

December 12, 2017**City of Fort Lauderdale Police and Fire Retirement System
Investment Workshop Minutes
Tuesday, December 12, 2017**Present

Michael Dew, Chair
Ken Rudominer, Vice Chair
Scott Bayne, Trustee
Richard Fortunato, Secretary
Dennis Hole, Trustee
Jim Naugle, Trustee
Jeffrey Cameron, Trustee

Also Present

Lynn Wenguer, Executive Director
Alexandra Goyes, Deputy Director
Jazmin Elliott, Administrative Assistant
Chaplain Ron Perkins, Fire Department
Jack Seiler, City Mayor
Michael Tucker, Vice-President Police Union
John Herbst, City Auditor
Kevin Schmid, CAPTRUST
Steve Schott, CAPTRUST
Fred Nesbitt, Communications Director
John Cardinali, InTech
Alex Ryer, Rhumblin
Denise D'Entremont, Rhumblin
Marty LaPrade, Sawgrass
Gregg Gosch, Sawgrass
Clay Lindsay, Eagle
Edward Keating, Lazard
Mike Powers, Lazard
Kevin Johnson, Dodge & Cox
Pat Kelly, Agincourt
Pat O'Hara, Agincourt
Tim Hyland, Boyd Watterson
Michael Vandenbosshe, Boyd Watterson
Jay Butterfield, American Realty
Richelle Hayes, American Realty
Eric Sabol, PRISA
Chris Keenan, Entrust
Mark Guariglia, EnTrust
Jack Farland, EnTrust
George Holewyne, Vaughan Nelson
Chris Wallis, Vaughan Nelson
Jim Henderson, Aristotle
Evan Darr, Invesco

Pursuant to authority of Ordinance C-00-34, Article II, the meeting of the Police & Firefighters' Pension Board convened at 8:30 A.M., Tuesday, December 12, 2017 at the Riverside Hotel, 620 East Las Olas Boulevard, Fort Lauderdale, and Florida.

Chair Dew called the Seminar to order at 8:30 am. The Chair introduced the Trustees, the Staff of the plan and thanked all the Managers for their presence and participation. He

announced that Trustee Scott Bayne was accepted at Harvard and will be away for the months of January & February and that in October 18, the Board made the decision to lower by 10 basis points the Assumed Rate of Return. The purpose of the workshop is for the Trustees and the Investment Managers to work together as a team to create appropriate strategies to meet the investment challenges.

PLEDGE OF ALLEGIANCE/MOMENT OF SILENCE

The Pledge of Allegiance was followed by a moment of silence.

Kevin Schmid from CAPTRUST provided a Fund overview. The Plan's investment return for fiscal year 2017 was 11.7%, exceeding the plan's actuarially assumed rate of return and the interest rate on the Pension Obligation Bond. The primary positive contributors to plan performance were two of the three active large cap equity strategies outperformed the S&P 500 for the plan year, and all large cap equity strategies posted returns in excess of 15%. Dodge & Cox International Equity and Lazard Global Infrastructure were the two highest returning strategies from an absolute return perspective, and each outperformed their respective benchmarks by over 7%. The American Realty Systematic Value Fund and Entrust Special Opportunities III Fund had double digit returns for the year.

A panel of fixed income managers, consisting of Patrick Kelly from Agincourt and Michael Vandenbossche from Boyd Watterson, discussed the varying views bond managers are taking in the current economic and interest rate climate. Pat Kelly referred to the Fed's intent on continuing to "normalize" monetary policy and that we should expect more upward pressure on short term rates in the upcoming months which continues to suppress inflation expectations. Mr. Vandenbossche talked about investment ideas and agreed that the economy is still looking positive. The US economy should continue to moderately expand, credit metrics should remain sound, and inflation will likely resume its progress toward 2.0%. Short rates are expected to continue moving higher.

Mr. Rudominer and Tim Hyland actively asked questions

James Henderson of Aristotle, Kevin Armstrong of InTech and Marty LaPrade of Sawgrass led a panel discussion regarding Actively Managed Large Cap Equity. Mr. Henderson presented 2 years vs 10 years inverted yield curve. Kevin Armstrong of Intech presented a study of the current equity market volatility environment and he said that currently we have the second longest bull market in history. Marty LaPrade of Sawgrass said that the market continued to have its "risk on" flavor as momentum and higher beta were the strongest factors for the quarter, with three quarters in the books, it looks almost certain the S&P 500 will post its 9th consecutive year of positive returns.

Chair Dew, Mr. Alex Ryer and Tim Hyland actively asked questions.

Alex Ryer of Rhumblin, Clay Lindsey of Eagle Asset, and Chris Wallis of Vaughan Nelson reviewed the Active/Passive small Cap Equity. Mr. Ryer explained the active vs passive performance. Mr. Lindsey spoke of valuations & volatility in the small cap space Confidence in the market place. He said that recent economic data continues to improve as gross domestic product (GDP) estimates keep creeping up towards 3 %, the employment data appears strong, consumer confidence is high and manufacturing is strengthening. Important macroeconomic industries such as housing & autos continue their strong performance. The Federal Reserve may boost interest rates 0.25 in the upcoming months, He concluded that to present a balanced view, equity valuations are historically high and markets have tendency to correct when investors least expect it. Mr. Wallis views were positive. Capital markets remain supported by improving economic data, low interest rates, and the hope of a corporate tax reform.

The Keynote address was given by John P "Jack" Seiler, City Mayor. He offered his sincere thanks to the trustees and money managers for their commitment, dedication and

unwavering service, and he express his deep appreciation to Chair Michael Dew for a job well done and leadership. He spoke of the importance to provide the public and the 2000 Plan member's transparency in the pension system.

Chair Dew introduced Chaplain Ron Perkins. Reverend Perkins started with a small blessing and explained his position as a Senior Chaplain for Fire Rescue and the chaplain program within the City of Fort Lauderdale. Champlain Perkins said that now he is working full time in Palm Springs and Fort Lauderdale and gave thanks for the support and opportunity.

Kevin Johnson of Dodge & Cox and Michael Powers of Lazard Global Infrastructure discussed International Equities. Mr. Johnson said that valuations are still reasonable in international merging markets. Energy was the strongest sector of the market during the 3rd quarter. He feels optimistic about the long term outlook for the portfolio.

Mr. Powers spoke about how Economic momentum in the euro zone has improved, but long term political risk persists. The US middle class has become a more important driver of growth in recent years and equity and debt markets are vulnerable to high growth and profit expectations, Central bank shifts and geo political risks.

A panel on real estate was led by Jay Butterfield of American Realty and Eric Sabol of Prudential. Each speaker provided their insight on the Real Estate Outlook, Economic /market environment. Mr. Butterfield said that moderate employment growth with expectations of wage growth acceleration will support future consumption. Fiscal policy will determine the future business investment direction and that the fed is expected to continue slow and infrequent rate increases.

Chair Dew, and Kevin Schmid actively asked questions

Chris Keenan of EnTrust, Evan Darr of Invesco and Edward Keating of Lazard discussed the alternative investments' role in a diversified portfolio. Mr. Keenan spoke of the opportunity to adjust exposure compared with other companies. In the Special Opportunities fund, both equity and credit investment have significantly outperformed their benchmark indices. Mr. Darr spoke about the current venture capital environment. He said "software is eating the word": all industries are being transformed by the current technology revolution. New industries are being create and evolving. Venture capital invests in and benefits from this extraordinary innovation. Mr. Keating from Lazard explained the current infrastructure environment. Opportunities lie in Europe and Asia, less so in North America. Global infrastructure has delivered attractive returns, with low risk and low equity market beta.

Throughout the day the trustees questioned the managers on their tactical positions in the current economic climate. Kevin Schmid, of CAPTRUST provided a brief overview of the day's presentations and the trustee questions. Mr. Schott thanked the managers for their presentations and active discussion. He said the market goes through different cycles and we want to be prepared for it and continue being successful in the future.

Chairman Dew and Lynn Wenguer, Executive Director, thanked the managers for their attendance and Kevin Schmid of CAPTRUST for his coordination of the event.

All managers agreed that January and Thursday are better in regards to travel to attend the investment workshop.

The Seminar adjourned at 4:00 pm.

Secretary

Chairman

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