

**CITY OF FORT LAUDERDALE  
GENERAL EMPLOYEES' RETIREMENT SYSTEM  
BOARD OF TRUSTEES MEETING**  
316 NE FOURTH STREET, SUITE 2, FORT LAUDERDALE, FLORIDA  
Thursday, July 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**

- Ordinance Amendment
- Cost Study for COLA

Present: Jon Stahl, Chairperson  
Lynn Wenguer, Vice-Chairperson  
Jill Prizlee, Secretary  
Marian Dollard, Trustee  
Paul Tanner, Trustee

Absent: Mark Burnam, Trustee  
Ron Cameron, Trustee  
Ex-Officio

Also Present: Hattie Brinson, Retiree  
John Herbst, City Auditor  
Matthew Jaffe & Janet Lee, DWS  
Bill Dahab, Dahab Associates  
Glenn Thomas, Board Attorney (via teleconference)  
Nick Schiess, Pension Administrator  
Jane Dyar, Pension & Recording Secretary

**CALL TO ORDER**

Chairperson Stahl called the meeting to order and roll call was taken.

**PUBLIC COMMENT**

Chairman Stahl opened the floor for public comment. Ms. Brinson announced that she was attending the meeting for the discussion of cost-of-living adjustments and desired to reserve her comment until then.

## **INVESTMENT MANAGEMENT REPORT: DWS**

Matthew Jaffe and portfolio manager Janice Lee appeared before the Board to provide a report on the RREEF America REIT II fund managed by DWS for the quarter ending June 30, 2018. Mr. Jaffe discussed organizational changes including the transition the firm from Deutsche Asset Management to DWS. He discussed the advantages of the transition, noting no changes within the portfolio management team or investment strategy. He assured the Board that investment performance would not be affected by the transition. Ms. Lee discussed the investment strategy and process, sector and geographical allocations and holdings all in great detail. She reported that the net of fee investment returns exceeded their index for all measurable time periods. It was noted that a majority of the properties were energy efficient certified and a question arose regarding the impact on pricing. Ms. Lee explained that energy efficiency added significant value supporting higher rents because tenants would realize savings on utility costs.

## **PRELIMINARY INVESTMENT CONSULTANT REPORT**

Chairman Stahl announced that Bill Dahab was present to provide a preliminary report on investment performance for the quarter ending June 30, 2018 and requested a motion to amend the agenda accordingly. **Mr. Tanner made a motion to amend the agenda to entertain a preliminary investment report from Dahab Associates. Ms. Wenguer seconded the motion. The motion was approved unanimously.** Mr. Dahab proceeded with a preliminary review of investment performance, noting that the full report would be provided at the very next meeting. Concerns were expressed regarding the negative returns of the emerging market products, which Mr. Dahab explained were primarily attributable to currency swings and new tariffs. A discussion then ensued regarding the extent of the allocation to the asset class and its poor performance on an absolute basis and also relative to all the other asset classes for many years. Mr. Dahab explained that the emerging market asset class was a significant portion of the investible universe and was important within the portfolio to provide diversification. He further explained that while returns have been poor over the last years that it was still an attractive investment opportunity long-term. A question arose regarding possible consolidation of the four emerging market products and the merits of passive management instead. Mr. Dahab responded that active management was preferred because it permitted the flexibility to avoid geopolitical disruptions and swifter exit from toxic holdings. It was then noted that the small cap portfolio managed by Kanye Anderson Investment Management dramatically outperformed their index and Mr. Dahab was requested to investigate and report back to the Board whether that was attributable to favorable stock selection or instead excessive risk, style drift or strategy divergence. Mr. Dahab was requested also to then provide an evaluation on the relative underperformance of the mid cap portfolio managed by Lord Abbett & Company and whether their index was still the most appropriate one available to evaluate their performance.

## **APPROVAL OF MINUTES**

Chairperson Stahl invited the Board to review the minutes of the meeting held June 14, 2018. **Mr. Tanner made a motion to approve the minutes of the meeting held June 14, 2018. Ms. Prizlee seconded the motion. The motion was approved unanimously.**

## **APPROVAL OF CONSENT ITEMS**

Chairman Stahl requested the Board review the consent items and a few corrections were noted. **Ms. Wenguer made a motion to approve the consent items as corrected. Ms. Prizlee seconded the motion. The motion was approved unanimously.**

## **BENEFIT REVIEW**

### **RETIREMENTS**

<b>Name/Department</b>	<b>Date</b>	<b>Service</b>	<b>Type</b>
ALVAREZ, NANCY Public Works	7/7/2018	12 Y, 7 M, 1D	Normal
MEHR, NASSER Public Works	7/21/2018	12 Y, 3 M, 12D	Normal
SANTOS, RENALDO Transportation & Mobility	8/2/2018	11 Y, 3 M, 17D	Normal
LOCKETT, FRANKIE Police & Fire	9/1/2018	14 Y, 0 M, 7D	Vested Deferred

### **DROP EXITS**

<b>Name</b>	<b>Date</b>
FRIEDLAND, MARK	7/30/2018

### **POST RETIREMENT DEATH**

<b>Name</b>	<b>Date</b>
ROTHMAN, ROBERT Spouse of Roberta Rothman	7/1/2018

## **NEW BUSINESS**

Mr. Schiess discussed a request from Saxena White P.A. to be added to the list of securities litigation firms already engaged by the Board. He explained that securities litigation firms continuously monitor separate account portfolios and provide complimentary reports on class action lawsuits in order to facilitate the identification of actions and filing of claims. In exchange, they hope for an opportunity to propose lead plaintiff cases if warranted and then become the attorney of record on a contingency fee basis. Mr. Schiess reviewed the history of the System's involvement of prior actions as lead plaintiff. He noted that concerns have been expressed by the Trustees regarding the merits of pursuing lead plaintiff status and the energies extended by the Board, pension office and other interested parties. Mr. Schiess explained that the firm had agreed to provide an educational presentation on the merits of active participation and he would include a report on the efforts required by the pension office. A discussion ensued and the Board ultimately scheduled a purely educational presentation from Saxena White P.A. at the meeting scheduled for September 13, 2018.

## **OLD BUSINESS**

Pursuant to the direction of the Board at the last meeting, Mr. Schiess provided a draft of proposed correspondence to the City Commission requesting consideration of cost-of-

living adjustments. Included for consideration was information regarding historical COLA increases, criteria required for the implementation of a COLA, actuarial cost study for a 2.5% COLA for retirees and beneficiaries already collecting retirement benefits as of September 30, 2017 and other related information. A discussion arose regarding the Board's role and responsibility in the process and whether it was appropriate to assertively advocate for benefit improvements or instead a resource that provides pertinent information to the City Commission and other interested parties for consideration. Mr. Herbst expressed that benefit improvements are a concern for collective bargaining groups as well as any individuals desiring to directly petition the City Commission and suggested that the Board remain neutral in this regard. It was noted that the City budget was currently under review and it was therefore imperative to submit the request immediately. A thorough review of the correspondence ensued yielding edits to the proposed correspondence. The Board, by consensus, directed the Plan Administrator to submit the revised correspondence and actuarial cost study for a cost-of-living adjustment to the City Commissioners, City Manager and Budget Advisory Board.

Mr. Schiess provided an update on the pension staff review, noting that Ms. Dyar's salary was not topped out as originally understood having missed a cost-of-living raise afforded to her classification effective October 8, 2017. He recommended the inclusion of this raise in addition to the bonus approved at the last meeting. **Ms. Wenguer made a motion to approve the revised compensation increase for Jane Dyar. Ms. Prizlee seconded the motion. The motion was approved unanimously.**

#### **ATTORNEY'S REPORT**

Mr. Thomas noted that he did not have any issues to report and he would monitor new State legislation affecting governmental pension plans as it arises in the fall.

#### **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 provided a report on the status of the pending proposed Ordinance Amendment. He discussed an issue encountered with one of the minor housekeeping provisions, noting that its removal was necessary in order to satisfy a covenant of the pension bond obligation and proceeding on for consideration. Mr. Schiess reported that it had passed first reading but review of the revised Ordinance Amendment by legal counsel as well as a revised actuarial impact statement was necessary before the second reading. **Ms. Prizlee made a motion to authorize review of the revised Ordinance Amendment by legal counsel and order a revised impact statement from Gabriel Roeder Smith. Mr. Tanner seconded the motion. The motion was approved unanimously.**

Mr. Schiess announced that the incumbent auditing firm Crowe Horwath had been re-engaged by the City for their 2018 fiscal year audit. He expressed considerable satisfaction with services previously provided by the firm, noting that their fees were

heavily discounted because they also performed the City's audit. Mr. Schiess advised that an engagement letter including proposed fees had been requested and would be presented at the next meeting for consideration.

Mr. Schiess reported that the fiduciary liability insurance was up for annual renewal and a quote would be provided for consideration at the next meeting. He discussed and provided specifications of the coverage.

Mr. Schiess advised that upon final passage of the Ordinance Amendment he would resume production on the Beneficiary Payment Policy and revision of forms.

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

Mr. Schiess discussed the impact of new provisions of the Americans with Disability Act on the website.

Mr. Schiess provided an update on the final reconciliation and settlement of the operating account with the Vordermeier Management Company.

#### **MONTHLY FUND ASSET MIX**

Mr. Schiess provided a report on the current asset allocations, noting that all were within policy. He reviewed the cash flow requirements, noting that the Investment Consultant had recommended raising the \$3.0M needed to fund benefit payment and capital call obligations from the DePrince Race & Zollo account and Russell 1000 Index Fund.

#### **PLEASURE OF THE BOARD**

There was nothing to report.

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

Chairman Stahl noted that the cover letter and actuarial cost studies regarding cost-of-living adjustments would be submitted to the City Commission, City Manager and Budget Advisory Board.

#### **ADJOURNMENT**

The meeting adjourned at 2:15 PM.