

**CITY OF FORT LAUDERDALE  
GENERAL EMPLOYEES' RETIREMENT SYSTEM  
BOARD OF TRUSTEES MEETING**  
316 NE FOURTH STREET, SUITE 2, FORT LAUDERDALE, FL  
Thursday, December 1, 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  
Lynn Wenguer, Secretary  
Pat Long, Trustee  
Mark Burnam, Trustee  
Ron Cameron, Trustee  
Paul Tanner, Trustee  
Kirk Buffington, Ex-Officio

Also Present: Greg Slagle, Retiree  
John Herbst, City Auditor  
Alan Vordermeier, VMC Realty  
Janna Hamilton, Garcia Hamilton Associates  
Brian Kahley & Andy Burkly, Franklin Templeton Investments  
Ash Benzo, City Treasurer  
Sheri Coverman & Robert Robbins, Robbins Geller Rudman and Dowd  
Chris Niles & Josh Korm, UBS  
William Goetz, City Resident  
Nick Schiess, Pension Administrator  
Jane Dyar, Pension & Recording Secretary

**CALL TO ORDER**

Chairman Darmanin called the meeting to order. Roll call was taken.

The floor was opened for public comment. There was no public comment.

**APPROVAL OF MINUTES**

Chairman Darmanin asked the Board to review the minutes of the meeting held November 3, 2016. **Mr. Long made a motion to approve the minutes of the meeting held**

**November 3, 2016. Mr. Burnam seconded the motion. The motion was approved unanimously.**

**APPROVAL OF CONSENT ITEMS**

Chairman Darmanin asked the Board to review the consent items. As a follow up to the last meeting, Mr. Schiess reviewed the invoice from the Bank of New York for custodial services provided in 1Q2016. He explained that the invoice reflected billing for increased trading by Lord Abbett for which investment manager’s explanation was the implementation of directed brokerage pursuant to guidelines established by the Board. Mr. Schiess advised that the invoice accurately reflected the actual trading activity.

The Board reviewed the pending benefit approvals. Mr. Schiess reported that Ms. Gina Pujals had submitted an application to commence vested deferred benefits for a previous term of service, noting that she was still was employed with the City for her second term of service. Mr. Dunckel advised that Ms. Pujals was eligible to commence benefits without termination of employment but her benefits might be subject to special considerations and penalty by the Internal Revenue Service. **Mr. Stahl made a motion to approve the consent items. Mr. Burnam seconded the motion. The motion was approved unanimously.**

**BENEFIT REVIEW**

**RETIREMENT**

<b>Name</b>	<b>Date</b>	<b>Service</b>	<b>Type</b>
Gina Pujals Information Technology	01/01/2017	8y, 11m, 18d	Vested Retirement
Wayne Forbes Parks & Recreation	01/01/2017	8y, 8m, 9d	Vested Retirement
Harry Colton Sustainable Development	12/15/2016	15y, 0m, 11d	Normal
Joseph Arena Public Works	11/20/2016	19y, 10m, 5d	Normal
Robert Wojcik Sustainable Development	12/16/2016	35y, 7m, 6d	Normal
Robert Dunckel Attorney’s Office	01/04/2017	28y, 11m, 6d	100% J&S

**POST RETIREMENT DEATH**

<b>Name</b>	<b>Date</b>
Pierre Lefebure Jamie Lennon Spouse	10/27/2016
Edward Miller Jean Miller Spouse	11/03/2016

**INVESTMENT MANAGER REPORT: FRANKLIN TEMPLETON INVESTMENTS**

Brian Kahley and Andrew Burkly appeared before the Board on behalf of Franklin Templeton Investments to provide a report on the TIF International Series Equity Fund. Mr. Kahley provided an update on the firm, noting no significant organizational changes. He reported that the net of fee return was for the trailing year -3.82% for the fiscal year and

7.59% annualized since inception. Mr. Burkly reviewed the investment strategy, investment process, and holdings all in great detail. He discussed market and economic conditions, noting that the portfolio is well positioned for the future and outperformance of the index was anticipated.

### **INVESTMENT MANAGER REPORT: GARCIA HAMILTON & ASSOCIATES**

Janna Hamilton appeared before the Board on behalf of Garcia Hamilton & Associates to provide a report on the large cap domestic growth equity and fixed income portfolios. Ms. Hamilton reported that the net of fee return for the fiscal year of the large cap domestic growth equity portfolio was 12.2% versus 13.1% for the index. She reviewed in great detail the investment strategy and process, sector allocations and holdings, noting the market had generally not favored higher quality holdings. Additionally, there had been a lack of investible opportunities meeting their requirements and standards, which resulted in a higher than normal cash position that was detrimental to performance. Ms. Hamilton discussed market and economic conditions and anticipated a return of market favor to fundamentals and high quality holdings.

Ms. Hamilton reported that the net of fee return for the fixed income portfolio was 3.6% versus 3.6% for the index and the annualized performance over the trailing five-year period of 4.2% dramatically outperformed the index of 2.6%. She reviewed the investment strategy, investment process, sector holdings, portfolio characteristics and holdings all in great detail. She discussed market and economic conditions, noting that the fixed income portfolio is well positioned for the future.

### **REAL ESTATE COMMITTEE REPORT**

Mr. Long reported that it was unnecessary for the real estate committee to meet. He advised that the appraisal of the 4800 Building had been completed. Mr. Vordermeier reviewed the appraisal report, noting that the appraised value was \$2,355,000 as of September 30, 2016. Mr. Vordermeier provided a financial report for the 4800 Building, noting that accumulated excess reserves in the amount of \$50K would be wired to the System's account at the Bank of New York. Mr. Long noted that the Board had previously deferred discussion of liquidating the property until after the appraisal. A discussion ensued and it was noted that the property was generating an approximate 9% return on its valuation and was therefore worthy of retention until it appreciated further.

Mr. Long provided a report on the Invesco US Client Conference. The market and economic outlook was discussed and the manager anticipated an 8-9% investment return on their real estate fund over the next few years derived two thirds from rental income and one third from appreciation. Mr. Long reported that the higher recent returns of 11-12% were attributable to above average appreciation that was expected to normalize.

### **AUDIT COMMITTEE REPORT**

Mr. Stahl reported that it was unnecessary for the Audit Committee to meet. Mr. Schiess provided a progress report on the annual audit and actuarial valuation, noting that the target date for their presentation to the Board is tentatively scheduled for February 2, 2017 with a special audit committee meeting beforehand tentatively scheduled for January 26, 2017.

## **OLD BUSINESS**

Mr. Dunckel provided a report on the status of the pending disability applications and appeals. He reported that the status of the one appeal remained unchanged and a pre-trial catalog was still being developed by outside legal counsel for the Board and claimant. A hearing would be scheduled once this pre-requisite information was finalized. Mr. Dunckel discussed the one pending application, which had been considered incomplete due to a lack of a second concurring medical opinion. A lengthy discussion ensued regarding qualifications for disability, documentation submitted to the Board by the claimant, procedure and due process. The Board directed staff to prepare a timeline of events for consideration at the next meeting.

Ms. Logan-Short introduced Ash Benzo as the new City Treasurer. She discussed the upcoming joint meeting between the Board and City Commission scheduled for December 14, 2016, noting that the asset allocation, trailing five-year return and the ability to achieve the assumed rate of return prospectively were potential subjects of discussion. Mr. Herbst advised that the actual rate of investment return itself was also subject for discussion. The Board reviewed cost studies prepared by Gabriel Roeder Smith of the financial impact of lowering the assumed rate of return from 7.5% gradually in yearly increments to 7.0%. It was noted that the studies were based upon the 2015 valuation data along with the new mortality table prescribed by the State.

Chairman Darmanin asked for the status of the approval of outside legal counsel. Mr. Dunckel advised that the City Attorney's office had engaged Lewis Longwood Walker as special counsel to finalize the negotiation of the proposed investment management agreement with Loomis Sayles. He explained that the most likely outcome will be the referral of pension matters by the City Attorney's office to this and other outside legal firms as needed. Concerns were expressed regarding costs and efficiencies with the use of outside legal counsel and further discussion ensued.

Mr. Schiess provided a report on the status of the proposed Disability Review Policy. Mr. Dunckel advised that he had recently completed his review and the Policy should be finalized for consideration by the Board at the next meeting.

Mr. Schiess reported that a draft proposed policy regarding the periodic review of beneficiary benefits was under development.

Mr. Dunckel was questioned regarding the status of the pending agreements with the new investment managers and custodial bank. He responded that the agreement with Polen Capital Management was finalized, which was presented for execution. He reported that the other agreements were still under negotiation.

As a follow up to the last meeting, the Board reviewed the matter of Trevor Persaud's reinstatement as a member of the System. Mr. Schiess explained that Mr. Persaud, in his pursuit of becoming a police officer, had transferred his contributions out of the System into to the Police & Fire Retirement Pension System. Afterwards, he had returned to his former position in a civilian capacity as a Police Service Aide. Mr. Dunckel discussed applicable provisions within City Ordinance, noting that Mr. Persaud had not become a police officer and therefore technically remained a general employee and member of the

System without a break in service. He explained that the appropriate remedy was to accept the transfer of Mr. Persuad's contributions back to the System. It was noted that past practice was to apply interest for periods in which contributions are removed from the System. It was also noted that during this period Mr. Persuad's contribution rate was a higher rate under the Police & Fire Retirement Pension System. **Mr. Long made the motion to accept the transfer of Mr. Persuad's contributions back from Police & Fire Retirement Pension System and to apply interest and any differential between contributions owed and actually deducted during the period. Mr. Tanner seconded the motion. The motion passed unanimously** with Ms. Wenguer temporarily absent from the meeting.

### **NEW BUSINESS:**

Sheri Coverman and Darren Robbins appeared before the Board on behalf of Robbins Geller Rudman and Dowd. Ms. Coverman provided an update on the securities litigation actions against Salix Pharmaceuticals and Edison International. Mr. Robbins reviewed a new complaint filed against the Allstate Insurance Agency detailing alleged transgressions that resulted in financial losses for investors. He discussed the merits of the case and recommended that the Board participate as lead plaintiff in a class action lawsuit against the Allstate Insurance Agency. Ms. Coverman explained that generally the Court preferred to appoint the investor with the greatest loss as lead plaintiff. She advised that their preliminary findings had identified the System as the entity with the greatest loss but other investors with larger losses might surface as the case progresses. A lengthy and thorough discussion ensued regarding the requirements of participation, demands on staff and potential liability. It was noted that participation as lead plaintiff would require the City Commission's approval for the use of outside legal counsel. **Mr. Cameron made a motion to engage the services of Robins Geller Rudman and Dowd to represent the System as a lead plaintiff in a class action securities lawsuit against the Allstate Insurance Company contingent upon the approval by City Commission to engage the firm as outside counsel. Mr. Burnam seconded the motion. The motion was accepted unanimously.** Further discussion ensued regarding the negotiation of a retainer agreement after approval by City Commission.

### **PRESENTATION ON INDEX FUNDS**

Dr. William Goetz appeared before the Board to provide information on utilizing index funds within the investment portfolio. He discussed the potential advantages of passive investing including lower management fees and often times outperformance over active management. A lengthy discussion ensued and it was noted that a significant allocation of the portfolio was already invested into an index fund and the Board had considered index funds as alternatives when conducting investment manager searches. It was noted that caution must be used in evaluating comparative performance between active and passive management because comparative results can be very sensitive to time period measurements, asset classes and differences between retail and institutional investors.

### **ADMINISTRATOR'S REPORT**

Mr. Schiess provided a financial report including account and benefit payment reconciliations, fulfilled and pending capital calls and the funding status of the alternative investments.

Mr. Schiess presented the final schedule of meeting dates and investment manager reports for next year.

Mr. Schiess provided a report on the trustee election, noting that it concluded at the end of the day. He reported that despite extensive screening, an additional fifty one ballots had been mailed out to vested deferred persons that were ineligible to vote. Mr. Schiess reported that a preliminary ballot count had been conducted prior to the meeting and the margin of votes between the candidates exceeded well over a hundred votes so therefore any ineligible votes would have not have any effect on the election results. Mr. Schiess advised that the final results would be reported to the Board. Mr. Schiess reported that the City had reappointed Mark Burnam for another term of office commencing January 1, 2017.

Mr. Schiess distributed functional electronic devices to the Trustees. He discussed compliance with Sunshine Law, noting that all documents and meeting information would be distributed to each Trustee individually with no files commonly shared. Mr. Schiess reported that the video conferencing equipment has been acquired and should be functional for the next meeting.

Mr. Schiess provided an update on the securities litigation action against Salix Pharmaceuticals, noting he had attended a deposition on behalf of the Board on November 7, 2016, which according to outside legal counsel was successful. Mr. Copertino provided an update on the securities litigation action against Green Mountain Coffee Roasters, noting he had recent attended mediation on behalf of the Board and further mediation would be scheduled.

### **ATTORNEY'S REPORT**

Mr. Dunckel advised that he had no additional items to report outside of the issues previously addressed during the meeting.

### **MONTHLY FUND ASSET MIX**

Mr. Schiess reviewed the asset allocation as of November 30, 2016, noting that approximately \$4.5M must be raised to meet benefit payment obligations and upcoming capital calls. He advised that Mr. Dahab recommended raising two-thirds of any cash requirements from the portfolio managed by DePrince Race & Zollo and one-third from State Street Global Index Fund. The Board by consensus agreed.

### **PLEASURE OF THE BOARD**

Chairman Darmanin asked if there was anything to share. Neither the public nor the Board members offered any items for discussion.

Chairman Darmanin presented Mr. Dunckel with a commemorative plaque and the Trustees expressed gratitude for his exceptional legal advice and wished him well in retirement. Vice-Chairman Stahl presented Mr. Darmanin also with a commemorative plaque and expressed gratitude for his dedication and service to the membership and the Board.

**BOARD COMMUNICATION TO THE CITY COMMISSION**

Chairman Darmanin asked if there was anything to share with the City Commission. Neither the public nor the Board members offered any items for discussion.

**ADJOURNMENT**

**Mr. Burnam made a motion to adjourn. Mr. Cameron seconded the motion.** The meeting adjourned at 3:44 PM.