

**CITY OF FORT LAUDERDALE
GENERAL EMPLOYEES' RETIREMENT SYSTEM
BOARD OF TRUSTEES MEETING**
316 NE FOURTH STREET, SUITE 2, FORT LAUDERDALE, FLORIDA
Thursday, July 6, 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, Chairman
Lynn Wenguer, Vice-Chairperson
Pat Long, Secretary
Paul Tanner, Trustee
Jill Prizlee, Trustee
Mark Burnam, Trustee
Ron Cameron, Trustee
Laura Garcia, Ex-Officio Designee

Also Present: Candice Duff, City Attorney's Office
Alan Vordermeier, VMC Realty
Ash Benzo, City Treasurer
Lynn Solomon, City Attorney's Office
Nick Schiess, Pension Administrator
Glenn Thomas, Board Attorney (via teleconference)
Rich Dahab, Dahab Associates (via videoconference)
Matt Jaffe, Deutsche Asset Management (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.

APPROVAL OF MINUTES

Chairman Stahl asked the Board to review the minutes of the meetings held June 9, 2017 and June 16, 2017. A correction was noted on the minutes of the meeting held June 16, 2017. **Mr. Long made a motion to approve the minutes of the meetings held June 9, 2017 and June 16, 2017 as corrected. Ms. Prizlee seconded the motion. The motion was approved unanimously.**

APPROVAL OF CONSENT ITEMS

Chairman Stahl asked the Board to review the consent items, noting that pursuant to State Statutes he must abstain from voting on any measure which would inure to his special private gain or loss. **Ms. Wenguer made a motion to approve the Benefit Review. Mr. Long seconded the motion. The motion was approved unanimously with Chairman Stahl abstaining.** Chairman Stahl submitted the required completed Form 8B Conflict of Voting Interests.

BENEFIT REVIEW

RETIREMENT

Name	Date	Service	Type
Salvatore Cupo Public Works	5/01/23	11y, 10m, 19d	Vested
Jonathan Stahl Information Technology	2/01/29	16y, 9m, 19d	Vested
Patricia Brooks Finance	7/08/17	10y, 13d, 0d	Normal
Alice Benitez Police	8/01/17	26y, 8m, 6d	Normal
David Harvey City Manager Office	7/29/17	17y, 6m, 26d	Normal
Brian Nobert Public Works	8/01/17	14y, 0m, 0d	Vested Commencement
James Cromar Planning	8/01/17	5y, 13d, 0d	Vested Commencement
Diane Cochrane Finance	8/01/17	34y, 10m, 6d	Disability Conversion

POST RETIREMENT DEATH

Name	Date
Ruth Charlesworth	6/04/17
Allan Mink Spouse of Janis Mink	6/06/17
Tom Terrell	6/09/17
John Gosney	6/19/17

The Board reviewed the disbursement approvals. **Mr. Burnam made a motion to approve the remaining consent items. Mr. Long seconded the motion. The motion was approved unanimously.**

INVESTMENT MANAGER REPORT: DEUTSCHE ASSET MANAGEMENT

Matt Jaffe joined the meeting via teleconference on behalf of Deutsche Asset Management to provide a report on the RREEF America REIT II real estate fund. He provided an update on the firm, noting no significant organizational changes. Mr. Jaffe discussed the long-term performance of the fund, noting the overperformance of their respective index for nearly all measurable time intervals. He then reviewed the investment strategy and process, geographical and sector allocations and recent transactions all in great detail. Mr. Jaffe then discussed the economic and market conditions and anticipated measure performance prospectively. He was questioned regarding the dispersion of the sector weightings versus the index. Mr. Jaffe reviewed the sector allocations, noting that the intentional underweighting of the retail sector was attributable to less than favorable market forecast.

REAL ESTATE COMMITTEE REPORT

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

Mr. Vordermeier provided an update on the lease renewal with tenant Dr. Kessler. He reviewed their requested changes to the terms of the lease and the proposed responses which were acceptable to the Board.

Mr. Vordermeier provided an update on the building renovations.

Mr. Long inquired regarding the status of the agreement with CBRE for listing services approved at the last meeting. Mr. Thomas advised that the agreement was under review and should be ready for execution at the next meeting. It was noted that the Board had agreed to extend Mr. Vordermeier the opportunity to introduce offers prior to the execution of the agreement. Mr. Vordermeier advised that sufficient time did not exist to develop reasonable and legitimate offers by the next meeting and requested consideration of a carve out exception to the proposed agreement for any offers that he generated. The Board requested draft language be added to the proposed agreement with CBRE for consideration at the next meeting in order to accommodate Mr. Vordermeier's request.

AUDIT COMMITTEE REPORT

Chairman Stahl reported that it was unnecessary for the Audit Committee to meet. As a follow up to the last meeting, he discussed the terms of an Audit Engagement Letter proposed by incumbent auditor Crowe Horwath to prepare the 2017 fiscal year audit for a cost of \$14,500. The Board expressed considerable satisfaction with services previously provided by the firm and the reasonableness of their fees. **Ms. Wenguer made a motion to execute the audit engagement letter. Mr. Tanner seconded the motion. The motion passed unanimously.**

NEW BUSINESS

Mr. Schiess provided a report on a request from one of the System's securities monitoring firms to pursue appointment as lead counsel in a class action securities lawsuit against the

firm FleetCor LLC. He explained that recovery in class action security litigation actions is based on holdings during the class period, not whether participation was active or passive. Mr. Schiess discussed independent research conducted, merits of the proposed action and then ultimately recommended remaining a passive participant. **Mr. Burnam made a motion to remain a passive participant in any class action securities lawsuit against the firm FleetCor LLC. Ms. Wenguer seconded the motion. The motion passed unanimously.**

Mr. Dahab joined the meeting via videoconference and discussed the asset allocation. He reported that the previously implemented strategy to reduce equity exposure through the intentional reduction of equities to fund benefit payments and capital calls for alternative investments should have been successful. But fortunately for investors, the global equity markets performed well beyond expectations and despite the systematic reduction of equities the System remained in an overcommitted range to equities. He advised that a more aggressive approach will be required to reduce equity exposure by the end of the fiscal year. Mr. Dahab provided a detailed schedule of reductions in the domestic equity separate accounts and funds to reduce overall equity exposure with reallocation to fixed income and the existing real estate products managed by Invesco and American Realty Investors. A lengthy discussion arose regarding cash as an alternative asset class to fixed income. It was noted that given current market conditions very little return was expected from fixed income and the risk adjusted return was anticipated to be even less than cash. **Mr. Tanner made a motion to reduce overall equity exposure as prescribed by Mr. Dahab with the proceeds to fund increases in the real estate products managed by Invesco and American Realty Investors with the balance to temporarily remain in cash until a more favorable alternative to fixed income was determined. Mr. Long seconded the motion. The motion passed unanimously.**

Mr. Dahab proposed a slight revision to the Investment Policy Statement, specifically the addition of the Russell 2000 Growth Index to the list of comparative benchmarks for the evaluation small cap investment products. **Mr. Burnam made a motion to adopt the revised Investment Policy Statement as recommended by the Investment Consultant. Mr. Long seconded the motion. The motion passed unanimously.**

Mr. Schiess provided a quote for fiduciary liability insurance. He explained that guidance had been provided to previous Boards that the coverage was unnecessary because of protections afforded under sovereign immunity. He discussed the exposures of the System and Trustees protected by the insurance versus protections under sovereign immunity, most notably the reimbursement for potentially significant legal fees. Mr. Schiess ultimately recommended acquiring the coverage, noting it was standard practice for Boards of governmental pension plans. He advised that he was awaiting a quote from another insurer and verification that the coverage was not already provided through the City. The Board deferred the matter until the next meeting.

OLD BUSINESS

Mr. Schiess provided an update on the pending disability appeal, noting that notice had been sent to the Claimant and their Legal Counsel regarding the special meeting following the regular Board meeting on the date of August 3, 2017 at 3:30 PM.

Mr. Schiess provided an update on the development of the beneficiary payment policy.

Mr. Schiess provided an update on the revision of the Summary Plan Description. As a follow up to the last meeting, he provided printing and mailing options.

Mr. Thomas reported that a proposed Ordinance Amendment has been drafted to remedy the outstanding DROP account interest crediting issue and he was collaborating with the Plan Administrator with additional unrelated updates to include within the proposed Ordinance for ultimate consideration by the City Commission.

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 the agreements and account setup has been completed for the new investment managers Copeland Asset Management and Kayne Anderson Rudnick Investment Management and would be soon funded.

Mr. Schiess discussed a potential concern with an offset to a disability pension for Worker's Compensation benefits, which would require additional research and a report back to the Board.

ATTORNEY'S REPORT

Mr. Thomas reported reviewing information discovered about a member whose recent conviction of public entity crimes committed before retirement necessitates review further by the Board. He explained that State Statutes require the Board to consider pension forfeiture proceedings against any public officer or employee for the commission of specific public entity crimes. Mr. Thomas then discussed the specific requirements and conditions under which pension forfeiture is applicable as well as due process and proceedings. Based upon the existing evidence on the member, he recommended that the matter be placed upon the agenda for the next meeting and the Board agreed.

Mr. Thomas reported that revision of the Special Tax Notice was completed.

MONTHLY FUND ASSET MIX

Mr. Schiess reviewed the asset allocation as of June 30, 2017. He noted that approximately \$2.9M must be raised to meet benefit payment obligations and upcoming capital calls, which can be funded from the proceeds of the asset reallocation.

PLEASURE OF THE BOARD

Mr. Tanner requested additional consideration of an all asset exchange traded fund product at a future meeting and the Board agreed.

Mr. Burnam requested the Board's consideration for a presentation from EnTrustPermal securities for investment management services at a future meeting and the Board agreed.

BOARD COMMUNICATION TO THE CITY COMMISSION

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

ADJOURNMENT

The meeting adjourned at 2:50 PM.