

CITY OF FORT LAUDERDALE
GENERAL EMPLOYEES' RETIREMENT SYSTEM
BOARD OF TRUSTEES MEETING
316 NE FOURTH STREET, SUITE 2, FORT LAUDERDALE, FL
Thursday, October 13, 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 brought 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
Julie Cameron
Greg Slagle
Darlene Pfeiffer
Douglas Wood, Ex-Officio
Dr. Bob Helmholdt

Also Present: Lynda Flynn, Ex-Officio Designee
Robert Dunckel, Assistant City Attorney
Kieran McGlynn & Tracey Grant, Aberdeen Asset Management
Michael Futterman & Nirav Shah, Marcum
Alan Vordermeier, Vordermeier Management Company
David Desmond, Pension Administrator
Jane Dyar, Pension & Recording Secretary

Chairman Bucci asked the Board to review the minutes of the September 15, 2011 meeting. Ms. Pfeiffer asked that a correction be made to a paragraph indicating a lack of oversight discovered by the managerial review. Mr. Jones made the motion to accept the minutes as amended. Ms. Cameron seconded the motion. The motion passed unanimously.

Chairman Bucci than asked the Board to review the Real Estate Sub-Committee Minutes of September 23, 2011. Mr. Jones made a motion to accept the minutes as presented. Ms. Cameron seconded the motion. The minutes were accepted unanimously.

QUARTERLY PERFORMANCE REPORT

Kieran McGlynn & Tracey Grant, Aberdeen Asset Management

Mr. McGlynn introduced himself and detailed his history with GERS with Deutsche Asset Mgt., then discussed that Aberdeen had purchased the investment assets of Credit Suisse and that he is pleased to be once again working with the Plan. He gave a brief overview of their management team, proudly announcing that they were the #1 ranked manager in their peer group universe as of August 2011. Mr. McGlynn explained that the Plan had a very diversified product in their investment portfolio and stated that it has performed well for GERS. He then reviewed the portfolio make-up and the individual investments.

Mr. McGlynn then introduced Ms. Grant who then articulated the strategies of the firm. She began by reviewing the volatility of the markets, described how both an absolute and relative perspective accomplishes the stock selection for the portfolio, and reviewed the numbers through August and September. She added they are long-term investors looking to add value while providing downside protection and capital preservation. She continued there was a positive outlook heading into 2011. The expectation was that the worst was behind us and there would be a period of normalized global recovery. However, at Aberdeen, they felt the expectation for the global growth environment was not as suggested so they were much more cautious going into 2011.

Ms. Grant next reviewed several of the investments and companies. There has been a significant shift in sentiment since the beginning of the year. She said that year-to-date, the portfolio was down 15% with the bulk of the decline occurring in September, suggesting the economy may even be heading for a double dip recession. She pointed out they did outperform the benchmark by over 200 basis points in the quarter and, year-to-date, they outperformed the benchmark by 500 basis points. Ms. Grant reviewed the country and sector attributions noting the low turnover in the portfolio. She stated that one of the key drivers of their outperformance is defensive stock selection and exposure to financials.

Mr. Darmanin congratulated them on the investment performance. Chairman Bucci added that the Fund has a well-balanced portfolio and the Board's Investment Policy counts on each money manager to produce alpha. He stated that the Aberdeen investments have done very well compared to their benchmark.

Mr. McGlynn closed by detailing some information for the Board to consider by changing from the mutual fund to the co-mingled fund. He felt this move would be more prudent for the Plan as the fees are less in the co-mingled fund. A short discussion was held. Mr. Desmond was asked to follow up on this with Mr. McGlynn and Mr. Dahab.

REAL ESTATE SUB-COMMITTEE REPORT

Mr. Darmanin reviewed the Sub-Committee discussions regarding the 300 Property purchase of \$3.5 million and not to exceed a total of \$3,822,500 that includes the seller's expenses. He then gave the floor to Mr. Dunckel to review the proposed contract. Mr. Dunckel pointed out how the contract was structured to include a \$3.5 million purchase price along with a \$310 thousand

seller closing costs. Each specific expense was listed in the addendum. Mr. Darmanin reminded everyone that the reason for designing the contract in that manner was to keep the purchase price down for the 2012-year taxes. Mr. Dunckel explained the 45-day due diligence period and discussed some of the issues and possible scenarios that might enable a faster closing. Mr. Darmanin recapped the environmental and reviewed the asbestos report for the roof as well as the costs. Ms. Pfeiffer made the motion to authorize Mr. Darmanin to spend up to \$3,300 to get the reports completed. Mr. Jones seconded the motion. The Board agreed unanimously. Further discussion ensued.

Mr. Vordermeier stated he has a prospective tenant for Suite 4 of the 316 Building, however the City was not favorable to rent the suite as a self-storage unit. Mr. Dunckel recommended the City's Zoning Administrator be contacted to determine another category the Suite could be classified as since there was a bathroom in the Suite 4. Perhaps the prospective tenant could set up a small office environment within the space.

Mr. Vordermeier then reviewed the contract numbers for Don Smith, the architect, for the 4800 Building. He stated that the examples provided would only be used with solid prospects for the building. Mr. Darmanin stated the prior agreement was to have Mr. Smith on retainer, however nothing could actually be spent without pre-approval prior to an executed lease. Mr. Dunckel said he didn't feel the description provided is acceptable. A short discussion ensued. Mr. Vordermeier stated he would re-word the contract to include specifics such as preliminary drawings and cost estimates with final review by counsel. Ms. Pfeiffer made the motion to approve the quote of \$1,200 for preliminary architectural work for a potential tenant subject to approval by the Board's Attorney. Ms. Cameron seconded the motion. The Board approved the motion with 6 ayes and 1 nay, from Mr. Darmanin.

Mr. Vordermeier presented the Board with bids for consideration for the 300 property demolition. He reviewed each bid and the exceptions they contain. Mr. Darmanin explained that he would like to see each estimate/bid contain the same line item requirements, so that each estimate could be compared fairly to each other without containing change orders. A short discussion ensued.

Mr. Vordermeier discussed the air conditioning bids for the 316 building. He asked for an approval in concept for the costs, in case he has to move quickly if repairs were needed. After a short discussion, Mr. Darmanin felt that there was no immediate action required at this time. The Board consensus was to wait and deal with repairs on a case-by-case basis.

Mr. Vordermeier presented painting and stucco bids for the 316 building. He reviewed the issues currently with the stucco/building. Mr. Darmanin reminded Mr. Vordermeier that the roof needed to be inspected and repaired prior to any stuccowork. It would make no sense to repair the structural damage if the ceiling were to leak and re-damage the repairs. There were several comments. The Board came to consensus.

Mr. Jones made the motion to approve the Real Estate Sub-Committee minutes of September 23, 2011. Ms. Cameron seconded the motion. The minutes were approved unanimously. Mr. Darmanin noted that the Special Real Estate Sub-Committee minutes were approved during the subsequent Sub-Committee meeting.

AUDIT SUB-COMMITTEE REPORT

Ms. Pfeiffer introduced Michael Futterman from Marcum to follow-up on the Audit Management Report. Mr. Futterman began by introducing himself as a partner with the firm and then introduced Nirav Shah, explaining he was the supervisor for most of the audit work at the Pension Office. He noted that, in addition to the written report, they send out twelve questionnaires to the Board members and selected City employees. Most of the feedback agreed with the audit report as far as the perception of things accomplished or not. He said the feedback was not included in the formal report and asked if the Board members would like them included. Ms. Cameron noted she did not receive anything regarding the GERS office operations. The Board's consensus after a lengthy discussion was to leave those out.

Mr. Futterman then reviewed various items that the report indicated were a priority. He explained that the duties and responsibilities of the employees within the office needed to be documented as well as office procedures so that actual work performed could be compared to the documented performance measures of each employee. He next discussed reconciliation and financial accounting procedures to contrast and compare, as well as written job descriptions and other information. Ms. Pfeiffer asked if Mr. Shah had seen any position descriptions. Mr. Shah replied he hadn't received any of that information. Mr. Desmond stated that when the audit first began, Tammy Goldstrich in the Marcum Office asked for job descriptions, policies and procedures, and other documents for their review. Ms. Dyar scanned all the information and sent it to her. Mr. Desmond reminded Mr. Shah that he told him of this information when it was first discovered that Mr. Shah had not been aware the documents were sent to his office. Mr. Shah said he would get the information from Ms. Goldstrich and ratify the report accordingly.

Mr. Futterman continued that the consensus from the Board members was that there was a lack of timely communication, supervisory oversight, and follow-up in the day-to-day operations between the Office staff and the Board members. Chairman Bucci asked how the GERS Office compared with various other managerial audits they have done recently. Mr. Futterman explained each office is different, pointing out they vary due to responsibility, number of employees, and the size of the membership. There was really no way to measure them against each other. He added, in his opinion, that they all were properly staffed for the responsibility and workloads. He said that as far as drafting policies and procedures was concerned, Mr. Desmond should have guidance and assistance from the Board to ensure that there are no miscommunications and to promote clarity regarding Office administration. Without any guidance, there would only be speculation from Mr. Desmond on exactly how the Board felt regarding his administrative responsibilities.

Ms. Pfeiffer asked if he felt that someone in a management level should not need direction for certain decisions required in managing an office versus specific tasks like purchasing. She added would he agree that, at a management level, many of the things are management decisions, such as reconciling bank statements. Mr. Futterman agreed and said that he felt reconciliation of statements was a necessary task to ensure the correct income and expense of the Plan. Further discussion ensued regarding managerial responsibilities.

Ms. Dyar stated she found it hard to believe there were any shortfalls between the operation of the Pension Office and any City departments and, if there were, she would like to have a defined explanation of those shortfalls. She explained that things could not be corrected or adjusted unless the problem or shortfall was pointed out. Ms. Dyar added that consideration should be

given to update Mr. Desmond's job description with the current Boards expectations for items such as reconciling statements. She continued there is always room for any job improvement, however, the person in that position should not be held accountable until the re-definition of the new expectation is in place. Mr. Desmond said he looked at this management audit as a way to enhance the performance of the Pension Office. He felt that it would achieve a positive experience and looks forward to implementing the audit's suggestions.

Mr. Futterman concluded that Mr. Shah would follow up with Ms. Goldstrich, review the information that he had not received, and would adjust the report accordingly. Mr. Darmanin stated that, moving forward, he would like the Office to be comparable to the current industry standard. Mr. Futterman said three bound copies of the final report would be sent along with a digital version.

Ms. Pfeiffer stated that the Audit Sub-Committee had met twice since the last GERS Board meeting and the minutes were ready for review. Mr. Jones made the motion to accept the Sub-Committee minutes for September 28, 2011. Dr. Helmholdt seconded the motion. The minutes were accepted unanimously. Mr. Jones made a motion to accept the Sub-Committee minutes of September 15, 2011. Mr. Slagle seconded the motion. The minutes were accepted unanimously. Ms. Pfeiffer explained there was yet another meeting on October 12, 2011 to review with Mr. Desmond the priority steps that were recommended at the previous meeting. Mr. Desmond explained that with the advent of the retirement bonus incentive plan, he had been quite busy and was unable to accomplish all the steps.

Ms. Pfeiffer expounded that her concern was that the contracts have not been found and wondered if Mr. Dahab could get them for the Board. Mr. Desmond noted that Hansberger contacted him and they would research their records for them. He added that the contact person at Templeton was out for a few days and he did not have an update on them. Ms. Pfeiffer wondered if the City, as custodian, might have copies of the contracts. Mr. Dunkel stated that might be possible however, he does not recall ever reviewing contracts with either manager. Mr. Desmond conveyed that an investment in a mutual fund does not require a normal contract, but only an agreement form along with a prospectus.

Ms. Pfeiffer stated that a spreadsheet to track contract terms and expiration dates was not complete nor was the spreadsheet for benefit payments. She said the bank and VMC bank statement reconciliation along with the reconciling of receivables have not been completed. She also suggested that Mr. Desmond ask each of the money managers if they use the GERS recapture firms and, if so, which they use or, if not, why they chose not to use one. A short discussion ensued. Chairman Bucci said asking each of the managers as they came in for a presentation would be fine but he wanted to remind the Board that an audit done by a GTS stated that the Plan was getting best execution. Ms. Pfeiffer concluded that there has been little progress on the five priority recommendations. Mr. Darmanin asked how long the Sub-Committee had given Mr. Desmond for completion of the requests. Ms. Pfeiffer stated it has been two weeks. Chairman Bucci declared the tasks are time consuming and he realizes things will not be completed over-night, especially with the recent bonus incentive activity. Mr. Desmond stated that he has always kept a spreadsheet for reconciliation of the Bank of New York Mellon Cash Account and presented several pages for the Board to review. He explained that he has assisted Marian Dollard in the Finance Department with reconciling the monthly "combi" report whenever she has had questions or problems. Another discussion ensued.

ATTORNEY'S REPORT

Mr. Dunckel passed out copies of the proposed bonus incentive Ordinance changes that will go to the City Commission for a first reading on October 18, 2011. The impact and actuarial valuation would need to be done prior to the second reading before the Commission on November 15, 2011. He explained the changes during the window period for employee's consideration with the final date to be March 16, 2012. He pointed out that Mr. Desmond has been a tremendous help and giving of his time, in the drafting of the Ordinance provisions. He noted that, during this bonus incentive window, the Pension Office staff is going to be extremely busy. Mr. Dunckel then reviewed the three different elements required for consideration for the retirement incentive. There was a brief discussion regarding the non-bargaining unit employees.

Mr. Wood made the Board aware of the actuarial study being done to assist in the consideration of the City Bond issuance. A short discussion ensued.

ADMINISTRATOR'S REPORT

- Mr. Desmond explained that he organized a meeting with HR & Risk Management regarding the Bonus Incentive Program where logistics were defined. Irrevocable language was defined as well as dates discussed. The Pension Office also reserved the first floor Commission Chambers and was responsible for sending out announcements.
- Mr. Desmond said Dahab reported 4 stocks in the portfolio with a loss of over 25% for months ending July 31, 2011. He added that Dahab reported 34 stocks in the portfolio with a loss of over 25% during the months ending August 31, 2011. He presented the Board with a listing of both months.
- Mr. Desmond reviewed the retiree benefit spreadsheet, noted he is working on the letter "N", and has not found any further errors.
- He stated copies of VMC's August 2011 report and bank statements were available for the Board's review.
- Mr. Desmond advised the Board that the September 22nd & 23rd pre-retirement seminar was well attended and very positive feedback forms were returned.
- Mr. Desmond went over to the 4800 Building and said the improvements looked nice, as did the building. He found new curbing at the entrances to the parking areas and the broken tile in the elevator had been replaced.
- Mr. Desmond found a possible credit card to be used for the Pension Fund. He is following up and wanted direction as to the bank to attach the card. Mr. Wood suggested Mr. Desmond speak to Kirk Buffington in Procurement regarding the City's issues with that credit card company.
- Mr. Desmond reviewed a normal retirement benefit that is not being collected and asked counsel to opine. The retiree in question has a family member as a representative and has refused contact or filing for the benefits. The former employee is now in a retirement facility due to a stroke. The facility has contacted the Pension Office for information on payments due them, as the family has not facilitated payment. A discussion ensued. Mr. Dunckel asked that the Pension Office provide him with all the information via e-mail.
- Mr. Desmond then presented the Board with a pending disability appeal. Mr. Dunckel stated that, after careful review, it appeared to him that there are two doctors stating the applicant is not capable for gainful employment and it met the level necessary for disability. Mr. Darmanin made the motion to accept the disability as presented. Ms. Pfeiffer seconded the motion. The Board unanimously accepted the non-service disability.

TRUSTEE ELECTION FORMS

Ms. Pfeiffer announced she would like the Board to consider e-mailing the candidate forms to all active members, as well as the possibility of using the technology for the election. Chairman Bucci stated that the election language is contained in the Ordinance and asked Counsel if that suggestion is possible under the Ordinance. Mr. Dunckel quoted, “Such election shall be conducted either by mailing ballots to all persons entitled to vote or at polling places designated by the Board, at the sole discretion of the Board. If conducted by mail, an election shall be undertaken by first class mail to all persons entitled to vote. Such mailing shall include a letter of instruction written in a manner calculated to be understood by the average recipient; a Board approved ballot; a Board approved form which contains a description of each candidate’s profile ... and a postage paid return envelope.”

Mr. Dunckel reiterated that the election must go out by mail or be held at a polling place. Ms. Pfeiffer declared the Board should ask to have the Ordinance changed. A short discussion ensued. Mr. Darmanin suggested delegating the Audit Sub-Committee with the task of research, review, and establishing a proposal to the Board regarding the issue since it seems the driver is to implement a cost saving plan. Ms. Pfeiffer said the Board should assign Mr. Desmond the task and return back to the Board some resolution within the next 6 to 8 months. Mr. Darmanin thought the Audit Sub-Committee could assign that task to him along with the other assignments they have delegated. Ms. Pfeiffer retorted that the Audit Sub-Committee does not delegate assignments to the Pension Administrator.

STRUCTURE OF BOND COVENENTS

Ms. Pfeiffer said that she asked for this item to be on the agenda from listening to the on-going discussions regarding the Pension Obligation Bonds. She heard that it would require a Commission super majority to change future pension benefits and wondered if that may effect the ability to grant a retiree COLA. Mr. Dunckel said nothing has been drafted yet, so the intent has yet to be determined. Ms. Pfeiffer wanted to see if there was a way to structure the wording to still allow the Board to recommend a retiree COLA. Mr. Dunckel stated that there is an argument to be had to allow those who previously retired to be considered for COLA’s.

BUSINESS IN PROCESS

- a) Benefit Summary Spreadsheet – updated under the Administrator’s Report to the letter “N”.
- b) Professional Contracts – Chairman Bucci listed the Transition Management contract pending with ConvergeEx, the Investment Consultant contract pending with Dahab Associates, the Property Manager contract pending with VMC, and the Actuary contract pending with Gabriel Roeder Smith.
- c) Disability Applications and Appeals – Chairman Bucci asked if there was any new information regarding the pending application for Doris Stenger. Mr. Dunckel said he had heard nothing from her attorney, Mr. Sicking, but he would initiate contact.

MONTHLY FUND ASSET MIX

Mr. Desmond explained the portfolio was within the parameters of the Investment Policy.

BENEFIT REVIEW
October 2011

RETIREMENTS

Name	Date	Service Time	Type
Gene Groves Planning & Economic Development	10/01/2011	21y, 4m, 27d	Normal
Susan Batchelder Planning & Economic Development	10/01/2011	14y, 9m, 13d	Normal
Donald Weintraub Disability Conversion	10/01/2011	24y, 1m, 22d	Conversion
Stephen Scott Planning & Economic Development	7/1/2018	9y, 8m	Vested
Deborah Gottus BSO	11/01/2011	12y, 5m, 16d	Normal
Jeanette Thomas City Attorney's Office	11/02/2011	22y, 17d	Normal

DROP TERMINATION

Name	Date
Anthony Irvine	10/31/11
Thomas Terrell	10/31/11

BENEFIT CHANGES

Name	Benefit	Change
Marcus Janes	Vesting	Withdrew
Frieda Young	Vested retirement	Benefit begins 11/01/2011

POST RETIREMENT DEATH

Name	Date
Daniel Alois	9/8/11
Ott Cefkin	9/11/11
Lloyd Paull	9/19/11
Anthony Addeo	9/28/11
Gayle Hahn	9/28/11

BENEFIT REVIEW

Mr. Darmanin made the motion to accept the Benefit Review as presented to the Board. Mr. Jones seconded the motion. The motion passed unanimously.

EDUCATIONAL CALENDAR

Mr. Darmanin made a motion to approve the Educational Calendar 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. Ms. Pfeiffer seconded the motion. The motion was passed unanimously.

BILLS

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

Ms. Pfeiffer made the motion to amend the current bill payment Policy approved at the last Board meeting and to allow the release of checks for Trustees who have attended pre-approved educational programs and authorized travel. Mr. Jones seconded the motion. A discussion ensued. Mr. Darmanin pointed out that the Board has contracted with firms to provide services and they are Board pre-approved. However, just authorizing release of payments for Trustees he felt was a fine line. Ms. Pfeiffer withdrew her motion and made an additional motion to add language to the Educational Calendar approval that would immediately disburse any out-of-pocket payment reimbursement for Trustees and authorized travelers. Ms. Cameron seconded the motion. The Board accepted the motion unanimously.

PLEASURE OF THE BOARD

Ms. Pfeiffer asked counsel to opine disclosing the cost of attendance of a seminar as a gift when it is complimentary. Mr. Dunckel said that he is having Ms. Persaud-Williams review the question. He also added that there was a new County Ethics Ordinance that has passed first reading. Whether or not applicable, it will all be brought to the next meeting. He added there might be some significant changes.

Chairman Bucci suggested that if a member requests an actuarial calculation for an optional retirement choice that the employee pay the initial cost and that the Board reimburse the employee, as long as the employee decides to retire with that option choice. Mr. Slagle suggested that the Board consider the possibility of covering only the cost of one scenario. A lengthy discussion ensued but no action was taken on the matter.

BOARD COMMUNICATIONS TO THE CITY COMMISSION

There was no communications to the Commission at this time.

Mr. Jones made a motion to adjourn. Ms. Cameron seconded the motion. The meeting adjourned at 1:23 PM.