

**CITY OF FORT LAUDERDALE
GENERAL EMPLOYEES' RETIREMENT SYSTEM
BOARD OF TRUSTEES MEETING**
316 NE FOURTH STREET, SUITE 2, FORT LAUDERDALE, FL
Thursday, April 6, 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
Paul Tanner, Trustee
Jill Prizlee, Trustee
Linda Logan-Short, Ex-Officio Designee

Absent: Ron Cameron, Trustee

Also Present: Paul Bangel, City Attorney
Candace Duff, City Attorney
Alan Vordermeier, VMC Realty
Richard Dahab, Dahab Associates
Chris Niles, UBS
Ash Benzo, City Treasurer
Lynn Solomon, Assistant City Attorney (via teleconference)
John Forrest, Samantha Scher & Dianna Parente, Lord Abbett & Company
Nick Schiess, Pension Administrator
Jane Dyar, Pension & Recording Secretary

CALL TO ORDER

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

APPROVAL OF MINUTES

Chairman Stahl asked the Board to review the minutes of the meetings held March 2, 2017 and March 20, 2017. **Mr. Tanner made a motion to approve the minutes of the meetings held March 2, 2017 and March 20, 2017. Mr. Long seconded the motion. The motion was approved unanimously.**

APPROVAL OF CONSENT ITEMS

The Board reviewed the consent items. A discussion arose regarding an invoice from Gabriel Roeder Smith and the Board requested additional information regarding the services performed for the next meeting.

Mr. Schiess noted that the benefit approvals contained a revised benefit for Pat Long. He explained that Mr. Long's benefit had been recalculated to include previously excluded longevity compensation. Mr. Schiess discussed the facts and circumstances, noting that the recalculation had been specifically requested by the City and the longevity compensation for the calculation had been provided. A discussion ensued and a concern was expressed whether pension contributions were deducted from the longevity pay. It was also noted that, pursuant to State Statutes, Mr. Long must abstain from voting on any measure which would inure to his special private gain or loss.

Mr. Schiess reviewed the death benefits of Barry Fein, noting that two of the co-beneficiaries had requested that their allocation be issued to their mother and widower Ms. Fein instead. A discussion arose regarding the computation of the death benefits and also whether it is permissible for his two children to waive their benefits in favor of their mother. **Ms. Wenguer made a motion to approve the consent items with exception of the disbursement in the amount of \$2,500 payable to Gabriel Roeder Smith, revised retirement benefit of Pat Long and death benefits of Barry Fein. Mr. Burnam seconded the motion. The revised consent items were approved unanimously. Mr. Tanner made a motion to approve Mr. Long's revised pension benefit. Mr. Burnam seconded the motion. The motion was approved 5-0 with Mr. Long abstaining.** Mr. Long submitted the required completed Form 8B Conflict of Voting Interests. The approval of the death benefits of Barry Fein was deferred until the next meeting pending answers on the outstanding questions.

BENEFIT REVIEW

RETIREMENT

<u>Name</u>	<u>Date</u>	<u>Service Time</u>	<u>Type</u>
Walter Baine Public Works	3/18/17	32y, 9m, 15d	Normal
James Priddy Finance	4/01/17	10y, 7m, 18d	Normal
Alejandro Roca Public Works	4/01/17	19y, 10m, 7d	Disability Conversion
Kevin Walford Transportation & Mobility	5/01/21	10y, 5m, 16d	Vested
Edward Rosado Public Works	4/08/17	23y, 6m, 26d	Normal
Doyle Harris Police	4/08/17	14y, 1m, 2d	Normal
Danny Connor Sustainable Development	4/09/17	11y, 8m, 29d	Normal
Colleen Dacosta Finance	4/14/17	17y, 2m, 0d	Normal

RETIREMENT (Continued)

Name	Date	Service Time	Type
Ralph Riles Sustainable Development	4/18/17	12y,8m,28d	Normal
Iris Wyman Finance	4/30/17	14y, 8m, 4d	Normal
Timothy Myers Public Works	5/01/17	12y, 9m, 20d	Vested Commencement

DROP RETIREMENT

Name	Date	Service Time
Elizabeth Cohen Fire	5/01/17	30y, 0m, 12d

POST RETIREMENT DEATH

Name	Date
Alvina Judycki	3/07/17
Ralph Columbarini	3/01/17

CHANGES

Name	Date	Service Time
William Long	2/20/16	9y, 9m, 27d

REAL ESTATE COMMITTEE REPORT

Mr. Long reported that it was unnecessary for the Real Estate Committee to meet; however, matters concerning the 4800 Building will be addressed later in the meeting.

AUDIT COMMITTEE REPORT

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

INVESTMENT CONSULTANT REPORT: DAHAB ASSOCIATES

Mr. Dahab discussed market and economic conditions. He provided an interim investment performance report, noting that the fiscal year-to-date investment return was 5.5%. Mr. Dahab reported that there were not any issues encountered in the recent transition of custodial services to Comerica Bank.

Mr. Dahab reviewed a revised asset allocation study representing the effects of reducing the emerging market allocation in varying levels over a 20 year period. He advised that investment in the asset class was still warranted and pragmatic for long-term investors adding that valuations were generally considered low therefore making it an attractive investment. Mr. Tanner expressed that the long-term performance of the asset class on a risk adjusted basis was lower than other asset classes and ultimately resulted in very little value added. A careful and thorough discussion arose regarding reducing the current 12% target allocation. Mr. Dahab advised that reducing the allocation by 3% would not materially affect the projected investment returns or risk measurement indices. **Mr. Tanner made a motion to reduce the emerging markets target allocation from 12% to 9% by the end of the fiscal year. Ms. Wenguer seconded the motion. The motion was approved 5-1 with Mr. Burnam dissenting.** Mr. Dahab recommended systematically

reducing the emerging market allocation by utilizing it as a source of funding upcoming benefit payments and capital calls, and the Board agreed by consensus.

Mr. Dahab presented results of a domestic small cap investment manager search organized by value, core and growth strategies. He reviewed the historical performance, risk measurement indices and other factors critical to the evaluation of a prospective investment manager. The Board discussed the search results in great detail and discussed interviewing three prospective investment managers at a special meeting. **Mr. Burnam made a motion to authorize Mr. Dahab to select the investment manager for the Board based upon his qualifications and experience. The motion died for lack of a second. Ms. Wenguer made a motion based upon the recommendation of Mr. Dahab to interview AMI Asset Management, Copeland Capital Management and Kayne Anderson Rudnick Asset Management. The motion was approved 5-1 with Mr. Burnam dissenting.**

Mr. Dahab was questioned regarding the overweight allocation to domestic large cap value equities and responded that the allocation had been trending downwards as a result of the intentional approach to systematically reduce the allocation by using it as a source for funding monthly benefit payments and capital calls for alternative investments. Further discussion ensued regarding the ranges of asset allocations and whether a benefit existed in removing the floor of the fixed income allocation. **Mr. Burnam made a motion to remove the range constraints for fixed income but rescinded the motion.**

REAL ESTATE COMMITTEE REPORT

Mr. Vordermeier reported that the installation of the electric lobby door approved by the Board at the last meeting was imminent.

Lynn Solomon joined the meeting via teleconference to discuss the negotiation of the lease renewal of tenant Dr. Kessler. Mr. Vordermeier discussed the tenant improvements requested by Dr. Kessler in conjunction with his lease renewal, noting that all were reasonable and considered customary in a renewal of this magnitude. Mr. Vordermeier provided the Board with recommendations for proposed rent increases and common area maintenance charges. The Board discussed the negotiation of the lease with Ms. Solomon. A question arose whether a prospective buyer of the 4800 Building would prefer to negotiate their own lease with Dr. Kessler and further discussion ensued. **Mr. Long made a motion to authorize Ms. Solomon to negotiate the lease renewal of Dr. Kessler within the parameters of the current rental arrangement and the increases proposed by Mr. Vordermeier and bring the negotiated lease back to the Board for final approval. Ms. Wenguer seconded the motion. The motion was approved 4-2 with Mr. Tanner and Ms. Prizlee dissenting.**

A lengthy discussion arose regarding the liquidation of the 4800 Building. **Ms. Wenguer made a motion to liquidate the 4800 Building. Mr. Tanner seconded the motion.** A discussion arose regarding a preliminary step of selecting a listing broker with consideration given to their ability to effectively market the property. **Ms. Wenguer amended her motion to interview prospective listing brokers to be selected by the Real Estate Committee and then to liquidate the 4800 Building. Ms. Prizlee seconded the motion. The motion was approved 5-1 with Mr. Long dissenting.**

NEW BUSINESS:

John Forrest, Samantha Scher and Dianna Parente appeared before the Board via videoconference on behalf of Lord Abbett & Company to discuss a proposed interim settlement agreement in the appraisal action against ExamWorks. It was noted that this matter had been previously considered by the Board at the meeting held February 2, 2017, but Mr. Schiess and Mr. Bangel recommended that the matter be revisited after subsequent discussions with Mr. Forrest. Mr. Forrest reviewed the basis of the appraisal action in great detail. He explained that ExamWorks consummated a merger transaction that would have resulted in the System receiving \$35.05 per share on its holdings but Lord Abbett & Company initiated an appraisal rights action believing the proposed amount was substantially insufficient and unfair to shareholders. Mr. Forrest reported that an interim settlement agreement was recently negotiated by Lord Abbett & Company on behalf of clients involved with this matter. Under the agreement, ExamWorks agreed to immediately compensate the full \$35.05 per share plus interest that has accrued at the current statutory rate of 6.50%. The appraisal case will then continue with further negotiations for either a settlement considered satisfactory by Lord Abbett & Company or ordered by the Court. Also under the agreement, the System must return any amount less than \$35.05 per share but Mr. Forrest explained that this would essentially only be a return of funds that the System was not going to recover regardless. It was noted that under the proposed arrangement, the System would benefit from the immediate recovery of the proposed share price and interest, which far outweighed the less significant downside of potential loss of interest on any final settlement amount above \$35.05 per share. **Mr. Tanner made a motion to reconsider the previously closed matter. Mr. Long seconded the motion. The motion was accepted unanimously. Ms. Wenguer made a motion to proceed with the ExamWorks interim settlement agreement contingent upon review and approval of legal counsel. Mr. Tanner seconded the motion. The motion was approved unanimously.**

As a follow up to the last meeting, Mr. Schiess discussed Lord Abbett & Company's request for an extension on the new reporting requirements within the recently revised Investment Policy Statement. He reminded the Board that the manager expressed concerns over divulging its overall holdings of any one company considering that confidential trade information. Mr. Schiess further explained that the manager requested an extension of the reporting requirements to coincide with required routine Securities and Exchange Commission filings. Mr. Bangel discussed the procedure for implementation of the request, noting that the Board had already revised the Investment Policy Statement to provide for permissible exceptions on a case-by-case basis. Mr. Bangel reviewed a draft addendum to the investment manager agreement with Lord Abbett & Company and a correction was noted. **Ms. Wenguer made a motion to approve the addendum to the investment manager agreement with Lord Abbett & Company subject to final review and correction by legal counsel. Mr. Long seconded the motion. The motion was approved unanimously.**

Mr. Schiess reviewed proposals received from third parties for filing proofs of claims in securities litigation actions. He explained that passive participation in the actions requires the filing of proofs of claims to recover the System's share of the proceeds, which is service customarily performed by a custodial bank. Mr. Schiess reported that former custodian BNY Mellon will not file proofs of claims for the holdings and class periods

during their tenure and therefore it was necessary to engage a third party to perform the filings. Mr. Schiess discussed the research conducted into prospective candidates, noting that the firms providing proposals were highly regarded but neither was more highly recommended than the other. Mr. Schiess explained that the proposal submitted by Battea Class Action Services was the most favorable financially. After further discussion, **Ms. Wenguer made a motion to engage Battea Class Action Services contingent upon the successful negotiation of an agreement by legal counsel. Mr. Long seconded the motion. The motion was approved unanimously.**

In consideration of time constraints, the remaining items on the agenda under new business were deferred until the next meeting.

OLD BUSINESS

Mr. Schiess announced a special meeting was scheduled for April 13, 2017 at to consider a settlement offer in the securities litigation action against the Salix Pharmaceutical Company.

In consideration of time constraints, the remaining items on the agenda under old business were deferred until the next meeting.

ATTORNEYS REPORT

Mr. Bangel advised that all of the items under the attorney's report were previously addressed.

ADMINISTRATOR'S REPORT

In consideration of time constraints, the Board received and filed the written administrator's report, noting that there were not any areas of concern.

MONTHLY FUND ASSET MIX

The Board received and filed the asset allocation as of March 31, 2017, noting that there were not any areas of concern.

PLEASURE OF THE BOARD

There were not any concerns or opinions expressed by any Trustees.

BOARD COMMUNICATION TO THE CITY COMMISSION

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

ADJOURNMENT

Mr. Long made a motion to adjourn. Mr. Burnam seconded the motion. The motion was approved unanimously. The meeting adjourned at 4:41 PM