

REGULAR MEETING OF THE BOARD OF TRUSTEES  
GENERAL EMPLOYEES RETIREMENT SYSTEM  
316 NE FOURTH STREET, SUITE 2, FORT LAUDERDALE, FL  
Thursday, October 1, 2009  
9:00 A.M.

**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

Chairman Bucci called the meeting to order with a light thump of the gavel at 9:00 A.M. Roll call was taken.

Present: John "Le" Bucci, Chairman  
Mark Darmanin, Vice Chairman  
Sean Jones, Secretary  
Ron Cameron  
Darlene Pfeiffer  
Julius Delisio  
Michael Kinneer, Ex-Officio

Absent: Dr. Bob Helmholdt

Also Present: Steven Malinowski, Global Transition Services  
John Norman & Michael James, Wedge Capital Management  
Alan Vordermeier, Vordermeier Management Company  
Robert Dunckel, Assistant City Attorney  
David Desmond, Pension Administrator  
Jane Dyar, Pension & Recording Secretary  
Jackie Thomas, Pension Receptionist

Chairman Bucci asked the Board to review the September 3, 2009 meeting minutes. Mr. Darmanin made a motion to approve as presented. Mr. Jones seconded the motion. Some grammatical changes were suggested. Mr. Darmanin asked that the Educational Calendar section contain more specific wording. He also requested that the recording of the

September 3, 2009 meeting be reviewed for confirmation and clarity regarding the “Board Communication to the City Commission” section. Mr. Darmanin made the motion to accept the minutes as amended. Mr. Jones seconded the motion. The minutes were approved unanimously.

### **TRANSITION MANAGEMENT REPORT** **Steven Malinowski, Global Transition Services**

Mr. Malinowski opened by stating that his firm operates as an independent brokerage consultant whose objective is to provide on-going brokerage services to the General Employees Retirement System at no cost. Their services include:

1. Event management; transition management
2. Evaluate practices; ensuring independent review of manager’s practices
3. GTS University; a free service that provides education and information to trustees and boards on commonly misunderstood brokerage matters and to acquaint them with terminology used in the industry.

As part of those services, Global performs a fixed income stress test which results in a confidential report that assesses transparency, evaluates brokerage practices, and looks for ways to reduce transaction costs. He added that the unique stock ticker based analysis identifies the cumulative impact of trading decisions.

Mr. Malinowski then reviewed a current three-month report they prepared for the Board. He said the fixed income side was considered to be a high-grade liquid portfolio with multiple liquidity sources. There was a high level of price agreement between custodial and dealer quoted valuations. On the equity side, he said that there was a large broker universe used by the various money managers and that no single broker appears to execute a large percentage of the transactions.

Mr. Malinowski said that overall the money managers of the City of Fort Lauderdale General Employees’ Retirement System (GERS) portfolio executed their transactions using best brokerage practices. He informed the Board that he would be back in six months to report on the previous nine months of brokerage activity, which would produce a more substantial and meaningful report. The next report would reveal more statistically significant information by looking at a larger pool of data. There was a short discussion on the depth of the data. Chairman Bucci thanked Mr. Malinowski for his presentation and said the Board looks forward to his return.

### **QUARTERLY PERFORMANCE REPORT** **John Norman & Michael James, Wedge Capital Management**

Chairman Bucci welcomed Mr. Norman and Mr. James to the table. Mr. James reminisced about the events over the last year and said it had been a remarkable two-year period in their relationship with the Plan. He stated that as of September 30<sup>th</sup>, 2009, their firm now has \$8.5 billion under management and that the past quarter was the strongest in eleven

years. He briefed the Board on their systematic investment process and reviewed the quantitative momentum portfolio that considers the relationship of price to earnings, price to sales, and price to book.

Mr. Norman stated that they have used the same large cap value strategy and stock selection process for the last two years. There are 111 stocks in the portfolio and he reviewed a breakdown of each sector. The portfolio is presently valued at \$30.3 million and year to date returns are up 18.7% while the Russell 1000 Value Index was up 14.8%. He stated that there had been a beta rally and this was a very interesting market. He recapped prior bear/bull markets and the returns that followed each cycle. Mr. James endorsed Mr. Norman's statements and reminded the Board the reason they were hired was for longer-term performance.

Mr. Delisio asked for a summary of their returns from inception and Mr. James replied by stating that the Board originally invested \$34.6 million. From inception, there was \$6.8 million in gains, \$1.1 million in dividends added. Recent market conditions have taken away \$16 million, but \$4 million of that has been made back as of June 30, 2009. Mr. James closed by saying they were coming off of a much lower base as of March 9<sup>th</sup> and vowed that this investment was on its way back up. He added that it might take a few more years to make up the entire loss.

Ms. Pfeiffer complimented the duo on their presentation and said the very concise information presented was most informative. Chairman Bucci asked if using the Russell 1000 Value Index to measure their performance was a fair evaluation tool. Mr. Norman confirmed that it was a good index by which to measure their performance. Chairman Bucci thanked them for their insightful report.

## **PROPERTY MANAGEMENT REPORT**

### **Alan Vordermeier, Vordermeier Management Company (VMC)**

Chairman Bucci welcomed Mr. Vordermeier. Mr. Vordermeier handed out proposed budgets for the 4800 building and the 316 building along with a form estimating the construction cost for improvements at the 4800 building. The Board reviewed the information and Mr. Vordermeier answered various expense and timeline questions. Mr. Vordermeier said the going rate for rental of the proposed suites in the 4800 building should be \$15 a square foot with \$8.41 a square foot added to cover pass through or common area maintenance (CAM) costs.

Ms. Pfeiffer asked if the projected budget for the 4800 building included a full year of rent. Mr. Vordermeier affirmed that it included full rental of the third floor and rental of two suites on the second floor. Ms. Pfeiffer expressed concern that the second floor was not yet rentable and asked when he thought it would be ready for occupancy. Mr. Vordermeier said he was hopeful that it would be rentable by January 1, 2010. Ms. Pfeiffer asked why the budget included rental figures for those three months if the suites were not rentable. Mr. Vordermeier responded that the budget contains projected figures for the calendar

year. She objected that the budget was reflecting anticipated rents that could not actually be collected in that timeframe and said if they were going to be vacant for a quarter of that time, the numbers in the budget should reflect that. Ms. Pfeiffer asked Mr. Vordermeier if he was confident enough in his budget projections to be evaluated on his performance by comparing those figures with the final figures at the end of the year. Mr. Vordermeier responded that he was very comfortable with the figures.

Mr. Kinneer asked if Mr. Vordermeier had back-up information to substantiate the figures in the budget. Mr. Vordermeier said he would supply back up information to support his calculations.

The Board then reviewed the 316-building budget. Mr. Jones asked if the budget reflected the loss of the tenant in suite one. Mr. Vordermeier answered in the affirmative. Mr. Jones suggested Mr. Vordermeier utilize a key at the bottom of the budget explaining certain figures including that of the vacated suite. Mr. Vordermeier then explained that suite one is a \$22 per square foot full service facility (electric, janitorial, water, etc) which reflects an \$8.21 CAM charge making the base rate \$13.79 per square foot. Mr. Vordermeier said that it must be rented at \$22 per square foot to encompass all charges.

Chairman Bucci asked that the Board take the budget with them for further review and if there were any further questions, to direct those questions to the Audit Sub-Committee who would in turn address them with Mr. Vordermeier. Mr. Darmanin added that the Real Estate Sub-Committee would review the blue prints and follow the Chair's suggestion. Mr. Delisio stated that the Audit Sub-Committee would be happy to revisit the budgets for both buildings in 90 days or so. Ms. Pfeiffer also agreed to revisit them in or around February. There was a positive consensus amongst the Trustees to all three suggestions.

Mr. Cameron asked about the status of the construction at the 4800 building. Mr. Vordermeier stated that there has been no construction yet. He was negotiating a 2,505 square footage OB-GYN suite with a doctor and passed out a proposed blueprint for that suite.

Mr. Vordermeier then reviewed the construction phase of the 4800 building. He stated that on Monday, October 5<sup>th</sup>, 2009 he would have a definitive set of blueprints for suite 200. He further explained that he currently is reviewing plans for suite 203 with an OB-GYN doctor. He estimates the construction costs for medical space at \$57 per square foot and that once he has biddable plans and specs, he could possibly obtain a lower bid. Based on the one bid he has, the total cost for all suites including demolition, was projected at \$520,956. Mr. Jones said that based on the numbers given and anticipating that the entire building was to be rented; there would be a 20% return on investment.

Mr. Vordermeier then passed out blueprints for all four suites. Chairman Bucci asked if Mr. Vordermeier planned to use the initial winning bidder of work on the first suite for work on the other three suites. Mr. Vordermeier stated he would feel more comfortable bidding out each suite. Mr. Darmanin asked that a copy of the construction documents be held in

the Pension Office for review. He said that he would like to schedule a walk through for the Real Estate Sub-Committee and any other Board members who would like to participate in a site visit.

Mr. Vordermeier then presented the Board with a flyer for suite one of the 316 building, which included a diagram of the suite. He explained that the information had been disseminated electronically to rental agents locally as well as over the Internet to include national and international agents. Chairman Bucci thanked Mr. Vordermeier for his detailed report.

### **ATTORNEY'S REPORT**

Mr. Dunckel began his presentation by reviewing the Weintraub disability benefit granted by the Board and a subsequent offset calculated as a result of a Workers' Compensation settlement. Mr. Weintraub's attorney has objected to the offset and indicated that he will probably appeal if the offset is not removed. Mr. Dunckel explained that if Mr. Weintraub were to appeal, it would be dealt with in the Worker's Compensation forum. Mr. Dunckel has asked a Workers' Compensation attorney and Robert Klausner, a well recognized Pension Attorney, to review and comment on this case.

Mr. Dunckel then reviewed the status of unclaimed contributions sitting in the Fund that are owed to former City employees. He asked staff to prepare a spreadsheet detailing the date of employment, date of termination, amount of money involved, and the number of times the former employee was contacted. After he has reviewed it, he will then discuss an action plan with Mr. Desmond and keep the Board abreast of any developments.

Mr. Dunckel next reviewed the Request for Proposal (RFP) for actuarial services that he received from Mr. Desmond. The proposal was reviewed and several suggestions were discussed. Mr. Darmanin made a motion to finalize the RFP as amended. Mr. Cameron seconded the motion. The Board approved the amended RFP unanimously. Mr. Dunckel then asked Mr. Desmond to make the corrections discussed in a strike through underscore fashion and submit the document to him electronically for his final review.

Mr. Desmond informed the Board that the City's Procurement Department was contacted and working on getting him access to the Bidsync program so the RFP could be distributed to actuarial firms through this system.

Chairman Bucci asked Mr. Dunckel if he had reviewed the Ordinance and City Charter regarding term limits. Mr. Dunckel stated that he had not been able to properly research this item. Mr. Delisio expressed concern regarding addressing any alterations to the Plan at this time.

\*\*Chairman Bucci asked for a brief recess at 11:40 AM and cautioned that no business was to be discussed during this recess.

\*\*Chairman Bucci called the Board meeting back to order at 11:53 AM noting that no business was discussed during the recess.

### **ADMINISTRATOR'S REPORT**

Mr. Desmond informed the Board that the mailbox was delivered and should be installed within the next week.

Mr. Desmond informed the Board that he received information from Small World Solutions that offers an address retrieval service. This service would be beneficial in keeping information more current on the Plan's retirees. The initial cost for this service would be \$1,334.75 to have existing records entered into the system and an update would be run once a year. New information would be entered into the system from the Benefit Review section of the minutes each month. He added that an ad-hoc search was also available at \$1.99 per address search. With many retirees and beneficiaries of the Plan using direct deposit, retirees and beneficiaries often times neglect to inform the Pension Office of their new address when they move. Mr. Delisio made a motion to approve subject to the review and approval of the attorney. Mr. Darmanin seconded the motion. The motion passed unanimously.

Mr. Desmond presented information to the Board from Down East Management Associates, which is a property management group that specializes in medical properties. They sent a resume along with their website information to introduce themselves. Mr. Delisio asked when the current property management agreement expired. Mr. Dunckel responded that it expired at the end of the 08/09 fiscal year and VMC is now on a month-to-month basis. Chairman Bucci suggested with all the construction going on at the 4800 Building it would not be prudent to entertain changing our property management company at this time. The Board agreed and Mr. Dunckel said he would review the contract with VMC and prepare an extension for another year.

Mr. Desmond then responded to a previous inquiry from the Board about investing in the RMK Latin American Fund. He said Mr. Dunckel has reviewed the contract and found everything to be in order should the Fund wish to make an investment in this offering. Mr. Desmond stated that he researched the minutes back to May 2009 when RMK made their presentation to the Board and there was no record of a motion being made to move money into this investment. According to the guidelines set in the Investment Policy, there is approximately \$11 million available that could be dedicated to this investment in timber. Mr. Delisio suggested that if Rich Dahab would be attending the November meeting to give the quarterly report, he could make an allocation recommendation to the Board at that time. The Board asked Mr. Desmond to contact RMK to verify their minimum investment requirement and see if the fund is still open for new money.

Mr. Desmond then addressed a previous inquiry by the Board about Dahab Associates drafting a report on stocks in the portfolio that produced a large dollar loss. Mr. Dahab indicated to Mr. Desmond that they could report this data on a monthly or quarterly basis

as long as the Board decided on a set of reporting parameters. Mr. Dahab suggested a couple of reporting limits for the Board's consideration. Mr. Desmond stated that the holdings would have to be in the portfolio for at least 31 days in order for this report to capture the desired data. After further discussion and by consensus, the Board instructed Mr. Desmond to ask Mr. Dahab to begin reporting this information using the parameters Mr. Dahab favored. This report is to be sent to all Board members as soon as it becomes available.

Mr. Desmond then detailed the portfolio monitoring report from Cohen Milstein and highlighted a stock called Genzyme Corporation. This biotech company was being charged with failure to disclose operational deficiencies and after review of this allegation Cohen Milstein is recommending that the Board take no action to pursue lead plaintiff status. Should any litigation result in a benefit to the class; the Plan would participate in that benefit as a member of that class.

Mr. Desmond stated that Saxena White, a portfolio monitoring service that wanted to do a presentation to the Board about securities fraud litigation, contacted him. Chairman Bucci stated that he wanted to get the Board's input before having the item placed on the agenda as we already have five portfolio monitoring firms providing this service at no cost to the Plan. The Board agreed that the number of firms providing this service is more than sufficient.

Mr. Desmond then gave the Board a synopsis of the Investment Trends Summit he recently attended and had information to hand out if anyone was interested.

Chairman Bucci asked if Mr. Desmond had followed up with Mr. Dahab on the Global/Emerald merger. Mr. Desmond stated that Mr. Dahab had a lengthy phone discussion with them and was slightly concerned over staff reductions. The main people at Global would be staying with the surviving entity and the Emerald/Global partnership does compliment each other. Mr. Dahab said the consent form that enables them to continue acting as money managers for the Board should be executed as soon as possible. Mr. Desmond informed the Board that he executed the document and sent it to Global. Additionally, he noted that Global gave GERS a 20% reduction in their management fees through the end of 2009.

## **AUDIT SUB-COMMITTEE REPORT**

Sub-Committee Chairman Delisio handed out the Audit Sub-Committee meeting minutes of September 28, 2009, which was held to discuss the actuarial RFP. Mr. Jones made a motion to approve the minutes as submitted. Mr. Delisio seconded the motion. The minutes were accepted unanimously.

## **MONTHLY FUND ASSET MIX**

Mr. Desmond reviewed the asset mix and confirmed that the numbers were within

parameters. He emphasized that the fund has come up \$60 million from the low point earlier this year and noted that the increased diversification has helped. Mr. Desmond requested guidance as to whether he should adjust the value of the 4800 Building once the construction is completed. After a brief discussion, it was decided to wait until the next appraisal before making any adjustments to the property's value.

**BENEFIT REVIEW**  
**October 2009**

**RETIREMENTS**

Name	Date	Service Time	Type
John Gowens Public Works	10/20/09	12y, 5m, 1d	Normal
Marlo McGloin Human Resources	8/01/24	9y, 9m, 5d	Vested
Brian Nobert Public Works	8/01/17	14y, 7d	Vested

**POST RETIREMENT DEATH**

Name	Date
Alexander Schappe	8/26/09
Margaret Babinec	8/23/09

Mr. Darmanin made a motion to accept the Benefit Review as presented. Mr. Delisio seconded the motion. The motion passed unanimously.

### **EDUCATIONAL CALENDAR**

Mr. Desmond said that there were no new educational opportunities added to the calendar this month, so no action needed to be taken.

### **BILLS**

Mr. Darmanin made the motion to accept the bills as submitted. Mr. Jones seconded the motion. The motion passed unanimously.

### **ADMINISTRATOR'S REVIEW & CONTRACT**

Chairman Bucci asked Mr. Desmond to open the review with his comments. Mr. Desmond handed out an updated "Plan Administrator's Survey" which included the total number of employees each administrator supervised as of September 1, 2009. Mr. Desmond began by saying that when the Board did his review last month, there were things said, good and bad, and he would like to address the negative issues that were brought up.

Mr. Desmond first responded to Chairman Bucci's comments about an email announcing Board elections not reaching all of the Timekeepers. Mr. Desmond explained that the City-wide email notice is sent out through the Public Information Office (PIO), so any 'kick back' would go to that office and that the Pension Office would have no way of knowing about the problem. He then explained the election process was delayed due to a PIO delay in sending out the information by five days. In response to using an outdated membership mailing list to mail election ballots, Mr. Desmond explained that the pension office does not have the capability to create its own mailing list and they have to rely on a list that the Human Resources Department (HR) provides. He stated that the office would be more alert towards the materials received from HR.

Mr. Desmond stated that he was on site the day the election ballots were counted and that he and the secretary spent the entire day tallying ballots as the other staff member was out sick that day. He stated the phone message service was on and his out of office message reflected that ballots were being tallied.

Mr. Desmond next addressed his request that the Chairman sign a contract that was not reviewed by the attorney. Mr. Desmond said those particular papers were drawn up by the property manager who usually coordinates with the attorney and he did not know that they hadn't been approved by Mr. Dunckel.

Mr. Desmond stated that the website being down was a result of the City's Information Technology (IT) Department replacing his computer which meant some of his programs

left the office with his old equipment. The situation was corrected when he contacted the web site designer who offered suggestions and he was ultimately able to acquire another set of program discs at no charge. Mr. Desmond stated that he felt that his job as Administrator was to manage the office and to only contact the Chairman or Board if there were problems beyond his control.

Lastly, he addressed the DROP retiree that didn't receive his initial benefit check on time. The file was reviewed and there was a clerical error where the retiree was grouped with the August retirees instead of the July retirees. The retiree has since received his retirement checks for August and September.

Chairman Bucci stated he realized the performance review process is a tough one to go through, especially in an open public meeting. He was most pleased with the follow up that occurred today from items mentioned at the last meeting. He appreciated that Mr. Desmond responded to specific issues that were pointed out. Moving forward, it is his hope and expectation that the administrator will be attentive to the managerial and administrative functions of the office and set the standard as a Pension Office.

Mr. Darmanin stated that he believed there is a difference in expectations, not just because there was a new Chairman in place but new Board members as well. He said that although the Chairmen that came before Chairman Bucci did a good job, they had different expectations for the position while the current Chairman was holding the Pension Administrator to higher standards.

Mr. Jones suggested that someone within the City's HR be consulted that would be able to research the Pension Administrators position, evaluate all that it encompasses, and then compare the salary in surrounding systems throughout the state to ensure that Mr. Desmond is being compensated fairly. This would provide the Board with an independent assessment from which to review and verify information. Chairman Bucci said that he would contact Jerry Crossley, the Classification/Compensation Manager in the City's HR to see if he could offer his comments on the "Plan Administrator's Survey".

Ms. Pfeiffer distributed a sheet listing the City's management category III positions with their respective salaries for comparison purposes.

Mr. Darmanin made a motion to extend the Administrator's current contract for 180 days. He felt this would allow for an adjustment period to facilitate a learning curve with the Chairman. Mr. Jones seconded the motion. Chairman Bucci asked Mr. Desmond for his comments. He stated that he was uncomfortable with such a short-term contract and would prefer a full contract while working on conforming to the standards the Chairman and Board has set.

Chairman Bucci made a call for the vote. The motion to extend the Administrator's current contract for 180 days passed unanimously.

**PLEASURE OF THE BOARD**

Mr. Delisio said he felt the Board should consider reaching out to the unions to let them know there is an open door to assist them with any questions or concern they may have regarding the City's Defined Benefit Plan. Chairman Bucci stated that he would be receptive to letting them know we could be used as a resource if they so desired. Ms. Pfeiffer suggested reaching out before contract negotiations might be a useful tool for the unions. Mr. Dunckel stated that because of the connection of the Plan to the members it serves, the Board could make a policy decision regarding this issue.

**BOARD COMMUNICATIONS TO THE CITY COMMISSION**

Chairman Bucci asked the Board for input on information they wanted to see in the "Board Communications To The City Commission" section of the minutes. The consensus of the Board was "None at this time" for all three categories.

Mr. Darmanin made a motion to adjourn. Ms. Pfeiffer seconded the motion. The meeting was adjourned by unanimous vote at 1:51 P.M.