

**CITY OF FORT LAUDERDALE
GENERAL EMPLOYEES' RETIREMENT SYSTEM
BOARD OF TRUSTEES MEETING**
316 NE FOURTH STREET, SUITE 2, FORT LAUDERDALE, FLORIDA
Thursday, August 3, 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, Chairman
Lynn Wenguer, Vice-Chairperson
Pat Long, Secretary
Paul Tanner, Trustee
Jill Prizlee, Trustee
Mark Burnam, Trustee
Laura Garcia, Ex-Officio Designee

Absent: Ron Cameron, Trustee

Also Present: Paul Bangel & Jonathan Jaffe, City Attorney's Office
Alan Vordermeier, VMC Realty
Ash Benzo, City Treasurer
John Herbst, City Auditor
Nick Schiess, Pension Administrator
Jim Linn, Lewis Longman & Walker (Board Attorney)
Rich Dahab, Dahab Associates
Mark Guariglia & Jack Farland, Entrust Permal
Greg Hymowicz & Greta Haldad, Entrust Permal
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 meeting held July 6, 2017. **Mr. Long made a motion to approve the minutes of the meeting held July 6, 2017. Mr. Burnam seconded the motion. The motion was approved unanimously.**

APPROVAL OF CONSENT ITEMS

Chairman Stahl asked the Board to review the consent items. **Mr. Long made a motion to approve the consent items as presented. Mr. Burnam seconded the motion. The motion was approved unanimously.**

RETIREMENT

Name	Date	Service	Type
Robert Verbosh Public Works	8/27/17	17y, 8m, 1d	Normal
Anthony Pantin Transportation & Mobility	9/01/17	10y, 6m, 6d	Vested Retirement

DROP RETIREMENT

Name	Date	Service
Gina Rivera Parks & Recreation	9/01/17	30y, 9m, 0d

DROP TERMINATION

Name	Date
James Hemphill Finance	9/01/17

POST RETIREMENT DEATH

Name	Date
Ada Chuma Spouse of William Chuma	7/20/17

INVESTMENT MANAGER PRESENTATION: ENTRUST PERMAL SECURITIES

Mark Guariglia, Jack Farland, Greg Hymowicz and Greta Haldad appeared before the Board on behalf of Entrust Permal Securities to provide a report on the firm’s Special Opportunity Four Fund. Mr. Hymowicz discussed the firm’s qualifications and experience, noting that the firm managed over \$24B in assets all within opportunistic strategies. He reviewed the investment strategy in great detail as well as the history and investment returns of the previous three opportunity funds. Mr. Hymowicz then reviewed management

and performance fees, capital commitment and reinvestment and other factors important to the evaluation of the fund.

INVESTMENT CONSULTANT REPORT: DAHAB ASSOCIATES

Mr. Dahab was requested to review the presentation from Entrust Permal Securities. He advised that the firm was well renowned and considered a leading manager within this specialty asset class. A lengthy discussion ensued regarding the asset class and whether it was a prudent investment for pension funds. After careful and thorough consideration, the Board did not express an interest in pursuing the addition of this specialty asset class at this time.

Mr. Dahab provided the Board with a report on the investment portfolio for the quarter ending June 30, 2017. He advised that the results were only preliminary due to recent transition of custodial services and pending reconciliations. Mr. Dahab reported that the preliminary investment return for the quarter was 3.9% net of fees, which ranked in the top 6th percentile of the public fund universe. The preliminary return for the fiscal year-to-date was 11.1%, 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 then discussed market and economic conditions, noting that the domestic economy grew only at a modest pace.

Mr. Dahab reviewed the asset allocation. Mr. Burnam reiterated concerns regarding adherence to limitations within the asset allocation policy. Mr. Dahab noted that the rebalancing authorized at the last meeting had brought the individual domestic equity allocations to within policy limitations but the overall allocation to equities still remained high. Mr. Schiess reported that the systematic reduction of the emerging market allocation from 12% to 9% of the total portfolio by September 30, 2017 for benefit payments had been unsuccessful because their increase in market value far outpaced withdrawals. He suggested an immediate trimming to the target level and the Board agreed. A discussion ensued regarding further trimming of domestic equities. Mr. Dahab reviewed the discussions that occurred at previous meetings, noting that the current market environment left little opportunity in fixed income. A lengthy discussion ensued regarding reallocation as well as short term investment products. **Ms. Prizlee made a motion to redeem \$6 million from the SSGA R1000 Index Fund and increase the prior commitment by \$3M to each of the real estate products managed by Invesco and American Realty Investors. Mr. Burnam seconded the motion. The motion passed unanimously.** Mr. Dahab agreed to research short term investment products and report back to the Board at the next meeting.

NEW BUSINESS

As a follow up to the last meeting, Mr. Linn discussed specific requirements and conditions under which pension forfeiture is applicable as well as due process and proceedings. 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. Linn then reviewed documentation received from the Court regarding the conviction of Joseph Arena for the commission of specific crimes that require forfeiture of pension. He then reviewed a draft notice to Mr. Arena regarding the Board's intent to proceed with the forfeiture process along with his right to a full administrative hearing. A discussion arose regarding the agent of process. **Ms. Wenguer made a motion to approve and transmit the notice to Joseph Arena as amended to be sent from the Board's attorney with the Plan Administrator as contact. Mr. Long seconded the motion. The motion was accepted unanimously.**

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.

The Board reviewed a draft of the proposed 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. Vordermeier discussed three different potential purchasers for the 4800 Building. A question arose whether a listing price should be established within the agreement and it was noted that CBRE previously mentioned letting the market establish the price would likely be more beneficial. **Mr. Long made a motion to amend the proposed Agreement with CBRE for listing services to include carve out exceptions for the potential buyers registered by Alan Vordermeier and submit it to CBRE for consideration. Ms. Prizlee seconded the motion. The motion was unanimously accepted.** Mr. Vordermeier assured the Board that he would have at least one firm offer by the September meeting.

Mr. Vordermeier provided an update on the building renovations.

OLD BUSINESS

Mr. Schiess provided an update on the pending disability appeal, noting that a request to reschedule the hearing had been received from the Claimant's Attorney. After further discussion, the Board scheduled a special meeting immediately following the next regular meeting on September 12, 2017.

Mr. Thomas provided an update on the proposed Ordinance Amendment drafted to remedy the outstanding DROP account interest crediting issue for ultimate consideration by the City Commission. He advised that he was collaborating with the Plan Administrator on additional unrelated updates to include within the proposed Ordinance and expected to present it to the Board at the next meeting.

Mr. Schiess provided an update on the revision of the Summary Plan Description and development of the proposed beneficiary payment policy. He explained that both items were pending review of the Ordinance for specific beneficiary payment provisions and formalization of optional forms of payment. He reported conducting research into the costing of the optional forms of payment with the Systems actuary, which had identified an issue requiring their research.

Mr. Schiess provided quotes for fiduciary liability insurance. He discussed the exposures of the System and Trustees protected by the insurance and ultimately recommended acquiring the coverage, noting it was standard practice for Boards of governmental pension plans. Mr. Schiess reported that research had been conducted into insurance provided by the City and this specific coverage was not already provided. **Ms. Wenguer made a motion to procure fiduciary liability insurance from the Hudson Insurance Company with a \$10,000.00 deductible for an annual premium of \$17,381. Mr. Long seconded the motion. The motion passed unanimously.**

Mr. Schiess provided a report on the annual review of disability pension recipients. He reported that all but four of the recipients had complied with the requirement of providing certification from a physician that they remained disabled. Mr. Schiess reviewed the policies and procedures, noting that the four had been sent three separate notifications with the last one advising them that their pensions would be suspended for non-compliance with the procedure. He provided the Board with a petition from one of the recipients whose Physician had retired and the attaining the certification from a new physician would result in undue financial burden. It was noted that most disability pensions were very modest and then a discussion arose regarding the payment for medical exams on a case-by-case basis. **Mr. Long made a motion to adhere to the disability policy and procedures, consider payment of medical exams on a case-by-case basis and approve payment for the medical exam for the petitioner. Ms. Prizlee seconded the motion. The motion was accepted unanimously.** Mr. Schiess advised that he would immediately issue another notification to the affected disability recipients advising them that their benefits are suspended. Mr. Schiess discussed a potential concern with an offset to the disability pension of Rolando Lopez for Worker's Compensation benefits, which would require additional research and a report back to the Board.

The Board resumed a prior discussion on the System's assumed rate of investment return. It was noted that the Board had deferred the discussion pending input from the City. It was further noted that a determination on the assumption would soon be required in conjunction with the approval of the next actuarial valuation. The matter was deferred until the next meeting.

AUDIT COMMITTEE REPORT

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

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 on training received from the City on posting meeting dates and also he received an administrator certificate at the last FPPTA educational conference.

Mr. Schiess reported that Lord Abbett was provided a termination notice for their small cap mandate. The new Copeland Asset Management and Kayne Anderson Rudnik mandates of \$15M each were funded partially with securities transferred in-kind from the Lord Abbett with the remainder in cash from its liquidation.

MONTHLY FUND ASSET MIX

Mr. Schiess reviewed the asset allocation as of July 31, 2017, noting that \$60M had been trimmed from domestic equities in conjunction with the rebalancing directive approved at the last meeting.

PLEASURE OF THE BOARD

There was nothing to discuss for pleasure of the Board.

BOARD COMMUNICATION TO THE CITY COMMISSION

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

ADJOURNMENT

Ms. Wenguer made the motion to adjourn. Ms. Prizlee seconded the motion. The motion passed unanimously. The meeting adjourned at 3:38 PM.