



May 28, 2010

Ms. Lynn Wenguer
Pension Administrator
City of Fort Lauderdale Police and Firefighters Retirement System
888 S. Andrews Ave., #202
Fort Lauderdale, FL 33316

Dear Ms. Wenguer:

Thank you for considering Yanni Partners, a Division of GBS Investment Consulting, LLC, to provide investment consulting services for the City of Ft. Lauderdale Police and Firefighters' Retirement System. We appreciate the chance to present our strengths for your review.

Yanni Partners, a Division of GBS Investment Consulting, LLC, is well-qualified to lead the System through the planning and execution of a sound investment program...

- **Our firm has been working with public pension plans for nearly 35 years**
- **Registered investment adviser; not affiliated with money managers or brokerage firms**
- **We utilize proprietary asset allocation modeling and risk analyses, developed by our in-house Chief Strategist**

Our accredited consulting staff (including nine with the Chartered Financial Analyst® designation and nine with the Accredited Investment Fiduciary® designation) has decades of experience focusing on deep analysis and thorough due diligence to provide customized portfolio strategies – strategies that will enable the Retirement System to achieve its investment objectives and improve the quality and economics of services to various employee and retirement groups.

Our firm is distinguished by its proprietary asset allocation models, which quantify how the risks of the capital markets flow through to changes in the portfolio, and how these portfolio fluctuations can affect the System's overall financial position. We can model many scenarios – equipping our clients with better information – so that they can ultimately make better management decisions. This was especially critical to our clients during the recent market downturn.

We believe analytics that are delivered to help solve problems are only meaningful when they translate to meeting the objectives of our clients. Thus, an open dialogue and ongoing collaboration and idea generation are critical to every client relationship. We are proud to say that the majority of our business comes directly from client referrals. Our clients' recommendation of our firm to others is truly the highest compliment our firm can receive – and exemplifies our enduring dedication to client service and satisfaction.

More >

DELIVERING THE PROMISE



310 Grant Street, Suite 3000 Pittsburgh, PA 15219-2302 412 232 1000 FAX 412 232 1027 www.yannipartners.com

Yanni Partners... page 2

Thank you again for this opportunity. We hope that the enclosed request for proposal response provides you with the necessary information for further consideration by the City of Ft. Lauderdale Police and Firefighters' Retirement System. Please contact me directly at (704) 971-2560 or joseph_karpinski@ajg.com if we can offer you any additional information.

Sincerely,

A handwritten signature in cursive script that reads "Joseph P. Karpinski". The signature is written in a dark ink and is positioned below the word "Sincerely,".

Joseph P. Karpinski, CPA, CFA, AIF®
Senior Director of Business Development and Senior Consultant
Yanni Partners, a Division of GBS Investment Consulting, LLC



Yanni Partners

A Division of GBS Investment Consulting, LLC

**City of Ft. Lauderdale
Police & Firefighters'
Retirement System**

**Request for Proposal for
Independent Investment
Consulting Services**

May 28, 2010

Joseph P. Karpinski, CPA, CFA, AIF®
Senior Director of Business Development
and Senior Consultant

Yanni Partners, a Division of
GBS Investment Consulting, LLC
310 Grant Street, Suite 3000
Pittsburgh, PA 15219
Tel: 412 232 1000
Fax: 412 232 1027
www.yannipartners.com

City of Ft. Lauderdale Police & Firefighters' Retirement System

Request for Proposal for Independent Investment Consulting Services
May 28, 2010

TABLE OF CONTENTS

C.	Organization	page 1
D.	Clients and References	page 8
E.	Professional Staff	page 10
F.	Investment Consulting Services	page 12
	Asset Allocation	page 12
	Board Education	page 18
	Investment Manager Searches and Monitoring	page 19
	Investment Policy	page 33
	Performance Measurement and Evaluation	page 43
	Research Capabilities	page 51
G.	Other	page 57
H.	Fees	page 58
I.	Proposer's Warranty	page 61
J.	Appendix	
	Tab I - Sample Quarterly Report	
	Tab II - Standard Contract	
	Tab III - ADV Part II	
	Tab IV - Code of Ethics and Standards of Professional Conduct	
	Tab V - Representative Client List	
	Tab VI - Organization Chart and Team Biographies	
	Tab VII - Sample Research and Education	

CITY OF FT. LAUDERDALE POLICE & FIREFIGHTERS' RETIREMENT SYSTEM

C. ORGANIZATION

1. Describe your firm's strengths, highlighting the aspects of your service that make you unique from your competition. Which investment consulting services are the firm's specialties or areas of expertise?

YANNI PARTNERS, A DIVISION OF GBS INVESTMENT CONSULTING, LLC, IS WELL-POSITIONED TO GUIDE THE BOARD OF TRUSTEES THROUGH THE PLANNING AND EXECUTION OF A SOUND INVESTMENT PROGRAM...

Our firm's only line of business is institutional investment consulting services, and we have been providing these services to public pension plans for nearly 35 years...

A successful plan is one that is able to outperform its actuarial rate in up markets and outperform market benchmarks in down markets. We strive to build portfolios with good downside protection as well as favorable participation in up markets. Our singular focus on each client's unique needs helps us to customize each portfolio.

- We relentlessly seek cost savings. For example, as a client-directed project, we constructed a brokerage program using third-party brokerage firms to reduce transaction costs and utilize brokers/dealers in the client's region. This was conducted while remaining neutral to the investment manager. (The only compensation we receive is contractual from our clients for the investment consulting services we provide.)
- We begin each relationship with an intensive review of the plan sponsor's unique requirements. We will evaluate factors such as the region's economic prospects, the plan's current funded status and demographic characteristics, as well as the plan's capacity to bear potential deterioration in funded status.
- Yanni Partners, a Division of GBS Investment Consulting, LLC, fosters local investment talent, and we capitalize on these managers' strengths. For example, a public client once asked if there was a way to "employ" local young, growing investment firms. We devised a program that incorporated small, local managers with a limited track record emphasizing high alpha-potential managers headquartered in the client's region. The program had the acronym IMPACT, standing for "Investment Manager Program for Alpha Creation Tactics."
- Since every fund is different and with unique requirements, we do not utilize a "stable of managers," but rather aim to build a portfolio structure around your current investment manager mix. We tailor the manager lineup to support the plan's unique asset allocation.

CITY OF FT. LAUDERDALE POLICE & FIREFIGHTERS' RETIREMENT SYSTEM

Our areas of expertise include:

Proprietary modeling. We employ a dedicated Chief Strategist who works with our Investment Policy Committee to develop our capital market assumptions, risk analysis, asset/liability modeling and asset allocation enhancements. Our proprietary asset allocation models quantify how the risks of the capital markets flow through to changes in the portfolio, and how these portfolio fluctuations can affect an organization's overall financial position. We can model multiple scenarios – so that our clients are equipped with better information – to ultimately make better management decisions.

Investment manager research, focusing on qualitative due diligence. Our history of qualitative analysis has proved itself most effective. As opposed to many firms that rely solely upon purchased data or historical performance, Yanni Partners, a Division of GBS Investment Consulting, LLC, conducts more than 300 due diligence meetings in our Pittsburgh office each year, personally interfacing with investment managers to gain insights on their processes, philosophies and organizations.

Prudent risk management and risk analyses. Our primary risk analysis tool is our asset allocation analytical platform, which is discussed in more detail beginning on page 12. We have enhanced our risk management capabilities in two important ways this year: 1) broader measures of downside risk, and 2) a risk assessment tool for investment committees and management.

The additional measures of downside risk include maximum peak-to-trough losses that the portfolio might experience over a certain period of time. Information regarding potential peak-to-trough losses can guide an organization toward an appropriate level of risk. A portfolio might achieve a satisfactory return over an entire holding period, such as five years, but could experience severe interim losses that might subject the institution to adverse consequences.

Our risk assessment tool consists of a survey of members of the investment committee and management. This survey elicits respondents' views regarding objectives and risk tolerance. We believe that this survey will help organizations to clarify objectives, achieve greater consensus among committee members and integrate investment planning with overall financial management of the organization.

We also believe that our risk tolerance survey will help to align portfolios with their organizations' capacities to bear risk.

The firm maintains and expands its expertise by encouraging its consulting staff members to work toward earning the CFA and AIF[®] credentials, and to hold leadership positions in the investment community. Our consulting team includes nine individuals who have earned the CFA designation, and nine individuals who have earned the AIF accreditation.

CITY OF FT. LAUDERDALE POLICE & FIREFIGHTERS' RETIREMENT SYSTEM

2. Summarize your organization's long-term strategy for business development.

Yanni Partners, a Division of GBS Investment Consulting, LLC, centers its emphasis on growth around providing investment consulting services on a national level to a mid-market client base with complex portfolio issues. Our growth plans are created to ensure continued added value for our clients. These plans involve staffing and systems enhancements to maintain our focus on national mid-market investment consulting.

During the recent turbulent times, our consulting and research staff has been dedicated to due diligence regarding marketplace volatility. Strategically, we see the need to deploy additional resources to due diligence across all asset classes, traditional and alternative, and certain research efforts predicated on client need.

We are actively seeking to expand our professional consulting staff, recognizing that it is management's responsibility to maintain an appropriate client/consultant ratio. As part of this process, we have created a "Talent Committee" that continually interviews and evaluates candidates. New employees who will be assigned client responsibilities will work with a seasoned consultant and gradually assume the lead role for specific accounts. This approach has helped us continually grow capacity while keeping each consultant's client assignments at a reasonable level.

In addition, our acquisition by Arthur J. Gallagher & Co. and Gallagher Benefit Services, Inc., in early 2008 has helped us manage our growth by allowing some of our administrative and technology functions to be absorbed into our parent company. This shift has helped support our commitment to our clients' research needs and their unique portfolio requirements.

Yanni Partners, a Division of GBS Investment Consulting, LLC, is completely committed to client service and satisfaction; and we believe that ongoing, two-way communication is essential to any client relationship. A senior-level team meets with each client regularly to deliver investment strategy and tactics that are consistent with the organization's objectives. We believe these attributes are unique within our industry, and have helped set our clients' experience apart from that of their peers.

As an example of our dedication to client satisfaction, we are proud to say that the majority of our business comes directly from client referrals. Additionally, several of our original clients remain with us today.

CITY OF FT. LAUDERDALE POLICE & FIREFIGHTERS' RETIREMENT SYSTEM

3. What percentage of your annual budget is allocated toward research and development?

Yanni Partners, a Division of GBS Investment Consulting, LLC, does not maintain a dedicated research budget, as our research functions are directed solely by client need and the changing environment. Rather than limiting research resources with a budget, we align them with current needs. For example, the 2008 market situation directed the firm to deploy additional research efforts. Ongoing research issues are regularly addressed, such as historical performance in investment manager selection.

Our long-term commitment to research is evidenced by our decision to maintain a dedicated research function under the purview of Chief Strategist David Hammerstein, CFA, AIF®, who devotes 75% of his time to research. This work is supported by five analysts who devote 50-75% of their time to specific investment research. The support of our research functions represents approximately 10-15% of our revenue.

This amount represents both the intellectual capital and technology enhancements to improve the efficiency and deliverables for our clients. Yanni Partners, a Division of GBS Investment Consulting, LLC, has developed a consistent, firm-wide position regarding investment research. The research group presents its analyses to the Investment Policy Committee (comprised of senior personnel) for consideration, and the committee reaches consensus following analysis and discussion of topics.

4. Does your organization anticipate any changes in ownership or organizational structure?

No. Yanni Partners, a Division of GBS Investment Consulting, LLC, does not anticipate any changes in ownership or organizational structure.

5. Provide information that documents your firm's qualifications with respect to its independence, ability, capacity, skill, financial strength and number of years your firm has provided pension fund consulting services to public plans.

Independence

To ensure independence, Yanni Partners, a Division of GBS Investment Consulting, LLC, follows a Code of Ethics and Standards of Professional Conduct, a copy of which has been provided under Part J. All employees are required to strictly adhere to this code; all policies are strictly enforced and monitored by the firm's Chief Compliance Officer.

CITY OF FT. LAUDERDALE POLICE & FIREFIGHTERS' RETIREMENT SYSTEM

None of our employees are licensed to receive compensation from clients. Additionally, Yanni Partners' business is deliberately structured to eliminate potential conflicts of interest:

- We are not affiliated with any investment products
- We do not manage money
- We are without opportunity to generate additional undisclosed compensation from client portfolios
- Managers do not pay any fee to Yanni Partners to submit performance results in our database
- As part of our 2008 acquisition agreement, Arthur J. Gallagher & Co. (our parent company) established a separate division for our firm and services
- Our acquisition agreement prohibits any additional acquisition, such as an investment management firm, that could result in a potential conflict of interest

Under no circumstances does Yanni Partners, a Division of GBS Investment Consulting, LLC, its officers or employees receive direct or indirect compensation from investment managers or other investment-related firms that would be recommended to our clients. Our business model prohibits these activities.

The only compensation we receive comes directly from our clients for investment consulting fees provided.

Ability

Yanni Partners, a Division of GBS Investment Consulting, LLC, is very well able and qualified to provide pension fund consulting services to the City of Ft. Lauderdale Police & Firefighters' Retirement System. Our professional staff has deep experience working with public pension plans; in fact, we currently provide pension consulting services to more than 51 retirement plans, some having been with our firm throughout our entire history.

Capacity

Yanni Partners, a Division of GBS Investment Consulting, LLC, has the capacity to service new clients. We emphasize a team approach to client service, whereby client teams are led by a senior consultant and supported by the entire complement of our staff.

In April 2010, Yanni Partners, a Division of GBS Investment Consulting, LLC, added Joseph P. Karpinski, CPA, CFA, AIF®, to its consulting team, increasing the firm's capacity to continue exceeding the servicing requirements of each individual client.

CITY OF FT. LAUDERDALE POLICE & FIREFIGHTERS' RETIREMENT SYSTEM

Skill

Our consulting staff is encouraged to pursue the Chartered Financial Analyst® designation because we believe effective portfolio manager due diligence requires this level of skill and expertise.

Our staff currently includes nine consultants who have earned the Certified Financial Analyst designation and nine who have earned the Accredited Investment Fiduciary® designation, as well as one Certified Public Accountant.

Financial Strength

Yanni Partners, a Division of GBS Investment Consulting, LLC, enjoys strength and visibility as part of a publicly traded company, Arthur J. Gallagher & Co. (NYSE: AJG). AJG is one of the world's largest insurance brokers, with 2009 revenues of more than \$1.7 billion.

Years of Experience

Yanni Partners, a Division of GBS Investment Consulting, LLC, has been providing pension consulting services to public plans since its inception in 1976.

The team proposed to serve the City of Ft. Lauderdale Police and Firefighters' Retirement System has decades of investment experience, including working with public pension plans.

6. **Is providing investment advisory services your sole line of business? If not, describe what other services your firm provides and show the percentages of your organization's revenues attributable to the investment advisory services as well as other lines of service.**

Yes. Our only line of business is institutional investment consulting services. 100% of our revenue is derived from these services.

7. **Are you registered with the SEC?**

Yes. Yanni Partners, a Division of GBS Investment Consulting, LLC, is a registered investment adviser with the SEC under the Investment Advisers Act of 1940.

8. **Are you a member of the Association for Investment Management and Research (AIMR)?**

Yanni Partners, a Division of GBS Investment Consulting, LLC, has nine professionals who are members of the CFA Institute (formerly AIMR).

CITY OF FT. LAUDERDALE POLICE & FIREFIGHTERS' RETIREMENT SYSTEM

- 9. Are you a member of the Florida Public Pension Trustees' Association (FPPTA) or the International Foundation of Employee Benefit Pension Plans (IFEBP)?**

Yes. Joseph P. Karpinski, CPA, CFA, AIF®, who will serve as Senior Co-Consultant for the System, is a member of IFEBP. In addition, James E. Gnecco, AIF®, who will also serve as Senior Co-Consultant for the System, is a member of MAPERS (Michigan Association of Public Employee Retirement Systems). They also belong to other professional associations, including the CFA Institute, Fi360 and AICPA, as detailed in the team biographies provided under Part J.

- 10. Is your firm registered with the Florida Secretary of State to do business in the state? Please provide your registration number.**

Yanni Partners, a Division of GBS Investment Consulting, LLC, is a registered investment adviser with the SEC, and is a fiduciary as defined in the Investment Advisers Act of 1940. Our firm has no office in the state of Florida and has fewer than six clients in the state; therefore as an SEC-registered investment adviser it does not have to register with the Florida Secretary of State.

- 11. Is the firm or any of its principals or employees currently engaged in any litigation with the SEC, current or former client or employee or any other person or organization related to your business activities?**

No. The firm, its principals and employees are not currently engaged in litigation with the SEC, current or former clients or employees, or any other person or organization related to our business activities.

- 12. Has the firm been fined, sanctioned or otherwise disciplined by the SEC or any other regulatory agency?**

On September 5, 2007, Yanni Partners, Inc., settled an SEC Administrative Proceeding related to inconsistent disclosures made between 2002 and 2005. The firm was not charged with fraudulent conduct, and it has been acknowledged that no clients were harmed.

- 13. Has the firm or any of its principals or employees been convicted of any crimes in Florida or any other state?**

No. Neither our firm nor any of its principals/employees have been convicted of crimes in Florida or any other state.

CITY OF FT. LAUDERDALE POLICE & FIREFIGHTERS' RETIREMENT SYSTEM

D. CLIENTS AND REFERENCES

1. Please provide a summary of your firm's total clients and assets under investment consulting advisement. Indicate a breakdown by public pension funds, corporate pension funds, Taft-Hartley funds, endowments and others. At minimum, please include:
 - a) Total number of investment consulting clients
 - b) Number of clients and assets by category
 - c) Fund size of average client
 - d) Representative client list

Yanni Partners, a Division of GBS Investment Consulting, LLC, has 108 clients with approximately \$16.5 billion in assets under investment consulting advisement (as of March 31, 2010). The average fund size of our clients is approximately \$83.7 million. (Average client size is approximately \$153 million).

Our clients can be broken down as follows:

Corporate clients: 27 clients with approximately \$5.5 billion in combined assets

Public clients: 6 clients with approximately \$1.0 billion in combined assets

Taft-Hartley clients: 17 clients with approximately \$2.2 billion in combined assets

Endowments/Foundations: 11 clients with approximately \$0.4 billion in combined assets

Other (Education, Family Trusts, Healthcare, Insurance, Religious, Masonic Organizations): 47 clients with approximately \$7.4 billion in combined assets

A representative client list has been provided under Part J.

2. Provide a breakdown of clients gained and lost over the past three years, including both fund size and type. Indicate reasons for any clients lost.

Client turnover in the last three years is detailed below.

Year	Number of clients gained	Number of clients lost
2010	0	2
2009	5	5
2008	3	8

CITY OF FT. LAUDERDALE POLICE & FIREFIGHTERS' RETIREMENT SYSTEM

Common reasons for client loss include change in portfolio structure, no longer requiring an investment consultant, and mergers/ acquisitions. In some instances, portfolios (foundation in nature) have self-liquidated for natural reasons.

Yanni Partners, a Division of GBS Investment Consulting, LLC, does not disclose detail regarding former clients, as our past client list is proprietary and contractual requirements of confidentiality prevent us from making their names, fund types and asset information public without their consent.

3. **Provide a list of at least six public employee retirement systems (primarily retirement plans of similar size as ours) for which your firm currently provides evaluation services, including system name and approximate value of investment portfolio. Also provide the address, telephone number, name and title of person who may be contacted for reference. Please obtain prior authorization for us to contact each reference.**

Yanni Partners, a Division of GBS Investment Consulting, LLC, is pleased to provide contact information for the following public client references.

Allegheny County Police

Portfolio value approximately \$40 million as of March 31, 2010

Mr. James M. Hasara

Vice President

6911 Sturgeon Street

Pittsburgh, PA 15202

(412) 761-6481

City of Annapolis, Md.

Portfolio value approximately \$138 million as of March 31, 2010

Mr. Timothy E. Elliott

Finance Director

160 Duke of Gloucester Street

Annapolis, MD 21401

(410) 236-7952

Armstrong County (Pennsylvania)

Portfolio value approximately \$44 million as of March 31, 2010

Ms. Myra Miller

Controller

450 East Market Street

Kittanning, PA 16201

(724) 548-3230

CITY OF FT. LAUDERDALE POLICE & FIREFIGHTERS' RETIREMENT SYSTEM

Philadelphia Gas Works

Portfolio value approximately \$400 million as of March 31, 2010

Mr. John R. Foulkes

Chief Investment Officer

Two Penn Center Plaza, 16th Floor

Philadelphia, PA 19102

(215) 496-4425

City of Saginaw, Mich.

Portfolio value approximately \$116 million as of March 31, 2010

Mr. Robert Ruth

Chairman

801 Federal Avenue

Saginaw, MI 48607

(989) 759-1438

Westmoreland County (Pennsylvania)

Portfolio value approximately \$306 million as of March 31, 2010

Mr. Carmen Pedicone

Controller

2 North Main Street, Suite 111

Greensburg, PA 15601

(724) 830-3115

E. PROFESSIONAL STAFF

1. **Please provide a detailed listing of your firm's professional staff by category, including consultants, analysts, etc.**

We have provided an organization chart, which details our staff by category, under Part J.

2. **Provide the name(s) and locations of the individual(s) who will be responsible for this account if your firm is awarded this contract. Provide a brief biography of each member of the team, including titles, functions, academic credentials, professional affiliations, relevant work experience and number of years with your firm and any history of discipline from any regulatory agency.**

The team proposed for the City of Ft. Lauderdale Police and Firefighters' Retirement System is as follows:

Mr. Joseph P. Karpinski, CPA, CFA, AIF®

Senior Director of Business Development and Senior Consultant

Maintains offices in both Charlotte, N.C., and Pittsburgh, Pa.

CITY OF FT. LAUDERDALE POLICE & FIREFIGHTERS' RETIREMENT SYSTEM

Mr. James E. Gnecco, AIF®

Senior Consultant

Office in Pittsburgh, Pa.

Full biographies for the above-listed team members, detailing titles, functions, academic credentials, professional affiliations, relevant work experience and number of years with our firm, have been provided under Part J. None of these individuals have a history of discipline from any regulatory agency.

3. If more than one person will be assigned responsibility for the account, how will the responsibility be allocated among these individuals?

Joseph P. Karpinski, CPA, CFA, AIF®, will act as Senior Co-Consultant and will oversee this client relationship. His role is to ensure quality and consistency of the product, so as to meet the System's goals.

James E. Gnecco, AIF®, will serve as Senior Co-Consultant, coordinating all work with the analysts and support staff. Mr. Karpinski and Mr. Gnecco will serve as your primary client contacts.

In addition, David Hammerstein, CFA, AIF®, Chief Strategist, will lead the financial modeling and research initiatives for the System. Mr. Hammerstein (former Chief Investment Officer at a major global research university) directs the firm's research and analytics team, which includes analysts responsible for identifying and evaluating new investment opportunities, portfolio modeling, investment manager research and capital market trends.

4. How many client accounts are assigned to each of the persons named above? What is the range in asset values of those client accounts? What is the maximum and average number of accounts assigned to each professional?

The primary consultants currently serve nine clients in a lead capacity, and three clients in a support capacity. Asset values range from approximately \$17 million to \$515 million, as of March 31, 2010.

The number of clients assigned to any one consultant varies, depending on the complexity of each client's portfolio and the scope of services being provided. The ratio of clients to consulting group professionals is 108 : 19.

CITY OF FT. LAUDERDALE POLICE & FIREFIGHTERS' RETIREMENT SYSTEM

- 5. Summarize the average annual turnover in your firm cumulatively over the last three years, measured as departures divided by the total number of employees. Describe the turnover of key professional personnel during the past three years.**

The average annual turnover rate across our firm over the past five years is 1.8 : 30 (average number of employees to be replaced : average number of total employees).

Professional staff departures over the last three years are as follows:

Bin Lu Ryter, Consulting Analyst, departed in 2009.
Adam Obsenica, CFA, Portfolio Strategist, departed in 2009.
M. Nazli Oguz, Senior Consulting Analyst, departed in 2008.
Kay Ceserani, Consulting Project Manager, departed in 2008.
William O. Hahn, Consulting Analyst, departed in 2008.
Patrick Fisher, CFA, Senior Consultant, departed in 2007.

- 6. Comment on how your firm attracts and retains motivated qualified professionals. What are your firm's continuing education requirements for its professionals?**

Retention programs to help retain senior professionals are two-fold. The first is salary, which is a reflection of firm-wide value-added contributions. This includes the development of support staff, and investment policy contributions, as well as participation in continued education (i.e., CFA program, Fi360), etc.

The second element is revenue sharing. This is directly based on the consultant's effort at client retention by superior service. Evidence of the effectiveness of this strategy is that the majority of our business comes directly from client referral. Furthermore, employees can participate in equity ownership through the company's employee stock purchase plan.

F. INVESTMENT CONSULTING SERVICES

Asset Allocation

- 1. Describe your firm's philosophy and approach to the development of asset allocation strategies, including methodology used for asset allocation modeling considering linkage to liabilities and funding, application of major variables (risk tolerance, etc.), and how frequently and under what conditions asset allocation should be changed.**

Prior to determining asset allocation strategies or selecting investment managers or vehicles, we would first conduct a situation analysis to understand the System's needs.

CITY OF FT. LAUDERDALE POLICE & FIREFIGHTERS' RETIREMENT SYSTEM

We will evaluate:

- The organization's unique characteristics: vision, mission, strategic and administrative initiatives
- Current investment policies and objectives
- The amount of each investment pool and claims against each pool
- Management and the Committee's views toward risk

Following the completion of the situation analysis, we will work with the client to review and update the Investment Policy Statement, detailing all goals and objectives.

Asset Allocation Methodology

The focus of our asset allocation work is to develop an optimal investment strategy given the nature of the claims against the investment pool. For pension plans, we have developed an integrated asset/liability management framework that directly links the investment strategy with benefits payments and fund contributions. The model computes future asset values, returns, liabilities and funded ratios for various asset mixes over the life of the plan. We typically display results for 3-, 5- and 10-year intervals, although the client can specify any interval. Different asset mixes represent different risk levels. We have also developed versions of our model for endowments, foundations, self-insurance pools, trusts and operating funds.

Many conventional asset allocation models assume that capital market returns are normally distributed. A normal distribution is symmetrical in the sense that returns below the mean (average) represent a mirror image of returns above the mean.

Actual experience contradicts this assumption of symmetrical return distributions. Negative outliers tend to be more frequent than a normal distribution would suggest.

Our model, however:

- Incorporates markets' historical tendencies to produce asymmetrical patterns of returns, so our clients have a tool that captures the full dimensions of risk
- Quantifies the likelihood that a defined benefit plan will reach a fully funded position based on assumed benefits and contributions
- Quantifies the likelihood of achieving different levels of fund values and spending amounts in nominal and real (inflation-adjusted) terms (endowments and foundations)
- Helps our clients set reasonable expectations regarding the likelihood for fund growth
- Enables our clients to assess whether potential adverse outcomes are consistent with the desired risk tolerance of the organization

CITY OF FT. LAUDERDALE POLICE & FIREFIGHTERS' RETIREMENT SYSTEM

Our key objective in developing our asset allocation model is to produce output that the plan sponsor can use to make practical business decisions. For example, for any given level of equity risk, the plan sponsor can evaluate the probability that the plan's funding level might fall below a certain level that it considers unacceptable from a business standpoint.

Inputs to the model are as follows:

- Alternative asset mixes (these represent different levels of capital market risk)
- Assumed risk and returns of major assets types
- Future benefit payments (obtained from the actuary)
- Future contributions (if different from the required level of contributions that the model computes)

Asset Allocation Work

We evaluate client portfolios in relation to their fundamental operating requirements, such as the plan's benefit payments. Our asset allocation work will determine whether the portfolio is properly aligned with the plan's capacity to bear investment risk, and will project future funded ratios. For a given asset allocation strategy, we generate 1,000 simulations to assess the potential risk associated with each strategy.

Such simulations constitute a broad range of outcomes. We measure the risk of a given asset mix by summarizing several different points from the distributions of outcomes: 1st, 5th, 25th, 50th, 75th, 95th and 99th percentiles. For example, the 5th percentile result means that only 5% of the outcomes are more favorable. This framework enables the client to evaluate how different investment strategies would affect the plan's funded ratio, and weigh the benefits and risks of various investment strategies.

To compute funded ratios, the model compares future fund values (for each specific asset mix) to the present value of benefits (liability) at different intervals. This analysis enables the client to evaluate risk/return trade-offs of different asset mixes and to identify potential unacceptable outcomes.

The model computes the liability based on discount rates that reflect the plan's applicable regulatory funding requirements. We believe our capacity for projecting variability in liability values represents an important feature of a robust pension plan asset/liability model. Potential changes in a plan's funded ratio stem from variability in the investment portfolio and in the liability. We model both elements of the funded ratio.

CITY OF FT. LAUDERDALE POLICE & FIREFIGHTERS' RETIREMENT SYSTEM

We recommend a review of each client's asset allocation at least annually. We will recommend a comprehensive analysis sooner if there is significant change in a client's needs and circumstances. We will change our asset allocation recommendations if we conclude that a client's current policy is not properly aligned with its capacity to bear the stated risks.

Comparison of Asset Allocation Approaches

Distinctions between our model and "off-the-shelf" models

Traditional Models	Our Proprietary Model	Distinct Advantages
Static asset class correlations	Dynamic asset class correlations	Ensure future market crises (like 2000-2002 and 2007-2009) do not compromise portfolio value and spending
Historical returns forecast future returns	Forward-looking capital market assumptions	Take advantage of future opportunities rather than chasing past performance
Normal distribution of return	Non-normal distribution of return	Position portfolio to avoid catastrophic results by understanding the likelihood of extreme market losses
Focus on return	Focus on downside risk	Measure investment risk in dollars, directly linking risk tolerance to organizational goals
Cannot incorporate cash flows	Integrate cash flows into fund projections	Investment strategy linked to operating needs

Asset/Liability Analysis

We factor in characteristics of the client's liabilities and obligations to our asset allocation process. One of the reasons why we developed our proprietary asset allocation platform was to provide the rigor and flexibility to integrate an organization's obligations and spending needs into the development of a well-balanced and risk-controlled investment strategy.

CITY OF FT. LAUDERDALE POLICE & FIREFIGHTERS' RETIREMENT SYSTEM

For pension plans...

We include liability projections into our asset/liability analyses. We base the liability values on projections of annual benefit payments from the actuary. We use these projected benefits to compute future fund values and to provide the basis for computing the liability (which represents the present value of benefits).

The model computes the liability based on discount rates that reflect the plan's applicable regulatory funding requirements. For example, public pension plans, the discount rate represents the expected long-term return on assets. The discount rate for public plans does not change frequently in response to market conditions. For single-employer plans, the discount rate is based on high-quality corporate rates. For such plans, the liability value will fluctuate in response to changes in corporate interest rates. We model potential fluctuations in liability values based on fluctuations in the corporate discount rates. The projected variability in future interest rates stems from these fixed-income instruments' historical levels of variability.

We believe our capacity for projecting variability in liability values (when applicable) represents an important feature of a robust pension plan asset/liability model. Potential changes in a plan's funded ratio stem from variability in the investment portfolio and in the liability. We model both elements of the funded ratio.

We believe that a significant change in the sponsor's financial position, a major amendment to the plan and/or major changes in market conditions might warrant a change in the asset allocation. We recommend a review of the asset allocation at least annually or more frequently if one of the aforementioned events occurs.

2. What type of software do you use to model liabilities? Is this proprietary or other software?

Yanni Partners, a Division of GBS Investment Consulting, LLC, utilizes proprietary software developed by our in-house Chief Strategist, David Hammerstein, CFA, AIF®.

3. How many asset/liability studies has your organization performed in the last three years?

Yanni Partners, a Division of GBS Investment Consulting, LLC, has performed 48 asset/liability studies in the last three years (May 2007-May 2010 to date).

CITY OF FT. LAUDERDALE POLICE & FIREFIGHTERS' RETIREMENT SYSTEM

4. What type of software do you use to view assets and their allocations?

We monitor portfolios with our proprietary portfolio monitoring system. The system computes portfolios' returns and risk measures to test compliance with clients' investment guidelines and to measure the effectiveness of the current asset allocation strategy.

Yanni Partners, a Division of GBS Investment Consulting, LLC, maintains numerous performance software systems, all developed in-house, to compute the following:

- Rates of returns for portfolio and market indexes
- Risk measures for portfolios and market indexes
- Styles of portfolios and market indexes (based on returns as well as holdings)
- Valuation and industry sector characteristics of portfolios and indexes
- Performance attribution analyses for individual managers, composites and total funds
- Market values for portfolios, composites and total funds

Our software allows us to upload historical performance data, including monthly market values, transactions and cash flows (contributions and withdrawals). All cash flows are included in our monthly data reduction for performance calculations. Our system has the ability to create composite accounts with this data and can link the information to live data going forward. We have made significant investments in our internal system, implementing electronic data transmissions from custodian banks in order to expedite the delivery of performance reports to clients.

Our performance measurement system is designed to accommodate either individual transactions, aggregate transactions or both types of entries, and encompasses traditional asset types of equities (including international equity) and fixed income, as well as alternative investments of private equity, real estate, commodities and hedge funds.

The system computes returns for each manager's account, the asset type composite and the total fund. The system also provides returns for the relevant market benchmarks. We supplement the returns with risk measures such as standard deviation and beta. We also compute risk-adjusted returns such as alpha, tracking error, information ratio and Sharpe ratio. For equities and fixed income, the system also measures the managers' styles.

CITY OF FT. LAUDERDALE POLICE & FIREFIGHTERS' RETIREMENT SYSTEM

As noted, our performance measurement system measures the performance of an account relative to its benchmark. The system computes the difference between the account's return and the benchmark's return. The system decomposes this difference into the effects from asset allocation decisions and the net effect of all other decisions (including industry allocations, security selection and country allocations in the case of an international portfolio).

Yanni Partners has developed a process and set of diagnostic tools to determine the appropriate benchmark for a portfolio:

- We correlate a portfolio's returns to a series of benchmarks to determine which one provides the best fit
- We reinforce our quantitative analysis with manager consultations, developing a thorough understanding of each manager's style to help guide the benchmark selection
- We obtain the manager's views regarding the appropriate benchmark

The performance of each account is diagnosed through a style analysis, as well as regression correlation analysis, with various indexes to determine a "best fit" of manager return with an index. In addition, holdings-based analyses are conducted to determine the appropriateness of the benchmark.

Board Education

- 1. What resources (human resources, internal research, conferences or seminars, industry information, etc.) will your firm draw upon to provide our plan fiduciaries with board education?**

Yanni Partners, a Division of GBS Investment Consulting, LLC, synthesizes information from numerous outside sources to develop research to address clients' practical business needs, including meeting fiduciary obligations. Such external sources include:

- Market benchmarks from financial services firms
- Economic data from government agencies
- Articles and analyses from the investment management and academic communities
- Periodicals, newspapers, academic journals and trade publications

Given the abundance of external information, we have structured our research function to develop ways to analyze and synthesize such information to address specific business problems and issues that may become relevant to our clients.

CITY OF FT. LAUDERDALE POLICE & FIREFIGHTERS' RETIREMENT SYSTEM

The firm draws on the resources and insights from numerous academicians who have entered the investment management field. Many global investment management firms employ former economics and finance professors. Our Chief Strategist, former CIO at a major global research university, has developed relationships with many of these individuals over the years. Such individuals serve as peer reviewers of our internally developed models and our research papers.

2. How often will these resources be available to our plan fiduciaries?

Our firm's resources are available to our clients whenever needed. Our firm is characterized by unlimited access to our personnel. In addition to ongoing communication and education, we provide:

- Customized educational workshops on topics specific to client needs
- Transition meetings with incoming Board/Committee members
- Weekly market updates
- Periodic client symposiums
- Quarterly client webinars
- Periodic white papers
- Quarterly newsletters; recent issues include:
 - Dynamic Asset Allocation (Spring 2010)
 - Gauging Risk Tolerance (Winter 2010)
 - The Strategic Role of Fixed Income (Fall 2009)
 - The Threat of Inflation and Deflation (Summer 2009)
 - Target Date Maturity Funds – Aiming for Retirement Security (Spring 2009)
 - Capital Market Prospects – Promise or Peril? (Winter 2009)
 - Looking Beyond the Turmoil (Fall 2008)
 - Pension Protection Act of 2006 – Taking Stock and Keeping Pace (Summer 2008)

Investment Manager Searches and Monitoring

1. Describe your firm's experience and capabilities in conducting searches for investment managers.

Yanni Partners, a Division of GBS Investment Consulting, LLC, has decades of experience conducting searches for investment managers; we have been evaluating, searching for, and selecting investment managers since our inception in 1976. In the past year alone, we have conducted more than 80 manager searches.

CITY OF FT. LAUDERDALE POLICE & FIREFIGHTERS' RETIREMENT SYSTEM

Deep Analysis Integrates Quantitative Data With Qualitative Evaluation...

Our process determines whether manager performance is a result of skill or luck – and whether it is likely to be repeated....



Qualitative

first-hand evaluation of process, people, organization

- Manager Information Request forms
- In-person due diligence meetings



Quantitative

thorough, deep analysis by accredited professionals

- GRID® and eVestment databases
- Performance in down markets
- Risk/return analysis
- Fee evaluation
- Value added

... Because Historical Performance Alone is Simply Not Sufficient.

2. Describe in detail the process you will use to conduct manager searches for our plan.

The process we will use to conduct manager searches for the System's plan is as follows:

1. **Identification of Client Needs and Objectives.** The client needs are typically identified in the investment policy statement and include items such as risk tolerance, purpose of the assets and portfolio structure.
2. **Establishment of Selection Criteria.** The establishment of appropriate selection criteria is critical to identifying the investment managers that have the highest probability of meeting the objectives of the fund.

CITY OF FT. LAUDERDALE POLICE & FIREFIGHTERS' RETIREMENT SYSTEM

- 3. Quantitative Screening of GRID® and eVestment Databases.** Our proprietary GRID® and third-party eVestment databases are screened to identify candidate managers who satisfy the established selection criteria. This process seeks to identify those managers that have exceptional long-term performance (3- and 5-year) against both the appropriate market benchmark and peer group universe. Managers' style characteristics are also reviewed to ensure adherence to stated style.
- 4. Qualitative Screening of Preliminary Candidate List.** Once we have identified managers who satisfy the quantitative selection criteria, we then conduct thorough qualitative due diligence, with a focus on the organization, the people and the process. An essential element to this process is the internal manager meetings that we conduct with each candidate manager.
- 5. Development of the Final Candidate List.** Combining our expert knowledge of the investment management firms screened and our understanding of the client's unique needs and circumstances, our consulting staff reduces the preliminary candidate list to a final list of candidates for consideration, usually three to five names.
- 6. Evaluation of Finalists.** A more thorough investigation is conducted on each firm that qualifies as a finalist, including information such as portfolio holdings and investment management fees. Due diligence focuses on compliance and governance policies, trading procedures, firm structure and personnel. After assessing all information obtained via these analyses, the candidates are typically narrowed to three or fewer.
- 7. Selection.** At the client's request, arrangements will be made for the finalists to personally present their credentials to the Investment Committee/Board. We will schedule all meetings, structure the sessions and guide the interviews so that the Committee/Board gains a deep understanding of each finalist. We will help evaluate the pros and cons – as they pertain specifically to the fund's needs – of each organization and suggest several ways of reaching a decision.

Alternatively, the client may choose not to have personal interviews, but instead have Yanni Partners, a Division of GBS Investment Consulting, LLC, present it with our recommended manager. In either case, we justify the selection of a manager and explain why we expect it to add value to the client's portfolio over time.

- 8. Transition.** Our staff coordinates the review of investment manager agreements, negotiation of investment management fees, establishment of lines of communication and transmission of trading instructions.

CITY OF FT. LAUDERDALE POLICE & FIREFIGHTERS' RETIREMENT SYSTEM

9. Fee Negotiations. On behalf of the client, we will negotiate investment management fees and minimum account sizes.

10. Ongoing Monitoring. Our ongoing monitoring process includes a targeted evaluation of manager portfolio positions designed to assess exposure to at-risk market segments (ex: issuer-specific risks, industry/sector exposures and underlying portfolio quality). This information enables us to share with our clients critical insight regarding risk and return drivers for the marketplace.

3. Describe your manager search database, including the number of managers it contains, the source of information, the process of manager inclusion and under what circumstances a manager would be removed.

GRID®, detailed on the following page, is our firm's proprietary database of investment manager performance results, related statistics and distinguishing product characteristics. The databases contain composite and/or individually managed portfolio results, commingled fund and mutual fund information. There is no charge to participate in this database, and the product-specific information submitted is for the sole use of Yanni Partners, a Division of GBS Investment Consulting, LLC.

GRID® includes two sets of universes: The Total Fund universes include manager composite data and live Yanni Partners client information, and the Mutual Fund universes include only mutual fund data.

GRID® database (please see following page)

Investment managers do not pay for inclusion in our database. Under no circumstances will Yanni Partners, a Division of GBS Investment Consulting, LLC, receive or accept compensation from investment managers. All universe lists are available on a separate account and mutual fund peer comparison.

CITY OF FT. LAUDERDALE POLICE & FIREFIGHTERS' RETIREMENT SYSTEM

Managers:	Approximately 2,036 (excluding mutual funds)
Funds:	Approximately 13,643 (excluding mutual funds)
Universes:	Domestic Equity
	All Cap Equity
	Large Cap Core
	Large Cap Growth
	Large Cap Value
	Mid Cap Core
	Mid Cap Growth
	Mid Cap Value
	Small Cap Core
	Small Cap Growth
	Small Cap Value
	Fixed Income
	Total Fixed Income
	Core Fixed Income
	Core Plus Fixed Income
	Enhanced Cash
	Short Maturity
	Intermediate Maturity
	Long Maturity
	High Yield
	Balanced
	Low Equity Balanced (25-45% Equity)
	Core Equity Balanced (40-60% Equity)
	High Equity Balanced (55-75% Equity)
	All Balanced
	International/Global
	Total International Equity
	International Equity Large Cap Core
	International Equity Large Cap Growth
	International Equity Large Cap Value
	Emerging Markets Equity
	Global Equity
	International Fixed Income
	Global Fixed Income
	Other
	Real Estate
	Convertible

CITY OF FT. LAUDERDALE POLICE & FIREFIGHTERS' RETIREMENT SYSTEM

Yanni Partners, a Division of GBS Investment Consulting, LLC, gathers information on investment manager performance at least quarterly. Managers can also participate directly in the GRID® database, which is voluntary and at no cost, via the Internet. The minimum requirement for manager participation is one quarter of live performance history for a given product. Manager data can be updated at any time. Furthermore, questionnaires on the investment managers' products and organizations are updated at least annually and can be updated electronically at any time.

The data populating our proprietary database is reviewed on a quarterly basis to ensure that the investment manager universes are being compiled accurately. Our clients can be assured that the performance data they see accurately reflects the managers' results. In addition, our data files allow us to analyze each manager's risk characteristics and perform online analysis of results in different historical or projected market scenarios.

Manager information is not removed from our database; however, investment firms may occasionally merge products or otherwise discontinue their composite information. It is at the investment managers' discretion to request removal from the GRID® database at that point.

Yanni Partners, a Division of GBS Investment Consulting, LLC, also maintains a license with eVestment Alliance, which permits us to import investment manager performance information into our GRID® database. The data is verified through our universe construction processes, which include a quarterly review of the constituents in each peer universe. Our Total Fund universes are created from this imported data and our live client information. The combined data is used to calculate a variety of statistics internally, which are used throughout our client reporting, manager search and analytical processes.

We maintain a similar license with Morningstar, which facilitates the importation of mutual fund data into our system. The GRID® Mutual Fund universes are created from this information and are used throughout our various reports, manager searches and analyses that involve mutual funds.

Our Total Fund universes include composite returns reported to eVestment by investment managers as well as actual client performance. The Mutual Fund universes are comprised only of mutual fund data downloaded from Morningstar.

Our firm also uses the HFR Fund of Funds database and PerTrac software to enhance the quantitative assessment of hedge fund-of-funds managers. This enables us to build a comparative universe of hedge fund-of-funds, and evaluate individual hedge fund-of-funds versus the universe to understand how the individual manager compares to peers.

CITY OF FT. LAUDERDALE POLICE & FIREFIGHTERS' RETIREMENT SYSTEM

4. Please describe the circumstances under which you would recommend terminating an investment manager.

Yanni Partners, a Division of GBS Investment Consulting, LLC, adheres to a stringent manager Watch List procedure, which allows us to determine when a manager requires additional scrutiny or whether a manager should be terminated.

We regularly monitor managers that are either currently utilized or may in the future be utilized in client portfolios. Any potentially adverse events (e.g. staff turnover, mergers and financial issues) are evaluated in the context of all other factors affecting the organization and the investment process.

We maintain a Watch List of managers that require an increased level of monitoring due to a variety of quantitative and/or qualitative factors. Potential circumstances that would warrant placing a manager on watch include:

- **Adverse change in organization, such as departure of key individuals or ownership change**
- **Material change in investment process or strategy**
- **Legal or regulatory issue that warrants further evaluation**
- **Significant change in assets under management**
- **Significant underperformance to the benchmark**
- **Performance that fails to meet investment policy objectives**

We notify our clients any time a manager is placed on the Watch List, and we explain the reasons for such actions. The manager is also notified of the status, and is required to meet with our staff in-person or by conference call – so that we may recommend appropriate action to our clients.

The treatment of a manager placed on watch depends on the reason for such placement. We break down Watch List factors into two categories, unique and systemic. The latter category has three sub-categories (very time-sensitive, medium time-sensitive, least time-sensitive) that define key criteria for watch placement.

Unique Reasons (Specific to the Client)

- Manager is terminated and/or removed from Watch List after client-specific issues are investigated and/or resolved

CITY OF FT. LAUDERDALE POLICE & FIREFIGHTERS' RETIREMENT SYSTEM

Systemic Reasons

- Very time-sensitive issues; decision regarding termination or retention is required as soon as possible:
 - Legal/Compliance/Regulatory issues
 - Significant staff or process change
- Medium time-sensitive issue; decision regarding termination or retention is required within a reasonable amount of time:
 - General organizational change
- Least time-sensitive issue; in-depth analysis is required, decision regarding termination or retention is required within an appropriate amount of time:
 - Performance-related issues

Watch List Process

The consultant who places a manager on watch is designated the sponsor and is ultimately responsible for recommending the appropriate course of action to our Investment Policy Committee. When a manager is placed on watch, a debriefing document must be completed.

The firm's weekly meeting serves as the primary mechanism for Watch List updates. The sponsor will announce a manager's placement on watch to the consulting staff, and will provide the firm with his or her rationale.

Upon announcement, at least one back-up consulting analyst will be assigned to work with the sponsor to complete necessary due diligence. Upon completion of due diligence, the sponsor will complete a Manager Watch List Summary Report, which includes rationale for being placed on watch, expectations to address, summary of clients with exposure to the manager, manager's response, summary of due diligence and conclusion – to be made by the sponsor and analyst. There are four likely conclusions:

1. **Retain.** Sponsor reports to the consulting staff conclusion at the weekly meeting.
2. **Terminate/Client-Specific.** Sponsor reports to consulting staff the conclusion that termination is client-specific. The manager continues to be eligible for use with other clients.

CITY OF FT. LAUDERDALE POLICE & FIREFIGHTERS' RETIREMENT SYSTEM

3. **Terminate/Firm-wide.** Sponsor reports to the consulting staff the recommendation to terminate client accounts associated with manager/product. Firm-wide terminations must be approved at the Investment Policy Committee level.
4. **Continue to Monitor.** Sponsor does not find compelling reason to terminate, but concerns remain. A time horizon for final determination must be set.

Once a final decision has been made, the consultant will notify clients and the investment manager – in writing – of our conclusion on a timely basis. Each client's response will be documented in the client file and the Investment Manager Information Platform.

Managers terminated as a result of the Watch List process are eligible to be reconsidered for client portfolios in the event that they are able to gain approval through the normal manager due diligence process.

5. **Please provide the most recent performance of all the managers your firm has recommended over the last two years. The performance should be measured against the applicable benchmark over periods of 1, 3 and 5 years, ending December 31, 2009.**

Yanni Partners, a Division of GBS Investment Consulting, LLC, tracks the performance of the managers it recommends as detailed in the charts on the following page.

CITY OF FT. LAUDERDALE POLICE & FIREFIGHTERS' RETIREMENT SYSTEM

Manager Recommendations Implemented: January 2008-December 2009 Performance as of December 31, 2009

<i>Asset Class</i>	<i>Qtr</i>	<i>1 Year</i>	<i>3 Year</i>	<i>5 Year</i>	<i>Std Dev 3 Year</i>	<i>Asset Class</i>	<i>Qtr</i>	<i>1 Year</i>	<i>3 Year</i>	<i>5 Year</i>	<i>Std Dev 3 Year</i>
U.S. Equity Large Core*	5.9%	37.4%	-3.9%	3.2%	26.1%	U.S. Equity Small Core*	4.3%	32.6%	-1.6%	4.7%	25.9%
Peer Ranking**	3 rd	1 st	2 nd	1 st	1 st	Peer Ranking**	3 rd	2 nd	1 st	1 st	2 nd
Peer Median**	6.0%	25.7%	-4.2%	1.7%	21.7%	Peer Median**	4.5%	29.9%	-4.9%	1.6%	26.1%
S&P 500 Index	6.0%	26.5%	-5.6%	0.4%	22.2%	R 2000 Index	3.9%	27.2%	-6.1%	0.5%	26.1%

International Equity*	4.3%	38.7%	-2.3%	7.6%	30.4%	Fixed Income Core*	1.0%	10.9%	7.8%	6.3%	5.2%
Peer Ranking**	2 nd	2 nd	2 nd	1 st	2 nd	Peer Ranking**	1 st	1 st	1 st	1 st	1 st
Peer Median**	4.1%	33.0%	-5.7%	4.0%	27.4%	Peer Median**	0.6%	7.2%	6.3%	5.3%	4.5%
MSCI EAFE Index	2.2%	31.8%	-6.1%	3.5%	28.2%	BC Aggregate Index	0.2%	5.9%	6.0%	5.0%	3.7%

* Annualized composite performance gross of fees as of December 31, 2009

** Peer group quartile ranking and median from independent database

CITY OF FT. LAUDERDALE POLICE & FIREFIGHTERS' RETIREMENT SYSTEM

6. **During the past 24 months, what number of investment management firms have you recommended for termination?**

During the past 24 months, Yanni Partners, a Division of GBS Investment Consulting, LLC, has recommended approximately 100 investment managers for termination.

7. **Describe your philosophy and process for conducting prior due diligence when conducting a manager search.**

Yanni Partners, a Division of GBS Investment Consulting, LLC, believes due diligence is absolutely critical when it comes to searching for and evaluating investment managers. Our firm utilizes stringent due diligence procedures at the start of a manager search, and continues with these procedures on an ongoing basis in regards to investment manager monitoring and evaluation. Our due diligence procedure is described in full detail in the following insert.

Investment Manager Due Diligence

Historical performance alone is simply not sufficient

At Yanni Partners, a Division of GBS Investment Consulting, LLC, our manager search process goes beyond quantitative data and historical performance; it is designed to identify qualitative factors, as well. We conduct more than 300 investment manager due diligence meetings each year in our Pittsburgh office.

We expect an investment professional to represent the investment manager during due diligence meetings. These personal meetings with investment managers are intended to further evaluate their philosophies, processes and organizations; they are an integral part of our research and monitoring practices – and are supplemented with on-site meetings in the managers' offices.

Investment managers are required to complete detailed Manager Information Request (MIR) forms and submit them to Yanni Partners at least one week prior to the scheduled meeting. Our research team will discuss the MIRs at that time and identify any issues that should be raised during the meeting.

After each meeting, our consultants meet to evaluate the product and complete a grading sheet, or scorecard, which is posted to an online database accessible by the consulting staff. Scorecards include an evaluation of the following factors:

Organizational Structure

Ownership structure
Disaster recovery
Assets under management
Employee turnover
Fund capacity
Compensation and incentives
Business continuity plan

Process/Product

Research
Conviction and consistency
Buy/sell discipline
Soundness of reasoning
Team vs. star
Portfolio turnover/trading

Risk Management

Security/sector limitations
Diversification
Benchmark awareness
Tracking error
Sell discipline



Yanni Partners

A Division of GBS Investment Consulting, LLC

310 Grant Street, Suite 3000
Pittsburgh, PA 15219
Tel: 412-232-1000
Fax: 412-232-1027
www.yannipartners.com

Due Diligence at Work for our Clients

Our belief: You have to hear what hasn't been said...

Our thorough due diligence process seeks to uncover qualitative information that investment managers might not otherwise disclose – information that cannot be revealed by historical performance figures alone. Our enhanced documentation process for manager selection and monitoring focuses on evaluating the economic validity of managers' investment strategies, and recently led us to avoid "headline" strategies. Our process proposes the following questions – so that we have the information necessary to choose the most appropriate investment managers for our clients.

- Have we received the manager's full audited financial statements, or other means of evaluating the firm's financial position?
- Are all aspects of the manager's product consistent with the client's Investment Policy Statement (IPS)?
- What controls has the manager implemented to limit the risk of unauthorized trading by a firm employee? Has the manager ever experienced incidents of unauthorized trading?
- Does the manager face any organizational risks? What steps has the manager taken to limit such risks?
- How does the manager keep up with changes in regulatory requirements? Can the investment process adapt to a changing market environment? Are there any examples of innovation in the manager's investment process?
- How have assets under management changed during the past year? How will the change in assets affect future manager revenues? How will it affect the investment process?
- Has the product lineup changed significantly during the past year? Has the manager lost focus due to product proliferation?
- What is the degree of liquidity in the portfolio? In how many days could the manager liquidate the portfolio without depressing prices of holdings?
- What is the manager's policy regarding leverage? How much leverage is in the portfolio currently? Can the manager assume leverage indirectly using derivatives?



Yanni Partners

A Division of GBS Investment Consulting, LLC

310 Grant Street, Suite 3000
Pittsburgh, PA 15219
Tel: 412-232-1000
Fax: 412-232-1027
www.yannipartners.com

CITY OF FT. LAUDERDALE POLICE & FIREFIGHTERS' RETIREMENT SYSTEM

8. Do you conduct on-site visits of investment managers that are in your database? How many? How often?

Yes. Yanni Partners, a Division of GBS Investment Consulting, LLC, conducts approximately 300 in-person meetings with investment managers per year, which are supplemented with visits to the managers' offices.

These personal meetings with investment managers are intended to further evaluate their philosophies, processes and organizations; they are an integral part of our research and monitoring practices. Any potentially adverse events (e.g. staff turnover, mergers and financial issues) are evaluated in the context of all other factors affecting the organization and the investment process.

9. Describe the process of monitoring the activities of the various managers. How often do you perform this assessment? How do you assess that the manager is maintaining consistency with its mandated style?

Yanni Partners, a Division of GBS Investment Consulting, LLC, monitors the activities of investment managers on an ongoing basis. Our in-depth process seeks to uncover qualitative information that investment managers might not otherwise disclose – information that cannot be revealed by historical performance figures alone. Our enhanced documentation process for manager selection and monitoring focuses on evaluating the economic validity of managers' investment strategies, and has led us to avoid "headline" strategies. This process is described in full detail in the insert following page 29.

Our Belief: You Have to Hear What Hasn't Been Said...

- We will conduct ongoing due diligence for the City of Ft. Lauderdale Police and Firefighters' Retirement System – personally meeting with the investment managers represented in your portfolio
- Close monitoring of managers will enable us to discern potential adverse changes in their organizations, people and processes
- Our thorough due diligence process uncovers critical information that may not otherwise be revealed

We evaluate style adherence and consistency by utilizing multiple regression analysis for comparison of manager performance versus appropriate benchmark returns. In addition, peer group universe analysis utilizing our proprietary GRID® database is also used to identify managers that have diverged from other managers with similar investment styles.

CITY OF FT. LAUDERDALE POLICE & FIREFIGHTERS' RETIREMENT SYSTEM

We review managers' style characteristics on a quarterly basis. We believe it is very important for a manager to adhere to the style for which it was hired. Each manager plays a specific and important role in the portfolio, sometimes serving as a hedge against another investment in the portfolio. Style drift on the part of a manager might invalidate the manager's role within the total fund.

10. What qualitative factors do you evaluate when researching investment management firms? How does your firm identify qualitative problems at these organizations? How do you verify investment manager information, such as performance history?

In addition to investment returns, key factors for evaluation include:

Organizational Structure. Ownership structure, disaster recovery, assets under management, employee turnover, fund capacity, compensation/incentives, business continuity plans, operational depth.

Process/product. Research, conviction, consistency, buy/sell discipline, soundness of reasoning, team vs. star, portfolio turnover/trading, overall philosophy.

Risk Management. Security/sector limitations, diversification, benchmark awareness, overall philosophy, tracking error, sell discipline.

Yanni Partners, a Division of GBS Investment Consulting, LLC, identifies qualitative problems at manager organizations by maintaining open communication with investment management firms. This includes frequent conference calls, e-mails and in-person meetings. Our firm conducts approximately 300 investment manager meetings each year.

In addition to maintaining frequent communication with investment managers, Yanni Partners, a Division of GBS Investment Consulting, LLC, verifies investment manager performance information as follows:

We have a staff of dedicated Performance Measurement Analysts whose sole responsibility is verifying the accuracy of our clients' performance results. The process begins with the monthly reconciliation of internally generated, CFA® Institute-compliant investment performance figures with those of the investment manager and the custodian. Any identified discrepancies, possibly due to pricing or the timing of a transaction, are reviewed with the appropriate parties to determine accuracy.

CITY OF FT. LAUDERDALE POLICE & FIREFIGHTERS' RETIREMENT SYSTEM

Moreover, our quality control procedures include a review by the assigned team as well as a comprehensive peer review by a senior consultant. Our system of crosschecks ensures clients receive accurate, timely, relevant information. Yanni Partners, a Division of GBS Investment Consulting, LLC, does not outsource any part of its investment consulting services.

11. How is historical performance used in your evaluation of investment managers? How do you verify investment manager information and their compliance with AIMR performance reporting standards?

Yanni Partners, a Division of GBS Investment Consulting, LLC, screens its proprietary GRID® and third-party eVestment databases to identify managers that have exceptional long-term performance (3- and 5-year) against both the appropriate market benchmark and peer group universe.

12. What process do you use to classify a manager's style for inclusion in your database?

Yanni Partners, a Division of GBS Investment Consulting, LLC, has developed a set of diagnostic tools to appropriately classify the style of each manager. We correlate a portfolio's returns to a series of benchmarks to determine the benchmark that provides the best fit. We employ a "style map" to quantify a manager's style. This map provides a clear picture of the manager's strategy based on dimensions of capitalization and value/growth. We also analyze portfolio holdings to supplement this returns-based style analysis.

We reinforce our quantitative analysis with consultations with the managers to develop a thorough understanding of each manager's style to help guide the benchmark selection. We also obtain the manager's views regarding the most appropriate benchmark.

13. Does your firm charge direct or indirect fees for investment managers to be included in your database or in any manager searches that you conduct on behalf of your clients?

No. We do not charge direct or indirect fees for investment managers to be included in our database or in any manager searches. Under no circumstances does Yanni Partners, a Division of GBS Investment Consulting, LLC, receive compensation from investment managers.

14. Does your firm receive any compensation, directly or indirectly, from investment management firms for any reason? If so, what is the source of the compensation and how do you prevent conflicts of interest as a result of the relationship?

No. Under no circumstances does Yanni Partners, a Division of GBS Investment Consulting, LLC, receive compensation from investment managers.

CITY OF FT. LAUDERDALE POLICE & FIREFIGHTERS' RETIREMENT SYSTEM

- 15. Please provide a specific example of a proactive investment proposal to a Board and the outcome of the suggestion.**

In January 2009, when fixed-income credit spread stood at very high levels due to the global credit crisis, Yanni Partners, a Division of GBS Investment Consulting, LLC, reached a firm-wide decision to advise clients to initiative tactical overweights in corporate fixed income, where appropriate. The credit spread for the Barclays Capital U.S. Credit Index was approximately 4.5% at that time. In April 2009, credit spreads began to narrow and have fallen significantly from the January 2009 level. From January 2009 through April 2010, the Barclays Capital U.S. Credit Index has produced an annualized return of 15.3%, reflecting the compression of credit spreads. We have advised clients to remove the tactical overweight to the corporate fixed-income sector after this market opportunity has diminished.

Investment Policy

- 1. Please describe how your firm develops investment objectives, investment policy and guidelines.**

Prior to determining strategies or preparing an Investment Policy Statement, we first conduct a situation analysis to understand the client's needs.

We will evaluate:

- The organization's unique characteristics: vision, mission, strategic initiatives
- Current investment policies and objectives
- Budget, operating and capital requirements
- The amount of each investment pool and the claims against each pool
- Management and the committee's views toward risk

Following the completion of the situation analysis, we will work with the client to review and update the Investment Policy Statement. At Yanni Partners, a Division of GBS Investment Consulting, LLC, we believe the Investment Policy Statement is the lifeblood of the portfolio; the Investment Policy Statement will provide the basis for evaluating the progress of the System's investment portfolio toward achieving its investment objectives.

The Investment Policy Statement will serve as the framework for the development of investment strategies, and should express the organization's risk tolerance as well as specific performance objectives for the investment pools.

CITY OF FT. LAUDERDALE POLICE & FIREFIGHTERS' RETIREMENT SYSTEM

For several clients, we have provided a risk tolerance assessment tool that allows us to evaluate the overall risk tolerance of the organization. Utilizing this tool, we will lead the Board in determining each fiduciary's perspective on the organization's risk tolerance. Our work will help the System to clarify objectives, achieve greater consensus among Board members and integrate its investment planning with overall financial management.

The Investment Policy Statement serves as a guide for fiduciaries to ultimately determine:

- The roles of the Board, consultant and investment managers
- The appropriate level of risk in the portfolio
- Return expectations
- Optimal asset allocation for each portfolio
- Liquidity requirement
- Risk tolerance
- Benchmarks for manager performance

The Investment Policy Statement will:

- Outline a policy carefully designed to meet the fund's specific needs
- Set asset mix guidelines compatible with return objectives and risk tolerances
- Clearly define the framework in which the investment firm will operate
- Set realistic short- and long-range investment goals to provide the means for controlling and, when necessary, modifying the investment process

2. Describe how your firm monitors investment managers' compliance with policy, objectives and guidelines and the process for continually reviewing investment policy, asset allocation and portfolio structure.

Yanni Partners, a Division of GBS Investment Consulting, LLC, continually monitors the total fund and investment managers to ensure compliance with investment policies, guidelines and restrictions. Ongoing monitoring measures whether performance expectations are being met.

A detailed compliance report is provided within the quarterly performance analysis report. This section specifies whether each objective, at the total fund, composite and individual manager level, has been met. (The client's policy document lists the objectives.)

Our system measures whether portfolio returns have achieved their objectives relative to the benchmarks. It also monitors allocations relative to policy targets and ranges. We monitor managers' portfolios to ensure that the portfolio is consistent with all restrictions, such as quality and industry allocation requirements, as well.

CITY OF FT. LAUDERDALE POLICE & FIREFIGHTERS' RETIREMENT SYSTEM

Our work ensures that each client's portfolio structure supports its broad policy goals. The consultant reviews the portfolio structure on an ongoing basis, and will recommend a change in the overall strategy for managing an asset type (such as fixed income) pursuant to market opportunities. We also continually monitor our clients' overall investment strategies, to ensure they continue to be appropriate to the marketplace and liability structure changes.

A fund's overall level of capital market risk is the key driver of long-term performance. It is critical that the organization determines the optimal degree of risk. The pursuit of growth requires an organization to assume investment risk; however, the organization must control risk to temper potential losses. Prudent risk management requires a balancing of these competing objectives.

Such procedures provide critical information to measure the success of the investment strategy and "red flag" items that warrant corrective action. We believe the most important function in the investment process is to determine the appropriate degree of investment risk; the evaluation of risk provides a foundation for all of our analytical efforts.

Traditional risk measures (such as standard deviation of returns) understate the probability of large, negative outliers, which can subject the organization to severe losses. Our asset allocation framework accounts for the markets' tendencies to produce such negative outliers.

We recommend a review of each client's asset allocation at least annually. We will recommend a comprehensive analysis sooner if there is significant change in a client's needs and circumstances. We will change our asset allocation recommendations if we conclude that a client's current policy is not properly aligned with its capacity to bear the stated risks.

Yanni Partners, a Division of GBS Investment Consulting, LLC, believes that investment policy is dynamic and, as such, requires periodic review. At least annually, we will review and evaluate changes in the client's circumstances and fundamental operating needs (such as an improvement in operating performance or improvement in liquidity position) to determine whether there has been a change in the client's capacity to bear investment risk.

3. Describe your development of investment portfolio structure and strategy, including multiple managers and active versus passive management.

Yanni Partners, a Division of GBS Investment Consulting, LLC, will focus its asset allocation work to develop an optimal investment strategy given the nature of the claims against the System's retirement plan.

CITY OF FT. LAUDERDALE POLICE & FIREFIGHTERS' RETIREMENT SYSTEM

Our integrated asset/liability management framework will directly link the investment strategy with benefits payments and pension fund contributions. The model computes future asset values, returns, liabilities and funded ratios for various asset mixes over the life of the plan. We typically display results for 3-, 5- and 10-year intervals, although the client can specify any interval. Different asset mixes represent different risk levels. Our model will test various asset mixes that reflect the unique cash flows for the plan. For each mix, the model will quantify favorable, expected and unfavorable outcomes. The Board will be able to compare the potential benefits and risks of different asset mixes. We believe that our analytical framework will help the System to develop an investment strategy that balances the need to control risk with the pursuit of capital growth.

Our work ensures that each client's portfolio structure supports its broad policy goals. The consultant reviews the portfolio structure on an ongoing basis, and will recommend a change in the overall strategy for managing an asset type (such as fixed income) pursuant to market opportunities. We also continually monitor our clients' overall investment strategies, to ensure they continue to be appropriate to the marketplace and liability structure changes. This is discussed in more detail above, in response to question 2 of this section.

Our recommendation of a commingled versus a direct investment depends on several factors: fees, administrative considerations, ability to accommodate the client's unique guidelines, minimum investment requirements, and the product's capacity (whether it is open to new investments). We believe that a fund-of-funds is generally more appropriate for a "middle-market" investor (with less than \$1 billion in investments) for private equity, distressed investments, private real estate, and hedge funds because a well-managed fund-of-funds provides several benefits: broad manager diversification, access to capable managers, an additional level of due diligence and monitoring, as well as effective reporting and administrative services. We generally recommend single managers for commodities and REITs.

The selection of active versus passive vehicles depends on a market's degree of "efficiency." In relatively efficient sectors, such as large capitalization domestic equities and high-quality fixed income, we often recommend passive or structured vehicles because of the limited potential to add value through active management. In relatively inefficient sectors, such as small capitalization and international equities, we often recommend active portfolio management to capitalize on opportunities to add value.

The following charts summarize some of the general pros and cons of both passive and active investing styles.

CITY OF FT. LAUDERDALE POLICE & FIREFIGHTERS' RETIREMENT SYSTEM

Passive Management (Index Funds)

Pros	Cons
<ul style="list-style-type: none">• Low fees• Median long-term performance (large-cap and fixed-income asset classes)• Low turnover• Fully invested• Low aggravation quotient• Facilitates focus on strategic allocation	<ul style="list-style-type: none">• Potential timing of indexation• Median long-term performance (large-cap and fixed-income asset classes)• Below median performance (small-cap and international equity asset classes)

Active Management

Pros	Cons
<ul style="list-style-type: none">• Ability to benefit from skillful managers• Avoids timing of indexation• Over long time periods, outperformance may be possible for asset classes in which the index performs below the median• Portfolio control	<ul style="list-style-type: none">• Higher fees• Frictional cash balances• Higher transaction costs• Greater performance risk• Greater organizational risk• Survivor bias

Essential to this discussion is the issue of fees. Because active management seeks to exploit the inefficiencies of the markets, a great amount of resources are involved in researching companies and industries. These resource costs are passed along to investors in the way of higher investment management fees.

Indexing and other passive strategies are incorporated into our approach to portfolio construction when appropriate for our clients. In large capitalization equity, an index approach provides median levels of return versus active management with market levels of volatility. However, in other equity markets, such as small capitalization or international, active management provides opportunities for greater returns.

CITY OF FT. LAUDERDALE POLICE & FIREFIGHTERS' RETIREMENT SYSTEM

4. Provide an opinion regarding the retirement plan's current asset allocation, manager structure and performance benchmarks referred to in the investment policy.

We will provide preliminary observations about the plan's current asset allocation, manager structure and performance benchmarks referred to in the investment policy with the understanding that our ability to provide definitive recommendations would require a comprehensive asset/liability analysis, a policy review and an evaluation of the investment managers.

The overall asset allocation of 50% equity, 10% equity long/short, 10% real estate and 30% fixed income represents a reasonably balanced growth-oriented strategy. An analysis of the plan's liabilities would be necessary to provide conclusions whether the current asset mix appears to be aligned with the plan's liquidity needs and tolerance for risk.

We believe that current valuation levels in the real estate market warrant a review of the role of real estate. Our current capital market assumptions provide for an expected annualized 10-year return of only 3.7% for REITs. This 3.7% expected return falls below the historical return for REITs and our current expected returns for equities and fixed income. It is our understanding that the portfolio has allocated the major portion of its real estate position to REITs through American Realty Group. We also note that the open-end real estate fund PRISA II presents potential challenges from a liquidity and asset/liability matching standpoint. An open-end fund might experience difficulties in accommodating a surge in redemption requests. A closed-end fund or limited partnership provides a structure that may be better-suited to the limited liquidity of real estate. The real estate benchmark of NCREIF Index is designed for private real estate but not REITs.

There are three fixed-income managers that share the same benchmark: the Barclays Capital Aggregate Index. Given the relative degree of efficiency of the domestic fixed-income market, we question the need for three managers. We suggest that Trustees consider opportunities to consolidate this position with one or two managers to streamline administration, reduce fees and reduce time/expense for monitoring.

Other types of hedge funds, such as relative value and global macro, might provide opportunities to diversify the current position in equity long/short.

Dedicated allocations to commodities and U.S. Treasury Inflation Protected Securities might be appropriate for the plan as potential inflation hedges.

CITY OF FT. LAUDERDALE POLICE & FIREFIGHTERS' RETIREMENT SYSTEM

The 10% policy weight in small-cap domestic equity appears high based on the 25% weight in large-cap domestic equity. We do not expect a long-term performance premium from the small-cap sector; therefore, we do not recommend a strategic overweight in the small-cap sector. We believe the current four-manager structure of the large-cap domestic equity portfolio offers opportunities to streamline and consolidate this segment. We suggest that the Trustees consider alternatives beyond the current "style-box" approach in large-cap domestic equities, such as an increased allocation to an index fund and/or an "all-cap" approach.

The approach for managing international equities (with Thornburg and Artio) provides the managers with the ability to capitalize on opportunities in the emerging markets. We believe that this flexible and opportunistic approach to non-U.S. markets offers potential diversification and performance benefits to the plan. International equities constitute 30% of total equities (given allocations of 35% domestic and 15% international); our analysis has shown that a 30% allocation to international offers the potential for a very significant portion of the expected diversification benefits from international equities. We believe that the Morgan Stanley Capital International All Country World Index Ex-U.S. (MSCI ACWI Ex-U.S.) is more appropriate than MSCI EAFE as the international equity benchmark due to the plan's investments in developed and emerging markets.

5. Describe the process that would be used for review and assessment of existing investment policies, guidelines, asset allocation and investment performance of the fund.

Yanni Partners, a Division of GBS Investment Consulting, LLC, would assess the existing investment policy and guidelines in to ensure they are compatible with return objectives and risk tolerances, clearly define the framework in which investment managers will operate, and set realistic investment goals. The Investment Policy Statement should delineate the roles of the Board, consultant and investment managers, the appropriate level of risk in the portfolio, return expectations, the optimal asset allocation and liquidity requirements, risk tolerance and performance benchmarks. We review investment performance in accordance with benchmarks set in the investment policy.

For the City of Ft. Lauderdale Police and Firefighters' Retirement System, Yanni Partners, a Division of GBS Investment Consulting, LLC, will review the current portfolio structure and determine whether it is appropriate for the investments. This includes determining whether to use active or passive management, and the number of investment managers to use in the portfolio.

CITY OF FT. LAUDERDALE POLICE & FIREFIGHTERS' RETIREMENT SYSTEM

These decisions will significantly impact the investment management fees incurred.

We view portfolio-structuring as the procedure to implement the key strategic decision – asset allocation. An efficient structure will provide an asset allocation strategy that maximizes the portfolio's expected return at the policy risk level. Key elements of an efficient structure include broad diversification among asset types, skillful investment managers and low expenses.

Therefore, Yanni Partners, a Division of GBS Investment Consulting, LLC, ensures that each client's portfolio structure supports its broad policy goals.

We will first review the investment policy to determine the appropriate target positions for each asset category. Investment managers are then identified to fulfill each mandate set forth in the policy. This process includes the analysis of incumbent managers to determine which firms remain appropriate in the portfolio structure. Once we have identified asset categories where an investment manager needs to be replaced or a new asset category needs to be funded, we will recommend the appropriate manager searches as necessary.

In sectors that offer favorable prospects for active management (generally the less efficient sectors such as small cap and international), we often recommend active managers. For relatively efficient sectors, such as domestic large-cap equities and investment-grade fixed income, we often recommend highly diversified and low-cost approaches such as index funds, exchange traded funds and structured approaches (quasi-index funds). For alternative investments, we typically recommend fund-of-funds. Fund-of-funds provide middle-market investors with access to the most skilled managers, broad diversification and comprehensive accounting/administrative services.

Your consultant will review the portfolio structure and the manager team, and will recommend a change in the overall strategy for managing an asset type pursuant to market opportunities. We also review our clients' overall investment strategies, to ensure they continue to be appropriate as the markets and liability structure change.

In reviewing asset allocation, we will consider the following:

Objectives

- Did the asset allocation process include an evaluation of the plan sponsor's objectives, including its capacity to bear risk?

CITY OF FT. LAUDERDALE POLICE & FIREFIGHTERS' RETIREMENT SYSTEM

Benefit Payments

- Did the analysis include an evaluation of projected benefit payments for purposes of projecting future pension fund values and funded ratios?

Capital Market Assumptions

- What was the methodology for deriving projected risks and returns of the major asset classes?
- Was the methodology sound?
- Are the return assumptions forward-looking?
- Are projected returns based on the key determinants of returns for each asset type, such as the current dividend yield, growth in earnings and potential changes in valuation levels in the case of equities?
- Do the return assumptions incorporate expected inflation?
- How do the assumptions estimate risk of the capital markets, specifically the tendencies of markets to display non-normal distributions of returns, unstable variances (standard deviation) over time and changing correlation patterns (correlations among risk assets have tended to rise during periods of stress)?

Features of Asset Allocation Model

- What is the analytical process that the System used to test how different asset mixes might affect the level and risk of future funded ratios for the plan?
- Does the model provide the System with a rigorous basis to evaluate the potential benefits and risks of different asset mixes?
- Does the model include expected cash flows from benefit payments and contributions?
- Does the model project key measures for the plan, for a given mix, such as the funded ratio, asset values, liability values and investment returns?
- Does the model project these measures stochastically to convey the risks of the different asset mixes?
- How does the model account for markets' tendencies to experience non-normal distributions of returns and unstable variances and correlations over time?
- Does the model adjust risk measures for the propensity of certain asset types (such as hedge funds and fixed income) to display serial correlation in the return series?
- Does the model test the implications of inflation and deflation?

CITY OF FT. LAUDERDALE POLICE & FIREFIGHTERS' RETIREMENT SYSTEM

6. What does your firm consider to be the most critical issue regarding a public pension plan investment policy?

At Yanni Partners, we believe the most critical issue regarding a public pension plan investment policy involves the understanding of risk and incorporation of risk tolerance.

We have enhanced our risk management capabilities by incorporating a risk tolerance assessment tool for committees and management. The tool gauges each individual committee member's risk profile; the profiles are compiled to develop an overall risk tolerance composite for the committee.

Using this proprietary tool, we will work with the investment committee in determining the risk tolerance of each of the trustees and in determining the appropriate level of risk for the pension plan. Once this appropriate level of risk is determined, then we are better able to customize the modeling to only include asset mixes that would be appropriate for that level of risk.

We have developed this tool in such a way that it is customizable to each client and portfolio type. The output is reviewed with the committee to finalize a workable understanding of risk tolerance that can be incorporated into the investment policy and used in creating portfolio solutions. We believe an assessment of the committee is a critical first step to providing a basis for our quantitative modeling processes.

Risk management is discussed in more detail beginning on page 48.

7. What is your firm's philosophy regarding the proper role of the consultant in the development of an investment policy and the manager guidelines for a public pension plan?

We play an active role in the development of guidelines for investment managers. We take into account the client's risk preferences, liquidity needs and investment objectives. Clear guidelines are a critical component of the Investment Policy Statement; as such, we work closely with each client to determine the appropriate language in the policy that accurately reflects its goals. The language is important in order to eliminate any ambiguities and confusion on the part of the investment managers.

CITY OF FT. LAUDERDALE POLICE & FIREFIGHTERS' RETIREMENT SYSTEM

Performance Measurement and Evaluation

1. Describe in detail your performance measurement system, and the philosophy behind it. Is your system proprietary or did you obtain it from an outside source?

Following is a description of our proprietary portfolio analytics system, encompassing traditional asset types of equities (including international equity) and fixed income, as well as alternative investments of private equity, real estate, commodities and hedge funds. Portfolio analytics are included in most clients' reporting packages.

Our proprietary system computes returns for each manager's account, the asset type composite and the total fund. The system also provides returns for the relevant market benchmarks. We supplement the returns with risk measures such as standard deviation and beta. We also compute risk-adjusted returns such as alpha, tracking error, information ratio and Sharpe ratio. For equities and fixed income, the system also measures the managers' styles.

As noted, our performance measurement system measures the performance of an account relative to its benchmark. The system computes the difference between the account's return and the benchmark's return.

Yanni Partners, a Division of GBS Investment Consulting, LLC, has developed a process and set of diagnostic tools to determine the appropriate benchmark for a portfolio. This is discussed in more detail above, in response to the previous question.

The performance of each account is diagnosed through a style analysis, as well as regression correlation analysis, with various indexes to determine a "best fit" of manager return with an index. In addition, holdings-based analyses are conducted to determine the appropriateness of the benchmark.

On a quarterly basis, performance and statistical peer group universes are constructed from the data within the database for client reporting and other consulting projects. Typically, clients evaluate their performance results as described in their investment policy for each manager, as well as the total fund. (In general, clients focus on the trailing three-year period for the performance comparison.) A detailed compliance report for each manager is provided within the quarterly performance analysis report.

CITY OF FT. LAUDERDALE POLICE & FIREFIGHTERS' RETIREMENT SYSTEM

Regarding analytical tools related to performance reporting, a number of computer-based analytical tools (described in more detail in response to the following question) are customized to meet our clients' unique circumstances. The criterion for determining whether to build or buy a software system is based on whether the particular application requires customization or whether it is a "commodity-type" process. We develop software internally for applications that require customization. We will outsource a commodity-type application if it is economical to do so, provided that the system meets our firm's quality control requirements.

2. Do you purchase universe data, or do you maintain your own? If purchased, from whom?

Yanni Partners, a Division of GBS Investment Consulting, LLC, maintains its own universe data (GRID, described in full detail beginning on page 21).

Our firm also maintains a license with eVestment Alliance, which permits us to import investment manager performance information into our GRID® database.

We maintain a similar license with Morningstar, which facilitates the importation of mutual fund data into our system. The GRID® Mutual Fund universes are created from this information and are used throughout our various reports, manager searches and analyses that involve mutual funds.

Our firm also uses the HFR Fund of Funds database and PerTrac software to enhance the quantitative assessment of hedge fund-of-funds managers. This enables us to build a comparative universe of hedge fund-of-funds, and evaluate individual hedge fund-of-funds versus the universe to understand how the individual manager compares to peers.

3. Please specify and describe the universes you have available, how often they are updated, their sources (i.e. manager information, federal filings, calculation from bank statements, etc.), the type of accounts they contain, the number of portfolios, and the size range of the portfolios they contain.

Yanni Partners, a Division of GBS Investment Consulting, LLC, constructs peer universes for individual managers as well as for the total fund. The manager peer universes are constructed based on the managers' investment styles. The total fund (balanced) universes are constructed by the fund's allocation to equity. For example, we compare clients with an equity allocation greater than 55% versus the High Balanced Universe, which contains fund sponsors with equity allocations ranging from 55% to 75%. A fund sponsor with an equity allocation ranging from 40% to 60% would be compared against Yanni Partners' Core Balanced Universe and a sponsor with an equity allocation between 25% and 45% would be compared against Yanni Partners' Low Balanced Universe.

The size range of portfolios in our universes is approximately \$100,000 to \$850 million.

CITY OF FT. LAUDERDALE POLICE & FIREFIGHTERS' RETIREMENT SYSTEM

GRID®, described in full detail beginning on page 21, is our firm's proprietary database of investment manager performance results, related statistics and distinguishing product characteristics. The databases contain composite and/or individually managed portfolio results, commingled fund and mutual fund information. There is no charge to participate in this database and the product specific information submitted is for the sole use of Yanni Partners, a Division of GBS Investment Consulting, LLC.

GRID® includes two sets of universes: The Total Fund universes include manager composite data and live client information, and the Mutual Fund universes include only mutual fund data.

The data populating our proprietary database is analyzed on a quarterly basis to ensure that the investment manager universes are being compiled accurately. Performance data is imported from eVestment Alliance on the or around the 10th business day following the end of each calendar quarter. Our firm has dedicated Performance Measurement Analysts who verify all imported information. Our database administrator reviews products annually to ensure that they are accurate and up-to-date.

Managers can also participate directly in the GRID® database, which is voluntary and at no cost. Managers can submit their information electronically, and this data can be updated at any time. All participating firms submit data via our website with an assigned user ID and password. The minimum requirement is one quarter of live performance history for a given product.

Manager information is not deleted from our database; however, investment firms may occasionally merge products or otherwise discontinue their composite information. It is at the investment managers' discretion to request removal from the GRID® database at that point.

As described above, GRID® is supplemented with information from Morningstar, eVestment Alliance, the HFR Fund of Funds database and PerTrac software. With our combined databases, Yanni Partners, a Division of GBS Investment Consulting, LLC, tracks approximately 1,950 managers and 13,187 funds (as of March 31, 2010).

4. Describe the types of analysis included in a typical performance evaluation report. To what extent can performance reports be customized?

Performance reports are completely customized to meet each client's unique needs and preferences. Our clients have complete input in the content and format of an investment performance evaluation report. Our report is designed according to client specifications; the client directs the format in which it would like information to be presented.

CITY OF FT. LAUDERDALE POLICE & FIREFIGHTERS' RETIREMENT SYSTEM

Performance evaluation reports are:

- **Completely Customized.** The frequency, content and format of our performance measurement reports are dependent on each client's unique needs and preferences. All results are evaluated within the context of each individual client's investment goals and demonstrate the progress toward achieving those objectives. The actual delivery date and medium is dependent on the preference of the client (hard copy or .pdf format).
- **Timely.** Reports are normally available to the client within 30 days after receipt of the custodian data. Reports are delivered according to the preference of the client (at a minimum, quarterly).
- **Concise and Understandable.** Reports are clear and easy to read.

While our client reports are completely customized, our clients often request reports that include the following:

- **Portfolio Summary.** Provides a roadmap for the meeting. Illustrates the change in market value for relevant periods and segments by source (cash flow, portfolio asset allocation, investment managers). Also lists any initiatives that require attention.
- **Performance Data.** Short- and long-term actual performance results for each investment manager in the asset pool, including a comparison of the manager's performance against an appropriate benchmark.
- **Risk Analysis.** The management of risk provides a foundation for all of our analytical efforts, as it is essential for the portfolio risk to be properly aligned with the client's capacity to bear risk. Risk measures are compared on both an absolute and peer group basis. These measures include:
 - alpha
 - beta
 - up/down market capture ratio
 - standard deviation
 - information ratio
 - tracking error
- **Portfolio Objectives.** Specifies whether each investment objective or guideline, either at the total fund level, asset class level or manager level, has been met.

CITY OF FT. LAUDERDALE POLICE & FIREFIGHTERS' RETIREMENT SYSTEM

- **Asset Allocation.** Illustrates current and historical allocation of the fund by major asset class and compares it to the policy allocation.
- **Manager Return Attribution.** Identifies the portion of a manager's return that was due to asset allocation and the net effect of other decisions.
- **Performance Graphs.** Displays investment manager and benchmark return data within each respective universe over various time periods.

In addition to providing data in the report, we provide analysis and interpretation of the results to address the concerns of the client, which may include:

- How is the fund's investment manager performing relative to other similar managers and the appropriate indexes?
- Is the fund's investment manager consistently exhibiting the investment style for which it was hired?
- Is the fund's investment manager in compliance with all stated investment policies and guidelines?
- Does the overall strategy continue to be appropriate for the fund?

The performance report serves as a tool for the Committee, providing guidance as to whether any changes may be necessary.

Performance reports also include an educational insert on a timely research topic, outlining ideas and insight to keep in mind going forward. Recent topics have included risk management, fixed income strategies, and inflation and deflation. Upcoming research will focus on liquidity management.

We use our experience and knowledge of investments to assist clients in drawing conclusions and implementing needed changes. These discussions typically take place at each client's scheduled board meetings. We will also arrange, at the client's request, for portfolio managers to attend the meeting and present their investment process and performance to the board if appropriate.

Historical performance figures alone, however, are inadequate in assessing manager performance. Thus, our consulting staff focuses a significant amount of time on evaluating the qualitative aspect of the managers' performance. We meet directly with investment managers on a full-time basis (more than 300 due diligence meetings per year). Our qualitative analysis, coupled with our extensive analysis of statistical measures, helps us determine whether the manager performance was likely due to skill or luck, and whether it is likely to be repeated.

CITY OF FT. LAUDERDALE POLICE & FIREFIGHTERS' RETIREMENT SYSTEM

5. What risk analysis tools will your firm use to help our plain maintain an overall desirable risk level?

Our firm's emphasis is on effective methods to measure and control risk. The management of risk provides a foundation for all of our analytical efforts. At Yanni Partners, a Division of GBS Investment Consulting, LLC, we evaluate the key dimensions of risk:

- The aggregate degree of capital market risk in the portfolio
- The degree of active management risk for each manager
- Organization and process risks associated with each manager
- The client's internal operating procedures

Yanni Partners, a Division of GBS Investment Consulting, LLC, measures risks in several dimensions. We compute conventional risk measures, such as standard deviation, to determine a portfolio's overall variability of returns. We compute standard deviation for an individual manager, asset type composite and total fund. Our system also calculates risk-adjusted return measures, such as alpha (value added relative to the benchmark), the information ratio (consistency of a manager's added value) and the Sharpe ratio (the manager's value added relative to U.S. Treasury bills divided by the variability of such excess returns).

Our system computes tracking error (the variability of the manager's performance deviations from the index) to evaluate the degree of active management risk in a portfolio.

We have enhanced our risk management capabilities in two important ways this year: 1) broader measures of downside risk, and 2) a risk assessment tool for investment committees and management.

The additional measures of downside risk include maximum peak-to-trough losses that the portfolio might experience over a certain period of time. Information regarding potential peak-to-trough losses can guide an organization toward an appropriate level of risk.

A portfolio might achieve a satisfactory return over an entire holding period, such as five years, but could experience severe interim losses that might subject the institution to adverse consequences. Our risk tolerance assessment tool gauges each individual board member's risk profile; the profiles are compiled to develop an overall risk tolerance composite for the Board.

We have developed this tool in such a way that it is customizable to each client and portfolio type. The output is reviewed with the Board to finalize a workable understanding of risk tolerance that can be used in creating portfolio solutions. We believe an assessment of the Board is a critical first step to providing a basis for our quantitative modeling processes.

CITY OF FT. LAUDERDALE POLICE & FIREFIGHTERS' RETIREMENT SYSTEM

The primary method for controlling risk is by setting an appropriate asset allocation policy using asset weight limits. Our asset allocation model projects the overall degree of risk in a portfolio by displaying various downside risk measures such as unfavorable annualized returns over a total investment horizon and the maximum peak to trough loss during the investment horizon.

Many conventional risk measures, such as standard deviation, do not differentiate between upside variability and losses. We use a number of risk measures that focus on downside risk. We have developed proprietary asset allocation models to project downside portfolio risks – providing clients with a deeper understanding of investment risks. We believe that our focus on downside risks will help each client to develop an investment strategy that aligns with its capacity to bear risk.

Our risk research has revealed that most traditional risk models understate the downside risks of the capital markets. Many traditional approaches assume that capital market returns are normally distributed. Historical data reveal that the markets have sustained large losses with greater frequency than a normal distribution would suggest. We have built our asset allocation framework to model risk more realistically than many traditional approaches assume. Pages 12-16 describe our asset allocation framework in full detail.

Furthermore, we evaluate each client's needs to determine whether there has been a change in its capacity to bear investment risk. If there is a significant change in the client's circumstances, Yanni Partners, a Division of GBS Investment Consulting, LLC, will review the asset allocation to ensure that the investments are properly aligned with the organization's risk tolerance.

We also re-evaluate the organization's investment strategy in response to significant changes in the capital markets (such as changes in expected returns stemming from changes in valuation levels). We will let you know if your portfolio's risk is deviating from the investment strategy established for the System – and will discuss any necessary changes to be implemented.

Quarterly performance reports, customized to meet client needs and circumstances, typically include a risk analysis. Risk measures are compared on both an absolute and peer group basis. These measures include alpha, beta, up/down market capture ratio, standard deviation, information ratio and tracking error.

CITY OF FT. LAUDERDALE POLICE & FIREFIGHTERS' RETIREMENT SYSTEM

6. How frequently are client reports generated? How soon after the end of the reporting period are these reports distributed? Are these reports available through Internet access? Does your standard report format include an executive summary? Do you have the ability to customize reports for your clients? Will you provide a .pdf version of your report?

Performance reports, customized for each client, are typically produced and delivered quarterly. They are available within 30 days after obtaining the custodial statements. However, we can accommodate clients who request intra-quarter performance results, as well. The frequency of performance report production and delivery is dependent on the preferences and needs of the client.

Yes, performance reports include a "Portfolio Summary," or executive summary. This section was created as a roadmap for the meeting as well as a way to provide a quick overview. As such, the section details the topics to be discussed at the meeting and any relevant issues requiring attention or a decision. This page is designed to give Committee/Board members a snapshot of portfolio market value, cash flow and investment earnings for the most recent quarter and year-to-date periods. It also provides performance attribution, identifying the portion of return due to asset allocation and/or manager impact, and a summary of the asset allocation relative to Investment Policy targets.

Yes, we can provide reports in .pdf format. Reports are not available via Internet access.

7. What asset categories are tracked in your performance measurement system? How many investment managers are included within each asset category?

The asset classes inclusive in our work are the standard domestic and international equity (by style and capitalization), domestic and international fixed income (by maturity and credit quality), cash equivalent asset classes, high-yield income, convertible securities, emerging markets and real estate. When appropriate, alternative investments (such as commodities, real estate, private equities and hedge funds) are also recommended for further diversification.

The number of investment managers included within each asset category are as follows:

Balanced	236
U.S. Equity	1113
International Equity	374
Global Equity	484
U.S. Fixed Income	449
International Fixed Income	65
Global Fixed Income	175
Convertibles	24
Real Estate	85
Hedge Fund of Funds	538

CITY OF FT. LAUDERDALE POLICE & FIREFIGHTERS' RETIREMENT SYSTEM

8. Describe how a new client would transition to your services and setup fees, if any.

When we begin a client relationship, we provide the client with a copy of key relationship information items that we will need to begin our work, as well as a letter of authorization. This letter of authorization allows us to obtain statements, reports and relevant correspondence for the Fund's custodian and investment managers and prior consultant (if applicable). We spearhead the transition and only go back to the client if there is a roadblock to an efficient transfer of data and portfolio information. Transition typically takes three to five weeks, depending upon the availability of data.

There are no setup fees.

9. When the performance of an investment manager is not what is expected by your client, what additional steps would you follow in monitoring that manager's performance?

When a manager's performance requires additional monitoring, we adhere to the steps inherent in our Watch List Process. This is described beginning on page 25.

Research Capabilities

1. What internal research capabilities and resources does your organization have to obtain information and assist in decision-making?

Yanni Partners, a Division of GBS Investment Consulting, LLC, has made a strategic commitment to research in order to help our clients' use their financial resources as effectively as possible. Our belief is that effective and practical research helps our firm to deliver "value added" services, and that an informed committee is an effective committee.

Yanni Partners, a Division of GBS Investment Consulting, LLC, has a dedicated research team, located in our sole office in Pittsburgh, Pa. The research team operates under the direction of Chief Strategist, David Hammerstein, CFA, AIF®.

We proactively conduct customized research predicated on client need and the changing market environment. During the recent turbulent times, for example, our consulting and research staff has further dedicated itself to our due diligence effort regarding marketplace volatility. We apply rigorous analytical techniques in a practical manner to help clients make better use of their financial resources.

CITY OF FT. LAUDERDALE POLICE & FIREFIGHTERS' RETIREMENT SYSTEM

Yanni Partners, a Division of GBS Investment Consulting, LLC, synthesizes information from numerous outside sources to develop research to address clients' practical business needs. Such external sources include:

- Market benchmarks from financial services firms
- Economic data from government agencies
- Articles and analyses from the investment management and academic communities
- Periodicals, newspapers, academic journals and trade publications

Given the abundance of external information, our firm has structured its research function to develop ways to analyze and synthesize such information to address specific business problems and issues that may become relevant to our clients.

The firm draws on the resources and insights from numerous academicians who have entered the investment management field. Many global investment management firms employ former economics and finance professors. Our Chief Strategist, former CIO at a major global research university, has developed relationships with many of these individuals over the years. Such individuals serve as peer reviewers of our internally developed models and our research papers.

Our research department coordinates the monitoring of industry and market trends, as well. We monitor industry and market trends in several ways. We track a broad range of domestic and international equity and fixed-income market benchmarks. This evaluation provides a good overview of performance. We supplement this evaluation with reviews of numerous publications from news sources, research from Wall Street and the investment community, and academic articles.

We are in frequent contact with hundreds of investment managers through telephone calls and meetings. Because the managers are buying and selling securities on a daily basis, they provide first-hand knowledge of market developments. We attend industry conferences to develop further insights and maintain close communications with our clients, as we find that our clients often provide incisive insights into economic and market trends.

2. How does your firm gain knowledge pertaining to the relevant products and technology in the pension industry, and maintain an ongoing understanding of global market environments?

Yanni Partners, a Division of GBS Investment Consulting, LLC, has a research team dedicated to gaining knowledge pertaining to relevant products and technology in the pension industry. As mentioned above, this team coordinates the monitoring of industry and market trends to maintain an ongoing understanding of the global market environments.

CITY OF FT. LAUDERDALE POLICE & FIREFIGHTERS' RETIREMENT SYSTEM

3. How many individuals in your firm are dedicated to research, what are their responsibilities, and where are they located?

Our firm has a dedicated research team, located in Pittsburgh, Pa. The research team, comprised of five consulting analysts and supported by eight investment consultants, operates under the direction of Chief Strategist, David Hammerstein, CFA, AIF®.

Our consulting analysts serve on teams specializing in the following asset classes: large-cap equities, small-cap equities, international equities, fixed income and alternative investments. Consultants provide their expertise and serve as resources for all teams, in addition to maintaining ongoing communication with the managers represented across their client bases. The Investment Policy Committee, comprised of senior investment professionals, determines research priorities based on the most pressing issues that our clients face.

We recognize that quantitative analysis alone is subject to limitations. For this reason, our research team, also responsible for due diligence, strives to develop a thorough understanding of each manager's strengths and weaknesses.

Our consultants and analysts conduct approximately 300 face-to-face meetings each year with investment managers, and maintain close relationships with all investment managers represented in our clients' portfolios.

Name of Professional	Research Areas
David Hammerstein, CFA, AIF®	Investment Policy Committee* Capital Market and General Research Alternatives
Ryan Lennie, CFA	Capital Market and General Research Alternatives
Joshua I. Armstrong	Small-Cap Fixed Income
Stephen A. DiGirolamo	Large-Cap International Equity Fixed Income
Robert L. Gerstenberger	Large-Cap
Jessica Lang	Small-Cap International Equity
Sean M. Bannon, CFA, AIF®	Investment Policy Committee*

CITY OF FT. LAUDERDALE POLICE & FIREFIGHTERS' RETIREMENT SYSTEM

Christiaan J. Brokaw, CFA, AIF®	Investment Policy Committee
Frank N. Domeisen, CFA, AIF®	Investment Policy Committee*
James E. Gnecco, AIF®	Investment Policy Committee
Charles W. Gregor, CFA, AIF®	Investment Policy Committee*
Joseph P. Karpinski, CPA, CFA, AIF®	Investment Policy Committee
Brian A. Maxwell, CFA, AIF®	Investment Policy Committee*
Karen D. Watson, CFA, AIF®	Investment Policy Committee

** Voting member of the Investment Policy Committee*

4. **Describe your firm's manager research, evaluation and search capabilities in both the traditional marketable securities markets as well as your capabilities in less traditional, alternative asset areas, e.g. marketable alternative assets, hedge funds and private, non-marketable equity funds such as real estate, private equity, venture capital, etc.**

Yanni Partners' manager research, evaluation and search capabilities integrate qualitative evaluation with deep, quantitative analysis to discern whether manager performance is due to skill or luck – and whether it is likely to be repeated. Our capabilities in traditional asset classes, including our manager search process, are described in full detail beginning on page 19.

Specific asset classes provide different challenges. What is important when performing a search in one asset class may not necessarily be important in another. We focus on several unique factors when researching managers:

Domestic Equity Manager Searches

Manager style (growth vs. value) and style drift
 Capitalization (large-cap, mid-cap, small-cap)
 Fundamental research capabilities

International Equity Manager Searches

Region allocation and transaction costs
 Research analysts who work/travel abroad
 Currency hedging capabilities

CITY OF FT. LAUDERDALE POLICE & FIREFIGHTERS' RETIREMENT SYSTEM

Fixed-Income Manager Searches

Sector selection/rotation

Duration management

Overall quality rating of the portfolio

Hedge Fund Manager Searches

Compelling strategy and rigorous valuation techniques

Avoidance of extreme "left tail" risk

Private Equity Manager Searches

Robust deal flow

Ability to boost portfolio companies' operating performance

Partner of choice for portfolio companies

Real Estate Manager Searches

Ability to enhance properties' operating performance

Opportunistic purchases and sales of properties

Commodities Manager Searches

Appropriate vehicle structure

Approach that captures expected diversification benefits of commodities

Avoidance of leverage

The key steps for due diligence for less traditional assets depend on the asset category. The following sections describe the key due diligence elements for the major categories of non-traditional investments:

Private Equity

- Does the manager have a well-defined strategy?
- Is the investment team cohesive (given the long time horizon for private equity)?
- Does the manager have access to good investments?
- Does the manager have professionals with operating experience? Can these people help the portfolio companies improve their operating performance and profitability?
- Does the manager have the ability to execute a successful "exit strategy" for portfolio companies?
- Does the manager have effective valuation and administrative procedures?

CITY OF FT. LAUDERDALE POLICE & FIREFIGHTERS' RETIREMENT SYSTEM

Hedge Funds

- Does the manager have a compelling strategy? Is the manager exploiting a unique opportunity in the markets based on keen insights and effective valuation procedures?
- Can the manager manage risk successfully?
- Can the strategy deliver good returns without the reliance on leverage?
- Does the manager have an objective method of pricing the portfolio? Are operating procedures sound?

Real Estate

- Does the manager have a clearly defined strategy that offers the prospects for good returns? Is the strategy well defined in terms of risk focus (manager's willingness to assume leasing, development and property management risks)?
- Does the manager have the ability to improve a building's operating performance?
- Can the manager execute a timely and effective sale of the property?

Commodities

- Does the strategy provide substantial exposure to commodities markets?
- Can the manager achieve this exposure efficiently?
- Does the manager have experience with commodities futures and commodities swaps?
- Is the collateral managed effectively with very limited credit and duration risks?

5. What do you do to stay current with the Florida public pension laws?

Our research team works to stay current with all market trends and issues impacting our clients, including state regulations that affect our clients' pension plans, and makes recommendations to the Investment Policy Committee as appropriate. The Investment Policy Committee, comprised of senior investment professionals, determines research priorities based on the most pressing issues that our clients face. Consultants provide their expertise and serve as resources as well, as they maintain ongoing communication with their clients to stay up-to-date on any issues they may be facing.

CITY OF FT. LAUDERDALE POLICE & FIREFIGHTERS' RETIREMENT SYSTEM

G. OTHER

1. Please describe any investment consulting services that you can provide that have not been covered in previous sections. Discuss associated fees, if any.

For pension funds, our investment consulting services include (but are not limited to): asset allocation modeling, analyzing client needs, developing appropriate investment strategies and portfolio structures, risk analysis, selecting investment managers, establishing investment goals and objectives for investment policy development, integrating socially responsible guidelines, documenting investment committee best practices, ongoing monitoring of investment performance, client education, alternative investments, named fiduciary services and special projects.

There are no additional fees beyond the full-service retainer fee.

2. Does your firm have insurance coverage for errors or omission of at least \$5 million, or general liability insurance of at least \$1 million? Will you provide certificates if your firm is hired and annually thereafter?

Yes. Yanni Partners, a Division of GBS Investment Consulting, LLC, maintains the following insurance coverages, and will provide certifications if hired and annually thereafter.

Errors & Omissions

Policy No. ELU11325409

Insurer: Indian Harbor Ins. Co.

Effective Dates: 09/01/09 - 09/01/10

Each wrongful act: \$20,000,000

Aggregate: \$20,000,000

Commercial General Liability

Policy No. 41GPP4938402

Insurer: Arch Ins. Co.

Effective Dates: 10/01/09 - 10/01/10

Occurrence: \$1,000,000

Aggregate: \$3,000,000

Excess/Umbrella Liability

Policy No. 41GPP4938402

Insurer: Travelers Excess Casualty

Effective Dates: 10/01/09 - 10/01/10

Occurrence: \$25,000,000

Aggregate: \$25,000,000

CITY OF FT. LAUDERDALE POLICE & FIREFIGHTERS' RETIREMENT SYSTEM

3. What periodic publications do you distribute to your clients? How frequently?

Our firm's resources are available to our clients whenever needed. Our firm is characterized by unlimited access to our personnel.

Publications provided to our clients include our *Measuring Up* quarterly newsletter, which has addressed recent topics such as dynamic asset allocation, gauging risk tolerance, the strategic role of fixed income, the threats of inflation and deflation, target date maturity funds and the recent market turbulence. We also provide a weekly market update, which provides insight into the past week's events impacting the market.

In addition, we provide ongoing communication and education, including:

- Customized educational workshops on topics specific to client needs
- Transition meetings with incoming Board/Committee members
- Periodic client symposiums
- Quarterly client webinars
- Periodic white papers

Please see the samples provided under Part J.

H. FEES

1. Please provide a proposed annual fee schedule to encompass all of the items listed under the scope of services for the 3-year period of the contract.

Yanni Partners, a Division of GBS Investment Consulting, LLC, has provided a flat-rate fee proposal for a full-service retainer relationship, detailed below. Fees are based on the scope of work discussed and include unlimited access to our personnel. All travel and out-of-pocket expenses are included in the full-service retainer relationship.

CITY OF FT. LAUDERDALE POLICE & FIREFIGHTERS' RETIREMENT SYSTEM

FEE PROPOSAL

Investment Adviser: Annual Full-Service Retainer

As a Registered Investment Adviser, Yanni Partners is a fiduciary as defined in the Investment Advisers Act of 1940.

Yanni Partners, a Division of GBS Investment Consulting, LLC, will provide the following full-service retainer relationship for the Ft. Lauderdale Police and Firefighters' Retirement System:

1. Provide unlimited revisions to asset allocation and Investment Policy.
2. Reconcile and coordinate the periodic rebalancing of the Fund.
3. Coordinate presentations by fund managers to Board.
4. Review investment manager ADV Forms annually and notify Board if there are any issues that are of concern.
5. Attend monthly Board meetings or special meetings as needed.
6. Monitor compliance with the investment guidelines.
7. Monitor performance of investment managers and prepare a quarterly report to include, but not be limited to:
 - a. a general commentary on the markets;
 - b. the asset allocation compared to the target;
 - c. each manager's and the total Fund's performance with comparisons to the appropriate benchmarks and investment category rankings over various time periods including:
 - quarter;
 - fiscal year-to-date;
 - one, three and five year periods; and
 - since inception;

CITY OF FT. LAUDERDALE POLICE & FIREFIGHTERS' RETIREMENT SYSTEM

- d. time weighted historical rates of returns;
 - e. changes in fund value due to contributions, withdrawals, earnings, gains/losses and capital appreciation;
 - f. risk/return tables;
 - g. top ten holdings; and
 - h. sector distributions.
8. Advise the Board when a manager should be placed on probation and/or terminated.
 9. Perform searches for new fund managers, including but not limited to, establishing search criteria, perform in-depth performance analysis, perform due diligence investigation, present results to Board, coordinate interviews of finalists, notify new and replaced managers, negotiate most favorable fee and coordinate transfer of assets.
 10. Apprise Board on matters related to new developments in the capital markets and asset classes.
 11. Respond to Board and staff inquiries and requests for services in an appropriate and timely manner.
 12. Make no changes in the assigned representative without the explicit approval of the Board.
 13. Monitor the Fund's commission recapture programs and trading costs.
 14. Recognize that your firm is a fiduciary to the Board and agree to act as a fiduciary.
 15. Perform any other services not specifically listed that would normally be done periodically on a monthly, quarterly or annual basis.

\$ 120,000	year one
\$ 120,000	year two
\$ 125,000	year three

Travel expenses and client-initiated overnight charges are included.

2. **In addition, provide a separate fee schedule for any additional services you could provide that would not be done on a regular or at least annual basis.**

All services discussed are included as part of the full-service fee schedule, detailed above.

CITY OF FT. LAUDERDALE POLICE & FIREFIGHTERS' RETIREMENT SYSTEM

I. PROPOSER'S WARRANTY

The Proposer's Warranty must be completed and submitted with the proposal.

This document has been completed and submitted as requested on the following page.

PROPOSER'S WARRANTY

The following authorization must be included with the response to this Request for Proposal:

1. I am an officer of the organization.
2. I have been specifically authorized to offer a proposal in full compliance with all requirements and conditions as set forth in this Request for Proposal.
3. I have fully read and understand the Request for Proposal and have full knowledge of the scope, nature, quantity and quality of work to be performed. I have carefully prepared the proposal upon the basis thereof and state that the amounts set forth in this proposal are correct and that no mistake or error has occurred in this proposal or in the computations. I agree to make no claim for reformation, modification, recession or correction of this proposal after the scheduled closing time for the receipt of proposals.
4. If this proposal is accepted, a contract will be issued as proposed, subject to any revisions which may be mutually agreed upon by the Board and the Proposer.

Firm Name: Yanni Partners, a Division of GBS Investment Consulting, LLC

Submitter's Name: Theresa A. Scotti

Title: Area President

Signature: 

Date: May 28, 2010

CITY OF FT. LAUDERDALE POLICE & FIREFIGHTERS' RETIREMENT SYSTEM

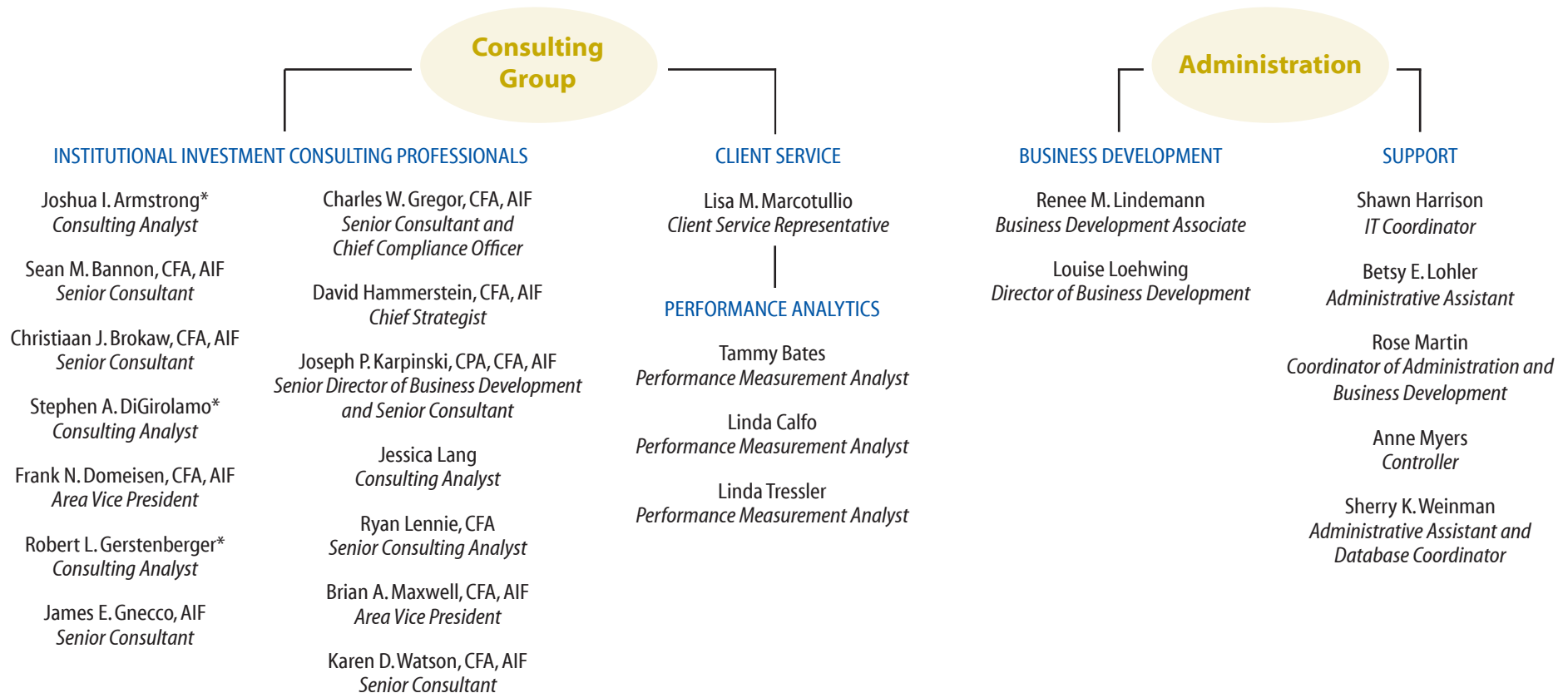
J. ATTACHMENTS

1. Attach a sample quarterly report to the Proposal.
2. Attach your standard contract.
3. Attach your most recent ADV Form, Part II.

These documents have been completed and submitted as requested in the Appendix.

Yanni Partners, a Division of GBS Investment Consulting, LLC

Theresa A. Scotti, Area President



Yanni Partners

A Division of GBS Investment Consulting, LLC

9 possess the Chartered Financial Analyst® designation

*** 3 CFA candidates**

9 possess the Accredited Investment Fiduciary® designation

1 with the Certified Public Accountant accreditation



Yanni Partners
A Division of GBS Investment Consulting, LLC

BIOGRAPHY *Joseph P. Karpinski, CPA, CFA, AIF[®]*

Experience

Senior Consultant and Senior Director of Business Development

Employed with Yanni Partners since 2010

Professional experience dates from 1982

Summary of Relevant Expertise

Mr. Karpinski leads the firm's strategic planning and business development efforts on a national level and provides institutional investment consulting services to the firm's clients – focusing on higher education, healthcare and non-profit organizations.

Prior to joining Yanni Partners, Mr. Karpinski served as a national director for Wells Capital Management and as a managing director in consultant relations for Evergreen Investments. He also served as a national director and principal for Ernst & Young's investment consulting practice. Mr. Karpinski previously worked with Yanni Partners as Director of Marketing and Client Services through the mid-1990s.

Mr. Karpinski has been published in *Healthcare Financial Management* and the *CPA Journal*. He is a recipient of the Joseph E. Sterrett Fellow Award for Service from the Pennsylvania Institute of Certified Public Accountants (PICPA).

Certifications and Affiliations

Designated Chartered Financial Analyst (CFA)

Accredited Investment Fiduciary (AIF[®])

Certified Public Accountant (CPA)

Education

Bachelor of Science degree in Accounting

Gannon University



Yanni Partners
A Division of GBS Investment Consulting, LLC

BIOGRAPHY *James E. Gnecco, AIF[®]*

Experience

Senior Consultant

Employed with Yanni Partners and its predecessor since 2005

Professional experience dates from 1980

Summary of Relevant Expertise

Mr. Gnecco provides investment consulting services to Yanni Partners' public, Taft-Hartley, endowment and foundation clients. His responsibilities include investment policy development, asset allocation modeling and risk/return analysis, as well as manager performance evaluation for a wide array of portfolios.

Prior to joining Yanni Partners, Mr. Gnecco was a Senior Investment Consultant with Spagnola-Cosack, Inc. During his time there, he handled due diligence processes for domestic and international equity managers, investment policy development, performance evaluations, money manager research, portfolio analyses and more. Previously, he was an Investment Consultant with Kalson & Associates, Inc., a Registered Representative with the Vanguard Group, Senior Vice President of the Regional Mid-Atlantic Region for Lexington Capital Management, and Vice President/Regional Manager for the Prudential-Bache Consulting Group.

Certifications and Affiliations

Accredited Investment Fiduciary (AIF[®])

Education

U.S. Military Academy, West Point

Bachelor of Arts degree in Business and Economics

Moravian College

Post-Graduate Certificate in Portfolio Management

University of Chicago



Yanni Partners
A Division of GBS Investment Consulting, LLC

BIOGRAPHY *David Hammerstein, CFA, AIF[®]*

Experience

Chief Strategist

Employed with Yanni Partners since 2000

Professional experience dates from 1974

Summary of Relevant Expertise

Mr. Hammerstein directs the firm's financial modeling and research functions, encompassing capital market assumptions, risk management, asset allocation, asset/liability management and spending formulas. Additionally, he supports alternative investment efforts, investment policy development, capital market research and investment manager analyses, and provides consulting services to endowment, foundation, healthcare and corporate funds.

Prior to joining Yanni Partners, Mr. Hammerstein served as Treasurer and Chief Investment Officer of Carnegie Mellon University. There, he managed the university's debt obligations and investment pools (including the endowment). Previously, he held leadership positions in retirement funds management at Boeing Company (formerly McDonnell Douglas) and Goodrich Corporation.

Certifications and Affiliations

Designated Chartered Financial Analyst (CFA)

Member and Treasurer of the CFA Society of Pittsburgh

Accredited Investment Fiduciary (AIF[®])

Education

Master of Business Administration degree in Finance

University of Chicago

Bachelor of Arts degree in Psychology and German

Colgate University

REPRESENTATIVE CLIENT LIST

Public

Allegheny County Police
Annapolis, City of
Armstrong County
Philadelphia Gas Works
Port Authority of Allegheny County
Saginaw, City of
Westmoreland County

Trusts

Chen Trusts
Gabel Family Trusts
Lyndhurst Associates

Healthcare

American Academy of Allergy, Asthma & Immunology
American Association for the Study of Liver Diseases
American College of Rheumatology
ARIA Health System
Center for Organ Recovery & Education
Chester County Hospital
East Liverpool City Hospital
Erie County Medical Center
Fayette Regional Health System
Genesis Medical Center
Good Samaritan Hospital
Institute for Transfusion Medicine
Lake Hospital
Lehigh Valley Health Network
Martin Memorial Health Systems
Mary Greeley Medical Center
Meadville Medical Center
Meridian Health
Miami Children's Hospital
Nationwide Children's Hospital
Onslow Memorial Hospital
St. Rose Hospital
Via Christi Health System

Endowment/Foundation

East Liberty Presbyterian Church
First United Methodist Church of Pittsburgh
Shadyside Presbyterian Church
Stanley Foundation
Thiel College
Union Dale Cemetery
United Methodist Foundation
YWCA of Greater Pittsburgh

Other

Grand Lodge Free and Accepted Masons of Pa.
Worldwide Assurance for Employees of Public Agencies, Inc.

Union/Taft-Hartley

American Guild of Musical Artists
ATU International
Bricklayers of Western PA
Building Trades
Cement Masons, Local 526
Greater PA Reg. Council of Carpenters
IBEW, Local #141
IBEW, Local #64
IBEW, Local #712
Plumbers & Pipefitters, Local 354
Plumbers & Steamfitters, Local 47
Port Authority, Local 85
Sheet Metal Workers, Local Union No. 12
Teamsters, Local 211

Corporate

AAA East Central
AAF-McQuay
Alliant Energy Corporation
AmeriSource Bergen Corp
Bradford Club
Central Vermont Public Service
Charles River Laboratories
Coastal Medical Insurance, Ltd.
Education Management Corporation
Elliott Turbomachinery
Glatfelter
Kennametal, Inc.
Lyon Workspace
Minard Run Oil Company
Mine Safety Appliances
Misericordia Assurance Company
NVR
Reed Smith
Semmes, Bowen & Semmes
Sylvan, Inc.
Zippo Manufacturing
Zipvest

Not for Profit

Abington Friends School
Benedictine Sisters of Pittsburgh
Congregation of Religious Women
Congregation of St. Joseph
Franciscan Sisters of the Poor
Roman Catholic Diocese of Erie
Sisters of Charity of Seton Hill
Sisters of Divine Providence
Sisters of Divine Redeemer
Sisters of St. Joseph of the Third Order of St. Francis
Vincentian Collaborative System

The information contained herein is considered privileged and confidential, and does not include clients with which Yanni Partners, a Division of GBS Investment Consulting, LLC, maintains a confidentiality agreement.