



General Employees' Retirement System Board Agenda Monday, November 14, 2016

Meeting Information

Location

CMO Conference Room
110 SE Watula Avenue (2nd
Floor)
Ocala, Florida

Time

9:00 AM

Board Members

Arnie Hersh
Chairperson

Connie Carroll
Trustee

Anthony Ortiz
Trustee

Bernhard W. Stalzer
Trustee

John Walker
Trustee

WELCOME!

We are very glad you have joined us for today's meeting. If reasonable accommodations are needed for you to participate in this meeting, please call Alicia Gaither at (352) 629-8372, 48 hours in advance so arrangements can be made.

APPEALS

Any person who decides to appeal any decision of the Ocala General Employees' Retirement System Board with respect to any matter considered at this meeting will need a record of the proceeding, and for such purpose, may need to ensure that a verbatim record of the proceeding is made.

Public Notice

9:00 AM Meeting called to order on November 14, 2016 at CMO Conference Room, 110 SE Watula Avenue (2nd Floor), Ocala, FL.

1. Call to Order

2. Public Comments

3. Jean Stiegemeier Jr. - Disability

4. Presentations

- A. Franklin Templeton Institutional
 - I. Templeton Portfolio Review Letter

5. Consultant's Presentation

- A. Quarterly Report

6. Attorney's Report

7. Minutes Approval

- I. Minutes for Monday, August 08, 2016

8. Other matters to come before the Board

- A. Assurance Letter

9. Adjournment



CITY OF OCALA GENERAL EMPLOYEES' RETIREMENT BOARD

AGENDA

Monday, November 14, 2016

9:00 a.m.

Franklin Templeton Institutional

Attachment: Templeton Portfolio Review Letter (10185 : Templeton Portfolio Review)



400 Galleria Parkway Suite 1700 Atlanta, GA 30339-5953
T 770.541.4848 www.segalrc.com

September 21, 2016

Mr. Brian Kahley
Franklin Templeton
300 SE 2nd Street
Fort Lauderdale, FL 33301

Dear Mr. Kahley:

Franklin Templeton Institutional is hereby requested to appear before the City of Ocala General Employees' Retirement Board for a portfolio review. Your review is scheduled for Monday, November 14, 2016 at 9:00 a.m. The meeting will be held at the CMO Conference Room 110 SE Watula Avenue (2nd Floor) Ocala, Florida. The Board asks that you limit your presentation to 30 minutes (more time will be allotted if necessary). Please prepare twelve (12) presentation documents with numbered pages and email a copy of your presentation to Rob Hungerbuhler at rhungerbuhler@segalrc.com and Alan Peak at rpeak@segalrc.com by Monday, November 7, 2016.

We request that you proceed along the following lines:

- Changes in Firm: Discussion of any changes in the firm, including professional turnover and client accounts gained and lost.
- Performance Analysis: Most recent quarter (in this case 9/30/16), followed by the one year, three years, five years, and since inception, both gross and net of fees. Obviously, if your tenure is less than 3 or 5 years, report as applicable. You should compare your returns with your benchmark (included in your Investment Policy Statement). This should be followed by calendar year performance, as applicable, compared to the benchmark. For Example:

\$ Managed – xxxx	Quarter	1 Year	3 Years	5 Years	Inception Date
					Since Inception
Portfolio Gross					
Portfolio Net					
Benchmark (name)					

\$ Managed – xxxx	2015	2014	2013	2012	2011	2010
Portfolio Gross						
Portfolio Net						
Benchmark (name)						

September 21, 2016

Page 2

- Risk Analysis: Please review your risk control processes and how you evaluate them.
- Rationale for Performance Results: Discussion of the rationale for performance results, relating them specifically to investment strategy, performance attribution and tactical decisions implemented during the current review period. **SHOW SPECIFICS!** Also, this section should show portfolio diagnostics vs. the benchmark such as;
 - Trailing P/E
 - Price/book
 - Historic Earnings Growth
 - Dividend Yield
 - Average Capitalization
 - Median Capitalization
 - Sector Distribution
 - Country Distribution

These diagnostics should be able to demonstrate style consistency.

- Specific Near-Term Strategy: Discussion of your specific strategy for the portfolio over the near-term period, with specific reference to asset mix (including cash position) and expected portfolio characteristics.
- Proxy Voting (if applicable): Discussion of any issues relating to the proxy policy and/or proxy voting results that should be shared with the Board.
- Changes to Investment Objectives: Discussion of proposed modifications to the investment program and strategy, if any.

We would hope that you could accomplish this and present it succinctly to the Trustees in the allotted 30 minutes.

We appreciate your efforts in preparing this material for the Board and look forward to seeing you on November 14.

Sincerely,



Rosemary Elly Guillette
Senior Consultant

REG/ap

cc: Ms. Alicia Gaither
cc: Mr. Rob Hungerbuhler

Via Email: bkahley@templeton.com

General Employees' Retirement System Board Minutes



Monday, August 8, 2016

Regular Meeting

110 SE Watula Avenue
Ocala, FL 34471

www.ocalafl.org

Alicia Gaither
(352) 629-8372

Public Notice

9:00 AM Meeting called to order on August 8, 2016 at CMO Conference Room, 110 SE Watula Avenue (2nd Floor), Ocala, FL.

1. Call to Order

The Ocala General Employees' Retirement System Board held a meeting at the CMO Conference Room, 110 SE Watula Avenue (2nd Floor), on Monday, August 8, 2016 at 9:00 AM.

Attendee Name	Title	Status	Arrived
Arnie Hersh		Present	
Bernhard W. Stalzer		Present	
Anthony Ortiz	Trustee	Present	
Connie Carroll		Present	
Jessica Pellerin	Pension Specialist	Present	

2. Public Comments

No public comments

3. Presentations

I. Aetos Capital

Speakers: John Stimpson and James Gibbson

Mr. Stimpson: Aetos started in 2001, as of now we manage 10.2 billion which consist of Public, Endowments & Foundations, HNW, and Corporate. The fund this plan is in is designed to provide institutional investors with attractive risk-adjusted returns and low betas compared to traditional markets. The funding started April 1, 2008 with \$4,000,000 and as of June 30, 2016, the plan's assets are \$7,941,100. Mr. Stimpson reminded the Board that a hedge fund, fund of funds is used to find the funds that provide the best return with the lowest risk.

Mr. Stimpson: This plan's portfolio allocations is sub categorized by strategy allocation and geographic allocation. On page 16 the report shows the allocation split as follows: Equity Hedged at 34%, Distressed at 20% and Event Driven at 23

Ms. Guillett asked if there were certain strategies they don't invest in?

Mr. Gibbson responded, we don't not invest, we shy away from certain asset classes for different reasons. Because our sensitivity markets are so low to begin with we don't

Minutes Acceptance: Minutes of Aug 8, 2016 9:00 AM (Minutes Approval)

need them to just get our correlations down. If we want to use them it is because we think there are returns there.

Ms. Guillett asked, what the turnover was for managers.

Mr. Gibbons responded, about 10-15% each year. That's because of retirement, too much turnover in personnel or they are building and the market is fading.

Mr. Stimpson: Continued with his report explaining the typical role of Hedge Funds.

Hedge Funds are looking to add lower correlation to the portfolio, this helps to persevere capital and have more flexibility on how they invest. Hedge Funds seek pattern of performance between equities and bonds with volatility closer to bonds. The current environment and outlook for opportunity set is volatility, correlations, competition and supply. On page 22 we wanted to show charts of the volatility and correlations going back in time. We think this is favorable to Hedge Fund strategies now. Correlations in 2009 and 2011 shot up from events going on in Europe, the recession, housing, it was hard to pick winners and losers. Now that we are moving away from that there is more clarity and correlations have come down which makes it easier to pick stocks. It is a good time to be in the market.

Mr. Gibbons added that they have cleared out some other Hedge Funds that have been competing, things that have changed over time they are still pushing money into the systems and causes insecurities. We've had a disruption but the overall environment is similar at this part of the cycle and the way companies earnings are coming in. If the portfolio is managed correctly your fund will be ok.

4. **Segal Rogerscasey - Consultant's Presentation**

Ms. Guillette presented the June performance:

Your equity performance MSCI World was up 1% for the quarter, 0.66 YTD, Russell 3000, 3.62 YTD. Equities was down for the quarter which was must contributed to June. Merging markets there have been some returns, there was negative returns for a while but are now up 6% YTD. Bonds have had a strong quarter, outperforming all of the equity markets. Barclay Capital 5.31 YTD, Citigroup Non-U.S. 13.50 YTD. The S&P 500 was up for the quarter at 2%, YTD 3.8. At close the S&P was up 6%.The Bond Market, you can see the returns across the board. High yield up 9% YTD, very strong returns.

The plan's total fund composite beginning market value was \$121,270,887 with and ending balance of \$122,065,294. Cash should stay under 1%, Ms. Gaither contacts me when cash needs to be moved. Total fund under-perform for the quarter which was 1% instead of 1.5%. Wedge Capital had a strong July, they were up 4% which took their YTD to about 6%. Wellington under-performed. There has been some back and forth with them since they were hired. They are up 4% in July and about 3.8% YTD. SBH under-performed for the quarter but out-performed for the year. Doubleline slightly under-performed for the quarter and YTD periods. This is a new manager for you, only hired in 2015. They did have a rocky start, but don't think there is anything to worry about. Real Estate managers are doing very well.

Ms. Guillette stated she is not recommending any changes to managers, we have some and we will continue to watch for now. The markets have been all over the board lately and with the election there may be a few more bumps. The Board may want to bring in Templeton to have them speak about the international markets since they been here for a while.

Ms. Guillette stated that the de-risking/dynamic asset allocation wouldn't take effect until you are 80% funded and that this language should be added to this plan's investment policy. Ms. Guillette will send them to all of the mangers for their signature.

John Walker motioned to add the de-risking language to the investment policy. Seconded by Mr. Stalzer.
Unanimous.

Mr. Dehlar states there should be a motion to adopt the revision and the document will need to be filed with the Division of Retirement, Actuary and the City.

Mr. Walker made motion to adopt the revised investment policy, Mr. Stalzer seconded.
Unanimous.

5. Attorney's Report

Mr. Dehner asked if everything had been posted to the City website. Ms. Pellerin responded, yes, we are in compliance. Mr. Dehner also asked if the financial disclosures have been submitted from each board member and responded yes.

Mr. Dehner stated that his office was waiting for the records from Shands Hospital. The initial hearing date is September 14, 2016. Mr. Dehner recommended making a motion to extend the hearing date to 90 days.

Mr. Stalzer made motion to extend the hearing date 90 days.
Mr. Hersh seconded. Unanimous.

Mr. Dehner stated the tax review was done on all ordinances by IceMiller out of Indianapolis. IceMiller recommended that the Board see assurance that the program satisfies all federal requirements. Mr. Dehner also recommended assurance that you meet all federal requirements. Mr. Walker asked, who you receive assurance from Mr. Dehner. I would seek assurance from the individual who recommend the program. He also suggested that the City and employees should determine this, and shouldn't be a cost to the Board. Mr. Hersh stated he doesn't think Lee needs to be in this letter, I will get Ms. Gaither to draw up a letter to send to the City for determination/assurance. Mr. Dehner will provide example letters to help with this process.

Wells Fargo Update

Mr. Dehner suggested since BNY is not providing information for Wells Fargo they should be reported to the regulator. Mr. Hersh relied that the letter should come from the attorney. Mr. Dehner stated that we should give BYN 30 days to give the information to Wells Fargo and will draw up a letter to BNY. Mr. Dehner asked for their contact information from Ms. Gaither.

