



**GENERAL EMPLOYEES' RETIREMENT FUND
BOARD OF TRUSTEES - REGULAR MEETING MINUTES
TUESDAY – NOVEMBER 15, 2016 - 1:00 P.M.**

The Board of Trustees for the General Employees' Retirement Fund convened in a regular session at 1:00 p.m. on this 15th day of November, 2016 in the City Council Chambers, City Hall, 3rd Floor, 315 E. Kennedy Blvd., Tampa, FL 33602.

Support Staff: Natasha Wiederholt, Pension Plan Supervisor and Recording Secretary; Justin Vaske, Assistant City Attorney and Board Attorney; Terrie Williams, Accounting Operations Manager and Karencia Ciagala, Office Support Specialist III.

Consultants to Board: Jason Pulos and Nathan Burk - Asset Consulting Group; Stephen Lambert-Oswald and Bruce Crosswhite – Aon/Hewitt

I. ROLL CALL

Mr. Julio Muniz, Vice Chairman, presiding, brought the meeting to order at 1:00 p.m.

Board Members Present Included: Julio Muniz, Vice Chairman; Sonya Little, Trustee; Steve Kenny, Trustee; Karl Craig, Trustee; Derwin Bright, Trustee and Stephen Hill, Trustee. Board Members Absent include: Ernest Carrera, Chairman.

II. PUBLIC COMMENTS- Ten (10) Minutes Total – Three (3) Minutes per Speaker

None.

III. APPROVAL OF MINUTES

Ms. Wiederholt requested the Board approve the minutes from the October 18, 2016 meeting.

MOTION: (Craig/Kenny) Motion was made by Karl Craig to approve the minutes for the October 18, 2016 Board meeting. The motion was seconded by Steve Kenny. MOTION CARRIED.

IV. DISABILITY RETIREMENT HEARING

Job Yulee

Ms. Wiederholt requested the Board remove the disability hearing for Mr. Yulee from the agenda today, as Mr. Yulee's attorney requested a postponement due to a pending Social Security Disability Award.

V. STAFF REPORT

1) Pension Forfeitures – Luis Santos, Ford & Harrison

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Attorney Luis Santos provided details on two forfeiture cases to the Board of Trustees and requested pre-approval to move forward with forfeiture hearings.

Mr. Santos provided the details of the forfeiture case for Mario Perez, a former mechanic for the City of Tampa. On January 5, 2015, he admitted and signed a sworn admission to Tampa Police that he stole two tires from the City of Tampa, and used them for his personal vehicle. His employment was terminated on January 25, 2015. Florida's Forfeiture Statute explains that if terminated due to his admission of committing a specified offense, such as theft, he may be eligible for forfeiture. Mr. Santos requested the General Employees' Retirement Fund Board move forward with a hearing.

MOTION: (Hill/Kenny) a motion was made by Stephen Hill to approve the scheduling of a forfeiture hearing for Mario Perez. The motion was seconded by Steve Kenny. MOTION CARRIED.

Mr. Santos stated that the second hearing is for Dwight Rivera, who was charged for an illegal dumping incident. Mr. Rivera was receiving funds from a friend who had a company that would dump debris on a private lot and Rivera would then send one of his subordinates to pick up the garbage and dump it at the city dump. Mr. Rivera initially denied it and then eventually confessed he was collecting money (bribery) for this transaction. His employment was terminated with the City of Tampa based on his admission to the crime. Florida's Forfeiture Statute states that if terminated due to his admission of committing a specified offense, such as bribery, he would be eligible for forfeiture. Mr. Santos requested the Board move forward with a forfeiture administrative hearing for Dwight Rivera.

MOTION: (Kenny/Hill) Motion was made by Steve Kenny to approve the scheduling of a forfeiture hearing for Dwight Rivera. Motion was seconded by Stephen Hill. MOTION CARRIED.

2) Portfolio Performance Review – Q4 FY 2016 and October 2016 - Asset Consulting Group

Ms. Wiederholt introduced Jason Pulos of Asset Consulting Group to provide the Portfolio Performance Review.

ACG reviewed the Quarterly Report for the period ending September 30, 2016, which also coincides with the Plan's fiscal year end.

The market value of the Total Fund as of 9/30/16 was approximately \$654 million. Global equity markets experienced a strong quarter which bolstered the fiscal year returns and offset weakness in the global fixed income market resulting from greater inflations expectations and anticipation of federal rate increases. The return on investment for the fiscal year ending 9/30/2016 was approximately \$60.3 million.

The fiscal year return for the plan gross of fees was 9.75%. The five year annualized return for the plan as of 9/30/16 was 10.19% compared to the policy index of 9.88% annualized, which ranks in the top 28% of all public funds in the Investor Force Public Defined Benefit Universe.

ACG also reviewed the October 2016 monthly flash report. While the portfolio was down slightly for the month of October, the allocation and the managers were able to protect a bit as plan results were down less than the policy index for the month.

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3) November Liquidity Needs

Ms. Wiederholt directed the Board to the cash flow projection on page 123 of the Board Agenda Package and indicated that we need to liquidate \$3.9 million for month of November to fund benefit payments. A rebalancing analysis was prepared and is listed on page 124. Ms. Wiederholt stated that a recommendation was received from Asset Consulting Group to liquidate assets from Dodge & Cox as they are currently overweight to the target allocation.

MOTION: (Kenny/Hill) Motion was made by Steve Kenny to approve the liquidation of \$3.9 million from Dodge & Cox to fund November benefit payments. The motion was seconded by Stephen Hill. MOTION CARRIED.

4) Investment Policy Statement Update

Ms. Wiederholt presented an overview of the updated Investment Policy Statement (IPS) to the Board of Trustees. Changes were made to include language about the additional guidelines in Florida Statute 287.135 which prohibits contracts with companies for goods and services of \$1 million or more that are on the scrutinized companies with activities in Sudan List or Activities in the Iran Petroleum Energy Sector List. The IPS was also updated to include Blackstone Property Partners on pages 149, 153, 155 and 171.

MOTION: (Little/Kenny) Motion was made by Sonya Little to approve the Investment Policy Statement revisions. Motion was seconded by Steve Kenny. MOTION CARRIED.

5) Waddell & Reed Name Update

Ms. Wiederholt advised this was an informational item, advising the Board that we received an email stating that Waddell & Reed will now be known as Ivy Investments. Referring to pages 172 & 173, the name change took effect in the month of November, and the name change was to align themselves more closely with other parts of their company. The rebranding will not change the way our portfolio is managed or serviced.

6) Taplin, Canida & Habacht – Update on CF Industries Security Rating

Referring to page 174, Ms. Wiederholt advised that she received an email from Scott Kimball, CFA, Senior Portfolio Manager at Taplin, Canida & Habacht regarding a downgraded security. The CF Industries Security was downgraded from a Ba3 to BBB- by Moody's. Taplin, Canida & Habacht is comfortable with the creditworthiness and recommends continuing to hold the position. The market value of the security as of 09/30/2016 was \$280,872 which represents 0.04% of the total portfolio.

7) Real Estate Manager Presentations

- a) **UBS Global Asset Management** – Core Real Estate
Maria Bascetta, Executive Director

Maria Bascetta stated she has been with UBS for 25 years. She stated the General Employees' Retirement Fund has invested with them for 16 years and our current investment is a little over \$40 million. She referred to page 7 in her handout and stated that they are one of the largest

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firms in the world. Page 8 refers to their U.S. investments. They have added 7 new employees every year for the last 4 years. They are very well known, have great relationships, and are risk managers.

She reviewed their charts, and stated that they do not have any property management, they outsource that. Asset management represents a large part of their organization.

Referring to their senior investment professionals, Roger Danuck has retired after 35 years. John Connolly took over for him, having worked together for a long term. There has been no change to their strategy.

Referring to page 15, she talked about a successful track record. They have 223 investments, and low level of value add (8% invested in companies that have built apartments, and people they have done business with in the past.) Page 17, has a model of diversified investments, in the U.S. there are more partners than assets. Referring to page 19, largest markets, there is not one asset that represents over 3% that might impact the portfolio. Assets over \$100 million fared better than properties under \$100 million. Next few pages referred to performance. When comparing to ODCE, we have half of the leverage of the ODCE. On long term we have outperformed that benchmark.

b) **CBRE Clarion** – Global REITs

Mark Babiec, Senior Vice President, Head of Client Service

Mark Babiec provided an update on their firm. Referring to page 6 in his handout, it references when they began in 1984 and how the business has grown to a global business, with offices in Tokyo, Hong Kong, and Sydney. Managers all have over 20 years of experience and there is a long retention record at the company. Five years ago they became part of CBRE.

They run a diversified portfolio of roughly 500 companies and a trillion market caps. In terms of performance they had a return of 10% on a year to date standpoint, and they were strongest in the Canadian market. On a ten year rate, the bond rate went down from 2.5% to 1.5%. Investors focused on buying a higher yield. The yield rally lasted for the first part of the year. Flat line growth, has a lot to do with energy market. Secondly last year, Target (retailer) closed up and moved out of Canada, and it was very difficult for them to replace businesses in those buildings. Last year was an under performer, and this year was an outstanding performer. The UK was down, due to the Brexit vote, which negatively impacted the stock market and sterling. The U.S. came in at market, 10%. It has been a positive year for real estate. Yields have picked up a little.

The bar chart showed the U.S. Real Estate, ranking high to low. The highest was at 18% in high yielding stock. In the U.S. market, real estate is trading right at par. Active management adds value over time. Over a 3, 5, and 10 year period, over 75% of active managers have underperformed.

They are now having more exposure to shorter term leases. Difference between REIT's and a bond, earnings are growing at 6% rate. REIT'S have to pay out all their income, so there is dividend growth. Page 20 highlights positioning.

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The U.S. is good market to be in right now. With high quality malls, Sears, Macy's being an anchor store, when one closes, the malls tend to be challenged. They don't invest in those malls; they invest in higher quality malls. Think industrial space. You are seeing them perform quite well. They think the U.S. will continue to grow. Their outlook for real estate stocks, referring to chart on page 25, showing average supply, they haven't seen an increase. It is harder for tenants to obtain financing, and developers are being more prudent, to make sure they are able to raise rents. They expect that to continue. Pages 26 and 27, show yield that is about 3.7% for real estate, which is still a pretty healthy cushion in REIT'S. The bottom of the chart shows dividend growth. A number of companies over past five years, are actually increasing their dividends.

When you look globally, you are looking at a 6% growth. Real estate is anchored by the underlying lease, is stable and consistent. Page 31 shows internal estimates globally property at about a 5% discount. Fundamental statement it is modestly attractive. When rates go up and you see that now, they tend to underperform. When rates go up, there tends to be a knee jerk reaction to sell. Mr. Babiec stated his firm looks at 12 months following when 10 year rates peak. Mr. Babiec thanked the Board for their confidence in his firm.

8) International Equity Manager Presentation

a) **Marathon-London International Fund** - International Developed Markets Equity
Zack Lauckhardt, Client Manager

Mr. Lauckhardt, stated we formed our new relationship in 2015. Referring to his handout, page 4, Marathon-London has been in business since 1986. They manage over \$54 billion, and 70% are domiciled in the U.S. and Canada.

They employ the capital cycle framework for investments and identify in terms of need and demand. Over long periods of time, we have market cycles. It's like Economics 101, wanting businesses with high rates of return. Referring to page 9, it shows markets of euphoria, and doom and gloom, needing destruction to occur. Page 21, highlighted in red, holding period of almost a decade. They are looking for long term, and management understanding their incentive, and how they operate.

Their stock selection has been positive. The British Pound Sterling is down 8%. If it translates to dollars, you're down. Other commodity markets' have been underweight to the Australian dollar. So while stock selection is working, in shorter period currency has made a hit. If you look at Marathon's track record, regional exposures, that allocation, has been a marginal bonus. The currency has been negligible over time. With a period of a decade they are not playing around with the portfolio. It has served our clients well. Short "termism" is creating opportunities for us, as long term investors.

Over 60% of clients have over a 10 year relationship with Marathon London. The executive team/founders are looking for ways to increase the non-executive/founders interest in the firm. Eleven percent is owned by non-founders that have bought in to it.

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VI. CONSENT AGENDA

Ms. Wiederholt advised that the Consent Agenda has been reviewed and found to be true and accurate. Justin Vaske has reviewed all the legal invoices.

Retirement Benefits & Estate Payments:

Longevity Retirements, DROP Entrants, DROP to Longevity, Deferred Retirements, Disability Retirement, Survivor Benefits, Estate Payments

Quarterly Invoices:

- 1) CBRE Clarion - #20160930-146-137-A – Q4 FY2016 - \$41,914.98
- 2) Clarivest - #124379 – Q4 FY2016 - \$33,094.39
- 3) Dodge & Cox - #37553 – Q4 FY2016 - \$74,167.69
- 4) Fisher Investments - #IT8004-0001 – Q4 FY2016 - \$107,528.09
- 5) State Street Global Advisors - #SSGABA2380768 – Q4 FY2016 - \$8,852.61
- 6) Taplin, Canida & Habacht – Q4 FY2016 - \$35,737.51
- 7) Waddell & Reed - #304767 – Q4 FY2016 - \$99,143.53
- 8) Wellington - #20160930-96246-A – Q4 FY2016 - \$55,926.35

Annual Invoices:

- 1) FPPTA 2016 CPPT Re-Certification (#21720; #22063) Kenny & Bright - \$60.00
- 2) FPPTA 2017 Membership Renewal – (Tampa GE Retirement Fund) - \$600.00

Auto-Deducted:

- 1) Brandywine - #20160930-482-4233-A – Q4 FY2016 - \$67,859.28
- 2) Long Wharf – Fidelity Real Estate Growth Fund III – Q4 FY 2016 - \$3,705.50
- 3) UBS – Q4 FY 2016 - \$110,691.21

Miscellaneous Invoices:

- 1) Gonzalez, Walker & Webb, M.D., P.A. – (Kelly Coleman) - \$14.88
- 2) Shumaker, Loop & Kendrick, LLP - #0006006361 - \$140.00

MOTION: (Little/Craig) Motion was made by Sonya Little to approve the Consent Agenda. Motion Seconded by Karl Craig. MOTION CARRIED.

Ms. Wiederholt made several announcements:

2016 Awards were given to the General Employees' Retirement Fund from the Public Pension Coordinating Council (PPCC); a confederation of the National Association of State Retirement Administrators (NASRA), National Conference on Public Employee Retirement Systems (NCPERS), and the National Council on Teacher Retirement (NCTR). The award was presented to the Retirement Plan for City of Tampa General Employees in recognition of meeting professional standards for plan funding and administration as set forth in the Public Pension Standards. This was the first year the General Employees' Retirement Fund received these awards.

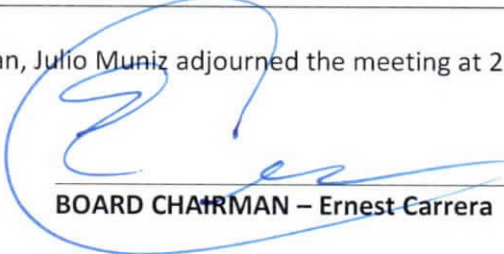
The FPPTA Winter Trustee's School is scheduled for January in Orlando. Anyone wishing to go should contact Natasha Wiederholt, or Karencia Ciagala to make arrangements.

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The next meeting is scheduled for Tuesday, December 20th, 2016 at 1:00pm.

VIII. ADJOURNMENT

There being no further business, Vice Chairman, Julio Muniz adjourned the meeting at 2:50 p.m.



BOARD CHAIRMAN – Ernest Carrera



**GE PENSION PLAN SUPERVISOR – Natasha Wiederholt
& RECORDING SECRETARY**