

CITY OF FORT LAUDERDALE
GENERAL EMPLOYEES' RETIREMENT SYSTEM
BOARD OF TRUSTEES MEETING
316 NE FOURTH STREET, SUITE 2, FORT LAUDERDALE, FLORIDA
Thursday, May 9, 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
Marian Dollard, Trustee
Paul Tanner, Trustee

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

Also Present: Eve Bazer, Retiree
John Herbst, City Auditor
Rich Dahab & Bill Dahab, Dahab & Associates
Dr. Carlos Asilis, CIO, Glovista Investments
Glenn Thomas, Board Attorney (via teleconference)
Nick Schiess, Pension Administrator

CALL TO ORDER

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

PUBLIC COMMENT

Ms. Bazer provided an update on discussions with City Commissioners regarding the proposed cost-of-living adjustments.

INVESTMENT MANAGER REPORT: GLOVISTA INVESTMENTS

Dr. Carlos Asilis, Chief Investment Officer, appeared before the Board on behalf of Glovista Investments to provide a report on the emerging market portfolio. He provided an update on the firm, noting no significant organizational changes. Dr. Asilis reviewed the investment strategy and process, noting the portfolio consisted primarily of Exchange Traded Funds supplemented with American Deposit Receipts. He reviewed the long-term performance and

discussed the recent relative underperformance against the index. Dr. Asilis discussed the intricacies of the index itself, which was heavily weighted in growth style equities in China. He explained that the strategy had a value bias, which had been out of market favor. Additionally, the strategy's performance was influenced greatly by foreign currency exchange rates, which had also been out of market favor. Dr. Asilis reviewed global economic and market factors and anticipated a shift of market favor to the strategy and strengthening of relative outperformance. Dr. Asilis was questioned regarding the overall outlook to emerging market returns, which have been dismal and lagged terribly behind domestic equity returns. He then discussed in great detail the transition and recent evolution of emerging markets including important geopolitical factors. Dr. Asilis expressed a very sound argument to remain within the asset class stressing that the overall market was undervalued and represented a significant and growing part of the overall investment market.

INVESTMENT CONSULTANT REPORT: DAHAB ASSOCIATES

Rich Dahab provided the Board with a report on the investment portfolio for the quarter ending March 31, 2019. Mr. Dahab reported that the investment return for the quarter was 9.1% and for the fiscal year-to-date was -0.3%. He reported that the annualized return for the trailing three-year period was 10.8% ranking the performance in the top 2nd percentile of the public fund universe and for the trailing five-year period was 6.7% which ranked 18th in the public fund universe. He discussed market and economic conditions and anticipated measured growth but with continued volatility.

Rich Dahab reviewed the performance of the individual investment products in great detail, noting all was satisfactory with the exception of the Franklin Templeton International Equity Fund. He advised that the firm and investment process remained intact and the long-term performance was satisfactory. Rich Dahab explained that their value strategy had been out of market favor for the last five years and performance warranted increased monitoring. He continued his report with an evaluation of active versus passive performance, noting that in aggregate the portfolio's active managers had achieved outperformance of their respective benchmarks 67.5% of the quarters in the prior ten years.

Bill Dahab provided a general report on the broad spectrum of potential alternative investment products. He reviewed the report in great detail and discussed the characteristics, liquidity, risk profiles, availability, volatility and other factors affecting the attractiveness of the available alternative investment products. A discussion ensued regarding the potential addition of other alternative investment products and he expressed willingness to pursue any of the alternatives further upon request by the Board. Bill Dahab ultimately recommended that any expansion into alternative investments involve only addition to the current private equity allocation instead of the addition of other types of alternative investment products.

Bill Dahab reviewed further the current allocation to the three existing private equity funds, noting that they had collectively averaged over a 25% return annualized for the prior three years and was the best performing asset class within the overall portfolio. He explained that they were secondary funds, which have the significant advantage of the avoidance of the low or negative performance inherit with new funds. He further explained that private equity funds have limited life cycles and therefore just to even 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. Bill Dahab reviewed the qualifications, experience, returns, risk, and other factors important to the selection of an investment product for each of the three current managers. He discussed the differences between the firms and their markets, noting that they were complimentary in aggregate and provided further diversification. Bill Dahab ultimately recommended repeating the same funding commitment to the new funds offered by the three current private equity managers. A lengthy discussion arose regarding compliance with State Statutes and limitations on illiquid investments. Rich Dahab discussed the capital commitments to the existing and proposed funds along with the cash flows including capital calls and distributions and advised that the System should remain in compliance with State Statutes. **Mr. Tanner made a motion to commit \$10M, \$5M and \$5M respectively to the new private equity funds offered by current investment managers Capital Dynamics, Hamilton Lane and HarbourVest Partners and authorize legal counsel to negotiate the agreements. Ms. Wenguer seconded the motion, which was approved unanimously.**

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 transition to replacement manager International Woodland Company was moving forward but not yet complete.

Mr. Schiess advised that the amount of \$3.2M must be raised to fund pending benefit payment obligations, which the Investment Consultant recommended raising from the portfolios managed by Polen Capital Management, Kayne Anderson Rudnick Asset Management and the R1000 Index Fund.

APPROVAL OF MINUTES

Chairperson Stahl asked the Board to review the minutes of the meeting held April 11, 2019. **Mr. Prizlee made a motion to approve the minutes of the meeting held April 11, 2019. Ms. Dollard seconded the motion, which was approved unanimously.**

APPROVAL OF CONSENT ITEMS

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

BENEFIT APPROVALS

RETIREMENTS

Name/Department	Date	Service	Type
VANEGAS, HECTOR Parks & Recreation	6/1/2019	12 Y, 10 M, 15D	Normal
SUESS, KIMBERLY Police & Fire	6/1/2019	14 Y, 0 M, 2D	Commence Vested Deferred
MOUTON, HERBERT Public Works	5/2/2019	30 Y, 0 M, 2D	Normal
SAWYER, SCOTT Public Works	5/4/2019	30 Y, 0 M, 2D	Normal

DIBERNARDO, MARISOL Broward Sheriff Office	5/1/2019	18 Y, 11 M, 19D	Commence Vested Deferred/Early
DOUGHLIN, SANDRA City Manager Office	6/1/2019	13 Y, 1 M, 29D	Normal
GAMBLES, JOHN Public Works	5/2/2019	22 Y, 0 M, 4D	Normal
WANSOR, SCOTT Information Technology	5/2/2019	18 Y, 2 M, 6D	Normal

DROP EXITS

Name	Date
KOEHANE, CARRIE	5/31/2019
LESAGE, SUSAN	5/3/2019

POST RETIREMENT DEATH

Name	Date
RITCHIE, HELEN Spouse of CHARLES RITCHIE	5/1/2019

NEW BUSINESS

As a follow up to the last meeting, Mr. Thomas reviewed guidelines and procedures regarding pension forfeiture proceedings including a discussion on specified offenses considered public entity crimes which require pension forfeiture proceedings pursuant to State Statutes. He reviewed in great detail the documentation produced by the Court regarding Phillip Peterson, noting that Mr. Peterson had been adjudicated guilty of several crimes related to his employment with the City. Mr. Thomas advised that if the Board determined that facts and circumstances of the case merited pension forfeiture then the process involved the formal notice to Mr. Peterson of the Board’s determination and his right to a full administrative hearing before the Board for him or his designee to present evidence and testify on his behalf. Mr. Thomas reviewed a draft of the proposed notice to Mr. Peterson. **Ms Wenguer made a motion to authorize legal counsel to send Philip Peterson formal notice of the Board’s determination that his pension benefits must be forfeited pursuant to State Statutes and his right for a full administrative hearing. Mr. Tanner seconded the motion. The motion was approved unanimously.** Mr. Schiess was directed to contact the City to improve communications to the Board regarding any future similar situations.

The Board reviewed a draft newsletter to retirees along with an insert submitted by retirees. **Ms. Dollard made a motion to authorize the printing and distribution of the newsletter to retirees. Jill Prizlee seconded the motion. The motion was approved unanimously.**

The Board conducted an annual performance review of the Pension Administrator. Mr. Schiess provided an organizational update including a report on initiatives and projects completed during the last year as well as a list of proposed initiatives. The Trustees expressed considerable satisfaction with the services provided by Mr. Schiess, noting improved processes and communications. Chairman Stahl reminded the Board that provisions within the agreement determining compensation had expired. **Ms. Prizlee made**

a motion to authorize the Chairperson to negotiate an acceptable compensation agreement with Mr. Schiess. Mr. Tanner seconded the motion, which was approved unanimously.

ATTORNEY'S REPORT

Mr. Thomas noted there was no pending legislation that would impact the pension plan.

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.

Mr. Schiess discussed the merits of developing an electronic newsletter for active members. He requested approval to pursue permission from the City to send the proposed newsletter via inner office e-mail to avoid distribution costs.

Mr. Schiess provided a status report on the bi-annual disability review and annual marriage re-certifications, noting that the third and final notice will be sent to those not in compliance all pursuant to Board policy and procedures.

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

The Board directed the Plan Administrator to send the investment consultant report to the City Commission.

ADJOURNMENT

The meeting adjourned at 2:03 PM.