

REGULAR MEETING OF THE BOARD OF TRUSTEES
 GENERAL EMPLOYEES RETIREMENT SYSTEM
 316 NE FOURTH STREET, SUITE 2, FORT LAUDERDALE, FL
 Thursday, May 13, 2010

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

- Dahab Associates, GERS' Consulting Firm, reported that as of March 31, 2010, the portfolio returned 38.5% for the trailing year, ranking in the top 16th percentile of all Public Funds. So far this fiscal year, the portfolio has returned 8.0%, which also ranked in the top 16th percentile of all Public Funds.
- Marcum Rachlin, GERS' external Auditing Firm, presented their report for fiscal year ending September 30, 2009 with an unqualified opinion indicating "no instances of noncompliance", "did not identify any deficiencies in internal control" and "financial statements are neutral, consistent, and clear".

Items Submitted For City Commission Consideration

- None at this time

Chairman Bucci called the meeting to order at 9:00 A.M. Roll call was taken.

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

Absent: Dr. Bob Helmholdt

Also Present: DJ Williams-Persad, Assistant City Attorney III
 Richard Dahab, Dahab Associates
 Michael Futterman & Tammy Goldstrich, Marcum Rachlin
 Alan Vordermeier, Vordermeier Management Company
 Donald Bisson & Paul Berg, Century Capital Management, LLC
 F. Thomas O'Halloran III & Kristin Harper, Lord, Abbett & Co. LLC
 Thomas Nolte & Patrick Gundlach, M&I Investment Management Corp.
 John Hughes & Giridhar Reddy, Quantum Capital Management, LLC
 John Montgomery & Justin Moscardelli, Westfield Capital Management
 David Desmond, Pension Administrator
 Jane Dyar, Pension & Recording Secretary
 Nicoletta Williams, Pension Receptionist

Chairman Bucci asked the Board to review the minutes of the April 8, 2010 meeting. Mr. Darmanin made the motion to approve the minutes as presented and Mr. Jones seconded the motion. The motion passed unanimously.

ANNUAL AUDIT REPORT

Michael Futterman & Tammy Goldstrich of Marcum Rachlin

Mr. Futterman began by reviewing the financial information for fiscal year ending September 30, 2009. He commented that the net assets of the plan increased by \$62 million, which can be attributed to investment returns and employer/employee contributions. He outlined the process, standards, rules, and regulations his firm uses and complies with throughout the course of the audit. He stated that there were no significant deficiencies in internal control, no instances of noncompliance, and GERS' financial statements are neutral, consistent, and clear.

Mr. Futterman stated that in August of 2009, the Internal Revenue Service (IRS) released a procedure describing certain provisions that governmental plans must meet to qualify. He recommended that the City Attorney's Office file for an Internal Revenue Service Determination Letter before January 31, 2011 and the City Attorney's Office has already agreed to address this issue.

QUARTELY PORTFOLIO PERFORMANCE REVIEW

Richard Dahab, Dahab Associates

Mr. Dahab began by stating that the economy is improving but the unemployment rate was not keeping pace, nor did he expect it to improve anytime in the near future. He said some employers are opting to automate instead of hiring or rehiring. He said that GERS' investments have performed very well. The portfolio was up 3.7% for the quarter end March 31, 2010, up 8% for the trailing six (6) months, and up 38.5% for the trailing year. Over the last year, GERS' performance was ranked in the top 16th percentile of all public pension plans across the United States.

Mr. Dahab stated that the Plan had just been through the second worst economic period in American history and had experienced a nice bounce back. He added that all the money that was lost in the down markets has been made back. He then reviewed a few select managers' performances and stated that the assets of the Fund were positioned well.

DISABILITY: J. Hamill

Mr. Desmond gave an overview of the Mr. Hamill's medical history and reviewed the information submitted by medical professionals. Mr. Darmanin made the motion to approve the disability as presented and Ms. Pfeiffer seconded the motion. The motion passed unanimously.

DISABILITY: J. Parrish

Mr. Desmond explained that there was insufficient information available for the Board to consider Mr. Parrish's application at this time. The item was deferred by consensus pending receipt of additional information.

REAL ESTATE SUB-COMMITTEE REPORT

Mr. Darmanin apprised the Board of the progress of the construction project at the 4800 Building. He said that the first suite and common area should be completed by Tuesday, May 18, 2010. So far, there has been \$5,600 in change orders and that any further authorization for construction at the 4800 Building would have to come before the entire Board. Chairman Bucci thanked the Sub-Committee for their hard work and efforts in seeing this phase of the project come to fruition.

Mr. Darmanin then asked the Sub-Committee to review the April 22, 2010 meeting minutes. Mr. Jones made a motion to approve the Sub-Committee minutes and Ms. Cameron seconded the motion. The minutes were approved unanimously.

Mr. Darmanin continued with an overview of the Sub-Committee's tour of the property adjacent to the 316 Building. He summarized the property by saying it was a large building in need of a lot of work. The current owner has site permits to build a couple of multi-story buildings but did not have any plans to move forward with them because of current market conditions. He said if the Board wished to consider purchasing the property, he would recommend that it be considered as a land purchase and invest a minimal amount of money to bring it up to an acceptable rental condition.

Mr. Vordermeier explained that he believed the property could be acquired for \$2.3 - 2.4 million as the bank is interested in a short sale. After further discussion, Mr. Darmanin asked that the Real Estate Sub-Committee be authorized by the Board to set up an exploratory meeting with the lender in Stuart, Florida to determine the level of interest and intent to sell the property. Mr. Jones agreed that a fact-finding meeting would be productive and by consensus the Board reaffirmed his suggestion.

ATTORNEY'S REPORT

Ms. Williams-Persaud stated that she was filling-in for Mr. Dunckel. She said the City Attorney's Office is currently researching information about an IRS Determination Letter as recommended in the Marcum Rachlin Audit Report. Mr. Desmond gave the Board some historical information about how the IRS previously administered this determination and how it has transitioned into the IRS pressing it forward.

Chairman Bucci asked for an update on the Bank of New York Mellon Convergenx transition management documents. Ms. Williams-Persaud stated that Mr. Dunckel wanted to review the new paperwork, compare it with the old agreement, and make sure there was no conflict with any other agreements the Board has in place.

ADMINISTRATOR'S REPORT

Mr. Desmond informed the Board that the April 23, 2010 Pre-Retirement Seminar held in the Commission Chambers of City Hall was a resounding success. He said that some of the highlights of the seminar were posted on the website along with some photos taken throughout the program.

Mr. Desmond advised the Board that he received a report from one of GERS' portfolio monitoring firms, Cohen Milstein for the month of April. He said that they did not note anything that would require further action on the Board's part at this time.

Mr. Desmond reviewed his proposal to reallocate some money within the portfolio to conform with the recently enacted Investment Policy. He stated that Mr. Dahab had reviewed it, agreed with the proposal, and suggested that the proposed movements all take place at the same time.

Mr. Desmond said that he received five responses to the Request For Proposals (RFP) for a Plan Actuary. He will distribute them to the Audit Sub-Committee so they can review them before their next meeting. Ms. Cameron volunteered to serve on the Audit Sub-Committee as an alternate if needed.

MONTHLY FUND ASSET MIX

The Board began reviewing Mr. Desmond's reallocation suggestions and Chairman Bucci pointing out that in fund had gained \$11.2 million in one month. A short recess was called at 11:44 A.M. due a recording glitch. The meeting reconvened at 11:56 A.M. with no business being discussed during the recess.

After a few suggestions about changes to the proposed asset reallocation model, Mr. Darmanin made a motion to implement Mr. Desmond's proposal for re-allocation (as per the attached Model *1) and Ms. Pfeiffer seconded that motion. The motion passed unanimously. Mr. Darmanin then asked Mr. Desmond to provide another spreadsheet for the next meeting showing how much money was moved between Money Managers. He felt this would help the Board better evaluate each manager's true market performance.

BENEFIT REVIEW

May 2010

RETIREMENTS

Name	Date	Service Time	Type
Randy Owens Public Works	6/01/13	5y, 9m, 9d	Vested
David Berovides Public Works	3/01/21	5y, 11d	Vested
Danielle Hyppolite-Eugene BSO	10/01/28	5y, 1m, 12d	Vested
Jess Barofsky Public Works	6/02/10	26y, 4m, 2d	Early

DROP TERMINATION

Name	Date
James Hart	5/31/10
Robert Stones	2/01/10

DROP RETIREMENT

Name	Date	Department	Service Time
Cheryl Pingatore	6/01/10	Building Services	20y, 6m, 20d

POST RETIREMENT DEATH

Name	Date
William Mehner	3/18/10
Naomi Reeder	3/29/10
Leola Hankerson	3/30/10
Willard Potter Mary Spouse	3/31/10
Margie Nichols	4/21/10
Lucille Smith	4/23/10
Robert Fye	4/24/10

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

EDUCATIONAL CALENDAR

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

BILLS

Mr. Darmanin made the motion to approve the bills as presented. Mr. Delisio seconded the motion. The Board passed the motion unanimously.

PLEASURE OF THE BOARD

Ms. Pfeiffer informed the Board that an educational session at the National Conference on Public Employee Retirement Systems (NCPERS) Annual Conference discussed the topic of a Plan's Actuarial Report being included with the Plan Sponsor's Comprehensive Annual Financial Reports (CAFR). She also attended a session on retiree medical trusts and found the discussion informative and enlightening.

Ms. Pfeiffer then began a discussion about optional funding methods for retirement plans that are closed. The Board agreed to discuss this topic again with the Plan Actuary.

Chairman Bucci informed the Board that contract negotiations had begun between the City and both unions that represent General Employees. He said that he had been contacted by City representatives who asked him to coordinate the transfer of actuarial information from the Plan's Actuary to an actuarial firm retained by the City. The City's Actuary was hired to provide information about retirement incentives. The Board discussed previous benefit enhancements, the impact they have on the Plan's unfunded liability, and how enhancements are financed over an extended period of time.

BOARD COMMUNICATIONS TO THE CITY COMMISSION

Chairman Bucci proposed that the General Employees Retirement System's rate of return for the trailing year (38.5%), the trailing six months (8.0%) and the national ranking (16th percentile for each of the two periods) be included in "Items That May Be Of Interest To The City Commission" section of GERS' minutes. He also suggested the information expressed in the Auditor's Report be communicated in the same section. The Board concurred by consensus.

Chairman Bucci stated the Board would recess for approximately 13 minutes and reconvene back in the boardroom for presentations by Small and SMID Cap money managers at 1:00 PM. He reminded the Board that no GERS business was to be discussed during this recess.

SMALL CAP/SMID (Small & Mid) CAP MONEY MANAGER INTERVIEWS

Chairman Bucci called the meeting back to order at 12:59 P.M.

Chairman Bucci recognized Mr. Dahab who briefly discussed information about the money manager firms presenting today and the screening process performed by his firm. He explained that each firm would be given 15 minutes to present and a few minutes would be allowed for questions. The firms presented in the order below:

- a) Lord, Abnett & Co. LLC – Kristin Harper and F. Thomas O’Halloran II began by explaining the firm’s history, investment philosophy, and stock selection process. They said their firm is privately owned, has a long-term investment approach, has the flexibility to quickly adapt to fluctuating market conditions, and has risk control measures in place. They consider their holdings to be well diversified and liquid.
- b) M & I Investment Management Corp. – Thomas Nolte and Patrick Gundlach outlined what they believe to be their competitive edge as Small Cap growth managers. They stated that their firm manages assets of about \$25 billion, looks at the reasons a company is growing or expects to grow, uses a positive team approach to select stocks, and has parameters in place to manage risk.
- c) Westfield Capital Management Company – Justin Moscardelli and John Montgomery stated that their firm is employee owned, has a long-term growth stock selection approach with a relatively low turnover rate, and only owns 50-70 stocks at any given point in time. They seek quality and investment decisions are made at a committee level with an automatic review occurring if a stock goes down 20% or more.
- d) Century Capital Management – Paul Berg and Donald Bisson began by discussing the firm’s history and their historical performance. They stated that their firm is independently owned, they stay fully invested with cash reserves averaging around 1-3%, try to buy stocks at a 20% discount, and usually don’t sell a stock just because it has reached a price target. They described their sell discipline and reviewed the top 10 holdings.
- e) Quantum Capital Management – John Hughes and Giridhar Reddy described themselves as a seasoned investment team that redeploys capital using an innovative approach. They reviewed the firm’s performance, portfolio construction, investment philosophy, and competitive advantage. They stated that their firm has a proven 10-year track record of consistent risk-adjusted performance.

Mr. Dahab gave an overview of each firm’s presentation. After some discussion, Mr. Delisio made the motion to engage Lord Abnett to manage \$10 million as the new Small Cap growth manager, subject to our attorney’s review and approval. Mr. Darmanin seconded the motion. The motion passed unanimously.

Chairman Bucci thanked Mr. Dahab and his team for their efforts in conducting this thorough search for a Small/SMID Cap money manager.

Mr. Jones made a motion to adjourn the meeting. Mr. Darmanin seconded the motion. The meeting was adjourned at 4:15 P.M.

MODEL * I

GERS Funds - Report from BNY

	March 31, 2010	Target	Actual	March 31, 2010	Target	Actual
	\$305,846,755.88			(hypothetical)		
GROWTH EQUITIES	\$87,612,616.09	30%-40%	38.8%	\$84,612,616.09	30%-40%	37.2%
ALETHEIA	\$13,603,227.64			\$13,603,227.64		
DAVIS HAMILTON	\$31,033,929.33			\$30,033,929.33		
Small Cap	\$7,612,651.43	<=15%	8.7%	\$10,612,651.43	<=15%	12.5%
NAVALIER	\$35,362,807.69			\$30,362,807.69		
VALUE EQUITIES	\$92,404,122.55	30%-40%	40.9%	\$83,404,122.55	30%-40%	36.6%
DEPRINCE RACE & ZOLLO	\$47,733,325.25			\$38,733,325.25		
LORD ABBETT	\$10,809,701.74	<=15%	11.7%	\$10,809,701.74	<=15%	13.0%
WEDGE	\$33,861,095.56			\$33,861,095.56		
INTERNATIONAL EQUITIES	\$31,579,416.88	17%-23%	14.0%	\$40,579,416.88	17%-23%	17.8%
ABERDEEN	\$14,680,781.41			\$20,180,781.41		
TEMPLETON	\$16,898,635.47			\$20,398,635.47		
EMERGING MKT EQUITIES	\$14,124,629.03	7%-13%	6.3%	\$19,124,629.03	7%-13%	8.4%
HANSBERGER	\$6,291,774.24			\$9,791,774.24		
SCHRODER	\$7,832,854.79			\$9,332,854.79		
TOTAL EQUITY	\$225,720,784.55	65%-75%	72.53%	\$227,720,784.55	65%-75%	73.17%
BONDS	\$67,234,890.43			\$65,234,890.43		
DAVIS HAMILTON	\$67,234,890.43			\$65,234,890.43		
TOTAL FIXED INCOME	\$67,234,890.43	15%-25%	21.60%	\$65,234,890.43	15%-25%	20.96%
AMERICAN REALTY	\$5,715,884.03			\$5,715,884.03		
RMK TIMBERLAND	\$5,270,231.30			\$5,270,231.30		
316 BUILDING (AT COST)	\$2,700,000.00			\$2,700,000.00		
4800 BUILDING (AT COST)	\$2,660,000.00			\$2,660,000.00		
REAL ESTATE	\$16,346,115.33			\$16,346,115.33		
TOTAL R/E AND TIMBER	\$16,346,115.33	5%-15%	5.25%	\$16,346,115.33	5%-15%	5.25%
CASH	\$1,904,965.57		0.61%	\$1,904,965.57		0.61%
TOTAL FUND	\$311,206,755.88		100.00%	\$311,206,755.88		100.00%

(* = on watch status)