

CITY OF FORT LAUDERDALE
GENERAL EMPLOYEES' RETIREMENT SYSTEM
BOARD OF TRUSTEES MEETING
316 NE FOURTH STREET, SUITE 2, FORT LAUDERDALE, FL
Thursday, September 15, 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 "Le" Bucci, Chairman
Mark Darmanin, Vice Chairman
Sean Jones, Secretary
Julie Cameron
Greg Slagle
Darlene Pfeiffer
Lynda Flynn, Ex-Officio Designee

Absent: Douglas Wood, Ex-Officio
Dr. Bob Helmholdt

Also Present: Jay Butterfield, American Realty Advisors
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 August 11, 2011 meeting. Mr. Jones made the motion to accept the minutes as presented. Ms. Cameron seconded the motion. The motion passed unanimously.

QUARTERLY PERFORMANCE REPORT

Jay Butterfield, American Realty Advisors

Mr. Butterfield gave an overview of the firm and the position of the fund as an open-end core real estate fund. He added the fund had good exposure to the asset classes nationwide which position it for various opportunities with limited risk. He then gave a company update explaining there have been no structural changes in 23 years and they have over \$4 billion in assets under management. He continued that they focus on investing in high quality, income-producing Class A properties. They are very hands on, doing all the management and leasing in-house. The firm is careful with minimal use of leverage to enhance returns by buying most properties with cash.

Mr. Butterfield gave a market overview and explained the company focus was on occupancy versus rent and limiting the amount of lease rollover. He believed the returns on the properties they invest in would be 1-2% going forward. He said that both consumers and businesses would be the drivers of growth at this time. He then reviewed several new acquisitions as well as the current portfolio. A short discussion of the various properties ensued.

Mr. Butterfield reviewed the performance history as of June 30, 2011. He reminded the Board the firm is very cautious and, in this state of the economy, everyone faces challenges. The gross-of-fees return for the past year was 17.5%, while the three-year return since inception was still in the negative. The returns going forward are expected to return in the 8-10% return range, a more normalized figure without the artificial evaluation push-up. He reviewed the firm's competitive advantages and took several questions from the Trustees.

Chairman Bucci stated the Plan has a well-diversified portfolio and the Board measures American Realty's success against an index. He asked if Mr. Butterfield was comfortable with being measured against the NCREIF Index. Mr. Butterfield affirmed that the index well represents their product. Chairman Bucci added that the Board depends on American Realty to provide alpha and the performance is measured against that index, he asked if the index could be added to the next performance report. Mr. Butterfield agreed to have it included.

Mr. Darmanin briefly outlined the Board's interest in purchasing the 300 NE Third Ave. property and asked Mr. Butterfield if risk analysis was something American Realty did and, if so, if \$25,000 was the normal fee. Mr. Butterfield relayed the steps of analysis for a purchase in their portfolio and, given the quick details just presented, \$25,000 would be the normal fee. He noted they would be happy to assist the Board going forward with any local property purchases.

REAL ESTATE SUB-COMMITTEE REPORT

Mr. Darmanin explained that there was a Sub-Committee meeting that he was unable to attend regarding the 300 Property and so he turned the floor over to Mr. Jones. Mr. Jones asked that the September 8, 2011 Sub-Committee meeting minutes be reviewed first. Mr. Darmanin made the motion to approve the minutes. Ms. Cameron seconded the motion. The minutes were accepted unanimously. Mr. Jones then explained that Mr. Ladd's partner, Mr. Rahael, attended the meeting to clarify information regarding the purchase of the property. He reviewed the agreement stipulating that the bank would accept \$3.5 million net of all other costs, a significant change from the Board's last offer of \$3.4 million gross which included the seller's responsibility for back real estate taxes, pro-ration of current real estate taxes, and closing costs normally associated with purchase and sale agreements. The Sub-Committee deliberated and

decided to bring the information before the Board for full disclosure. Mr. Jones asked Mr. Vordermeier to review the breakdown of the real estate costs to acquire the property, including demolition. Mr. Vordermeier explained the costs as well as broker fees. Additionally, he reviewed various properties in the area that have been sold or are under contract for informational consideration for the Board. There was an in-depth discussion.

Mr. Jones reviewed the appraisal done in July by Bondarenko at \$5,520,000. Ms. Pfeiffer noted that the appraisal was done on the basis of pending contracts. Continued deliberations were held. Mr. Jones said that the property is an attractive asset for our current property; the question is does the Board want to pay the additional monies to acquire the property. Chairman Bucci noted that the demolition cost of \$98,000 is listed in the total. Mr. Vordermeier noted that they also have environmentalists that could be turned back to the original people who did them for an update and at a cost savings. Further discussion ensued. Chairman Bucci stated that he felt the property was a huge compliment to the current 316 Building, that he had a lot of confidence in the City of Fort Lauderdale, and the desirability of the area.

Ms. Cameron made the motion to offer \$3.75 million for the 300 NE Third Ave property and allow the seller to pay all taxes and all outstanding liens through September 30, 2011, subject to counsel crafting and acceptable letter of intent. Mr. Jones seconded the motion. The motion was accepted unanimously.

Ms. Cameron made the motion to authorize the Real Estate Sub-Committee or the Sub-Committee Chairman to negotiate in writing the buyers' real estate commission for VMC through Attorney Dunckel. Mr. Jones seconded the motion. The motion was accepted unanimously.

Mr. Slagle recommended that if the Board moves forward in future real estate that the Real Estate Investment Manager be used to do risk analysis on any future purchases.

11:25 A.M. Chairman Bucci called a brief recess due to the length of the meeting.

11:28 A.M. Chairman Bucci called the meeting to order and verified that no business was discussed during the intermission.

MECHEL OAO CLASS ACTION SUIT

Mitchell Twersky, Abraham, Fruchter & Twersky

Ms. Dyar contacted Mr. Twersky via phone for the meeting. Mr. Twersky reviewed the securities fraud litigation case with Mechel OAO. He explained that the case is still plausible, and, although there were limitations due to political corruption, at this point in the litigation process there is legitimate evidence believed to continue to pursue recovery. Chairman Bucci interjected that they have presented the Board with solid information, that they would discuss further, and would weigh that information along with the firm's recommendation. Mr. Twersky stated that the recommendation would be for them to continue following the discovery process and possibly approaching the case on an individual basis, which would give the Fund a much more significant recovery. Chairman Bucci reiterated that AFT has looked out for the Fund's best interests and, should something develop regarding a settlement agreement, he should contact Mr. Desmond to convene an emergency meeting. A short discussion ensued.

AUDIT SUB COMMITTEE REPORT

Ms. Pfeiffer reviewed the management report and said that there are some significant deficiencies in the areas reviewed as well as lack of oversight discovered by the managerial review. She passed out a sheet that listed the areas that needed to be addressed, basically summarizing the report. Mr. Desmond stated he did not review the report in detail once he received it. He added that the auditor spent several days in the office reviewing operations and processes with him, however the auditor did not give him any indication that there was a major fault in any area, so he felt his report would have reflected the same information as discussed in the office.

Chairman Bucci stated he would rather set the standard than test the limitations and he felt the report did not set the office in a good light. Mr. Desmond said that he would do whatever was needed to correct and develop an action plan to correct the deficiencies that were pointed out. Ms. Pfeiffer said that not all of the report is in regards to actions and not just actions. She pointed out that she felt the action policies should be implemented immediately. A discussion ensued. Mr. Darmanin felt that the Board should see some action in these areas in weeks not months. Chairman Bucci noted that he felt the report was extremely serious and addressed things with high priorities. He asked Mr. Desmond to remain in contact the Audit Sub-Committee to review those items to ensure staying on target. He also wanted it noted that on a positive side he felt Mr. Desmond addresses money transfers immediately as well as delivery of information of the services provided by Mr. Desmond in the office to employees and retirees. Ms. Pfeiffer asked for consensus by the Board that it be made clear that the administrator position is not necessarily an 8 A.M. to 5 P.M. job. Mr. Darmanin said he felt that Mr. Desmond understood the effort required to put forth to correct this should be enough.

ATTORNEY'S REPORT

Ms. Persaud-Williams stated Mr. Dunckel was unable to attend the meeting. She said that there was nothing new to report at this time and Mr. Dunckel was still working on pending items.

Ms. Pfeiffer requested information from Mr. Dunckel regarding the Corporate Reform Conference in California and whether or not a financial disclosure was necessary since a sponsor paid for some of the fees for attendees. Ms. Persaud-Williams made note of the request.

ADMINISTRATOR'S REPORT

- Mr. Desmond said the VMC monthly report available for review.
- Mr. Desmond reviewed the information provided by Robbins, Geller and Rudman for settlements due in October. He then reviewed the settlements coming due.
- The Cohen Milstein August report showed there were no new filings.
- He passed out copies of the Scott + Scott litigation alert that suggested the fund should seek a leadership position in an action against A&P. The Fund's loss was \$273,383. This was the only notification received to date from any of the portfolio monitoring firms and there was no information for a timeframe to respond. A discussion ensued. Chairman Bucci deferred to Mr. Dunckel for his review and, if necessary, an emergency meeting could be called.
- Mr. Desmond noted that September 22nd & 23rd was the Pre-Retirement Seminar and reviewed the topics.

- Mr. Desmond stated that the retiree review and spreadsheet is almost completed through the “M” listing.
- Mr. Desmond has been researching a credit card for the Plan and will speak with American Express regarding a Gold Small Business card.
- Mr. Desmond stated that he was unable to go over to the 4800 Building due to his vacation however he will endeavor to get over there before the next meeting.
- Mr. Desmond advised the Board that Nicoletta Williams resigned as of September 9, 2011. Chairman Bucci made a note that if necessity mandates hiring an additional employee, he would like to review the applications.

BUSINESS IN PROCESS

- a) Managerial Audit - updated under the Audit Sub-Committee’s Report.
- b) Benefit Summary Spreadsheet – updated under the Administrator’s Report.
- c) Professional Contracts – Chairman Bucci listed contracts pending with ConvergeEx, the Consultant contract pending with Dahab Associates, the Property Manager contract pending with VMC, and the Actuary contract with Gabriel Roeder.
- d) Disability Applications and Appeals – Chairman Bucci reviewed two applications for appeal; one from Ms. Stenger which has been delayed due to her attorney, who has not responded back regarding the appeal. The other was from Mr. Cady who requested an appeal regarding a non-service incurred disability. Mr. Desmond reviewed the appeal. A discussion ensued regarding the date filled out by the physician that conflicted with the termination date. Ms. Persaud-Williams stated that the Ordinance did not address that subject, only the area addressing inability to perform his duties. Ms. Pfeiffer made the motion to defer the decision for further deliberation by counsel and additional submission of information. Ms. Cameron seconded the motion. The Board accepted the motion unanimously.

MONTHLY FUND ASSET MIX

Mr. Desmond said that the portfolio was within the parameters of the Investment Policy.

**BENEFIT REVIEW
September 2011**

RETIREMENTS

Name	Date	Service Time	Type
Teresa Bryant Police	8/30/11	17y, 1m, 8d	Early Vested
Nancy Hayslett Attorney’s Office	9/7/11	7 y, 2m, 10d	Normal
Nancy Butler Building Department	10/1/11	9y, 2m, 2d	Normal
Leslie Vargas Public Works	10/1/11	24y, 10d	Normal
Robert Yontz Public Works	8/20/11	31y, 7m, 25d	Normal

Joseph Floreno Parking	9/9/11	10y, 1m, 18d	Normal
Valerie Bohlander Building Department	10/1/11	27y, 1m, 18d	Normal
Robert Bates Office of Professional Standards	10/1/11	7y, 4d	Normal
Donna McGarry Disability	10/1/11	23y, 5m, 28d	Conversion
Waynette Smith Building Department	10/1/11	9y, 9m, 5d	Vested
Emerson Schmidt Public Works	10/4/11	32y, 6m, 27d	Normal
Janice Dippel Public Works	10/5/11	29y, 8m, 4d	Normal
Shawn Perez Police	10/9/11	17y, 7m, 16d	Vested

DROP TERMINATION

Name	Date
Cheryl Pingitore	10/4/11

BENEFIT CHANGES

Name	Benefit	Change
William Wilson	Vested	Withdrawal
Wayne Gaines	Termed 5/1/10	Withdrawal

POST RETIREMENT DEATH

Name	Date
Lelia Thompson beneficiary	7/14/11
Larry Fuller William Hayden beneficiary	7/24/11
Edgar Gloetzner	7/25/11
James Holahan	8/9/11
Alice Brookins beneficiary	8/21/11

BENEFIT REVIEW

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

EDUCATIONAL CALENDAR

There were no new educational opportunities, so there was no action needed at this time.

BILLS

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

Ms. Pfeiffer stated that the bills should not be approved belatedly, after the funds have been released. She felt the bills and checks should be held until reviewed by the Board and then released after approval. There was a brief discussion on the aspects of holding payments. The Trustees all agreed to review the bills prior to any payments released. The Office procedure will be modified to hold back all bill payments until approved by the Board.

PLEASURE OF THE BOARD

Ms. Pfeiffer stated that there was a Budget Advisory Board on September 21, 2011, and there was a discussion regarding Pension Obligation Bonds. Additionally, she said there was discussion on investments of funds and how the Pension Board does business. Ms. Pfeiffer suggested that someone from the Board attend the next Budget Advisory Board to answer any potential questions. Ms. Flynn then explained in brief how Pension Obligation Bonds issued at current low rates with the Fund's potential of earning 7.75% would lessen the City's liability and a cost reduction for the City. A short discussion ensued.

Mr. Darmanin explained that the Wildcat price sheet for the 300 NE Third Ave property demolition that was presented to the Board would have to be re-bid. He was very disappointed because there were several things that were not addressed in the contract/bid.

BOARD COMMUNICATIONS TO THE CITY COMMISSION

There was no communications to the Commission at this time.

Ms. Cameron made a motion to adjourn. Mr. Darmanin seconded the motion. The meeting adjourned at 1:10 PM.