

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

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

Also Present: Cole Copertino, City Attorney
 Paul Bangel, City Attorney
 Melissa Moskovitz, Gabriel Roeder Smith
 John Krom & Chris Niles, UBS
 Alan Vordermeier, VMC Realty
 Michelle Blackstock, Crowe Horwath
 John Herbst, City Auditor
 Ash Benzo, City Treasurer
 Nick Schiess, Pension Administrator
 Jane Dyar, Pension & Recording Secretary

CALL TO ORDER

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

Mr. Stahl initiated a discussion regarding appointments to the Real Estate Committee and the Audit Committee. **Mr. Burnam made a motion to appoint Jill Prizlee and re-appoint Pat Long and Ron Cameron to the Real Estate Committee. Ms. Wenguer seconded the motion. The motion was approved unanimously. Mr. Long made a motion to re-appoint Jon Stahl, Lynn Wenguer and Paul Tanner to the Audit Committee. Mr. Burnam seconded the motion. The motion was approved unanimously.**

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

APPROVAL OF MINUTES

Chairman Stahl asked the Board to review the minutes of the Board meeting held February 2, 2017 and the Audit Committee meeting held February 27, 2017. **Mr. Tanner made a motion to approve the minutes of the Board meeting held February 2, 2017 and the Audit Committee meeting held February 27, 2017. Mr. Cameron seconded the motion. The motion was approved unanimously.**

APPROVAL OF CONSENT ITEMS

Chairman Stahl asked the Board to review the consent items. A discussion arose regarding invoices received from law firm Brinkley Morgan, which was engaged by the City Attorney's office to address issues regarding Internal Revenue Code Section 415, and whether the invoices were the financial responsibility of the Board. **Ms. Wenguer made a motion to approve the consent items as presented with the exception of the invoices from Brinkley Morgan. Ms. Prizlee seconded the motion. The motion was approved unanimously.**

BENEFIT REVIEW

RETIREMENT

Name	Date	Service	Type
Motahareh Samadi Public Works	4/1/17	14y, 7m, 2d	Vested
Joseph DeMaio Sustainable Development	4/1/17	12y, 2m, 16d	Normal
John Daley Parks & Recreation	4/1/17	10y, 5m, 2d	Normal

POST RETIREMENT DEATH

Name	Date
Estella Brewer Spouse of Johnifred Brewer	1/22/17
Lucille Trovillion Spouse of Adolph Trovillion	2/2/17
Paul Skidmore	2/4/17

AUDITOR'S REPORT: CROWE HORWATH

Michelle Blackstock appeared before the Board on behalf of Crowe Horwath to present the Auditor's Report and Audited Financial Statements for the fiscal year ended September 30, 2016. She reviewed the newly required GASB disclosure regarding the System's investments. Ms. Blackstock reviewed in great detail the financial statements of the Plan and issued the Board with a clean unqualified opinion letter on the financial statements, noting that no material weaknesses in the financial statements had been discovered. She discussed testing of internal controls and procedures, noting that no deficiencies were identified. Ms. Blackstock reported that the System's assets as of September 30, 2016 were \$587.3M, an increase of \$35.6M from the prior year's assets of

\$551.7M, which was primarily attributable to investment returns. Mr. Schiess reviewed in detail the administrative expenses. **Ms. Prizlee made a motion to accept and approve the 2016 Audit Report and Audited Financial Statements as presented. Ms. Wenguer seconded the motion. The motion passed unanimously. Mr. Long made a motion to execute an Audit Management Representation Letter. Ms. Prizlee seconded the motion. The motion was approved unanimously.**

ACTUARY'S REPORT: GABRIEL ROEDER SMITH

Melissa Moskowitz appeared before the Board on behalf of Gabriel Roeder Smith to present the Actuarial Valuation for the fiscal year ended September 30, 2016. She reported that for the 2018 fiscal year, the City's funding requirement will be \$10.96 million, a decrease of \$4.35 million from the prior year. Ms. Moskowitz reviewed in great detail the actual experience of the System versus the actuarial assumptions, noting that the decrease in funding requirements was primarily attributable to the completed amortization of the early retirement incentive implemented in the year 2011. She noted that the funding requirements, expressed as a percentage of payroll, will continuously increase because the amortization payment of the unfunded liability must be amortized over a diminishing payroll base as a result of the closure of the System to new entrants. Additionally, the amortization base in years is being shortened from 30 years in one year increments. Ms. Moskowitz reported that the funding ratio of 93.5% remained unchanged from last year but would have been 95.5% before the newly required implementation of the State required mortality table. She concluded that the funded ratio was well above average. A discussion arose regarding the expected rate of investment return and Ms. Moskowitz expressed no objection in the retention of the current 7.5% investment return assumption given the System's asset allocation. **Ms. Wenguer made a motion to approve the 2016 fiscal year Actuarial Valuation. Mr. Burnam seconded the motion. The motion was approved unanimously.**

Ms. Moskowitz discussed the provisions for cost-of-living adjustments, noting that they could be issued only if the cumulative investment returns were positive, which has not occurred. Cole Copertino discussed additional requirements, specifically that the System must also be fully funded and even then cost-of-living adjustments must be approved by a super majority of the City Commission.

Ms. Moskowitz reviewed the report and findings of the independent third party audit of the 2015 fiscal year Actuarial Valuation performed by Cavanaugh McDonald. She agreed with their recommendation that an experience study be performed, which is a detailed comparison of actuarial assumptions versus actual experience of the System. Ms. Moskowitz advised that best practices dictated the performance of an experience study every five years and the last one was performed in the year 2012. She discussed their suggestion for utilizing a more standard actuarial cost method, specifically the entry age normal cost method, noting that this was the cost method that was actually used. Ms. Moskowitz reviewed their recommendation to utilize an alternate asset smoothing methodology and the possible implication that the one utilized was not in compliance. She advised that the methodology utilized actually was in compliance, considered very suitable and utilized by a majority of their clients. Ms. Moskowitz explained that ultimately there should be a periodic convergence of results between the two methodologies and the variances in the interim small and immaterial. Ms. Moskowitz discussed in the detail the other slight variances,

noting that the .34% difference in liabilities calculated within the valuations produced by both firms was primarily attributable to differences in software and data. She concluded that the results would likely never converge and the differential was minimal and was well below the threshold of materiality.

AUDIT COMMITTEE REPORT

Mr. Stahl reported that an Audit Committee meeting was held on February 27, 2017 to review a draft of the Auditor's Report and Audited Financial Statements for the fiscal year ended September 30, 2016.

REAL ESTATE COMMITTEE REPORT

Mr. Long reported that a Real Estate Committee meeting was held on March 2, 2017 immediately preceding this Board meeting to discuss multiple issues with the rental property located at 4800 North Federal Highway in Fort Lauderdale. He reported that the requirement of a building safety inspection had ultimately been satisfied despite the initial notice and subsequent non-compliance Order being sent to a former address for the Board. Mr. Long discussed issues reported by the tenants' legal counsel including lack of parking and maintenance issues. Mr. Vordermeier discussed the maintenance issues, noting that they had been resolved already. Mr. Vordermeier then discussed the parking issue, noting that medical buildings have extensive parking requirements and the parking was insufficient. He then discussed a possible remedy to the parking situation involving the purchase of an adjacent property that could be redeveloped into a parking lot. Mr. Vordermeier explained that one of the tenant's leases was up for renewal and had requested interior improvements, which was customary upon lease renewal. Mr. Vordermeier was directed to perform an analysis of liquidating the property, retaining the property without parking improvements and purchasing the adjacent property for parking improvements.

OLD BUSINESS

Mr. Copertino provided an update on the status of the pending disability application and appeal.

Mr. Schiess provided an update on the development of the new Beneficiary Payment Policy, noting that its significance and depth had developed into a very involved and encompassing policy regarding the issuance of death and survivorship benefits. He discussed the importance of defining and communicating the exact parameters and nuances to the System Participants as well as reducing any ambiguity regarding the payment of survivorship benefits. Mr. Schiess discussed retooling the computer systems to calculate all optional forms of survivorship payments instead of the System's actuary and at less expense. Mr. Schiess then discussed the formalization of a process to offer the currently available survivorship options. A discussion arose regarding potential forms of survivorship benefits.

Chairman Stahl reminded the Board that the assumed rate of investment return would be discussed at the investment workshop with the City Commission when scheduled.

Mr. Schiess readdressed the situation wherein the DROP interest crediting provisions had been revised in the Federation of Public Employees' Collective Bargaining Agreement ratified on December 10, 2015 but a corresponding Ordinance actually implementing the changes had not yet been adopted. Mr. Copertino had previously advised that Ordinances took precedent over collective bargaining agreements and the City was responsible for initiating and adopting the appropriate new Ordinance. Mr. Schiess explained that the Board was faced with issue of proper interest crediting for the potentially affected DROP Participants. He further explained that absent any contrary direction the current DROP interest methodology specified within the Ordinance has been applied to all DROP Participants. Mr. Schiess agreed to research the potentially affected DROP Participants and possible interim measures and report back to the Board.

NEW BUSINESS

Mr. Bangel discussed the status and issues involved with the negotiation of an adequate release with Lord Abbett for reimbursement of additional custodial fees incurred as a result of directed brokerage.

ATTORNEY REPORT

Mr. Copertino announced his resignation from the City and the Board expressed gratitude for his service. Paul Bangel introduced himself as Mr. Copertino's replacement as Board counsel.

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 questioned the timing of the actuarial experience study recommended by Ms. Moskovitz of Gabriel Roeder Smith. He noted that the anticipated cost was \$18-20K and experience studies were prepared using actuarial valuation results as of fiscal year end. Mr. Schiess was directed to bring the matter before the Board again in conjunction with the next actuarial valuation.

Mr. Schiess reported that a smooth transition of custodial services from BNY Mellon to Comerica Bank occurred on March 1, 2017.

Mr. Schiess reported that the new Loomis Sales Company equity portfolio would be funded March 2-6, 2017 with a combination of in-kind securities transfer and cash from the liquidation of Garcia Hamilton & Associates equity portfolio.

As a follow up to a prior meeting, Mr. Schiess reported that Trevor Persaud's service credit has been reinstated, his contributions to the Police & Fire Pension System had been returned and he is completing payment of interest owed to the System through payroll deductions.

Mr. Schiess reported attending advisory board training and Sunshine Law training conducted by the City Clerk's Office.

Mr. Schiess advised that the disability hearing for Theresa Dannenhauer was scheduled for April 6, 2017 immediately after the regular Board meeting.

Mr. Schiess reported that the January VMC Realty and portfolio monitoring firm reports were available for review in his office.

Mr. Schiess provided an update in the securities litigation action against the Salix Pharmaceutical Company, noting that a settlement offer was under consideration by the lead plaintiff in the case. He explained that the Board's position as a class representative in the case did not provide for direct involvement in the settlement negotiations, however, legal counsel did request the Board's approval of the settlement offer at the next meeting.

Mr. Schiess reported that the initial notice regarding disability recertification had been sent to disability pension recipients. He advised that one recipient had expressed discontent with the cost of the office visit to attain a Physician's Statement. Mr. Schiess advised that he had informed the recipient that recertification was a requirement for continued receipt of disability benefits and suggested that the recipient compose a notice expressing his concerns to the Board.

MONTHLY FUND ASSET MIX

Mr. Schiess advised that the monthly fund asset mix was not provided because of concerns in reporting due to the conversion of custodial banks. He reported that in the previous month the allocation to domestic large cap value equities was slightly overweight attributable to significant investment returns. Mr. Schiess reported discussing raising cash to fund benefit payments and capital calls in the expected amount of \$3M with Rich Dahab, who had recommended raising cash from the large cap value equity portfolios managed by DePrince Race & Zollo and Wedge in the amounts of \$2M and \$1M respectively. The Board agreed by consensus.

PLEASURE OF THE BOARD

Ms. Prizlee requested the ordering of new business before old business on the agenda.

Mr. Cameron questioned due process of introducing potential new investment managers to the Board for presentations. After a lengthy discussion, the consensus of the Board was to vet any potential new investment managers through the Investment Consultant.

BOARD COMMUNICATION TO THE CITY COMMISSION

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

ADJOURNMENT

Mr. Burnam made a motion to adjourn. Mr. Long seconded the motion. The motion was approved unanimously. The meeting adjourned at 4:15 PM