

**CITY OF FORT LAUDERDALE
GENERAL EMPLOYEES' RETIREMENT SYSTEM
BOARD OF TRUSTEES MEETING**
316 NE FOURTH STREET, SUITE 2, FORT LAUDERDALE, FL
Thursday, July 7, 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

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

Also Present: Greg Slagle, Retiree
John LeRoy Bucci, Retiree
Alan Vordermeier, VMC Realty
Chris Niles, UBS
John Herbst, City Auditor
Richard Dahab, Dahab Associates
Bob Dunckel, City Attorney
Cole Copertino, Board Attorney
Nick Schiess, Pension Administrator
Jane Dyar, Pension & Recording Secretary

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 requested the Board to review the minutes of the meeting held June 2, 2016. **Mr. Stahl made a motion to approve the minutes of the meeting held June 2, 2016. Ms. Wenguer seconded the motion. The minutes were approved unanimously.**

Chairman Darmanin requested the Board to review the minutes of the Audit Committee meeting held June 22, 2016. **Ms. Wenguer made a motion to approve the minutes of the Audit Committee meeting held June 22, 2016. Mr. Long seconded the motion. The minutes were approved unanimously.**

CONSENT ITEMS

Chairman Darmanin requested the Board to review the consent items including the benefit review, education calendar and disbursements. **Mr. Long made a motion to approve the consent items. Mr. Stahl seconded the motion. The motion passed unanimously.**

BENEFIT REVIEW

RETIREMENT

Name	Date	Service Time	Type
Patricia McKelliget Human Resources	7/06/16	20y, 1m, 3d	Normal
Sonia Lizardi Police	8/01/16	12y, 3m, 10d	Vested Retirement
Ashok Verma Information Technology	8/01/16	10y, 3m	Vested Retirement
Jeffrey Aquino Public Works	3/6/16	9y, 7m	Refund of Contributions

DROP RETIREMENT

Name	Date	Service Time
Carrie Keohane Parks & Recreation	7/01/16	30y, 1m, 27d

DROP TERMINATION

Name	Date
Allen Myrick Public Works	8/01/16

POST RETIREMENT DEATH

Name	Date
Margie Edwards Spouse of Henry Edwards	5/08/16
Robert Knutten	6/14/16
Alexander Boyd	6/18/16
Barbara Kleiner	6/18/16
Janet Jarvis Spouse of Thomas Jarvis	6/30/16
Sue Remias	6/13/16
Marjorie Powless	4/15/16

CHANGES

Name	Date	Service Time
Scott Vanlew	6/16/16	31 y

DAHAB & ASSOCIATES UPDATE

Mr. Dahab provided the Board with an update on the investment portfolio and anticipated a return of approximately 2.0% for the quarter ending June 30, 2016 and 6.0% for the fiscal year through June 30, 2016. He discussed market and economic conditions, noting that the financial markets have been subject to extraordinary volatility attributable to the economic slowdown in China, collapse in the pricing of oil and the very recent exodus of Great Britain from the European Union. Mr. Dahab discussed the anticipated effects of Brexit on financial markets and the intricacies of the exit itself. He advised that the best reaction to market volatility is to recognize that the System is a long-term investor, remain convicted to a proven investment strategy and not become unnerved by outlying events.

Mr. Dahab reviewed the results of a search for custodial services. He discussed the qualifications, experience, fee structure and services of all eight respondents. Mr. Dahab noted that the services required are fairly standardized and every candidate is very capable of providing a satisfactory level of service. He reviewed the estimated fees, which were based on assets, accounts and transactional history. A lengthy and careful discussion ensued. The Audit Committee was assigned to interview Amalgamated Bank, Comerica Bank and Wilmington Trust Corporation and provide a recommendation to the Board at the next meeting. A discussion arose regarding details of a transition and it was generally agreed that any transition should occur after the end of the fiscal year.

Mr. Dahab reviewed the results of a search for large cap growth investment management services. He reported the receipt of over forty proposals from prospective candidates. Mr. Dahab discussed the subjective and objective criteria used in evaluation of the respondents including but not limited to past performance, consistency, style, risk measurement indices and organization structure. He reviewed detailed comparisons of the six leading candidates based upon these criteria. A discussion arose regarding passive management and it was noted that large cap growth was the most difficult space for active managers to outperform the index net of management fees. The Board agreed to fully evaluate indexing as an alternative to active management for this asset allocation. A lengthy and careful discussion arose regarding qualifications, experience, fees, performance and other factors in order to select finalists for personal interviews at the next meeting. **Mr. Stahl made a motion to interview BMO Asset Management Corporation, Loomis, Sayles & Company, Polen Capital Management and Sawgrass Asset Management at the Board meeting scheduled for August 4, 2016. Mr. Cameron seconded the motion. The motion was accepted unanimously.**

The Board reviewed proposed revisions to the Investment Policy Statement recommended by the Audit Committee. It was noted that the revisions were not material and served only to clarify existing provisions and modernize the Statement. A discussion arose regarding the target allocation to international equities. Mr. Dahab was questioned whether the target allocation was unnecessarily high and he responded that all the allocations were recently re-determined by the Board in conjunction with the latest asset allocation study. He explained that the allocations could always be revisited along with the study itself. Mr. Dahab submitted a new alternative asset allocation study that was prepared in response to the City Council's investigation into lowering the investment return assumption in an effort to reduce the risk of the investment portfolio. Mr. Dahab reviewed the study in great detail

including the anticipated impact on funding requirements for the lowering of the assumption, noting that the result would be a significant increase in funding requirements for the City. **Mr. Stahl made a motion to approve the revised Investment Policy Statement. Mr. Tanner seconded the motion. The motion passed unanimously.** Mr. Dahab discussed the State requirement to formally determine the expected rate of investment return. He recommended the retention of the current 7.5% investment return assumption net of investment related expenses and confirmed that the System's Actuary had expressed that this return was reasonable. It was noted that the Board was very willing to consider any request by the City Commission to lower the investment return assumption. Ms. Wenguer noted for the record that although the City Commission preferred lower investment risk, the result would be a significant increase in employer funding requirements. Mr. Herbst noted that additional contributions and lowering risk might be considered in order to preserve the health of the System. The Board reviewed draft correspondence to the State declaring the expected investment return of 7.5% net of investment related expenses. **Ms. Wenguer made the motion to authorize Chairman Darmanin to execute the declaration. Mr. Stahl seconded the motion. The motion was accepted unanimously.**

AUDIT COMMITTEE REPORT

Mr. Stahl provided a report on the Audit Committee meeting held June 22, 2016. He discussed the extensive collaborative effort between the committee members, plan administrator and investment consultant to develop the recommended revisions to the Investment Policy Statement.

Mr. Stahl reported that the Committee had also reviewed draft notification to retirees identified by the City to have received in-service distributions but there were not any suggest changes to the notification.

Mr. Stahl reported that an informational session for the benefit of the retirees affected by the in-service distribution issue was hosted at the pension office with Ms. Logan-Short and legal counsel attending. She reported that additional facts and circumstances discovered at the session had resulted in the dismissal of several additional members as being affected. Ms. Logan-Short advised that revised 1099R tax reporting forms will be mailed to the remaining affected members. She also advised that the event will be reported to the Internal Revenue Service along with a request for forgiveness. Ms. Wenguer noted for the record that all the departments within the City, including the Human Resources Department, should be aware of and advise reemployed retirees of any potential tax ramifications. Mr. Dunkel reported that there was a temporary moratorium on reemployment.

REAL ESTATE COMMITTEE REPORT

Mr. Long reported that it was unnecessary for the Real Estate Committee to meet. Mr. Vordermeier provided a full report on the 4800 Building, noting the rental income was consistent and without arrearages.

Mr. Vordermeier presented a local real estate listing for consideration as a future site for the GERS office. It was noted that the arrangement for the existing office space expires in

several years. The Board acknowledged future need for office space and a short discussion ensued. The consensus of the Board was to task the Real Estate Committee to research an alternative office location when the need arises.

ADMINISTRATOR'S REPORT

Mr. Schiess reviewed a report of receipts and disbursements for June 1, 2016 to date, noting that capital calls were fulfilled for the American Realty Strategic Value Realty Fund and Deutsche Asset Management investment products for \$2,325,000 and \$2.5M respectively. Mr. Schiess reported that \$133K was returned from private equity manager Capital Dynamics as an equalization for new investment partners.

Mr. Schiess provided an updated report on the status of the capital commitments and fulfilled capital calls for the alternative investment products.

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

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

Mr. Schiess reported that the State had received and approved the 2015 Actuarial Valuation.

Mr. Schiess discussed the death search services provided by third party vendor Life Status 360. He advised that the firm had expanded their search capabilities to include obituaries, which necessitated the production of replacement data file. The firm would also begin reporting deaths on a daily basis rather than weekly and there were no additional costs for the improvements.

Mr. Schiess reported that a delay in the reporting of one death resulting in a one month overpayment. He advised that the office would attempt to collect the overpayment and would request assistance from legal counsel if unsuccessful.

Mr. Schiess reported the identification of several active members who already reached their 31st year of employment, noting their pension contributions should have ceased then. He reported that reimbursement to the affected members had been requested and his office has implemented procedures to identify these anniversaries well in advance.

Mr. Schiess reported that property management of the office had been transitioned to the firm 300 3rd & 4th LLC.

Mr. Schiess provided an update on organizational changes, noting that all computer systems were now functional and the project of archiving and preserving all electronic records including e-mail correspondence of his predecessors had been completed. He advised that the next immediate projects are the implementation of electronic devices for the Trustees and overhaul of the website including adding required disclosures.

Mr. Schiess discussed the hosting of the in-service distribution informational session.

Mr. Schiess reminded the Trustees to file their annual Statement of Financial Interests.

ATTORNEY'S REPORT

Mr. Dunckel discussed the postponement of the disability hearing scheduled for this meeting. He discussed the intricacies of the case, noting that counsel for the claimant and his office had agreed that it was prudent to consolidate all applicable documents into a pre-trial catalogue for review by the Trustees in advance of the hearing. He recommended that the hearing be conducted during a special meeting to be held within 60 days after receipt of the pre-trial catalog.

Mr. Copertino reported the recent receipt of proposed amendments to the Subscription Agreement with investment manager Invesco. He agreed to review the amendments and it was noted that the deadline for approval expired before the next meeting. **Ms. Wenguer made a motion to authorize Chairman Darmanin to execute the Amendment contingent upon a recommendation of the City Attorney's office. Mr. Long seconded the amended motion. The motion was accepted unanimously.**

Chairman Darmanin questioned the status of approval of using outside counsel and was advised that the matter was still under consideration by the City Attorney's office.

OLD BUSINESS

Chairman Darmanin requested that the outstanding issues of approval of outside legal counsel, definition of marriage, guidelines for disability applications and hearings, periodic review of disability benefit recipients, periodic review of beneficiary benefit recipients and NCPERS Code of Conduct be resolved before his term of office ends in December 2016.

NEW BUSINESS

There was not any new business for consideration.

MONTHLY FUND ASSET MIX

Mr. Schiess reviewed the monthly fund asset mix.

PLEASURE OF THE BOARD

Chairman Darmanin expressed gratitude to Mr. Bucci for his service and dedication as interim plan administrator and presented him with a commemorative plaque.

BOARD COMMUNICATION TO THE CITY COMMISSION

Board consensus was for Chairman Darmanin to provide the City Commission with the new alternative asset allocation study.

ADJOURNMENT

Mr. Long made a motion to adjourn. Mr. Burnam seconded the motion. The motion passed unanimously and the meeting adjourned at 3:00 p.m.