

CITY OF FORT LAUDERDALE  
GENERAL EMPLOYEES' RETIREMENT SYSTEM  
BOARD OF TRUSTEES MEETING  
316 NE FOURTH STREET, SUITE 2, FORT LAUDERDALE, FL  
Thursday, August 11, 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**

- GERS' Investment Consultant, Dahab Associates, Inc. reported at the August 11, 2011 Board of Trustees meeting that fiscal year to date, the portfolio returned 14.4% which ranked in the top 4% of the Public Fund Universe. For the 12-month period ending June 30, 2011, the portfolio returned 25.9%, which ranked in the top 5% of the Public Fund Universe.

**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  
Sean Jones, Secretary  
Dr. Bob Helmholdt  
Julie Cameron  
Greg Slagle  
Douglas Wood, Ex-Officio

Absent: Darlene Pfeiffer

Also Present: Kristin Harper & Cinda Hughes, Lord Abbett  
Richard Dahab, Dahab Associates  
Alan Vordermeier, Vordermeier Management Company  
Robert Dunckel, Assistant City Attorney  
David Desmond, Pension Administrator  
Jane Dyar, Pension & Recording Secretary

Chairman Bucci asked the Board to review the minutes of the July 7, 2011 meeting. Dr. Helmholdt made the motion to accept the minutes as presented. Mr. Darmanin seconded the motion. The motion passed unanimously.

**PERFORMANCE REPORT – Small/Mid Cap Value and Small Cap Growth**  
Cinda Hughes & Kristen Harper, Lord Abbett

Ms. Harper began by introducing herself and Ms. Hughes who is a Partner and Client Portfolio Manager for Lord Abbett. She said that Lord Abbett was founded in 1929, has been around through all kinds of market conditions and is a privately held company. Since her last visit, the Small/Mid Cap group has added an analyst to their staff. She stated that long-term performance had been very good and their product has performed well during a cruel market.

She said that the performance of the Small/Mid Cap Value portfolio has outperformed the Russell 2500 Value Index by over 5% since GERS originally placed money with their firm in January of 2008. They have consistently beat the benchmark and did so by 135 basis points in the last quarter. She reviewed the portfolio's sector weightings and some of the holdings.

Ms. Hughes then began a review of the Small Cap Growth asset class by stating that it is a much more volatile sector of the market. She discussed their stock selection process and gave a brief background overview of their team leader, Tom O'Halloran. She said that over the long run, the Small Cap Growth sector has produced solid performance results. Ms. Hughes said that since GERS placed money with Lord Abbett in this asset class 9 months ago, the investment has returned 37.2% through June 30<sup>th</sup> and the benchmark, the Russell 2000 has returned 31.44%. Although the value of the portfolio is down over the last 30 days, they have continued to beat the benchmark. She reviewed the sector allocations and some of the larger holdings. She noted that the portfolio out performed the benchmark in large part, due to their stock selection.

Chairman Bucci thanked them for their report and their performance. He noted that the Board has structured the portfolio to be well diversified within many asset classes and styles and each manager's performance is measured against their predetermined benchmark. The Board is most concerned with alpha, which is the value active management contributes over the benchmark.

**INVESTMENT ADVISOR QUARTERLY REPORT**

Richard Dahab, Dahab Associates

Mr. Dahab began by stating that the wild market swings of last week made no sense, although not unduly in a weak economy. He opined that automation and increased computerization have contributed to the elimination of jobs and this would probably be the case for at least the next 5 years. Mr. Dahab said the economy has continued to grow for the last 8 consecutive quarters, but at a much slower rate. He noted that domestic and international stocks did well and that corporations are holding a record \$2 trillion in reserves. The bond market has also done well but the 1 & 3 month treasury bills returned just 0.03% last quarter and it probably won't be much better this quarter.

Mr. Dahab said the Plan earned 1.0% for the second quarter of 2011 and was positioned to do well going forward. Fiscal year to date, the Fund was up 14.4% which ranked in the top 4% of the Public Fund Universe. Over the trailing 12 months, the portfolio was up 25.9% which ranked in the top 5% of the Public Fund Universe. The 3 year annual rate of return is 5.1% and since December 2005, the yield is 5.4%. Mr. Dahab stressed that these numbers were achieved

during the worst market conditions since the Great Depression. He acknowledged that even though the Fund did not meet the actuarial growth assumption for that period, it was a great return during a really bad time.

Mr. Dahab said that 5 years ago the fund was worth \$300 million, there have been net withdrawals of just under \$40 million, the fund returned \$92,402,240 and as of June 20, 2011, the Fund was worth \$352.9 million.

Mr. Dahab said the managers that added the most value to the portfolio last quarter were RMK Timber, Wedge and Lord Abbett on the domestic side and Aberdeen in the international arena. He stated that Aletheia was the biggest detractor and that they were negative for the trailing year as well. He expressed concern that the firm's attention was being spent elsewhere and said he would be fine with giving them a little more time to improve their performance. Mr. Dahab reviewed the top 10 stock holdings in the portfolio which represent 4% of the Plan's Assets and each manager's performance. He said that the portfolio was very well diversified.

Chairman Bucci asked how bonds would perform going forward. Mr. Dahab thought they would do well but did not see the rating agency, Standard and Poors surviving. He said he did not see a catalyst for any future market problems as corporate profits have been terrific since they have reduced staff and overhead.

Chairman Bucci asked Mr. Desmond about his recent meeting with Aletheia. Mr. Desmond stated that the firm felt their portfolio was well positioned for the market with high quality stocks, especially in the commodities and energy sectors. David Bunzel is currently undergoing an SEC investigation because of his involvement in a prior company and was temporarily stepping away from the firm until the investigation is complete. Once the issue has been favorably cleared up, he would be returning. Mr. Dahab affirmed he would keep the Board apprised of the situation.

Chairman Bucci then asked Mr. Dahab to comment on Hansberger. Mr. Dahab recapped that Hansberger was value oriented and on the conservative side therefore, when the market rises, they lag the index. However, when the market crashed in 2008, they had a defensive position and out performed the benchmark. He stated their test would be during the rest of the year and he felt the Board should keep watch on their performance.

Mr. Darmanin asked for Mr. Wood's comments on the Pension Obligation Bonds mentioned in the City's budget message. Mr. Wood stated the budget projection was to fund 75% - 100% of the pension unfunded liability. He felt the market conditions were favorable at this time with municipal bonds returning 5% or less and the Fund's assumed rate of return being 7.75%, it may be a good time to make a move of this nature. He cautioned that this is only in the preliminary stages of discussion and the City Commission would make the ultimate decision.

Chairman Bucci said the City of Pembroke Pines had issued Pension Obligation Bonds a few years back and increased employee benefits about the same time. Chairman Bucci noted that as a fiduciary he would welcome the additional money but cautioned that it would not eliminate the sponsor's contribution requirements going forward.

Chairman Bucci asked Mr. Dahab to give the Board some insight or direction on how he recommends the Board deal with proxy voting. Mr. Dahab stated that he recommends that task be left to each money manager who has made the investment. He added that if the Board had any specific guidelines for them to follow, such as societal issues or specific country

investments, to provide that direction to each of the managers. Chairman Bucci thanked him for his report and insight.

## **DISABILITY**

R. Cady

Mr. Desmond gave an overview of the non-service incurred disability application. Mr. Dunckel said that a non-service incurred disability must show by preponderance of the evidence that the member is unable to perform any gainful employment by two concurring physicians. He noted that only one physician was in agreement with the decision of gainful employment. There was a short discussion. Mr. Desmond noted that Social Security Disability approved him. Mr. Darmanin made the motion to deny the disability application. Dr. Helmholdt seconded the motion. The motion passed unanimously. Mr. Dunckel reminded the Board that the applicant had the right to appeal and present new medical information.

## **REAL ESTATE SUB COMMITTEE REPORT**

Mr. Darmanin announced that the Real Estate Sub-Committee met on July 27, 2011. They discussed several issues regarding Suite 1 in the 316 Building. Mr. Darmanin stated they have the ability to get a Temporary Certificate of Occupancy (TCO) if needed and, once the tenants equipment was in place, he felt they should get a Certificate of Occupancy (CO). He added the lease called for a move-in period during August therefore there would be no delay.

Mr. Darmanin then reviewed the 300 NE Third Ave. site. The Sub-Committee had agreed to get an updated appraisal. After review, Mr. Darmanin believed there was a reporting method discrepancy between the two appraisals. He went on to explain that the original appraisal consisted of building and land value resulting in a reconciled value, while according to the appraiser, Mr. Bondarenko, the newest appraisal was land value only. Mr. Darmanin pointed out that according to Mr. Bondarenko, the property had appreciated \$1.5 million in the last 6 months, however, a comparison of just the original land value portion and the recent appraisal, the land had increased in appraised value by \$2 million in the last 6 months. Mr. Darmanin then asked Mr. Vordermeier to summarize Mr. Ladd's presentation to the Sub-Committee. Mr. Vordermeier reiterated Mr. Ladd's thoughts that the higher property values are due to recent increased activity in the downtown area.

Mr. Slagle noted he had done some research regarding a risk assessment on the property and after several attempts, with the help of Mr. Desmond, they found a company willing to run an assessment for them. The Board questioned the necessity and the cost of having the assessment done.

Dr. Helmholdt made the motion to offer \$3.5 million for the 300 NE Third Ave. property. There was a discussion to clarify the wording, however the motion died for lack of a second. Mr. Dahab noted that in the context of the Plan's overall portfolio, the price being discussed was not significant. He said it was approximately 1% of the Plan's assets.

Dr. Helmholdt then made a motion to make an offer of \$3.6 million for the 300 NE Third Ave. property. Ms. Cameron seconded the motion. After some discussion, Chairman Bucci asked for a roll call vote: Chairman Bucci - no, Ms. Cameron - yes, Mr. Darmanin - no, Dr. Helmholdt - yes, Mr. Jones - no, and Mr. Slagle - no. The motion failed to pass with 4 no votes and 2 yes votes.

Mr. Jones made a motion to offer \$3.4 million for the 300 NE Third Ave. property, subject to the due diligence clauses that would be incorporated into the contract giving a 90-day period of discovery and allowing termination for any reason. Mr. Darmanin seconded the motion. Chairman Bucci asked for a roll call vote: Mr. Bucci – yes, Ms. Cameron – yes, Mr. Darmanin – yes, Dr. Helmholdt yes, Mr. Jones – yes and Mr. Slagle – yes. The motion passed unanimously. Mr. Darmanin suggested to Mr. Slagle that he should proceed with determining the cost for the risk assessment and if reasonable, see if it could be completed prior to the 90-day window expiration. Chairman Bucci restated that the Real Estate Sub-Committee was authorized to act on behalf of the Board on all Real Estate matters through the calendar year. Mr. Dunckel stated that he would consult with the Sub-Committee in constructing the contract.

Mr. Vordermeier announced he had received two bids for stuccowork and painting of the 316 Building. He reviewed the numbers and noted his choice for the work. Mr. Darmanin suggested that the item be tabled until a third bid could be obtained and asked Mr. Vordermeier to ensure all bids were for a fixed dollar amount. Mr. Dunckel agreed saying that would enable a better evaluation of the bids. Trustee consensus was that there was no urgency in the matter. Mr. Vordermeier discussed a number of other items pertaining to the properties. Trustee consensus was that there was no urgency in these matters.

#### **AUDIT SUB COMMITTEE REPORT**

In Ms. Pfeiffer's absence, Chairman Bucci asked Mr. Slagle to inform the Board of the status of the Managerial Audit. He said the Sub-Committee reviewed a draft copy of the Management Audit report with Marcum's Mr. Shah and that the final draft report should be ready by next week for further review by the Sub-Committee.

#### **ATTORNEY'S REPORT**

- Mr. Dunckel stated that two cases were referred to him by Mr. Desmond regarding individuals who were in nursing facilities whose bills were not being paid. There was an inquiry as to whether the benefits could be redirected to the service provider. He said there was an anti-alienation clause in the Plan and explained it to the Board. Mr. Dunckel read Ordinance Section 20-115(c) regarding "Incompetents" and reviewed the language in detail. In these cases, Mr. Dunckel said he felt it was inadvisable to rely on that particular clause and the request should come from a family member.

Mr. Desmond said that since his interaction with Mr. Dunckel, one of the individuals, a retiree, had passed away. Mr. Dunckel then outlined another case where a member has been incapacitated and in a nursing facility. The Pension Office has not received any response from the guardians regarding initiating benefit payments. A brief discussion ensued.

- Mr. Dunckel then reviewed the Dahab contract, stating it was simple and straightforward. He did question the New York arbitration clause and he gave his thoughts as to why it would be difficult for GERS should a problem arise. He also had some questions regarding the amount of errors and omissions insurance. Mr. Darmanin remembered that there was a large cost differential that was discussed during the RFP interviews. Chairman Bucci asked Ms. Dyar to provide that section of the Investment Consultant Search meeting minutes to Mr. Dunckel for review.

- Mr. Dunckel said he was reviewing the property management contract and should have the agreement for Vordermeier Management Company finalized by next week.

- Mr. Dunckel next reviewed the Mechel OAO class action material provided by Mr. Lacoﬀ of Cohen Milstein Sellers & Toll, one of GERS' portfolio monitoring firms. He said that he had not received any of the motions or dismissal findings from the firm representing GERS, Abraham Fruchter and Twersky LLP (AFT). Mr. Dunckel elaborated on the complex administrative procedures of Russia and noted in the judgment that the defendant could move for recovery of costs and attorney's fees. He assured the Board that in the agreement with AFT, GERS was indemnified. A short discussion ensued.

### **ADMINISTRATOR'S REPORT**

- Mr. Desmond reviewed Cohen Milstein's portfolio monitoring report showing three securities that had filings for class actions. They recommended no action by the Plan. Additionally, he said another of the Plan's portfolio monitoring firms, Scott + Scott noted in their quarterly report that GERS was a class member of the Computer Sciences Corporation litigation.

- Mr. Desmond said the 4800 Building appeared to have no changes since the last visit.

- Mr. Desmond updated the Board on his on his assemblage of an Excel spreadsheet for benefit payments and said that he was up to the letter "L". He found one file where the Normal Retirement calculation was entered on the paperwork instead of the Early Retirement figure. The retiree was informed and arrangements have been made to recover the overpayment.

- Mr. Desmond invited the Board to tour the new office kitchenette now that it is fully functional.

### **BUSINESS IN PROCESS**

- a) Managerial Audit - Updated under the Audit Committee's Report.
- b) Benefit Summary Spreadsheet – Updated under the Administrator's Report.
- c) Professional Contracts – Chairman Bucci noted that the details of contracts with the Property Manager, the Investment Consultant, and the Actuary are a work in progress.
- d) Disability Applications and Appeals - Mr. Dunckel stated that he is awaiting notification from the other attorney that is on appeal.

### **MONTHLY FUND ASSET MIX**

Mr. Desmond reviewed the June numbers noting that the market has taken a downturn. Chairman Bucci asked if there had been any withdrawals for the July benefit payments. Mr. Desmond stated that there was a withdrawal from Aletheia on July 1, 2011.

**BENEFIT REVIEW**

August 2011

**RETIREMENTS**

Name	Date	Service Time	Type
Linda Walker Police & Fire	6/1/14	9y, 5m, 8d	Vested
Allyson Love City Manager Office	1/01/16	22y, 2m, 25d	Vested
Douglas Rutherford Disability Conversion	8/01/11	20y, 2m, 10d	Early
Margaret Evan Finance	8/05/11	24y, 10m, 5d	Normal
William Snow Building Services	8/20/11	22y, 1m, 3d	Normal

**DROP TERMINATION**

Name	Date
Michael Rigg	8/1/11

**BENEFICIARY BENEFIT CHANGES**

Name	Benefit Started	Change to 60%
Charlotte Grandon Spouse	11/1/10	11/1/11
Jean Nuzzo Spouse	11/1/10	11/1/11
Helen Dumas Spouse	11/1/10	11/1/11

**POST RETIREMENT DEATH**

Name	Surviving Spouse	Date	
Joseph Corsaro	-----	6/5/11	No Further Benefit
Arlene Wolf	George	6/16/11	100% for 1 Year - 60% Thereafter
Carol Bahr (Beneficiary)	-----	6/27/11	No Further Benefit
Thomas Prytherch	Carol	7/16/11	100% for 1 Year - 60% Thereafter
Louis Marion	-----	7/17/11	No Further Benefit
Mildred Piesbergen	-----	7/25/11	No Further Benefit

**BENEFIT REVIEW**

Dr. Helmholdt made the motion to accept the benefit review as presented to the Board. Mr. Darmanin seconded the motion. The motion passed unanimously.

**EDUCATIONAL CALENDAR**

Dr. Helmholdt made a motion to approve the Educational Calendar as submitted and to allow Board members and staff, the Ex-Officio or his designee, who wish to attend, to do so in accordance with the Educational Travel Policy. Mr. Darmanin seconded the motion. The motion passed unanimously.

Mr. Desmond notified the Board that the City has eliminated the credit cards offered through American Express. A brief discussion ensued regarding a possible corporate card to be used for paying registration fees and making travel arrangements. Mr. Darmanin asked Mr. Desmond to look into available options and suggested tabling the issue until the next meeting.

**BILLS**

Dr. Helmholdt made the motion to pay the bills as presented. Mr. Jones seconded the motion. The motion passed unanimously.

**PLEASURE OF THE BOARD**

Chairman Bucci relayed a request from Ms. Pfeiffer that the Board respond to an article written by the Florida Government Finance Officers Association (FGFOA). The consensus was that Ms. Pfeiffer could write to the FGFOA on her own behalf, but not representing the GERS Board of Directors as the Board does not wish to engage in any communication with the FGFOA body at this time.

Chairman Bucci noted that a Pre-Retirement Workshop was scheduled with Police and Fire Retirement System on September 22 & 23, 2011.

**BOARD COMMUNICATIONS TO THE CITY COMMISSION**

Mr. Darmanin made a motion to share the good news from Mr. Dahab's quarterly report showing the fiscal year to date GERS numbers and the trailing year numbers. Chairman Bucci asked if the Board would like him to draft the communication as he had in the past. Everyone affirmed and the motion passed unanimously.

Mr. Jones made a motion to adjourn. Ms. Cameron seconded the motion. The meeting adjourned at 12:20 PM.