

**CITY OF FORT LAUDERDALE
GENERAL EMPLOYEES' RETIREMENT SYSTEM
BOARD OF TRUSTEES MEETING**
316 NE FOURTH STREET, SUITE 2, FORT LAUDERDALE, FL
Thursday, January 5, 2017
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: Jon Stahl, Vice Chairman
Lynn Wenguer, Secretary
Pat Long, Trustee
Mark Burnam, Trustee
Ron Cameron, Trustee
Paul Tanner, Trustee
Jill Prizlee, Trustee
Laura Garcia, ExOfficio Designee

Also Present: Paul Bangel, City Attorney
Greg Slagle, Retiree
Kitty Martin, Brian Foerster & Tom O'Halloran, Lord Abbett & Co
Matt DiNallo & Tom Harvey, Aberdeen Asset Management
Glenn Thomas & Jim Linn, Lewis Longman & Walker, PA
Cynthia Everett, City Attorney
Candace Duff, Assistant City Attorney
Chris Niles, UBS
Richard Dahab, Dahab Associates (via videoconference)
Nick Schiess, Pension Administrator

CALL TO ORDER

Vice-Chairman Stahl called the meeting to order. Roll call was taken.

Vice-Chairman Stahl opened the floor for public comment. There was no public comment.

Cynthia Everett introduced Glenn Thomas and Jim Linn of Lewis Longman & Walker as special counsel that will be assigned to provide additional guidance in Board related matters by the City Attorney's office as the need arises.

TRUSTEE ELECTIONS

Mr. Schiess reported that the trustee elections had concluded and Jon Stahl and Jill Prizlee had emerged with the majority of votes. He discussed the election process and suggested certification of the election results to formalize the process. Mr. Schiess presented the ballots and count for inspection. **Ms. Wenguer made a motion to certify the election results. Mr. Long seconded the motion. The motion was approved unanimously.** It was noted that appointment of Board officers will occur at the February meeting pursuant to the Ordinance.

APPROVAL OF MINUTES

Vice Chairman Stahl asked the Board to review the minutes for the meeting held on December 1, 2016. **Mr. Long made a motion to approve the minutes for the meeting held on December 1, 2016. Mr. Cameron seconded the motion. The motion was approved unanimously.**

APPROVAL OF CONSENT ITEMS

Vice Chairman Stahl asked the Board to review the consent items. A typographical error was noted for the retirement date for Jerome Buchsbaum. **Mr. Long made a motion to approve the consent items as amended. Ms. Wenguer seconded the motion. The motion was approved unanimously.**

BENEFIT REVIEW

RETIREMENT

Name	Date	Service	Type
Geraldine Burrini City Manager Office	12/31/2016	12y, 7m, 7d	Normal
Roland Leibold Sustainable Development	1/4/2017	10y, 9m, 8d	Normal
Jerome Buchsbaum Human Resources	11/21/2016	13y, 1d	Normal

POST RETIREMENT DEATH

Name	Date
Patty Gardner Spouse Jack Gardner	12/7/2016
Lillie Mackey Spouse Joe Mackey	12/10/2016
Martha Harkins Spouse Terry Harkins	12/22/2016
Kenneth Collins	12/18/2016

REVISIONS

Name	Date
Joseph Arena	11/19/2016
Harry Colton	12/5/2016

INVESTMENT MANAGER REPORT: LORD ABBETT & COMPANY

Kitty Martin, Brian Foerster and portfolio manager Tom O'Halloran appeared before the Board on behalf of Lord Abbett & Co. to provide a report on the small/mid cap value and small cap growth separately managed domestic equity portfolios. Ms. Martin provided an update on the firm, noting no significant organizational changes and assets under management had grown to \$135.9B. Brian Foerster reported that the net of fee return of the small/mid cap value portfolio for the trailing year was -2.50% versus -5.49% for the index. He reviewed long-term performance, noting that the performance exceeded the index for seven of the last nine years. Mr. Foerster reviewed the investment strategy, investment process, and holdings all in great detail and expressed great confidence that the process will outperform the index long-term. He was questioned regarding expected returns and overweighting of the information technology sector. Mr. Foerster responded that investment objective is outperformance of the index by 2% and the allocation to information technology sector was expected to be reduced. He discussed market and economic conditions, noting that the portfolio is very well positioned for the future. Mr. O'Halloran reported that the net of fee return of the small cap growth portfolio for the trailing year was -8.33% versus -1.38%. He reviewed long-term performance, noting that the performance exceeded the index for six of the last ten years. Mr. O'Halloran reviewed the investment strategy, investment process, and holdings all in great detail. He expressed great disappointment over the recent underperformance noting that the strategy had been very challenged since August 2015. He discussed market conditions and anticipated improvement in the economy and a change in the financial climate including stabilization of interest rates, which would be very favorable for the strategy. Mr. O'Halloran advised that the portfolio is well structured for the economic outlook and he anticipated outperformance of the index and even recoupment of the recent underperformance.

Ms. Martin discussed a request received from the Plan Administrator for reimbursement to the System for additional and unnecessary trading costs for the period of February 18, 2015 through March 15, 2016. She explained that their new trade order management system automatically carved off 10% of trading through directed brokerage, which resulted in additional trade tickets generated for every transaction. She further explained that although the intent was to fulfill the Board's request for directed brokerage, the firm was unaware that this manner of trading resulted in additional custodial fees. Ms. Martin provided for the Board's consideration a proposal for reimbursement for the additional custodial fees in the amount of \$134,810. She was questioned whether a release would be required and she responded that a release was unnecessary. The representatives of Lord Abbett departed the meeting and the Board discussed the proposal for reimbursement. Mr. Schiess and Mr. Dahab explained their understanding that the proposal was for reimbursement for the trades that resulted in a net loss to the System and excluded the trades wherein the directed brokerage itself resulted in a net gain. A lengthy and careful discussion ensued regarding the proposal and whether the System should seek reimbursement for every trade. It was generally considered that the proposal was reasonable given other mitigating factors. It was also noted that the lack of release was beneficial in the event that the Board later determined additional reimbursement should be pursued. **Mr. Burnam made a motion to accept the settlement proposal pending any new information without a release. Ms. Wenguer seconded the motion.** Further discussion ensued and **Mr. Burnam amended his motion to accept the settlement proposal without prejudice. Ms. Wenguer**

seconded the motion. The motion passed 6 ayes, 1 nay.

INVESTMENT MANAGER REPORT: ABERDEEN ASSET MANAGEMENT

Matt DiNallo and Tom Harvey appeared before the Board on behalf of Aberdeen Asset Management to provide a report on the Aberdeen Emerging Markets Fund and Aberdeen International Equity Fund. Tom Hardy reported that the net of fee return of Aberdeen Emerging Markets Fund for the trailing year was 8.0% versus 8.68% and since inception was 4.67% versus 1.27%. He then reported that the net of fee return of the Aberdeen International Equity Fund for the trailing year was 1.63% versus 0.46% and since inception was 6.06% versus 7.33%. Mr. Harvey reviewed the investment strategy, investment process, geographical dispersion and holdings for both funds in great detail. He then discussed geopolitical influences, market and economic conditions and other factors affecting recent and prospective performance of international equities. Mr. Harvey anticipated continued volatility and outperformance the index long-term.

REAL ESTATE COMMITTEE REPORT

Mr. Long reported that it was unnecessary for the Real Estate Committee to meet. Mr. Vordermeier was unable to attend the meeting and Mr. Long provided a financial report on the 4800 Building.

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 preparation of the audit had been hindered by delays in receiving final statements from the custodial bank. He reported that the statements had been recently received and the preparation of the audit had resumed.

OLD BUSINESS

Mr. Schiess reported that the status of the one disability appeal remained unchanged and a pre-trial catalog was still being developed by outside legal counsel for the Board and claimant. The Board then reviewed the one pending application for disability benefits including a detailed timeline of events regarding the employment history and submission of supporting documents by the Claimant. The Trustees requested the Board's attorney to contact the Claimant's attorney to schedule consideration of the application at the meeting on March 2, 2017.

Mr. Schiess provided the final proposed Disability Review Policy, noting that it had been previously reviewed and approved by Bob Dunckel. A discussion arose regarding the potential exclusion of annual recertification for members with severe and irreversible medical conditions. After a lengthy and careful discussion, the Board determined that all disability recipients must submit to an annual disability review and potential exclusion could be revisited if necessary. **Ms. Wenguer made a motion to approve the Disability Review Policy as amended. Mr. Cameron seconded the motion. The motion was approved unanimously.**

The Board acknowledged that the City had engaged the outside legal counsel introduced at the beginning of the meeting. Lynn Wenguer expressed concerns over continuity with legal counsel given the great effort and time necessary for familiarization with the System.

Mr. Dahab reported that Garcia Hamilton & Associates would be closing its domestic large cap growth strategy, which had already been discontinued and extended only as a courtesy to investors previously within the strategy. A discussion ensued regarding the timing of liquidating the portfolio and it was noted that the agreement with newly engaged manager Loomis Sayles was nearly finalized and the mandate would soon require funding. Mr. Dahab recommended liquidation of the portfolio managed by Garcia Hamilton & Associates coincident with the funding of the new Loomis Sayles portfolio and the excess invested into the index fund managed by State Street Global Advisors. **Ms. Wenguer made a motion to liquidate the portfolio managed by Garcia Hamilton & Associates coincident with the funding of the new Loomis Sayles portfolio and the excess invested into the index fund managed by State Street Global Advisors. Mr. Long seconded the motion. The motion was approved unanimously.**

Mr. Schiess provided an update on the development of the new Beneficiary Payment Policy. He discussed questions that had arisen regarding survivorship benefits, noting that those questions had been submitted to legal counsel for review and guidance.

Mr. Schiess provided an update on the transition of custodial banks, noting that the termination of the current custodial bank had been intentionally deferred until after receipt of final custodial statements.

Mr. Schiess submitted for execution the Retainer Agreement with Robbins Geller Rudman Dowd and Certification for the class action litigation against the Allstate Insurance Company. He reminded the Board that this action had been approved by the Board at the last meeting contingent upon the City Commission's approval of outside legal counsel, which had occurred on January 2, 2017. Minor questions arose regarding a typographical error and formatting, which Mr. Schiess agreed to resolve. **Mr. Long made a motion to authorize the execution of the amended Retainer Agreement with Robbins Geller Rudman Dowd, Certification for the class action litigation against the Allstate Insurance Company and the filing of the litigation. Mr. Tanner seconded the motion. The motion was approved unanimously.**

NEW BUSINESS

Mr. Dahab discussed proposed revisions to the Investment Policy Statement, specifically the revision of the reporting requirements and limitations affecting concentration of holdings. A question arose whether these limitations were also applicable to commingled or index funds. Mr. Dahab responded that the limitations were not applicable or enforceable for funds. He expressed concerns that weightings of individual securities within index funds can grow substantially large enough to create potential liquidity issues, which is a significant concern with passive investment management. **Ms. Wenguer made a motion to approve the proposed revised Investment Policy Statement. Mr. Long seconded the motion. The motion was approved unanimously.**

ATTORNEYS REPORT

Mr. Bangel had nothing further to report at this time.

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 provided an update on Trevor Persaud's reinstatement as a member of the System, noting that pending is a transfer of his contributions back from the Police & Fire Retirement Pension System. Ms. Wenguer advised that Mr. Persaud had not responded to several requests to submit the necessary documents to affect the transfer. Mr. Schiess agreed to attempt contact with Mr. Persaud.

Mr. Schiess reported that recent retiree Bob Dunckel's buyback of prior service would be completed out of his accrued leave payout; however, it would not be completed until after his first pension payment was scheduled to be issued. The Board directed the withholding of Mr. Dunckel's pension payments until after the buyback transaction was completed.

Mr. Schiess reported the update and significant revision of the new Trustee Handbook, which had been developed and distributed electronically to Ms. Prizlee.

Mr. Schiess reported that the annual benefit statements will be prepared and issued. He suggested the simultaneous preparation of annual DROP statements but expressed concerns regarding the crediting of interest. Mr. Schiess explained that the Federation of Public Employees' Collective Bargaining Agreement ratified on December 10, 2015 revised the methodology for crediting of interest; however, a corresponding Ordinance actually implementing the new provisions had apparently not been adopted. Mr. Bangel recommended the deferring the issuance of DROP statements and agreed to research into the status of an applicable Ordinance and the Board agreed by consensus.

MONTHLY FUND ASSET MIX

Mr. Schiess reviewed the asset allocation as of December 31, 2016, noting that approximately \$2.5M must be raised to meet benefit payment obligations and upcoming capital calls. It was noted that the allocation to domestic large cap value equities was slightly overweight attributable to significant investment returns; however, it was being systematically reduced as a source for funding monthly benefit payments and capital calls for alternative investments. Mr. Dahab recommended raising cash from the domestic large cap value equity portfolios managed by DePrince Race & Zollo and Wedge Capital Management and the Board agreed by consensus.

PLEASURE OF THE BOARD

Mr. Tanner recommended revisiting the allocation to the emerging market asset class. He discussed long-term historical performance, noting that lower risk adjusted return had been achieved versus other asset classes. Additionally, he expressed that varying perspectives existed within the market regarding the prospective performance of this asset class.

BOARD COMMUNICATION TO THE CITY COMMISSION

Vice-Chairman Stahl questioned whether there was any information 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 motion was approved unanimously and the meeting adjourned at 3:33 PM.