

CITY OF FORT LAUDERDALE
GENERAL EMPLOYEES' RETIREMENT SYSTEM
BOARD OF TRUSTEES MEETING
316 NE FOURTH STREET, SUITE 2, FORT LAUDERDALE, FLORIDA
Thursday, May 21, 2020
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: Lynn Wenguer, Chairperson
Jill Prizlee, Vice-Chairperson
Marian Dollard, Secretary
Jeri Pryor, Trustee
Ron Cameron, Trustee
Mark Burnam, Trustee
Susan Grant, Ex-officio

Absent: Paul Tanner, Trustee

Also Present: Glenn Thomas, Board Attorney
Nick Schiess, Pension Administrator
Richard Dahab, Dahab Associates
Kurt Wood, Harry Radovich & Victor Zollo, DePrince Race & Zollo

CALL TO ORDER

Ms. Wenguer called the meeting to order and roll call was taken.

It was noted that due to the state of emergency created by COVID-19, the meeting was held electronically pursuant to Governor DeSantis' Executive Order Number 20-69 issued on March 20, 2020 wherein local government bodies may utilize communications media technology, such as telephonic and video conferencing, as provided in Section 120.54(5)(b)2. Florida Statutes. It was further noted that special measures were implemented to provide access to the meeting by the public.

PUBLIC COMMENT

There was not any public comment.

APPROVAL OF MINUTES

The Board reviewed the draft minutes of the meeting held April 9, 2020. **Ms. Dollard made a motion to approve the minutes of the meeting held April 9, 2020. Ms. Prizlee seconded the motion, which was approved unanimously.**

APPROVAL OF CONSENT ITEMS

The Board reviewed the consent items. **Mr. Cameron made a motion to approve the consent items as presented. Ms. Pryor seconded the motion, which was approved unanimously.**

BENEFIT REVIEW

RETIREMENTS

Name/Department	Date	Service	Type
WILLIAMS, LINDA Police & Fire	5/2/2020	25Y, 2M, 20D	Normal
HOWELL, BARBARA Public Works	5/17/2020	29Y, 1M, 2D	Normal
BLANCO, FERNANDO Public Works	7/1/2020	21Y, 11M, 3D	Early
HASCUP, NELSON Public Works	5/2/2020	30Y, 0M, 13D	Normal
RICHARDS, JULIE City Manager’s Office	6/1/2020	6Y, 6M, 26D	Commence Vested Deferred
NEGRON-LOTITO, MIRASOL Sustainable Development	6/1/2020	11Y, 9M, 0D	Commence Vested Deferred

POST RETIREMENT DEATH

Name	Date
Feldman, Carolyn Spouse of FELDMAN, ADAM	6/1/2020

INVESTMENT MANAGER REPORT – DEPRINCE, RACE & ZOLLO, INC

Kurt Wood, Harry Radovich and Victor Zollo joined the meeting via Webex to provide a report on the large cap portfolio for the quarter ending March 30, 2020. Mr. Wood reported that the investment return for the quarter was -35.50% versus -26.73% for the index, with more than half of the deficit made up since the end of the quarter. The Board questioned the significant underperformance of their benchmark. Mr. Zollo attributed the underperformance primarily to style and sector allocations versus stock selection. He explained that the style was deeper value than the index and therefore was more sensitive to the abnormal market downturn attributable to the COVID-19 pandemic. Additionally, the portfolio has greater than index weighting to the financial sector. Mr. Zollo further explained that financial institutions are far healthier than ever and were just severely mispriced by the market. Mr. Radovich added that the portfolio was also slightly overweighted in the energy sector during an international energy price war. He anticipated that these sector pricing issues would be corrected in time. Mr. Wood reviewed exhibits on historical performance, noting that during the last two severe market downturns the portfolio had also underperformed the market but in each case both the deficit plus additional outperformance was achieved on the market rebound. He then reviewed risk measurement and other portfolio indices, noting that most were very favorable over the index. Mr. Zollo assured the Board that the investment process was intact and they were very optimistic about both a market rebound and subsequent outperformance of their index.

INVESTMENT CONSULTANT REPORT & MARKET COMMENTARY

Mr. Dahab provided the Board with a report on the investment portfolio for the quarter ending December 31, 2020. He reported that the net investment return for the quarter was -15.5% versus -14.5% for the index. Mr. Dahab discussed the effects of the COVID pandemic, noting it had affected all global markets and investments within the portfolio with the exception of the real estate products. He speculated that the entire market had been essentially oversold and expressed expectation for a market rebound soon. Mr. Dahab then reviewed an update through April 30, 2020, noting that the portfolio had partially rebounded just within a month and the return for the portfolio was already 7.4% versus 7.1% for the index. Mr. Dahab reviewed the performance of the individual investment products in great detail, noting all were satisfactory and he expressed expectation for all investment products to outperform their respective indexes in the market rebound.

Mr. Dahab reviewed the asset allocation and recommended that \$3.2M cash necessary for benefit payment obligations be raised from the Russell 1000 Index Fund and DePrince Race and Zollo large cap value portfolio.

Mr. Dahab was questioned regarding the underperformance of the DePrince Race and Zollo large cap value portfolio. He discussed the factors attributable to their underperformance and ultimately recommended against their replacement but instead careful monitoring.

Mr. Dahab was questioned regarding the expectation on the effects of the pandemic on the performance of the real estate products and whether it was prudent to trim this allocation in response. He discussed the anticipated changes within the individual sectors of commercial real estate, noting that not all sectors would be adversely impacted and the overall outlook remained favorable and therefore no changes were recommended.

NEW BUSINESS

There was no new business.

OLD BUSINESS

As a follow up to the last meeting, Mr. Schiess provided information in response to questions regarding parking and handicap accessibility for staff, Trustees and visitors at the 101 Center in downtown Fort Lauderdale. A lengthy discussion ensued regarding the prospective status of the commercial real estate in downtown Fort Lauderdale including whether COVID-19 would cause a sufficient recessionary effect resulting in downward pressure on rents. Concerns were expressed with entering into a lease agreement for many years just as other lower cost options become available on the market. The Board agreed that additional research was best and Mr. Schiess agreed to contact professional real estate contacts offered by Mr. Burnam for insight. Additionally, Mr. Schiess was directed to initiate negotiations for more favorable rental terms at the 101 Center.

As a follow up to the last meeting, Mr. Schiess presented the Board with a revised Emergency Procedures Policy developed for the purpose of establishing protocol for the pension office operations during periods of emergency. **Mr. Burnam made a motion to accept the Emergency Procedures Policy as presented. Ms. Pryor seconded the motion, which was approved unanimously.**

Mr. Schiess provided an update on the status of the pension office through the COVID-19 emergency. The Board agreed that the office should reopen using the same timetable and precautionary measures used by the City. The consensus was to schedule the next meeting as a virtual meeting. It was noted that a panel of investment managers had been prescheduled for the next meeting. The Board determined that a report from investment managers was important because of the market downturn and delegated discretion of the scheduling of managers to the investment consultant.

ATTORNEY'S REPORT

Mr. Thomas provided an update regarding open meeting requirements, noting an extension for electronic meetings. He agreed to advise the Board of any updates.

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 reported that real estate asset allocation had remained out of range for an extended period of time. At first, the overage was slight and the remedy was to cease the reinvestment of distributions for which the trend was downwards until the COVID-19 market downturn. It was noted that one of the advantages of real estate is that the allocation was uncorrelated to equities but an equity market downturn would therefore naturally increase the relative percentage of the real estate allocation. A lengthy discussion ensued regarding both the target and upper range of the allocation given current market conditions. It was noted that it would take approximately one quarter to trim real estate products during which time a rebound in the equity values is anticipated. Mr. Dahab ultimately recommended retaining the current 7% target allocation but increasing the range from 13% to 16% to make allowance for aberrant market events resulting in extraordinary equity downturns. Mr. Schiess agreed to draft the revision to the Investment Policy Statement for consideration at the next meeting.

In advance of the next meeting Mr. Schiess provided the Board with a draft of the revised Summary Plan Description, which was required to be published every two years. He reported that a retiree and active member newsletter was being prepared and would be presented along with the Summary Plan Description to the Board at the next meeting for consideration.

MONTHLY FUND ASSET MIX

Mr. Schiess reviewed the monthly asset allocation report, noting compliance except for the slight overage of the real estate allocation that had already been addressed.

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 2:04 PM.