

CITY OF FORT LAUDERDALE
GENERAL EMPLOYEES' RETIREMENT SYSTEM
BOARD OF TRUSTEES MEETING
 316 NE FOURTH STREET, SUITE 2, FORT LAUDERDALE, FL
 Thursday, March 5, 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
 Mark Burnam, Secretary
 Darlene Pfeiffer, Trustee
 Julie Cameron, Trustee
 Pat Long, Trustee
 Jon Stahl, Vice Chairman
 Paul Tanner, Trustee

Absent: Linda Logan-Short, Ex-Officio

Also Present: Bob Oelke, City Resident
 Greg Slagle, Retiree
 Alan Vordermeier, VMC Realty
 Brian Kahley, Templeton
 Christopher Niles & Joshua Kroon, UBS
 Mike Harris, Campbell & Company
 Bradley Arendt & Don Ginsburg, Realty Masters Advisors
 Cole Copertino, Board Attorney
 David Desmond, Pension Administrator
 Jane Dyar, Pension & Recording Secretary

Chairman Darmanin asked the Board to review the February 12, 2015 minutes. **Mr. Long made a motion to approve the minutes. Ms. Pfeiffer seconded the motion.** Mr. Burnam noted that he stated the allocation was overweight in equities and he did not see it noted. Chairman Darmanin asked that be noted under Mr. Lee's statement in his report. **Mr. Long amended the motion to include changes. Ms. Cameron seconded the motion. The amended minutes were accepted unanimously.** The Chair then asked the Board to review the Special Minutes of February 19, 2015. Mr. Long stated

Mr. Ladd from 3rd & 4th LLC was not listed in attendance. **Mr. Long made a motion to approve the special minutes as corrected. Mr. Burnam seconded the motion. The minutes were accepted unanimously.**

CONSENT ITEMS

Chairman Darmanin asked the Board to review the consent items. **Ms. Cameron made the motion to accept the consent items. Mr. Burnam seconded the motion. Mr. Copertino brought up the Klaussner client conference and explained the program to the Board. Ms. Pfeiffer made the motion to amend the education calendar to include the Klaussner conference and accept the consent agenda. Ms. Cameron seconded the motion. The 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

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

ALTERNATIVE INVESTMENT PRESENTATION

Mike Harris, Campbell & Company

Christopher Niles & Joshua Kroon, UBS

Mr. Niles thanked the Board and stated that the classic allocation of stocks and bonds means it's time for alternative investments. He briefly explained the process they use to choose their investments and added that their choices are extremely liquid. He said the return numbers are what make the case for this type of investment. Campbell & Company's investments have had only 9 negative years since 1972 and the S&P 500 has also been negative 9 times as well. However, there has only been one year that they both were down at the same time. This fact shows there is no correlation. They make money moving up and down just like the stock market. He reminded the Board that Campbell & Company does its own thing and there is no way to compare it to an index. They work as a compliment to the investment plan which would smooth out the returns in a bad year. Historically that investment philosophy was left to bonds; however, with interest rates so low right now bonds cannot perform the task. He then gave some examples of the good and bad return years comparing them to the good and bad stock market years. Mr. Niles closed by reiterating what a great compliment alternative investments are to equities. The only drawback he noted would be the fees. He then discussed the fee structure and pointed out that they do not make money until they make money for the investor.

Mr. Harris stressed the important thing to remember was the non-correlation benefit. Most traditional assets have a bias in that everyone hopes that they increase in value. Alternatives don't have that problem as they take away that bias by being able to invest both long and short. They have hedgers and speculators trading risk in the futures markets with buyers and sellers. He then explained some of the macro trends in trades that they had executed. He continued they are incredibly diverse because they trade in all four of the major asset classes; stocks, bonds, currency, and commodities. Mr. Harris added that currency and commodities create a huge diversity in investments and they trade worldwide where ever the opportunity is. He then reviewed some of the correlations to better explain the method of diversification. He closed stating that they have been in business over 43 years and manage \$5.1 billion which places them in the top 100 investment managers globally. Campbell & Company hires PhD's from physics, mathematics and economics backgrounds. Their approach is quantitative starting every model with an intuitive investment thesis and then they look at data to find a relationship to then trade to that economic thesis.

Mr. Burnam stated the Plan's consultant has always recommended private equity or real estate to diversify as an alternative to bonds. Mr. Harris replied he is a big believer in alternative investments and buying large percentages; taking some of the eggs out of the stocks and bonds basket helps diversify a portfolio. The down side of private equity is liquidity however managed future markets are extremely liquid. He stated he could get his money within a day, if needed. Ms. Cameron asked what he thought of all the tension going on in the world regarding oil and currency. Mr. Harris responded saying it provided opportunity and detailed his response. Ms. Pfeiffer asked how this type of investment would impact the Plan's asset allocation. Mr. Harris said the Investment Policy would need to add an allocation for alternative investments. He also advised at least a 10% investment should be made to make an alternative investment worthwhile. Mr. Copertino said he had been concerned with the Plan's asset allocation and that is why he invited them to come speak to the Board. Chairman Darmanin thanked them for the presentation.

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

QUARTERLY PERFORMANCE REPORT

Richard Walsh, OFI Global

Mr. Walsh introduced himself as the new point person for OFI as Peter McCarthy has been elevated to take on more responsibility within the organization and he distributed an informational booklet. He detailed their investment strategy, highlighting the downturn in emerging markets beginning in October/November with Russia where they have some large holdings. In November/December, the oil price declines hit the portfolio hard. They are not driven by macro events but they are sensitive to them. He said the Plan is a long term investor and they are a long term manager that looks for growth at a 15% compounded rate over the long term. He then reviewed performance by stock, country and sector. He gave an overview of the top 10 stock returns year to date. OFI sees structural changes around the world as presenting opportunities; albeit challenges with opportunities. He closed by saying that they are looking at great growth in emerging market companies, a 15% compounded returns over time, and staying by what they do best; finding great growth stocks around the world.

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

PROPERTY ASSET REVIEW

Bradley Arendt & Don Ginsburg, RMA

Mr. Ginsburg thanked the Board for giving them time to address the Board. He said they had given the Board an offer for the 300 property through RESCORE and thought the Board made a good decision going with the fastest closing offer due to the time constraints and real estate market risk. He then stated that they took it upon themselves to look at the other property that the Plan owns at 4800 N. Federal Highway and to do a quick asset review of the property. They looked at the property from two sides; 1) a comparable sales method using dollars per foot, what's sold in the market, what's available in the market and 2) an income approach using cap rate, based on prevailing cap rates to determine a value, take the figures and put together the valuation. He said it's a good building, a sellable building completely rented, and in a good location near Holy Cross Hospital. He added that in the interest of time, they would leave the asset review for the Board to review at their leisure. If the Board would like to have them list or sell the property, they would be happy to do so.

REAL ESTATE REPORT

Chairman Darmanin asked Mr. Vordermeier to join them at the table. Chairman Darmanin asked Mr. Copertino on an update regarding CBRE. Mr. Copertino said after the back and forth communication with CBRE, the attorney's office issued a letter stating that GERS was withdrawing the request for the opinion of value and were not going to do business with them going forward. There had been no further negotiations.

Mr. Vordermeier said that Dr. Garcia's price has been negotiated and the contract is ready for Mr.

Copertino to review. A short discussion and review ensued. He stated the total remodeling cost is \$25,000 and our portion would be \$16,000. The Fund will pay the full amount and Dr. Garcia will reimburse the \$8,000 difference. Ms. Pfeiffer stated that she felt the contract should include payments from the doctor just in case he decides to leave before the payments are finished. Mr. Copertino interjected he would take a look at it and ensure that is addressed.

Mr. Vordermeier said he also did an analysis of the 4800 Building and sent it to Chairman Darmanin. He handed his information out to the Trustees. Ms. Pfeiffer asked for his opinion. Mr. Vordermeier stated the building is full and he would advise to hold on to the property until the value rises. It is providing \$150 thousand a year income for the Plan. He would hold onto it for a couple of years until the value rises to at least the amount what has been invested into it.

Mr. Vordermeier said that the draft contract for the purchase of the Third & Third property was submitted to Mr. Copertino, Chairman Darmanin, and Mr. Desmond. The only thing different in the contract was a line item asking GERS to pay \$250 a month for electricity and water. Chairman Darmanin noted he also did not see certain items like location costs and relocation guarantee of space. He then noted that the Real Estate Committee had not made a decision on a point person at this time and the attorneys need someone to take the lead for the time being. He noted that he would be happy to be the point person for the Committee through the completion of the sale. The Committee agreed his assistance. Chairman Darmanin asked Mr. Vordermeier to see if some of the due diligence could be moved along so that the time frame agreed to could be met.

Mr. Vordermeier stated that a charge of \$3,300 charge, being stated as a lien through the City, although not processed as a lien had been reviewed. Mr. Dunkel gave his opinion that he did not believe it was owed by GERS. Mr. Vordermeier said he told the 3rd & 4th LLC attorney and he acknowledged it. Chairman Darmanin clarified that the previous tenants/owners never paid the fire service fees to the City of Fort Lauderdale. Ms. Pfeiffer asked for the record who was the previous owner. Chairman Darmanin said he was not sure who was the owner at the time; it could have been Mr. Ladd or the Bank. Ms. Pfeiffer noted there was title insurance. Chairman Darmanin assured the Board that the situation was taken care of.

Chairman Darmanin then asked for the Board consensus on considering the offers of representation for the 4800 Building. The Board consensus was to table the discussion until the next meeting so that they could thoroughly review the materials presented. Ms. Cameron asked for a verification of the monthly rental income. Mr. Vordermeier stated \$150,000 a month net of costs.

ATTORNEY'S REPORT

Mr. Copertino said most of his report had already been discussed. The rest would be covered under Business in Process. Chairman Darmanin thanked him and went on to the Audit Committee report.

AUDIT COMMITTEE

Committee Chair Stahl presented the minutes of their last meeting to the Board. Chairman Darmanin made note of a small scrivener's error. **Ms. Pfeiffer made the motion to accept the amended minutes. Mr. Stahl seconded the motion. The minutes were accepted unanimously.** Mr. Stahl said that Finance was very helpful in the review of everything for the audit, all changes were made, and bottom line showed we were doing everything we're supposed to be doing.

Ms. Pfeiffer noted for the record that, according to the audit, the pension plan was 100.12% funded using market numbers as of September 30, 2014. Chairman Darmanin felt it was a little early to say anything.

ADMINISTRATOR'S REPORT

Mr. Desmond gave his report to the Board:

- The March 2015 retirement benefit reconciliation was given to the Board.
- He presented the Board with the VMC income and expense book for January 2015.
- Kessler Topaz summarized a security litigation class action filed and recommended to remain a passive class member.
- Mr. Desmond presented the Board with an estimate from Dahab and Associates for updating the 2012 Asset Allocation Study \$26,000.00 and explained it would take approximately 5-6 weeks.
- He reviewed a summary of leave without pay service purchases for reinstated employees; to review the formula for pay back for reinstatements. Board discussion ensued regarding the percentage rate the Board should be concerned with setting. Mr. Stahl said he looked at this as a duration rate and not an amount. Chairman Darmanin asked if a standard should be set by the Board. Ms. Pfeiffer stated that she felt a minimum pay back of 3% should be set by the Board, so people are all treated the same. Mr. Copertino said he would do some research to see if there were any guidelines or standards following Federal guidelines and bring the information back to the Board at the next meeting.

BUSINESS IN PROCESS UPDATE

Chairman Darmanin asked about the pension disabilities. Mr. Copertino stated still working on them. Chairman Darmanin asked about the GERS service credit. Mr. Copertino said he had a meeting later in the day regarding that and would come back to the Board at the next meeting with any Ordinance revision. Chairman Darmanin questioned Mr. Copertino about the status on the In-Service Distribution. He responded that they were waiting for information from Finance. Chairman Darmanin noted that Mr. Dunkel may require a special meeting of the Board regarding this subject and will most likely include members from both unions so that they may sign a memorandum of understanding if needed along with an outside attorney. Mr. Copertino explained that the City's attorney opined it did not need to be bargained however the Police and Fire attorney felt it needed to be bargained. Ms. Pfeiffer noted that she saw no clarity that the Plan was closed in the wording. Mr. Copertino stated he was still reviewing the paperwork.

Mr. Copertino then stated that the Salix securities litigation suit was still being determined and reviewed and he should have an update for the Board within the next two weeks. Chairman Darmanin said that the review of the Board's Policies will have to be discussed at the next meeting.

Mr. Burnam suggested that the Board consider looking at the presentation they were given earlier for alternative investments as a new asset allocation at the next meeting. Mr. Long agreed with Mr. Burnam and said it was the reason he initially asked about Timber being a commodity. Mr. Tanner reminded the Board that the alternative asset class needed to be looked at as a whole first, including the amount of the allocation and how much the Trustees would like to put into alternative investing. Chairman Darmanin asked if the Board would like Dahab to do an analysis of

alternative investment for the Board. A discussion ensued regarding hedge funds, long and short investment and alternative asset class investing. Mr. Desmond will contact Mr. Dahab and have him give them a presentation when he comes in May.

MONTHLY FUND ASSET MIX

Mr. Desmond presented the monthly asset mix for review. After discussion of the movement of funds, the Board accepted the report.

PLEASURE OF THE BOARD

There was nothing to discuss at this time.

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

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

Ms. Cameron made a motion to adjourn. Ms. Pfeiffer seconded the motion and the meeting adjourned at 2:30 p.m.