

**CITY OF FORT LAUDERDALE
GENERAL EMPLOYEES' RETIREMENT SYSTEM
BOARD OF TRUSTEES MEETING**
316 NE FOURTH STREET, SUITE 2, FORT LAUDERDALE, FLORIDA
Thursday, October 11, 2018
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
Paul Tanner, Trustee
Jill Prizlee, Trustee
Marian Dollard, Trustee
Mark Burnam, Trustee
Ron Cameron, Trustee

Also Present: Glenn Thomas, Board Attorney (via teleconference)
Jeri Pryor, City Manager's Office
Maya Saxena, Stefanie Leverette & Kelly Diehr, Saxena White P.A.
Nick Schiess, Pension Administrator
Gregg Gosch & Martin LaPrade, Sawgrass Asset Management
William Dahab, Dahab Associates (via videoconference)
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 September 13, 2018. **Ms. Wenguer made a motion to approve the minutes of the meeting held September 13, 2018. Ms. Dollard seconded the motion. The motion was approved unanimously.**

APPROVAL OF CONSENT ITEMS

Mr. Schiess reviewed the consent items. A lengthy discussion arose regarding eligibility for the early commencement of vested deferred benefits for members with less than fifteen years of service. Mr. Schiess reported that the language within the Ordinance appears supportive of eligibility, which had been reviewed and confirmed by legal counsel. A question then arose regarding the difference between the eligibility and differences between early retirement requiring fifteen years of service or early commencement of vested deferred benefits without the same requirement. **Ms. Wenguer made a motion to approve the consent items with the exception of the early commencement of vested deferred benefits for Salvatore Cupo. Ms. Dollard seconded the motion. The motion was approved unanimously.** The Board requested additional review by legal counsel and the matter revisited at the next meeting.

BENEFIT REVIEW

RETIREMENTS

Name/Department	Date	Service	Type
GORMAN, MAUREEN Police & Fire	10/1/2018	17 Y, 6 M, 2D	Vested Deferred/Early
SERAFINI, PAOLO Sustainable Development	10/2/2018	13 Y, 0 M, 3D	Normal
BROWN, JEANNE Public Works	11/2/2018	30 Y, 1 M, 0D	Normal

DROP EXITS

Name	Date
TORRENCE, ARNETTE	10/31/2018

DROP ENTRIES

Name	Date	Service
BAILEY, TROY Information Technology Services	11/1/2018	13Y 3M 14D

INVESTMENT MANAGER REPORT: SAWGRASS ASSET MANAGEMENT

Greg Gosch and portfolio manager Martin LaPrade appeared before the Board on behalf of Sawgrass Asset Management to provide a report on the large cap growth portfolio. Greg Gosch provided an organizational update, noting no changes of significance or in the portfolio management team. Mr. LaPrade reported that the investment return for the quarter ending September 30, 2018 was 10.9% versus 9.7% for the index and for the trailing year was 23.7% versus 26.3% for the index. He then discussed the factors that attributed to the underperformance, noting that the very recent and strong returns of the market were largely driven by momentum stocks. Mr. LaPrade reviewed the investment strategy and process, noting that the investment strategy was very conservative and therefore excluded large sector or stock weightings that often times drive the performance of the index without any consideration of risk or solid fundamental basis. Mr. LaPrade then reviewed the sector allocations and holdings all in great detail. He discussed economic and market conditions and anticipated that their investment strategy would produce returns favorable to the index once

the market again returned to consideration of fundamentals.

ADMINISTRATOR'S REPORT

Mr. Schiess presented a recent announcement received from Lord Abbett & Company regarding a transition within the management team that managed the smid-cap portfolio. William Dahab discussed the transition in detail, noting that it was very significant and might negatively impact performance considerably. He recommended a manager search inclusive of the incumbent manager. Mr. Dahab then reviewed the asset allocation, noting that the small cap allocation was sufficiently represented by other investment managers and therefore recommended that the search and the manager's current allocation be revised to mid-cap only. **Mr. Burnam made a motion to authorize Dahab Associates to perform a search for a mid-cap domestic equity investment manager. Mr. Tanner seconded the motion. The motion was approved unanimously.** Mr. Dahab was questioned whether the transition was of such significant concern to warrant immediate liquidation of the portfolio. He responded that the portfolio management was still in capable hands and immediate liquidation was not warranted but the account should be used as a source to raise cash for any pending obligations.

Mr. Schiess provided a financial report including account and benefit payment reconciliations, fulfilled and pending capital calls and funding status of the alternative investments.

Mr. Schiess reported the receipt of \$5,949,585 representing resenting the City's annual contribution to the System. He reviewed the asset allocation and upcoming funding obligations for capital calls and benefit payments in the amount of \$2.5 million. He explained that the recent effort to bring the emerging market allocation within range was thwarted by additional market movement and another \$4M was needed to bring the emerging market allocation within policy. **Mr. Burnam made a motion to reallocate \$4 million cash to the new emerging market index fund managed by State Street Global Advisors and raise any additional cash needed from the Lord Abbett & Company smid-cap portfolio. Ms. Prizlee seconded the motion. The motion was approved unanimously.**

Mr. Schiess reported that the retiree newsletter had been published and mailed.

Mr. Schiess provided a report on the recent retirement seminar.

Mr. Schiess provided an update on the potential reinstatement of credited service for former active member Stacy Norcross.

EDUCATIONAL PRESENTATION: SAXENA WHITE P.A.

Maya Saxena appeared before the Board on behalf of Saxena White P.A. to provide a general informational presentation on class action securities litigation. She explained that securities litigation firms monitor holdings of institutional investors in search of holdings that incurred significant financial losses attributable to material misrepresentation or deception by the firm's management. Ms. Saxena explained then in great detail the steps of the legal process from the initiation of a complaint to final settlement of the class action litigation including

disbursement of the proceeds. She discussed the importance of involvement by institutional investors as lead plaintiffs, especially by pension funds, which adds credibility and statistically results in much higher damage awards by the Court. Ms. Saxena thanked the Board for the opportunity to provide the presentation and the representatives of the firm departed the meeting. Mr. Schiess provided a report on the System's historical involvement as lead plaintiff in class action securities litigation cases. He reminded the Board of prior discussions into the merit of involvement in active versus passive participation. He provided a detailed report regarding the commitment of staff, resources and of other interested parties to pursue lead plaintiff status, noting that direct and indirect costs are usually reimbursable.

Mr. Schiess explained that the portfolio monitoring services offered by securities litigation firms are no cost. Furthermore, the firms provide reports that are useful for the System's custodian to double check filings and ensure that all proofs of claims are filed in passive participation. Then if a case is warranted a firm will suggest consideration to pursue lead plaintiff status, which is all extended on a contingency fee basis with legal fees deducted from the proceeds of a successful action. Mr. Schiess questioned whether the Trustees desired to add Saxena White P.A. to the list of portfolio monitoring firms already engaged by the Board. He noted that the only costs were any legal fees associated with the negotiation of a simple agreement and for which the firm already agree to reimburse the System. A discussion ensued whether to add the firm. Mr. Schiess was questioned regarding the merit and popularity of engaging multiple securities monitoring firms. He responded that the services were of no cost, it was generally considered a benefit to engage multiple firms and Maya Saxena had advised that the firm specialized in corporate governance issues. After further discussion, **Mr. Burnam made a motion to add Saxena White P.A. to the list of securities litigation firms already engaged by the Board. Ms. Wenguer seconded the motion. The motion was approved unanimously.**

NEW BUSINESS

Mr. Schiess provided a draft of a new proposed DROP Administration Policy necessitated by the alternate interest crediting methodology pursuant to recently adopted Ordinance C18-22. He discussed in great detail the intricacies of the provisions within the new Ordinance, specifically the application of exit interest during the last year of participation and determination of net investment return. The Board determined that most reasonable and logistically feasible determination was the crediting of exit interest up through employment termination date based upon the fiscal year-to-date investment return defined as gross investment return less investment manager fees as reported within the quarterly investment consultant reports.

Mr. Schiess introduced a complete set of revised administration forms to be reviewed by legal counsel for final consideration and adoption at the next meeting.

Mr. Schiess provided the final terms of the proposed lease renewal for the Pension Office. The Board concluded that the common area maintenance expense was much higher than anticipated making the current location unsatisfactory from a value standpoint. The Board directed the Plan Administrator to present a final counter offer to the landlord of \$3,000 a month inclusive of common area maintenance expenses and simultaneously conduct a search

for alternate office space. Ms. Prizlee volunteered to assist the Plan Administrator in the office search. Mr. Schiess advised that due to the urgency of this issue a special meeting would likely be required once the outstanding items have been researched.

OLD BUSINESS

Mr. Schiess explained that the new Beneficiary Payment Policy was under review by legal counsel and will reappear on the agenda for the next meeting for consideration and adoption.

ATTORNEY'S REPORT

Mr. Thomas stated that there was nothing to report at this time.

MONTHLY FUND ASSET MIX

The monthly fund asset mix report was previously considered in the Administrator's Report.

PLEASURE OF THE BOARD

There was nothing at this time.

BOARD COMMUNICATION TO THE CITY COMMISSION

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

ADJOURNMENT

The meeting adjourned at 2:40 PM.