

CITY OF FORT LAUDERDALE
GENERAL EMPLOYEES' RETIREMENT SYSTEM
BOARD OF TRUSTEES MEETING
316 NE FOURTH STREET, SUITE 2, FORT LAUDERDALE, FL
Thursday, October 7, 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 called the meeting to order at 9:00 am. Roll call was taken.

Present: John LeRoy "Le" Bucci, Chairman
Mark Darmanin, Vice Chairman
Dr. Bob Helmholdt
Julie Cameron
Julius Delisio
Sean Jones, Secretary
Darlene Pfeiffer

Absent: Lynda Flynn, Ex-Officio

Also Present: John Norman & Michael James, Wedge Capital Management
Robert Bates, Director of the Office of Professional Standards
Robert Dunckel, Assistant City Attorney
David Desmond, Pension Administrator
Jane Dyar, Pension & Recording Secretary

Chairman Bucci asked if the Board had reviewed the minutes of the September 2, 2010 meeting. Mr. Darmanin made the motion to accept the minutes. Mr. Jones seconded the motion. In discussion, a grammatical correction was noted. Mr. Darmanin amended his motion to approve the corrected minutes and Mr. Jones seconded the motion. The motion was passed unanimously.

Mr. Darmanin suggested that the Real Estate Sub-Committee meeting minutes be deferred until their next meeting on Monday, October 18, 2010, as they were just received and there was not sufficient time for review at the current meeting. The Board agreed.

QUARTERLY PERFORMANCE REPORT

John Norman & Michael James, Wedge Capital Management

Mr. James thanked the Board for inviting them to present the quarterly performance report. He stated the company assets at this point were over \$8.6 billion. He noted a very volatile market and citing, as an example, the market was down 5% in August and up 10% in September. He then turned the discussion over to Mr. Norman to recap the performance.

Mr. Norman reviewed their investment strategy and the systematic process of paring down the universe of stocks with fundamental characteristics to determine the construction of the portfolio. He critiqued the portfolio construction through the end of June: describing the overall make up of the portfolio as a very diverse group of large cap stocks. On a relative discount to the value benchmark, the stocks were still trading at a 3% discount. The portfolio has about 12% higher levels of long-term earnings growth and nearly 35% more profitability than the benchmark, as it is underweight in financials and even-weight in technology.

Mr. Norman turned to performance and stated the value of the fund stood at \$34 million. The third quarter was up 12.68%, outperforming the benchmark by 2.55%. Year-to-date numbers were up 5.70%, outperforming by 1.21%. Through the first six days of October, the portfolio was up approximately 7.5%. He continued with another measure of performance: relative to their peers, the average value manager was up 2.3% for the year and the portfolio falls in the top quartile of all managers within the peer group.

Mr. James then reviewed the market history, with recession periods and correction recovery. He speculated the U.S. GDP would need to rise up to 3% for a sustained expansion of employment. He touched on unemployment levels, residential delinquency rate, and the effect on existing housing prices. Policies from Washington will govern what the market will be able to bear. There was a short discussion.

Mr. Desmond wondered, since the S&P 500 companies hold about \$1.6 trillion in cash, if they were to put all that cash to work simultaneously, would that create a hyper inflationary period? Mr. James stated it is possible, however companies are reluctant to spend their cash because of governmental policies. There is currently a perception of more financial responsibility. Ms. Cameron asked about the impact of the banking changes and the continuing foreclosure on homes? Mr. Norman felt the real estate problems would continue for sometime; on the banking side, they are trying to keep their capital cushion ratio, which seems to be at an impasse causing lending constriction. Mr. James felt banks are very volatile and there will be more banks closing. Chairman Bucci thanked them for the positive numbers, stating that the Board looks for alpha and they have produced it significantly.

REVIEW OF INTEREST ACCRUAL ON RETROACTIVE PAST SERVICE CREDIT

Chairman Bucci explained that there was a matter of concern with a decision taken by the City Administration and the Finance Department regarding a non-classified employees who joined the Plan, has money owed in arrears, and how the pay back calculation was made. He then introduced Mr. Bates and asked the Board Attorney to address the situation. Mr. Dunckel reviewed the back-up material, which draws the conclusion that the issue of interest on retroactive service credit is a matter to be addressed by the GERS Board of Trustees. He explained the distinction between classified and non-classified employee's participation in the pension plan. The Ordinance requires classified employees join either GERS or the 401(a) Defined Contribution plan. Non-classified employees were not required to join either plan. The Policy and Standards Manual (PSM) was amended in January 2008 to require participation in a pension plan by non-classified employees within a specific time period of hire and, if membership in GERS is elected, allowed for the purchase of retroactive service credit. However, the PSM is silent on the question of any interest calculation on the past service credit purchase. The Finance Department provided a service purchase calculation, including interest based on the Plan's actuarial rate of return, for the period of time Mr. Bates first became an employee of the City and when he actually joined the Plan. Mr. Dunckel then asked Mr. Bates if he wished to provide further information in the scenario.

Mr. Bates stated he made an election to become a GERS member and believed he was a member. He has been paying the past service arrears, according to the calculation made by Finance, and has no issues with paying the calculated interest charges. He said originally a deal was struck with the City Manager's office where no interest calculation was required. Then, the Finance Department worked up the service purchase costs on November 6, 2008, to include interest, thereby altering the deal that was struck. Since that time, 42 payments were made with the authority of the Finance and Payroll Departments; additionally the Pension Plan, based on the deal that was struck, accepted the payments. He continued that he was extremely puzzled as to what the question was and why the case was brought before the Pension Board. A discussion ensued concerning prior service purchases and interest calculations. Chairman Bucci further explained to Mr. Bates that the Pension Board was the only party that could approve the actual figures and whether or not to include the interest. Mr. Darmanin stated that the Board was actually the most important party that was left out of the original decision and to have patience while they consider the information. Mr. Darmanin then made the motion to accept the employee payments that include 7¾% interest, according to the Finance Department calculation. Mr. Jones seconded the motion. The motion was accepted unanimously.

ATTORNEY'S REPORT

- The Real Estate Sub-Committee reviewed 3 bids on the construction of Suite 203 of the 4800 Building, recommended several changes, and authorized execution of the contract. Mr. Desmond was requested to make a PDF of the fully executed contract.
- The previous review of interest accrual on a retroactive service credit that had been disposed of by the Board.
- The Real Estate Sub-Committee would be meeting with Mr. Ladd and Seacoast National Bank on October 18, 2010, for discussion of the property at 300 NE Third Avenue.
- The Marcum Rachlin audit contract has not been executed.
- The Gabriel Roeder Smith actuary contract is still under question with the errors and omissions portion. Mr. Dunckel asked that it be put on the next agenda and the contract be finalized.

- J. Parrish Workmen's Compensation lump sum settlement did not show any way to calculate an offset because of the way the settlement was structured. His conclusion was that there should be no offset from the monthly disability payment.
- The projected taxes for 2010 for the 316 & 4800 Buildings went up exponentially and an appeal has been filed. However, he took the position to authorize the payment in order to be timely and said any overpayment could be recovered through the appeal. He requested authorization to review the increase. Mr. Jones made the motion to ratify the actions of the Board Attorney. Ms. Pfeiffer seconded the motion. The Board agreed unanimously. He stated as information develops, he would bring the information back to the Board.
- Department of Revenue has stated that the Pension Board was a Sub-Chapter 3 Corporation; the Finance Department is working on that avenue. Ms. Pfeiffer asked if FPPTA could assist in that area; the attorney stated that was worth pursuing.
- Mr. Dunckel received a question regarding setting up a Trust to receive benefit from the Plan. He stated that a beneficiary with GERS must be an actual person; a Trust is not an actual person. A short discussion ensued regarding the types of payments that a beneficiary could receive.

DISABILITY: E. Knight

Mr. Desmond summarized the off-the-job disability request for the Board. There was a short discussion reviewing the benefit amount and possible Social Security offset. Mr. Darmanin asked counsel if the disability met the criteria outlined in the Ordinance. Mr. Dunckel affirmed that it did. Mr. Darmanin then made the motion to accept the disability. Mr. Delisio seconded the motion. The Board agreed unanimously to approve the disability.

DUE DILLIGENCE REPORT: RMK TIMBER & WEDGE CAPITAL MGMT

Ms. Pfeiffer was in North Carolina and made a due diligence trip to two of the current management companies.

RMK Timberland Group: Ms. Pfeiffer presented the Board with copies of the actual deeds to 4 properties that are owned and in the portfolio. She reported on a tour the offices and grounds. She stated that they were very organized and found it interesting to learn how they keep track of maturity in the timber and how the land is sectioned off for the cutting as well as the re-forestation. She brought a plethora of information that was provided by the firm.

WEDGE Capital Management: Ms. Pfeiffer noted that Wedge had beautiful offices on the 29th Floor and were located for 29 years in downtown Charlotte, North Carolina. She noted the most impressive part of the office was the trading desk. She said it was very fast pace and exciting. She was amazed that the person sitting in front of 6 computer screens was able to follow everything going on and still able to address her and answer questions.

Ms. Pfeiffer advised the Board members that they should visit any of the Fund's managers for due diligence. It is the Trustees fiduciary responsibility and extremely educational.

ADMINISTRATOR'S REPORT

- Mr. Desmond informed the Board that the lease for Suite 203 in the 4800 Building had been executed.
- The funding of the Lord Abbett Small Cap Growth was completed on September 23, 2010.

- The staff completed a review of the retired and disabled files ahead of the annual Audit and that all records are properly placed.
- The Secretary audited the records with Small World Solutions to assure that all the retired, disabled and vested members were properly listed.
- The initial phase of the December 2010 Trustee election is underway with announcements made and sent throughout the City. Labels have been printed and envelopes for the mailings have been ordered. There are 2,212 active, retired and disabled members eligible to vote.
- Cohen Milstein reported on another class action lawsuit but recommended no action.
- Craig Butterfield should complete the appraisals of the 4800 & 316 Buildings by the end of the week.
- There was an interest in purchasing the 4800 Building. The information was provided to the Board and Mr. Vordermeier.
- VMC Realty provided the pension office with the keys for the 4800 building. Mr. Desmond did another inspection of the grounds and noted several planting areas that needed attention.
- The August VMC report is available for review. Mr. Desmond discussed several areas of concern. It was requested these concerns be brought to the next Audit Sub-Committee meeting.
- The Board gave Mr. Desmond direction to contact Atara Hirsch with AF&T and instruct them to provide a monthly summary that he can bring to the meeting, rather than separate e-mails to the entire Board.
- Chairman Bucci asked that Mr. Desmond give the Board a report of all recovered funds from any class action litigation each month.
- The Board asked that any property management concerns be given to Real Estate Sub-Committee for review. Ms. Pfeiffer made the motion that an RFP be prepared for a Property Manager search. Mr. Delisio seconded the motion. In discussion, Mr. Darmanin noted that the previous RFP has only one respondent. He added that Mr. Desmond was already asked to put together an RFP to present to the Real Estate Sub-Committee. Ms. Pfeiffer withdrew her motion since it was mute.

MONTHLY FUND ASSET MIX

Mr. Desmond reviewed the asset mix with the Board and said the funds were within the set parameters established by the Investment Policy. He stated that the market was up 7.5% and that will assist in bringing the numbers up for the end of the fiscal year, September 30, 2010. Ms. Pfeiffer volunteered to contact Finance regarding capitalizing the building costs for the 2010 year-end close and will come back to the Board with the information.

**BENEFIT REVIEW
October 2010**

DROP TERMINATION

Name	Date
Fred Smith	10/31/2010
Louis Coons	9/30/2010

DROP RETIREMENT

Name	Date	Department
Paul Gale	10/1/10	Public Works
Michael Rigg	10/1/10	Police Support Svcs
Victor Volpi	10/1/10	Public Works

PRE RETIREMENT DEATH

Name	Date
John Reid Christine Palmer Niece	9/17/10

POST RETIREMENT DEATH

Name	Date
Marion McMahon	1/15/10
Frederick Harvey	9/9/10

BENEFIT REVIEW

Dr. Helmholdt made a motion to approve the benefit review as presented. Mr. Jones seconded the motion. The motion passed unanimously.

EDUCATIONAL CALENDAR

Mr. Darmanin made a motion to accept 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. Ms. Pfeiffer seconded the motion. The motion was passed unanimously.

BILLS

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

PLEASURE OF THE BOARD

Chairman Bucci mentioned for discussion the missed Board meetings by the Finance Department. He felt it was important for Ms. Flynn to send a representative to the Board meetings, if she is unable to attend. Chairman Bucci said he would send a memo to her and the Board to address the situation.

Chairman Bucci then apprised the Board that the City met separately with the Teamsters and FPE on September 23rd and 24th. Their discussions again included the idea of a retirement incentive and that the Commission wanted their staff to generate 'cost savings' estimates for several levels of participation and new hiring over 1 year, 3 years, & 5 years. They will meet with the Commission once they have acquired those numbers. To the best of his knowledge, there was no talk of early service retirement by adding age, only years of service. A short discussion ensued. Chairman Bucci noted for the Board that the PERC Exempt employee benefits are not allowed to be discussed behind closed doors.

BOARD COMMUNICATIONS TO THE CITY COMMISSION

There was nothing to report to the Commission at this time.

Ms. Cameron made the motion to adjourn the meeting. Ms. Pfeiffer seconded the motion. The meeting adjourned at 11:35 A.M.