

CITY OF FORT LAUDERDALE
GENERAL EMPLOYEES' RETIREMENT SYSTEM
BOARD OF TRUSTEES MEETING
 316 NE FOURTH STREET, SUITE 2, FORT LAUDERDALE, FL
 Thursday, August 13, 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 p.m. Roll call was taken.

Present: Mark Darmanin, Chairman
 Jon Stahl, Vice Chairman
 Darlene Pfeiffer, Trustee
 Mark Burnam, Secretary
 Pat Long, Trustee
 Julie Cameron, Trustee
 Paul Tanner, Trustee

Also Present: Cole Copertino, Board Attorney
 Linda Logan-Short, Ex-officio
 Bob Oelke, City Resident
 Alan Vordermeier, VMC Realty
 Chris Niles, UBS
 David Lee, Dahab & Associates
 John "Le" Bucci, Retiree
 Greg Slagle, Retiree
 John Herbst, City Auditor
 Lynn Wenguer, Police & Fire Pension Administrator
 David Desmond, Pension Administrator
 Jane Dyar, Pension & Recording Secretary

Chairman Darmanin asked the Board to review the July 9, 2015 minutes. **Mr. Stahl made a motion to approve the minutes. Mr. Long seconded the motion. The minutes were accepted unanimously.**

CONSENT ITEMS

Chairman Darmanin asked the Board to review the consent items. **Mr. Stahl made the motion to approve the items on the consent agenda. Ms. Cameron seconded the motion.** Ms. Dyar noted there was an additional retirement and modification to benefits. **Mr. Stahl made a motion**

to approve the amended items on the consent agenda. Ms. Cameron seconded the motion. The amended consent agenda passed unanimously.

BENEFIT REVIEW

RETIREMENT

Name	Date	Service Time	Type
William Dickey Public Works	6/19/15	18y, 6m, 25d	Early
Jason Maloney Parks & Recreation	11/01/35	14y, 9m, 10d	Vested
Jonda Joseph City Clerk	7/25/15	11y, 2m, 22d	Normal
Vivian Law Department of Sustainable Development	8/01/15	12y, 4m, 15d	Normal
Arleen Gross City Clerk	8/01/15	8y, 5m, 27d	Normal
Anthony Sanders Finance	9/01/15	13y, 3m, 25d	Vested to Retirement
Francis Samaroo Information Technology	9/01/15	10y, 4m, 8d	Disability Conversion to Retirement
Petula Burks City Manager Office	8/21/15	8y, 7m	Refund of Contributions

DROP TERMINATION

Name	Date
Linda Gee	8/08/15
Carl Dixon	9/01/15

POST RETIREMENT DEATH

Name	Date
Rosemary Hall	6/28/15
John Boland	7/15/15

QUARTERLY INVESTMENT PERFORMANCE

David Lee, Dahab Associates

Mr. Lee began by stating that the second quarter GDP looked good at an annualized 2.3% which was a continuation of what they were beginning to see with the U.S growing at a tepid pace. The positive news was that the U.S. was getting stronger, there was a lot more money beginning to flow into the U.S., and equity markets were participating overall in that stretch of time as there really has not been anywhere else to put money. He reminded that for bonds, as rates go up, prices go down. There was a lot of volatility in bond prices last quarter. He reviewed the statistics of the prior quarter, unemployment had improved, GDP was positive and the dollar remained strong relative to

most currencies. He reported the Plan finished the quarter in the top quartile of the comparative universe. Fiscal year to date, the Plan returned 5.3%, the 1-year number was 3.3%, and the 3-year figure was 12.1%.

Mr. Lee reviewed the asset allocation at the end of the quarter relative to the targets, a little bit over in equities, however it's to be expected since the markets are doing so well. He added that it has been a good bull market, returning nearly \$241 million for the Plan over the past five and one-half years. He reviewed the manager performance and stated that he was not concerned with any of the performances, explaining why he felt that way. He addressed the underperformance in the emerging markets and international sectors. The markets outside the U.S. have had a lot of volatility. He discussed the Chinese economy and the effects on surrounding countries. He believed it was a continuation of the beginning of the year regarding currency and interest rates becoming more accommodative. He continued to advise bonds be kept at a minimum.

Mr. Burnam requested additional information on several managers and asked that Mr. Lee discuss them. Mr. Lee obliged.

Mr. Lee noted that the most disappointing performance return was in Timber. There has been the perfect storm due to a change in Brazilian governmental policy. He added that Brazil had a traumatic swing in their economy and currency. Mr. Burnam asked if there was some way of including a fund that included timber but one that could get out of timber if they did not like the numbers. Mr. Lee affirmed but the characteristics were a little different and may not be considered as a defined asset class. Funds can be invested in different ways such as a private equity co-mingled fund which the Plan has now or an investment in a publicly traded REIT. He noted there are 5 publicly traded REIT's containing Timber; Rayonier, Plumb Creek, Potlatch, Weyerhaeuser, and Catchmark. They operate like stocks and can be bought or sold whenever you want. There are 2 timber ETF's; Wood and Cut. The bulk of those are paper companies, corrugated wood, holding companies along with a lot of various things. He explained that the only true way of having timber as an asset class that mirrors bonds is as a direct investment.

Mr. Lee then touched on the real estate investments reviewing American Realty Core and American Realty Strategic. He said that real estate was still a good place to invest with similar but better performance than bonds. Mr. Bucci asked if structured settlements would be a good place to consider investing for the fixed income portfolio. Mr. Lee responded negatively as they have a liquidity as well as equity risk. Further discussion ensued regarding investments.

ASSET ALLOCATION STUDY

David Lee, Dahab Associates

Mr. Lee said that the goal of the study was to identify those investment options for the Fund that would achieve a relatively high rate of return with a lower level of volatility. He reminded the Board that the asset allocation study looks at the possibilities that will achieve a certain confidence level, meeting or beating the assumption weight. He explained the study is stress tested at different scenarios, beginning with the current portfolio allocation summary and then at different performance levels including 10, 20, and 70 year scenario statistics. Mr. Lee reviewed the asset allocations proposed and reviewed how they were created for the Board. He reminded the Board that at this time 4% of the fund goes to pay benefits and, looking forward 20 years with the same assumptions, just less than 7% would go out to pay benefits. Therefore, the fund would need to continue increasing the earnings and not diminish its potential to grow. Once the major portion of the benefits is being received and fewer employees are working and contributing, the growth of the Fund would still look good. The only thing that would affect the Fund would be if there were

horrible returns for the next 20 years and has never been experienced. He then explained how scenarios were calculated to come to these allocation options. A discussion ensued regarding the various options presented.

Mr. Lee expressed what the options would be now that the allocation study had been reviewed. First, the Board may decide to do nothing at this time noting the current asset allocation is very good. Second, the Board could decide to do a manager search on one or several of the asset classes. Third, the Board could have a more in-depth look into the asset classes and allocations covered in the study. Chairman Darmanin asked what asset classes he might recommend for the Fund to move in to and out of equities since they are a little over in that area. Mr. Lee replied at least a move up to 10% in Real Estate, recommending Value Added, since Opportunistic is more volatile and that the money would come from stocks. Core Plus sometimes takes a year or longer to be invested and the positive note is that the funds are still working for you until it's called. Chairman Darmanin said that seems to be narrowing the choices to one of two mixes. Further discussion ensued regarding the asset class mixes presented and Mr. Lee stated the reason Hedge Funds were added into the mix was to give a fair impartial look with optional results but they were not recommending them at this time.

Chairman Darmanin asked if there was a majority feeling to add an increased allocation to Real Estate. **Mr. Tanner made a motion for Dahab Associates to do a Real Estate Search for the Board. Mr. Stahl seconded the motion. After a short discussion, Mr. Tanner amended the motion to do the search with the cover of \$30 million for Core, Core Plus and Value Added. Mr. Stahl seconded. The motion passed unanimously.**

Chairman Darmanin asked if there were any thoughts on doing the search for Private Equity. The Board consensus was to do the searches one at a time. Continued discussion produced a Board consensus to have Dahab Associates proceed with a search for Private Equity. Chairman Darmanin asked about thoughts on Timber. Mr. Lee said the search was tough and he would ask them to hold off at this time. He also mentioned that they would be happy to perform any search the Board requests such as a Fund of Funds, as a beginning for a Public Fund venturing into Hedge Funds. He felt comfortable recommending \$30 million apiece, which is 15% of the Fund's value, although that amount is only a potential. Mr. Stahl felt that 10% would be much more acceptable. After further discussion, the Board consensus was that Dahab Associates only do the search for Real Estate and Private Equity and come back in October with the information. Chairman Darmanin asked if there was any recommendation on changing the investment policy. Mr. Desmond reported that the latest transfer to cash to be used for benefits brings the Equities within the upper range of the Investment Policy. Mr. Copertino made the Board aware that each Board Member could be held responsible for breach of fiduciary duty for acting outside of their Investment Policy. The Chairman pointed out the Asset Fund Mix is discussed and accepted at each meeting which in the past has constituted a temporary change to the Investment policy. Mr. Lee suggested one way to address the situation would be broadening the boundaries of the Investment policy. Ms. Pfeiffer added that she would not be opposed to setting a specific swing to allow for variation in the market. The Chairman pointed out this was discussed at previous meetings and tabled. Further discussion ensued with a consensus to wait until after the October meeting.

ATTORNEY'S REPORT

Mr. Copertino introduced Ms. Wenguer to the Board. Ms. Wenguer began by reviewing the timeline since she and Mr. Desmond questioned the Board on buying back their time in the General Plan. Since then Mr. Desmond has announced his retirement. She stated that it had been over 2 months since she initially addressed the subject with the Board and she would like a status report

from the Board. Mr. Copertino stated it would take an Ordinance to make the change. She asked if he had begun working on the Ordinance and he replied in the negative. Ms. Wenguer felt she was going in circles. She has met with the City Manager, the City Attorney, knows there was also another meeting with the City Manager, and had been told there needs to be an Ordinance change. Her question was why it has not been worked on yet. Mr. Copertino said that as of the last meeting with the City Manager, he was told to put it on hold, no direction had been given for an Ordinance change, and that nothing could be done without direction from the City Manager. Chairman Darmanin asked Ms. Wenguer if she was waiting on the Board to take any action. She replied by saying she understood it has been in the hands of the City Manager and City Attorney's office. Ms. Wenguer gave Mr. Desmond her best wishes on his retirement and offered assistance to the Board with the GERS office since she felt it could be difficult for Ms. Dyar to run the office by herself without an administrator. The Board thanked her for her recommendation and would take that under consideration.

Mr. Copertino continued that he interviewed 8 out of 10 portfolio monitoring firms including the ones that are retained by the Board. Some were much more active than others and his recommendation would be brought to the Board in the near future. He added some may require private representation, but he felt that could be worthwhile. He reviewed the timeline for approval of actions and proposed a possible Committee for consideration by the Board to assist in moving forward on those specific cases. Ms. Pfeiffer asked that a discussion be agendaed for the next meeting regarding personal representation to allow for the class action limitation window. Chairman Darmanin affirmed. Mr. Copertino explained to the Board that a pending disability would be presented to the Board at the next meeting providing an additional medical opinion, although somewhat distant from the last medical opinion. Chairman Darmanin asked that Mr. Copertino present the Board with a summary document with a delineation of the options available for the Board review. Mr. Copertino affirmed. Mr. Copertino closed by reviewing the case of Green Mountain with Kessler Topaz which had won a reversal decision in an appellant court.

Mr. Burnam, reverted to the earlier discussions of the Board, made a motion to include a search for Hedge Funds. Mr. Long seconded the motion. Discussion ensued regarding the recommendation of the financial consultant. Mr. Lee clarified the definition of why they used the asset class mix and simply felt it fair to include it in the presentation although, as a firm, they do not recommend Hedge Funds at this time. **Chairman Darmanin asked for a roll call vote; P. Long – Yes, J. Cameron – No, M. Darmanin – No, P. Tanner – No, M. Burnam – Yes, D. Pfeiffer – No, J. Stahl – Yes. The motion failed 4 to 3.**

REAL ESTATE COMMITTEE REPORT

Mr. Long announced that the Committee did not have a meeting. Chairman Darmanin then informed the Board that the 300 property sale had not yet closed. He detailed the delay and explained that the buyer agreed to pay an additional approximate amount of \$50,000 for the additional 30-day closing extension which equaled a rate of 7.55%. Ms. Pfeiffer asked if the money was received and Mr. Desmond stated no. Ms. Pfeiffer asked Mr. Copertino when the money should have been paid. Chairman Darmanin reviewed the wording of the agreement. Ms. Logan-Short queried the Finance Department via phone. Mr. Copertino reported that there was \$500,000 being held in escrow with the \$50,000 transferred to the Bank of New York for the first extension. The second 30-day extension agreed upon was for \$1,700 dollars a day, equaling \$51,000, payable at closing. He pointed out there had been 6 extensions total that have been agreed upon since the original contract. Chairman Darmanin noted those were 6 amendments to agreements. Ms. Pfeiffer inquired about the extensions/amendments. A short discussion ensued. Chairman Darmanin said the closing date would be August 28, 2015. Ms. Pfeiffer asked that once

the sale is finalized, would someone notify all of the Board members.

Mr. Vordermeier explained that the State sales taxes for both properties were tied together and that he was paying the tax late due to that fact. He also noted that a check for \$150,000 that was excess for the renovation costs was turned over to the office for deposit to the GERS account. There was a small balance for operating expenses left open. Additionally, he noted that from there on, monthly deposits would be made.

AUDIT COMMITTEE REPORT

Mr. Stahl explained the Crowe Horwath proposal to do the GERS audit, which would cost \$6,000 since they would be piggy backing off the City's contract. He said that would be a \$13,000 savings, but they felt the final decision should be brought back to the Board for a final decision. **Ms. Pfeiffer made the motion to piggy back off the City's contract with Crowe Horwath for the audit. Ms. Cameron seconded the motion.** A discussion of separation ensued, along with discussion of both proposals, Crowe Horwath and Marcum. **Ms. Pfeiffer amended her motion for the Board to enter into a 1-year contract with Crowe Horwath separate and apart from the City's contract. Ms. Cameron seconded the amended motion. The amended motion was accepted unanimously.**

Mr. Stahl then discussed the 3 options for the Plan Administrator position; a new internal administrator, outsourcing the administration, and/or finding someone to fill in during this interim. Mr. Bucci noted he had the names and contact information of two third-party administrators that could be contacted, if that was a consideration. Ms. Pfeifer thought a short-term plan would be to have someone sit to train with Mr. Desmond before he retires while the Committee reviewed the options of the job description for the position. Discussion ensued regarding transitioning and Mr. Stahl noted the immediate goal would be to contact someone to fill in as an intermediary. The offer from the Police and Fire Retirement Plan to assist was discussed. Ms. Logan-Short noted certain functions could be transferred in-house to the Finance Department. Ms. Cameron said she felt they would need an administrator in the office for at least the next 15 years. Board consensus was that projection was probably too long Ms. Pfeifer noted that she felt Mr. Bucci would best serve the purpose as an interim administrator, especially since he was currently performing the Management Audit. Further discussion ensued. Chairman Darmanin asked Mr. Stahl that this be moved forward to ensure for continuity of services during the transition. Mr. Bucci asked if the Board still wished him to continue the Management Audit since Mr. Desmond had announced his retirement. The Board consensus was positive to continue with the audit. Chairman Darmanin asked if Mr. Bucci would consider up to 20 hours per week to assist in the continuity and continuation of the Pension office administration until final direction can be made. Mr. Bucci affirmed. **Mr. Tanner made the motion to allow Mr. Copertino to negotiate a contract with Mr. Bucci for employment as temporary administrator. Mr. Burnam seconded the motion. The motion was accepted unanimously.** Mr. Stahl announced that he would work with finance and with recommendations and to bring those results back to the Board. Mr. Copertino said he would need some direction for an hourly rate. Ms. Cameron asked Mr. Bucci what he would find acceptable since he was already under contract to do the audit. Mr. Bucci replied \$55 per hour, based on need and travel. **Ms. Cameron made the motion to hire Mr. Bucci on a part-time temporary basis in the amount of \$55.00 per hour with a maximum of 40 hours per week, if needed. Mr. Stahl seconded the motion. The motion was accepted unanimously.** Mr. Copertino also noted that there should be some agreement of payment made for any temporary work from Police & Fire Pension assisting in the transition, in accordance with administrator or assistance administrator salaries. Chairman

Darmanin explained there should be a cap on a specific payment. Ms. Logan-Short noted that \$5,000 a month would be acceptable. Board consensus agreed and **Mr. Stahl made the motion to approve up to \$5,000 a month to compensate Police and Fire Retirement Plan employees that come over to General Pension and assist in the administrative duties. Mr. Long seconded the motion. Mr. Stahl amended his motion to limit the assistance for a 3 month window and the designee making the decision on the need/assistance. Mr. Long seconded the amended motion.** An in-depth discussion ensued and the motion was called for vote. **The amended motion was passed unanimously.**

Ms. Cameron made the motion to delegate Mr. Stahl to authorize and execute the contract for employment. Mr. Long seconded the motion. The motion passed unanimously.

Mr. Stahl made the motion to approve the Audit Committee minutes as presented. Mr. Long seconded the motion. The minutes were approved unanimously.

ADMINISTRATORS REPORT

- Mr. Desmond presented the Board with the July 2015 VMC report.
- Mr. Desmond said the Robbins Geller monitoring report for July 2015 was available for review and was given to Mr. Copertino for review.
- Mr. Desmond stated Kessler Topaz reported a security class action suit summarized to remain a passive class member.
- Mr. Desmond noted that after a transfer of \$8 million to cash, the equity percentage is below the upper end of the target at 81.64%.
- Mr. Desmond reported that BTG Pactual/ RMK Timber wired to BNY Mellon a distribution of \$1,136,363.64 from timber and land sales.

BUSINESS IN PROCESS UPDATE

Chairman Darmanin asked for an update on in-service distribution. Ms. Logan-Short said the City was taking the lead with Tax Attorneys to narrow down those retirees potentially affected by the distribution. They are also working in conjunction with the IRS. The Plan should be in compliance once the Ordinance wording is corrected; however she noted they are also asking for a waiver of liability. She noted there were about 60 employees that could potentially be affected.

Ms. Dyar asked the Board to include a late entry to retirement on the Benefit Review. Mr. Stahl made a motion to accept the application for refund of contributions on the Benefit Review. Ms. Cameron seconded the motion. The motion to add the entry to the benefit review was accepted unanimously.

Chairman Darmanin asked if Mr. Bucci would like to update the Board on the Managerial Audit. Mr. Bucci explained he was going to come in to sit with Mr. Desmond for specific review. He thanked office staff for assistance and stated he was a little over 50% through with the process.

MONTHLY FUND ASSET MIX

Chairman Darmanin noted the topic had been thoroughly covered earlier in the meeting and hearing no objection he moved on to Pleasure of the Board.

PLEASURE OF THE BOARD

Mr. Stahl noted that there was an issue again with the custodial bank and said that Ms. Dyar took care of the situation immediately as Mr. Desmond was out of town. Mr. Desmond added that he has since contacted Mr. Deen with the Bank of New York Mellon regarding the issue and explained the steps to the Board. He was reassured by Mr. Deen that the issue was resolved and that new procedural changes are in place to assure the issue doesn't happen in the future. Chairman Darmanin announced to that Board that he also spoke to Mr. Deen and he was initiating changes which in his opinion should significantly reduce potential future errors. He pointed out that as the Board reviews managers, they may also want to pursue evaluation and consideration of our custodial bank. Chairman Darmanin made the Board aware that the City Manager sent an email to staff asking to be included in the e-mail distribution of the Board packet Mr. Copertino suggested withholding any medical information for any included disability.

BOARD COMMUNICATION TO THE CITY COMMISSION

Consensus concluded was there is nothing to report at this time.

Ms. Cameron made a motion to adjourn. Mr. Stahl seconded the motion and the meeting adjourned at 3:52 p.m.