

REGULAR MEETING OF THE BOARD OF TRUSTEES
GENERAL EMPLOYEES RETIREMENT SYSTEM
316 NE FOURTH STREET, SUITE 2, FORT LAUDERDALE, FL
Thursday, February 4, 2010
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 summoned the meeting to order at 9:04 A.M. Roll call was taken.

Present: John "Le" Bucci, Chairman
 Mark Darmanin, Vice Chairman
 Sean Jones, Secretary
 Julie Cameron
 Dr. Bob Helmholdt
 Julius Delisio
 Darlene Pfeiffer
 Lynda Flynn, Acting Ex-Officio

Also Present: Atara Hirsch, Abraham, Fruchter & Twersky, LLP
 Richard Dahab, Dahab Associates, Inc.
 Stephen Palmquist & Melissa Algayer, Gabriel Roeder Smith
 Robert Dunckel, Assistant City Attorney
 Bruce Larkin, Retiree
 David Desmond, Pension Administrator
 Jane Dyar, Pension & Recording Secretary

Chairman Bucci began by recognizing and welcoming the newest appointed Trustee Julie Cameron. Chairman Bucci also recognized Mr. Larkin in attendance and stated the Board was glad to see him at the meeting. He then asked the Board to review the minutes from the January 7, 2010 meeting. A couple of scrivener errors were noted. Dr. Helmholdt made the motion to accept the minutes as amended. Mr. Jones seconded the motion. The amended minutes were accepted unanimously.

ELECTION OF OFFICERS

Chairman Bucci explained that by Ordinance, Board Elections are held at the February meeting. A short discussion was held. Chairman Bucci opened the floor for nominations for the Chairman. Ms. Pfeiffer nominated John L. Bucci and Dr. Helmholdt seconded. Nominations were closed, and in the call for a vote, all were in favor and none opposed.

Chairman Bucci opened the floor for nominations for the Vice Chairman. Mr. Delisio nominated Mark Darmanin and Mr. Jones seconded. Nominations were closed, and in the call for a vote, all were in favor and none opposed. Chairman Bucci opened the floor for nominations for the Secretary. Mr. Darmanin nominated Mr. Jones and Ms. Cameron seconded. Nominations were closed, and in the call for a vote, all were in favor with none opposed. Each person elected will serve for one year as an Officer of the Board.

Chairman Bucci thanked the Board for allowing him to serve for another year as Chairman and he looked forward to serving again with the Board Officers.

PORTFOLIO SECURITIES MONITORING REPORT

Atara Hirsch, Abraham, Fruchter & Twersky, LLP

Ms. Hirsch explained that what has brought her before the Board, once again, is another securities fraud case and that this situation was especially egregious. It involved State Street Securities, and is a standard 10-D fraud case for stock purchased from October 17, 2006 thru October 19, 2009. State Street has been a custodian for many Public Pension Funds. She explained the fraud involved and reviewed one of the recent law suites being brought against State Street involving foreign exchange currency, also known as FX trading. The reason their actions were illegal is that they were waiting to the day's end, discovering the highest percentage of the day, and then charging that percentage rather than the percentage at the time of the trade. Ms. Hirsch stressed that at some points during a day, State Street's profits could well be \$400 thousand for one transaction. This resulted not only a loss in currency, but also a loss of investment opportunity. With a loss of nearly \$600 thousand, she asked that the Board consider taking the position of Lead Plaintiff in this case. There was a short discussion with questions for obtaining clarity of the situation.

Ms. Hirsch continued that filing for lead was a fiduciary responsibility and believed that the City Commission, as well as the employees would look highly on the fact that the Board has set an example that the GERS is a Fund to be reckoned with and would not sit idly by for such a loss.

Chairman Bucci reminded the Board that they needed to receive City Commission approval before they could move forward as Lead Plaintiff adding that there is a deadline of February 16, 2010 to file for Lead Plaintiff. Mr. Dunkel stated that he had a number of high-impact high-priority items on his platter and that there was no way that he would be able to review the paperwork in a timely fashion and get that item on the February 16, 2010 Commission agenda.

Ms. Pfeiffer made the motion to take action to become the Lead Plaintiff with Abraham, Fruchter and Twersky, subject to the City Attorney's and the City Commission's approval. Mr. Delisio seconded the motion. Further discussion ensued and with a call for the vote, the motion was accepted unanimously.

QUARTERLY PERFORMANCE REPORT

Richard Dahab, Dahab & Associates

Mr. Dahab began by stating he had nothing but good news to report. The economy has gotten better and the GDP growth rate came out at 5.7%. He said he didn't think it would be sustainable, but it has been good to see it begin to be more normal. In the fourth quarter, things have gotten better and he felt they would continue to do better through

2010. He reviewed the markets for the Board showing a good rate of return for the quarter and added that he felt it was a solid sign that they were on the road to recovery.

Mr. Dahab discussed the Fund's fourth quarter performance history noting the portfolio was in the top 13th percentile of all Public Pension Funds. For the year 2009, the Fund was up 25.2%, and in the 14th percentile of the same universe. The three-year number has the fund in the 42nd percentile, which has the fund still in the above average category.

Mr. Dahab explained that since December 2004, the Fund only fell by \$400,000.00. After the payment of liabilities and considering the poor market environment, the Plan did very well. He stated the asset allocation was on target. He then reviewed each money manager's performance. He reiterated the poor performance by Global Capital Management and recommended to replace them. There was a short discussion about timeframes, transitions, and costs. Mr. Delisio made a motion to disengage Global Capital Management as the Small Cap Growth manager. Ms. Pfeiffer seconded the motion. Mr. Dahab stated that, according to their contract, they are allowed a 30-day notice in order to waive the management fee of approximately \$5,000.00. The vote was taken and the motion passed unanimously.

Chairman Bucci asked for a recommendation on where to place the funds until another manager is hired. Mr. Dahab suggested putting it in cash or short-term bonds for 60 days. Mr. Desmond asked if it would be equitable to park the funds with Bank of New York Mellon. Mr. Dahab suggested that, if available, the bank might have a Small Cap Index Fund but, if not, park it as cash.

Mr. Jones made a motion that Mr. Dahab get back with Mr. Desmond and give Mr. Desmond the authority to execute the transaction according to Mr. Dahab's recommendation. Ms. Pfeiffer seconded the motion. The motion was accepted unanimously. Mr. Jones then motioned to engage Dahab Associates to issue an RFP for a Small Cap or Smid Cap Growth Manager and to bring those managers before the Board for approval. Ms. Cameron seconded the motion. The Board accepted the motion unanimously.

ANNUAL ACTUARIAL REPORT

Stephen Palmquist & Melissa Algayer, Gabriel Roeder Smith

Mr. Palmquist reminded the Board in reviewing the report to keep in mind the System has been closed to new members since 2007. He stated the required City contribution for the fiscal year beginning October 1, 2010 would be 30.95% of payroll, an increase of 2.27% over the current year's rate. He explained that year-to-year differences between assumed and observed experience were inevitable. He noted a few favorable instances: higher than anticipated member termination rates, higher than projected investment returns, and delayed retirement. He added a few unfavorable instances such as higher than projected pay increases, increases in longevity after retirement, and decreases in the number of active members. Mr. Palmquist answered several questions regarding reported observed experience and the closing of the Plan. He stated the experience loss of \$21,592,067.00 was mainly attributed to lower than expected investment earnings and greater than expected salary increases within the City. A discussion regarding salaries ensued. Ms. Pfeiffer asked about the amount of Administrative expenses. Mr. Palmquist stated it was costing .54% to run the entire plan, much less than 1% threshold in the Ordinance.

Mr. Palmquist stated that the funding progress indicators show the funded ratio at 71.6% versus the 74.6% funding of last year. Chairman Bucci pointed out to the new Acting Finance Director that the main culprit of the low funded ratio was mainly due to the contractual benefit enhancements agreed to by the City back in 2000 – 2002 but never paid for at that time.

Mr. Palmquist then reviewed the detailed valuation results and added due to the year's poor investment performance, the Board could not recommend a COLA for retirees to the City Commission. Chairman Bucci asked Mr. Palmquist to prepare a COLA impact report that would project a 1%, 2% and 3% COLA cost to the Plan at this time for evaluation purposes. Mr. Palmquist said he would be happy to provide that report.

Mr. Palmquist ended with a review of the current employee, retiree and beneficiary numbers, as well as salary increase assumptions. There were some additional brief discussions and the Chairman thanked Mr. Palmquist for his always-thorough report.

ATTORNEY'S REPORT

Mr. Dunckel stated he would combine his report with the Real Estate Sub-Committee report. He said he reviewed the revised construction contract tendered and he was drafting the addendum. He added the Sub-Committee discussed possible weekly meetings with Mr. Darmanin and Mr. Jones acting as owner's representatives to the project and monitor all work. Discussion ensued regarding the scope of their authority to effect changes.

Mr. Delisio made the motion to authorize the owner representatives from the Real Estate Sub-Committee to process a change order within 5% of the contract amount otherwise they would call a special meeting of the General Employees Retirement System Board. Ms. Cameron seconded the motion. The motion was accepted unanimously.

Mr. Darmanin stated the length of the construction for the 4800 Building should be 4-6 weeks from permit date. He outlined the Sub-Committee discussions and meetings to be noticed on perhaps a weekly basis if needed.

Chairman Bucci reminded the Board that with Mr. Cameron's completion of his term, there is a vacancy on the Real Estate Sub-Committee. After discussion, Mr. Darmanin nominated Ms. Cameron to the Real Estate Sub-Committee. Mr. Jones seconded the nomination. With no further nominations, the Board consensus accepted Ms. Cameron to the Sub-Committee.

Conversation then turned to the potential opportunities of purchasing foreclosed real estate property. Mr. Dunckel reminded the Board that, on the subject of property assemblage, due diligence should be looked into and considered regarding foreclosed property.

Mr. Darmanin interjected that since there was discussion of the recent Sub-Committee meeting, the minutes of that meeting were available for review. He then made a motion to approve the Real Estate Sub-Committee minutes of February 3, 2010. Mr. Jones seconded the motion. The Sub-Committee minutes were approved unanimously.

ADMINISTRATOR'S REPORT

Mr. Desmond pointed out the list showing there were 30 non-refunded members totaling

\$58,091.94. He apprised the Board that Small World Solutions ran the database of addresses and that these 30 members were included. He added that Ms. Dyar would be sending out letters to these non-refunded members. Additionally, Mr. Desmond said that Payroll was sending a listing of non-employed members who were, for some reason, never terminated out of the city's HR System. Once received, Ms. Dyar would cross-reference them with the information they have. Ms. Pfeiffer asked to have it on record that the issue of locating the non-refunded members needs to be done in a timely manner to conform to the State timeline procedure for unclaimed funds.

Mr. Desmond said the monthly Cohen Milstein portfolio monitoring report noted a security fraud case against SunPower Corporation. Their recommendation was to take no action at trying to become the Lead Plaintiff.

Mr. Desmond pointed out that:

- the 2010 Member Account Statements (Blue Forms) were sent to all departments for distribution. This year, a survey for preliminary feedback from employees was included and a copy is provided for the Board's review.

- the GERS office would indeed be planning another pre-retirement seminar for April. It will be a one-day seminar and will target 4 main topics: Social Security, Estate Planning, Deferred Compensation, and the various City benefits at retirement. He will notify everyone once the date is finalized.

- the Minute Master is almost completed through 2008 and that Ms. Thomas will finish that project before she officially retires.

- he and the attorney would be working to develop policy rules and procedures regarding forfeiture based on felony convictions. Mr. Dunckel stated that there were some procedural rules outlined by Attorney Stephen Cypen that could be used as a resource.

MONTHLY FUND ASSET MIX

Mr. Desmond reviewed the monthly asset mix and stated that the numbers were within the parameters set by the Investment Policy.

BENEFIT REVIEW
February 2010

RETIREMENTS

Name	Date	Service Time	Type
*William Devine Parks & Recreation	2/10/10	12y, 9m, 7d	Normal
Robert Lakatos Parks & Recreation	2/22/10	23y, 4m, 1d	Normal
Joseph Nagy Parking	2/23/10	9y, 10m	Normal
Patricia Ervin Parks & Recreation	2/27/10	18y, 11m, 11d	Normal
Nancy Ellers Parks & Recreation	3/05/10	24 y, 9d	Normal

*Employee changed retirement date

DROP RETIREMENT

Name	Date	Department	Service Time
Suzanne McAllister	3/01/10	Parks & Recreation	23y, 10m, 9d
Steve Anderson	3/01/10	Public Works	30y, 10d

POST RETIREMENT DEATH

Name	Date
Eddie Robinson	12/30/09
Harry Hinz Ann Hinz spouse	1/08/10
Allan Ruprecht	1/12/10
John Ross Joan Ross spouse	1/17/10
John Thompson Lelia Thompson spouse	4/21/08

BENEFIT REVIEW

Mr. Darmanin made a motion to approve the benefits as presented. Mr. Jones seconded the motion. The Board passed the motion unanimously.

EDUCATIONAL CALENDAR

Mr. Darmanin made the motion to approve the Educational Calendar as presented and to allow Board members and staff, who wish to attend, do so in accordance with the Educational Travel Policy. Mr. Jones seconded the motion. The motion was passed unanimously.

BILLS

Mr. Darmanin made a motion to approve payment of the bills as submitted. Mr. Jones seconded the motion. The motion passed unanimously.

PLEASURE OF THE BOARD

Chairman Bucci asked Mr. Larkin if he wished to address the Board. Mr. Larkin said that he was very appreciative that the Board was still as cautious and thorough with the investments.

Chairman Bucci then stated he was approaching the City Commissioners introducing the Board as a whole and explaining what the Board's fiduciary responsibility. He would like to introduce the idea to them that the GERS Pension Board be entrusted to authorize retiree COLAs with the same strict boundaries that are currently in place. He explained that we would never be able to exceed 3% and that we would only be able to use excess earnings. There was a short discussion.

Chairman Bucci reminded the Board that Mr. Desmond's contract expires the end of March 2010. He asked the Board if there was any motivation to get any other input from any other sources. Discussion ensued regarding evaluation based on the Administrator's highest levels of decision-making in the various aspects of the job. Mr. Darmanin asked if the Chair would provide the evaluation forms he presented at the September 2009 Board meeting along with the information that was obtained from Mr. Crossley. Chairman Bucci said he would e-mail that paperwork to everyone prior to the next meeting.

Mr. Dunckel reiterated Ms. Pfeiffer's suggested that Mr. Desmond complete a PD-13 form on exactly what the job entails and to submit it to Mr. Crossley, the City's Classification & Compensation Manager, to determine where the Administrator's position may comparatively fit within the City classification and pay structure. That information might give the Board a better frame of reference but would not necessarily be dispositive to the ultimate decision regarding the Administrators' contract. The Board's consensus was positive.

Chairman Bucci said he would like this agendaed for the next meeting.

BOARD COMMUNICATIONS TO THE CITY COMMISSION

Mr. Darmanin stated that he felt the consensus of the Board was “None at this time” for all categories under “Board Communications to the City Commission”. The Board agreed.

PLEASURE OF THE BOARD

Discussion began regarding COLAs for retirees. Chairman Bucci reminded the Board that he is presenting discussions to the Commissioners to allow the Board the ability to authorize the payment of COLAs and the Commissioners would like to see the numbers and potential costs. Mr. Darmanin made a motion to retain Gabriel Roeder Smith to provide a report to represent a 1%, a 2%, and a 3% COLA scenario and allow Mr. Desmond to pay and retrieve the report. Ms. Pfeiffer seconded the motion. The Board agreed unanimously.

Mr. Darmanin made a motion to adjourn. Ms. Pfeiffer seconded the motion. The motion passed unanimously. The meeting was adjourned at 12:30P.M.