

CITY OF FORT LAUDERDALE
GENERAL EMPLOYEES' RETIREMENT SYSTEM
BOARD OF TRUSTEES MEETING
 316 NE FOURTH STREET, SUITE 2, FORT LAUDERDALE, FL
 Thursday, October 1, 2015
 12:00 p.m.

BOARD'S COMMUNICATION TO THE CITY COMMISSION

Items Requiring City Commission Action

- None at this time

Items That May Be Of Interest to the City Commission

- None at this time

Items Submitted For City Commission Consideration

- None at this time

Chairman Darmanin called the meeting to order at 12:00 noon. Roll call was taken.

Present: Mark Darmanin, Chairman
 Jon Stahl, Vice Chairman
 Mark Burnam, Secretary
 Julie Cameron, Trustee
 Pat Long, Trustee
 Darlene Pfeiffer, Trustee
 Linda Logan-Short, Ex-officio

Absent: Paul Tanner, Trustee

Also Present: Cole Copertino, Board Attorney
 Bob Oelke, City Resident
 Alan Vordermeier, VMC Realty
 Lynn Solomon, City Attorney Office
 Gloria LeClaire, City Audit Department
 John Herbst, City Auditor
 Bob Dunkel, City Attorney
 Ron Feldman, Investor
 Richard Dahab, Dahab Associates
 John LeRoy "Le" Bucci, Interim Pension Administrator
 David Desmond, Pension Administrator

Chairman Darmanin asked for the Board's indulgence so some items on the agenda could be rearranged. He then asked the Board to review the September 3, 2015 minutes. **Mr. Long made a motion to approve the minutes. Ms. Pfeiffer seconded the motion. The motion passed unanimously.**

CONSENT ITEMS

Chairman Darmanin asked the Board to review the consent items. Mr. Bucci asked that an invoice for his services through the end of September also be considered. He asked that future invoices be considered on a monthly basis and the Board agreed. Mr. Desmond asked that two additional invoices be considered for approval. **Ms. Pfeiffer made a motion to approve the amended consent items. Mr. Long seconded the motion. The motion to approve the amended consent items passed unanimously.**

BENEFIT REVIEW

RETIREMENT

Name	Date	Service Time	Type
David Desmond GERS Pension Office	10/24/2015	12y, 3m, 4d	Normal
Maybeth Irizarry-Binon Parks & Recreation	11/01/2015	11y, 7m, 22d	Vested to Monthly Benefit
Cheryl Creque Police	11/03/2015	19y, 10m, 29d	Normal

DROP RETIREMENT

Name	Date	Department	Service Time
Arnette Torrence Finance	11/01/2015	Finance	30y, 11d

POST RETIREMENT DEATH

Name	Date	
Paul Facyson Diana spouse	8/30/15	Refund of Contributions
Rigsby Jordan	9/01/15	No Further Benefits
Veronica Hagen	9/04/15	No Further Benefits
Addison Lane	9/12/15	No Further Benefits
William Mim's	9/14/15	No Further Benefits

Chairman Darmanin introduced Assistant City Attorney, Mr. Dunckel and asked him to brief the Board on the status of GERS' Tax Determination Letter and the City's proposed ordinance changes to the Plan. He said GERS has received its Tax Exemption Qualifying Letter from the IRS. Ordinance changes concerning In Service Distributions would be submitted to the City Commission on October 20, 2015 for a first reading and if enacted, would be retroactive to October 31, 2013. These changes are necessary to clarify how In Service Distributions would be treated within the City and GERS. Chairman Darmanin asked that Ms. Logan-Short keep the Board informed on the process. Mr. Desmond asked if the information needed to be submitted to GERS' Actuary. Mr. Dunckel said GERS' Actuary has already issued a written opinion on this matter and he was only here today to keep the Board abreast of the situation. Chairman Darmanin thanked him for all his report and all his hard work on this issue.

Chairman Darmanin reviewed some e-mails concerning the sale of the 300 Property. He said they were proceeding as though the closing would occur on September 30, 2015. On September 29, 2015 he was notified that the purchaser, 3rd & 4th LLC would not be able to close on September 30, 2015. Chairman Darmanin said that Mr. Schroeder, a representative of the purchaser noted that the buyer was in default and has ten days to cure the default. He added that Assistant City Attorney, Ms. Solomon who is working on behalf of the Board and Mr. Schroeder and Mr. Ron Feldman have been in constant contact. Chairman Darmanin invited Mr. Feldman to give his perspective of the situation. Mr. Feldman stated it had been a challenge for his organization to close and they had been working closely with Mr. Gaddis. He gave an overview of his involvement and said it was mainly his belated brother's vision he was trying to see through. Mr. Feldman shared project plans for the trustees to review and said they expect to close by next Friday. Ms. Solomon stated that she is comfortable with waiting an extra 10 days if the Buyer is releasing the \$500,000 deposit. A short discussion ensued and Mr. Herbst asked if the Board was getting the assumed rate of return during these delays. Chairman Darmanin said the Board is receiving in excess of the assumed rate of return. Ms. Pfeiffer asked when the original closing was to take place. Ms. Solomon said there was a 60 day turnaround from the end of June. Ms. Pfeiffer asked if there was a penalty for the extensions. Chairman Darmanin said that there was an initial \$50,000 fee to extend the closing, plus \$54,568.99 was received in interest then there was an additional \$50,000 fee for a second extension, and another \$58,099.57 in interest was received for a total of \$212,658.56 paid by the Buyer in penalties and interest. Ms. Pfeiffer asked if the Board had any appetite to put a backup contract in place. She also noted that this was supposed to be cash deal that was initially considered when discussing which buyer to go to contract with. Chairman Darmanin noted that all the fees, penalties, taxes and other matters were going to be borne by the buyer and not the Plan. **Ms. Pfeiffer made a motion that if the property does not close in the 10-day window, that it be put back on the market, by empowering the real estate committee to do the RFP's in order to market the property and bring back the information to the Board by the next Board meeting. Ms. Cameron seconded the motion.** Mr. Desmond asked if it would be prudent to negotiate with Mr. Feldman first before working on remarketing the property. Chairman Darmanin said that there would be nothing stopping the renegotiation with Mr. Feldman. Chairman Darmanin reviewed an idea suggested by Mr. Lee Feldman and proposed through Mr. Herbst that the Plan offer a financial loan to the buyer. Chairman Darmanin asked Mr. Copertino to look into the logistics. Further discussion ensued and **Chairman Darmanin called the question for the motion. The motion passed unanimously.**

RFP Presentation – Dahab Associates

Richard Dahab

Mr. Dahab said that GERS' performance for the final quarter of fiscal year 2014/2015 would most likely wind up being negative, much like many of the market indexes. He reminded the trustees that corrections happen all the time and this is just a part of the market's cycle and the Plan has great long term numbers. He then reviewed GERS' money manager's investments, returns, and compared their results against their respective benchmarks. Mr. Burnam felt it would be wise to closely monitor managers that were consistently in the lower performance range. Discussion ensued regarding peer group performance.

Mr. Dahab handed out Hedge Fund information previously requested by Mr. Burnam. He briefly reviewed the information but felt a more lengthy and detailed review should be done sometime in the future as the Board has plenty of other information to review at this meeting. Mr. Burnam commented that there must be something in the investment world that could be used as an alternative so trustees do not go outside their Investment Policy target numbers and add risk seeking better returns. A brief discussion ensued. Mr. Burnam said that the Board should stick to

the policies and take all the emotion out of their investment decisions, which was why the policies are there. He asked if there were any managers that were doing rather poorly and should be reconsidered. Mr. Dahab noted that DePrince Race and Zollo were the only ones that were on his radar at this point, but he is not ready to make a recommendation at this time.

Mr. Dahab then referred to the booklet he passed out containing his firm's review of Private Equity Funds. They reviewed many firms and selected the best performers for presentation and discussion with the Board. The Funds were divided into two categories. One is a primary fund which is a company where you give a manager money to go out and buy companies, make them better by improving their financials, run them and then possibly sell them. The other is referred to as a secondary fund. Investors buy out interests at a discount from entities who have previously invested in private equity funds and now want their money out. This method usually eliminates the "J" curve where initially the investment loses money in the beginning stages, mostly from startup costs and then begins to realize positive returns after the first couple of years. Discussion ensued about various managers and Mr. Dahab cited a few primary firms he felt deserved further consideration. Hamilton Lane, HarbourVest and Portfolio Advisors were among his top picks. Mr. Dahab then discussed the performance of the secondary private equity managers his firm reviewed. The Board examined each firm and discussed their attributes. The Board narrowed their field of candidates to three; Capital Dynamics, Hamilton Lane Advisors and HarbourVest Partners. **Ms. Cameron made a motion to hold a special meeting for the 3 secondary firms to come in and present their information to the Board. Mr. Stahl seconded the motion. The motion passed unanimously.** Chairman Darmanin then asked the Board to take a moment from Mr. Dahab's presentation and allow Mr. Copertino to review the Attorney's Report as he will have to leave in a few minutes.

ATTORNEY'S REPORT

Cole Copertino

Mr. Copertino said the Edison International class action litigation case is moving forward and at this point, no one else was seeking lead plaintiff status.

He informed the Board that the in-service distribution paperwork was moving forward and affected members were being identified. This should take about 2-3 weeks.

Mr. Copertino said that the disability presentation scheduled for today has been postponed at the request of applicant's counsel and should be rescheduled for November's meeting.

RFP Presentation – Dahab Associates (cont.)

Richard Dahab

Mr. Dahab noted that the proposed real estate selection had been divided into three groups; Core, Core Plus and Value Added. The first two were preferred by his firm as the third is more leveraged. He said he liked Core Real Estate which is not leveraged, straight forward, and usually has a diversified portfolio. He said Core Plus was similar but with a little more leverage on the properties and Value Added Real Estate firms primarily provide cheap financing for development. He reminded the Board that they were considering additional real estate investments to be more diversified. Further discussion ensued about several firms and the Board narrowed their preference to 3 firms; American Realty Advisors, Deutsche Asset & Wealth Management and Invesco Advisers. **Ms. Cameron made a motion to invite American Realty, Deutsche and Invesco at a Special Board meeting. Mr. Stahl seconded the motion. The motion passed unanimously.**

After several suggested dates and times, the Board decided to hold the Special Meeting on 10/22/15 at 3 p.m. to hear 3 Private Equity and 3 Real Estate presentations.

REAL ESTATE COMMITTEE REPORT

Pat Long

Mr. Long stated that the Committee did not meet.

Mr. Vordermeier said the buildings are functioning normally with no issues.

AUDIT COMMITTEE REPORT

Jon Stahl

Mr. Stahl reviewed a meeting they had with two third party pension administration firms. He said fees seemed inline and possibly slightly less costly than hiring a full time administrator. An ad was placed with Institutional Investor, Pension and Investments, and the FPPTA. Resumes were coming in and the first group of about 12 has been shared with the Board. He asked when the Board would like to set an end date for cut off to initially review all the resumes. The Board agreed to a 30 day review of the applications to date. A discussion ensued and Chairman Darmanin asked if the Audit Committee would short list the applicants to the best qualified. Mr. Stahl also noted that several candidates inquired about salary range. Chairman Darmanin suggested evaluating the training, education, and experience of the candidates after the short list was put together.

ADMINISTRATORS REPORT

David Desmond

Mr. Desmond presented the Board with the October 2015 retirement benefit reconciliation report, VMC's Report for August, information about Portfolio Monitoring firm, Cohen Milstein's new website, and presented the Board with a Resolution authorizing Mr. Bucci as Interim Administrator to conduct GERS' business.

Mr. Desmond asked Mr. Stahl if he had further information on the DROP interest rate for FPE members. Mr. Stahl said a COLA went through and the 12 affected people in DROP were still being discussed between the union and the City.

BUSINESS IN PROCESS UPDATE

Chairman Darmanin noted that everything listed has been covered under previously discussed topics.

MONTHLY FUND ASSET MIX

Mr. Desmond reviewed August's Monthly Fund Asset Mix and stated that all asset classes and styles of investment were within the parameters established by the Investment Policy.

PLEASURE OF THE BOARD

Chairman Darmanin announced that he received a letter from Ms. Pfeiffer just before her departure from the meeting. The letter stated Ms. Pfeiffer was resigning effective December 31, 2015 due to the demands of her new position with the County. Chairman Darmanin read the letter to the Trustees and it was accepted with regrets. Mr. Bucci noted that a special election will have to be held to fill the remainder of her term which expires December 31, 2017.

Chairman Darmanin then presented Mr. Desmond with a plaque, congratulated him on his retirement, and thanked him for his service to GERS. Best wishes and cake were shared by all.

BOARD COMMUNICATION TO THE CITY COMMISSION

Board consensus concluded was there is nothing to report at this time.

Mr. Stahl made a motion to adjourn. Ms. Cameron seconded the motion. The motion passed unanimously and the meeting adjourned at 3:00 p.m.