

CITY OF FORT LAUDERDALE  
GENERAL EMPLOYEES' RETIREMENT SYSTEM  
BOARD OF TRUSTEES MEETING  
316 NE FOURTH STREET, SUITE 2, FORT LAUDERDALE, FL

Thursday, April 7, 2011  
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 Bucci, Chairman  
Mark Darmanin, Vice Chairman  
Sean Jones, Secretary  
Darlene Pfeiffer, Trustee  
Julie Cameron, Trustee  
Greg Slagle, Trustee  
Lynda Flynn, Ex-Officio on behalf of Douglas Wood, Director of Finance

Absent: Dr. Bob Helmholtz, Trustee

Also Present: Alan Vordermeier, Vordermeier Management Company (VMC)  
David Russell & Mitchell Green, Investment Performance Services, LLC  
Richard Dahab, Dahab Associates  
Joseph Bogdahn, Mike Welker & Dave West, The Bogdahn Group  
Michael Futterman & Tammy Goldstrich, Marcum, LLP  
Robert Dunckel, Board Attorney  
David Desmond, Pension Administrator  
Jane Dyar, Pension & Recording Secretary

Chairman Bucci asked the Board to review the March minutes. Mr. Darmanin expressed concern about the content, drafting, and review of the minutes. Chairman Bucci interjected that he usually has about a week to screen and edit the minutes but was at the Florida Public Pension Trustees' Association's New York Stock Exchange event when the minutes were made available. Mr. Darmanin then made a motion to defer approval of the minutes until the next Board meeting. Mr. Jones seconded the motion. The motion passed unanimously.

## **MONTHLY FUND ASSET MIX**

Chairman Bucci commented that Plan assets had crossed the \$350 million mark and everything seemed to be within parameters set by the Investment Policy. Mr. Desmond said that Schroder was late reporting their numbers so he used last month's figure. He contacted Schroder and they assured him that, in the future, the reports would be sent in a timely manner.

## **BENEFIT REVIEW**

**April 2011**

### **RETIREMENTS**

Name	Date	Service Time	Type
Donna Wolske-Blackard Finance	4/02/11	9y, 22d	Normal
David Hebert City Manager's Office	10/01/14	6y, 4m, 12d	Vested
Jean Claude Jean Louis Parks & Recreation	3/01/11	10y, 9m, 15d	Conversion

### **DROP RETIREMENT**

Name	Date	Department	Service Time
Julius Delisio	5/01/11	Business Enterprises	19y, 11m, 11d

### **DROP TERMINATION**

Name	Date
Carol Mordas	4/30/11

### **TERMINATIONS**

Name	Date	Type
Eugenia Hankerson Finance	3/11/11	Refund of Contribution
Jeffrey Sessa Public Works	3/23/11	Refund of Contribution

### **BENEFICIARY BENEFIT CHANGES**

Name	Date Started	Type
Janice Squarini spouse	4/29/03	Benefit Ending May 1, 2011 Pre-Retirement Death (8yrs)
Vera Thomas spouse	4/06/03	Benefit Ending May 1, 2011 Pre-Retirement Death (8yrs)

**POST RETIREMENT DEATH**

Name	Date	Benefit
Edward Harris	3/5/11	No Further Benefit
F.D. Powless Marjorie spouse	3/8/11	Full benefit for 1 year and 60% thereafter
LaVada Wertz	3/12/11	No Further Benefit
Dorothy O'Leary	3/18/11	No Further Benefit

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

**BILLS**

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

**AUDIT SUB-COMMITTEE REPORT**

Chairman Bucci asked Ms. Pfeiffer to recap the process the Audit Sub-Committee used to evaluate the 13 responses to the Request For Proposals (RFP) for an Investment Consultant. Ms. Pfeiffer said that each sub-committee member carefully reviewed all 13 responses and then met to discuss the pros and cons of each respondent. The list was narrowed to a field of 3 highly qualified candidates who were invited here today to make a presentation to the Board. The 3 presenters are: Investment Performance Services, LLC; Dahab Associates; and The Bogdahn Group.

Ms. Pfeiffer then reviewed the process the sub-committee will use to conduct a managerial audit of certain functions within the Pension Office. Each sub-committee member has agreed to examine a task the office performs. Mr. Jones will be examining the process of paying a bill from the point an invoice is received from an outside vendor through the return of the cancelled check. Mr. Slagle will be following the process used for inter-office invoices and has drafted a work flow chart. Ms. Pfeiffer added that the sub-committee has received copies of the policies and procedures manual along with some other documents they intend to review. She has obtained a list of member contributions and will be checking it for accuracy.

Ms. Pfeiffer commented on the enormity of the task and suggested that certain functions may require outside assistance. She noted that a review of this magnitude has not been performed since 2004. After the completion of an examination of a function, a report will be presented to the Board with recommendations.

Mr. Darmanin questioned why the Audit Sub-Committee Chairperson responded to Marcum's

Audit Report. He said that the GERS Chairman drafted previous responses. After a brief discussion the Board agreed by consensus that the Board Chairman would draft the response to the Audit Report.

Ms. Pfeiffer reviewed the March 18, 2011 sub-committee minutes and asked that the words “organizational chart” be changed to “work flow chart”. Mr. Jones made the motion to accept the Audit Sub-Committee minutes as amended. Mr. Slagle seconded the motion. The motion passed unanimously. Chairman Bucci expressed his thanks to each sub-committee member for their diligent efforts in the Investment Consultant’s search and their ongoing efforts of conducting a Managerial Audit of the Pension Office.

### **INVESTMENT CONSULTANT PRESENTATIONS:**

Mr. Desmond advised the Board that due to flight reservations he had a request to rearrange the order of presentations. Each of the presenters was accommodating and the Board agreed by consensus.

Chairman Bucci stated that each presenter was aware that they were allotted 20 minutes for their presentation and 10 minutes for a question and answer session.

#### **Dahab Associates ~ Richard Dahab**

Mr. Dahab thanked the Board for being included as one of the three finalists. He said it has been a pleasure working with GERS over the last 17 years and hopes that our relationship will continue. He gave his views on what a good financial consultant does for his clients, an overview of his business philosophy, and an historical look at the evolution of his company. He said that since he started building his organization in 1986, he has assembled a team of the best and brightest financial minds that mesh well together. His firm has over 70 clients of which half are public funds and 17 of those are in Florida.

He then reviewed the expertise of some of his staff members, their skills, the company’s ethical competence, and their aggressively conservative approach. Turnover in his organization has been very minimal and reminded the Board that his company’s due diligence has protected his clients from some of the pitfalls that have hindered some other public funds.

He reminded the Board that GERS’ portfolio beat 97% of all other public funds for the quarter ending December 2010 and was hopeful that the results would be comparable for the quarter that just ended. He said that the fund has done fabulous during his association with GERS and the asset allocation has worked.

Mr. Dahab reviewed matters related to a contract, quarterly reports, fees, and insurance. He currently carries \$1 million in errors and omission insurance and if required to raise it to \$5 million, the cost would increase his bid by \$20,000 as that is the direct cost.

After a brief question and answer session, Chairman Bucci thanked Mr. Dahab for his presentation.

**Investment Performance Services, LLC ~ David Russell & Mitchell Green**

Mr. Green introduced himself as the Chief Executive Officer of Investment Performance Services, LLC (IPS) and Mr. Russell as their Senior Consultant/Senior Vice President. Mr. Green and the firm's headquarters are in Savannah, Georgia while Mr. Russell is stationed in the firm's Philadelphia office. Mr. Russell noted that if they were fortunate enough to become the Plan's new financial advisor, he would be the Lead Consultant.

Mr. Russell said that IPS has given professional guidance to institutional retirement funds since 1986 and their only business is investment consulting. They are independently owned and operated and because they offer their employees many professional development opportunities, their personnel turnover has been low. He reviewed the qualifications and experience of some key personnel in their organization and pointed out their client list which included some funds in Florida.

Mr. Russell said that he understands the issues that are facing public funds in Florida and across the nation. Mr. Green said IPS is comfortable giving tactical advice, which looks 3-5 years out and determines where the opportunities and problems are likely to exist and adjusts asset allocation accordingly. He said this differs from strategic advice that primarily looks at the current asset allocation and uses rebalancing to prepare for future market moves.

Mr. Russell said IPS is very proactive with advice, responsive to client needs, and explained their commitment to Trustee education. He then discussed their fees and said they were all inclusive which means there would be no additional charges above and beyond what is quoted.

After a question and answer session, Chairman Bucci thanked Mr. Green and Mr. Russell for their presentation.

At 10:38 am, the Board of Trustees took a 10-minute break.

At 10:47 am, Chairman Bucci called the meeting back to order and asked that the record reflect that no business was discussed during the break.

**The Bogdahn Group ~ Joseph Bogdahn, Mike Welker, & Dave West**

Mr. Bogdahn began by stating that The Bogdahn Group always acts as a fiduciary, they have \$27 billion assets under management, over 200 Florida public fund clients, and are conveniently located in Orlando, Florida. He gave a brief overview of the 32 professionals that make up the firm and said if selected, Mr. West and Mr. Welker would be the Plan's primary consultants with himself serving as a secondary consultant.

Mr. West said that they have reviewed GERS' portfolio and have several portfolio reconstruction ideas for the Board to consider. He gave a brief synopsis but reminded the Trustees, if they were hired, they would go into further detail about their recommendations. Mr. Welker suggested that the current equity allocation may be somewhat high for a frozen plan and believed the Board should evaluate their risk exposure. He detailed other asset allocations models aimed at limiting the equity exposure. Mr. Welker said his goal would be to have less risk and, over time, add more return.

Mr. West said since they are a Florida based organization, they would be more readily available to service the needs of GERS. Mr. Welker stated that over the last 15 years they only had 3 clients leave them and he reviewed the terms of their departure. He added their proposed fees are all inclusive and there are no additional costs.

After a question and answer session, Chairman Bucci thanked Mr. Bogdahn, Mr. Welker, and Mr. West for their interesting and insightful presentation.

Chairman Bucci asked for comments from each of the Trustees. Ms. Cameron cited there was a lot of information to digest. Mr. Darmanin stated he had a chance to review all the material in depth and offered his observation. He said that he felt IPS fell into the third position. The Bogdahn Group gave an energetic presentation but was a bit apprehensive because of their rapid growth. He said Dahab was familiar with GERS and is on top of their game right now. Ms. Pfeiffer said that the Board has always taken their time when making investment decisions, done the due diligence, and the decisions have always been their own. She said Mr. Dahab has never pressured them on any of his investment recommendations. After a brief discussion, Mr. Darmanin made a motion to retain Dahab Associates as GERS' Investment Consultant. Ms. Cameron seconded the motion. The motion passed unanimously.

#### **AUDITOR'S REPORT FISCAL YEAR SEPTEMBER 30, 2010**

Marcum, LLP ~ Michael Futterman & Tammy Goldstrich

Mr. Futterman introduced himself and Ms. Goldstrich who served as the Audit Manager on this project. He said that he is pleased to present a draft copy of the GERS Audit Report for fiscal year end September 30, 2010. He stated that, in their opinion, the financial statements fairly represent all material respects of the Plan's assets as of September 30, 2010. He added that the report was an unqualified, clean opinion, which is the only kind you would ever want to see.

Mr. Futterman reviewed some key elements contained in the report and noted that net assets of the Plan increased \$24.8 million or about 8.2%. Mr. Futterman stated that the final report would be presented to the Board as soon as the Board Attorney has reviewed the Management Representation Letter and Mr. Wood, the City's Finance Director, has signed it.

Mr. Darmanin asked Mr. Futterman to change the cover letter so it is addressed to the Board of Trustees and not the Audit Committee. He added that the Board Chairman should author the response to their findings, which is included at the end of the report.

Mr. Futterman said the only significant findings noted throughout the auditing process were that 2 instances of imprecise payment amounts were found out of the 25 examined. A subsequent examination of 50 revealed another inconsistency. He suggested that a new procedure be developed that monitors the calculated benefit amount and to track the amount actually dispersed by the City. He opined that this procedure should solve the issue.

Discussion ensued regarding various software possibilities. After a short discussion, Mr. Darmanin made the motion to empower Chairman Bucci to draft a response and execute the necessary documents subject to the approval of the Board Attorney. Ms. Pfeiffer seconded the motion. The motion passed unanimously. Chairman Bucci thanked Mr. Futterman and Ms. Goldstrich for the clarity in which they presented the Audit Report and for the timely manner in which it was prepared.

## **REAL ESTATE SUB-COMMITTEE REPORT**

Mr. Vordermeier said the Board's \$3.2 million offer for the 300 NE 3<sup>rd</sup> Avenue property is still on the table and thought an offer for \$3.5 million may lead to quicker action. He said that there is \$180 thousand in property taxes due that the owner wants the purchaser to pay. He reviewed long-range plans for the area and asked for the Board's input. By consensus the Board decided not to improve their current offer.

Mr. Vordermeier said that he has a draft lease for the 4800 Building that is under review by Mr. Dunckel. Mr. Dunckel said that the potential tenant is proposing some changes to the lease that he considers non negotiable. He said that the potential tenant is not involved in the lease negotiations but a company, which manages some aspects of Dr. Lee's business is negotiating on his behalf. Mr. Dunckel expressed concern about the process and asked Mr. Vordermeier not to deal with Dr. Lee individually since he is represented by Orthosynetics. By consensus the Board agreed not to pursue further negotiations with either Gibson Pratt or Dr. Lee. Mr. Dunckel said he would contact Gibson Pratt and let them know that there would be no further negotiations on this lease.

Mr. Vordermeier then presented the Board with a 5-year lease with two additional 5-year options for renewal for Suite 1 of the 316 Building. He said that he did not foresee any problems in finalizing the lease and that some minor construction changes needed to be accomplished by August 1, 2011 for tenant occupancy by September 1, 2011. Mr. Dunckel said that he had briefly reviewed the lease and saw nothing objectionable and has received permission from Mr. McLaughlin to temporarily use some of his parking spaces across the street. Mr. Darmanin made the motion to authorize the execution of the lease subject to the attorney's approval. Ms. Pfeiffer seconded the motion. The motion passed unanimously.

## **DISABILITY: F. Samaroo**

Mr. Desmond reviewed the non-service incurred disability application of F. Samaroo. A short discussion was held. Mr. Darmanin made a motion to approve the non-service incurred disability as submitted. Ms. Pfeiffer seconded the motion. The motion passed unanimously.

## **ATTORNEY'S REPORT**

Mr. Dunckel informed the Board that he had received a Qualified Domestic Relations Order asking that a benefit be split due to a divorce. He is drafting a letter to inform the concerned parties that their request cannot be honored.

Mr. Dunckel then reviewed the circumstance of a reinstated and demoted employee relative to their pension service credits and employee contributions. Mr. Darmanin made a motion to allow the employee to make up the contributions with an extra 3% contribution per pay check at the original rate of pay until the amount owed is caught up, or if she wishes, to pay the amount in full. Ms. Pfeiffer seconded the motion. Mr. Slagle asked if the Board was comfortable in making that motion without the employee present. Mr. Desmond assured Mr. Slagle that the employee was notified. The motion passed unanimously.

Mr. Dunckel reviewed the circumstances of another employee who withdrew their contributions and was subsequently reinstated. In this case, the employee partially repaid \$7,500 and is paying

an extra 3% per paycheck until the remaining balance is paid in full.

Mr. Dunckel informed the Board that he sent a letter to a beneficiary whose spousal preretirement death benefit was expiring and was erroneously informed that the benefit was being reduced.

Mr. Dunckel said that he wanted to inform the Board of a couple of items that do not have any direct impact at this time. He said that he is helping to draft clauses for a Plan amendment that involve a retirement incentive that may or may not come to fruition. He also informed the Board that due to an administrative error, some employees enrolled in the City's 401A Plan have received contributions beyond the required amount.

Lastly, he said the City has received an inquiry from a Miami Herald reporter with specific questions about GERS and Police & Fire Retirement Plans. He outlined the request and discussed some of the potential responses.

### **ADMINISTRATOR'S REPORT**

Mr. Desmond said that he had a few things to report, some of which were for informational purposes and others that the Board may wish to act upon.

- The Pension Office has received the Cost of Living Adjustment information from the Plans Actuary, Gabriel Roeder Smith & Co., which outlines various adjustment scenarios.
- One of the Plan's portfolio monitoring firms, Cohen Milstein provided a March report that indicated there were 2 class action suits that may result in a settlement benefiting GERS.
- American Realty's 2010 Annual Report and Audited Financial Statements are available for review. He said they recently acquired a 10.4 acre Class A grocery-anchored shopping center in the San Francisco, California.
- Mr. Desmond said that the Pension office is continuing a systematic review of all retirement benefit payments to ensure the accuracy of all benefit payments. Tighter review procedures have been implemented and the City's Information Technology Department has been cooperative with providing data necessary for cross checking and verifying information.
- An inspection of the 4800 Building showed no change in condition from the last visit.

### **PLEASURE OF THE BOARD**

Mr. Darmanin said that he has reviewed the COLA information from the Plan's Actuary, Gabriel Roeder Smith & Co. He said that even though the Board has made previous recommendations to the City Commission that a COLA be granted for Beneficiaries, there has not been one granted for almost 10 years. With the objective of staying over 70% prefunded, he thought that a larger percentage increase for those who began collecting a benefit with a lower multiplier would be the most prudent course of action.

Mr. Darmanin presented the concept of a 3.5% COLA for those who retired prior to November 2001 and a 1% COLA for those who retired after November 2001. Ms. Pfeiffer stated she felt the retirees deserved a COLA and asked if the Board was able to consider a one-time payment versus a COLA. Mr. Darmanin said a thirteenth check was probably within the Board's discretion as long as it did not exceed the Plan's COLA limitations. Ms. Pfeiffer said she thought the one time payment would be more agreeable and not impact the funding ratio. Mr.

Darmanin made a motion to make a recommendation to the City Commission to give those who retired prior to November 1, 2001 a 3.5% COLA and a 1% COLA to those who retired after November 1, 2001. Mr. Jones seconded the motion. The Board passed the motion unanimously.

Chairman Bucci requested that Mr. Desmond ask the Plan's Actuary, Gabriel Roeder Smith & Co. to supply information about the financial impact of the proposed COLA. He said this information would be helpful for the Administrator, Vice-Chairman, and himself when drafting a letter to the City Commission.

Mr. Slagle informed the Board that he would have to leave early from the next Board Meeting on May 5, 2011.

Chairman Bucci said that he did not agree with a statement made by one of the presenters during the financial advisor presentations regarding the ultra conservative approach GERS should be taking since it is a closed Plan. He said that he considered the Plan well diversified and managed for the long term because it will be around for many decades to come. He noted that GERS began using a parallel investing concept a few years ago which has helped it rank among the top performers of all public pension plans nationwide. He said that when GERS began parallel investing it did not even have an identifying name.

Chairman Bucci asked Mr. Desmond about the status of the Commission Recapture and Transition Management contract with the Bank of New York Convergex. He said the changes that were made by GERS' Attorney were forwarded and the Bank of New York Convergex was in the process of reviewing them.

Chairman Bucci advised the Board that he sent the City Commission a copy of an article about the pitfalls of Defined Contribution Plans along with a cover letter touting the advantages of a Defined Benefit Plan.

Ms. Pfeiffer asked for an update on the RFP for a Property Manager. Mr. Darmanin stated that Mr. Desmond supplied a copy of the original RFP along with a copy of another RFP. Mr. Darmanin said that he felt confident that we would have a usable RFP. He asked Mr. Dunkel to review the RFP and if it was acceptable, forward it to Mr. Desmond for distribution. Mr. Desmond asked for direction on distribution. Ms. Pfeiffer suggested using Buyspeed, a program used by the City. Since Mr. Desmond was unfamiliar with the program Ms. Pfeiffer said she would assist him with it.

## **BOARD COMMUNICATIONS TO THE CITY COMMISSION**

By Board consensus, there is nothing to report to the City Commission at this time.

Mr. Slagle made the motion to adjourn. Mr. Jones seconded the motion. The meeting adjourned at 2:22 P.M.