

**MINUTES
REGULAR PENSION BOARD MEETING
CITY OF HOLLYWOOD EMPLOYEES' RETIREMENT FUND
THURSDAY, DECEMBER 17, 2015**

1. CALL TO ORDER

Chair Shaw called the meeting to order at 9:37 a.m.

2. ROLL CALL AND PLEDGE OF ALLEGIANCE

Board Members present: Chair Phyllis Shaw, Vice-Chair Jeffrey Greene (arrived at 9:39 a.m.), Ralph Dierks, Raquel Elejabarrieta, George Keller and Richard Templeton. Board Members Absent: Daniel Matlow. Also present: Pension Coordinator, Lisa Castronovo; Board Secretary, Tammie Hechler; Board Treasurer, Matthew Lalla; and Board Attorney, James Linn.

3. LEGAL ISSUES (James Linn)

a. Attorney/Client Meeting

Attorney – Client session to discuss pending litigation (City of Hollywood vs. The Board of Trustees of the Employees Retirement Fund of the City of Hollywood, and the Board of Trustees of the City of Hollywood Firefighters Retirement System, and the Board of Trustees of the City of Hollywood Police Officers Retirement System).

Members of the public were instructed to leave the room at 9:38 a.m. so Mr. Linn could conduct a closed attorney-client session.

The public meeting reopened at 10:02 a.m. at which time a break was called. The meeting resumed at 10:13 a.m.

b. Pension Ordinance Amendment update - Item pulled for later discussion

4. CONSENT AGENDA

- a. November 17, 2015 Regular Meeting Minutes
- b. December 3, 2015 Sub-committee Meeting Minutes
- c. December 9, 2015 Special Meeting Minutes
- d. Excuse Vice-Chair Jeffrey Greene from December 9, 2015 Special Board Meeting
- e. Ratification of Distributions (Contributions and DROP) and Plan Expenses
- f. Approval/Ratification of New Retirement/DROP/Vested/Death Annuities

MOTION made by Mr. Templeton, seconded by Mr. Dierks, to approve Consent Agenda Items 4.a,c,d,e and f. In a voice vote by the members present, all members voted in favor. **Motion** passed 6-0.

MOTION made by Mr. Templeton, seconded by Mr. Dierks, to approve Consent Agenda Item 4.b. In a voice vote by the members present, all members voted in favor. **Motion** passed 6-0.

5. TREASURER'S REPORT (Matthew Lalla)

Mr. Lalla reported an increase in the Fund's assets of \$1.64 million/0.54% (net of disbursements) from \$300.44 million on October 2, 2015 to \$302.05 million on December 9, 2015.

6. INVESTMENT ISSUES (Keith Reynolds)

a. Flash Performance Review

The Fund's market value on November 30, 2015 was \$303 million with a November 2015 rate of return of 4.19% compared to the benchmark of 4.10%. Mr. Reynolds noted that all of the asset classes, with the exception of real estate which was overweight, were close to target. To bring real estate back in line, Mr. Reynolds recommended moving \$2.5 million from Morgan Stanley to the cash account to bring real estate closer to target and to provide cash for upcoming distributions. Real estate manager Morgan Stanley requires ninety (90) day advance notice to liquidate funds so Mr. Reynolds recommended notifying them by December 31, 2015 of the Fund's desire to liquidate \$2.5 million.

MOTION made by Vice-Chair Greene, seconded by Mr. Templeton, to have Morgan Stanley liquidate \$2.5 million and move such monies to the Retirement Fund's cash account by March 31, 2016. In a voice vote by the members present, all members voted in favor. **Motion** passed 6-0.

Mr. Reynolds reported SMID-cap equity growth manager Frontier's long-term rate of return had been historically good though recent performance had not been good. Mr. Reynolds continued that while Frontier under-performed in 2015, SMID-cap value manager TSW outperformed its respective benchmark making, in his opinion, the two managers a good pairing for the Retirement Fund.

Mr. Reynolds reported the Federal Reserve raised interest rates on December 16, 2015 which was a good sign the economy was improving and that there was not a lot of pressure on the inflation front. Mr. Reynolds continued that real estate investments had benefited from low interest rates in recent years which was reflected by the above-benchmark returns provided by Principal Global Investors and Morgan Stanley over the past several quarters. Mr. Reynolds stated that with interest rates starting to rise, the returns posted by the real estate managers in the future would likely remain good but most likely not as strong as they had been.

b. Retainer Proposal

Mr. Linn referred to Segal Rogerscasey's December 10, 2015 letter regarding their increased fees proposal. Mr. Linn stated if the Board agreed to the increase, Segal Rogerscasey contract with the Board should be updated to reflect the new fee structure.

Mr. Templeton stated he felt it would be prudent for the Board to send out a Request for Proposal (RFP) for investment consultant services.

Mr. Reynolds stated the traditional annual consulting fee would be \$90,000 plus \$40,000 annually or alternatives asset class work (\$130,000 annually). Mr. Reynolds stated Segal Rogerscasey's belief that the strong relationships they have with the alternatives managers they would bring to the Board would save the Retirement Fund more than \$40,000 per year thus more than paying for that annual fee.

Vice-Chair Greene stated his belief that Segal Rogerscasey should be entitled to their professional fee while the Board pursues a RFP for investment consultant services.

Mr. Dierks stated that Segal Rogerscasey had earned the increase in fees they were seeking since they had brought a lot of value to the Board and the Retirement Fund.

MOTION made by Vice-Chair Greene, seconded by Mr. Keller, to go forward with the new fee structure of \$90,000 annual fee starting January 1, 2016 with an annual two percent (2%) increase and implement the \$40,000 fee when the alternative investments are implemented.

Discussion ensued regarding the term length of the contract and when the \$40,000 should be paid. Vice-Chair Greene stated he felt it should not be paid until the manager was in place and managing Fund money. Mr. Reynolds stated there was a lot of behind the scenes work to be done before a manager was brought to the Board and then once interviewed and hired there was a lot of additional work to be done to get the manager on board.

AMENDED MOTION by Vice-Chair Greene, seconded by Mr. Keller, to accept Segal Rogerscasey's proposal of \$90,000 annual traditional fee and \$40,000 annual fee for alternatives consulting beginning January 1, 2016 with a two percent (2%) annual increase and the right to cancel the contract with 30 or 60 day notice and to renew annually unless and until one party or the other objects to continued service.

Chair Shaw and Mr. Templeton stated their desire to remove the annual 2% percent increase from the Motion. Vice-Chair Greene and Mr. Keller stated they thought the annual increase issue would keep coming back unnecessarily for the Board to address.

In a voice vote by the members present, **Motion** failed 3-3 (Chair Shaw, Mr. Templeton and Mr. Dierks voted in opposition).

Discussion continued.

AMENDED MOTION by Vice-Chair Greene, seconded by Mr. Keller, to accept Segal Rogerscasey's proposal of \$90,000 annual traditional fee and \$40,000 annual fee for alternatives consulting beginning January 1, 2016 without the automatic two percent (2%) annual increase and enter into a three (3) year contract with no more than a 60 day cancellation notice clause. In a voice vote by the members present, **Motion** passed 6-0.

3. LEGAL ISSUES (James Linn) – Taken out of order

b. Pension Ordinance Amendment update

Mr. Linn presented the revised draft of a Pension ordinance amendment as it related specifically to the administration of the Retirement Fund. Mr. Linn noted he had, per the Board's instruction at the last meeting, revised the draft amendment to 1) have the Pension Coordinator maintain custody of all records of the Fund and the Board, 2) have all such records stored in the Pension Office with appropriate backup as approved by the Board, and 3) the Board shall lease the space for the Pension Office and the Board's meeting room and equip the office and meeting room with necessary equipment and furnishings with the costs approved by the Board and paid by the Fund.

Discussion followed regarding both the Fund leasing the Pension Office versus the Pension Coordinator doing so and the Pension Coordinator's status as an independent contractor versus as employee of the Board. Mr. Linn will research the matter based on the new rules regarding independent contractors and report back to the Board. Mr. Linn stated he would make some other minor revisions and bring the amendment back to the Board for review at the next Board meeting.

7. ADMINISTRATIVE ISSUES

c. Board Elections – Chair and Vice-Chair for service January – December 2016 -

Taken out of order

Vice Chair Greene suggested postponing the Board elections until the new member of the Board was elected and could participate in the election. Ms. Castronovo responded that the By-laws and the Ordinance dictate that the election be held at the last Board meeting of each year.

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

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

a. Board of Trustees' By-Laws

The Board collectively agreed to revise Article II, Sections 1 and 2 of the By-Laws to read that in order to be eligible to serve as Chair or Secretary on the Board, a Board member must have served on the Board for at least one (1) year. There was discussion regarding the day-to-day financial operation of the Fund, specifically who would be responsible for paying the bills, keeping the Fund's books, etc. Ms. Castronovo was directed to contact the City's Police and Fire Board administrators to find out how they handle such duties.

b. Pension Administration Software discussion

There was discussion regarding the Request for Proposal (RFP) for the Retirement Fund custodian. Vice-Chair Greene noted there were references in the RFP that the custodian contract was between the City and the custodian, not the Board and custodian. Chair Shaw stated it must remain as such until the amendment to the Ordinance changing the Board's administrative duties was adopted.

Ms. Castronovo updated the Board on her endeavors regarding the pension administration software RFP. Ms. Castronovo reported she had met with several software providers and had also talked to an IT consultant who offered to present to the Board an overview of what the Board should expect regarding the transition to and expense of new pension administration software. Ms. Castronovo informed the Board of her understanding that the cost to implement new software would be in six figures and most likely in the mid-six figures.

Discussion ensued regarding software used by other local entities, specifically the City's Police and Fire pension administrators, and whether or not the Retirement Fund could avail itself of such software. Mr. Keller stated the City's IT Director was looking into doing an RFP for enterprise resource planning (ERP) for the City in 2016 and perhaps the pension administration software component could be added to the RFP and be included as part of all respondents' bids. Mr. Keller stated he would talk to the IT Director regarding the possibility of including the pension administration software as part of the overall City package. Ms. Castronovo noted that pension administrative software was a very specific service not done by many software developers. The Board agreed for Ms. Castronovo to not send the RFP for pension administration software until she talked to Mr. Keller regarding what the City was doing or could do to include the pension part.

8. **PUBLIC COMMENTS**


There were no public comments.

9. **TRUSTEE REPORTS, QUESTIONS AND COMMENTS – Item tabled**

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

11. **ADJOURNMENT**

MOTION made by Vice-Chair Greene, seconded by Mr. Keller, to adjourn the meeting. In a voice vote by the members present, **Motion** passed 6-0. Meeting adjourned at 12:06 p.m.



Phyllis Shaw, Chair

1/28/16

Date