

CITY OF FORT LAUDERDALE
GENERAL EMPLOYEES' RETIREMENT SYSTEM
BOARD OF TRUSTEES MEETING
316 NE FOURTH STREET, SUITE 2, FORT LAUDERDALE, FL
Thursday, May 5, 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

Trustees Present: Mark Darmanin, Chairman
Jon Stahl, Vice Chairman
Lynn Wenguer, Secretary
Mark Burnam, Trustee
Pat Long, Trustee
Linda Logan-Short, Ex-Officio Designee

Absent: Paul Tanner
Ron Cameron

Also Present: Cole Copertino, City Attorney
Richard Dahab, Dahab Associates
Nick Schiess, GERS Pension Administrator
Melissa Moskovitz, Gabriel Roeder Smith & Company
Melissa Krajewski & Shaun Levesque, Schroeder Investment Management
John Herbst, City Auditor
John "Le" Bucci, Interim GERS Pension Administrator
Joshua Kroon, UBS Financial Services, Visitor

CALL TO ORDER

Chairman Darmanin called the meeting to order at 12:00 noon. Roll call was taken.

Chairman Darmanin opened the floor for public comment. There was no public comment.

APPROVAL OF MINUTES

Chairman Darmanin asked the Board to review the minutes of the April 7, 2016 meeting. **Mr. Stahl made a motion to approve the minutes of the April 7, 2016 meeting as presented. Mr. Burnam seconded the motion. The motion passed unanimously.**

CONSENT ITEMS

Chairman Darmanin asked the Board to review the consent items. **Mr. Schiess noted that a member applied for a refund of contributions and several invoices for payment were recently received and added to the preliminary benefit review and disbursement approval.** Mr. Stahl made a motion to approve the consent items as presented. Mr. Burnam seconded the motion. The motion passed unanimously.

BENEFIT APPROVALS

RETIREMENT

Name	Date	Service Time	Type
Abraham Irving Parks and Recreation	05/14/2016	19y, 10d	Normal
Paulette Maccione Business Enterprises	06/01/2016	7y, 9m, 10d	Vested to Normal
Thomas Stacey Public Works	06/02/2016	30y, 6m, 15d	Normal
Kim Robson Police Department	06/11/2016	20y, 6m, 7d	Normal
Pamela Gohs Police Department	06/11/2016	10y, 1m, 3d	Normal

REFUND OF CONTRIBUTIONS & TRANSFER OF FUNDS

Name	Date	Service Time	Type
Trevor Persaud Police	03/28/2016	8y, 9m, 16d	Funds Transfer to Police & Fire Retirement System. Employee now a Cadet at the Police Academy
Jess Karcher Police	05/1/2016	10y, 9m	Refund of Contributions
Gilbert Lopez Deceased - Vested	03/13/2016	6y, 10m	Refund of Contributions & Interest thru 10/20/2006 payable to Beneficiary

POST RETIREMENT DEATH

Name	Date of Death	Benefit
Carl Williams – Retired-Single-Deceased Minor Child – Louise Williams	04/13/2016	25% Survivorship benefit (5/1/16 through thru 3/31/19)

CORRECTIONS

Name	Departure	Correction
Mark D. Campbell Dept. Sustainable Develop	02/26/2016	Revised After Final Calculation of Benefit
Alexander Hernandez Dept. Sustainable Develop	01/04/2016	Revised After Final Calculation of Benefit
John Cioffi Dept. Sustainable Develop	02/19/2016	Revised After Final Calculation of Benefit
Jeffrey Conover Public Works	01/06/2016	Revised After Final Calculation of Benefit

ACTUARY REPORT: GABRIEL ROEDER SMITH & COMPANY

Ms. Moskovitz provided and reviewed the 2015 fiscal year actuarial valuation. She reported that the employer funding requirement for the 2017 fiscal year, expressed as a percentage of payroll, increased from 29.59% to 30.85%. She anticipated that funding as a percent of payroll will be ever-increasing attributable to the closure of the Plan to new entrants so therefore unfunded liability must be amortized over a diminishing payroll base. Additionally, the amortization base in years has been shortened. Ms. Moskovitz reported that the employer funding requirement for the 2017 fiscal year is \$15.3M, which is an increase from \$15.1M from the prior year. She explained that the increase was primarily attributable to lowering of the investment return assumption to 7.5%. Ms. Moskovitz noted that the funding requirement absent this modification would have instead decreased to \$15.0M.

Ms. Moskovitz reported that the five-year amortization of the additional liability created by the Bonus Retirement Incentive Plan program will be completed in the 2017 fiscal year and afterwards the funding requirement will decrease approximately \$4.9M annually.

Ms. Moskovitz reported that the funding ratio improved to 93.5% versus 93.3% last year.

A discussion arose regarding the expected rate of investment returns and Ms. Moskovitz advised that the investment return assumption of 7.5% was acceptable given the current asset allocation. It was noted that the average investment return published within the actuarial valuation was less than the investment return assumption of 7.5%. Mr. Dahab noted that the published return was based on a date range which contained market volatility that skewed the average return. He emphasized that care must be given in the selection of periods to consider annualized returns with longer periods being most representative. Mr. Dahab reported that for an unrelated analysis he had just recently computed the annualized rate of return for the previous twenty years as 7.1%. **Mr. Stahl made the motion to approve the actuarial report. Ms. Wenguer seconded the motion. The motion was approved unanimously.**

INVESTMENT MANAGER REPORT: SCHROEDER INVESTMENT MANAGEMENT

Ms. Krajewski and portfolio manager Mr. Levesque appeared before the Board to provide a report on the Schroeder Emerging Markets ERISA Fund for the quarter ending March 31, 2016. Mr. Levesque discussed organizational changes and announced the retirement of Alan Conway as head of the global emerging markets team. Mr. Levesque reviewed the qualifications and experience of his replacement Tom Wilson and anticipated the transition to be seamless and without impact on the firm or performance.

Mr. Levesque reported that the net return for the quarter was 3.2% versus the index of 5.7% with the underperformance attributable equally to the individual emerging market and stock selections. He was questioned regarding the recent rally in emerging international markets and whether it was expected to be continue. Mr. Levesque discussed market and environmental conditions and anticipated just measured performance with continued volatility prospectively.

Mr. Levesque reviewed in great detail the investment strategy, risk management, portfolio holdings and county allocations all in great detail.

INVESTMENT CONSULTANT REPORT: DAHAB ASSOCIATES

Mr. Dahab provided a report on the investment performance of the portfolio for the quarter ending March 31, 2016. He reported that the net investment return for the quarter was 0.9% versus 1.2% for the shadow index and for the fiscal year-to-date was 3.4% versus 5.6% for the shadow index.

Mr. Dahab discussed in great detail market and environmental conditions and anticipated measured performance for the remainder of the year. He reported that the impetus from the last recovery was diminishing and projections for gross domestic product and job growth were mediocre.

Mr. Dahab evaluated the asset allocation, noting that the equity allocation was higher than desired but would decrease as the alternative investment products become funded. He noted that the allocation to the new private equity fund managed by Capital Dynamics was recently funded and would be represented within future reports.

Mr. Dahab reviewed the investment performance of the individual investment products in great detail, noting that all was satisfactory except for the small cap portfolio managed by Lord Abbett and the large cap growth portfolio managed by Navallier & Associates. He advised that while Navallier & Associates once enjoyed significant relative outperformance, their underperformance since and over the long-term was concerning. Mr. Dahab suggested that consideration be given to the manager's termination or even trimming their position as a source for future capital calls. He explained that the large cap growth space was the most difficult for active management and therefore indexing their allocation was another viable option. A lengthy discussion ensued. Mr. Dahab ultimately recommended the termination of Navallier & Associates due to underperformance, transferring the proceeds to the Russell 1000 Index Fund managed by State Street Global Advisors and conducting a search for a replacement manager. Mr. Dahab was questioned whether the search should be limited to active management or include passively managed products. He responded that the Board already utilized one index fund and could ultimately decide in favor of it over active managers identified within the search. Mr. Dahab was questioned regarding the liquidation of the portfolio managed by Navallier & Associates, specifically whether it was prudent to transfer the assets in-kind or liquidate the portfolio and transfer the cash proceeds. He responded that the proposed recipient of the proceeds was not an actively managed account and therefore liquidating the portfolio to cash was the only viable option. **Mark Burnam made a motion to terminate the investment management services of Navallier & Associates, transfer the proceeds to the Russell 1000 Index Fund managed by State Street Global Advisors to be used as a source for pending capital calls and authorize Dahab and Associates to perform a replacement manager search. Jon Stahl seconded the motion. The motion was approved unanimously.**

AUDIT COMMITTEE REPORT

Mr. Stahl reported that it was unnecessary for the Audit Committee to meet, but a meeting needed to be scheduled to consider final revisions to the Investment Policy Statement in response to concerns identified at the last regular meeting.

REAL ESTATE COMMITTEE REPORT

Mr. Long reported that it was unnecessary for the Real Estate Committee to meet. VMC Realty Corporation was authorized to proceed with the replacement of the air conditioning equipment at the 4800 Building at a cost of \$6,148.00. The services to be performed by the same entity, Smart Air, contracted to provide regular maintenance on the air conditioning system. He noted that the Board had approved an expenditure of up \$6,148.00 for this purpose at the last meeting.

Mr. Long reported that VMC Realty had returned \$40,000.00 in excess earnings to the System.

ADMINISTRATOR'S REPORT

Mr. Schiess provided and reviewed a report of receipts and disbursements for April 1, 2016 to date, noting that funding occurred for the new Invesco Real Estate and RREEF REIT investment products of \$10M and \$5M respectively.

Mr. Schiess presented a retirement benefit reconciliation report for April 2016.

Mr. Schiess presented a report on the status of the capital commitments and fulfilled capital calls for the alternative investment products.

Mr. Schiess reported that all contractual documentation had been finalized with the new private equity manager Hamilton Lane and the firm anticipated issuing their first capital call in July 2016. He reported that the new private equity manager HarbourVest anticipated issuing their first capital call in October 2016.

Mr. Schiess reported that the City decided to include health insurance stipends with pension payments. For those retirees continuing the City's insurance after retirement, the stipend is reported as non-taxable income and for those not continuing the City's insurance it reported as taxable income. Ms. Logan-Short noted that the stipend was clearly itemized and sub-totaled individually within benefit payment notices to avoid confusion.

Mr. Schiess reported that the Bank of New York Mellon experienced a transition of the team assigned to the System. Relationship manager Randy Deen and service managers Christy Sheppard and Charlotte Kardatzke had resigned from the firm. The managing director of the Jacksonville office, Tamara Ellis, provided notification of their replacements and changes implemented to prevent reoccurrences of previous service issues encountered by the System. A lengthy discussion arose regarding service issues encountered as well as fees. **Lynn Wenguer made a motion to request proposals for custodial services. Jon Stahl seconded the motion. The motion was approved unanimously.** Mr. Dahab agreed to conduct the proposal request.

Mr. Schiess reported that VMC Realty's April 2016 report and portfolio monitoring firms were available for review in the file room.

Mr. Schiess reported that city resident Dr. Bill Goetz had made several inquiries regarding the investment portfolio and historical investment returns. He explained that Mr. Dahab had produced a special report at no cost for the specific date range requested by Dr. Goetz. Mr. Schiess reported that Dr. Goetz and his investment consultant delivered information regarding

index investment products, which was available for review. Mr. Dahab advised that his firm was generally supportive of index products under suitable circumstances and one already existed within the portfolio with a portion of the large cap growth allocation.

ATTORNEY'S REPORT

Mr. Copertino reported that his office had reviewed and approved the agreement with Swisher Hygiene Incorporated to perform sanitation services for the pension office.

Mr. Copertino reported that he was revising verification forms for disability benefit recipients to comply with the requirement to provide documentation that they remain disabled and are eligible for the continuance of disability benefits from the System.

Mr. Copertino reported that all contracts with the five new investment managers selected in October 2015 were recently completed.

BUSINESS IN PROCESS UPDATE

Mr. Copertino reported that a disability appeal hearing for Doris Stenger was scheduled for the regular meeting on July 7, 2016.

Ms. Logan-Short reported that the retirees affected by the in-service distribution issue had been identified. While a final list had been prepared, a few members might become excluded after further consideration of their individual facts and circumstances. Mr. Copertino suggested conducting a special informational session on the behalf of the affected members. The Board delegated review of the notification to the Audit Committee with final approval by the Chairman.

MONTHLY FUND ASSET MIX

The Board reviewed the monthly asset allocation through April 30, 2016. It was noted that the equity allocation, while still within policy limits, remained higher than desired and would be reduced once the capital calls for the recently implemented alternative investments are fulfilled. It was noted that the Board had earlier approved the Russell 1000 Index Fund managed by State Street Global Advisors to be used as a source for pending capital calls.

PLEASURE OF THE BOARD

The Board discussed the use of outside legal counsel that specialized in governmental defined benefit pension plans. The City Attorney's office is supportive of outside counsel given the intricacies of governmental pension plans. By consensus, the Board agreed to interview potential candidates for outside legal counsel at the next meeting and in the event one was selected then proceed with submitting a recommendation to the City for consideration.

Ms. Wenguer expressed great appreciation on behalf of the Board to Mr. Bucci for his continued and unintended length of involvement with the System as interim administrator.

The Board discussed the implementation of electronic devices to facilitate dissemination and review of meeting materials. Mr. Schiess agreed to collaborate with Mr. Stahl on implementing

the devices, noting that he had successfully implemented the use of electronic devices for other pension boards.

Mr. Bucci reported that Pension & Recording Secretary Jane Dyar was absent due to an approved vacation.

COMMUNICATION TO THE COMMISSION

By consensus, the Board agreed there was nothing to report at this time but encouraged the Chairman to continue his communication efforts.

ADJOURNMENT

Mr. Long made a motion to adjourn. Mr. Stahl seconded the motion. The motion passed unanimously and the meeting adjourned at 2:54 p.m.