

**CITY OF FORT LAUDERDALE**  
**GENERAL EMPLOYEES' RETIREMENT**  
**SYSTEM BOARD OF TRUSTEES MEETING**  
316 NE FOURTH STREET, SUITE 2, FORT LAUDERDALE, FL  
Thursday, March 3, 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  
Paul Tanner, Trustee  
Mark Burnam, Trustee  
Pat Long, Trustee  
Ron Cameron, Trustee  
Linda Logan-Short, Ex-Officio Designee

Also Present: Cole Copertino, Board Attorney  
Bob Dunckel, City Attorney  
Greg Slagle, Retiree  
Michelle Blackstock, Crowe Horwath LLP  
David Lee, Dahab Associates  
Joshua Kroon, UBS  
Randy Deen, Bank of New York Mellon  
Alan Vordermeier, VMC Realty  
Nicholas Schiess, Pension Administrator Candidate  
John LeRoy "Le" Bucci, Interim Pension Administrator  
Jane Dyar, Pension & Recording Secretary

Chairman Darmanin asked the Board to review the minutes from the February 11, 2016 Board meeting. **Mr. Long made a motion to accept the minutes as presented. Mr. Cameron seconded the motion. The motion passed unanimously.**

## CONSENT ITEMS

Chairman Darmanin asked the Board to review the consent items. **Mr. Long made a motion to approve the consent items as presented. Mr. Stahl seconded the motion.** Ms. Wenguer asked about a DROP change noted on the review. Mr. Bucci responded that the packets distributed to Trustees a week before each meeting are preliminary and benefits up for approval today are in the packet distributed at today's meeting. Additions are noted with an asterisk The question was called and the motion passed unanimously.

## BENEFIT REVIEW

### RETIREMENT

Name	Date	Service Time	Type
Robert R. Rose Public Works	04/02/2016	31y, 13d	Normal
Richard Stapleton Transportation & Mobility	03/05/2016	26y, 8m, 28d	Normal

### DROP RETIREMENT

Name	Dat	Department	Service Time
Thomasina Turner-Diggs	04/01/2016	CRA	10y, 9m, 12d

## ADMINISTRATOR INTERVIEW DISCUSSION

Mr. Nicholas Schiess was welcomed to the head of the table by the Chairman and Trustees. He responded to several questions posed by various Trustees. Mr. Schiess offered his assessment of the office operation after spending a few hours with the Interim Administrator. He said he understands the importance of the position and was glad he had the opportunity to observe how the office operates on a first hand basis. He believes his experience overseeing five pension plans for his present employer has prepared him for the next step in his career and makes him the best candidate for GERS' Pension Administrator position.

Mr. Schiess exited the room and each Trustee expressed confidence in his abilities. **Mr. Stahl made a motion for the Chairman to negotiate a contract with Mr. Schiess on behalf of the Board and empower the Audit Committee to review the employment contract and if acceptable, authorize execution of the contract by empowering the Chairman to sign on behalf of GERS. Mr. Cameron seconded the motion. The motion passed unanimously.** Chairman Darmanin invited Mr. Schiess back to the table and informed him that the Board has approved him to move forward in the process. The next step is for the two parties to come to terms on an employment contract. Chairman Darmanin said he would be contacting him sometime after the meeting to do that.

## CROWE HORWATH, LLP – AUDIT REPORT

Ms. Blackstone presented the final draft of the Audit Report to the Trustees. She thanked staff for their cooperation in providing information for the report. She stated the only thing that was needed to make the report complete, was a representation letter signed by principles of the Plan. As long as the Board accepts the report in its present form, she will obtain the letter at the

conclusion of the report. The report was previously forwarded to each Trustee and reviewed at an Audit Committee meeting on February 8, 2016. The Committee had a few comments and the City's Finance Department reviewed it without providing any comment. She discussed the scope of the audit and the results. She said the newest terminology for a clean audit are for the words "unmodified opinion" to appear in the report and they are included in this report. The assets of the Plan as of September 30, 2015 were \$552 million which exceeded liabilities. She opined that this is a very positive position even though the plans total net position decreased in fiscal year 2015. She reviewed the financials which included the Plan's income and benefits paid. She said the internal controls over financial reporting were within acceptable standards and there were no pronouncements. Chairman Darmanin thanked Ms. Blackstone for the presentation and said he looked forward to receiving the final report. **Ms. Wenguer made a motion to accept the Audit Report as presented. Mr. Cameron seconded the motion. The motion passed unanimously.**

### **BANK OF NEW YORK MELLON – GERS CUSTODIAL BANK**

Mr. Deen thanked the Board for inviting him to their meeting so he could address some of their concerns. Mr. Bucci said the City Finance Department was extremely upset about the Bank of New York Mellon's invoice for quarter ending June 2015 not appearing until January, 2016. He said he and the City's Finance Department had been asking for it for quite some time before it finally appeared and by the time it appeared the books for the City had already been closed for fiscal year 2014/2015. He said the bill for quarter ending September 2015 was paid on time and the invoice for quarter ending December 2015 was just approved for payment by the Board earlier today.

Mr. Deen said part of the problem was related to an excessive amount of trades appearing during that billing period. He accepted some of the responsibility because he withheld the invoice seeking further verification of the trading activity and then had to take some leave for personal family issues. To compound matters, the staff member he asked to review the invoice, left employment and the bill fell through the cracks. He said the original bill was produced on July 25, 2015. A short discussion ensued regarding the bank's billing process. Ms. Logan-Short asked why the bill was not followed up after nonpayment. Mr. Deen said they fell short in terms of a second notice. Mr. Bucci said he discovered there was a missing bill when he received an invoice for quarter ending June 30, 2015 and wanted to compare it to previous bills. Mr. Deen said that during this timeframe the bank was going through a compliance issue associated with a computer changeover required by Dodd Frank. He said the conversion was a very time consuming issue. Mr. Cameron asked GERS' Investment Consultant, Mr. Lee if he heard of any other similar situations. Mr. Lee said there have been some challenges with the Bank of New York and a few other banks have gone through the same Dodd Frank process without too many problems. Mr. Cameron asked if there would be any further issues. Mr. Deen said he certainly hoped not. Mr. Copertino asked if Mr. Lee had a recommendation about GERS proceeding with an RFP. Mr. Lee said that could be done and just because GERS authorizes issuance of an RFP, it does not mean they have to act on it. Mr. Lee noted that transition to a new Custodian should be a smooth process. Mr. Copertino said that he wanted the Board to be aware of the liability issue due to a problem with the Custodian Bank.

Mr. Bucci said he has been working with Mr. Deen and his staff to obtain more timely information for the Monthly Asset Mix. Mr. Deen explained that non-bank assets present a special challenge because their numbers are not routinely reported directly to the bank. Chairman Darmanin thanked Mr. Deen for attending the meeting.

## AUDIT COMMITTEE

Mr. Stahl said the Audit Committee met on February 18, 2016 and they reviewed the Draft Audit Report so they could report their recommendations to the full Board at this meeting. They also completed another round of interviews for the Pension Administrator position.

Chairman Darmanin asked the Board to review the tabled minutes from the Audit Committee's meeting on February 8, 2016. **Ms. Wenguer made a motion to approve the minutes as submitted. Mr. Long seconded the motion. The motion passed unanimously.** Chairman Darmanin asked that each Trustee review the minutes from the February 18, 2016 meeting so they could be considered for approval before the end of the meeting.

## REAL ESTATE COMMITTEE

Mr. Long stated the Committee did not meet but he did meet with Mr. Vordermeier regarding monthly real estate reports, the air conditioning service contract for the 4800 Building and the 4800 Building parking issue. Mr. Vordermeier explained the air conditioning needs of the 4800 Building, the RFP he sent out and the bids he received. **Mr. Long made a motion to accept Smart Air Systems contract to take care of the 4800 Building. Mr. Cameron seconded the motion. The motion passed unanimously.** Mr. Vordermeier asked Mr. Copertino for his opinion on adding parking spaces to the 4800 Building. Mr. Copertino said the project would trigger compliance issues with ADA, landscaping and drainage. Consensus was to leave parking the way it is at the 4800 Building.

## INTERIM ADMINISTRATOR'S REPORT

Mr. Bucci presented and discussed with the Board;

- Finance Department's benefit payments for March are balanced with Pension Office Records. Details of the reconciliation are attached to the City's Wire Calculation Worksheet.
- GERS' Cash Flow Spreadsheet for February.
- Gabriel Roeder, GERS' Actuary completed a study detailing the financial impact to the Plan Sponsor if various changes in assumed rates of return were adopted by the Board.
- A beneficiary of a deceased former employee was scheduled to receive eight year payments through August 2016. The benefit should have ended with the November 1, 2015 payment but didn't end until January. GERS received their repayment check 02/23/2016.
- Guy Hine of the City's Risk Management Division has confirmed that GERS employees are covered by Workers' Compensation Insurance. We have not been charged in the past but will be going forward.
- A spreadsheet detailing committed investment amounts, amounts already called, and the callable balances of our real estate and private equity investments.
- Schroders announced the head of their emerging market team, Allan Conway is retiring in August and is being replaced internally by Tom Wilson, formerly Schroders Global Emerging Market Fund Manager.
- Suntrust Bank called about issuing credit cards. They asked questions and said they'd get back to us.

- GERS still has 2 checks made out to Brinkley Morgan which will be returned to the Finance Department. Mr. Copertino said after contacting the firm, they stood by the detail that was included in the bill. They did say that if there is an issue that the Board specifically wanted to address, they would be happy to reduce the bill to whatever the Board believed was an appropriate charge. Mr. Copertino said he had not approached the firm on the Board's behalf because he felt it was a Board decision. Chairman Darmanin interjected that in fact it was up to the attorney and he was directed to approach and review the charges because of disagreements on charges. Mr. Herbst noted that the checks should be mailed out from Finance. Mr. Bucci said that would be a change in office procedure as the checks are currently requested but held until the Board approves them and then office staff mails them. Mr. Herbst said that invoices should not be submitted to Finance until the Board has approved the bill. Mr. Bucci said since the Board only meets once a month, payments would be delayed and GERS could possibly lose services. Ms. Wenguer felt that a certain amount of authorized pre-approval on bills would suffice, however she never has issues with bill payment in the Police & Fire Pension System. She thought Mr. Herbst suggestion would work fine. A short discussion ensued and consensus was to try the new procedure.
- The Federation of Public Employees Collective Bargaining Agreement modified the way interest is calculated on DROP. Bob Dunckel is working on a clarifying ordinance.
- The Bank of New York Mellon is training GERS' staff to obtain portfolio investment balances quicker and still maintain the integrity of the information.
- VMC Realty's January 2016 report is available for review in the file room.
- Portfolio monitoring firms Cohen Milstein has submitted a portfolio monitoring report. If you'd like to review it, it's available in my office.

## **ATTORNEY'S REPORT**

Mr. Dunckel presented the Board with a draft ordinance as a result of the collective bargaining negotiated with the Federation of Public Employees. He said he was not a part of the negotiations but was asked to comment after the fact, within the month. He said DROP interest was always calculated at the actuarial assumed rate of return but the contract put a minimum rate of 3% and a maximum rate of 6% on the calculation and if the actual rate of return is between the two numbers, interest would be calculated at the actual return rate. The proposed ordinance computes DROP interest using the net rate of investment return based on the market value of assets reduced by the Plans administrative expenses, investment fees, commissions and other expenses. The proposed ordinance would go into effect the month after the City Commission passes it. This would affect employees represented by the Federation of Public Employees who are currently in DROP as well as those Federation employees who join in the future. Ms. Wenguer noted that the Police and Fire Plan adjusts interest rates on a quarterly basis. Mr. Dunckel said the ordinance adjusts the rate on an annual basis as that is what the contract calls for. A brief discussion ensued regarding rate of returns, calculation methods and securing an impact statement from the Actuary.

- Mr. Copertino informed the Board that documents were just returned from the monitoring firm regarding the discovery part of the Green Mountain Coffee case. He said he would bring back more information as it gets closer to the mediation period in May.
- He contacted NCPERS regarding the Code of Conduct Agreement and said he plans to discuss this with Mr. Klausner when he discusses the classification of liquid and illiquid investments.
- Mr. Copertino said he was sending out a notice to representatives of the pending disability case that this hearing would be on GERS' April agenda.

- Mr. Copertino said he would take the Brinkley Morgan bill back to Mr. Buffington and ensure it gets paid.
- He said he is still reviewing two private equity firm's investment agreements, Hamilton Lane and HarbourVest and the two real estate investment agreements Invesco and Deutsche. Chairman Darmanin noted the Board initiated this action in October of 2015 and asked to be copied on his contacts with Investment Managers. A short discussion ensued on the potential number of missed capital calls.
- Chairman Darmanin asked if Mr. Copertino has a list of those GERS members who are impacted by the in-service distribution matter. Ms. Logan-Short said she gave the list to Mr. Copertino. Mr. Copertino said he didn't know if he could distribute what was sent by Ms. Logan-Short as he didn't consider it a final copy. Chairman Darmanin reiterated that he would like to have the list distributed so the Board can review it and those involved can be notified. A discussion ensued regarding the accuracy of the list and Ms. Wenguer opined that a letter to notify those affected should be sent, especially for those who file income taxes by April 15, 2016. She said she has a draft letter that the office may wish to use. Mr. Copertino said he would bring it to the City Attorney's attention and see if its release could be expedited. Chairman Darmanin asked to be apprised of all meetings and progress with this issue via e-mail.
- Mr. Copertino said a previously scheduled meeting about the beneficiary verification process was cancelled and a future meeting is pending. Mr. Copertino suggested Ms. Wenguer send information to GERS about how the P&F Plan verifies beneficiary information and at what point they stop payment. Mr. Herbst suggested possible implementation of a recertification program including copies of tax returns. Mr. Bucci agreed and a short discussion ensued.

## **BUSINESS IN PROCESS UPDATE**

Chairman Darmanin noted all business in process has been covered.

## **MONTHLY FUND ASSET MIX**

Mr. Bucci reviewed the monthly fund asset mix for portfolio values as of January 31, 2016 and stated the old Investment Policy was still enforce for the period being evaluated but the new Investment Policy takes effect on February 8, 2016.

He said he included values as reported by the Bank of New York Mellon for assets held by the bank but has not received valuation information on non bank assets. Since the meeting is so close to the settlement dates, he'll compare the preliminary February numbers to the actual numbers reported later this month by the Investment Consultant and if they are reasonably close, he'll continue to report the unverified numbers as they become available.

Mr. Copertino asked if that was another problem with Bank of New York. Mr. Lee explained that it wasn't a problem just a construct of comingled funds which probably don't have a value calculated this early in the month. Discussion ensued regarding the next capital call and funds for benefits. Consensus from the Board was to take \$5 million from Navellier who was overweight to cover any capital calls or benefit payments.

## **PLEASURE OF THE BOARD**

Mr. Stahl said some retirees expressed interest in becoming more involved with pension matters. Chairman Darmanin said there is nothing preventing retirees from sitting in on a regular or

committee meeting. Mr. Cameron noted that retirees were very welcome on committees on the Marine and Aviation Boards and he would be in favor of involving them on this Board. Mr. Slagle said he thought retirees would be great asset and enable the Board to tap into various resources that were available with retirees.

**Mr. Stahl made a motion to approve the February 18, 2016 Audit Committee minutes. Mr. Tanner seconded the motion. A short discussion ensued and Mr. Stahl withdrew his motion to approve the minutes. Consensus was to table the minutes until the next Board meeting.**

Chairman Darmanin asked if it would benefit the Board to do a search for a couple of firms to serve as outside counsel for the Board. If a suitable firm or person was found, Mr. Copertino would present the matter to the City Commission for approval. GERS would then be able to use them as needed. Consensus was given by the Board and Mr. Copertino affirmed that he would carry it forward to the Commission. Ms. Wenguer said it has worked out well for the Police and Fire Board. The Chairman agreed to take the lead on setting up potential attorneys. Mr. Copertino agreed to set up a conference call with the Chairman in order to provide him any contact information in his possession.

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

Chairman Darmanin said he would continue to keep each City Commissioner informed on GERS matters.

**Mr. Cameron made a motion to adjourn. Mr. Long seconded the motion. The motion passed unanimously and the meeting adjourned at 3:04 p.m.**