

CITY OF FORT LAUDERDALE
GENERAL EMPLOYEES' RETIREMENT SYSTEM
BOARD OF TRUSTEES MEETING
 316 NE FOURTH STREET, SUITE 2, FORT LAUDERDALE, FL
 Thursday, February 12, 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

Acting Chair Darmanin called the meeting to order at 12:00 p.m. Roll call was taken.

Present: Mark Darmanin, Acting Chairman
 Mark Burnam, Secretary
 Darlene Pfeiffer, Trustee
 Julie Cameron, Trustee
 Pat Long, Trustee
 Jon Stahl, Trustee
 Paul Tanner, Trustee
 Linda Logan-Short, Ex-Officio

Also Present: John Herbst, City Auditor
 Greg Slagle, Retiree
 Bob Oelke, City Resident
 Richard Tarquinio & Brooke Berkowitz, CBRE, Inc.
 Alan Vordermeier, VMC Realty
 Charles Ladd, 3rd & 4th LLC
 Jonathan Cox, The Federated Companies
 Brian Kahley, Franklin Templeton
 Samantha Scher & Charles Hofer, Lord Abbett
 David Lee, Dahab Associates
 Jeffrey Amrose & Melissa Algayer, Gabriel Roeder Smith (GRS)
 Cole Copertino, Board Attorney
 Andrea Ramos, City Attorney Intern
 Terri Lea Hugie, Finance
 Thomas Lodge, Sustainable Development
 Jeff Quinlivan, Wood Partners
 David Desmond, Pension Administrator
 Jane Dyar, Pension & Recording Secretary

Acting Chairman Darmanin asked the Board to review the January 8, 2015 minutes. **Ms. Pfeiffer made a motion to approve the minutes as presented. Ms. Cameron seconded the motion. Discussion ensued regarding clarity. Ms. Pfeiffer amended the motion to include changes. Mr. Stahl seconded the motion. The amended minutes were accepted unanimously.** The Acting Chair then asked the Board to review the Special Minutes of January 29, 2015 that were presented to them. **Mr. Long made a motion to approve the special minutes as presented. Ms. Cameron seconded the motion. The minutes were accepted unanimously.**

The Acting Chair next opened the floor for nominations for Board Officers and Committee Officers.

Ms. Pfeiffer nominated Mark Darmanin for Chairman. Ms. Cameron seconded the nomination. No further nominations were presented. The nomination was approved unanimously. Mr. Long nominated Mr. Stahl for Vice Chairman. Ms. Cameron seconded the nomination. No further nominations were presented. The nomination was approved unanimously. Ms. Cameron nominated Mr. Burnam for secretary. Mr. Stahl seconded the nomination. No further nominations were presented. The nomination was approved unanimously.

Chairman Darmanin stated that currently he sat on the Real Estate Committee and he should not do so as the Chairman, however he felt it would be good for the Chairman to act as an alternate on any and all Committees. **Ms. Cameron made the motion for the Chair to act as alternate on any and all Committees. Ms. Pfeiffer seconded the motion. The motion passed unanimously.** Discussion ensued regarding Committee members. **Ms. Cameron made a motion for Mr. Long to serve on the Real Estate Committee. Mr. Stahl seconded. The motion was accepted unanimously.** The Chair stated the Committee would select who would serve as the Chair. **Mr. Stahl made the motion to reelect the Audit Committee members (Darlene Pfeiffer Jon Stahl, and Paul Tanner) and Mr. Stahl volunteered to serve as Chair. Ms. Pfeiffer seconded the motion. The motion passed unanimously.**

CONSENT ITEMS

Chairman Darmanin noted that he would like to add the local Opal Real Estate Conference in Miami to the educational calendar. Ms. Pfeiffer also asked to add the FGFOA and GFOA conferences and that she would send Mr. Desmond the dates and information. Mr. Long noted an inaccuracy in service time on the Benefit Review. Mr. Desmond said it would be corrected. Chairman Darmanin then requested that the benefit amounts are not listed in the finalized minutes. Ms. Dyar affirmed that is the direction of the previous Boards. **Ms. Pfeiffer made the motion to accept the amended consent agenda. Mr. Long seconded the motion. A vote on the amended consent agenda passed unanimously.**

BENEFIT REVIEW

RETIREMENT

Name	Date	Service Time	Type
Jonathan Lightbourn Transportation & Mobility	6/01/17	14y, 7m, 2d	Vested
Clifford Sanders Public Works	7/01/29	12y, 9m, 30d	Vested

Brian McKelligett Transportation & Mobility	2/07/15	9y, 5m, 30d	Normal
Patricia Bagan Public Works	2/11/15	14y, 10m, 23d	Normal
Laura Sanfilippo Fire	2/28/15	30y, 4m, 2d	Normal

DROP RETIREMENT

Name	Date	Department
Jeffrey Meehan	2/01/15	Parks & Recreation
Kathryn Pate	3/01/15	Information Tech.

DROP TERMINATION

Name	Date
Hattie Brinson	2/28/15
Norman Mason	2/28/15

POST RETIREMENT DEATH

Name	Date	
Elizabeth Vann	12/22/14	No Further Benefit
Amelia Nadeau *retiree & beneficiary	1/07/15	No Further Benefit
Robert Elbertson	1/08/15	No Further Benefit
Columbia Milano	1/29/15	No Further Benefit

Chairman Darmanin opened the floor for public input and/or comment. Hearing none, he moved on to the Lord Abbett report.

QUARTERLY PERFORMANCE REPORT

Samantha Scher & Charles Hofer, Lord Abbett

Ms. Scher stated that there were no structural changes to report to the Board. They are only in one business and that is to provide alpha. They have been successful with that model restating that they are investment led and investor focused. She then gave an update on the small cap growth strategy beginning by outperforming the benchmark in 2013 by 16% as momentum and growth did very well at that time. Market sentiment played a big role in trying to preserve alpha and they pay attention to that. This year is a year of uncertainty which plays a big role in the market creating a great amount of volatility. There was recently a very strong perseverance of returns in 2014 which led to underperformance. She stated that they were outperforming by 2% since inception.

Mr. Hofer continued explaining the smid value portfolio has grown almost 19% enabling growth in the Plans assets. He added that the U.S. economy seems to be showing a positive momentum and he felt that the small cap and smid cap arenas are the place to invest since it seemed to reflect the economy inside the U.S. He said that they took money out of energy companies and reallocated it to technology companies which helped them outperform the benchmark by 3% this year.

A short question and answer period ensued.

Chairman Darmanin opened the floor for public input and/or comment. Hearing none, he moved on to Real Estate Committee Report.

REAL ESTATE COMMITTEE REPORT

Chairman Darmanin asked Ms. Pfeiffer to explain her concern with the 300 property regarding clearing up bushes, garbage and transients. She described a gathering of homeless individuals making a shelter in the bushes behind the building and her discussions with the City Police. Mr. Desmond was asked to follow up with Mr. Vordermeier. Ms. Pfeiffer also noted that the police recommended posting more “no trespassing” signs.

Chairman Darmanin next explained the two quotes received for the requested work in Suite 3 of the 316 Building. He stated the differences in cost versus inconvenience to the tenant. A short discussion ensued. **Ms. Pfeiffer made the motion to initiate a contract with Code Red in the amount of \$1,619.49 pending the attorney review and Mr. Vordermeier contacting the tenant. Mr. Long seconded the motion. The motion was accepted unanimously.**

REAL ESTATE PRESENTATION

Richard Tarquinio & Brooke Berkowitz, CBRE

Mr. Tarquinio handed out an offer summary of the 4 offers discussed at the January 29th meeting and a new offer that came in after the January 29th special meeting, from Federated Equities. He then reviewed each of the offers and fielded questions. Chairman Darmanin noted, the Board had disclosed easements for both access and utility. Mr. Tarquinio agreed and Mr. Cox, of Federated Equities, stated he is aware of that information. Mr. Tarquinio then asked those interested parties who were in attendance, to begin the presentations to the Board.

The following companies presented offers:

Wood Partners
Mill Creek
Federated Equities
3rd & 4th LLC

The following company was not in attendance:

Rescore Property Corporation

Chairman Darmanin asked Mr. Lodge, Department of Sustainable Development to explain the site plan development process, levels of development, and timeframes. Mr. Lodge explained that residential projects go through the Development Review Committee (DRC) and on to the Commission to have units approved. The process generally takes between 4-6 months for downtown projects that do not experience delays. He went on to provide examples of circumstances which could lengthen the process. Mr. Herbst interjected that in addition there could be a requirement of affordable housing by the county which could change some of the financing assumptions. Neither Wood nor Mill Creek were including affordable housing. Mr. Lodge continued explaining that the downtown master plan drives the design of the downtown. Discussion ensued regarding office rentals, condos and apartments.

Chairman Darmanin asked the Board to deliberate. Mr. Long asked Mr. Tarquinio about his previous estimation of \$12 to \$13 million net to the Fund. Mr. Tarquinio noted that was before he found out about an access easements which reduced his estimate. Chairman Darmanin addressed the Board asking which direction they would like to proceed; take a DRC risk and its associated time table with a potential upside or get out of the real estate business now and let a developer assume the timing and development approval process risk. Mr. Herbst suggested the Board take a quick calculation of the time value of money to enable a better valuation. Mr. Tanner stated based on a quick calculation, he felt all of the offers were roughly the same. Ms. Cameron said she would love to finish up with the real estate and sell, but she would like to see more funds offered for a better return. Mr. Copertino said that once the motion was approved to negotiate with a single entity, then they could negotiate further; whether or not there would be additional dollars would have to be discussed. Mr. Tanner said deciding what option the Board held as a priority should be established first. Chairman Darmanin asked the Board to first decide whether they were willing to take the DRC risk. A short discussion ensued. **Ms. Cameron made the motion to preference a 30 day closing with no contingency. Mr. Tanner seconded the motion.** Further discussion ensued regarding preferences. **Ms. Cameron amended the motion to consider offers not subject to site plan approval. Mr. Tanner seconded the motion.** Mr. Long asked if that would limit other offers. Chairman Darmanin replied no; if the other interested parties wished to change their offers to meet the requirements of the Board, they would be free to do so. **The Board unanimously accepted the motion.**

Chairman Darmanin clarified there were now two offers that met the criteria set by the Board, Federated Equities and 3rd&4th LLC. Chairman Darmanin asked Mr. Ladd if he would eliminate the due diligence period. Mr. Ladd replied he would possibly be able to do a 30 day due diligence, but he would have to check on that, because they would have to do a title search and get an updated survey and environmental. Chairman Darmanin then asked Mr. Cox if they would have to do a title search, survey and environmental. Mr. Cox replied they would do all of those things in the normal course of business, and his offer was reflective of the associated risk. Chairman Darmanin gave an example of a potential problem and asked Mr. Cox how that would be handled to which he replied it would bring up a whole other issue. Mr. Vordermeier interjected that there was a free rent aspect from 3rd & 4th for GERS that hadn't been mentioned. Chairman Darmanin said they would address that shortly. Chairman Darmanin continued that the deposit was \$250,000 each with an additional \$500,000 after 60 days from 3rd & 4th while Federated remained at an additional \$250,000. Chairman Darmanin stated that Federated had a 30 business day closing and 3rd & 4th had a 60 calendar day closing. He continued that net bottom line to GERS would be 3rd & 4th LLC at \$8,206,200 and Federated at \$8,160,000. Mr. Cox then announced Federated was comfortable matching the net offer of \$8,206,200.

Chairman Darmanin asked the Board members to address the topic of free rent. Mr. Tanner asked where the GERS office would then go on a short truncated closing process. Mr. Ladd interjected he believed there was a provision that would allow the GERS office to remain for up to 2 years until they sold the property. Mr. Cox then stated that they would be comfortable offering GERS at least 120 days before beginning construction. Mr. Copertino said there was a notice period Mr. Ladd had discussed previously which was about 2 years after closing. Mr. Ladd didn't believe it was written in there. Mr. Vordermeier stated it was 90 days' notice and up to 3 years free rent.

Chairman Darmanin asked if there was anything further the presenters would like to say in closing. Mr. Ladd clarified the free rent for 3 years could also be in one of his locations. Mr. Cox informed the Board that they should consider that the value of free rent for a 1,500 square foot space for 36 months is less than \$100,000; while the interest on the money that Federated was

offering in the shortened time span exceeded that amount.

Chairman Darmanin asked for motions. **Mr. Tanner made the motion to engage in negotiations with 3rd & 4th LLC. Ms. Cameron seconded the motion.** Mr. Stahl asked to clarify the terms, 30 calendar day due diligence with 3 years free rent. Mr. Copertino stated they both have the same net proceeds, 90 calendar day closing total for 3rd & 4th LLC versus Federated 30 business day total, which is a 45 calendar day difference with the same net proceeds. Mr. Cox interjected that his offer also was with no contingencies and including 120 days free rent. Further discussion ensued regarding Suites 1 & 3 that are under lease. Mr. Ladd checked with Mr. Feldman and stated that they would go to 30 calendar day due diligence and 30 calendar day closing. Mr. Copertino stated that the difference now was 15 calendar days between the two offers. Mr. Burnam asked for a reason for Mr. Tanner's motion. Mr. Tanner said that there shouldn't be any diligence issues and also the time and convenience of free rent would give the pension office a location to consider and move to.

Mr. Copertino restated that 3rd & 4th now has a 30 calendar day period of due diligence, 30 calendar day closing period and 3 years free rent. Federated has a 45 calendar day closing and up to 1 year of free rent. **Chairman Darmanin asked for a roll call vote. P. Long yes; J. Cameron yes; M. Darmanin yes; P. Tanner yes; M. Burnam nay; D. Pfeiffer absent; J. Stahl yes. The motion passes with 5 ayes and 1 nay.**

Chairman Darmanin stated that now the attorney would begin negotiation with 3rd & 4th LLC and come back to the Board with the initial review. Chairman Darmanin asked Mr. Ladd to initiate the contract and Mr. Copertino to begin negotiation in constructing the contract to present to the Real Estate Committee for review before presentation to the Board.

Ms. Pfeiffer made the motion to list the 4800 Building for sale with CBRE. Mr. Tanner seconded the motion. Mr. Ladd offered the suggestion that the Board get an opinion of value before listing the property. Mr. Long noted the building was fully leased and stated that from what he could see the plan was getting 8% return on the building. Ms. Pfeiffer said the Board was not trying to have a fire sale but they were trying to get out of real estate and also get a good return for their investment. **Ms. Pfeiffer then amended her motion to have CBRE provide a comparable for the Board on the 4800 Building after which they could decide whether or not to list the building for sale. Chairman Darmanin then asked if the motion was withdrawn. Ms. Pfeiffer affirmed.**

Mr. Herbst advised that while negotiating the sale of the property to ensure that the developer gives value for 3 years rent during their consideration, if the Board should decide to buy or rent somewhere else they should consider incorporating into the negotiations a credit back to the developer for that lost value because if you find a place in 6 months you do not want to give up that 2.5 years of free rent.

Ms. Pfeiffer noted for the record that VMC was prompt and cleared out the brush and trash on the property when called.

QUARTERLY INVESTMENT REPORT

David Lee, Dahab Associates

Mr. Lee began by announcing the second half of 2014 was a very bright period for the U.S. economy. He continued that falling oil and gas prices put extra cash into the hands of consumers giving people extra money to spend. The effect of the drop in gasoline prices equated to a \$1,200

tax cut for the average family and was the strongest stimulus since 2009. He said that with all of the global volatility, the U.S. was the only strong engine in the world. Consumer confidence grew modestly from November to December and the consumer confidence index stood at 92.6, the highest reading in years. He added that the Fed made good on its promise to end its bond purchasing program which was designed to help boost lending activity and strengthen the economy.

Mr. Lee reviewed the domestic and international equities. He stated the gross domestic product grew by 2.6% in the fourth quarter, unemployment continued to fall to 5.6%, and the U.S. dollar strengthened relative to the Euro. He explained as of 12/31/14, GERS was valued at \$603,622,160 which represented an increase of \$12,666,318 over the September ending value. He reviewed the relative performance of the total fund during the fourth quarter returning 1.6% which ranked in the 74th percentile of the Public Fund universe. He assessed the asset allocation and the nice investment return for the Fund. He noted that the Fund was under allocated with bonds and over allocated in Large Cap equity according to the Investment Policy. Ms. Pfeiffer asked if the earnings on the investments were more than the net distributions from the plan. He confirmed the performance and reviewed each manager's individual performance. Ms. Pfeiffer asked for Mr. Lee to address Aberdeen's performance. He directed her to the manager's tab in the report explaining that over the length of the term, they are actually performing in the 54th percentile, being objective he would not recommend any replacement in their venue. He recommended maintaining an overweight in equities, real estate and core plus realty, and the small bond portfolio that remain to keep with Garcia Hamilton. Mr. Burnam reminded the Board that the Plan was overweight in equities according to the Plan's investment policy.

Mr. Copertino asked since the Plan is closed, taking into consideration the Pension Obligation Bond funding, has there been a review on the investment policy to look at perhaps not trying to make lots of money but protect the assets and have a rate of return that would pay the members. Mr. Lee advised that from time to time that would be advisable but at this point no; this is a long duration portfolio. Short discussion ensued regarding review of allocations.

ACTUARY REPORT

Jeffrey Amrose & Melissa Algayer, GRS

Mr. Amrose began by saying the Plan's funded ratio was very healthy. He said the City contribution is declining due to the Pension Obligation Bonds but largely to the Plan's outstanding performance, the report was very good. He stated that the contribution amount for the City is the same dollar amount they recommended back in 2005.

Mr. Amrose explained that the funding ratio was 93.3% versus the 90.8% funded last year. He stated that due to the actuarial gains, both the City's cost and the unfunded accrued liability went down; things happened better than they expected. While the Plan being closed has less employee contribution, the City's contribution did decrease. He expects to see City's contribution drop by about half for next year.

Mr. Amrose summarized the funded ratio, being the percentage of the liability being covered by the smooth value of the assets. The funded ratio based on the smooth value of assets as of 10/01/2014 was 93.3%. He said on average for the 80 clients that they handle are probably in the low 80% range. He continued that on the market value of the Plan, the real value was 100.1% funded. Provided there were no gains and losses over the next several years he would expect the funded ratio on the smooth value of the assets to migrate toward that 100% mark.

Mr. Amrose gave a historical comparison of the City's contribution and then historical comparison of the funding progress. He added that there was one more year left to pay off the Bonus Retirement Incentive Plan base, so once that is paid off, the City's contribution will drop significantly.

Chairman Darmanin interjected that certain Trustees needed to leave and they would be losing a quorum. **Mr. Burnam made the motion to accept the actuarial report. Ms. Pfeiffer seconded the motion. The motion was accepted unanimously.**

Ms. Algayer gave an overview of GASB 67, explaining it did not affect the required contribution.

AUDIT COMMITTEE

Mr. Stahl said that the Audit Committee did not meet last quarter and as soon as the Audit report was ready, the Audit Committee would meet to review the report prior to the presentation to the Board. Ms. Logan Short interjected that the City had already received a draft of the report so all that was needed was the Board to finalize and accept the report. A short discussion ensued on a timeline for the Audit report. Chairman Darmanin stated that an Audit Committee meeting needed to be scheduled as well as a Special Board meeting to approve the Audit Report for the City's requirements prior to 2/28/15.

ATTORNEY'S REPORT

Mr. Copertino said the Salix case was still pending, he is in talks, and he would keep the Board abreast of the situation. The disability case was still pending, and the in-service distribution was pending the agreement on the draft ordinance changes.

ADMINISTRATOR'S REPORT

Mr. Desmond asked the opinion of the attorney on the new definition of marriage, as of January 6, 2015. Mr. Copertino said it appears they may allow for the change, as well as come into compliance with an Ordinance change; however he would look into that and get back with Mr. Desmond.

Mr. Desmond provided an update on the activities of the portfolio monitoring services to the Board. He presented the Board with the February 2015 benefit reconciliation. He provided the BTG Pactual Timberland annual report as of 12/31/14.

BUSINESS IN PROCESS UPDATE

Chairman Darmanin noted all the business in process updates were previously covered.

MONTHLY FUND ASSET MIX

Mr. Desmond said the monthly fund asset mix was mostly within range, and the overweight in equities was being used to pay benefits. The investment policy will be discussed during the March meeting. American Realty previously issued a cash call and has added to the investment in real estate. Mr. Long asked if the timber investment was land or actual commodity. Mr. Desmond stated land; however they were also allowed to invest in commodities. A short discussion ensued on investments.

PLEASURE OF THE BOARD

Chairman Darmanin thanked Ms. Logan Short for her review on the MD&A report and the flow of 3 years. Ms. Logan Short asked to be included in the Audit Committee meeting for review.

The Chair opened the floor for public input and/or comment. Hearing none, he asked if there was anything the Board wished to communicate to the City Commission.

BOARD COMMUNICATION TO THE CITY COMMISSION

Discussion ensued on the Actuary and Audit reports. 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 3:46 p.m.