

CITY OF FORT LAUDERDALE
GENERAL EMPLOYEES' RETIREMENT SYSTEM
BOARD OF TRUSTEES MEETING
316 NE FOURTH STREET, SUITE 2, FORT LAUDERDALE, FLORIDA
Thursday, March 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
Ron Cameron, Trustee
Laura Garcia, Ex-Officio Designee

Absent: Mark Burnam, Trustee

Also Present: John Herbst, City Auditor
Devin Carter, City Treasurer
Hattie Brinson, Greg Slagle & Eve Blazer, Retirees
Melissa Moskowitz & Piotr Krekora, Gabriel Roeder Smith
Glenn Thomas, Board Attorney (via teleconference)
Nick Schiess, Pension Administrator
Michelle Blackstock, Crowe Horwath LLP
Joseph Beuparlant, Loomis Sales & Associates
Bill Dahab, Dahab Associates (via teleconference)
Jane Dyar, Pension & Recording Secretary
Other Visitors

CALL TO ORDER

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

PUBLIC COMMENT

Mr. Schiess provided an update on the status of the consideration by the City Commission of proposed cost-of-living adjustments. He reported that the matter was last considered on February 19, 2019 and the potential cost of funding a cost-of-living adjustment would be incorporated into the next overall budgetary approval process. A discussion arose regarding the various steps of the budgetary process over the coming months.

INVESTMENT CONSULTANT REPORT ON BTG TRANSITION

As a follow up to the last meeting, Bill Dahab provided an update on the status of the transition of management of the Latin American Timber Fund currently managed by BTG Pactual. He reported that the replacement manager, International Woodland Company, had requested the Board's consent for the transition. Mr. Dahab advised that transition was moving forward regardless and explained that there was not any advantage of granting consent. He ultimately recommended against granting consent and the Board agreed.

AUDITOR'S REPORT: CROWE HORWATH

Michelle Blackstock appeared before the Board on behalf of Crowe Horwath LLP to present the Auditor's Report and Audited Financial Statements for the fiscal year ended September 30, 2018. Ms. Blackstock thoroughly reviewed the financial statements of the Plan and issued the Board with a clean unqualified opinion letter on the financial statements. Ms. Blackstock reported that the System's net assets as of September 30, 2018 were \$684,276,476, an increase of \$30,082,999 from the prior year's net assets of \$654,193,477, which was primarily attributable to investment returns. She reviewed GASB disclosures and required communications including classification of alternative assets and determination of fair market value of assets. She reported that there were not any identified instances of non-compliance or deficiencies in internal controls and procedures. Ms. Blackstock reported a finding of a material weakness within the financial statements, specifically the improper classification of unsettled investment trades at year end. A lengthy discussion ensued regarding the background of the specific accounting entry and it was noted that corrective actions were the revision of an accounting entry and proper classification prospectively. **Ms. Wenguer made a motion to accept and approve the 2018 Audit Report and Audited Financial Statements and execute an Audit Management Representation Letter. Ms. Prizlee seconded the motion. The motion passed unanimously.**

ACTUARY'S REPORT: GABRIEL ROEDER SMITH

Melissa Moskovitz and Piotr Krekora appeared before the Board along with on behalf of Gabriel Roeder Smith to present the Actuarial Valuation for fiscal year ending September 30, 2018. She reported that for the 2020 fiscal year, the City's funding requirement will be \$8.5 million, which is a decrease of \$0.7 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 favorable actuarial experience primarily attributable to higher than expected investment returns. She reported the investment return assumption was lowered from 7.5% to 7.4% and would continue to be lowered to 7.0% in 0.1% increments each year, which increased the annual funding requirements. Ms. Moskovitz reported that the funding ratio of 96.9% increased from 96.0% for the prior year. She discussed the merits of performing an experience study, which is a detailed analysis of actual experience versus the actuarial assumptions used to develop the funding requirements of the System. **Ms. Wenguer made a motion to approve the 2018 Actuarial Valuation. Mr. Tanner seconded the motion. The motion passed unanimously.**

Mr. Schiess discussed the State requirement to formally determine the expected rate of investment return on an annual basis. The Board recognized the support of the Investment Consultant and Actuary for current 7.3% investment return assumption, which was the current interval of the gradual reduction of the investment return assumption from 7.5% to 7.0% in .10% increments over five years based upon the current asset allocation. **Ms. Wenguer made a motion to determine that the total expected annual rate of investment return for the System for the next year shall be 7.3%, net of investment related expenses and be reduced .10% every year until it reaches 7.0% for the long-term thereafter and authorize Chairman Stahl to execute the declaration made in accordance with Section 112.661(9) Florida Statutes. Mr. Tanner seconded the motion. The motion was accepted unanimously.**

INVESTMENT MANAGER REPORT: LOOMIS SAYLES & COMPANY

Joe Beauparlant appeared before the Board on behalf of Loomis Sayles & Company to provide a report on the firm’s Large Cap Growth Equity Strategy Fund for the quarter ending December 31, 2018. He provided an organizational update, noting no significant changes. Mr. Beauparlant reviewed the investment strategy and process, sector allocations and holdings all in great detail. He reported that the investment return net of investment related expenses since inception of the account was 11.28% versus 9.87% for the index.

APPROVAL OF MINUTES

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

APPROVAL OF CONSENT ITEMS

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

BENEFIT REVIEW

RETIREMENTS

Name/Department	Date	Service	Type
RICHARDS, COLLIN Information Technology	2/9/2019	16Y, 0M, 13D	Normal
GITHENS, HARRY Sustainable Development	2/20/2019	22Y, 1M, 7D	Normal

DROP EXITS

Name	Date
TURNER-DIGGS, THOMASINA	3/31/2019

POST RETIREMENT DEATH

Name	Date
STILLION, ALICE FAYE Spouse of William Stillion	3/1/2019
OCASIO, JUSTINA Spouse of Alfredo Ocasio	3/1/2019

NEW BUSINESS

Mr. Schiess provided a copy of the annual employee evaluation for Jane Dyar.

It was noted that the Audit Management Representation Letter and annual Declaration of Investment Return had been addressed previously in the meeting.

OLD BUSINESS

It was noted that the status of the cost-of-living adjustments had been previously being addressed in the meeting.

ATTORNEY'S REPORT

Mr. Thomas noted there was nothing legislative to report at the 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 presented an organizational update, noting an extensive overhaul of the website had been performed as well as the addition of signage. He provided status reports on the biannual disability review and annual marriage recertification.

As a follow up to the last meeting, Mr. Schiess provided an update on the potential reinstatement of service credit for Stacy Norcross, which he was advised would not be extended to her because it was not specifically provided for in her settlement agreement and any claim had exceeded the statute of limitations. He then provided an update on the potential reinstatement of service credit for Johnny Alexander, which he was advised that the offer extended to Mr. Alexander was contingent upon his payment of a significant and potentially prohibitive amount of employee contributions.

Mr. Schiess advised that the amount of \$2.6M must be raised to fund pending benefit payment obligations, which the Investment Consultant recommended raising from the Polen Capital Management portfolio.

MONTHLY FUND ASSET MIX

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

PLEASURE OF THE BOARD

There was nothing to discuss for pleasure of the Board.

BOARD COMMUNICATION TO THE CITY COMMISSION

A discussion arose regarding communication to the City Commission regarding the Actuarial Valuation especially the favorable cumulative experience gain for the second consecutive year that is a pre-requisite for the approval of a cost-of-living adjustment for the retirees. Mr. Schiess was tasked with drafting a communication to the City Commission and bringing it back to the Board at the next meeting.

ADJOURNMENT

The meeting adjourned at 1:45 PM.