

**CITY OF FORT LAUDERDALE**  
**GENERAL EMPLOYEES' RETIREMENT SYSTEM**  
**BOARD OF TRUSTEES MEETING**  
316 NE FOURTH STREET, SUITE 2, FORT LAUDERDALE, FLORIDA  
Thursday, April 12, 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, Chairperson  
Lynn Wenguer, Vice-Chairperson  
Jill Prizlee, Secretary  
Marian Dollard, Trustee  
Paul Tanner, Trustee (via teleconference)  
Mark Burnam, Trustee  
Ron Cameron, Trustee  
Linda Logan-Short, Ex-Officio Designee

Also Present: John Herbst, City Auditor  
Hattie Brinson, Retiree  
Michael & Kathleen Hittle, Disability Recipient & Spouse  
Ron Cohen, Attorney for Michael Hittle  
Glenn Thomas, Board Attorney (via teleconference)  
Nick Schiess, Pension Administrator  
Richelle Hayes, American Realty Advisors  
Melissa Moskovitz, Gabriel Roeder Smith  
Jane Dyar, Pension & Recording Secretary

**CALL TO ORDER**

Chairperson Stahl called the meeting to order and roll call was taken. The Board recognized that trustee Paul Tanner was attending the meeting remotely in accordance with the provisions within City Resolution 12-84.

**PUBLIC COMMENT**

There was no public comment.

## **APPROVAL OF MINUTES**

Chairperson Stahl asked the Board to review the minutes of the meeting held March 19, 2018. **Mr. Burnam made a motion to approve the minutes of the meeting held March 19, 2018. Ms. Wenguer seconded the motion. The motion was approved unanimously.**

## **APPROVAL OF CONSENT ITEMS**

Chairman Stahl asked the Board to review the consent items. Mr. Schiess discussed the circumstances of DROP applicant Tracie Moll who despite a repayment plan still owed reimbursement to the System. Mr. Schiess relayed Ms. Moll's request for repayment of the arrearage balance from her DROP account. After further discussion, the Board by consensus agreed that generally as well as in this specific situation that all arrearages must be repaid before benefits can be derived from the System. **Ms. Wenguer made a motion to approve the consent items with the exclusion of the DROP application of Tracie Moll. Ms. Dollard seconded the motion. The motion was approved unanimously.**

## **BENEFIT REVIEW**

### **RETIREMENTS**

<b>Name/Department</b>	<b>Date</b>	<b>Service</b>	<b>Type</b>
OWENS, THEODORE Public Works	5/1/2018	21 Y, 6 M, 11D	Normal
BANTA, VANESSA Parks & Recreation	5/1/2018	18 Y, 1 M, 12D	Early

### **DROP ENTRIES**

<b>Name/Department</b>	<b>Date</b>	<b>Service</b>
ANGELS, JUDITH Parks & Recreation	5/1/2018	12Y 10M 9D

### **POST RETIREMENT DEATH**

<b>Name</b>	<b>Date</b>
SAYER, LARRY Spouse of Carol Sayer	2/14/2018

## **INVESTMENT MANAGERS REPORT: AMERICAN REALTY ADVISORS**

Richelle Hayes appeared before the Board to provide a report on the American Core Realty Fund and the American Strategic Value Realty Fund. Ms. Hayes provided an update on the firm, noting no significant organizational changes and assets under management had grown to over \$7.5 billion. She reported that the net of fee return for the Core Realty Fund was 6.98% for the trailing one-year period and 9.67% annualized over the last five years. The net of fee return for the Strategic Value Realty Fund was 9.55% for the trailing one-year period and 12.78% annualized over the last three years. Ms. Hayes reviewed the investment strategy, investment process, holdings, geographical and sector allocations all in great detail. She discussed market and economic conditions, noting that both funds had produced returns well above expectations but she anticipated more

measured returns prospectively. Ms. Hayes was questioned whether properties were exchanged between the two funds and she responded that there were not exchanged in accordance with their strict criteria.

### **ACTUARY'S REPORT: GABRIEL ROEDER SMITH**

Melissa Moskovitz appeared before the Board on behalf of Gabriel Roeder Smith to present the Actuarial Valuation for fiscal year ending September 30, 2017. She reported that for the 2019 fiscal year, the City's funding requirement will be \$9.25 million, which is a decrease of \$1.71 million from the prior year. Ms. Moskovitz 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 and extraordinary investment returns. She noted that the funding requirements, expressed as a percentage of payroll, should normally 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 is being shortened from 30 years in one year increments. Ms. Moskovitz reported that the funding ratio of 96.0% increased from 93.5% for the prior year. She reported the investment return assumption was lowered from 7.5% to 7.4% within this valuation and would continue to be lowered to 7.0% in 0.1% increments each year. Ms. Moskovitz discussed the merits of and recommended that an actuarial experience study be performed as the previous one was prepared in the year 2012. **Ms. Wenguer made a motion to approve the 2018 Actuarial Valuation. Ms. Prizlee seconded the motion. The motion passed unanimously.**

The Ms. Moskovitz reviewed the criteria necessary for the favorable consideration of a cost-of-living adjustment for the retirees by the City. She discussed the applicable provisions within the Ordinance. Ms. Moscovitz then discussed requirements specified within State Statutes; specifically that actuarial experience may be used to fund additional benefits provided that the present value of such benefits does not exceed the net actuarial experience accumulated from all sources of gains and losses. Ms. Moscovitz reviewed a historical analysis of cumulative actuarial gains and losses, noting that the System is in a positive actuarial gain position for the first year since the year 2010. Mr. Herbst reminded the Board that a covenant of the pension obligation bond issuance required that any increase in liability of the System must be pre-funded, which was noted as perhaps the most significant hurdle for the implementation of a cost-of-living adjustment. Retiree Hattie Brinson questioned the intended purpose for funds identified as an accumulated actuarial gain and was advised that they were not held in reserve for any special purpose or classification and were a component of the overall funding of the System perhaps even offsetting a future actuarial loss. A discussion arose regarding the Board's responsibility in the pursuit of cost-of-living adjustments given the established criteria and the Trustees recognized that approval was ultimately up to the City Commission. Mr. Schiess provided a report on the actions of prior Boards, noting that notification had historically been provided to the City when the System was in an actuarial gain position and was usually accompanied by a recommendation by the Board along with an actuarial cost study on the associated costs.

## **OLD BUSINESS**

The Board resumed consideration of the conversion of disability benefits to normal retirement for Michael Hittle and Carnal Wilson, which had been deferred several meetings for Mr. Hittle to retain legal counsel. Ron Cohen appeared on behalf Mr. Hittle as legal counsel to discuss the negative financial impact on Mr. Hittle of revising the application of the provisions within the Ordinance regarding the extension of disability benefits beyond normal retirement date. He introduced multiple documents sourced from the System all supporting that the duration for the extension of disability benefits had been represented to Mr. Hittle as five years beyond his date of disability. Mr. Hittle also attested under oath that the extension of disability benefits had been represented to him as five years beyond his date of disability within the 2008 Summary Plan Description, information published on the website and calculations of disability and normal retirement benefits at conversion received from the Pension Office. Mr. Hittle then attested that he intentionally did not pursue disability benefits from the Social Security Administration based upon this information. Mr. Cohen reviewed numerous state and federal court cases wherein the court consistently upheld the level of benefits represented to recipients even in the event of material misrepresentation or within summary plan documents even if the information conflicts with actual plan documents or state or local law ordinances. He further discussed the legal principle of detrimental reliance wherein courts had also consistently upheld the level of benefits represented to a recipient who relying upon that information made a subsequent financial decision that would now result in a significant financial loss should the level of benefits is reduced. Mr. Cohen concluded his argument with the record clearly supporting the level of benefits represented to Mr. Hittle, his reliance upon that information and multiple prior Court decisions upholding levels of benefits even if misrepresented. Mr. Schiess provided a recap of the issue and discussions at prior meetings, noting that the interpretation of the disability extension provisions and subsequent representation to the disability members by prior Boards was consistent in the manner represented to Mr. Hittle. He explained that only recently had this interpretation had been questioned and legal counsel had determined that the disability extension provisions within the Ordinance supported an alternate interpretation that the extension was only applicable for a maximum of five years beyond normal retirement date regardless of age at disability. A lengthy and careful discussion ensued. Mr. Thomas advised that sufficient evidence, especially the detrimental reliance on the information represented, existed to support a determination by the Board that the level of benefits represented to Mr. Hittle may be upheld. **Ms. Wenguer made a motion, based upon on the representations to disability recipients and their reliance upon that information, to honor the request for equitable estoppel for Michael Hittle and administer the extension of disability benefits prospectively in strict adherence with the Ordinance and prevailing guidance of current legal counsel. Ms. Prizlee seconded the motion. The motion was approved unanimously.**

As a continuation of the annual policy review, Mr. Schiess reviewed the revised Disability Payment Policy and the Audit Committee Policy with the changes requested by the Board at the last meeting. **Ms. Dollard made a motion to adopt the Disability Payment Policy and the Audit Committee Policy. Ms. Prizlee seconded the motion. The motion was approved unanimously.**

Mr. Schiess reviewed his research into the relocation of the Pension Office. He reviewed potential options including office space offered through the leasing agent utilized by the City. Mr. Schiess expressed concerns over parking and accessibility for the retirees and discussed other considerations. The Board discussed the offer for renewal from the existing landlord for the current location and provided direction to the Plan Administrator to present a counter offer for their consideration.

Mr. Schiess provided an update on the pending sale of the 4800 Building. He reported that a minor title defect had been discovered and a thirty-day extension of the due diligence period had been granted in order to cure the issue.

### **ATTORNEY'S REPORT**

Mr. Thomas provided a legislative update, noting that there was not any State legislation that has passed that affected the System.

### **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.

Mr. Schiess reported that salary increases had been awarded retroactively, which will necessitate recalculation of pension benefits for some recent retirees. He noted that the City will issue retroactive payment in June 2018 to the affected employees and he will then utilize their roster to identify the affected retirees and bring their recalculations back to the Board for approval.

Mr. Schiess provided an update on the development of a request for proposal for pension software.

Mr. Schiess announced the annual investment return declaration would be considered at the next meeting.

Mr. Schiess provided a report on behalf of Mr. Vordermeier for the 4800 Building, noting that no issues had arisen and relayed Mr. Vordermeier's announcement that he successfully disputed real estate taxes resulting in a \$2,400 refund.

### **MONTHLY FUND ASSET MIX**

Mr. Schiess provided a report on the current asset allocations, noting that all were within policy.

## **PLEASURE OF THE BOARD**

The Trustees resumed discussion of the Board's responsibility and role in the pursuit of cost-of-living adjustments, noting again that the ultimate authority rest with the City Commission. Ms. Brinson inquired whether funds reserved for the Deferred Retirement Option Plan negatively impacted the System or was perhaps detrimental to future cost-of-living adjustments and was advised that the DROP was of absolutely no impact. She then inquired regarding the status of a cost-of-living adjustment for retirees and was advised that while some of criteria had been satisfied, the greatest impediment was the requirement within the pension obligation fund covenant that any increases cannot increase the liability of the System and therefore must be pre-funded. The Board determined that notification should be provided to the City that the criteria of a cumulative actual gain position had been met. A discussion arose regarding the commission of an actuarial cost study to accompany the notification for consideration by the City Commission. **Mr. Burnam made a motion to authorize an actuarial cost study for a cost-of-living adjustment of 1.5%, 2% or 2.5% for those retired as of December 31, 2017 and December 31, 2014. Ms. Prizlee seconded the motion. The motion was approved unanimously.**

## **BOARD COMMUNICATION TO THE CITY COMMISSION**

No communication to the City Commission at this time.

## **ADJOURNMENT**

The meeting adjourned at 4:46 PM.