

**CITY OF FORT LAUDERDALE  
GENERAL EMPLOYEES' RETIREMENT SYSTEM  
BOARD OF TRUSTEES MEETING**  
316 NE FOURTH STREET, SUITE 2, FORT LAUDERDALE, FLORIDA  
Thursday, August 8, 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  
Mark Burnam, Trustee  
Laura Garcia, Ex-Officio Designee

Also Present: Hattie Brinson & Eve Bazer, Retirees  
Glenn Thomas, Board Attorney (via teleconference)  
Bill Dahab, Dahab Associates (via videoconference)  
Jack Kirkpatrick & Scott Conlon, Aberdeen Asset Management  
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**

Ms. Brinson announced that the proposed cost-of-living adjustments matter had been placed on the City Commission conference agenda for August 20, 2019 and inquired whether any representatives from the Board were available to attend. Chairman Stahl and Mr. Schiess both affirmed they would attend.

**APPROVAL OF MINUTES**

Chairperson Stahl asked the Board to review the minutes of the meeting held June 13, 2019. **Ms. Dollard made a motion to approve the minutes for the meeting held June 13, 2019. Ms. Prizlee seconded the motion, which was approved unanimously.**

## **APPROVAL OF CONSENT ITEMS**

Chairperson Stahl asked the Board to review the consent items. Mr. Schiess reviewed two sets of benefit approvals, one for the cancelled July meeting which required ratification. **Ms. Dollard made a motion to approve the consent items. Ms. Wenguer seconded the motion, which was approved unanimously.**

## **BENEFIT APPROVALS**

### **RETIREMENTS**

<b>Name/Department</b>	<b>Date</b>	<b>Service</b>	<b>Type</b>
BUFFINGTON, KIRK Finance	6/29/2019	22Y, 10M, 3D	Normal
EVANS, DAVID Public Works	8/1/2019	5Y, 6M, 12D	Commence Vested Deferred
DAILEY, JULIAN Parks & Recreation	9/3/2019	25Y, 10M, 30D	Normal

### **DROP EXITS**

<b>Name</b>	<b>Date</b>
SHANNON, STACY	9/3/2019

### **POST RETIREMENT DEATH**

<b>Name</b>	<b>Date</b>
BENNETT, ZELMER Spouse of LEROY BENNETT	7/1/2019
NAGY, ROSALIE Spouse of JOSEPH NAGY	6/1/2019
ST. LEDGER, NOME Spouse of REXFORD ST. LEDGER	9/1/2019

### **DROP ENTRIES**

<b>Name</b>	<b>Date</b>	<b>Service</b>
MARTIN, JANICE Human Resources	8/1/2019	31Y 6M 2D
DAVIS, JEFFERY Transportation & Mobility	8/1/2019	23Y 1M 22D
ROQUE, MARIA Sustainable Development	9/1/2019	28Y 4M 24D

### **DISABILITY CONVERSIONS**

<b>Name</b>	<b>Date</b>
DAILEY, JULIAN	8/1/2019

## **INVESTMENT MANAGER REPORT: ABERDEEN ASSET MANAGEMENT**

Scott Conlon and Jack Kirkpatrick appeared before the Board to provide a report on the Aberdeen International Equity Fund managed by Aberdeen Standard Investments. Mr. Kirkpatrick provided an organizational update, noting that there were no organizational changes. Mr. Conlon reviewed the investment strategy and process, sector allocations, geographical allocations and holdings all in great detail. He then reviewed short and long-term performance and discussed the market and environmental factors that attributed to the

underperformance of the fund versus the index, notably the impact of monetary policy as a result of new trade tariffs. He discussed the intricacies of the index, noting that the investment strategy was actually value biased which had been out of market favor while the growth component of the index enjoyed market favor. Mr. Conlon reported that the market had rewarded value over growth styles over the long-term.

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

Bill Dahab provided the Board with a report on the investment portfolio for the quarter ending June 30, 2019. Mr. Dahab reported that the investment return for the quarter was 2.9% and for the fiscal year-to-date was 2.6%. He reported that the annualized return for the trailing three-year period was 11.1% ranking the performance in the top 2<sup>nd</sup> percentile of the public fund universe and for the trailing five-year period was 6.4% which ranked 29<sup>th</sup> in the public fund universe. Mr. Dahab then discussed market and economic conditions and anticipated continued volatility.

Mr. 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 and Aberdeen Asset Management. He explained that the value bias of Aberdeen Asset Management and the deep value style of the Franklin Templeton International Equity Fund had been out of market favor. Mr. Dahab further explained that while the growth style had been in market favor for many years, the value style had actually outperformed over the long-term. It was noted that the index used to evaluate the relative performance of both managers had a slight growth bias, which affected the comparison. He suggested the consideration of reducing each manager's allocation by 50% with the proceeds funding a MSCI index fund with State Street Global Advisors Index Fund, which has a slight growth bias. Mr. Dahab explained this would maintain active exposure in the value style and passive participation in the growth style. A discussion arose regarding historical performance and style selection. A discussion then arose regarding the total allocation to international and emerging market equities and whether it was warranted given the current economic and market conditions. The Board agreed that the issues were intertwined and complicated and should be deferred until the next meeting in order to extend the care and consideration they deserved. The Board requested Franklin Templeton Investments to attend the next meeting. Mr. Dahab agreed to be prepared to discuss value versus growth style attributes in the international equity market, the overall allocation to international and emerging market equities, overlap of international equity funds into emerging markets, and recommendations on the retention of the existing international equity funds.

Mr. 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 (IWC) was advancing. Mr. Dahab explained that the operating documents stipulated the performance of an appraisal for the sole purpose of determining whether a performance fee had been earned by the exiting manager. He further explained that the outgoing manager, BTG Pactual, had conceded that the firm was not due a performance fee and the replacement manager had requested all investors to execute a formal waiver of the requirement. Mr. Dahab advised that there was not any advantage for the Board to execute a waiver and suggested not complying with the request.

Mr. Schiess advised that the amount of \$3.4M must be raised to fund pending benefit payment obligations, noting that domestic growth equities were over target allocation and requested Mr. Dahab to provide a recommendation on the source of funding.

### **NEW BUSINESS**

Mr. Schiess provided quotes for the renewal of the fiduciary liability insurance and recommended renewal of existing coverage from the Hudson Insurance Company. **Ms. Wenguer made a motion to approve the renewal of fiduciary liability insurance with the Hudson Insurance Company. Mr. Tanner seconded the motion, which was approved unanimously.**

Mr. Schiess reviewed a proposed engagement letter with incumbent auditing firm Crowe Horwath for the fiscal year 2019 audit. **Ms. Wenguer made a motion to execute the audit engagement letter with Crowe Horwath for the fiscal year 2019 audit. Ms. Dollard seconded the motion, which was approved unanimously.**

### **OLD BUSINESS**

Mr. Schiess reviewed the status of the pension forfeiture proceedings against Phillip Peterson. Mr. Thomas reported that, in accordance with the pension forfeiture process, Mr. Peterson was provided a notice of agency action wherein he was advised of the pending forfeiture action. Mr. Peterson had exercised his right to an administrative hearing but requested deferral until next year due to his unavoidable unavailability. Mr. Thomas discussed the difficulties of conducting a hearing under the current circumstances and cautioned that proceeding might ultimately end up being a basis for an appeal which could then result in additional legal expenses to repeat the proceedings. He also cautioned against procedural missteps that might result in an overturn of the determination based on a technicality. Mr. Thomas ultimately recommended the deferral of the administrative hearing until Mr. Peterson is available to attend. Since Mr. Peterson cannot possibly collect benefits until January 1, 2026, the Board determined that the potential downside of not deferring the hearing far outweighed proceeding immediately and it was therefore prudent to schedule the administrative when Mr. Peterson becomes available next year.

### **ATTORNEY'S REPORT**

Mr. Thomas provided a report on the status of the pending investment management agreements for the three new private equity products. He advised that the amount of Board's capital commitment was below Capital Dynamics' threshold for a side letter agreement. A discussion arose regarding the protections afforded within side letter agreements. The Trustees decided to advise Capital Dynamics that the Board was unwilling to proceed any further without a side letter agreement and consideration should be given to the prior commitment in the existing fund.

## **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. He discussed the progress of archiving all the System's records including the electronic conversion of paper records, establishment of exact guidelines for record retention and sorting through many already archived records. Mr. Schiess provided in advance of the next meeting a draft of the trustee election materials and procedures. He then reviewed new and future potential security measures for the Pension Office

Mr. Schiess reviewed the terms for the renewal of the copier lease for the pension office. **Ms. Dollard made a motion to renew the copier lease. Mr. Tanner seconded the motion, which was approved unanimously.**

As a follow up to the last meeting, Mr. Schiess provided an update of additional research conducted into the plan entry date of Carrie Keohane. He reviewed new documentation supporting the effective date that had been utilized for the determination of her benefits. Mr. Schiess agreed to notify Ms. Keohane of the findings as well as her right to submit a claim should she desire to dispute the findings.

Mr. Schiess provided a report on a meeting with the Human Resources Director on pension forfeitures and other miscellaneous administrative items.

Mr. Schiess reviewed past practice for the payment of disbursements. He provided the Board with a draft of a policy formalizing past practice as well as additional recommendations for future consideration by the Board.

## **MONTHLY FUND ASSET MIX**

Mr. Schiess reviewed the monthly asset allocation report and it was noted that all was in compliance with the exception of a slight overage of the real estate allocation. It was then noted that the real estate allocation had enjoyed excellent returns over many years without any redemptions and the allocation would naturally be skewed upwards in equity market downturns. The Board directed the Plan Administrator to affect the cessation of dividend reinvestment, which was expected to remedy the slight allocation overage.

## **PLEASURE OF THE BOARD**

There was nothing to discuss for pleasure of the Board.

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

There was nothing to send to the City Commission.

## **ADJOURNMENT**

The meeting adjourned at 2:15 PM.