.

Old Business:

Mr. Hole asked about the employee handbook. Chair Dew said he would get to it soon. Ms. Bieler advised that with such a small organization, the key was flexibility on the part of the Plan Administrator to run the office as she deemed appropriate.

FOR YOUR INFORMATION:

ConvergEx

Recapture Summary/Dec., 2013

Knight

Recapture Summary/Dec., 2013

There being no further business to come before the Board at this time, the meeting was adjourned at 3:15 p.m.

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