

CITY OF FORT LAUDERDALE
GENERAL EMPLOYEES' RETIREMENT SYSTEM
BOARD OF TRUSTEES MEETING
316 NE FOURTH STREET, SUITE 2, FORT LAUDERDALE, FLORIDA
Thursday, February 14, 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
Marian Dollard, Trustee
Paul Tanner, Trustee
Jill Prizlee, Secretary
Mark Burnam, Trustee

Absent: Ex-Officio Designee
Ron Cameron, Trustee

Also Present: John Herbst, City Auditor
Hattie Brinson, Retiree
Jeri Pryor, City Employee
Glenn Thomas, Board Attorney (via teleconference)
Nick Schiess, Pension Administrator
Chuck Barrett & Mark Giovanniello, Copeland Capital Management
Ryan Cooney, Hamilton Lane
Bill Dahab, Dahab Associates
Jane Dyar, Pension & Recording Secretary

CALL TO ORDER

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

PUBLIC COMMENT

There was no public comment at this time.

APPOINTMENT OF BOARD OFFICERS

The Board noted the requirement of electing officers for the 2019 year. Ms. Wenguer nominated Jon Stahl as Chairperson of the Board, which was approved unanimously by motion. Mr. Burnam nominated Lynn Wenguer as Vice-Chairperson, which was approved

unanimously by motion. Mr. Burnam nominated Jill Prizlee as Secretary, which was approved unanimously by motion.

PUBLIC COMMENT

There was no public comment at this time.

APPROVAL OF MINUTES

Chairperson Stahl asked the Board to review the minutes of the meeting held February 14, 2019. **Ms. Wenguer made a motion to approve the minutes of the meeting held February 14, 2019. Mr. Tanner seconded the motion. The motion was approved unanimously.**

APPROVAL OF CONSENT ITEMS

Chairperson Stahl asked the Board to review the consent items. **Mr. Tanner made a motion to approve the consent items of disbursements, educational calendar and benefit approvals as presented. Ms. Wenguer seconded the motion. The motion was approved unanimously.**

BENEFIT REVIEW

RETIREMENTS

Name/Department	Date	Service	Type
ALARCON, DIANA Transportation & Mobility	3/1/2019	13Y, 8M, 17D	Commence Vested Deferred
ANDERSON, RETHA Police & Fire	2/9/2019	13Y, 9M, 29D	Normal
DEW, DEBORA Public Works	2/23/2019	19Y, 0M, 30D	Early
RICHARDS, COLLIN CRAIG Information Technology	2/9/2019	16Y, 0M, 13D	Normal

DROP EXITS

Name	Date
LEONARD, JULIA	2/28/2019
VITRANO, PAUL	2/28/2019

POST RETIREMENT DEATH

Name	Date
FANNING, VALERIE Spouse of THOMAS FANNING	2/1/2019
CASSELBERRY, MARTHA Spouse of HIBBARD CASSELBERRY	3/1/2019
BECHTEL, JEANETTE Spouse of JAMES BECHTEL	2/1/2019

DROP ENTRIES

Name	Date	Service
WILSON, JR. WILLIAM Public Works	4/1/2019	30Y, 0M, 17D

INVESTMENT MANAGER REPORT: COPELAND CAPITAL MANAGEMENT

Chuck Barrett and portfolio manager Mark Giovanniello appeared before the Board on behalf of Copeland Capital Management to provide a report on their small cap dividend growth portfolio. Mr. Barrett provided an organizational update, noting no significant changes. Mr. Giovanniello reported that the investment return net-of-fees for the calendar year ending December 31, 2018 was -4.2% versus -11.0% for the index and for the trailing five-year period were 9.0 versus 4.4% for the index. Mr. Giovanniello reviewed the investment strategy and process, sector allocations and holdings all in great detail. He discussed their specialization in dividend growth equities and the competitive advantages of this niche strategy during both up and down markets as well as periods of great volatility. Mr. Giovanniello was questioned regarding the underweighting of exposure to the financial sector and he responded that the process favored dividend growth over sector neutrality. Mr. Barrett was questioned whether the same performance could be attained through a passive product and he responded that the many factors involved with a successful dividend growth selection process would not be considered in passive management.

INVESTMENT MANAGER REPORT: HAMILTON LANE

Ryan Cooney appeared before the Board on behalf of Hamilton Lane to provide a report on their private equity fund. Mr. Cooney provided an organizational update, noting that the firm was among the very largest private equity firms. He then reviewed in great detail the investment process of private equity funds specializing in the secondary market. He discussed the differences between traditional private equity funds and secondary funds that purchase other investor's interests in private equity funds usually at a discount. Mr. Cooney reviewed investment performance, noting He then reviewed capital calls and distributions, noting that approximately 50% of the called capital had had been returned to the System.

INVESTMENT CONSULTANT REPORT: DAHAB ASSOCIATES

Bill Dahab provided the Board with a report on the investment portfolio for the quarter ending December 31, 2018. Mr. Dahab reported that the investment return fiscal year-to-date was -8.7% which ranked 60th in the public fund universe. He discussed market and economic conditions, noting that the recent period was market by great volatility and since the year end has rebounded nearly to its original position thereby eliminating most of the negative returns.

Bill Dahab reviewed the performance of all the individual investment products in great detail, noting all was satisfactory.

Mr. Dahab reviewed the asset allocation and discussed in detail the allocation to private equity. Mr. Dahab explained that the three private equity funds held by the System were secondary funds, which have the significant advantage of the avoidance of the low or negative performance inherit with brand new funds. He further explained that private equity funds have limited life cycles and therefore to retain the current target asset

allocation the Board must begin considering the selection of additional funds to replace the current products as they age out. Mr. Schiess recapped the history and prior challenges of adding the private equity asset class. The discussion expanded to include the other alternative investments including real estate funds. The Board agreed to consider the private equity allocation as part of an overall discussion on alternative investments in general at the meeting scheduled for April 11, 2019.

Mr. Schiess advised that \$3.0M must be raised for funding obligations for capital calls and benefit payments. Bill Dahab recommended raising the cash from the portfolios of Wedge Capital Management and DePrince Race & Zollo due to their slight allocation overweight.

Bill Dahab reported that a manager transition was likely forthcoming for the assets of the Latin American Timber Fund currently managed by BTG Pactual. He explained that the pending replacement manager, International Woodland Company, had gained approval from a majority of shareholders and the transition was permissible under the operating agreement. Mr. Dahab explained that the allocation to the product was minimal and no negative effects on the valuation of the holding were immediately foreseeable.

NEW BUSINESS

The Board conducted an annual policy review receiving recommendations from staff for revision of only the Investment Policy Statement and Media Policy. Bill Dahab thoroughly reviewed the minor proposed changes to the Investment Policy Statement. Mr. Schiess discussed proposed expanding the Media Policy to include and establish standards on the content of the pension website. A discussion ensued to define the exact parameters of information to be represented on the website. Mr. Schiess recommended the exclusion of any information or links published by non-governmental entities because their presence might be misconstrued as tacit endorsement by the Board and no mechanism existed to evaluate their representations. **Ms. Wenguer made a motion to adopt the revised Investment Policy Statement and Media Policy as amended. Ms. Dollard seconded the motion. The motion was approved unanimously.**

OLD BUSINESS

Mr. Schiess provided an update on the status of the proposed cost-of-living adjustments, noting that the matter was scheduled for consideration by the City Commission on Tuesday, February 19, 2019.

ATTORNEY'S REPORT

Mr. Thomas reported that the agreement with newly engaged investment manager Ernest Partners had been negotiated and was ready for execution.

As a legislative update, Mr. Thomas reported that there was not any recent or pending legislation affecting 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 and miscellaneous organizational changes.

Mr. Schiess provided an organizational update. He reported that the Annual Benefit Statements and were being processed and would be distributed to the active members by the end of the week. Mr. Schiess reported the completion of the mailings for the disability certification procedure, marital status recertification and DROP eligibility notifications. He reported the development of a library to standardize communications from the Pension Office.

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

MONTHLY FUND ASSET MIX

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

PLEASURE OF THE BOARD

There was nothing to discuss for pleasure of the Board.

BOARD COMMUNICATION TO THE CITY COMMISSION

There was nothing to communicate to the City Commission.

ADJOURNMENT

The meeting adjourned at 2:44 PM.