

**MINUTES
REGULAR PENSION BOARD MEETING
CITY OF HOLLYWOOD EMPLOYEES' RETIREMENT FUND
THURSDAY, DECEMBER 15, 2016**

1. CALL TO ORDER

Chair Shaw called the meeting to order at 9:07 a.m.

2. ROLL CALL AND PLEDGE OF ALLEGIANCE

Board Members present: Chair Phyllis Shaw, Vice-Chair Jeffrey Greene (arrived at 9:51 a.m.), Chris Cassidy, Charles Howell, George Keller, Mel Standley (departed at 11:05 a.m.), and Richard Templeton. Also present: Pension Coordinator Lisa Castronovo and Board Attorney James Linn (Lewis, Longman & Walker).

3. CONSENT AGENDA

- a. October 27, 2016 Regular Meeting Minutes
- b. November 28, 2016 Special Meeting Minutes
- c. Excuse Trustee Mel Standley from October 27, 2016 Regular meeting and November 28, 2016 Special meeting
- d. Ratification of Distributions (Contributions and DROP) and Plan Expenses
- e. Approval/Ratification of New Retirement/DROP/Vested/Death Annuities

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

MOTION made by Mr. Keller, seconded by Mr. Cassidy, to approve the December 15, 2016 regular Board meeting Agenda as presented. In a voice vote by the members present, all members voted in favor. **Motion** passed 6-0.

4. TREASURER'S REPORT

Mr. Ernesto Acosta, Division Director, General Accounting, Department of Finance, reported there was no Treasurer's Report as his office was still waiting to receive financial statements from alternatives investment manager Neuberger Berman.

5. INVESTMENT ISSUES (Keith Reynolds – Segal Rogerscasey)

- c. Alternative Investments' Valuation Turnaround Time (taken out of order)
Mr. Reynolds' reviewed his December 12, 2016 letter to the Board (letter made part of these Minutes). Mr. Reynolds stated almost all investment managers investing in the private market experience a lag in valuing their holdings since their investment holdings were not traded on a daily basis and thus not valued on a daily basis. Mr. Reynolds suggested the Board use the prior quarter's information for its current quarterly reports as was the standard practice for public fund reporting. Mr. Reynolds suggested someone from the Finance Department talk to Gabriel, Roeder, Smith and Company about their methodology regarding the reporting issue to find out what was their preferred method.

ACTION REQUIRED: Mr. Acosta is to find out how the City's Fire and Police funds as well as the City of Palm Beach are handling the situation. Add this Item to January 2017 regular Board meeting Agenda.

- a. September 30, 2016 Quarterly Performance Review (taken out of order; Report made part of these Minutes)

Mr. Reynolds reported the Fund experienced a very strong performance for the quarter end September 30, 2016 with the year-to-date, one year, three year and five year rates of return above their respective benchmarks.

Mr. Reynolds reviewed how each investment manager had performed as compared to their respective peers. Specifically, for the fiscal year October 1, 2015 – September 30, 2016, Northern Trust's S&P 500 Indexed Large Cap fund returned 15.4% and ranked in the highest quartile in its peer group of large cap core funds. TSW's smid-cap value fund underperformed its benchmark, but still returned 16.8%, ranking just outside the highest quartile of its peers. Frontier Capital's smid-cap growth fund returned 22% for the year, ranking in the top 2 percent of its peers. The international equity fund managed by Brandes returned 14.3%, ranking 26 percent in its peer group. The international equity fund managed by Wellington underperformed for the fiscal year, returning 7.4% and ranking at 63 percent of their peer group. Since Wellington was hired in late 2013, however, they outperformed their index by about 120 basis points and was in the top third of their peer group. Core plus fixed income manager Baird Advisors returned 6.24% percent and ranked in the top quartile while core fixed income manager Neuberger Berman returned 3.13% and was in the lowest quartile.

Mr. Reynolds reported that on a one year comparison of the Fund to 244 other public plans of similar allocations and less than \$500 million in assets, the Fund ranked in the top 12 percent of its peers. When the Fund was compared to its peers (237 funds of similar allocation and asset size) for the past three years, the Fund returned 7.95% and ranked #1.

Chair Shaw welcomed newly elected Mayor Josh Levy to the meeting. Mayor Levy asked Mr. Reynolds questions about the Fund, its assets and returns over the past years.

The Board discussed Mr. Reynold's proposed 2017 calendar of educational meetings and investment manager presentations. Mr. Reynolds stated he would present at the January 2017 Board meeting more education and information on direct lending and multi-strategy fixed income opportunities. Mr. Reynolds acknowledged the Board's desire to further meet with international equity manager Wellington regarding its relatively poor returns since inception and stated he would direct Wellington to make another presentation to the Board in the first half of 2017.

7. ADMINISTRATIVE ISSUES

- a. Directors & Officers Liability Coverage (Christopher Goettelmann, R.T. Specialty on behalf of Gateway-Acentria Insurance; taken out of order)

Mr. Goettelmann presented a commercial insurance quote for directors, officers and company liability insurance. Mr. Goettelmann stated the Board might not need D&O insurance since it already had fiduciary liability insurance; the only reason the Board would need D&O insurance was if there was a gap between what was already covered by the fiduciary insurance and what D&O would

cover. Mr. Linn stated he did not believe there was a gap in coverage but would look into what coverage the Board needed.

ACTION REQUIRED: Mr. Linn will do research to find out if the Board's resolution to become independent of the City would preclude the City's Directors & Officers insurance from covering the Board.

The meeting recessed at 10:24 a.m. and resumed at 10:31 a.m.

5. INVESTMENT ISSUES (Keith Reynolds – Segal Rogerscasey)

b. Flash Performance Review

Mr. Reynolds did not present his Flash report since it was for October 2016.

6. LEGAL ISSUES (James Linn – Lewis, Longman & Walker)

a. Mediation Follow-up

Mr. Linn reviewed the issues discussed and addressed at the November 29, 2016 joint mediation hearing noting that a settlement had not yet been reached.

b. Disability Order re: Ifatunbi Adefunmi

Mr. Linn reviewed the Order he drafted on the Board's behalf for Ms. Adefunmi regarding the Board's denial of her duty disability application at its November 28, 2016 special Board meeting. Mr. Linn explained that Ms. Adefunmi would have 30 days after receipt of the order to appeal.

There was lengthy discussion regarding 1) the responsibility of the Human Resource's director regarding deciding an applicant's ability to work and 2) the issue of a disability claim for a fired employee.

MOTION made by Vice-Chair Greene, seconded by Mr. Templeton, to table Agenda Item 6.c. (Disability Application Processing Procedures) and Agenda Item 7.a. (Directors & Officers Liability Coverage) to the January 2017 regular Board meeting. ~~In a voice vote by the members present, all members voted in favor.~~ **Motion** passed 7-0.

ACTION REQUIRED: Add Disability Application Processing Procedures and Directors & Officers Liability Coverage to January 2017 regular Board meeting Agenda.

7. ADMINISTRATIVE ISSUES

b. City Commission Communication

Ms. Castronovo provided the Board with the draft of the City Commission Communication for the October 27, 2016 regular Board meeting. The Board approved the Communication and directed Ms. Castronovo to distribute it to the City Commission and other interested parties (City Manager, City Attorney and Assistant City Managers).

The Board directed Ms. Castronovo to email each meeting's Agenda to all of the City Commissioners with a specific invitation to attend each meeting. Mr. Standley suggested having an "introductory" meeting and training for the Commissioners.

ACTION REQUIRED: at least one week in advance of each Board meeting, Ms. Castronovo is to send to the City Commissioners the upcoming meeting's Agenda and an invitation to attend the meeting.

ACTION REQUIRED: add Introductory/Training Meeting for City Commissioners Discussion to January 2017 regular Board meeting Agenda.

c. Board Elections – Chair and Vice-Chair for 2017

Mr. Templeton nominated Phyllis Shaw as Chair. Mr. Howell seconded the nomination. In a voice vote by the members present, all members voted in favor. Nomination was accepted 6-0.

Mr. Howell nominated Jeffrey Greene as Vice-Chair. Mr. Templeton seconded the nomination. In a voice vote by the members present, all members voted in favor. Nomination was accepted 6-0.

Vice-Chair Greene nominated Mel Standley as Secretary. Mr. Keller seconded the nomination. In a voice vote by the members present, all members voted in favor. Nomination was accepted 6-0.

d. 2017 Board Meeting Schedule

Ms. Castronovo presented a draft 2017 Board meeting schedule. Ms. Castronovo noted that due to three conferences in October 2017 (FPPTA's Fall Trustees School, Segal Rogerscasey's Educational Summit and IFEBP's annual conference), it would be very difficult for the Board to meet in October. Ms. Castronovo proposed having the November meeting in early November since the Board would not meet in October. Mr. Templeton stated that due to all the upcoming changes facing the Board, the Board would need to have twelve meetings in 2017. Chair Shaw added the Board would need to meet in July since there would not be a regular meeting in October.

MOTION made by Mr. Howell, seconded by Vice-Chair Greene, to adopt the meeting schedule as drafted and to not meet in October 2017 and instead hold the November meeting on November 2, 2017. In a voice vote by the members present, all members voted in favor. **Motion** passed 6-0.

e. Disability Retiree Follow-up Medical Examinations

Per the Board's request at the October 27, 2016 meeting, Ms. Castronovo provided the Board with a list all retirees who were receiving either duty-related or nonduty-related disability benefits. Mr. Templeton stated follow-up medical examinations would be a wasted expense as disability retirees were required to provide annual income tax returns and most, whether receiving duty-related or nonduty-related disability benefits, were over 55 years of age at which point they would be entitled to receive normal retirement benefits.

ACTION REQUIRED: Ms. Castronovo is to provide the Board with a list of duty disability retirees who provided, per the Ordinance, required annual tax return information.

f. Request for Proposal for Board Attorney

Ms. Castronovo provided a draft RFP for the Board Attorney. There was discussion regarding evaluation criteria points for qualifications, past experience and price.

MOTION made by Vice-Chair Greene, seconded by Mr. Howell, to table the RFP for Board Attorney to the January 2017 regular Board meeting with the addendum that the trustees provide to Ms. Castronovo changes/additions to the RFP prior to the January meeting so that she can include in the RFP. In a voice vote by the members present, all members voted in favor. **Motion** passed 6-0.

ACTION REQUIRED: add Request for Proposal for Board Attorney to January 2017 regular Board meeting Agenda. Each Trustee is to review draft RFP and provide Ms. Castronovo with changes/additions prior to January regular Board meeting. Chair Shaw is to provide Ms. Castronovo the State of Florida's new statute on how to set up an RFP and what is required. Ms. Shaw is to provide to Ms. Castronovo information on how to structure the fee scheduled of final contract – as a flat dollar amount, fee-per-hour, or combination of the two.

g. Fund Administration Transition

The Board reviewed various items discussed and assigned at the November 28, 2016 Board workshop. Ms. Castronovo reported she found office space in the old library, but was informed that Code Enforcement requested and was given the space. Ms. Castronovo pointed out the cost savings to the City if the Pension Office stayed on City property. Mr. Keller said he would look into the matter.

ACTION REQUIRED: Mr. Keller is to look into the availability of office space for the Pension Office at the old library.

i. Actuarial Reporting for Finance Department (GASB 67 & 68 reports; taken out of order

Chair Shaw said the City needed information from the Fund's actuary to prepare GASB Statements 67 and 68.

h. Pension Coordinator – independent contractor or employee?

Mr. Templeton stated the Pension Coordinator position should be an employee of the Board. Ms. Castronovo stated the City would not provide health insurance or grant participation in the City's 457 deferred compensation plan to employees of the Board or any other City board. The Board briefly discussed how to provide health insurance to Board employees. Tammie Hechler, Director of Human Resources, suggested the Board find out how other pension Board employees were provided health insurance.

MOTION made by Vice-Chair Greene, seconded by Mr. Keller, for (2) Request for Proposals for Pension Coordinator be done by the City with one RFP being for the Pension Coordinator as an independent contractor and the second one for the Pension Coordinator as an employee. In a voice vote by the members present, all members voted in favor. **Motion** passed 6-0.

ACTION REQUIRED: Mr. Keller is to direct the City's Procurement Office to draft two (2) RFP's for Pension Coordinator – one with Pension Coordinator as an independent contractor and the other with the Pension Coordinator as an employee.

8. **PUBLIC COMMENTS**

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

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

There were no trustee comments.

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

Ms. Castronovo updated the Board on a few items of interest, specifically: 1) the City contributed \$8,360,624 to the Retirement Fund on October 11, 2016 and \$12,202,244 on November 3, 2016 for a total contribution of \$20,562,868 for fiscal year October 1, 2016 – September 30, 2017; 2) of the \$12,202,243.68 City contribution on November 3, 2016, per Keith Reynold's direction, \$6.0 million was placed with fixed income manager Baird Advisors and \$6.0 million was placed with Northern Trust's S&P 500 indexed fund; 3) FPPTA's Winter Trustees School would be at the Rosen Centre in Orlando, FL January 29 – February 1, 2017; 4) NCPERS 2017 Annual Conference & Exhibition would be at The Diplomat Hotel in Hollywood May 21 – May 24, 2016; and 5) HarbourVest made its first capital call for \$400,000.

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 6-0. Meeting adjourned at 12:03 p.m.



Phyllis Shaw, Chair

Date 1/26/17