

**CITY OF FORT LAUDERDALE**  
**GENERAL EMPLOYEES' RETIREMENT SYSTEM**  
**SPECIAL BOARD OF TRUSTEES MEETING**  
316 NE FOURTH STREET, SUITE 2, FORT LAUDERDALE, FL  
Thursday, October 22, 2015  
3:00 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 3:00 p.m. Roll call was taken.

Present: Mark Darmanin, Chairman  
Jon Stahl, Vice Chairman  
Mark Burnam, Secretary  
Julie Cameron, Trustee  
Paul Tanner, Trustee  
Pat Long, Trustee  
Kirk Buffington, Ex-Officio

Absent: Darlene Pfeiffer, Trustee

Also Present: Cole Copertino, Board Attorney  
Martin Han, Joe Marks & Patrick McCauley, Capital Dynamics  
Napoleon Stephenson & Tom Kerr, Hamilton Lane Advisors  
Fran Peters & Brett Gordon, HarbourVest  
Keri Hepburn & Laler DeCosta, Invesco  
Richelle Hayes & Scott Darling, American Realty  
Matthew Jaffe & John Ehli, Deutsche Asset & Wealth Management  
John "Le" Bucci, Interim Pension Administrator  
Jane Dyar, Pension & Recording Secretary

Chairman Darmanin welcomed the trustees and asked Mr. Dahab to establish the ground rules for the private equity and real estate presentations. Mr. Dahab said each firm will have twenty minutes to present their material and the Board will have however much time they want for questions and answers. He then introduced the first presenters, Capital Dynamics.

## **Private Equity Presentations**

### **Capital Dynamics**

Mr. Han introduced himself, Mr. Marks and Mr. McCauley. Mr. Han said they were specialist in the secondary private equity market, have been in the business over 20 years and manage over \$20 billion in assets. He said that because of their size, they have the ability to focus on specific areas of the market and are always ready to take advantage of opportunities when presented. He said there is a lot of hidden value in high quality assets out there that could be acquired at low prices. He reviewed the firm's past performance and said they have the ability to put investor's money to work very quickly.

Mr. Burnam asked what they expect their rate of return to be going forward. Mr. Han said they have never changed their targeted returns regardless of market cycles and generally look for 15-20%. Mr. Stahl asked if they preferred to purchase organizations on the secondary market. Mr. Han affirmed.

### **Hamilton Lane Advisors**

Mr. Stephenson said they were based out of Pennsylvania and gave a brief overview of the firm. Mr. Kerr said they are a secondary private equity firm and one of the benefits of investing with them is better liquidity. He said they have a 25 year track record of successful performance in the private equity universe. They only buy things that they are really attracted to and try to avoid auctions. He gave an overview of their organization, selection process and said that that they have a real competitive advantage because of their organizational structure.

Mr. Dahab asked how the process worked to whittle down the choice of investments. Mr. Kerr stated that there were several factors considered and gave an example of two. He said specialized information about a company or product and they usually seek deals that need some sort of problem solved as they pride themselves on being able to solve problems quickly. He said they've been able to acquire assets at below market prices and have no debt. Mr. Dahab asked how they were able to get 38% net asset value. Mr. Stephenson noted that there were a couple of assets in competitors' portfolios that were being wound down and they purchased some of those assets at a discount and these types of purchases can produce a nice profit.

### **Harbour Vest**

Mr. Gordon introduced himself and Mr. Peters. Mr. Gordon gave a brief synopsis of the firm and said they were independently owned and FCC insured. He said that continuity, execution, and longevity were driving forces that lead to their firm's success. He said they are attracted to a niche market that involves complex deals that most other firms shy away from. He said the fund has returned more than a third of the initial invested capital back to their investors.

Mr. Stahl asked if the IRR was net of all fees. Mr. Peters affirmed. Mr. Stahl asked how quickly funds could be called. Mr. Peters noted that a call would most likely come in the second quarter of next year. Mr. Long asked if the gross performance numbers for traditional and complex were averages. Mr. Peters responded that the numbers shown were actual cash flow data.

The Board discussed and compared the three presentations. Chairman Darmanin said the Board would have to decide where the funds would come from to fund the private equity investment and how an investment of this nature would fit into the Investment Policy. An in depth discussion ensued and Mr. Buffington noted that under GASB, he believed the investment would be classified as an alternative. Mr. Dahab affirmed and commented that private equities were quite different from stocks or bonds. **Mr. Burnam made a motion to allocate \$10 million to each firm subject to attorney review. Mr. Tanner seconded the motion.** Discussion and consensus was positive. Mr. Long noted that the \$30 million investment would represent 5% of GERS' current portfolio. **The motion passed unanimously.**

## **Core Real Estate Manager Presentation**

### **Invesco Advisors**

Ms. Hepburn introduced herself and Mr. DaCosta. She gave an overview of the firm's structure and said they have global assets of \$803.6 billion. Mr. DaCosta said there are three main points he'd like to make about Invesco; the depth and stability of their platform, the asset quality they provide and their consistent outperformance of the benchmark. They have been able to provide lower leverage than any of their peers and the fund they are proposing today is strictly U.S. investments. He said their strategy fulfills their goal of being income oriented and their diversification gives them a competitive advantage.

Mr. Stahl asked if it was typical for the leverage to be close to 20% for their core fund. Mr. DaCosta replied that their strategy is to keep within 20-25%. Mr. Dahab asked how much of a dispersion had they had between the appraised value and the market value when selling property. Mr. DaCosta stated usually 3-5% on average.

### **American Realty Advisors**

Ms. Hayes introduced Mr. Darling and said the information presented today would basically be an update of their fund since GERS already has money invested in this product. Mr. Darling stated that they manage over \$7 billion in assets and American Realty abides by the Florida Fiduciary Statute. Currently, the product is producing a gross annual distribution of 6% based on net asset value. He added that core real estate investments are generally a portfolio stabilizer and diversifier while having fairly consistent performance elements.

Mr. Dahab asked how the market was for leverage on commercial properties. Mr. Darling responded extremely easy to borrow and there are a number of markets that are very liquid.

### **Deutsche Asset & Wealth Management**

Mr. Jaffe gave an overview of Deutsche Asset & Wealth Management's organizational structure, cited some current market opportunities and gave a summary of Deutsche's RREEF American REIT II product. He said they have an excellent long term record of outperforming the index with forecasted returns expected to be about 8-10% this year. Last year they forecast the same numbers and met them. He reviewed some local properties they hold as assets and gave an overview of the real estate market in different regions. Mr. Jaffe stated that the minimum investment was \$5 million and the fee on the fund was a flat fee of 95 basis points.

Mr. Tanner asked if they had any properties in the Orlando or Tampa area. Mr. Jaffe responded that there were some industrial holdings in Orlando but their Tampa property assets were sold.

Mr. Burnam said he had to leave but wanted it noted that he thought all presentations were well thought out and sounded good. Chairman Darmanin then read a note Mr. Burnam left stating that if the target is 10% in real estate, an additional \$24 million should be allocated with \$9-12 million to American and the remainder to either of the two other firms. Mr. Long said he was impressed with each of the three company's long term performance. A short discussion ensued on the overall excellent quality of the firms presenting. Board consensus was that they were all high quality firms. Chairman Darmanin reminded the Board that the total available to allocate is not \$24 million as you should minus the \$13 million that is committed to American but has not yet been called. Further discussion ensued and **Mr. Tanner made a motion to invest \$10 million to Deutsche and \$10 million to Invesco, subject to attorney review. Mr. Stahl seconded the motion. The motion passed unanimously.**

## **PLEASURE OF THE BOARD**

Mr. Bucci asked the Board if work performed by the Plan's Actuary was discussed at a previous meeting as an invoice was received for work for an ordinance change. Board consensus was to pay it. Mr. Bucci asked if the Board would be receptive to emerging markets money manager, Schroeder giving a presentation at the Board's November 5, 2015 meeting. Chairman Darmanin asked if their presentation could be limited to 20 minutes, it would be fine.

Mr. Stahl said they have several applicants for the Pension Administrator position and he would like to schedule an Audit Committee meeting so they could present the most qualified candidates to the Board at the next regular meeting. A short discussion ensued and Ms. Dyar was asked to schedule an Audit Committee meeting for November 2, 2015 at 11:00 am.

## **BOARD COMMUNICATION TO THE CITY COMMISSION**

By consensus, the Board agreed there was nothing to report to the Commission at this time.

Ms. Cameron made a motion to adjourn and Mr. Tanner seconded the motion. The motion passed unanimously and the meeting adjourned at 6:49 p.m.