

**MINUTES
REGULAR PENSION BOARD MEETING
CITY OF HOLLYWOOD EMPLOYEES' RETIREMENT FUND
THURSDAY, MARCH 17, 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 9:13 a.m.), Christopher Cassidy, Raquel Elejabarrieta, George Keller (departed at 11:55 a.m.), Daniel Matlow (arrived at 9:21 a.m.) and Richard Templeton. Also present: Pension Coordinator, Lisa Castronovo; Board Secretary, Tammie Hechler; and Board Attorney James Linn (Lewis, Longman & Walker).

3. CONSENT AGENDA

- a. February 25, 2016 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 Ms. Elejabarrieta, seconded by Mr. Templeton, to approve Consent Agenda Items 3.a-c. In a voice vote by the members present, **Motion** passed 5-0 (Mr. Cassidy abstained from voting on Item 3.a. since he was not on the Board at that time; Item 3.a. passed 4-0).

4. TREASURER'S REPORT

Board Treasurer Matthew Lalla resigned from the City on Friday, March 11, 2016 and Interim Board Treasurer Mirtha Dziedzic was unavailable to attend the Board meeting. As a result, the February 2016 Treasurer's Report was accepted as presented in written format.

5. INVESTMENT ISSUES (Keith Reynolds, Segal Rogerscasey)

- a. Flash Performance Review
Mr. Reynolds's reported the Fund's market value on February 29, 2016 was \$284.8 million with a monthly rate of return of 0.53% compared to the benchmark of 0.02%. Mr. Reynolds noted that all six equity managers outperformed their respective benchmarks while the two fixed income managers underperformed their respective benchmarks.
- b. Investment Policy Review
Mr. Reynolds reported he revised the Investment Policy to reflect the comments and items discussed at the February 2016 Board meeting.

MOTION made by Mr. Templeton, seconded by Vice-Chair Greene, to accept the Investment Policy as updated by Segal Rogerscasey. In a voice vote by the members present, all members voted in favor. **Motion** passed 7-0.

Ms. Castronovo noted the Fund would need available cash starting in June 2016 to cover several DROP account payouts to about 40 DROP participants set to retire in May, June and July 2016. Ms. Castronovo stated she would provide a list of upcoming payments to Mr. Reynolds so that he could advise the Board as to which investment accounts the needed funds could be drawn. Since the monies invested in real estate via Morgan Stanley remained over target allocation, Mr. Reynolds suggested the Board authorize a request for Morgan Stanley to redeem \$2.5 million by June 30, 2016 to help meet the DROP cash payout requirements.

MOTION made by Mr. Keller, seconded by Mr. Templeton, to authorize Morgan Stanley to redeem \$2.5 million and move such monies to the Retirement Fund's cash account by June 30, 2016. In a voice vote by the members present, all members voted in favor. **Motion** passed 7-0.

6. LEGAL ISSUES (James Linn)

Mr. Linn reported he had no updates regarding the pending litigation matter involving payment of Supplemental Pension Distributions other than the fact the initial judge assigned the case had recused herself.

a. Litigation Update

Mr. Linn reported the State had not done anything affecting local law retirement plans in its current legislative session.

Mr. Linn noted his fees were approaching the City's maximum allowed limit (\$50,000) and that he would have to take steps to keep fees and services to a minimum by attending future meetings via telephone rather than in person and having Mr. Thomas address some of the Fund's issues since his hourly rate was less than Mr. Linn's rate. The Board agreed to ask the City's legal department to seek City Commission approval for an increase in the allowable amount that could be paid to Lewis, Longman & Walker.

7. ADMINISTRATIVE ISSUES

- b. October 1, 2015 Actuarial Valuation Report (Jeff Amrose, Gabriel Roeder Smith & Company ("GRS"), report made part of these minutes). Item taken out of order.

Highlights of the October 1, 2015 Actuarial Valuation Report as presented:

- The City's required contribution increased from \$23.25 million for the 2015-16 fiscal year to \$23.35 million for the 2016-17 fiscal year, but decreased as a percent of payroll from 72.40% to 66.07%.
- Pre-funding of the Supplemental Pension Distribution was done in accordance with the July 2014 letter from the Division of Retirement.
- The Report reflected the fact the City did not contribute the required amount as determined by the October 1, 2013 Actuarial Valuation Report.
- The investment return assumption was lowered from 7.90% to 7.80%, net of expenses. The investment return assumption will continue to decrease by 0.10% each year until it reaches 7.50%.
- There was a \$3.1 million actuarial gain for the year meaning actual experience was more favorable than anticipated. The primary gain came from the recognized investment return being greater than the assumed rate of return of 7.90%.

- Since the investment return for fiscal year ending September 30, 2015 was less than 12.4%, a Supplemental Pension Distribution for the fiscal year was not payable.
- \$110 million of the \$190 million Unfunded Actuarial Accrued Liability (UAAL) will be paid off in 13 years.
- The funded ratio on October 1, 2015 was 58.1% (58.6% before investment return assumption change) compared to 55.6% on October 1, 2014.
- The market value of assets exceeds the actuarial value of assets by \$2.1 million. The excess would gradually be recognized over subsequent years resulting in a decrease in the required contribution.

MOTION made by Mr. Keller, seconded by Mr. Templeton, to accept the October 1, 2015 Actuarial Valuation Report. In a voice vote by the members present, all members voted in favor. **Motion** passed 7-0.

- a. Funding Policy (Jeff Amrose, Gabriel Roeder Smith & Company ("GRS"), report made part of these minutes). Item taken out of order.

Mr. Amrose reviewed the Funding Policy he drafted for the Fund noting that while a funding policy was not needed, it was a good idea to have. The goal of a funding policy is to provide a way to track and measure the progress of the funding of a retirement plan. Mr. Amrose added that sharing the funding policy with all interested parties was a good idea since it was a way for the Board to share its vision and strategies for the Fund with everyone.

The Board discussed decreasing the amortization period for future bases added to the unfunded actuarial accrued liability by a year each year for the next few years. Mr. Keller noted the City would not be agreeable to the idea for the bases added on October 1, 2015 due to the challenges facing the City in the upcoming fiscal year.

MOTION made by Mr. Templeton, seconded by Vice-Chair Greene, to adopt the funding policy as presented by GRS (with a minor revision noted) and to lower the amortization period by one (1) year each year for a few years with the date to start such decrease to be determined in the future. 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: Michael McKinney – 3250 Hollywood Boulevard, Hollywood, FL

9. TRUSTEE REPORTS, QUESTIONS AND COMMENTS

Vice-Chair Greene stated the Board should start some preliminary planning in advance of becoming independent and self-sufficient. Vice-Chair Greene noted more staff would most likely be required to handle the increased workload and asked Ms. Castronovo to provide a layout of what she believed would be added to the Pension Coordinator's job responsibilities as a result of the Board's desire to become independent of the City. Chair Shaw agreed with Vice-Chair Greene and said she thought a workshop to discuss the situation was in order.

10. PENSION COORDINATOR'S REPORT (Lisa Castronovo)

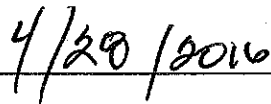
Ms. Castronovo reviewed various items of her March 9, 2016 memorandum to the Board (memo made part of these minutes). Specific discussion items: 1) Ms. Castronovo briefly outlined the Code of Conduct for Public Pension Service Providers developed by the National Conference on Public Employee Retirement Systems (NCPERS) and explained that NCPERS urged all public plan boards to adopt the Code to assure that their service providers were free from conflicts of interest. 2) Regarding responses to the RFP for Retirement Fund custodian as received on March 11, 2016, Ms. Castronovo suggested the Board select a date on which to hold a special meeting to review the responses. Vice-Chair Greene asked Ms. Castronovo to provide a one-page summary of the responses in advance of the special meeting. The Board discussed dates, but a specific one was not selected.

11. ADJOURNMENT

MOTION made by Mr. Matlow, seconded by Ms. Elejabarrieta, to adjourn the meeting. In a voice vote by the members present, **Motion** passed 7-0. Meeting adjourned at 12:02 p.m.



Phyllis Shaw, Chair



Date