



**BOARD OF TRUSTEES  
REGULAR MEETING MINUTES  
TUESDAY – April 17, 2018 – 1:30 P.M.**

The Board of Trustees for the General Employees’ Retirement Fund convened in a regular session at 1:30 p.m. on this 17<sup>th</sup> day of April, 2018 at the City of Tampa, Fire & Police Pension Fund, 3001 N. Boulevard, Board Meeting Room, Tampa, FL 33603.

**Support Staff:** Natasha Wiederholt, GE Pension Plan Supervisor and Recording Secretary; Justin Vaske, Assistant City Attorney and Board Attorney; Terrie Williams, Accounting Operations Manager; Rosie Rivera, Accountant; and Viola Dawson, Office Support Specialist III.

**Consultants to Board:** Jason Pulos and Elizabeth Sanborn - Asset Consulting Group (ACG); Mark Meyer, Michaela Perez and Stephen Lambert-Oswald – AON Hewitt.

**I. ROLL CALL**

Mr. Carrera, Chairman, presiding, brought the meeting to order at 1:30 p.m.

**Board Members Present Included:** Ernest Carrera, Chairman; Stephen Hill, Vice Chairman; Steve Kenny, Trustee; Derwin Bright, Trustee; Sonya Little, Trustee; and Andy Waitman, Trustee.

At this time, a new mayoral appointee had not yet been selected.

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

Christina Barker, Special Assistant to Mayor Bob Buckhorn addressed the Board regarding the Fund’s investments in companies that manufacturer weapons and/or ammunition. On behalf of the administration, Ms. Barker requested that the Board consider divesting from such companies in support of the events in Parkland and other cities effected by gun violence by not supporting such companies.

Ms. Wiederholt brought to the attention of the Board that this is an Agenda item for the meeting today.

**III. ADDITIONAL AGENDA ITEM**

Ms. Wiederholt requested that an additional item be added to the agenda today regarding Ivy Investments and the departure of Senior Portfolio Manager, Dan Becker. This information was disclosed after distribution of the Board Agenda package.

**MOTION (Little/Hill):** Motion was made by Sonya Little to amend the current agenda to include under the Staff Report the discussion item related to the departure of Senior Portfolio Manager of Ivy Investments. Motion was seconded by Stephen Hill. **MOTION CARRIED.**



#### IV. APPROVAL OF MINUTES

Ms. Wiederholt requested the Board approve the minutes from the March 20, 2018 meeting.

**MOTION (Little/Hill):** Motion was made by Sonya Little to approve the minutes from the March 20, 2018 Board Meeting. Motion was seconded by Stephen Hill. **MOTION CARRIED.**

#### V. FIDUCIARY LIABILITY INSURANCE POLICY RENEWAL

Ms. Wiederholt introduced Vyone Clendinen, Insurance & Benefits Supervisor for the City of Tampa. Ms. Clendinen explained that she is present at the meeting to discuss a one-year renewal of the City's fiduciary liability insurance policy effective 04/15/2018. A discussion ensued about the insurance policy and the coverage. Ms. Clendinen asked the Board to approve the premium payment of the policy for the General Employees' Retirement Fund in the amount of \$42,687.00 for the period of 04/15/2018 – 04/15/2019.

**MOTION (Hill/Kenny):** Motion was made by Stephen Hill to renew the fiduciary liability insurance policy effective 4/15/2018 for the period of 04/15/2018 – 04/15/2019 and approve the premium payment. Motion was seconded by Steve Kenny. **MOTION CARRIED.**

#### VI. FIXED INCOME MANAGER PRESENTATIONS

**1) Brandywine (Global Investment Grade Fixed Income)**

Greg Zavonya, Senior Vice President, Relationship Management

Greg Zavonya, with Brandywine Global, gave a brief update on the firm and team. The 1-year performance was discussed, with a focus on the strong returns from currency. Current portfolio positioning was discussed, outlining themes of U.S. Dollar underweighting and a focus on developing nations. A general overview of their macro outlook was given, with some discussion on the current duration of the portfolio, especially relative to the index.

**2) State Street Global Advisors (Passive Core U.S. Fixed Income)**

Patrick Hearne, Vice President, Institutional Client Group

Arman Palian, Client Relationship Manager, Institutional Client Group

Patrick Hearne and Arman Palian from State Street Global Advisors provided an overview of the organization, business leadership team and an update on the firm's overall health and performance for 2017. SSGA fixed Income team manages \$348B at the end of the year and is supported by a team of 34 portfolio managers. SSGA manages a passive US Aggregate Bond Index



which seeks to replicate the return of the Barclays Aggregate Bond Index. Performance is tracking as expected over all time periods:

	One Month (%)	Three Months (%)	Year to Date (%)	Last 12 Months (%)	Three Years (%)	Five Years (%)	Inception (%)
<b>Passive Bond Market Index NL Fund</b>							<b>May/2003</b>
Total Returns (Gross)	-0.94	-1.63	-2.08	0.52	1.16	1.73	3.79
Bloomberg Barclays U.S. Aggregate Bond Index	-0.95	-1.64	-2.09	0.51	1.14	1.71	3.78
<b>Difference</b>	<b>0.00</b>	<b>0.01</b>	<b>0.01</b>	<b>0.02</b>	<b>0.02</b>	<b>0.01</b>	<b>0.01</b>
Total Returns (Net)	-0.95	-1.64	-2.09	0.47	1.10	1.67	N/A
Bloomberg Barclays U.S. Aggregate Bond Index	-0.95	-1.64	-2.09	0.51	1.14	1.71	N/A
<b>Difference</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>-0.04</b>	<b>-0.04</b>	<b>-0.04</b>	<b>N/A</b>

**3) Taplin, Canida & Habacht, LLC (Core U.S. Fixed Income)**

Adam M. Phillips, Director – Client Portfolio Manager

Adam Phillips from Taplin, Canida & Habacht, LLC provided an overview of the firm and an update on the firm’s performance for 2017.

**VII. ACTUARIAL VALUATION REPORT – 01/01/2018**

Ms. Wiederholt introduced Mark Meyer and Stephen Lambert-Oswald, AON Hewitt to the Board. Michaela Perez joined via conference call. Mr. Meyer and Ms. Perez provided an overview of the Actuarial Valuation Report as of 01/01/2018. They reviewed the funded status as of January 1<sup>st</sup> comparing Entry Age Normal Liability to both the Market Value and Actuarial Value of Assets.

	01/01/2017	01/01/2018
<b>Entry Age Normal Accrued Liability</b>	\$751,364,846	\$779,465,374
<b>Market Value of Assets</b>	\$665,837,528	\$738,837,282
<b>Funded Ratio</b>	88.6%	94.8%
<b>Actuarial Value of Assets</b>	\$700,320,299	\$723,168,848
<b>Funded Ratio</b>	93.2%	92.8%
<b>Discount Rate</b>	8.00%	7.90%

Ms. Perez advised the Board that the required contribution increased from \$20,190,042 to \$21,400,156 if paid quarterly or from \$19,427,886 to \$20,601,850 if paid at the beginning of the year. The City’s new policy to true-up at fiscal year-end any residual balance of employer contributions owed was reflected for the first time in the January 1, 2018 valuation.



	Plan Year Ended		
	09/30/2017	09/30/2018	09/30/2019
<b>State Minimum Required Contribution Paid Quarterly</b>	\$18,520,923	\$20,190,042	\$21,400,156
<b>Percent of Participants' Compensation</b>	13.6%	14.3%	14.2%
<b>State Minimum Required Contribution Paid at Beginning of Year</b>	\$17,821,775	\$19,427,886	\$20,601,850
<b>Percent of Participants' Compensation</b>	13.0%	13.8%	13.7%

One component of change each year in the minimum required contribution is the reimbursement of plan expenses. The actual expenses for the calendar year ended December 31, 2017 were \$4,450,982. This becomes the estimated expense provision for fiscal year end 2019. The make-up provision was an additional \$879,983. Thus the total provision for expenses is \$5,330,965, which is more than the calendar year end 2017 expense.

The investment return on Actuarial Value of Assets was 8.5% for the year ended December 31, 2017 – compared to the assumed rate of return of 8.0% annually. The market value return was 16.9%, net of investment expenses. Actual investment return compounded over the last five years has been approximately 9.5% per year. Creditable compensation for continuing participants increased 6.1% on average – compared to the assumed graded salary increases that averages approximately 4.5% annually. Compensation increases compounded over the last five years have been approximately 3.1% per year.

The following table summarizes the factors which affected the valuation results, along with their approximate impact:

	Impact on Present Value of Benefits (000s)	Impact on Actuarial Value of Assets (000s)	Impact on Required Contribution (000s)
<b>Expected Increase Due to Passage of Time</b>	\$12,305	\$11,268	\$(913)
<b>Expected Increase Due to Expected Payroll Increase</b>	N/A	N/A	12
<b>Investment Performance Greater Than Expected</b>	N/A	11,582	(1,632)
<b>Change in Plan Expenses and Make-Up</b>	N/A	N/A	1,694
<b>Change in Past Excess Contributions</b>	N/A	N/A	(499)
<b>Updating Assumptions</b>	8,187	N/A	1,088
<b>All Other Experience</b>	9,544	N/A	1,424
	\$30,036	\$22,850	\$1,174



## VIII. STAFF REPORT

### 1) Portfolio Performance Review – March 2018, Jason Pulos and Beth Sanborn, ACG

Jason Pulos and Beth Sanborn reviewed the monthly investment performance report for the period ending 03/31/2018.

As of March 31, 2018, the total fund value stood at approximately \$727.7 million. The Fund is up 12.06% gross of fees which is 2.16% above the policy index for the one-year period through March 31, 2018. Over the three-year period ending March 31, 2018 the Fund is up 6.86% gross of fees compared to the policy index of 6.24% for the same period. Over the five-year period ending March 31, 2018 the Fund is up 8.40% gross of fees annualized compared to the policy index of 7.70% for the same period. The Fund achieved a return on 6.90% for the ten-year period ending March 31, 2018 compared to the policy index of 6.32%.

### 2) April 2018 Liquidity Needs

Ms. Wiederholt directed the Board to the three-month cash flow projection and advised that our liquidity needs are \$3.4M – April 2018, \$4.5M – May 2018 and \$7.8M – June 2018. Mr. Pulos and Ms. Sanborn reviewed the Rebalancing Analysis and recommended that \$2.4M be sourced from Ivy Investments and \$1M from Dodge & Cox to fund April benefit payments. It was recommended that \$4.5M be liquidated from Marathon-London to fund May benefit payments. Since Marathon-London only allows monthly redemption requests, the Board would need to take action at this meeting.

**MOTION (Hill/Waitman): Motion was made by Stephen Hill to liquidate \$2.4M from Ivy Investments, \$1.0M from Dodge & Cox and \$4.5M from Marathon-London to fund benefit payments for April and May 2018. Motion was seconded by Andy Waitman. MOTION CARRIED.**

### 3) Ivy Investments/Waddell & Reed Financial, Inc.

#### a) Waddell & Reed Financial, Inc. (Ivy Investments) Announces Portfolio Manager Changes

Ms. Wiederholt and Mr. Pulos updated the Board that we were notified late last week that Waddell & Reed Financial, Inc. announced changes to responsibilities for certain portfolio management personnel, including the separation of two portfolio managers. Bradley M. Klappmeyer will assume the lead portfolio management responsibilities of the large cap growth product suite, which Daniel P. Becker departing the company.

Mr. Pulos stated that they view this as a significant change to the investment team of Ivy/Waddell & Reed's Large Cap Growth strategy. The Co-Portfolio Manager, Dan Becker, was abruptly dismissed from the firm. While the firm has not shared the specific reasons surrounding Mr. Becker's departure, they have confirmed that it was not because of investment performance, fraud, misappropriation of company or client funds, findings of workplace harassment, or violations of any securities or investment-related statutes, rules or regulations.



Mr. Pulos advised that ACG views this as a significant event, particularly when viewed in conjunction with the 2016 departure of Co-Portfolio Manager, Philip Sanders from the Large Cap Growth strategy when he was promoted to CEO of the firm. Phil Sanders and Dan Becker had been co-portfolio managers on the team for many years and the loss of both from the team in such a short period of time erodes our conviction in the team going forward. While Bradley Klappmeyer has been on the team since 2011 he was just recently promoted to the Co-Portfolio Manager role in 2016 when Phil Sanders left the team.

As such, Mr. Pulos recommended that the Board find a replacement for the Ivy/Waddell & Reed Large Cap Growth strategy. He stated that he does not believe an immediate exit from the strategy into a placeholder vehicle while a replacement is identified is necessary.

**MOTION (Hill/Waitman): Motion was made by Stephen Hill to find a replacement for the Ivy Investments/Waddell & Reed Large Cap Growth strategy. ACG will advise the Board on large cap growth equity manager opportunities/strategies at the May 15<sup>th</sup> Board meeting and finalist presentations will be conducted at the June 19<sup>th</sup> meeting. Motion seconded by Andy Waitman. MOTION CARRIED.**

**b) Resolution 2018-01 – 2<sup>nd</sup> Amendment**

**c) Resolution 2018-02 – Assignment and Assumption Agreement**

Ms. Wiederholt updated the Board that we received an announcement from Lynne Goodwin with Ivy Investments that in an effort to drive operational efficiencies and to consolidate their branding effort, Waddell & Reed Financial, Inc. has recently merged certain mutual funds. Waddell & Reed Investment Management Company (WRIMCO) serves as the investment advisor to the funds managed by Ivy Investment Management Company (IICO), an affiliate of WRIMCO. In connection with these fund mergers and the internal reallocation of the mutual fund advisory responsibilities from WRIMCO to IICO, they have started an effort to reallocate the remainder of WRIMCO's institutional investment management responsibilities to IICO. Both WRIMCO and IICO are registered investment advisers and corporate subsidiaries of Waddell & Reed Financial, Inc.

As a result, WRIMCO proposes to transfer the existing agreement with the City of Tampa, General Employees' Retirement Fund to IICO. The City of Tampa's agreement does not permit assignments. Therefore, they propose to execute the attached amendment to allow assignments and then execute the assignment from WRIMCO to IICO.

The reallocation of investment management responsibilities from WRIMCO to IICO will not result in any material change to the level of the actual investment advisory or administrative services provided. The same investment professionals who currently manage and service these portfolios will continue to provide those services following the transfer.

Although the General Employees' Retirement Fund will be replacing Ivy Investments/Waddell & Reed large cap growth strategy, Board Attorney, Justin Vaske advised the Board to execute these agreements in the interim as it will be several months until this manager is replaced.



**MOTION (Waitman/Kenny): Motion was made by Andy Waitman and seconded by Steve Kenny to execute Resolution 2018-01 – 2<sup>nd</sup> Amendment and Resolution 2018-02 – Assignment and Assumption Agreement with Ivy Investments. MOTION CARRIED.**

#### **4) Changes at UBS Global Asset Management**

Mr. Pulos updated the Board on portfolio management team and fee reduction changes occurring at UBS Global Asset Management.

Paul Canning will be joining the Trumbull Property Fund (TPF) team as Senior Portfolio Manager. Over the next several months, Mr. Canning will transition to become the sole TPF Senior Portfolio Manager effective as of July 1, 2018. Kevin Crean will remain with the TPF team to provide his continued guidance and ensure a seamless transition of the portfolio management responsibilities in anticipation of his eventual retirement.

After completing a market study of the TPF fee level, commencing Q2 2018, UBS will be waiving the TPF variable fee for a period of two years. During this period, they will continue to evaluate the TPF fee structure in consultations with their investors. Their decision to reduce TPF fees is consistent with their desire to stay competitive in the industry.

Ms. Little requested that Staff Report, Agenda item 6) Review of Pension Holdings in Weapons Companies be moved next as she needed to leave the meeting at 4 p.m.

#### **5) Review of Pension Holdings in Weapons Companies**

Ms. Wiederholt advised the Board that we received a request from the Mayor for the Board to review its holdings in weapons or ammunition manufacturers in light of the recent Parkland, FL school shooting at Marjory Stoneman Douglas High School. She directed the Board to several handouts in regards to this topic. The Board reviewed two newspaper articles from the Tampa Bay Times and Tampa Bay Business Journal entitled, "Buckhorn to City Retirement Board: Drop Assault Weapons, Ammo from Pension Fund" and "Here's How Much Money the Florida Retirement System Has Made from Gun Stocks Since the Parkland School Shooting."

Ms. Wiederholt also advised the Board that she reviewed the Fund's portfolio holdings report as of 03/31/2018 and advised the Board that one of the Fund's investment managers had equity holdings in Olin Corp and Vista Outdoor Inc. worth \$262.7K (Market Value). A discussion ensued amongst the Board about this social issue in regards to its holdings.

Ms. Wiederholt updated the Board that a media request was received during the meeting for a statement from the Board on its position of investment holdings in weapons or ammunition companies. The Board of Trustees issued the following statement, "The Board has a fiduciary responsibility to run the plan solely in the interest of participants and beneficiaries and for the exclusive purpose of providing benefits and



paying plan expenses. The Board has directed its investment consultant to reach out to the Fund's investment managers to express concerns in response to the Mayor's request, and to obtain their investment philosophies with regards to this social issue. The Board will continue to monitor State legislative action on this topic."

**MOTION (Little/Hill):** Motion was made by Sonya Little for ACG to reach out to the investment managers of separately managed accounts to express the Board's concern in response to the Mayor's request and to obtain their investment theses as it relates to this social issue. The Board will continue to monitor action at the State Legislative level. Motion seconded by Stephen Hill. MOTION CARRIED.

Sonya Little departed the meeting at 4:00 p.m.

#### **6) Structured Investments**

Mr. Pulos reviewed the structure investments opportunities on pages 30 – 39 of the Board Agenda Packages. A discussion ensued amongst the Board members.

#### **7) Actuarial Services RFP – Best and Final Offer Letter**

Ms. Wiederholt advised the Board that we received a best and final offer letter from Foster & Foster regarding the actuarial services agreement. Foster & Foster agreed to reduce their fees by 13% over their initial offer. Ms. Wiederholt also advised that she checked the firm's references and received outstanding reviews of their performance.

**MOTION (Kenny/Hill):** Motion was made by Steve Kenny to enter into an agreement with Foster & Foster for actuarial services and to terminate the existing agreement with AON Hewitt. Motion seconded by Stephen Hill. MOTION CARRIED.

#### **8) Investment Consultant Services RFP Update**

Ms. Wiederholt advised that Board that the Investment Consultant Services RFP closed on March 29, 2018 and proposals were received from the following 9 firms: 1) Asset Consulting Group; 2) AndCo Consulting; 3) Dahab Associates; 4) Graystone Consulting; 5) Meketa Investment Consulting; 6) New England Pension Consultants; 7) Segal Marco Advisors; 8) Wells Fargo; and 9) Wilshire Associates.

The Board's Evaluation Committee will be comprised of the following members: Ernest Carrera, Chairman; Stephen Hill; Vice Chairman; Sonya Little, Trustee; Steve Kenny, Trustee; Lee Huffstutler, Chief Accountant; Terrie Williams, Accounting Operations Manager; and Natasha Wiederholt, Plan Supervisor. The Committee will meet on Tuesday, May 8<sup>th</sup> to review the proposals and to decide on the finalists to recommend to the Board at the May 15<sup>th</sup> meeting. Finalist presentations will be conducted at the June 19<sup>th</sup> Board meeting.

#### **9) Pension Administration System RFP Update**

Ms. Wiederholt advised the Board on the status of the Pension Administration System RFP. The initial RFP that was done in conjunction with the City of Tampa, Fire & Police Pension Fund was cancelled as all proposals were deemed non-responsive by the City's Purchasing Department. A meeting was held on



March 23<sup>rd</sup> by all parties involved to discuss the procurement process and to decide on the next steps to reissue the RFP. Subsequent to that meeting, the Fire & Police Pension Fund advised the General Employees' Retirement Fund and the City that their trustees decided to have their Chairman, Administrator, and Board Counsel draft an RFI for a Pension Administration System and would solicit information for the Fire & Police Pension Fund only.

Ms. Wiederholt informed the Board that the General Employees' Retirement Fund would move forward in reissuing an RFP for a Pension Administration System. She met with Terrie Williams, Accounting Operations Manager, the City's Purchasing Department and external consultant on April 10th to review RFP and to update the RFP requirements to pertain to the General Employees' Retirement Fund only. A draft Pension Administration System RFP will be presented to the Board of Trustees at the May or June Board meeting.

#### **10) 2018 Disability Re-Examination Audit**

Ms. Wiederholt stated that the annual Disability Re-Examination Audit was initiated. Forms were mailed to the five members selected for the audit in compliance with the Board's policies and procedures. Ms. Wiederholt asked for a motion to continue to the next step of requesting the members' medical records to be sent to the Board's independent Medical Examiner for review.

Ms. Wiederholt advised the Board that forms were received back from all of the disability retirees selected for the audit with the exception of Julio Ruiz-Ramos. She advised the Board that his pension benefit would be suspended until compliance is met.

**MOTION (Hill/Kenny): Motion was made by Stephen Hill and seconded by Steve Kenny to proceed with the Disability Re-Examination Audit. MOTION CARRIED.**

#### **11) NAPPA Conference**

Ms. Wiederholt advised that Board Attorney had requested to attend the annual National Association of Public Pension Attorneys (NAPPA) Legal Education Conference in Savannah, GA from June 26 – 29, 2018. This conference was not on the list of conferences the Board approved at the beginning of calendar year 2018. Travel to this conference is in compliance with the Board's travel policy.

**MOTION (Kenny/Hill): Motion was made by Steve Kenny to approve the addition of the NAPPA Conference to the Board's approved list of conference for 2018. Motion seconded by Stephen Hill. MOTION CARRIED.**

### **IX. CONSENT AGENDA**

Ms. Wiederholt advised that the Consent Agenda has been reviewed and the items listed are true, correct, and have been found to be accurate.

#### Retirement Benefits & Estate Payments:

Deferred Retirements, DROP Applications, DROP Exits, Disability Retirement, Survivor Allowances, Estate Payments



Quarterly Invoices:

- 1) Asset Consulting Group – Q1 2018 - #8354 - \$31,250.00
- 2) LMCG – Q1 2018 - \$36,285.05
- 3) The Northern Trust Company – Q1 2018 - #01653471 - \$37,610.16

Auto-Deducted:

- 1) Blackstone Property Partners, L.P. – Q4 2017 – Base & Upper Tier Fees - \$51,877.00
- 2) Marathon-London International Group – March 2018 - \$23,534.00

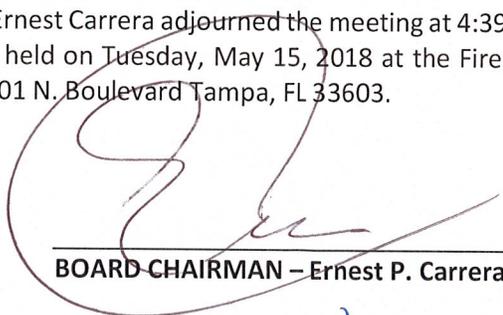
Miscellaneous Invoices:

- 1) Chameleon Custom Solutions - #114116 - \$2,418.01
- 2) HB Workman Design - #10454 - \$200.00
- 3) Sol Davis Printing - #50917 - \$301.00
- 4) Tampa Occupational Health & Wellness – (Dilworth) - \$1,200.00
- 5) Workhealth Occupational Medicine – (Dilworth) - \$650.00

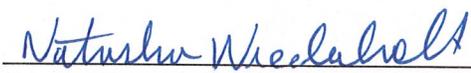
**MOTION (Hill/Kenny):** Motion was made by Stephen Hill to approve the Consent Agenda. Motion was seconded by Steve Kenny. **MOTION CARRIED.**

**X. ADJOURNMENT**

There being no further business, Chairman Ernest Carrera adjourned the meeting at 4:39 p.m. and advised the Board that the next meeting would be held on Tuesday, May 15, 2018 at the Fire & Police Pension Fund, Board Meeting Conference Room, 3001 N. Boulevard Tampa, FL 33603.



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**BOARD CHAIRMAN – Ernest P. Carrera**



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