

**CITY OF FORT LAUDERDALE
GENERAL EMPLOYEES' RETIREMENT SYSTEM
BOARD OF TRUSTEES MEETING**
316 NE FOURTH STREET, SUITE 2, FORT LAUDERDALE, FLORIDA
Thursday, November 2, 2017
12:02 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

- Investment Consultant Report 2017 FY

Items Submitted For City Commission Consideration

- None at this time

Present: Jon Stahl, Chairperson
Lynn Wenguer, Vice – Chairperson
Pat Long, Secretary
Paul Tanner, Trustee
Jill Prizlee, Trustee

Absent: Mark Burnam, Trustee
Ron Cameron, Trustee
Ex-Officio Designee

Also Present: Paul Bangel, City Attorney's Office
Hattie Brinson, Retiree
Janeen Richards, Employee Relations Manager
Glen Thomas, Board Attorney
Alan Vordermeier, VMC Realty
Ash Benzo, City Treasurer
Nick Schiess, Pension Administrator
Jim Haymes & Steve Atkins, Polen Capital Management
Rich Dahab, Dahab Associates
Jane Dyar, Pension & Recording Secretary
Jack Reise, Robbins Geller Rudman & Dowd

CALL TO ORDER

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

PUBLIC COMMENT

Retiree Hattie Brinson appeared before the Board and questioned cost-of-living-adjustments for retirees. She was advised that, pursuant to the Ordinance, that the issuance of cost-of-living-adjustments were contingent upon a cumulative investment return greater

than the actuarial rate of investment return and also approval by a super majority of the City Commission, which had not occurred.

INVESTMENT MANAGER REPORT: POLEN CAPITAL MANAGEMENT

Jim Haymes and Steve Atkins appeared before the Board on behalf of Polen Capital Management to provide a report on the large cap growth portfolio. Mr. Haymes provided an organizational update, noting the hiring of additional analysts. Mr. Atkins reported that the investment return net of fees for the quarter ending September 30, 2017 was 3.87% versus 5.90% for the index and the calendar year-to-date was 20.92% versus 20.73% for the index. Mr. Atkins reviewed the investment strategy and process, sector allocations and holdings all in great detail.

INVESTMENT CONSULTANT REPORT: DAHAB ASSOCIATES

Mr. Dahab provided the Board with a report on the investment portfolio for the quarter ending September 30, 2017. Mr. Dahab reported that the investment return for the quarter was 4.0% net of fees, which ranked in the top 8th percentile of the public fund universe. The return for the fiscal year was 15.8%, which ranked in the top 2nd percentile of the public fund universe.

Mr. Dahab reviewed the performance of all the individual investment products in great detail, noting all was satisfactory. Mr. Dahab was questioned regarding the underperformance of the Aberdeen Asset Management emerging market fund and he responded that their long-term performance was satisfactory and emerging markets had generally been a challenging market.

Mr. Dahab then discussed market and economic conditions, noting that the domestic economy grew only at a modest pace.

Mr. Dahab reviewed the asset allocation, noting that the overall equity allocation had been reduced and was near target allocations and within policy.

Mr. Dahab reviewed the net of fee returns versus returns of the blended index, noting that the overall portfolio's performance had exceeded the index returns in 65% of the quarterly periods for the last 29 years on record.

As a follow up to the last meeting, Mr. Dahab reported that Garcia Hamilton & Associates had agreed to manage a laddered bond portfolio for a fee of 7 basis points. He recommended proceeding with this additional allocation as a short-term investment vehicle. **Mr. Tanner made a motion to engage Garcia Hamilton & Associates to manage a laddered bond portfolio subject to the successful negotiation of an agreement by legal counsel. Mr. Long seconded the motion. The motion passed unanimously.** A discussion arose regarding funding the allocation. **Ms. Wenguer made a motion to fund the allocation with \$30M. Ms. Prizlee seconded the motion.**

As a follow up to a prior meeting, Mr. Dahab provided the Board with updated analysis of prospective investment managers for a new potential all asset investment product utilizing

exchange traded funds. He discussed the historical investment return of the potential candidates, noting that they had all underperformed the current investment portfolio. A discussion arose regarding the merit of the investment product in general. It was noted that the much of the original appeal was an expectation of significantly lower management fees for exchange traded funds, which was an advantage of index funds. But it was noted that the fees for managers to select and maintain many various funds was greater than expected. The Board did not express any interest in pursuing this investment product further.

REAL ESTATE COMMITTEE REPORT

Mr. Long reported that it was unnecessary for the Real Estate Committee to meet.

Mr. Vordermeier reported that the building improvements that were agreed upon under the lease renewal with Dr. Kessler had begun.

Mr. Vordermeier reported the receipt of a request for records regarding the 4800 Building from the real estate listing agent Coldwell Banker Real Estate and anticipated the costs to produce the records to be in the range of \$500-750.

Mr. Vordermeier reported that a traffic incident had occurred and the tenants had requested the installation of security cameras. He agreed to research the costs and report back to the Board.

Mr. Long reported that new lease with tenant Dr. Kevin Kessler had been executed.

AUDIT COMMITTEE

Chairman Stahl reported that it was unnecessary for the Audit Committee to meet.

APPROVAL OF MINUTES

Chairman Stahl asked the Board to review the minutes of the meetings held October 5, 2017. **Ms. Wenguer made a motion to approve the minutes of the meetings held October 5, 2017. Mr. Long seconded the motion. The motion was approved unanimously.**

OLD BUSINESS

As a follow up to a previous meeting, Mr. Thomas reviewed in great detail the facts and circumstances regarding the pending forfeiture of pension benefits by Joseph Arena. He noted that Mr. Arena had been provided notice of the Board's intent to proceed with the forfeiture process and the time period to request a full administrative hearing had elapsed. Employee Relations Manager Janeen Richards appeared before the Board to confirm that Mr. Arena's employment had been terminated as a direct result of the commission of public entity crimes. Mr. Thomas discussed Mr. Arena's conviction for the specific offenses that requires the forfeiture of his pension under State Statutes. **Mr. Long made a motion to find that Joseph Arena was convicted of public entity crimes for which his**

employment was terminated. Ms. Wenguer seconded the motion. The motion was accepted unanimously. Ms. Wenguer made a motion to determine that Joseph Arena's rights and benefits under the System must be forfeited under State Law except for the refund of his personal pension contributions. Mr. Long seconded the motion. The motion was accepted unanimously.

Mr. Schiess provided an update on the upcoming Trustee elections, noting that it was proceeding according to schedule.

Mr. Schiess provided an update on the liquidation of the 4800 Building rental property, noting that the listing agreement with Coldwell Banker Real Estate had been executed.

Mr. Schiess provided an update on the revision of the Summary Plan Description and development of the proposed beneficiary payment policy.

Mr. Schiess discussed the periodic disability review, noting that one disability recipient's benefits had remained suspended because they did not submit the certification of disability as required within policy.

Mr. Thomas provided a draft of a proposed Ordinance Amendment to remedy the outstanding DROP account interest crediting issue and miscellaneous clean up items. Mr. Schiess suggested further revisions.

APPROVAL OF CONSENT ITEMS

Chairman Stahl asked the Board to review the consent items.

Mr. Schiess reviewed the benefit approvals. He provided a calculation on a refund of contributions payable to Joe Arena as a result of the forfeiture of his pension benefits, noting that it represented his employee pension contributions without any interest less retirement benefits already paid all as required under State Statues. As a follow up to the last meeting, Mr. Schiess provided the Board with a calculation of Rolando Lopez' disability benefits with a corrected offset for Workers' Compensation benefits and the retroactive amount due to him for the resulting accumulated underpayments. Mr. Schiess then reviewed the facts and circumstances of the DROP entry dates for Keith Hutchinson and Kevin Keimel, noting that through no fault of their own the required notification of DROP entry to the City was inadvertently delayed. A discussion arose and it was confirmed that neither applicant would receive any benefit greater than what they were already entitled to but delaying entry would result in a shorter participation period than requested. Legal counsel confirmed that case law would support a decision to grant their requested entry dates based upon the facts and circumstances. **Ms. Wenguer made a motion to approve the Benefit Review as presented. Mr. Long seconded the motion. The motion passed unanimously.**

BENEFIT REVIEW

DROP ENTRY

Name/Department	Date	Service
STACY, EDWARD Information Technology Services	1/1/2018	29Y 3M 14D
HUTCHINSON, KEITH Public Works	1/1/2018	30Y 0M 19D
KEIMEL, KEVIN Information Technology Services	12/1/2017	24Y 5M 29D

DROP EXITS

Name	Date
ROBESON, RANDALL	11/30/2017
GIALLUCA, SHELLEY	11/30/2017

POST RETIREMENT DEATH

Name	Date
DARBY, MINNIE Spouse of JOHNNIE DARBY	11/01/17

PRE RETIREMENT DEATH

Name	Date
BEASLEY, LOUIS Spouse of Uneeda Oliver	11/01/17

DISABILITY CONVERSION

Name	Date
OWENS, BRUCE	9/1/2017

REFUND CONTRIBUTIONS

Name	Date
ARENA, JOE	12/1/2017

The Board reviewed the remaining consent items. **Mr. Long made a motion to approve the remaining consent agenda items. Ms. Wenguer seconded the motion. The motion passed unanimously.**

NEW BUSINESS

Jack Reise appeared before the Board on behalf of Robbins Geller Rudman & Dowd to provide a proposal to pursue lead plaintiff status in a class action securities litigation against Sketchers USA. He discussed the merits of the case, fees and the level of the involvement required by the Board. It was noted that the action must also be approved by the City Commission and the deadline for filing was December 22, 2017. **Mr. Long made a motion to pursue lead plaintiff status in class action securities litigation against**

Sketchers USA, notify City Commission and submit the proposed retainer agreement to legal counsel for review. Ms. Prizlee seconded the motion. The motion passed unanimously.

The Board reviewed a proposal from Gabriel Roeder Smith & Associates to perform an experience study, which compares the plan assumptions to actual experience of the plan. The Board determined by consensus that the study was unnecessary at this time.

The Board reviewed a proposal from Gabriel Roeder Smith & Associates to prepare the new electronic reporting required by the State. A discussion arose regarding the costs and the Board requested Mr. Schiess to research the requirements, negotiate the fees if possible and report back to the Board.

The Board reviewed cost studies prepared by Gabriel Roeder Smith & Associates on the impact of lowering the assumed rate of investment return. It was noted that the trend among pension plans nationwide was to lower the return assumption and support was expressed by the City to lower the return. **Mr. Tanner made a motion to lower the assumed rate of investment return from 7.5% to 7.0% in 0.1% increments each year over the next five years. Mr. Long seconded the motion. The motion passed unanimously.**

ATTORNEY'S REPORT

Mr. Thomas reported all of his assignments 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 that production of records for the 2017 fiscal year audit and valuation had commenced.

MONTHLY FUND ASSET MIX

Mr. Schiess reviewed the monthly asset allocation report, noting that all allocations were within policy.

BOARD COMMUNICATION TO THE CITY COMMISSION

The consensus of the Board was to direct the Chairperson to share the 3Q2017 Investment Performance Report with the City Commission the along with a memo recognizing the significant investment returns which ranked the top 2nd percentile of the public pension fund universe.

ADJOURNMENT

The meeting adjourned at 4:08 PM.