

CITY OF FORT LAUDERDALE
GENERAL EMPLOYEES' RETIREMENT SYSTEM
BOARD OF TRUSTEES MEETING
316 NE FOURTH STREET, SUITE 2, FORT LAUDERDALE, FLORIDA
Thursday, February 13, 2020
12:02 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: Lynn Wenguer, Chairperson
Jill Prizlee, Vice-Chairperson
Marian Dollard, Secretary
Jeri Pryor, Trustee
Paul Tanner, Trustee (via teleconference)
Mark Burnam, Trustee
Susan Grant, Ex-officio

Absent: Ron Cameron, Trustee

Also Present: Glenn Thomas, Board Attorney (via teleconference)
Nick Schiess, Pension Administrator
Andy Madtes, Teamsters Local 769
Grant Duncan & Luiz Sauerbronn, Brandes Investment Partners
Matthew Kosara, HGK Asset Management
Tasleem Jamal & Arjun Kumar, Sprucegrove Investment Management
Richard Dahab, Dahab Associates
Jane Dyar, Pension & Recording Secretary

CALL TO ORDER

Ms. Wenguer called the meeting to order and roll call was taken. The Board recognized that Trustee Paul Tanner was attending the meeting remotely in accordance with the provisions within City Resolution 12-84.

PUBLIC COMMENT

There was not any public comment.

APPOINTMENT OF BOARD OFFICERS

Ms. Wenguer noted the requirement of electing officers for the 2020 year. **Mr. Burnam nominated Ms. Wenguer as Chairperson of the Board, Ms. Prizlee as Vice-Chairperson, and**

Ms. Dollard as Secretary. Ms. Pryor seconded the nomination, which was approved unanimously.

APPROVAL OF MINUTES

The Board reviewed the draft minutes of the meeting held January 16, 2020. Mr. Burnam made a motion to approve the minutes of the meeting held January 16, 2020. Ms. Dollard seconded the motion, which was approved unanimously.

APPROVAL OF CONSENT ITEMS

The Board reviewed the consent items. Ms. Dollard made a motion to approve the consent items as presented. Ms. Prizlee seconded the motion, which was approved unanimously.

BENEFIT REVIEW

RETIREMENTS

Name/Department	Date	Service	Type
GRAHAM, ALFREDA Finance	2/11/2020	21Y, 0M, 3D	Normal
WENTWORTH, RICHARD Public Works	2/8/2020	20Y, 4M, 7D	Normal
CHAPMAN, JAMES Public Works	2/8/2020	20Y, 0M, 15D	Normal
BULLOCK, KERRY Parks & Recreation	3/3/2020	32Y, 0M, 0D	Normal

POST RETIREMENT DEATH

Name	Date
VARGAS, NINFA Spouse of HUGO VARGAS	2/1/2020
EDWARDS, EILEEN Spouse of JEPHTHAH EDWARDS	2/1/2020
TORGER, GISELA Spouse of FRIEDRICH TORGER	2/1/2020
HEPBURN, ALICE Spouse of JOHN HEPBURN	2/1/2020

INTERNATIONAL VALUE EQUITY INVESTMENT MANAGER INTERVIEWS

Richard Dahab previewed the manager presentations, noting that all the prospective candidates had excellent qualifications and experience with a proven track record. He discussed the mandate for management of international value equities potentially to replace the allocation with the Franklin Templeton Trust Company. He explained that the structure of the investment products were collective investment trusts.

BRANDES INVESTMENT PARTNERS

Grant Duncan and portfolio manager Luiz Sauerbronn appeared before the Board to provide a presentation on the firm's international value equity management services. Mr. Duncan

discussed the firm's qualifications and experience. Mr. Sauerbronn reviewed the investment philosophy and strategy including stock selection process, country allocations and other factors important to the evaluation of an investment manager all in very great detail. He then reviewed long-term investment performance, noting outperformance of the index net-of-fees since inception. Mr. Sauerbronn concluded his presentation with a review of the largest holdings along with their performance and diversity they added to the portfolio. They were questioned regarding succession planning and also the positioning of the portfolio for a down market given the unusually prolonged up market. Mr. Sauerbronn discussed the firm's succession planning, noting great diversity in the tenure of the portfolio management team. He explained that preservation of capital was integral to the investment process, which involved advanced preparation specifically for down markets. They were questioned whether the Corona Virus crisis would have any dire effect on long-term supply chains and ultimately investment performance. Mr. Sauerbronn responded that they were monitoring the event and not any material changes to the investment process were not warranted at this time.

HGK ASSET MANAGEMENT

Matthew Kosara appeared before the Board to provide a presentation on the firm's international value equity investment management services. Mr. Kosara discussed the firm's qualifications, experience as well as the sub-advisory and ownership relationship with Trinity Street Asset Management. He reviewed their investment philosophy and strategy including stock selection process, country allocations and other factors important to the evaluation of an investment manager all in very great detail. Mr. Kosara reviewed the risk measurement indices and long-term performance, noting significant outperformance of the index and their peers. Mr. Kosara was questioned regarding succession planning and also the positioning of the portfolio for a down market given the unusually prolonged up market. Mr. Kosara discussed the firm's succession planning. He explained that the investment process yielded holdings with superior financial characteristics allowing them relative outperformance during down markets as evident within their very favorable downside market indices. Mr. Kosara was questioned whether the Corona Virus crisis would have any dire effect on long-term supply chains and subsequently investment performance. He responded that they were monitoring the event and any effect on the supply chain would have an effect across the board and would be monitored

SPRUCEGROVE INVESTMENT MANAGEMENT

Tasleem Jamal and Arjun Kumar appeared before the Board on behalf of Sprucegrove Investment Managers to provide a presentation on the firm's international value equity investment management services. Ms. Jamal discussed the firm's qualifications and experience. Mr. Kumar reviewed their investment philosophy and strategy including stock selection process, country allocations and other factors important to the evaluation of an investment manager all in very great detail. Ms. Jamal reviewed the risk measurement indices and long-term performance, noting significant outperformance of the market net-of-fees and their peers. They were questioned regarding succession planning and also the positioning of the portfolio for a down market given the unusually prolonged up market. Mr. Kumar discussed the firm's succession planning. Mr. Kumar discussed risk mitigation and investment strategy, noting a proven track record of down-market protection. Mr. Jamal was

questioned whether the Corona Virus crisis would have any dire effect on long-term supply chains and subsequently investment performance. He responded that the portfolio contained holdings of firms with excellent balance sheets that should be able to survive well and perhaps even pick up market share though disruptive events.

Richard Dahab reviewed his analysis of the prospective managers provided to the Trustees in advance of the meeting and the presentations by the prospective candidates. Mr. Dahab was questioned regarding the company structure of HGK Investment Management and he expressed no concerns. A very lengthy and careful discussion ensued regarding performance, fees, risk measurement indices and other factors important to the selection of investment management services. Mr. Dahab ultimately recommended the selection of both HGK Investment Management and Sprucegrove Investment Management at an allocation of \$25M each. A question arose regarding the funding of the new products and Mr. Dahab suggested that approximately \$25M of proceeds would be expected if the Franklin Templeton Trust Company was terminated and another \$25M reallocated from the SSGA International Equity Index Fund. A discussion arose regarding the merit of passive management for this allocation and it was noted that the prospective candidates had all achieved outperformance of the market net-of-fees for all measurable rolling time periods. Mr. Schiess and Mr. Dahab discussed the mechanics of the transition. After further evaluation and discussion, **Ms. Prizlee made a motion to engage the investment management services of HGK Asset Management and Sprucegrove Investment Management at an allocation of \$25M each contingent upon the successful negotiation of agreements by legal counsel, authorize execution of the agreements by the Chairperson and immediate funding of the mandates with the full redemption of the fund managed by the Franklin Templeton Trust Company and a \$25M redemption of the SSGA International Equity Index Fund upon finalization of the process. Ms. Pryor seconded the motion which, was approved unanimously.**

INVESTMENT CONSULTANT REPORT: DAHAB ASSOCIATES

Richard Dahab provided the Board with a report on the investment portfolio for the quarter ending December 31, 2019. Mr. Dahab reported that the net investment return for the quarter was 6.2% and for the trailing year was 19.0%. He reported that the annualized return for the trailing three-year period was 10.6% ranking the performance in the top 4th percentile of the public fund universe and for the trailing five-year period was 7.2% which ranked 14th in the public fund universe. Mr. Dahab reviewed the performance of the individual investment products in great detail, noting all was satisfactory.

Mr. Dahab reviewed the asset allocation and recommended raising \$2.8M cash necessary for benefit payment obligations from the Russell 1000 Index Fund.

Mr. Dahab requested the Board's favorable consideration of a fee increase. He noted that the fee has remained the same since June 2015 and since administrative costs have increased. A brief discussion ensued and **Mr. Burnam made a motion to approve the requested fee increase for Dahab & Associates. Ms. Pryor seconded the motion, which was approved unanimously.**

NEW BUSINESS

Mr. Schiess presented the Board with revised signature cards for signature.

ATTORNEY'S REPORT

As a follow up to the last meeting, Mr. Thomas provided an update on his research into the basis that the current Board inherited for the provision within the Investment Policy Statement limiting the overall allocation to just 5% for private equity. He reported that after careful review of the Statutes and a conversation with the State that there was not a 5% ceiling for private equity investments applicable to the System. Therefore, he did not express any legal concerns with the proposed revisions to the Investment Policy Statement.

Mr. Thomas provided a legislative update, noting that there was not any pending State legislation that would affect the Plan.

OLD BUSINESS

Mr. Schiess reminded the Board that although the previously proposed cost-of-living adjustments were not approved the Board's direction was to retain the matter on the agenda and that the next actuarial valuation should be presented at the March 10, 2020 meeting with evaluation of whether the Plan will again meet the necessary prerequisites to permit cost-of-living adjustments.

Mr. Schiess discussed the proposed revisions for the Investment Policy Statement containing minor housekeeping changes and the slight increase in the target allocation for private equity from 5% to 6%. Mr. Dahab was questioned regarding funding the slight increase and he agreed to research with the current private equity managers whether their funds were closed or could accept an increased commitment. **Ms. Dollard made a motion to approve the revised Investment Policy Statement. Mr. Burnam seconded the motion, which was approved unanimously.**

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 a report on the status of annually occurring projects. He reported that the annual benefit statements and DROP statements were issued including the first round of special new statements for FPE members. Mr. Schiess advised that periodic disability reviews were bi-annual and would be skipped this year. He noted that marriage recertifications for beneficiaries were queued and questioned whether the requirement could be changed from annually to bi-annually. Mr. Schiess explained that last recertification process did not yield the identification of a single remarried beneficiary and the process has been significantly improved in terms of educating beneficiaries of the ramifications of remarriage on their benefits. The Board agreed by consensus that marriage certifications should be conducted on a bi-annual basis.

Mr. Schiess provided a report on a very minor issue identified within the annual external audit of the system and operational controls for the Plan's custodian, Comerica Bank. He advised that the issue was insignificant, did not result in any unauthorized activities and affected systems other than those used to manage the Plan. Mr. Schiess recommended the simple recognition by the Board

as due diligence with the issue so immaterial that it did not warrant any additional action.

Mr. Schiess reported that recent retiree Kim Suess had repeatedly disputing her service credit and had engaged an attorney. He presented the Board with a draft response letter to the attorney along with documentation supporting that the service credit granted was indeed correct. Mr. Schiess explained that procedurally disgruntled members are advised of their entitlement to file a claim with the Board, which initiates formal action and review. He advised that the retiree newsletter awaiting financial information from the annual audit and valuation.

Mr. Schiess reported the current rental agreement for the Pension Office expires October 2020. He presented the preliminary terms for lease renewal proposed by the landlord of \$3,700 monthly rent all inclusive, a two-year term with no rate escalation and a six-month guaranteed notice to vacate. The Board affirmed prior direction to research alternative office space.

Mr. Schiess provided an organizational update, noting that the production of documents and reports to the auditor and actuary were completed. He also noted that the archiving project had progressed further with a goal of completion before relocation of the pension office in October 2020.

MONTHLY FUND ASSET MIX

Mr. Schiess reviewed the monthly asset allocation report, noting compliance with the exception of a slight overage of the real estate allocation. He reported that the remedy implemented had already dramatically lessened the overage, which should fully resolve the matter barring any market turmoil.

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 3:20 PM.