

**MINUTES
REGULAR PENSION BOARD MEETING
CITY OF HOLLYWOOD EMPLOYEES' RETIREMENT FUND
THURSDAY, FEBRUARY 26, 2015**

1. CALL TO ORDER

Chair Shaw called the meeting to order at 10:08 a.m.

2. ROLL CALL AND PLEDGE OF ALLEGIANCE

Board Members present: Chair Phyllis Shaw, Vice-Chair Jeffrey Greene, Mr. Ralph Dierks, Ms. Raquel Elejabarrieta, Mr. Matthew Lalla, Mr. Daniel Matlow and Mr. Richard Templeton. Also present: Pension Coordinator, Lisa Castronovo; Board Secretary, Tammie Hechler; and Board Attorney, James Linn.

3. CONSENT AGENDA

- a. January 22, 2015 Regular Meeting Minutes
- b. Ratification of Distributions (Contributions and DROP) and Plan Expenses
- c. Approval/Ratification of New Retirement/DROP/Vested/Death Annuities

MOTION made by Mr. Dierks, seconded by Mr. Lalla, to approve Consent Agenda Items 3.a-c. In a voice vote by the members present, all members voted in favor. **Motion** passed 7-0.

4. TREASURER'S REPORT (Matthew Lalla)

Mr. Lalla reported an increase in the Fund's assets of \$8.42 million/2.9% net of disbursements from \$290.58 million on October 1, 2014 to approximately \$298.99 million on February 24, 2015.

MOTION made by Vice-Chair Greene, seconded by Mr. Dierks, to approve the Treasurer's Report. In a voice vote by the members present, **Motion** passed 6-1 (Mr. Templeton voted in opposition).

5. INVESTMENT ISSUES (John DeMairo)

- a. Performance Report for Quarter End December 31, 2014

Mr. DeMairo reported that the Fund's value increased from \$270 million on January 1, 2014 to \$303 million on December 31, 2014, an increase of over 8% for the year. The Fund's value increased from \$279 million on October 1, 2014 to \$303 million on December 31, 2014 for a 3.2% rate of return for the final quarter of 2014. Due to very strong equity markets over the last five years, a five year comparative performance showed the asset value of the plan at \$202 million on January 1, 2010 compared to \$303 million on December 31, 2014 - a net gain of \$101 million in five years.

Mr. Demairo advised the overweight equity and underweight fixed income assets were rebalanced at the end of January 2015 when \$9 million was shifted from large cap index manager Northern Trust to fixed income managers Neuberger Berman and Baird Advisors (at \$4.5 million each). As a result of the shift, the large cap equity target dropped and will drop to 25% when the funding of small cap international manager Brandes Investment Partners was completed.

Mr. DeMairo noted that 2014 was a very strong year with the Fund's rate of return at 8% compared to the policy rate of return of 7%. Mr. DeMairo continued that smid-cap equity manager Frontier Capital Management had a very impressive 2014 with a rate of return over 12%. Further, while they had been in place for just over a year, international equity manager Wellington Management Company had performed well since inception in November 2013. Mr. DeMairo noted that fixed income manager Neuberger Berman had been underperforming recently and thus was scheduled to meet with the Board in the next couple of months. Mr. DeMairo finished the quarterly performance review by noting that the combined real estate portfolio of Morgan Stanley and Principal Global was the Fund's best asset class in 2014 and out-performed the equity class.

b. Flash Performance Review

Mr. DeMairo reviewed the flash performance report noting that the total Fund value was \$298.5 million on January 31, 2015 and that the flash report reflected the asset rebalancing that occurred in January 2015 between Northern Trust and Baird Advisors and Neuberger Berman. Mr. DeMairo reported that in January 2015, the Fund lost approximately 60 basis points with the equity managers cumulatively negative across the board with an overall -2.6% return. Individual manager performance was favorable with the managers performing better than their respective benchmarks except Neuberger Berman who marginally underperformed.

d. Funding of International Equity Small Cap - Taken out of order

Mr. DeMairo reported that approximately \$16 million will be transferred in equal amounts from the large cap equity indexed fund at Northern Trust to the small cap international equity fund managed by Brandes Investment Partners over a three month time period beginning April 1, 2015.

c. Investment Policy Statement

Mr. DeMairo summarized the recently updated Investment Policy Statement. Mr. Linn advised he had reviewed the Investment Policy Statement and approved it.

MOTION made by Vice-Chair Greene, seconded by Mr. Lalla, to approve the Investment Policy Statement as presented but removing the last paragraph on page 3. In a voice vote by the members present, all members voted in favor. **Motion** passed 7-0.

6. **LEGAL ISSUES (James Linn)**

Mr. Linn distributed a copy of the agenda for a March 2, 2015 City Commission workshop scheduled to discuss various pension issues, not necessarily specific to the Employees' Retirement Fund. Mr. Alan Fallik, Deputy City Attorney, stated the public is not allowed to speak at Commission workshops unless specifically allowed to do so by the Commission. Mr. Fallik advised he was not involved with the presentation and thus had no information to provide the Board with what would be presented to or discussed by the Commission. Mr. Lalla stated there was no copy of the presentation available to share with the Board or general public at the time.

Mr. Linn reported that his office had just received a letter from the Internal Revenue Service regarding in response to the Board's request for an updated IRS Determination Letter for the Retirement Fund. Via the letter, the IRS requested additional information and clarification regarding various Fund provisions. Mr. Linn stated that he would provide a full analysis of the IRS's request at the next Board meeting.

7. ADMINISTRATIVE ISSUES

- a. Review October 1, 2013 Actuarial Valuation Report – Jeffrey Amrose and Trisha Amrose, Gabriel, Roeder, Smith & Company (GRS)

Mr. Jeffrey Amrose explained the reason they included in the October 1, 2013 Actuarial Valuation Report funding for the supplemental pension distribution ("SPD") for September 30, 2012 and prefunding of the SPD for all years thereafter was because it was his understanding from the September 2014 meeting that the Board approved to include in the Report funding for all SPD's not just prefunding for future years. Mr. Amrose stated that GRS would revise the Report to exclude funding of the September 30, 2012 SPD if the Board directed them to do so.

Discussion ensued regarding whether or not the Report should include funding for that year's SPD. Mr. Linn opined that per his understanding of the letter received from the Division of Retirement in July 2014, the Division made a definite distinction between the funding of the SPD for September 30, 2012 versus funding for all years thereafter. Mr. Linn continued that the issue of whether or not funding of the September 30, 2012 SPD was included in the October 1, 2013 Actuarial Valuation Report was important and needed Board input was because the Division of Retirement uses valuation reports to confirm that plan sponsors fund each retirement fund per their respective valuation reports. Therefore, if it was the Board's intent to not include funding of the September 30, 2012 SPD unless and until the City Commission approves its funding then such funding should not be included in the October 1, 2013 actuarial valuation report. Mr. Linn opined that including funding of the September 30, 2012 SPD in the October 1, 2013 actuarial valuation report was inconsistent with Board actions and motions made earlier in 2014.

Vice-Chair Greene suggested tabling the item until the next meeting or until the City Commission provided an answer to the Board request to approve the funding of the September 30, 2012 SPD. Vice-Chair Greene did not want GRS to produce another report only to have to reverse it later.

MOTION made by Ms. Elejabarrieta to direct GRS to revise the October 1, 2013 Actuarial Valuation Report to remove funding for the September 30, 2012 supplemental pension distribution.

Motion was not accepted because the Board approved the Report as presented at its November 2014 meeting and only someone who affirmatively voted on that motion could make a revised motion.

MOTION made by Mr. Lalla to wait until the City Commission provided guidance regarding funding of the September 30, 2012 supplemental pension distribution before accepted the October 1, 2013 Actuarial Valuation Report.

Motion was withdrawn.

Public comments were heard from: Chris Cassidy, Barbara Duffy, Robert Strauss, and Troy Porter.

The meeting recessed at 12:00 p.m. and reconvened at 12:05 p.m.

b. Pension Software RFP

Ms. Castronovo informed the Board that she had completed the Request for Proposal (RFP) for vendor bids for a new pension software system and was ready to proceed with distributing it upon Board approval.

MOTION made by Vice-Chair Greene, seconded by Ms. Elejabarrieta, to approve the RFP for vendor bids for new pension software system as presented and to use Ms. Castronovo's timeline for posting, responding, etc. In a voice vote by the members present, all members voted in favor. **Motion** passed 7-0.

8. **PUBLIC COMMENTS**

Public comment was heard from: Robert Strauss

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

Trustee comments were made by Mr. Dierks, Ms. Elejabarrieta and Mr. Templeton.

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

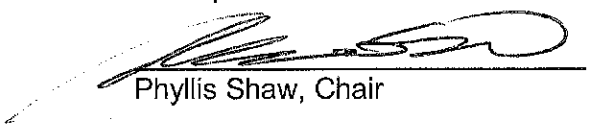
Ms. Castronovo noted she received a draft Request for Proposal (RFP) for Pension Coordinator from Mr. Dierks, but it was her understanding from previous Board meeting discussions that she was not to be involved in any way with the drafting, posting, receiving of it. Discussion ensued.

MOTION made by Vice-Chair Greene, seconded by Mr. Templeton, for Ms. Castronovo to assist in the preparation of the Pension Coordinator RFP and forward to the Board for Board approval. Upon Board approval, Ms. Castronovo will issue the RFP. All questions related to the RFP and all responses will be submitted to the Board Secretary. The Board Secretary will present the responses to the Board which will in turn be opened at a subsequent Board meeting. In a voice vote by the members present, all members voted in favor. **Motion** passed (7-0).

Ms. Castronovo requested to meet with each Board member individually before the next Board meeting to have a full and complete evaluation on her services as detailed in the Pension Coordinator Agreement. The Board collectively agreed to meet with her.

11. **ADJOURNMENT**

MOTION made by Mr. Templeton, seconded by Vice-Chair Greene, to adjourn the meeting. In a voice vote by the members present, all members voted in favor. **MOTION** passed 7-0. Meeting adjourned at 12:50 p.m.


Phyllis Shaw, Chair

19 March 2015
Date