

**CITY OF FORT LAUDERDALE
GENERAL EMPLOYEES' RETIREMENT SYSTEM
BOARD OF TRUSTEES MEETING**
401 NE FOURTH STREET, SUITE 201, FORT LAUDERDALE, FLORIDA
Thursday, March 23, 2023
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
Mark Burnam, Trustee
Jeri Pryor, Trustee
Bob McComsey, Trustee
Douglas Meade, Trustee
Pam Harrell, Ex-officio Designee

Absent:

Also Present: William Dahab, Dahab & Associates
Glenn Thomas, Board Attorney (via teleconference)
Nick Schiess, Pension Administrator
Anne-Marie Lacroix-Vega, Pension Secretary
Anil Harris & Brett Friedman, RSM US LLP
Piotr Krekora, Gabriel Roeder Smith

CALL TO ORDER

Ms. Wenguer called the meeting to order.

PUBLIC COMMENT

There was not any public comment.

APPROVAL OF MINUTES

The Board reviewed the draft minutes of the meeting held February 9, 2023. **Ms. Dollard made a motion to approve the minutes of the meeting held February 9, 2023. Mr. Burnam seconded the motion, which was approved unanimously.**

APPROVAL OF CONSENT ITEMS

The Board reviewed the consent items. **Mr. Burnam made a motion to approve the consent items. Ms. Dollard seconded the motion, which was approved unanimously.**

BENEFIT REVIEW

RETIREMENT

Name	Date	Service	Type
MONPREVIL, HENRY Park & Recreation	2/11/2023	16 Y, 10 M, 9D	Normal
KOETH, JAMES Public Works	4/1/2023	21 Y, 11 M, 0D	Normal (Vested Deferred)
HOLGUIN, JORGE Public Works	3/20/2023	18 Y, 7 M, 22D	Normal
RUCKER, ERIC Public Works	4/1/2023	17 Y, 5 M, 1D	Early (Vested Deferred)
EASTON, PAM Public Works	3/8/2023	16 Y, 1 M, 14D	Normal

SURVIVORSHIP BENEFITS

Name	Date
REFFSIN, TAMMY Spouse of ALAN REFFSIN	2/1/2023

AUDITOR'S REPORT & 2022 FISCAL YEAR FINANCIAL STATEMENTS

Anil Harris and Brett Friedman appeared before the Board on behalf of RSM US LLP to present the Auditor's Report and Audited Financial Statements for the fiscal year ended September 30, 2022. Mr. Harris thoroughly reviewed the financial statements of the Plan and issued the Board with a clean unqualified opinion letter on the statements. He reported that the System's net assets as of September 30, 2022 were \$667M, a decrease of \$135M from the prior year, was primarily attributable to higher than expected investment returns. Mr. Freidman reviewed GASB disclosures and required communications in great detail. He reported that there were no identified instances of non-compliance or deficiencies in internal controls and procedures. **Ms. Dollard made a motion to accept and approve the 2022 fiscal year Audit Report and Audited Financial Statements. Mr. McComsey seconded the motion, which was approved unanimously. Ms. Dollard made a motion to approve and execute an Audit Management Representation Letter. Ms. Prizlee seconded the motion, which was approved unanimously.**

ACTUARY'S REPORT: GABRIEL ROEDER SMITH

Piotr Krekora appeared before the Board on behalf of Gabriel Roeder Smith to present the actuarial valuation for fiscal year ending September 30, 2022. He reported that for the 2024 fiscal year, the City's funding requirements are \$7,075,100, an increase of \$318,358 from the prior year. Mr. Krekora reviewed the actual experience of the System versus the actuarial assumptions, noting that the increase in funding requirements was primarily attributable to an actuarial experience loss arising from lower than expected investment returns. Mr. Krekora was questioned regarding

differences in asset valuations represented within the audited financial statements and valuation report and he explained that slightly different measurement techniques were used. Mr. Krekora was questioned regarding the number of years currently used for asset smoothing and the maximum allowed. He responded that the current asset smoothing technique utilized the past rolling five years. Mr. Schiess agreed to research the maximum number of years allowable and report back to the Board. Mr. Krekora that the funding ratio of 97.7% had decreased from 99.5% for the prior year for the same reason. **Ms. Prizlee made a motion to approve the 2022 Actuarial Valuation. Ms. Dollard seconded the motion. The motion passed unanimously.**

Mr. Krekora introduced the new disclosure Actuarial Standard of Practice Number 4 - Low Default Risk Obligation Measure that will be required to be completed with the next actuarial valuation. He provided a sample format of the standard report and advised that an expanded report would be available upon request but for an additional cost.

NEW BUSINESS

Mr. Krekora reviewed the criteria necessary for the consideration of a cost-of-living adjustment for the retirees by the City. It was noted that unfortunately one of the criteria had not been met, specifically the provision within the Ordinance requiring an excess investment return over the actuarial rate of return in the most recent actuarial valuation.

Mr. Schiess discussed the State requirement to formally determine the expected rate of investment return on an annual basis. **Ms. Prizlee made a motion to determine that the total expected annual rate of investment return for the System for the next year shall be 6.75% and long-term thereafter and authorize Chairperson Wenguer to execute the declaration. This determination is made in accordance with Section 112.661(9) Florida Statutes. Mr. Meade seconded the motion. The motion was accepted unanimously.**

OLD BUSINESS

There was not any old business to consider.

PLEASURE OF THE BOARD

Mr. Dahab joined the meeting via Zoom to discuss the publicity surrounding the recent failure of Silicon Valley Bank and Signature Bank. He described the basis for their failures, noting the Federal Government had provided a backstop to insure the deposits within Silicon Valley Bank. Mr. Dahab discussed the economic and market conditions affecting the banking industry and ultimately concluded that more or even systemic failures were not widely anticipated.

Mr. McComsey provided the Board with a report regarding the banking industry, which represented that exposure to rising interest rates had resulted in a significant increase of risk and fragility within the banking system. He then expressed concerns regarding using smaller regional banks like Comerica Bank and KeyBank when larger banks that are too large to fail are available. He provided additional information that represented a significant decline in the market capitalization of both Comerica Bank and KeyBank.

Mr. Dahab clarified that the Pension Plan's assets are held within a trust account, which are separate from general deposits and therefore not subject to customer runs on the bank. Additionally, while many of the assets are held elsewhere in commingled funds, those at Comerica Bank are individual stocks and bonds that are titled in the name of the Pension Plan regardless. Mr. Schiess reported that many larger banks are not interested in providing custodial services as they are low margin. He explained that the Plan had migrated from BNY Mellon who was terminated back in 2016 for poor service. Mr. Dahab provided a copy of the original proposals for custodial services, noting that Comerica Bank was selected for competitive pricing along with their experience and reputation. Mr. Schiess explained that KeyBank was selected because they were the best candidate from a very narrow field of firms providing stand-alone benefit payments. He advised that KeyBank was an excellent provider and the cash was funded and held for only a few days before payments were issued.

Mr. McComsey concluded that it was important that the Board considered the matter and the potential ramifications of bankruptcy for either of the Pension Plan's banks. Several lengthy discussions ensued including requesting proposals from only larger banks and ultimately the Board decided to maintain a very watchful eye on the banking industry.

Mr. Dahab recommended raising any required cash equally from value managers DePrince Race & Zollo and Wedge Capital Management.

ATTORNEY'S REPORT

Mr. Thomas discussed pending State legislation that would affect the Pension Plan. Among the bills is legislation that would require governmental entities, including the Pension Plan, to pursue the highest return on investment and prohibit consideration of environmental, social and governance in investment decisions. The bill also requires that governmental entities only utilize services from banking institutions that are designated as Qualified Public Depositories by the State that are certified not to engage in practices that discriminate on political or religious affiliations or any other factor that is not a quantitative impartial or applying social credit scores. It was noted that the pending legislation might impact the Pension Plan's use of current banking institutions.

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, monthly fund asset mix and miscellaneous organizational changes.

Mr. Schiess reported that a fraudulent attempt to revise the direct deposit banking information of a retiree was thwarted by the pension office's verification procedures.

Mr. Schiess discussed his experience with the new auditing firm.

Mr. Schiess reported that the electronic archiving of the retiree files has continued along with building a database of phone numbers and e-mails for use in electronic communications.

BOARD COMMUNICATION TO THE CITY COMMISSION

There was nothing to communicate to the City Commission.

ADJOURNMENT

The meeting adjourned at 2:47 PM.