

**MINUTES**  
**REGULAR PENSION BOARD MEETING**  
**CITY OF HOLLYWOOD EMPLOYEES' RETIREMENT FUND**  
**THURSDAY, JANUARY 26, 2017 at 9:00 AM**

**1. CALL TO ORDER**

Chair Shaw called the meeting to order at 9:05 a.m.

**2. ROLL CALL AND PLEDGE OF ALLEGIANCE**

Board Members present: Chair Phyllis Shaw, Vice-Chair Jeffrey Greene (arrived at 9:37 a.m.), Chris Cassidy, Charles Howell (arrived at 9:06 a.m.), George Keller, Mel Standley and Richard Templeton. Also present: Pension Coordinator Lisa Castronovo and Glenn Thomas for Board Attorney James Linn (Lewis, Longman & Walker).

a. January 26, 2017 Regular Board Meeting Agenda

**MOTION** made by Mr. Templeton, seconded by Mr. Standley, to approve the January 26, 2017 regular Board meeting Agenda as presented. In a voice vote by the members present, all members voted in favor. **Motion** passed 6-0.

**3. CONSENT AGENDA**

- a. December 15, 2016 Regular Meeting Minutes
- b. January 17, 2017 Special Meeting Minutes
- c. Ratification of Distributions (Contributions and DROP) and Plan Expenses
- d. Approval/Ratification of New Retirement/DROP/Vested/Death Annuities

**MOTION** made by Mr. Templeton, seconded by Mr. Howell, to approve Consent Agenda Items 3.a.-d. In a voice vote by the members present, all members voted in favor. **Motion** passed 6-0.

Chair Shaw requested the Board review the meeting minutes and "Action Items" in advance of the Board meetings.

**4. TREASURER'S REPORT**

Mr. Ernesto Acosta, Department of Finance's General Accounting Division Director, provided the Treasurer's Reports for September 30, 2016, October 31, 2016 and November 30, 2016. Mr. Acosta reported an 11% gain for September, a slight loss in October with the loss cut a bit in November.

Mr. Acosta advised he spoke with the City's auditors regarding the long delay in receiving financial statements from the Fund's alternative investment managers. The auditors advised Mr. Acosta that such alternative investments were becoming more commonplace and other clients are holding their fund statements open to accommodate the delay. The auditors noted that alternative investments generate more income. Further, the auditors provided the caveat that an investment strategy should not be based on government requirements. Mr. Acosta provided the Board with copies of unaudited financial statements for the Fund for fiscal year ended September 30, 2016.

**5. INVESTMENT ISSUES (Keith Reynolds – Segal Marco Advisors)**

a. Flash Performance Review

Mr. Reynolds reported the Fund's value was \$303.9 million on December 31, 2016. The Fund's net rate of return for the quarter ended December 31, 2016 was 0.86% vs. policy index of 0.89%.

Mr. Reynolds noted that \$2.5 million from real estate manager Morgan Stanley and \$1 million from real estate manager Principal Global Investors were transferred into the Fund's cash account in early January 2017 due in part to the fact that the real estate market was not expected to perform as well in 2017 as it did in 2016. As a result, Mr. Reynolds may recommend taking more money from the two real estate managers in 2017 causing the real estate holding to be slightly under target allocation during the year.

Mr. Reynolds reported he was fairly happy with all of the investment managers' performances for the period ended December 31, 2016. When asked by Mr. Keller how rising interest rates could affect the Fund's portfolio, Mr. Reynolds stated fixed income returns will initially be negative with new president's fiscal policies affecting primarily the municipal bond market. For this reason it was good to continue consideration of diversifying the Fund's fixed income portfolio.

b. Alternative Investments' Valuation Turnaround Time  
Discussed under Treasurer's Report

c. Fixed Income Structure Discussion - Francois Otieno, Director, Fixed Income, Segal Marco Advisors. (Presentation report made part of these Minutes)

Mr. Otieno stated there were two primary risks to fixed income portfolios: 1) credit/default risk (which was fairly minimal) and 2) interest rate risk. Mr. Otieno presented two opportunistic credit investment scenarios for consideration to primarily combat interest rate risk: 1) a conservative long-only multi-sector strategy which targets mid-high single digit returns while reducing the overall fixed income portfolio's active risk and improving its return to risk measure (the Sharpe ratio), and 2) a single direct lending manager who would target low double digit returns. If the Board chose to incorporate both opportunistic credit strategies, the Fund's fixed income portfolio would experience less volatility due to the diversification of the two strategies.

Mr. Reynolds recommended allocating 25-30% of the Fund's current fixed income portfolio (approximately \$20 million) into one or equally into both of the fixed income opportunistic credit strategies. The initial investment would likely be taken from fixed income manager Baird Advisors.

Mr. Reynolds suggested the Board consider moving the fixed income investment currently with Neuberger Berman into a passive fixed income mandate. Such a move would generate net savings on management fees (approximately 20 basis points) which could in turn be applied toward the higher yielding opportunistic fixed income strategies.

Discussion ensued. Mr. Reynolds and Mr. Otieno noted: 1) risk would remain almost unchanged from that experienced by the current fixed income investments but rates of return would increase significantly, 2) liquidity was limited in both strategies, but direct lending would produce regular quarterly cash returns to make up for the lack of liquidity, 3) the size of the typical company invested by multi-sector or direct lending investors was middle market companies representing \$3 trillion in total assets, 4) direct lending was not covered by FLDIC insurance so it was important to select the right investment manager with the best potential to underwrite the company, 5) the investments were usually in commingled funds, 6) the strategies generate investment returns in the 9-12% range, 7) direct lending was more sensitive to interest rate changes whereas multi-sector was less sensitive (more like core fixed income investments), and 8) end of quarter reporting was about 45 days for multi-sector and about 75 days for direct lending.

Mr. Reynolds suggested the Board interview three managers for each strategy since each manager's investment approach was different. Mr. Otieno noted that on average, each manager looked at about 100 companies a year, only invested in about 5 of those 100, and took about 120 days to underwrite the selected company.

**6. LEGAL ISSUES (Glenn Thomas – Lewis, Longman & Walker)**

Mr. Thomas announced an Executive Session. Mr. Thomas noted the Executive Session was scheduled for February 23, 2017 starting at 9:00 a.m.

a. Disability Application Processing Procedures

Mr. Thomas noted that per the Board's request, he and Board attorney James Linn had drafted disability application processing and hearing procedures for the Board's review, discussion and revision. Mr. Templeton noted he had provided his comments to Mr. Thomas prior to the meeting. Mr. Thomas stated the final draft would be provided to the Board at its February meeting.

**7. ADMINISTRATIVE ISSUES**

- c. Request for Proposal for Board Attorney; taken out of order
- d. Request for Proposal for Pension Coordinator; taken out order

Paul Bassar, Director of Procurement and Contract Compliance provided drafts of Request for Proposals for the Board Attorney and the Pension Coordinator. Mr. Keller requested the Board review the drafts and provide their comments/modifications to Mr. Bassar. Chair Shaw noted that a Cone of Silence should be adopted by the Board.

**ACTION REQUIRED:**

Trustees - review the Board Attorney and Pension Coordinator RFPs; provide feedback directly to Mr. Bassar on or before February 9, 2017.

a. City Communication Commission

Ms. Castronovo provided the Board with a draft of the City Commission Communication for the November 28, 2016 and January 17, 2017 special Board meetings and the December 15, 2016 regular Board meeting.

**MOTION** made by Mr. Standley, seconded by Mr. Templeton, to approve the City Commission Communication. In a voice vote by the members present, all members voted in favor. **Motion** passed 7-0.

b. Directors and Officers Liability Coverage

Mr. Thomas reported Mr. Linn had found out through conversations with the City's Legal Department, that the City's Directors & Officers Liability Insurance policy covered all of the City's Boards and thus the Board did not need to purchase additional Directors & Officers Liability insurance.

e. Fund Administration Transition

The Board continued discussions regarding the transition from City administration to independent administration of the Fund. Chair Shaw reported that per her conversation with Pat Mason at the Sun Credit Union, a separate operating checking account for the Fund could be set up with Sun Credit Union.

Mr. Keller reported the City planned to use all available office space at the old library so it was not available for lease to the Board as a pension office. Mr. Keller further noted the City would not approve structural changes to the current Pension office location in the Annex Building due to the age and condition of the Annex building.

Mr. Howell reported he visited an executive suites office complex managed by Regus in Plantation. Mr. Howell noted the suite he saw was large enough to accommodate three desks and would cost \$1,900 - \$2,200/month with an additional \$25/hour for rental of a conference room. Further, since the Regus office concept offers receptionists, copier facilities, mail room, etc., the Board could choose how to structure the office setup to best suit the Board's needs. Mr. Howell had also met with nine realtors to let them know about the Board's search for office space.

**ACTION REQUIRED:**

Mr. Howell - find out if Regus has office space in Hollywood and provide any information received from contacted realtors to Ms. Castronovo.

Mr. Keller reported he spoke to IT Director Raheem Seecharan and secured Mr. Seecharan's agreement to work with the Board and the Pension Coordinator to assist in decisions regarding the Pension Office's technology needs.

Chair Shaw reminded the Board of its need for a budget for fiscal year 2017-18 for presentation to the City Commission.

- g. Transfer of City Contributions to Fund – Authorized Signers; taken out of order  
Ms. Castronovo reported that all Wells Fargo transactions for the Fund, including deposits of City and employee contributions, require an authorized signer. Effective late 2016, the authorized signers for the Fund were only Chair Shaw, Vice-Chair Greene and Secretary Standley for cash and trade processing directives and Ms. Castronovo for deposits and benefit payment processing directives. Because no one in the City's Department of Finance or Treasury was an authorized signer for the Fund with Wells Fargo, when the

City was ready to make City contributions or employee contribution deposits to the Fund, the deposit was held until an authorized signer approved the transaction.

Discussion followed regarding how to grant deposit authority to someone in the City without adding such person to the Wells Fargo Authorized Signers Certification.

**ACTION REQUIRED:**

Ms. Castronovo - call Karl Hutchinson at Wells Fargo to request him, on behalf of Wells Fargo, to accept from the Board a letter of understanding in which someone from the City is granted authority to approve City deposits to the Fund without such person being added to the Authorized Signers Certification.

- f. **Securities Litigation Cases – Preapproval of Lead Plaintiff Status Requests**  
Due to the difficulty and sometimes short notice to hold a special meeting regarding a law firm's request for the Board to apply for lead plaintiff status in a new securities litigation case, some Board members suggested the Board adopt a standing resolution to automatically give each respective securities litigation firm automatic approval to list the Board as a lead plaintiff.

Mr. Thomas opined the Board must vote on each securities litigation case separately based on each case's merits and thus advised against the Board adopting any type of automatic pre-approval.

- h. **Introductory/Training Meeting for City Commissioners – Discussion**  
Ms. Castronovo noted that some of the Trustees suggested hosting training or a special meeting for City Commissioners and other interested parties to provide information, education and training regarding the Fund.

**ACTION REQUIRED:**

Mr. Howell - prepare a 15 minute introductory presentation for the City Commission Budget Workshop scheduled for April 6, 2017.

Mr. Templeton - ask Florida Public Pension Trustees Association (FPPTA) if they have anything to provide that could be shared at a training/educational meeting.

- i. **Set Date for Ms. Adefunmi's Formal Hearing re: Board's Denial of her Duty Disability**  
On January 12, 2017, Ms. Adefunmi requested a formal hearing regarding the Board's denial of her disability retirement application at their December 15, 2016 regular Board meeting. Per the Section C.3.C. of the Board's Operating Procedures, "upon receipt of the request for a full hearing, the Board shall establish a date for the full hearing and cause notice to be given to the claimant. The full hearing shall be held within ninety (90) days following receipt of the request from the claimant, unless additional time is agreed to by the claimant and the Board."

Discussion ensued regarding a date satisfactory for all interested parties.

**ACTION REQUIRED:**

Ms. Castronovo - ask Ms. Adefunmi if she agrees to an extension of the 90 days to the first week of May. If she is agreeable, schedule accordingly. If she is not agreeable, schedule the hearing for the first week of April.

8. **PUBLIC COMMENTS**

Public comment was made by: Ron Bolton - 1150 NW 71<sup>st</sup> Avenue, Plantation, FL

9. **TRUSTEE REPORTS, QUESTIONS AND COMMENTS**

Mr. Keller noted the first Pension Task Force for the Fund was set for January 26, 2017 at 3:00 p.m. Mr. Keller noted the Task Force meetings with the Police and Fire groups had been quite productive. Mr. Templeton stated the Task Force meetings were open to the public.


Chair Shaw thanked the Board for electing her as Board Chair. Chair Shaw added there was a lot of responsibility on the Board for a smooth transition which would need everyone to work together as a team and to help out as much as possible.

10. **PENSION COORDINATOR'S REPORT (Lisa Castronovo)**

Ms. Castronovo reported: 1) the Board's actuary, Gabriel, Roeder Smith & Company had provided GASB 68 information to the City's Finance Department and was working on GASB 67; 2) she had provided calculations to the City for their use in setting up monthly benefits to be paid from the newly established excess benefit plan to each retiree affected by IRC Section 415; and 3) registration was open for NCPERS 2017 Annual Conference & Exhibition which would be held at Hollywood's Diplomat Sunday, May 21 – May 24, 2017 and to let her know if anyone wished to attend.

11. **ADJOURNMENT**

**MOTION** made by Vice-Chair Greene, seconded by Mr. Howell, to adjourn the meeting. In a voice vote by the members present, **Motion** passed 7-0. Meeting adjourned at 12:15 p.m.

  
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Phyllis Shaw, Chair

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Date

2/23/2017