

CITY OF FORT LAUDERDALE
GENERAL EMPLOYEES' RETIREMENT
SYSTEM BOARD OF TRUSTEES MEETING
316 NE FOURTH STREET, SUITE 2, FORT LAUDERDALE, FL
Thursday, February 11, 2016
12:00 noon

**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
Lynn Wenguer, Secretary
Mark Burnam, Trustee
Paul Tanner, Trustee
Ron Cameron, Trustee
Kirk Buffington, Ex-Officio

Absent: W. Pat Long, Trustee

Also Present: Cole Copertino, Board Attorney
Richard Dahab, Dahab Associates
Greg Slagle, Retiree
Kitty Martin, Lord Abbett
Brian Foerster, Lord Abbett
Chris Niles, UBS
John LeRoy "Le" Bucci, Interim Pension Administrator
Jane Dyar, Pension & Recording Secretary

Chairman Darmanin asked the Board to review the minutes from the January 7, 2016 meeting. **Mr. Stahl made a motion to approve the minutes as presented. Mr. Burnam seconded the motion. The motion passed unanimously.** Chairman Darmanin then asked the Board to review the minutes from the February 8, 2016 meeting. **Ms. Wenguer made a motion to table the minutes until the next meeting. Mr. Stahl seconded the motion. The motion passed unanimously.**

ELECTION OF OFFICERS

Ms. Wenguer made a motion to nominate Mark Darmanin as GERS Board Chairman. Mr. Burnam seconded the motion. Hearing no other nominations, a vote was taken and the motion passed unanimously.

Ms. Wenguer made a motion to nominate Jon Stahl as GERS Vice Chairman. Mr. Cameron seconded the motion. Hearing no other nominations, a vote was taken and the motion passed unanimously.

Mr. Burnam made a motion to nominate Lynn Wenguer as GERS Secretary. Mr. Cameron seconded the motion. Hearing no other nominations, a vote was taken and the motion passed unanimously.

CONSENT ITEMS

Chairman Darmanin asked the Board to review the consent items; Benefit Review, Bills and Educational Calendar. **Mr. Stahl made a motion to approve the consent items as presented. Ms. Wenguer seconded the motion.** Ms. Wenguer asked about the legal fees from Brinkley Morgan. A discussion ensued and it was agreed that the two bills from Brinkley Morgan would be pulled and discussed later. Mr. Bucci noted there is an invoice for changing the locks on the front door and an invoice from Swisher for cleaning services which is up for approval now and will be discussed more thoroughly under the Administrator's Report. **Mr. Stahl amended his motion to exclude the invoices from Brinkley Morgan which will be discussed further under the Attorney's Report. Mr. Cameron seconded the motion. The motion passed unanimously. Mr. Stahl then made a motion to have FPPTA's June Annual Conference and Fall Trustee's School added to the Educational Calendar. Ms. Wenguer seconded the motion. The motion passed unanimously.**

BENEFIT REVIEW

RETIREMENT

Name	Date	Service Time	Type
Domingo Ortiz Public Works	03/01/2016	10y, 9m, 1d	Normal
William P. Long Public Works	2/20/2016	9y, 9m, 27d	Normal
Mark Campbell Sustainable Development	03/01/2035	10y, 8m, 21d	Vesting
John Cioffi Sustainable Development	09/01/2028	10y, 8m, 20d	Vesting
Lori DeForest Parks & Recreation	02/01/2016	15y, 8m, 3d	Vested (06/16/06) to Normal
Yvonne M. Redding Planning & Zoning	03/01/2016	13y, 6m, 17d	Vested (05/08/15) to Normal
Laura Brown Police Department	03/01/2016	9y, 2m, 5d	Vested (04/13/07) to Normal

DROP RETIREMENT

Name	Date	Department	Service Time
Julia Leonard	03/01/2016	Transportation & Mobility	30y, 6d
Paul Vitrano	03/01/2016	Public Works	18y, 10m, 2d

POST RETIREMENT DEATH

Name	Date	Benefit
Maryellen Rose Beneficiary of David Rose	01/24/2016	No Further Benefit
Tim Eager Spouse Julie	01/18/2016	100% for 1 Year and 60% thereafter

TERMINATION OF PRE RETIREMENT DEATH BENEFIT

	Timeframe	Benefit
Luz Rodriguez Spouse of Jorge Rodriguez	8 Years	50% from May 1, 2008 to April 1, 2016
Constance Keller, Beneficiary of Clarence Lovingshimer	8 Years	50% from December 1, 2007 to November 1, 2015
Zak - Taryn, Selena, Cody & Tyler Spouse & Children of Thomas Zak	8 Years	50% split among four beneficiaries from March 1, 2008 to February 1, 2016

CORRECTIONS

Name	Date	Service Time	Type
Robert McKenney, Jr. Finance	Change Retirement Date From: 11/03/2015 To: 11/04/2015	8y, 1m, 18d	Normal

**LORD ABBETT – Small Cap & SMID Cap
Kitty Martin & Brian Foerster**

Ms. Martin and Mr. Foerster gave a brief overview of personnel changes in their company and assured the Board their investment philosophy has not changed. Mr. Foerster said it was a tough year because the markets were driven by China's devaluation of their currency in the middle of last year. He said they do not see a recession coming, even with the slowdown in transportation which has always been a precursor to a recession. Mr. Foerster then reviewed the performance of GERS' small cap growth investment and the SMID cap value's performance. Mr. Dahab asked what their thoughts were regarding the online educational company, 2u Inc. and why they did so poorly in an area that should be showing better results. Mr. Foerster said it was probably due to short selling and said on a relative basis, the stock has recovered. Chairman Darmanin thanked them for their report.

DAHAB ASSOCIATES – QUARTERLY REPORT

Richard Dahab

Mr. Dahab said he felt that China's role in the recent market downward spiral was overstated because he does not believe China alone has enough influence to precipitate the kind of activity that's been happening. He opined that the sale off of sovereign wealth funds was enough to cause the market turmoil. He said the current situation probably wouldn't change until oil gets back to about \$40 a barrel. Mr. Cameron asked if he felt the Chinese were artificially controlling the market because it's so governmentally controlled. Mr. Dahab affirmed but felt they have been more honest than in the past, especially when reporting numbers.

He said the recent problems in the market are a hiccup that probably won't lead to another recession but will negatively affect Gross Domestic Product's (GDP) growth rate by reducing it to around 1.5%. Housing was continuing to do well and was up nationally 6.3%. He said first quarter returns were fairly good but it is still a poor recovery. Emerging markets have not come back and were still struggling because most are trading partners with China. Real estate did very well and bonds lost money. He reviewed the equity returns and stated that the best place to be was in large cap growth and the worst place to be was in small cap value. He said GERS' portfolio was up 2.6% for the first calendar quarter of 2016 and up an average of 7.4% annualized over the last three years and opined that GERS has a very well diversified portfolio.

Mr. Burnam asked what GERS could do moving forward, to make the required return. Mr. Dahab said if GERS was going to make 7.5%, they would have to be very equity oriented and invest in alternative things like private equity otherwise, they would have to cut the assumption rate down to around 6%. Having a 7.5% assumed rate of return takes on a fair amount of risk. He then reminded the Board that lowering the assumption would raise the City's contribution and would also put the fund into a lower unfunded liability position. Chairman Darmanin said the Board has asked the actuary to calculate the numbers showing the impact on contributions using various assumption rates. Mr. Dahab said if they wanted to be conservative it would be expensive and if they wanted to be budget wise, there is a risk. He said the fund is going to be around at least through 2080 so even though the fund was closed, there is a huge time span that must be covered for the participants. A short discussion ensued regarding actuarial assumptions, asset allocations, and liquidity.

Chairman Darmanin asked if all 5 of the remaining contracts from the October meeting were reviewed. Mr. Copertino said 3 of the 5 were reviewed. Ms. Wenguer asked that the contracts be moved forward so they would be ready to sign once a decision was made. She asked that he check with the State to assure there are no problems with liquidity. Mr. Copertino asked that the Board consider his memo and make a determination whether or not to invest in the other two private equity firms. Chairman Darmanin said he would write a letter to the State Division of Retirement seeking an opinion on Florida Statute 112 as it relates to illiquid investments. He asked Mr. Copertino to also look into the liquidity issue by reviewing the positions of other Plans and their position on illiquid investments. Mr. Cameron noted that at the last Florida Public Pension Trustees' Association (FPPTA) meeting he attended there were many Plans that were now investing in areas that were considered unusual 10 years ago. Chairman Darmanin said he felt Mr. Copertino was trying to act in the best interest of the Board. He added that the Board was discussing this issue to ensure they were not hand cuffing this, or any future Boards, fiduciary responsibilities. He wanted to make sure all avenues are reviewed and discussed as complete and accurately as possible in a timely and prudent manner. Mr. Darmanin then asked

that all information be ready, including the contracts, for the next Board meeting.

Mr. Dahab concluded his report by reviewing the largest stock holdings in the portfolio and noted they were all well established companies. Mr. Dahab said the BTG Pactual Latin American Fund did not receive the votes needed to seek loans to continue operations. He said GERS was the only investor he knew of that voted against BTG Pactual's request. Chairman Darmanin asked if anyone present would like to re-open the vote. Hearing none he thanked Mr. Dahab for his report and all the support he has offered GERS over the past few months.

AUDIT COMMITTEE

Jon Stahl

Mr. Stahl said they set up a meeting for February 18, 2016 at 4:00 p.m. to review the Audit Report. Also, at that meeting the committee will be doing the first round of interviews for Pension Administrator. He encouraged Board members who wished to attend, to do so.

REAL ESTATE COMMITTEE

Chairman Darmanin stated that in Mr. Long's absence he would update the Board. He received an email from Mr. Vordermeier's office requesting a response from the attorney's office regarding the possibility of expanding parking spaces at the 4800 Building. Mr. Copertino said he was still reviewing it and would bring an opinion back to the Board. Chairman Darmanin said VMC Reality is reviewing proposals for an air conditioning maintenance agreement for the 4800 Building. Mr. Vordermeier said that once he receives the information, it will be presented to the Board.

INTERIM ADMINISTRATOR'S REPORT

John LeRoy "Le" Bucci

Mr. Bucci presented, informed and discussed with the Board the following information:

- February's benefit payments balanced with Pension Office Records. Details of the reconciliation are attached to the City's Wire Calculation Worksheet.
- GERS' Cash Flow Spreadsheet for January is attached.
- Locks to front door have been changed.
- Bank of New York Mellon submitted an invoice for quarter ending June 30, 2015 on January 13, 2016 via email. Invoice for period ending September 30, 2015 was previously approved by the Board 12-03-2015 and paid. The Board asked that the Bank of New York Mellon come to the next meeting and explain any problems they are having.
- Capital Dynamics made a \$3,150,454.05 capital call and it was funded January 29, 2016. GERS still has another \$6,849,545.95 committed to Capital Dynamics.
- American Strategic Value Realty Fund, L.P. returned 18.78% (net of fees) for the calendar year. Because of real estate sales and repayment of a retail investment, GERS will receive a check on Feb 12, 2016 for \$1,010,197.52. These funds are subject to recall as new investments are made.
- 1099-R's went out to our retirees and beneficiaries from the City showing double income and double withholding taxes. The City sent out corrected 1099-R's and our phone rang off the hook. I recorded a message on our main phone line and left instructions on how to reach us if they were calling about something else.
- The Pension & Recording Secretary would like to take 9 days off in May – Thursday 5-5

through Tuesday 5-17. By consensus the Board approved the vacation request.

- The Administrator has not received a P-Card yet. Ms. Wenguer explained an optional bank card. **Mr. Burnam made a motion for the Interim Administrator to apply for a bank credit card for the Board. Mr. Stahl seconded the motion. The motion passed with one nay vote by Chairman Darmanin.**
- Beneficiary verification letters started going out on January 26, 2016. He requested the Board consider a policy for suspending payments for those who haven't responded over the last few years. Board Attorney, Cole Copertino agreed to take a look at this issue.
- The Actuary has completed GERS' GASB 67 report.
- Ellen Schaffer's assisted with producing the Blue Forms this year. Our office printed, folded, stuffed the envelopes, and prepared them for interoffice mailing on January 13, 2016. They were sent to 787 Group I members, 9 Group II members and 4 transferred BSO employees.
- Federation of Public Employees Collective Bargaining Agreement modified the way interest is calculated on DROP accounts but the City did not change the ordinance. Can't figure out how to administer Section 5. of that contract. Bob Dunckel is working on a clarifying ordinance.
- VMC Realty's December 2015 report is available for review in the file room.
- New landlord does not supply office cleaning or bathroom service. Both companies previously servicing the pension Office have ceased service. Swisher has a balance of \$324.89 which the Board agreed to pay with approval of the Bills. After some discussion, the Board agreed to continue the Swisher service.
- Quill sent a reimbursement check for \$154.43. They had shipped out of date product and instead of crediting the product, they credited the whole invoice. Our attempts to convince them of their error only led to their insistence that they were correct in crediting the whole invoice. The check has been deposited.
- Portfolio monitoring firms Kessler Topaz, Cohen Milstein and Abraham, Fruchter & Twersky and Scot & Scot have submitted portfolio monitoring reports. If you'd like to review them, they are available in my office.
- A copy of the ad placed in Pension & Investments is attached to the Administrator's Report.

ATTORNEY'S REPORT

Cole Copertino

Mr. Copertino reviewed the status of a member whose previous application for disability contained insufficient information to move forward and another's previously denied application for disability. He suggested that one be presented to the Board at an appeal hearing and the other be offered a refund of contributions plus interest. Ms. Wenguer stated she would like to have the Board hear both and felt it was up to the attorney & his/her client to approach the Pension office with the proper documentation. Mr. Copertino said he would like one scheduled for April and one for May.

Mr. Copertino said he is in discussion with Mr. Kim from the National Conference on Public Employee Retirement Systems (NCPERS) regarding GERS' endorsement of NCPERS' Code of Conduct. Mr. Copertino said the Brinkley Morgan bill needed to be paid one way or another. Discussion ensued and Mr. Tanner said he felt the selection of outside counsel should be presented to the Board prior to incurring any cost to GERS. He went on to say the potential outside counsel candidates should be vetted for their relative experience in the subject matter. Chairman Darmanin agreed and noted that the Board was not informed prior to the hiring of

outside counsel, the Board was not given an estimate of the cost and the Board did not authorize an expense prior to engaging outside counsel. Ms. Wenguer noted that the expenses were extensive. Mr. Tanner noted a duplicate billing charge on the line items of the billing. **Mr. Tanner made a motion not to accept the bill and have the billing attorney review the charges because the bill was over stated. Mr. Cameron seconded the motion.** Further discussion ensued and Chairman Darmanin called the question. **The motion passed unanimously.** Chairman Darmanin explained the Board pays for the Attorneys services through an allocation which is supposed to cover the cost of providing complete legal services. Mr. Buffington could not confirm what the allocation covers.

BUSINESS IN PROCESS UPDATE

Chairman Darmanin asked Mr. Copertino if there was anything to present regarding the in-service distribution and the list of GERS affected employees. Mr. Copertino said he thought that was he already presented the list to the Board but would get that information to the Board. Mr. Bucci presented the Board with a clean copy of the new Investment Policy. Mr. Buffington affirmed with Risk Management that GERS employees are covered by Workers' Compensation. A short discussion ensued on bonding the new Pension Administrator and it was agreed that he/she should be bonded. Document safekeeping was discussed and it was agreed that three copies should be maintained - one in GERS' Office, one in the City Attorney's Office and one in the City Clerk's Office. Ms. Wenguer suggested scanning and electronic storage.

MONTHLY FUND ASSET MIX

Mr. Bucci reviewed the December Monthly Fund Asset Mix and stated everything was in balance under the Investment Policy in force for the timeframe being reviewed. He noted that he included an additional Asset Mix which contained a realignment of the asset classes and styles according to the newly adopted Investment Policy. He noted that it is effective now and will be used when evaluating February's Monthly Fund Asset Mix.

PLEASURE OF THE BOARD

Ms. Wenguer complimented Mr. Bucci for all his hard work and stepping in when the Board needed assistance. Mr. Niles, of UBS requested a copy of the fourth quarter investment report and the new asset mix which he promptly received. He said investing in private equity would not limit the Board's equity exposure. He said they are correlated, move in tandem and would not diversify the portfolio. He suggested moving funds to different assets that have better liquidity. Chairman Darmanin asked if he knew of any. Mr. Niles stated that there were different degrees of liquidity. A short discussion ensued and Mr. Niles opined that an Investment Consultant should be able to define what a liquid and illiquid investment constitutes. Mr. Niles critiqued the Dahab and Associates presentation and went on to say he would be advocating for the Outsourced CIO model.

BOARD COMMUNICATION TO THE CITY COMMISSION

Chairman Darmanin said he would continue to communicate with the City Commission on an as needed basis.

Ms. Wenguer made a motion to adjourn. Mr. Stahl seconded the motion. The motion passed unanimously and the meeting adjourned at 4:08 p.m.