

**CITY OF FORT LAUDERDALE
GENERAL EMPLOYEES' RETIREMENT SYSTEM
BOARD OF TRUSTEES MEETING**
316 NE FOURTH STREET, SUITE 2, FORT LAUDERDALE, FLORIDA
Thursday, October 5, 2017
12:00 PM

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, Chairperson
Lynn Wenguer, Vice - Chairperson
Paul Tanner, Trustee
Jill Prizlee, Trustee
Mark Burnam, Trustee
Laura Garcia, Ex-Officio Designee

Absent: Pat Long, Secretary
Ron Cameron, Trustee

Also Present: Paul Bangel, City Attorney's Office
Candice Duff, City Attorney's Office
Glen Thomas, Board Attorney
Alan Vordermeier, VMC Realty
Ash Benzo, City Treasurer
Nick Schiess, Pension Administrator
Greg Gosch & Martin LaPrade, Sawgrass Asset Management
Rich Dahab, Dahab Associates (via teleconference)
Jane Dyar, Pension & Recording Secretary

CALL TO ORDER

Chairman Stahl called the meeting to order and roll call was taken.

PUBLIC COMMENT

There was no public comment.

I INVESTMENT MANAGER REPORT: SAWGRASS ASSET MANAGEMENT

Greg Gosch and portfolio manager Martin LaPrade appeared before the Board on behalf of Sawgrass Asset Management to provide a report on the large cap growth portfolio. Mr. LaPrade reported that the investment return for the quarter ending September 30, 2017 was 3.3% versus 4.7% for the index. He then discussed the factors that attributed to the underperformance, noting that the investment strategy was considerably more conservative than the index and outperformance of the index had been achieved over complete market cycles. Mr. LaPrade reviewed the investment strategy and process, sector allocations and holdings all in great detail. He discussed economic and market conditions and anticipated that the market will soon again favor active management, which he noted had been favorable over passive management long-term.

Mr. LaPrade was questioned regarding the overweight to the health sector and lack of weighting in the energy sector. He responded that greater opportunity was anticipated within the healthcare sector. Mr. LaPrade explained that the exclusion of energy sector holdings was temporary and attributable to inconsistency in valuations as this market was seemingly searching for direction.

APPROVAL OF MINUTES

Chairman Stahl asked the Board to review the minutes of the meetings held August 3, 2017 and September 26, 2017. **Mr. Tanner made a motion to approve the minutes of the meetings held August 3, 2017 and September 26, 2017. Ms. Wenguer seconded the motion. The motion was approved unanimously.**

APPROVAL OF CONSENT ITEMS

Chairman Stahl asked the Board to review the consent items. Mr. Schiess reviewed the facts and circumstances regarding the refund of contributions for Ricky McGill, which had been requested by his Court appointed guardian. Mr. Thomas reviewed the terms of the Order establishing temporary guardianship, noting that it supports reasonable the conclusion by the Board that it was applicable to a refund of contributions. **Ms. Wenguer made a motion to approve the refund of contributions in accordance with Order appointing temporary guardianship and contingent formal termination of employment. Ms. Prizlee seconded the motion. The motion was approved unanimously.**

The Board reviewed the remaining consent items. A question arose regarding the status of the custodial statements issued by Comerica Bank. Mr. Schiess reported that the statement production was delayed and the discussed the impediments. **Mr. Tanner made a motion to approve the remaining consent items. Mr. Burnam seconded the motion. The motion was approved unanimously.**

BENEFIT REVIEW

RETIREMENT

Name	Date	Service	Type
Ralph Morales Sustainable Development	11/01/17	6y, 5m, 0d	Vested Retirement
Karen Hennessy Finance	11/01/17	12y, 1m, 0d	Vested Retirement
Cynthia Maiorano Transportation & Mobility	11/01/17	13y, 6m, 25d	Normal

DROP RETIREMENT

Name	Date	Service
Robin Harvey	11/01/17	30y, 0m, 28d

POST RETIREMENT DEATH

Name	Date
Johnnie Darby	8/31/17
Richard Thompson Spouse Sue Thompson	9/02/17
Clarence Jackson	9/12/17

REFUND PENSION CONTRIBUTIONS

Name	Date	Service	Type
Ricky McGill Public Works	11/01/17	19 y	Refund of Contributions

INVESTMENT CONSULTANT REPORT: DAHAB ASSOCIATES

Mr. Dahab reported that the preliminary investment return for the fiscal year was approximately 15.6% with a probable ranking in the 5th percentile range for the public pension fund universe.

Mr. Dahab provided an analysis on short-term investment vehicles as requested by the Board at the last meeting. He then reviewed the performance, risk indices and expense of each fund in great detail. He was questioned regarding the merit of laddered US Treasury Bonds and whether they were available from the custodial bank. Mr. Dahab agreed that the alternative was potentially viable and agreed to research whether it would be available through the current bond manager and then report back to the Board at the next meeting.

The Board resumed discussion of the addition of a global tactical asset allocation manager. Mr. Dahab explained that managers of these investment products attempt to add value based upon movements and market favor within all asset classes. He explained that the challenge was to select a prospective manager with better net of fees performance than

the Systems' overall portfolio. The Board requested Mr. Dahab to select a few finalists for interviews by the Board at a future meeting.

Mr. Dahab provided a report on the three private equity products, noting that the net return since inception in the year 2016 was a spectacular 29.45%. He noted that they were all secondary funds, which avoided the initial negative returns prevalent in standard private equity funds.

NEW BUSINESS

Mr. Schiess reviewed materials, timing and forms pertaining to the upcoming trustee elections. He advised that the process implemented last year would again be followed including a numbered balloting system and use of the City print shop to produce the materials.

OLD BUSINESS

Ms. Solomon reviewed the final lease renewal with Dr. Kessler and a correction was noted. **Ms. Prizlee made a motion to execute the lease as amended. Ms. Wenguer seconded the motion. The motion was accepted unanimously.**

Mr. Thomas provided an update on the proposed Ordinance Amendment to remedy the outstanding DROP account interest crediting issue for ultimate consideration by the City Commission. Mr. Schiess discussed additional unrelated updates to include within the proposed Ordinance.

Mr. Schiess provided an update on the revision of the Summary Plan Description and development of the proposed beneficiary payment policy. He reported that discussions were held with the Actuary and Attorney regarding beneficiary payment provisions, which identified some inconsistencies within the Ordinance that could hopefully be clarified within the proposed Ordinance Amendment.

Mr. Schiess reviewed a quote and coverage for general liability insurance. **Ms. Wenguer made a motion to approve the procurement of general liability insurance. Ms. Prizlee seconded the motion. The motion was accepted unanimously.**

Mr. Schiess provided an update on the engagement of Battea Class Action Services to process proofs of claims in class action securities litigation cases that pre-dated the current custodial bank. He reported that, during the period of negotiating an acceptable agreement by legal counsel, several other lower cost options had been identified. Mr. Schiess reported the securities monitoring firms Kessler Topaz Meltzer & Check would file claims at no cost and Robbins Geller Rudman & Dowd for a 5% fee but at no cost for those cases in which they were lead attorney. After a lengthy discussion, **Ms. Wenguer made a motion to engage Kessler Topaz Meltzer & Check to file security litigation claims. Ms. Prizlee seconded the motion. The motion passed unanimously.**

Mr. Schiess discussed the periodic disability review and explained that two disability recipients' benefits had been suspended until they submit certification of disability.

As a follow up to the last meeting, Mr. Schiess provided a report on an improperly applied offset to the disability pension of Rolando Lopez for Worker's Compensation benefits. He explained that Mr. Lopez' offset for monthly Worker's Compensation benefits should have been replaced with an amount equivalent to the amortized amount of his lump sum settlement. He recommended tasking the System's Actuary to calculate the replacement offset and the matter be brought back before the Board at the next meeting. **Mr. Burnam made a motion to authorize the Actuary to prepare the calculation of the amortization of Mr. Lopez' lump sum Worker's Compensation settlement. Mr. Tanner seconded the motion. The motion passed unanimously.**

REAL ESTATE COMMITTEE REPORT

As a follow up to the last meeting, Mr. Vordermeier reported that a proposal was received for an emergency generator for the 4800 Building for a cost of \$298K, which was cost prohibitive.

Mr. Vordermeier provided a financial report on the 4800 Building for the fiscal year. He discussed all the improvements to the property including but not limited to ADA compliance, full tenancy, replacement roof, parking renovation, automatic entrance door and many new air conditioning units.

The Board reviewed a counter-proposal of a draft Agreement with CBRE for listing services inclusive of new language regarding carve-out exceptions for potential buyers registered by Alan Vordermeier prior to the effective date of the Agreement. Mr. Schiess advised that CBRE was willing to extend the carve-out for 30 days after the effective date of the Agreement for either a purchase agreement or a letter of intent approved by the Board. **Ms. Prizlee made a motion to approve and execute the agreement with CBRE amended to provide a 30 day carve-out period for either a purchase agreement or a Board approved letter of intent. Ms. Wenguer seconded the motion. The motion was accepted unanimously.** It was noted that Board approval required a formal meeting, which also required publicly noticing the meeting. It was further noted that Board approval might take up to ten days after the initial offer but the ten day approval time would not extend past the 30 day carve-out period. A discussion arose regarding establishing a minimal offer for the Board's consideration. **Ms. Prizlee made a motion to establish a \$3M minimum price for offers to be considered under the carve-out provision. Ms. Wenguer seconded the motion. The motion was accepted unanimously.**

AUDIT COMMITTEE

Chairman Stahl noted he met with the Auditor and reviewed the proposed timeline for production of audit materials.

ATTORNEY'S REPORT

Mr. Thomas reported all his issues had been addressed previously in the meeting.

ADMINISTRATOR'S REPORT

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

Mr. Schiess reported the receipt of \$7,800 payable to the System awarded by the Court for his time and participation in class action securities litigation against Salix Pharmaceuticals.

MONTHLY FUND ASSET MIX

Mr. Schiess reviewed the most current asset mix, noting that all allocations were within policy.

PLEASURE OF THE BOARD

Chairman Stahl provided a report on a meeting with the City Manager regarding potentially lowering the assumed rate of investment return, noting that support was expressed to lowering the return.

BOARD COMMUNICATION TO THE CITY COMMISSION

There was nothing to communicate to the City Commission at the time.

ADJOURNMENT

The meeting adjourned at 3:43 PM.