

January 12, 2017

**City of Fort Lauderdale Police and Fire Retirement System
Investment Workshop Minutes
Thursday, January 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
Kevin Schmid, Cap Trust
Steve Schott, Cap Trust
Fred Nesbitt, Communications Director
Richard Yasenchak, InTech
John Cardinali, InTech
Alex Ryer, Rhumblin
Denise D'Entremont, Rhumblin
Marty LaPrade, Sawgrass
Gregg Gosch, Sawgrass
Matthew Stuart, Eagle
Edward Keating, Lazard
Tom Franzese, Lazard
Matthew Beck, 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
Kevin Manning, EnTrust
Brian Schneider, EnTrust
George Holewyne, Vaughan Nelson
Chris Wallis, Vaughan Nelson
Jim Henderson, Aristotle
Will Averill, Aristotle
Keri Hepburn, Invesco
Evan Darr, Invesco
Skip Zimbalist III, Ft Lauderdale Boat Show
Chaplain Ron Perkins, Fire Department
Stanley Hawthorne, Asst. City Commissioner
Ash Benzo, City Treasurer
Michael Tucker, Vice-President Police Union
Scott Moseley

Pursuant to authority of Ordinance C-00-34, Article II, the meeting of the Police & Firefighters' Pension Board convened at 8:30 A.M., Thursday, January 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. 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 today's investment challenges. Chairman Dew referred to last month's workshop with the City Commission. He said that the ultimate goal is to decrease investment cost with a greater rate of return.

PLEDGE OF ALLEGIANCE/MOMENT OF SILENCE

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

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 which has been established to administer moral, emotional and spiritual guidance and support to Fort Lauderdale Police and Fire Department personnel and their families. Chaplains spend many hours riding with police officers and firefighters, building relationships and gaining the trust of the men and women they assist.

Kevin Schmid from CapTrust provided a Fund overview. The Plan's investment return for fiscal year 2016 was 8.1%, 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 the plan's fixed income allocation with Agincourt leading the benchmark by approximately 70 basis points, The American Realty Systematic Value Fund, Prisa II and Entrust Special Opportunities III fund. The primary negatives from plan performance for the year were the majority of the plan's domestic & international equity portfolios that lagged their respective benchmarks. The Entrust Diversified Fund returned -3.9% for the year, and the plan has submitted a full redemption effective December 31, 2016.

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 new administration proposing stimulating policies, the Fed will normalize monetary policy, all of these are pro- business in pushing the economy but also create inflation expectations. Mr. Vandenbossche talked about investment ideas and agreed that inflation will be rising for 2017 but he is hopeful that this year will be better than the last 2 years.

Richard Yasenchak of InTech and Alex Ryer of Rhumblin led a panel discussion regarding additional approaches to US equity investing & getting the most from your Beta exposure. Mr. Yasenchak presented a study that shows the most efficient portfolios over 20 years are designed to achieve a 7.5% return. He also explains that plans need to risk up in a low return environment and a higher beta risk creates volatility drag on returns. Vice Chairman Rudominer asked how InTech's thesis translates to the plan's portfolio. Chairman Dew asked about lowering fees. Mr. Ryer presented thoughts on active vs passive and smart beta.

Mr. Benzo (City Treasurer), Mr. Rudominer and Tim Hyland actively asked questions.

James Henderson of Aristotle, Matthew Stuart of Eagle Asset, Marty LaPrade of Sawgrass and Chris Wallis of Vaughan Nelson reviewed the Valuation and Volatility in the US Equity Market. Mr. Henderson spoke about how active funds have seen over \$1 trillion come out since 2005. He said that there has been a tremendous flow into passive management and better correlations give better opportunities to perform better. Mr. LaPrade explained that it is hard to make a case in a cheap market. The market has not been scared and the consensus is that there is more confidence in the market place. Mr. Dew asked how lowering taxes is going to affect our plan and how to best prepare for what is coming.

Marty's response was that the PE will be a greater indicator. Mr. Hyland asked how the infrastructure spending will affect the economy. Matt Stuart said that mostly valuations are rich within small caps but are not so bad relative to large caps. He said he is looking forward to a positive improvement in housing & health. He sees a clear path to improved domestic growth in 2017 and accelerating in 2018 and beyond. Mr. Wallis views were positive and with a rapid economy growth at a reasonable price. Mr. Dew asked the four panelist to consider lowering their fees. Fred Nesbitt asked questions regarding the market.

The Keynote address was given by Efreem "Skip" Zimbalist III, Chairman of Active Interest Media, Inc. and President of Show Management, the company that produces the annual Fort Lauderdale International Boat Show. He spoke about the appeal and success of the premiere global yachting event and the largest in-water boat show in the world. The 56th Annual Fort Lauderdale International Boat Show features more than \$4 billion in boats, equipment, accessories and marine art, spread out over seven venues spanning more than 3 million square feet of exhibit space. The Fort Lauderdale International Boat Show was on Nov 3-Nov 7, 2016. He invited everyone to come next year for the show.

Matthew Beck of Dodge & Cox and Tom Franzese and Ed Keating of Lazard Global Infrastructure discussed Global Challenges & Opportunities. Mr. Beck explain how valuations are significant drivers of long term equity returns and lower valuations are associated with higher equity returns. He said that Europe has been a difficult place for investment. Mr. Franzese spoke about opportunity in emerging markets. Mr. Dew asked about the uncertainty of emerging markets. Tom said there are four ways government policy affects the economy; monetary policy, fiscal policy, regulations and trade. Mr. Dew asked about fee reductions. It was noted that these funds are commingled funds and they have no control over the fees charged.

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, their similarities and differences as core and core plus managers.

Brian Schneider of EnTrust and Evan Darr of Invesco discussed the alternative investments' role in a diversified portfolio. Mr. Manning spoke of the opportunity to adjust exposure compared with other companies. He highlighted the benefits of having Hedge Funds. Mr. Darr spoke about private equity, venture capital and leveraged buyouts.

Throughout the day the trustees questioned the managers on their tactical positions in the current economic climate. Kevin Schmid, of Cap Trust provided a brief overview of the day's presentations and the trustee questions. He reiterated that Private equity is new and is going to take time as it is a different kind of investment. The actuarial rate of return is being reviewed and our desire to lower cost and fees. Since we don't know what the market will bring, he recommends a diversified portfolio in the long run.

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.

Chairman

Secretary

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