

**September 14, 2016**



**POLICE AND FIREFIGHTERS' PENSION BOARD  
REGULAR BOARD MEETING  
888 South Andrews Avenue, Suite 202  
Fort Lauderdale, FL 33316  
Wednesday, September 14, 2016, 12:30 P.M.**

**Present**

Michael Dew, Chair  
Ken Rudominer, Vice Chair  
Scott Bayne, Trustee  
Jeff Cameron, Trustee  
Richard Fortunato, Trustee  
Dennis Hole, Trustee  
Jim Naugle, Trustee  
Lynn Wenguer, Executive Director

**Also Present**

Steve Schott, CapTust  
Kevin Schmid, CapTrust  
Julian Kasdin, CapTrust  
Alexandra Goyes, Deputy Director  
Jazmin Elliott, Administrative Aide  
Linda Logan-Short, Deputy Director of Finance  
John Herbst, City Auditor  
Stuart Kaufman, Board Attorney  
Jim Ingersoll, President, Retirees' Association  
Paul DeBold, VP Retirees' Association  
Jack Chew, Retirees' Association  
Fred Nesbitt, Communication Director  
Jamie Opplerlee, Recording Secretary, Prototype Inc.

**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**

The Pledge of Allegiance was followed by a moment of silence.

**MINUTES:**

**Regular Meeting:** August 10, 2016

Mr. Hole and Chair Dew noted corrections to the minutes.

**Motion** made by Mr. Rudominer, seconded by Mr. Cameron, to approve the minutes of the August 10, 2016 meeting as amended. In a voice vote, the motion passed unanimously.

**COMMENTS FROM THE PUBLIC**

None.

**NEW HIRES**

Chair Dew recognized the new hires.

**BENEFITS: POLICE DEPT.: New Retiree:** Brian G Meo  
Christopher Sheehan

**Nonservice Incurred****Death :**

<b>FIRE DEPT.:</b>	<b>New Retiree:</b>	Carmelo Russello
	<b>Retiree Death:</b>	Stanley Janson
	<b>Retired Drop Members:</b>	Plan Return Adjustment

Ms. Wenguer explained that when firefighters finalized their contract, there had been a change in how the Drop was calculated from yearly to quarterly. The difference would be added to next month's checks.

Mr. Bayne wanted to be sure the members were notified of the change and Ms. Wenguer agreed to notify them and give them the option of rolling it over instead of including it in their monthly checks.

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

<b>BILLS:</b>	<b>Holland &amp; Knight</b>	\$600.00
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**Motion** made by Mr. Rudominer, seconded by Mr. Fortunato, to approve payment of the bills as stated. In a voice vote, motion passed unanimously.

**INPUT FROM ACTIVE & RETIRED POLICE OFFICERS & FIREFIGHTERS**

Mr. Ingersoll distributed a copy of a letter he had sent to the City Manager, Mayor and Commissioners regarding the COLA payment about which the Retirees' Association had been inquiring.

**CAPTRUST**

Kevin Schmid, Steve Schott, CapTrust

**Monthly Investment Review**

Mr. Schmid said as of June 30 they were up 5.3% and he anticipated they would be in the 7.25% to 7.5% range by the end of the plan year.

Mr. Schmid recalled they had removed another \$5 million from EnTrust as of June 30 and they would have \$18 million left in the Diversified Fund as of October. He asked if the Board wished to redeem any more funds from EnTrust, perhaps to raise cash. He noted the challenge the recent capital calls had presented and said they were on target with 25% in alternatives now. They could consider shifting some or all of the assets remaining in the EnTrust Diversified Fund to the Lazard Global Infrastructure Fund and they could use that fund as a liquid source of funding.

Chair Dew pointed out that the EnTrust Diversified Fund had not improved and he did not feel it would get any better. Ms. Schmid added that it also had the most expensive fee structure in the plan. He said the way EnTrust was positioned, in terms of distressed credit and having activist equity exposure, he questioned they would get the diversification benefit they wanted.

Chair Dew stated he and Mr. Hole had recently been at NCPERS, where there was a lot of discussion about infrastructure and asked if this was why Mr. Schmid had suggested the Lazard Global Infrastructure Fund. Mr. Schmid said he liked infrastructure but the fact that it was liquid was also important. Mr. Schott said it was believed that there would be investment in infrastructure regardless of who won the election in November. Investment in infrastructure had worked out well and it still looked like a reasonable risk/return opportunity.

Mr. Rudominer said Lazard Global Infrastructure invested in listed companies with infrastructure projects and he did not see how highway construction in the US would affect that fund. He pointed out that this would also be an asset allocation change. Mr. Schmid stated they had already made the asset allocation change by investing in the Entrust Special Opportunities Fund and private equities funds. He

said part of the reason for making those commitments was to diversify away from the diversified funds. It made sense to consider shifting money from a semi-liquid investment to something that was daily liquid so they would be prepared for capital calls.

Mr. Schmid said in Europe and Australia, there were more public/private partnerships for infrastructure projects but this shift was coming more slowly to the US. The increase in the Lazard Global Infrastructure Fund was intended to be short term, since it would be used for capital calls.

Mr. Schmid recommended redeeming their entire remaining investment from EnTrust and investing most of it in the Lazard Global Infrastructure Fund to cover future capital calls. Ms. Wenguer confirmed they would need this cash at the beginning of the year.

Mr. Ingersoll asked if they could take money out of fixed income rather than using equity and Mr. Schmid pointed out that they were already at the low end of the threshold for fixed income.

Mr. Schmid informed Mr. Ingersoll that International Core, Lazard and Lazard Global Infrastructure were the same company but they were separate management teams and different asset classes.

**Motion** made by Mr. Fortunato, seconded by Mr. Hole, to fully redeem their investment in Entrust Diversified Fund and to invest it in Lazard Global Infrastructure. In a roll call vote, motion passed 6-1 with Mr. Rudominer opposed.

### **Actuarial Rate of Return**

Mr. Schott remarked on the recent market volatility and said a lot seemed to be driven by what was happening at central banks with negative interest rates and quantitative easing around the world and speculation about interest rates. There was ongoing debate about the effectiveness of quantitative easing. He believed volatility would remain for a time.

Chair Dew said volatility had been another big topic of conversation at NCPERS. He said one of the Board's goals was to make the plan stable and they had been struggling to meet their assumed rate of return. He felt the time was right to consider reducing the anticipated rate of return to 7% over the next couple of years.

Mr. Bayne was not in favor of reducing the rate of return now. Mr. Naugle felt reducing the rate would result in a large contribution from the City in the short term but it would benefit it in the long term. Mr. Hole felt it was a realistic proposal and Mr. Cameron agreed. Mr. Rudominer asked how Chair Dew had decided the rate should be 7%. Chair Dew said his research indicated that historically, the rate of return should be 6%. He pointed out that the City's reserve funding was at capacity now, so there may be an opportunity to take advantage of that. Mr. Kaufman stated he knew of pension funds that were reducing the rate of return by approximately 10 basis points per year over five years. Mr. Rudominer reminded the Board that the City's Pension Obligation Bonds' arbitrage was based on a 7.75% rate of return.

Mr. Schmid stated this was partly a time horizon issue. He noted that 7.5% was historically a reasonable rate. He remarked that interest rates could not remain so low in perpetuity; they must move back toward a more normal level. When considering rate of return, he stated they must keep time horizon in mind. He did not believe they would change the asset allocation to chase a specific rate of return.

Chair Dew informed the Board that a 6.5% rate of return was discussed at the NCPERS workshop and he wanted to discuss the issue. He stated instability was what killed defined benefit pension plans.

Mr. Rudominer said the City had indicated it had excess capital and may be interested in investing in the plan to make funding more level. Mr. Schmid stated the question was if the plan sponsor was willing to fund a more stable, higher level of contribution to reduce volatility.

Mr. Bayne wondered if they would consider increasing the rate if the market swung in the other direction.

Mr. Herbst stated, "The City is not looking to give you more money;" they had several infrastructure and capital needs on which they would rather spend. He said his interest, as City Auditor, was to make sure that employees, retirees and taxpayers all had the greatest chance of success in the long run. He was concerned about cities that were likely to cut retiree benefits due to underfunding. Mr. Herbst wanted to be sure the assumed rate of return was reasonable. He mentioned several cities that were reducing the anticipated rate of return and indicated there was growing consensus in the largest plans that 7.5% was no longer reasonably achievable.

Mr. Herbst continued that the assumed rate of return should reflect what you expect to achieve in a 20-year timeframe. He felt the City could absorb a quarter point reduction over two years to get them down to 7%. Mr. Herbst said he wanted to see a reasonable rate of return and would rather they exceeded rather than missed their assumed rate of return. He said the City Commission was open to dialog on this issue. He recommended a workshop with the pension boards, City Commission, actuaries and investment managers. Mr. Herbst saw this as "one of the greatest long-term challenges that we face as a city in terms of our financial stability."

Mr. Fortunato asked what the average return had been over the last 20 years and Mr. Nesbitt stated the 25-year average was 9.5%. Mr. Fortunato wanted to look at averages and projections. Mr. Rudominer said he was in favor of the workshop Mr. Herbst described to discuss this. Mr. Rudominer wondered if they would need to pay the actuary to attend this workshop and suggested the City could provide the actuary.

Chair Dew agreed to approach City Manager Feldman about setting up a workshop and to ask if the City would provide the actuary to attend the workshop.

#### **COMMUNICATION DIRECTOR'S REPORT:**

Mr. Nesbitt had nothing to report.

#### **EXECUTIVE DIRECTOR'S REPORT:**

##### **Actuarial Rate of Return**

Discussed earlier.

##### **October Meeting Date Change**

The Board changed their next meeting date to Tuesday, October 11

##### **Employee Handbook**

Ms. Wenguer distributed a copy of the latest draft. Mr. Hole had submitted a correction.

Mr. Bayne referred to page 9 and said he felt any classes Board members took that were relevant to retirement system business should be reimbursed at 100%, not 75%. Ms. Wenguer suggested it be 100% of the State rate or Broward College rate. Mr. Rudominer pointed out that this was not a labor contract, and the Director had discretion to approve or deny requests.

**Motion** made by Mr. Rudominer, seconded by Mr. Bayne, to amend the section on tuition reimbursement to indicate a Board member would be reimbursed at 100% of the State college rate, for any class, graded or not, that was relevant to the Police and Firefighters' Pension Board, subject to the Executive Administrator's approval. In a voice vote, motion passed unanimously.

Ms. Wenguer reminded the Board that the International Foundation National Conference would be on November 13 through 16 and the Board may want to change their November meeting date. The Board decided on November 18 at 12:30 p.m.

##### **Trustee Seats**

Ms. Wenguer reminded the Board that Mr. Hole's seat on the Board was open and would be voted on in December. Mr. Rudominer Mr. Fortunato's seats would be posted at the beginning of October.

##### **Disability Doctors**

Ms. Wenguer distributed doctors' rates to Board members and said they ranged from \$650 to \$850 per hour for a medical review and now prepayment was required. Ms. Wenguer said a disability applicant had moved to the west coast of Florida. His claim was based on PTSD and he wanted to use doctors located near his home. Mr. Bayne felt that if they agreed, this would open them up to having to accommodate someone who moved out of state. The Board had consensus to limit doctors to those located in our tri-county area.

### **Disability Termination**

Ms. Wenguer had sent a termination letter to a member who was working in another jurisdiction. She noted that they had not been paying him at all anyway. The member had not contested it.

**Motion** made by Hole, seconded by Mr. Rudominer to terminate the member's disability status and to authorize counsel to draft a final order discontinuing disability benefits. In a voice vote, motion passed unanimously.

Ms. Wenguer announced that over 100 people had already signed up for the retirement seminar on September 23.

Ms. Wenguer informed the Board that they had received their premium tax money; this was why cash was up a little bit.

### **PENDING ITEMS:**

#### **New Business:**

Chair Dew said there was a group of former Fort Lauderdale police officers in Georgia that had disseminated erroneous, inflammatory information, some of which was directed at the Board and himself, and he had drafted a response letter.

Mr. Ingersoll said letters had been sent to people who were not members of the Retirees' Association and/or had never worked for Fort Lauderdale. He agreed with Chair Dew that something needed to be done and said they would contact their attorney to see what they could do. The person disseminating the information was a member of the Retirees' Association.

Mr. Bayne did not feel this would accomplish anything. Chair Dew stated he had received calls from members wondering if the information was true and urging Chair Dew to respond.

**Motion** made by Mr. Hole, seconded by Mr. Naugle to authorize Chair Dew to send the letter refuting the misinformation that had been disseminated regarding the Retirees' Association, the Board and the pension fund. In a voice vote, motion passed 6-1 with Mr. Bayne opposed.

#### **Old Business:**

#### **Schedule A**

Ms. Logan-Short had examined the indirect cost allocation and excluded three items from the Board's allocation because they did not use these services. The \$47,000 for payroll would remain the same and she pointed out that this was actually lower than it was supposed to be because it was based on the allocation three years ago. The Board would also still pay for network support, telephone services and Internet and application services. She disagreed that the pension system should pay for two special projects and the City's website, so the City had removed those. The costs had been reduced from approximately \$69,000 to approximately \$64,000.

Ms. Logan-Short stated the Board was charged \$86 per retiree per year for payroll and they could not get this service cheaper anywhere else.

Ms. Wenguer reported the following costs related to the IRS redistribution: Mr. Friedman- \$29,785; Mr. Klausner and Mr. Kaufman-\$15,800, for a total of approximately \$45,000.

**Motion** made by Mr. Bayne, seconded by Mr. Naugle, to send an official letter to the City to request full reimbursement for legal fees related to IRS redistribution. In a voice vote, motion passed unanimously.

**FOR YOUR INFORMATION:  
2016 Retirement Seminar  
175/185 Premium Tax Funds  
KCG Recapture Statement**

**Agenda  
Confirmation  
Recapture Summary/July, 2016**

There being no further business to come before the Board at this time, the meeting was adjourned at 2:19 p.m.

[Minutes prepared by J. Opperlee, Prototype, Inc.]

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