GE Retirement Fund

CITY OF TAMPA

BOARD OF TRUSTEES
REGULAR MEETING MINUTES
TUESDAY – JUNE 19, 2018 – 1:30 P.M.

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); Brad Heinrichs, Foster & Foster.

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; Derwin Bright, Trustee; Steve Kenny, Trustee; Elizabeth Mackie, Trustee; and Andy Waitman, Trustee. Sonya Little advised in advance of the meeting that she would be absent.

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

None.

III. APPROVAL OF MINUTES

Mr. Carrera requested the Board approve the minutes from the May 15, 2018 meeting.

MOTION: (Waitman/Kenny) Motion was made by Andy Waitman to approve the minutes from the May 15, 2018 Board Meeting. Seconded by Steve Kenny. MOTION CARRIED.

IV. LARGE CAP GROWTH INVESTMENT MANAGER PRESENTATIONS

Jason Pulos and Elizabeth Sanborn, ACG, reviewed with the Board the reason for the recommendation to terminate the Ivy Investment Management large cap growth strategy: there were significant qualitative changes at Ivy surrounding the portfolio management team, prompting concerns about the firm's ability to continue managing these assets in a manner consistent with expectations.

The three candidates considered for Ivy's replacement include: Loomis Sayles, Alger Capital, and Polen Capital. Each firm was given 30 minutes, including questions and answers, to present their strategies to the Board.

1) **Loomis Sayles**

Hollie Briggs, Growth Equity Strategies Product Manager
John Meyer, Vice President

Mr. Meyer gave four points on the firm founded in 1926. First, Loomis is an established firm headquartered out of Boston with small offices in San Francisco and Singapore. They have a stable workforce with very low turnover, a culture that is very collegial, and approximately 600 employees. Secondly, they're organized as a multi-strategy firm managing about $260 billion in assets across fixed income and equity strategies. Their objective is to have individuals to be specialists to focus solely on their investment strategies. Third, their focus is on public funds, and they take their fiduciary duty very seriously. Fourth, unique and long term with this strategy.

Ms. Briggs presented points on their large cap growth strategy. Aziz Hamzaogullari, Portfolio Manager is supported by 6 analysts, 3 have been on the strategy since inception (7/1/2006). Their culture is foundational with an allowance to meet their market. There is a 7-step research process and Mr. Hamzaogullari makes all of the investment decisions. The team looks at about 30 names and focuses on companies and tries to disprove them in order to make sure the team picks the correct portfolio for the investor. Compensation is based on long term performance; 3, 5, and 10 year performance and weighted 1/3 to each. Their investment objective is to outperform at about 200 basis points.

Quality, growth analysis, build out our models - present value feature cash flows to determine transit value. Risk management is integrated, we manage risk in every step of our process, active investment manager and risk manager. Component of active risk management, no sector weights that inhibit decision making process.

2) **Alger Capital**

Kevin Collins, CFA, Senior Vice President, Client Portfolio Manager
Robert O'Dell, CFA, CAIA, Vice President, Institutional Sales and Services

Mr. O'Dell gave a brief overview of the company to include the three key items that differentiate Alger Capital; independence, focus, and long term experience. The firm is an independently owned, investment management boutique, and is 100% owned by Fred Alger's three daughters. Relentless singular focus on growth equity investment. Experience; in business since 1964, headquartered in New York with satellite offices in Jersey City, Boston, London, and a fully operational disaster recovery facility in Morristown, NJ.

Mr. Collins presented the philosophy which was founded in the 1960's and remained unchanged for over 50 years - Investing and Positive Dynamic Change. When there is a change, they look for companies that are unique and strong driving the economy and responsible for very strong growth. Two types that the analysts look for include high end growth - growing very rapidly and have years ahead of them and positive life cycle change - not growing quickly but drive higher stock prices.

There is significant commitment over 50 investment professionals. They manage $25 billion in capital appreciation and have 17 analysts providing idea flow. They're arranged in sector teams across the economics spectrum with wide opportunity in several industries. Analysts concentrate on one industry to keep the success and focus and do original research. Controlling risk; sector limits with only 40% at cost would be in one sector and no more than 20% in one industry at cost.

3) Polen Capital

Stan Moss, Chief Executive Officer
Dan Davidowitz, Head of Large Company Growth Team and Portfolio Manager

Mr. Moss gave a briefing of the firm; with almost 30 years in practice and a unique mission, to preserve and grow client assets to protect their present and enable their future. Focus as a growth manager on Warren Buffet's two rules of investing; 1st rule, don't lose money and 2nd, don't forget the 1st rule. Their focus is on constructing portfolios to deliver and expect a return in the 12 -15% range over long periods of time with double digit returns at very low risk. Their strategy is to protect markets when going down and participate when going up.

Founded by the late David Polen in 1979, the firm was located in Tampa, Florida on Dale Mabry before moving to Boca Raton, FL. They have small offices in California and Boston and are recognized for having a very positive culture. Total firm assets total $20 billion with most in focus growth strategies; 40% are institutional assets and a large percentage in public funds.

Mr. Davidowitz explained their processes and the power of a concentrated portfolio with 5 requirements. Investment in about 20 superior companies at one time that meet the following criteria: Balance Sheet flushed with cash and little debt, excess free cash flow, 20% return on capital, stable to increase in profit margins and real organic revenue growth. Marry that with a holding period of 5 years as earnings growth drives the long term returns and time for compounding allowing stock prices to follow. Less volatile and create capital, growth and safety performing much better in a crisis.

Subsequent to the presentations, ACG provided further quantitative analysis on each of the three candidates, including a fee analysis. A discussion ensued amongst the Board regarding the three large cap growth investment management firms in regards to strategy, risk, fees, and positioning within the Fund's portfolio. After much review and discussion, the Board voted to hire Loomis Sayles as a replacement for Ivy Investments.

MOTION: (Waitman/Hill) Motion was made by Andy Waitman and seconded by Stephen Hill to hire Loomis Sayles as the large cap growth investment manager to fill a 12.5% allocation in the portfolio to replace Ivy Investments. Motion seconded by Stephen Hill. MOTION CARRIED

MOTION: (Hill/Kenny) Motion was made by Stephen Hill to terminate the contract with Ivy Investments concurrently with the transition to Loomis Sayles and to use a transition manager to facilitate the effort. Motion was seconded by Steve Kenny. MOTION CARRIED.

Elizabeth Mackie departed the meeting at 3:57 p.m.

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V. STAFF REPORT

1) Portfolio Performance Review – May 2018

Jason Pulos and Elizabeth Sanborn, ACG provided the monthly performance report for the period ending May 31, 2018. As of May 31, 2018, the total fund value stood at approximately $724.6 million. Fiscal year to date as of May 31, 2018, the fund was up 4.13% gross of fees which trails the Policy Index by 0.09% for the same period. Over the three-year period ending May 31, 2018, the Fund was up 6.89%, 52 basis points ahead of the index. Over the five-year period ending May 31, 2018 the Fund was up 8.12% gross of fees annualized, compared to the policy index of 7.65% for the same time period.

2) June 2018 Liquidity Needs

Ms. Wiederholt directed the Board to the cash flow projection and advised that $7.3 million was needed to fund benefit payments and DROP distributions for the month of June. Elizabeth Sanborn, ACG, recommended that funds be sourced from Ivy Investments, due to this manager being transitioned out of the portfolio.

MOTION: (Hill/Kenny) Motion was made by Stephen Hill to approve the liquidation of $7.3 million from Ivy Investments to meet June liquidity needs. Motion was seconded by Steve Kenny. MOTION CARRIED.

3) Resolution 2018-04 – Waddell & Reed and Ivy Investments

Ms. Wiederholt advised that at the April 2018 Board meeting, Resolutions 2018-01 and 2018-02 were adopted which approved the Second Amendment to the Performance of Certain Professional Services Agreement between the City of Tampa, General Employees' Retirement Fund and Waddell & Reed Investment Management Company and the Assignment and Assumption Agreement between the City of Tampa, General Employees' Retirement Fund and Waddell & Reed Investment Management Company, and Ivy Investment Management Company. Within the Resolutions there was a scrivener's error and this is to correct the official record.

MOTION: (Hill/Kenny) Motion was made by Stephen Hill to approve the Resolution with the correction of the scrivener's error. Motion was seconded by Steve Kenny. MOTION CARRIED.

4) Pension Administration System RFP

Ms. Wiederholt provided the background and summary of the Pension Administration System RFP. This was initially a joint RFP with the City of Tampa, Fire & Police Pension Fund. The General Employees' Retirement Fund and Fire & Police Pension Fund worked together with consultants from Linea Solutions to gather and document the requirements and prepare the RFP. Upon the release of the RFP, proposals were received from four (4) vendors and concern was expressed that we did not have a higher number of

proposals as expected. The City's Purchasing Department vetted the proposals and all were deemed to be non-responsive.

The Pension Administration System Evaluation Committee met in late March 2018 to discuss the procurement process and 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 of Tampa 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 their pension fund only.

At the April 2018 Board meeting Ms. Wiederholt informed the Board that the General Employees' Retirement Fund would move forward separately in reissuing an RFP for a Pension Administration System.

Ms. Wiederholt then proceeded in presenting the Board with a draft of the updated Pension Administration System RFP, including the Requirements Document, and advised that the documents had been updated to pertain to the requirements of the General Employees' Retirement Fund only. She advised the Board that just over 25% of the original requirements (396 of 1,572) were eliminated. Of the requirements that remained, the majority were downgraded from Level 1 to Level 2 priorities. Level 1 priorities are defined as critical and the Fund must have this requirement. The solution must meet the requirement and the Fund's business process without customization. Level 2 priorities are defined as required and the Fund must have this requirement. The solution must satisfy the requirement; the Fund is not prescribing how the solution satisfies the requirement. The Fund will adjust business processes to meet the solution. This doesn't necessarily translate to a 25% reduction in the overall cost, but it is substantial enough to produce a marked reduction in the cost compared to what the previous vendors had bid.

Ms. Wiederholt reviewed the RFP timelines with the Board and requested the approval to move forward in issuing the RFP.

MOTION: (Hill/Kenny) Motion was made by Stephen Hill to approve and release the Pension Administration System RFP as presented with the addition of language requesting that the vendors breakout pricing between Level 1 & 2 priorities and Level 3 & 4 Priorities. Motion was seconded by Steve Kenny. MOTION CARRIED.

VI. 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:
Longevity Retirement, Deferred Retirements, DROP Entrants, DROP Exits, Survivor Allowances, Estate Payments

DROP Rates of Return
1) DROP Rate of Return for Period Oct. 1, 2017 – Mar. 31, 2018 – Option #1

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2) DROP Rate of Return for Period Oct. 1, 2017 – Mar. 31, 2018 – Option #2
3) NT Gov't Short-Term Investment Fund – Daily Rate of Return – June 1, 2018

Monthly Invoice:
1) City of Tampa Reimbursement – May 2018 - $22,892.01

Miscellaneous Invoices:
1) AON – M10-0212699 - $10,000.00
2) AON – M10-0215875 - $32,970.00
3) Ciox Health – 0245376141 - $7.37 (Anderson)
4) Ford Harrison – #721899 - $337.50 (Miles)
5) Himanshu J. Patel, MD - $83.00 (Anderson)
6) Positive Printing & Promotions – #19065 - $2,777.32
7) Tampa Occupational Health & Wellness - $200.00 (Suhr)
8) Workhealth Occupational Medicine - $1,125.00 (Martinez)

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

Ms. Wiederholt made an announcement that Steve Kenny's term will be ending on October 31, 2018 and staff will begin the election process within the City of Tampa.

IX. ADJOURNMENT

There being no further business, Chairman Carrera adjourned the meeting at 4:11 p.m. and advised the Board that the next meeting would be held on Tuesday, July 19, 2018 at the Fire & Police Pension Fund, Board Meeting Conference Room, 3001 N. Boulevard Tampa, FL 33603.

BOARD CHAIRMAN – Ernest P. Carrera

Natasha Wiederholt

GE PENSION PLAN SUPERVISOR – Natasha Wiederholt & RECORDING SECRETARY