

**CITY OF FORT LAUDERDALE  
GENERAL EMPLOYEES' RETIREMENT SYSTEM  
BOARD OF TRUSTEES MEETING**  
316 NE FOURTH STREET, SUITE 2, FORT LAUDERDALE, FLORIDA  
Thursday, August 9, 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  
Mark Burnam, Trustee  
Ron Cameron, Trustee  
Linda Logan-Short, Ex-Officio Designee

Also Present: Michael Savinelli, Neuberger Berman Investment Management  
John Herbst, City Auditor  
Todd Beiley, Kayne Anderson Rudnick Investment Management  
Richard 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 asked for public comment. Michael Savinelli introduced himself on behalf of investment firm Neuberger Berman Investment Management. Mr. Schiess distributed correspondence received from retiree Hattie Brinson expressing gratitude for the Board's consideration and commitment to the retiree concerns.

## **APPROVAL OF MINUTES**

Chairperson Stahl invited the Board to review the minutes of the meeting held July 12, 2018. **Ms. Wenguer made a motion to approve the minutes of the meeting held July 12, 2018. Ms. Prizlee seconded the motion. The motion was approved unanimously.**

## **APPROVAL OF CONSENT ITEMS**

Chairman Stahl requested the Board review the consent items. **Ms. Wenguer made a motion to approve the consent items. 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>
VOKES, THOMAS Transportation & Mobility	9/2/2018	12Y, 0M, 26D	Normal
GAVAZZI, ALAN Public Works	9/1/2018	7Y, 1M, 17D	Vested Deferred
SHERIDAN, PETER Public Works	7/1/2018	13Y, 6M, 8D	Vested Deferred

## **INVESTMENT MANAGEMENT REPORT: KAYNE ANDERSON RUDNICK INVESTMENT MANAGEMENT**

Todd Beiley appeared before the Board to provide a report on the small cap growth portfolio managed by Kayne Anderson Rudnick Investment Management for the quarter ending June 30, 2018. He reviewed the investment strategy and process, attributes and holdings all in great detail. Mr. Beiley reported that the net-of-fee return for the quarter was 11.98% versus 7.33% for the index and for the trailing one-year period was 43.33% versus 21.86% for the index. Mr. Beiley attributed the dramatic outperformance of the index to very favorable stock selection, noting no change in the investment strategy especially risk controls or style. Mr. Beiley was questioned regarding the variances in sector weightings versus the index. He responded that the sector weightings were less important than the identification of exceptional investment opportunities. Additionally, traditional industry classifications have become less distinct over time and those within the index are arguable.

## **INVESTMENT CONSULTANT REPORT: DAHAB ASSOCIATES**

Mr. Dahab provided the Board with a report on the investment portfolio for the quarter ending June 30, 2018. He reported that the investment return for the quarter was 1.3%, which was exceptional given recent market volatility. The return for the trailing one-year period was 10.6%, ranking in the 8th percentile of the public pension fund universe.

Mr. Dahab reviewed the performance of all the individual investment products in great detail, noting that the return of the Garcia Hamilton & Associates fixed income portfolio was outstanding. A lengthy discussion arose regarding the underperformance of the Aberdeen Emerging Markets Fund including potential consolidation of the various emerging market products and possible replacement with a passive product. **Mr. Tanner made a motion to replace the Aberdeen Emerging Market Fund with an index fund to be selected by Dahab Associates. Ms. Prizlee seconded the motion. The motion was approved unanimously.** As a follow up to the last meeting, Mr. Dahab discussed the benchmark used to evaluate the performance of the Lord Abbett & Company smid portfolio. He advised that while the manager's style was relative value, in the year 2014 they requested to be evaluated against the core style benchmark instead. Mr. Dahab explained that management style typically falls within a spectrum of core versus value styles, which created difficulty to measure relative performance. He discussed the firm and long-term performance, noting that their investment process remained sound. Mr. Dahab ultimately recommended retention of the manager and would remedy the issue by reporting prospectively their performance against both the value and core indexes. Concerns were expressed with the performance of the international equity fund managed by Aberdeen Investment Management and Board requested the scheduling of a personal report from them at the next meeting.

Mr. Dahab provided a report on market and environmental conditions and discussed the impact of new international trade tariffs, which were anticipated to result in market volatility especially within the international equity markets.

Mr. Dahab discussed and provided recommendations on raising cash to fund benefit payment obligations. **Ms. Wenguer made a motion to raise \$1.5 million each from the domestic equity portfolios managed by Kayne Anderson Rudnick Investment Management and Polen Capital Management. Mr. Tanner seconded the motion. The motion was approved unanimously.**

### **NEW BUSINESS**

Mr. Schiess reviewed a proposed engagement letter with incumbent auditing firm Crowe Horwath for the fiscal year 2018 audit, noting that it had already been reviewed by legal counsel. **Ms. Wenguer made a motion to execute the audit engagement letter with Crowe Horwath for the fiscal year 2018 audit. Ms. Dollard seconded the motion. The motion was approved unanimously.**

### **OLD BUSINESS**

There was no old business.

### **ATTORNEY'S REPORT**

Mr. Thomas advised that there were no issues to report.

## **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 the proposed Ordinance Amendment was scheduled for second reading on August 21, 2018.

Mr. Schiess reported that he would be attending training for compliance of the website with new restrictions within the Americans with Disabilities Act.

Mr. Schiess reported that Lynn Solomon of the City Attorney's Office would be negotiating the lease agreement for the pension office, which expires on October 16, 2018.

Mr. Schiess reported that an application for survivorship benefits had been received but the claimant was ineligible under the provisions of the pension plan. He discussed due process and provided a draft response to the claimant that had already been reviewed by legal counsel, which included the appeal and claims procedures. The Board directed Mr. Schiess to issue the proposed response and report back if an appeal was filed.

## **MONTHLY FUND ASSET MIX**

Mr. Schiess provided a report on the current asset allocation, noting that all was in compliance.

## **PLEASURE OF THE BOARD**

There was nothing to report.

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

There was nothing to report to the City Commission.

## **ADJOURNMENT**

The meeting adjourned at 2:14 PM.