

**CITY OF FORT LAUDERDALE
GENERAL EMPLOYEES' RETIREMENT SYSTEM
BOARD OF TRUSTEES MEETING**
316 NE FOURTH STREET, SUITE 2, FORT LAUDERDALE, FLORIDA
Thursday, January 10, 2019
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
Ron Cameron, Trustee
Mark Burnam, Trustee
Marian Dollard, Trustee
Pamela Winston, Ex-officio Designee

Absent: Paul Tanner, Trustee

Also Present: Glenn Thomas, Board Attorney (Via Teleconference)
Hattie Brinson, Retiree
Greg Slagle, Retiree
Rich Dahab & Bill Dahab, Dahab Associates
Lynda Leslie & William Charcalis, Smith Graham Investment Advisors
Michael Hanson & Kate Rorer, Fisher Investments
Katie O'Connor & Paul Viera, Earnest Partners
Nick Schiess, Pension Administrator
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 draft minutes of the meetings held December 13, 2018. **Ms. Wenguer made a motion to approve the minutes of the meeting held December 13, 2018. Ms. Dollard seconded the motion. The motion was approved unanimously.**

APPROVAL OF CONSENT ITEMS

Chairman Stahl asked the Board to review the consent items. **Ms. Wenguer made a motion to approve the consent items as presented. Ms. Prizlee seconded the motion. The motion was approved unanimously.**

BENEFIT REVIEW

RETIREMENTS

Name/Department	Date	Service	Type
UROW, ROBERT Parks & Recreation	1/6/2019	29 Y, 3 M, 19D	Early
TEMPLE, PENNY Finance	2/1/2019	20 Y, 0 M, 28D	Normal
BARNES, TOMMY Parks & Recreation	2/2/2019	23 Y, 2 M, 38D	Normal
CAMPBELL, PAULETTE Police & Fire	3/1/2019	30 Y, 4 M, 26D	Normal
HARDEN, JOHNNIE Public Works	2/1/2019	31 Y, 2 M, 15D	Normal

DROP EXITS

Name	Date
HARVEY, ALAN	12/31/2018

POST RETIREMENT DEATH

Name	Date
DEROSA, JOSEPHINE Spouse of JOSEPH DEROSA	1/1/2019

DROP ENTRIES

Name	Date	Service
ARTIS, STEPHANIE Human Resources	1/1/2019	31Y 4M 22D
ROBERTS, JR. STEVEN Public Works	12/1/2018	30Y 0M 9D

REFUNDS CONTRIBUTIONS

Name
DANNENHAUER, THERESA

DOMESTIC MID CAP VALUE EQUITY INVESTMENT MANAGER INTERVIEWS

Bill Dahab previewed the manager presentations, noting that all of the prospective candidates had excellent qualifications and experience with a proven track record. He explained that the mandate was for mid cap value domestic equities, which had outperformed its growth and core counterparts. Additionally, the mandate was replacing the current smid cap allocation managed by Lord Abbett & Company with the small cap component adequately represented by the other recently engaged new small cap investment managers. Mr. Dahab noted that the analysis of the prospective managers included an index fund managed by RhumbLine Advisors.

SMITH GRAHAM INVESTMENT ADVISORS

Lynda Leslie and portfolio manager William Charcalis and appeared before the Board to provide a presentation on the firm's mid cap value equity management services. Ms. Leslie discussed the firm's qualifications and experience. She reviewed investment performance, noting outperformance of the index net-of-fees since inception. Mr. Charcalis reviewed the investment philosophy and strategy including stock selection process and other factors important to the evaluation of an investment manager all in very great detail. He concluded his presentation with a review of the largest holdings along with their performance and diversity they added to the portfolio. A lengthy question and answer session ensued.

FISHER INVESTMENTS

Michael Hanson and Kate Rorer appeared before the Board to provide a presentation on the firm's mid cap value investment management services. Ms. Rorer discussed the firm's qualifications and experience, noting a 97% client retention rate. Mr. Hanson reviewed their investment philosophy, investment strategy including stock selection process and other factors important to the evaluation of an investment manager all in very great detail. Mr. Hanson reviewed the risk measurement indices and long-term performance, noting significant outperformance of the index and their peers. A lengthy question and answer session ensued.

EARNEST PARTNERS

Paul Viera and Katie O'Connor appeared before the Board on behalf of Earnest Partners to provide a presentation on the firm's mid cap value equity investment management services. Ms. O'Connor discussed the firm's qualifications and experience noting that were 100% employee owned. Mr. Viera reviewed their investment philosophy, investment strategy including stock selection process and other factors important to the evaluation of an investment manager all in very great detail. Mr. Viera reviewed the risk measurement indices and long-term performance, noting significant outperformance of the market net of fees and their peers for most trailing time periods with less risk and volatility. A lengthy question and answer session ensued.

Bill Dahab reviewed his analysis of the prospective managers provided to the Trustees in advance of the meeting and the presentations by the prospective candidates. A very lengthy and careful discussion ensued regarding performance, fees, risk measurement indices and other factors important to the selection of investment management services. A discussion arose regarding the funding of the proposed new investment portfolio and it was noted that the allocation was approximately \$30M in the proceeds expected from the pending termination of manager Lord Abbett & Company. Mr. Schiess and Rich Dahab discussed the mechanics of the transition. A question arose regarding the merit of utilizing a transition manager and Mr. Dahab advised that the use of transition managers had waned and was unwarranted.

A discussion arose regarding the merits of passive management for this allocation. It was noted that all of prospective candidates had provided evidence that their historical returns had significantly exceeded their index net of management fees for all time periods and with more favorable risk measurement indices.

After further evaluation and discussion, **Ms. Prizlee made a motion to engage the investment management services of Earnest Partners contingent upon successful negotiation of an agreement by legal counsel, execution of the agreement by the Chairman and immediate funding of the mandate with the liquidation of the portfolio managed by Lord Abbett & Company upon finalization of the process. Mr. Burnam seconded the motion. The motion was approved unanimously.**

NEW BUSINESS

Mr. Schiess discussed the recommendation received from securities litigation firm Abraham Fruchter and Twersky to seek lead plaintiff status in a proposed class action securities action against the NVIDIA Corporation. He advised that the firm had withdrawn the recommendation due to findings identified just before this meeting.

OLD BUSINESS

Mr. Schiess reviewed the status of the proposed cost-of-living adjustments for the retirees. He advised that the matter was scheduled for consideration by the City Commission on January 22, 2019 and he had been requested along with the Plan Actuary to attend. Mr. Schiess reviewed the two cost studies requested by the City, one for a plan design based upon years since retirement and the other a one-time supplemental benefit. He noted that the study for a one-time supplemental benefit did not utilize the same price point as the previous cost study for a flat rate cost-of-living adjustment and therefore must be revised. Ms. Brinson reiterated the dire need for a cost-of-living increase for the retirees and a one-time supplemental benefit was unfavorable. A question arose regarding the source of funding. Mr. Schiess explained the funding was of course a matter to be determined by the City; however, mention was made of funding from the enterprise and general funds.

Mr. Schiess reviewed the final proposed new Beneficiary Payment Policy with the revisions determined by the Board at the last meeting. **Ms. Wenguer made a motion to accept the proposed Beneficiary Payment Policy. Ms. Prizlee seconded the motion. The motion was approved unanimously.**

ATTORNEY'S REPORT

Mr. Thomas disclosed there was nothing to report at this time.

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 that the upcoming funding obligations for capital calls and benefit payments amounted to \$3.4M. Rich Dahab recommended raising the cash from Garcia Hamilton & Associated fixed income portfolio based upon the current asset allocation.

Mr. Schiess provided an organizational update and report on year end processes. He advised that pending was the annual disability review, beneficiary marriage recertification, DROP eligibility notifications and DROP statements.

Mr. Schiess reminded the Board of attendance requirements, noting that the term year coincides with the calendar year.

As a follow up to the last meeting, Mr. Schiess provided an update on the possible restoration of service credit for active employees Stacy Norcross and Johnny Alexander, noting that actuarial cost studies had been ordered.

MONTHLY FUND ASSET MIX

Mr. Schiess reviewed the monthly asset allocation report, noting that all was in compliance.

PLEASURE OF THE BOARD

There was no pleasure of the Board.

BOARD COMMUNICATION TO THE CITY COMMISSION

There was nothing to communicate to the City Commission.

ADJOURNMENT

The meeting adjourned at 3:32PM.