

May, 2014

POLICE AND FIREFIGHTERS' PENSION BOARD
REGULAR BOARD MEETING
888 South Andrews Avenue, Suite 202
Fort Lauderdale, FL 33316
Wednesday, May 21, 2014, 10:30 a.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
Steve Cypen, Cypen & Cypen, Board Attorney

Also Present

Amanda Cintron, Assistant Administrator
Laurie DeZayas, Pension Secretary
Linda Logan-Short, Deputy Director of Finance and CFO
John Herbst, City Auditor
Fred Nesbitt, Director of Media Relations
Kevin Schmid, Cap Trust
David Raines, Fire Marshal
Rick Schulze, Director of the Retirees' Association
James Ingersoll, President of the Retirees' Association
Paul DeBold, Retirees' Association
Lisa Edmondson, Recording Secretary, Prototype Inc.

Communications to the City Communication
None.

Note: Items were discussed out of order.

ROLL CALL/CALL TO ORDER

Chair Dew called the meeting to order at 10:31 a.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: April 9, 2014

Motion made by Mr. Naugle, seconded by Mr. Bayne, to approve the minutes of the April 9, 2014 meeting. In a voice vote, the motion passed unanimously.

NEW HIRES: Chair Dew recognized the new hires.

Mr. Bayne thought a reserve Police Officer had recently been hired which would create another in-service distribution issue. Ms. Logan-Short stated they were not allowing retirees to be re-hired until the plan is changed to allow it. Mr. Cypen said Pembroke Pines anticipated an answer from the IRS within 30 days regarding the process to clear this up.

COMMENTS FROM PUBLIC: None.

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|-------------------------|--------------------|---------------------|
| BENEFITS: POLICE DEPT.: | New Retiree: | Joyce L. Fleming |
| | (Term of DROP) | Richard Kelly |
| | Vested Retirement: | John C. Liguori |
| | DROP Retiree: | Paul Maniates |
| | Lump Sum Refund: | Lizette L. Reeves |
| FIRE DEPT.: | New Retiree: | William K. Medlin |
| | (Term of DROP) | |
| | DROP Retiree: | Danielle B. Coaches |

Motion made by Mr. Bayne seconded by Mr. Rudominer, to approve the payment of the Police and Fire benefits. In a voice vote, the motion passed unanimously.

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|--------|-------------------|-------------|
| BILLS: | Prudential | \$65,982.30 |
| | Agincourt | \$58,819.53 |
| | Lee Munder | \$55,177.78 |
| | Eagle Asset Mgmt. | \$53,312.69 |
| | Boyd Watterson | \$43,551.00 |
| | Northern Trust | \$38,747.02 |
| | Sawgrass | \$25,004.00 |
| | Systematic | \$19,204.62 |
| | RhumbLine | \$18,203.00 |
| | InTech | \$17,728.70 |

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

INPUT FROM ACTIVE & RETIRED POLICE OFFICERS & FIREFIGHTERS:

James Ingersoll, President of the Retirees' Association thanked the Board for the excellent seminar he had attended. He was impressed that FRS was so well funded and returned 18% per year.

Chair Dew presented Mr. Cypen with a plaque from the FOP recognizing his work as the Board's attorney.

CAPTRUST: Quarterly Performance Review Kevin Schmid

Mr. Schmid discussed the performance review and remarked that 2013 had been a very strong year in equities but 2014 was a bit more muted. Interest rates had worked their way down since the first of the year. He said there had been weaker than anticipated growth in the first quarter but it was expected to bounce back.

Chair Dew had learned recently at a Wharton School of Finance program that plans historically had too many managers and were buying the same thing too many times: specifically large and mid-cap. A plan could reduce overall investment costs by 30-50% and increase net returns by using fewer managers. At Chair Dew's request, Mr. Schmid had conducted a valuation on large cap overlaps.

Mr. Schmid stated the presence of InTech in the portfolio accounted for most of the overlap. There were eight names in the portfolio that all three large cap managers held. In the Russell 1000, there were approximately 280 names that appeared in the growth and value index, so it was not unusual for there to be some overlap there.

Chair Dew thought InTech's holding the majority of the names was positive and he felt the other funds were "style drifting" from them. Mr. Schmid agreed there was overlap but said the weightings were very different. Chair Dew asked for Mr. Schmid's recommendation. Mr. Schmid did not see any significant issues.

Mr. Rudominer asked what metrics were used to evaluate style drift. Mr. Schmid stated they compared characteristics to benchmarks. Mr. Hole asked if a manager had ever tried to change a benchmark and Mr. Schmid could not recall this happening or why it ever would. He agreed he would bring this to the Board if it did occur.

Chair Dew asked about PIMCO and Mr. Schmid said nothing had changed since they last spoke about it and PIMCO was doing well this year, outperforming both the equity and bond markets. He was currently comfortable

with PIMCO's role in the plan but they were consistently looking for other alternatives.

Chair Dew asked if they should consider an all cap manager for added value. Mr. Schmid agreed they could consider it, but noted that all cap managers tended to be large cap dominant. He said adding another manager would increase overlap unless they took another manager away.

Revised Investment Policy Statement

Mr. Schmid said the change to the policy was made to alter the ADR limit from 5% to 7.5% to accommodate concerns from InTech. He had added references to global infrastructure as well.

Motion made by Mr. Hole, seconded by Mr. Naugle to approve the changes to the investment policy statement. In a voice vote, the motion passed unanimously.

Mr. Rudominer wondered if they should include a cap on their management fee. Mr. Schmid felt this was a good principle but they should not add things to the policy statement that could restrict them later.

Mr. Schmid reminded the Board that EnTrust would provide a presentation at the Board's next meeting regarding their Special Opportunities Fund.

COMMUNICATION DIRECTOR'S REPORT: Fred Nesbitt

Mr. Nesbitt announced that the annual report was complete and had been mailed out to retirees. It was also emailed to active Firefighters and Police Officers.

Mr. Nesbitt said they had written a statement for the FPPTA 30th anniversary about Ray Edmondson, based on his service as a Police Officer and a trustee on the Board. Chair Dew stated they were conducting additional research for anything from the City they could add to the presentation about Mr. Edmondson.

ADMINISTRATOR'S REPORT: Lynn Wenguer

In-Service Distributions

Ms. Wenguer stated the City was still working on the list. Ms. Logan-Short explained Human Resources was going through files to match the list with personnel records. They had validated current employees but needed to validate another 40 people who had been re-hired but left the City again. Chair Dew preferred to wait for the complete list. Ms. Wenguer stated Pembroke Pines' attorney was optimistic this would be worked out. The most important thing was that the ordinance provided for this.

Interest on Unfunded Liability

Ms. Wenguer said this was actually interest on cumulative gains and losses. Mr. Bayne had spoken with Keith Brinkman at the Police and Fire retirement seminar and the State agreed that the interest on the cumulative gains and losses could be done either way. If they wanted to change, they must inform their actuary, Brad Heinrichs, to research when the methodology had been changed. Ms. Wenguer said Mr. Heinrichs would need every actuarial report from the beginning of the plan. Ms. Wenguer thought they could save on costs if Mr. Heinrichs conducted the research while performing the experience study. Chair Dew felt this was necessary and suggested requesting an estimate. Ms. Wenguer agreed to contact Mr. Heinrichs and ask him for a quote.

DROP Quarterly Distributions

Ms. Wenguer informed the Board they had revised the forms so that , if requested, could start paying four Police Officers the quarterly distribution instead of the yearly distribution for members that left their DROP accounts with the plan when they terminated employment. Members should notify the pension office by the end of each quarter if they desired distributions. The Board would adopt a return for the quarter and a check would be cut.

Ms. Wenguer stated they were charging .125 for an administrative fee and she wanted to lower it to .1 or 40 basis points.

Motion made by Mr. Bayne, seconded by Mr. Fortunato to accept the changes in the termination of DROP form and DROP Distribution form B. The change to the DROP was to reduce the administrative fee to .1 or 40 basis points. The change to form B was to strike "Fire Retiree." In a voice vote, the motion passed unanimously.

Motion made by Mr. Rudominer, seconded by Mr. Fortunato to approve a quarterly return of 1.73%. In a voice vote, the motion passed unanimously.

Milliman Software Changes

Ms. Wenguer explained that the changes were for the new Police contract and would include all changes required by creating tiers in the plan, changing the DROP distribution to allow quarterly distributions. When Fire was added, it would cost another \$10,000. Chair Dew suggested waiting for the Fire Department. Mr. Bayne felt it was not worth it to make the changes now. Ms. Wenguer said the tier change was not a necessity now and suggested adding the DROP distribution only. She agreed to discuss the Board's concerns with Milliman and bring it back to the Board.

Fire Marshal Position

Ms. Wenguer reported a member required to hold fire certification was not in the pension plan. Mr. Cypen explained that one must be certified and that certification must be a job requirement to meet the definition of Police Officer or Firefighter. Based on what Mr. Cypen has been advised, then when this individual was hired, this requirement was not in effect, so he was not required to be in the plan.

Fire Marshal David Raines did not object to the Board discussing his situation. Mr. Raines said he was not offered the opportunity to participate in the pension plan when he was hired; he determined the 401k better suited him and had opted for that.

Mr. Bayne wanted to know when the certification requirement had come into effect. Ms. Wenguer pointed out that it could have been a Human Resources error when Mr. Raines was hired. Mr. Cypen advised the Board to wait for Human Resources records stating the date the certification became a requirement. Mr. Bayne wondered if the plan would be in jeopardy and the State might therefore withhold the premium tax money per Chapter 175. Mr. Cypen did not feel this was a serious violation and if an error occurred it could be remedied.

The item was tabled to the Board's next meeting.

Conference Per Diem

Chair Dew stated the per diem was \$75 per day and he realized at the last conference that the per diem was not sufficient. He did not feel that that it should cost Board members, since they were volunteering their time. He proposed raising the per diem to \$85 per day. Mr. Cypen requested Ms. Wenguer send the policy to him to examine. Ms. Wenguer explained the current allocation was \$15 for breakfast, \$20 for lunch and \$40 for dinner.

Motion made by Mr. Rudominer, seconded by Mr. Bayne to amend the education and training policy Section IV to change the allowance to: Breakfast at \$20, lunch at \$25 and dinner to remain at \$40. In a voice vote, the motion passed 6-1 with Mr. Hole opposed.

FPPTA Dinner

Ms. Wenguer asked if the Board wanted to make a policy regarding the FPPTA dinner. The per diem for dinner was \$40 and the dinner was \$60. Chair Dew did not wish to make a policy.

Member survey

Ms. Wenguer wanted to allow time for retirees to start using the website before sending out the survey so they could get their feedback. Chair Dew agreed.

Form 1

Ms. Wenguer reminded everyone the form was due by July 1. Mr. Cypen thought the new form included deferred compensation, the DROP and the share plan.

PENDING ITEMS:

New Business:

Mr. Bayne asked that retirees' GERS service be included in the Board's benefit summary pages.

Mr. Rudominer wondered if there was something the Board could do to protect them from issues caused by other City departments, such as the in-service distribution problem. Chair Dew noted that the Board was the "victim" in

this situation.

Mr. Hole reported he and others had attended the Division of Retirement's post-legislative session training, which was excellent. He had also attended Harvard Law School's pension seminar.

Ms. Wenguer stated they had discussed DROP plans in Tallahassee and according to a tax attorney there, their plan was qualified because it was a fixed variable rate that could never go negative. Mr. Cypen said the issue was how the calculation was treated and they must wait for the IRS determination.

Chair Dew had attended a Wharton School of Finance program recently.

Regarding Ms. Wenguer's contract, Chair Dew stated they had received verification for her to buy back her time. He asked the Board's direction on how to handle the rest of the contract, include a possible salary increase.

Old Business:
Schedule A
No discussion.

GERS

Mr. Hole asked for an update. Ms. Wenguer said the City had provided her with the GERS contributions and she had forwarded this to Mr. Heinrichs to calculate, based on the date of transfer, how much GERS owed them.

Funding Policy

Mr. Cypen informed Mr. Hole that they were still waiting for the actuary's response. Ms. Wenguer agreed to remind him.

Communications to the City Communication

None.

FOR YOUR INFORMATION:

Intech Letter dated May 1, 2014

ConvergEx Recapture Summary/March, 2014 Recapture Summary/April, 2014

Knight Recapture Summary/March, 2014 Recapture Summary/April 2014

There being no further business to come before the Board at this time, the meeting was adjourned at 12:22 p.m.

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