The Board of Trustees for the General Employees’ Retirement Fund convened in a regular session at 1:00 p.m. on this 19th day of September, 2017 at the Fire & Police Pension Fund, 3001 N. Boulevard, Board Meeting Room, Tampa, Florida 33603.

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

**Consultants to Board:** Jason Pulos and Nathan Burk - Asset Consulting Group (ACG); Stephen Lambert-Oswald and Bruce Crosswhite – AON Hewitt

**I. ROLL CALL**

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

**Board Members Present Included:** Ernest Carrera, Chairman; Karl Craig, Trustee; Steve Kenny, Trustee; Alan Weiner, Trustee

Vice Chairman Stephen Hill arrived at 1:03 p.m., Trustee Sonya Little arrived at 1:06 p.m., and Trustee Derwin Bright arrived at 1:11 p.m.

Ms. Wiederholt advised that there were a couple of minor changes to the agenda, noting that the order of presentations by investment managers was adjusted, and a recently received letter regarding a ClariVest security incident was included as well.

**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 August 15, 2017 meeting.

**MOTION:** (Craig/Hill) Motion was made by Karl Craig to approve the minutes from the August 15, 2017 Board meeting. Motion was seconded Stephen Hill. **MOTION CARRIED.**

**IV. PENSION FORFEITURES**

Ms. Wiederholt advised the Board that we have two pension forfeiture cases for consideration today and distributed the Recommended Orders received from the Division of Administrative Hearings. Attorney
Luis Santos of Ford & Harrison was introduced to the Board to present the cases.

a) Mario Perez

Mr. Santos provided an overview of the case details and the Administrative Law Judge’s Recommended Order. The Board engaged in a discussion of the case and voted to support the Administrative Law Judge’s recommendation of Mario Perez’s pension forfeiture.

MOTION: (Hill/Kenny) Motion was made by Stephen Hill to approve the forfeiture of Mario Perez’s pension. Motion was seconded by Steve Kenny. MOTION CARRIED.

b) Dwight Rivera

Mr. Santos summarized the case details for the Board as well as the Recommended Order received from the Administrative Law Judge. The Board engaged in a discussion of the case and voted to support the Administrative Law Judge’s recommendation of Dwight Rivera’s pension forfeiture.

MOTION: (Hill/Craig) Motion was made by Stephen Hill to approve the forfeiture of Dwight Rivera’s pension. Motion was seconded by Karl Craig. MOTION CARRIED

V. NON-U.S. EQUITY MANAGER PRESENTATIONS

a) Aberdeen

Ms. Wiederholt introduced Ms. Maree Mitchell and Mr. Matt DiNallo to the Board.

The positive sentiment towards emerging markets has continued into 2017 with the index up 28.62% to the end of August 2017. Not only on improved fundamentals, but also on the back of stronger EM currencies/weaker U.S. dollar and concerns over President Trump’s protectionist policies have waned as he has struggled to push through significant changes. Flows into the asset class have also been strong this year.

YTD to the end of August 2017 we underperformed by 247 basis points. Stock selection was fine so all of the underperformance came from asset allocation. In particular, our underweight to China and overweight to Argentina and Hong Kong was a negative. Similarly, through the one year to the end of August 2017 almost all of the underperformance came from negative asset allocation and again our underweight to China and overweight to Hong Kong, Philippines, and India was a negative.

In regards to portfolio activity, we have been a bit more active than normal. Valuations are attractive, and we have also introduced four China A share names into the portfolio having done a lot of research on them in the last couple of years. As noted above, we discussed the drivers of performance year to date. Per the attribution page, we had strong stock selection in India, Brazil, and Mexico and were hurt by our underweight to China in particular. On the sector page, we had strong stock selection in financials, industrials, and materials. The biggest negative was being underweight in IT and not owning the Chinese internet stocks. It was a similar story for the one year to the end of August 2017.
On outlook there is clear evidence of a continued economic recovery in emerging markets. We believe the economic and earnings cycle has, in general, bottomed and should start to pick up this year and into 2018 and beyond. Valuations are still attractive, despite the rally this year, especially compared to developed markets.

b) **Marathon-London**

Ms. Wiederholt introduced Mr. Zach Lauckhardt to the Board.

As this was only Marathon-London’s third time presenting to the Board, Mr. Lauckhardt started by highlighting key firm attributes contributing to Marathon-London’s long-term success over the past 30 years:

I. Unique investment philosophy focused on long-term supply-side dynamics (implied average holding period in the portfolio of ~8 years);
II. An investment-led culture of accountability;
III. Longstanding, loyal client base (over 1/3 of clients have been with Marathon-London for 20 years or longer).

Mr. Lauckhardt provided a brief recap of client assets under management and flows YTD and over the longer term. Regarding firm updates the Board was advised that more assets are being managed by non-founders; more economic interest in the hands of non-founders. A brief philosophy & process recap was provided, including a performance recap for 2016, 2017 YTD and current portfolio positioning.

Extra attention was focused on providing additional color regarding the portfolio’s overweight exposure to the United Kingdom (particularly in light of recent geopolitical events/currency weakening) – UK vs other European listed equity markets: UK much broader, deeper and more attractive market. UK market cap is 85% larger than Germany (Europe’s largest economy) and 7.5x that of Italy. This reflects a good tradition of listed equity finance.

The UK market is also the least reflective of all major stock markets of its own domestic economy. Some 75% of sales of the FTSE 100 (UK blue chip companies) derived from overseas, versus less than 50% for Eurozone companies. The top 50% of FTSE 100 market cap (just 13 stocks), only Lloyd’s Banking Group could be considered a domestic stock (versus: Unilever, British American Tobacco, Glaxo-Smith Kline, Royal Dutch Shell, etc.). Weak sterling benefits these companies (report in sterling, and proportionally higher costs in the UK). Weak sterling has attracted inward M&A – World Pay bought by Vantiv (US); Kraft took a run at Unilever; News Corp takeover of Sky. UK valuations look modest in domestic market; price/earnings ratio of domestics near 2009 lows and pricing in a severe recession.

Following prepared comments, most of the question and answer period focused on discussing how a heavily indebted global economy would cope with rising interest rates likely to result from stimulus withdrawal; Central banks starting to squeeze their balance sheets will add selling on longer-dated bonds and effectively put up borrowing costs. This could be an opportunity for Marathon-London, as
it will, in turn, likely lead to consolidation across select industries where excess supply has been perpetuated by low funding costs and access to cheap capital over the past several years.

c) Fisher

Mr. Tony Wang and Ms. Alyssa Koral were introduced to the Board by Ms. Wiederholt.

Ms. Koral advised firm-wide, Fisher continues to grow at present. Additionally, there had been a recent addition to the Investment Policy Committee that would not affect the business conducted with the City of Tampa.

Bringing the Board’s attention to the booklets provided, Fisher discussed the healthy returns being seen in the City of Tampa, General Employees’ Retirement Fund, noting that as of the previous day’s returns, it was 4.5% above benchmark. Specifically, there is continued positive performance in the fields of information technology, energy, and telecom services amongst other things. As far as outlooks are concerned, Fisher expects things to remain relatively subdued, noting that a flat-type market is typically followed by a gangbuster one.

The Board also discussed during this time the guideline breach correspondence that was sent in August, as detailed in the Staff Report.

VI. ACTUARIAL RATE OF RETURN DISCUSSION

Ms. Wiederholt advised the Board that Trustee Alan Weiner requested a discussion of the actuarial rate of return assumption at the meeting today and wanted to share a newspaper article from the Tampa Bay Times with the Board.

Trustee Weiner advised the Board that he recently came across an article entitled “Proposed Tampa Tax Increase Prompts Second Thoughts About Riverfront Park Spending” in the Tampa Bay Times regarding the City of Tampa’s requirement to pay off two long-deferred debts from the mid 1990’s. The smaller one amounts to about $6 million to be paid in 2019 and the bigger one means making several years of $13.6 million debt payments starting in 2020. Trustee Weiner referenced a section of the article in which City Council members stated that had they known about the 1990’s debt they might have cut features out of the park when they voted on it in May 2016. Or they might have phased construction and likely would have pushed to spend less of the City’s $20 million BP oil spill settlement on the park.

Trustee Weiner then noted that in the August 15, 2017 Board meeting minutes, Trustee Hill agreed that 7.5% was the right number for the actuarial rate of return assumption, and that 7.75% was too high. Trustee Weiner put the following questions to the Board – Are we fulfilling our obligation if we drop the rate of return assumption gradually rather than all at once? Are we presenting all of the necessary information or are we putting ourselves in a position of having Council say in the future, “if only we had known”? Trustee Weiner stated that if the right number is 7.5% then the gradual step-down approach of reducing the rate of return assumption from 8.0% to 7.5% by 10 basis points a year over the next 5 years is not the best choice.

Trustee Little pointed out that the August 15, 2017 meeting minutes presented a high level summary of the actuarial rate of return discussion and were not a verbatim transcript of the extensive discussion that
occurred. She proceeded to summarize the key discussion points from the August meeting and provided more information regarding the specifics of how the settlement funds were being utilized for the park and the proposed budget. Trustee Little stated the Board should make a decision based on the comprehensive quantitative analysis and discussions and advised the City will have to determine if it can meet the obligation resultant from whichever target rate is selected by the Board. All factors should be considered and both the City and the Board have a vested interest in protecting the fiscal health of the pension fund.

A conversation ensued regarding the logistics of reducing the actuarial rate of return assumption in a gradual step-down approach vs. the one-fell-swoop approach. Stephen Lambert-Oswald indicated it was common amongst public pension plans to see a gradual reduction in the rate of return assumption. Ms. Wiederholt highlighted the national and local averages for rate of return assumptions stating that 7.5% was the national average for public pension funds according to the February 2017 NASRA Issue Brief: Public Pension Plan Investment Return Assumptions and the Florida average for public pension plans with AUM >$500M to be 7.6%. Jason Pulos noted that these are long-term investments which span a 30-year time horizon and pointed out that the Fund’s total return since inception return to be 8.72% as of August 2017.

Alan Weiner mentioned that the funded status of the plan has declined in recent years from the high 90th percentile down to 88% as of January 1, 2017. Ms. Wiederholt mentioned that prior to 2015 the funded ratio was reported as actuarial value of assets over actuarial accrued liability. Beginning with 2015, GASB required the funded ratio to be reported as market value of assets over entry age normal accrued liability; accordingly, you will expect to see more volatility in funded status using market value opposed to actuarial value of assets which uses a 5-year asset smoothing method. She also stated that as of the January 1, 2016 actuarial valuation, the actuaries were required to adopt the new mortality tables used by the Florida Retirement System.

Trustee Weiner noted that the Board is responsible at the end of the day, and proposed that it was up to the Board to put forth a number and allow the City to do it’s budgeting based on that rather than the opposite.

MOTION: (Weiner/Hill) Motion was made by Alan Weiner to reduce the actuarial rate of return assumption from 7.9% to 7.5%. Motion was seconded Stephen Hill. MOTION TABLED.

A conversation continued regarding this shift from the previous month’s decision and fiduciary responsibility. Karl Craig mentioned that he did not want to change the decision that was made by the Board at the August meeting to reduce the actuarial rate of return assumption from 8.0% to 7.5% over a 5-year period by 10 basis points per year. Ms. Wiederholt mentioned that the decision to reduce the actuarial rate of return should be made in conjunction with the plan sponsor. If the plan sponsor is unable to pay the annual required contribution the new GASB requirements would require the City to record a liability on its Balance Sheet in the CAFR and this would be viewed by the rating agencies.

The Board discussed in depth the timing of when these changes would take effect and considered how this would change based on the next actuarial valuation as of January 1, 2018. The impact on future City budgets and the funded status percentage based on these changes was also discussed at length. Trustee Weiner and Vice-Chairman Hill withdrew the motion for change and proposed to revisit the topic after the results of the January 1, 2018 actuarial valuation become available in April/May 2018. Vice Chairman
Hill stated that we can always change or accelerate the reduction in the actuarial rate of return at a future meeting.

VII. STAFF REPORT

1) Merger of Aberdeen Asset Management PLC and Standard Life

During the Non-U.S. Equity Manager presentations, Ms. Maree Mitchell advised that as of August 14th, the merger between Aberdeen Asset Management PLC and Standard Life PLC was completed. Ms. Mitchell advised that in terms of the relationship with the City of Tampa, General Employees’ Retirement Fund, nothing has changed – the legal entity to which our clients are contracted remains the same. There would be no change in control and it will be business as usual from the Board’s perspective.

2) Guideline Breach – Fisher Investments
3) Proposed Investment Policy Statement Revisions

This topic was discussed at length during the Fisher Investments presentation and in conjunction with the proposed Investment Policy Statement revisions. It was noted that presently, the Non-U.S. Developed Market Equity Investment Standards and Objectives limit investment in emerging markets to 7.5% of account assets. The specific Manager Guidelines and Exceptions for Fisher Investments currently limit investment in emerging markets to no more than 10% of account assets.

Fisher sent correspondence advising that this guideline had been passively breached four times over the course of the year and inquired if the Board was comfortable with adjusting the limit to avoid this in the future. It was proposed that the Non-U.S. Developed Market Equity Investment Standards and Objectives limit be adjusted to 15% and the specific limitation to Fisher of 10% in the Manager Guidelines and Exceptions be eliminated.

Asset Consulting Group summarized the changes being made to the Investment Policy Statement as follows:

- Removed of Global REIT from the tactical range of the asset allocation
- Updated language for asset restrictions/exclusions to apply to separately managed accounts
- Changed maximum non-U.S. developed market EM exposure from 7.5% to 15%
- Changed Barclays Capital Aggregate Bond Index to Bloomberg US Aggregate Bond Index
- Changed Barclays Capital Global Bond Index to Bloomberg Global Bond Index
- Removed Global Real Estate Investment Trust investment standards and objectives
- Removed CBRE Clarion from performance standards

The noted changes as found in the Board Package were reviewed sequentially and Ms. Wiederholt asked if there were any additional changes to be made. Mr. Hill noted a typo on page 13. Otherwise, the changes were approved.

MOTION: (Hill/Weiner) Motion was made by Stephen Hill to approve the revisions to the Investment Policy. Motion was seconded Alan Weiner. MOTION CARRIED
Trustee Sonya Little departed the meeting at 3:42pm.

4) ClariVest Security Incident

Ms. Wiederholt brought to the Board’s attention a letter that was received from ClariVest regarding a security breach. Within this correspondence, ClariVest advised of the circumstances that led to the breach and the actions that had been taken to resolve the issue, including the hiring of a forensic expert. The correspondence noted that the information that was potentially at risk did not contain any confidential client information with respect to the City of Tampa, General Employees’ Retirement Fund and any information that was compromised is public record and is available online on the General Employees’ Retirement Fund website.

5) Portfolio Performance Review – August 2017 – Jason Pulos, ACG

6) September 2017 Liquidity Needs and October 2017 Rebalancing

Jason Pulos of Asset Consulting Group (ACG) reviewed the monthly report for the period ending 8/31/17.

As of August 31, 2017 the total fund value stood at approximately $704 million. The one year gross of fee return of the Total Fund as of 8/31/17 was 13.25% which was 2.41% above the return of the Policy Index. Fiscal year to date through the end of August the Total Fund return was 12.53% which was 2.22% above the return of the Policy Index. Very good absolute returns from equities across market cap and geography has driven performance over the last year. While relative performance from active management has also been a positive driver of returns relative to the policy index, specifically within domestic equities and fixed income as a whole.

In order to meet September liquidity needs for benefit payments ACG recommended the liquidation of $4 million from the Fisher International Equity strategy and $2.5 million from Aberdeen. It is also anticipated that the Fund will receive a contribution of $19.5 million from the City of Tampa on October 2nd. It was recommended that these funds be re-invested in the assets of the trust fund. Asset Consulting Group presented two rebalancing options to the Board of Trustees.

**Rebalancing Option #1:**

- $4 million to Dodge and Cox Large Cap Value Equity
- $1.5 million to LMCG Small Cap Value Equity
- $5 million to Brandywine Global Fixed Income
- $4.5 million to the SSGA Passive Bond Index
- $4.5 million to remain in Cash (to be used for October 2017 liquidity needs)

**Rebalancing Option #2:**

- $4 million to Dodge and Cox Large Cap Value Equity
- $1.5 million to LMCG Small Cap Value Equity
- $7 million to Brandywine Global Fixed Income
- $7 million to the SSGA Passive Bond Index
MOTION: (Weiner/Hill) Motion was made by Alan Weiner to approve the liquidation of $6.5M total from Fisher ($4M) and Aberdeen ($2.5M) for September benefit payments. Motion was seconded Stephen Hill. MOTION CARRIED.

MOTION: (Weiner/Hill) Motion was made by Alan Weiner to approve rebalancing Option #1. Motion was seconded by Stephen Hill. MOTION CARRIED.

7) DROP Rate of Return for the Period 10/01/16 – 06/30/17 – Option #1

MOTION: (Hill/Kenny) Motion was made by Stephen Hill to approve the DROP Option #1 Rate of Return of 9.53%. Motion was seconded Steve Kenny. MOTION CARRIED.

8) DROP Rate of Return for the Period 10/01/16 – 06/30/17 – Option #2

MOTION: (Hill/Craig) Motion was made by Stephen Hill to approve the DROP Rate of Return for the Period 10/01/16 – 06/30/17 – Option #2 Rate of Return of 0.59%. Motion was seconded by Karl Craig. MOTION CARRIED.

9) NT Gov’t Short-Term Investment Fund – Daily Rate of Return – 09/01/2017

MOTION: (Hill/Kenny) Motion was made by Stephen Hill to approve the NT Gov’t Short-Term Investment Fund – Daily Rate of Return – 09/01/2017 of 0.0026%. Motion was seconded Steve Kenny. MOTION CARRIED.

10) Trustee Election Results

Ms. Wiederholt presented the results of the September 6, 2017 General Employees’ Retirement Fund Board of Trustees Election. Mr. Andy Waitman was the winner with 70% of the votes and it was noted that he would be in attendance at October’s Board Meeting in an observational capacity. Ms. Wiederholt advised the Board that Steve Kenny’s term would be ending October 31, 2017 and Andy Waitman’s term would begin November 1, 2017.

VIII. 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. Justin Vaske has also reviewed all the legal invoices.

Retirement Benefits & Estate Payments:

Early Retirements, Longevity Retirements, DROP Applications, DROP Exits, Deferred Retirements, Disability Retirements, Survivor Allowances, Estate Payments

Monthly Invoices:

1) City of Tampa Reimbursement June - August 2017 - $174,378.34

Auto-Deducted:
GENERAL EMPLOYEES’ RETIREMENT FUND
BOARD OF TRUSTEES - REGULAR MEETING MINUTES
TUESDAY – SEPTEMBER 19, 2017 - 1:00 P.M.

1) Marathon-London Int’l Group – August 2017 - $22,427.00
2) Marathon-London Int’l Group – Performance Fee - #LLP7798 - $96,705.53

Miscellaneous Invoices:

1) Division of Administrative Hearings - #004511A - $1,691.00
2) Election Clerk & Poll Counter – P. Collins Invoice - $180.00
3) Election Clerk & Poll Counter – E. Wright Invoice - $180.00
4) Election Clerk – V. Carrico Invoice - $130.00
5) Election Clerk – L. Reddish Invoice - $130.00
6) Election Clerk – J. Wright Invoice - $130.00
7) Election Clerk – L. Wright - $130.00
8) Ford & Harrison - #698069 - $3,283.29
9) Ford & Harrison - #698070 - $1,332.00
10) Ford & Harrison - #698074 - $2,084.09
11) Saxon, Gilmore & Carraway, P.A. - #54576B - $442.50
12) Shumaker, Loop & Kendrick, LLP - #000645779 - $2,747.50
13) Tampa Occupational Health Services – Bryant - $500.00

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

VIII. ADJOURNMENT

There being no further business, Chairman Ernest Carrera adjourned the meeting at 4:02 p.m. and advised the Board that the next meeting would be held on October 17, 2017 at the Fort Brooke Third Floor Conference Room – 107 N. Franklin St. Tampa, Fl 33602.

BOARD CHAIRMAN – Ernest P. Carrera

GE PENSION PLAN SUPERVISOR – Natasha Wiederholt
& RECORDING SECRETARY