

**MINUTES
REGULAR PENSION BOARD MEETING
CITY OF HOLLYWOOD EMPLOYEES' RETIREMENT FUND
THURSDAY, MARCH 23, 2017**

1. CALL TO ORDER

Chair Shaw called the meeting to order at 9:12 a.m.

2. ROLL CALL AND PLEDGE OF ALLEGIANCE

Board Members present: Chair Phyllis Shaw, Vice-Chair Jeffrey Greene, Charles Howell (via telephone), George Keller (arrived at 9:22 a.m., departed at 10:59 a.m.), Mel Standley, and Richard Templeton. Board member absent: Christopher Cassidy. Also present: Pension Coordinator Lisa Castronovo and Glenn Thomas for Board Attorney James Linn (Lewis, Longman & Walker).

a. Adoption of Agenda

MOTION made by Mr. Templeton, seconded by Mr. Standley, to adopt the March 23, 2017 regular Board meeting Agenda as presented. In a voice vote by the members present, all members voted in favor. **Motion** passed 5-0.

3. CONSENT AGENDA

- a. February 23, 2017 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. Templeton, seconded by Mr. Standley, to approve Consent Agenda Items 3.a.-c. In a voice vote by the members present, all members voted in favor. **Motion** passed 5-0.

4. TREASURER'S REPORT

Mr. Ernesto Acosta, Department of Finance's General Accounting Division Director, provided the Board with the Treasurer's Reports for December 31, 2016, January 31, 2017 and February 28, 2017 noting the Reports should be looked at as a way to see that the Fund was headed in the right direction (positive returns) but that not much weight should be given to the final percentages since the Reports contained information from stale-dated alternative investment manager reports.

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

- a. Wellington Management Company (Laura Howenstine, James DiGiuseppe)
Handout made part of these Minutes.

Mr. DiGiuseppe, an assistant vice president and account manager for Wellington Management, stated Wellington was very happy to have the Retirement Fund as a client for the last few years and that, other than 2016, had provided consistent positive returns. Mr. DiGiuseppe stated the team that manages the core international equity fund was disappointed with its one year performance in 2016 though they continued to have a very clear and successful approach to investing and maintained a strong confidence in their ability to rebound in 2017. Mr. DeGieseppe emphasized that Wellington sought to outperform its respective benchmark by consistently, over rolling 3-year periods, utilizing its experienced team, using a "return on capital" approach, and pursuing a balanced portfolio across a broad universe by having diverse holdings and economic exposures.

Ms. Howenstine, a Wellington Management vice president and equity portfolio specialist, reiterated Wellington's investment policy which was made up of five beliefs: 1) the market focuses excessively on short-term earnings and growth, 2) market inefficiencies exist because investors narrowly focus on companies within a specific region or industry, 3) return on capital drives stock prices over time, 4) assets and capital allocation provide early insights into future returns, and 5) return on capital can be mispriced at the company, industry and macro levels.

Ms. Howenstine explained that the primary contributors to the international equity market's poor return in 2016 were instability in the Chinese market in early 2016, overreaction to Brexit in mid-2016, and the recovery from both in late 2016.

Once Mr. DiGiuseppe and Ms. Howenstine concluded their presentation, Mr. Reynolds stated that over the long-term, Wellington had met their objectives and thus Segal Marco remained confident in their ability to provide strong returns for the Fund. While concerned with Wellington's performance in 2016, the Board collectively agreed to keep a close eye on Wellington's performance over the next 2-3 quarters before making a decision as to whether or not to keep Wellington as the core international equity money manager.

Mr. Reynolds suggested that since Wellington invested some of its funds in emerging markets thus exposing the Fund to such investments, the Board could consider hiring a dedicated emerging markets money manager and then decrease the funding allocation to Wellington from 15% to 10%. The Board collectively agreed to hold off on such a move until they completed the hiring and placement of the alternative fixed income money managers. Mr. Reynolds noted then he would bring educational information regarding emerging markets to the Board later in 2017.

b. Flash Performance Review

Mr. Reynolds reported the Fund's market value was \$311.7 million on February 28, 2017. The Fund's net rate of return for the month ended February 28, 2017 was 1.67% compared to the policy return of 1.79%. Mr. Reynolds noted domestic equity SMID-cap manager TSW struggled with its returns in late 2016/early 2017 for much the same reason international equity manager Wellington had struggled: too overweight in the financial sector. Mr. Reynolds concluded by noting real estate managers Principal Global and Morgan Stanley continued to provide solid, strong returns.

c. Investment Policy Update

Mr. Reynolds reviewed the most recent changes he made to the "Statement of Overall Investment Objectives and Policy" (copy made a part of these Minutes). The main change was the addition of benchmarks, investments and guidelines for the Fund's new fixed income investments. Chair Shaw asked the trustees to review the Policy and provide Ms. Castronovo with any suggestions or changes for her to forward to Mr. Reynolds.

ACTION REQUIRED:

Trustees - review the Statement of Overall Investment Objectives and Policy and provide suggested changes to Ms. Castronovo for her to forward to Mr. Reynolds.

6. LEGAL ISSUES (Glenn Thomas for Board Attorney James Linn – Lewis, Longman & Walker)

a. Disability Application Processing and Hearing Procedures

Mr. Thomas reviewed the revised draft of the Disability Application Processing and Hearing Procedures. Mr. Thomas noted specifically the sentence added to Item 1.A. of the Procedures which stated only members actively employed by the City could submit an application unless their disability prevented them from filing the application. Mr. Keller wanted to add language limiting an applicant's time frame to file if prevented from filing immediately due to their disability. The Board agreed the time frame should be 3-6 months.

Mr. Thomas noted he and Mr. Linn had compared the Procedures to the current Union contracts to confirm that all Union provisions related to disability applications were addressed in the Procedures.

Chair Shaw wanted the Procedures to address an applicant's FMLA leave similar to the way the City considers such member's leave. Chair Shaw and Mr. Templeton voiced concern that the Procedures did not address the issue of a member filing a disability application after which they were terminated by the City but before the Board moved on the application. The issue: part of the application process was the City's feedback to the Board as to whether or not it had an employment position for the applicant which if it did would negate the application since the applicant could be placed in a different position within the City. If the applicant was no longer employed by the City, then the City would be unable to address whether or not it had an employment position for the member thus making the disability application process more difficult. Mr. Thomas stated he would consider the two issues and address in the Procedures.

Chair Shaw asked the Trustees to thoroughly review the Procedures and provide final thoughts to Ms. Castronovo for her to pass on to Mr. Linn/Mr. Thomas.

ACTION REQUIRED:

Trustees - thoroughly review the Disability Application Processing and Hearing Procedures and provide final thoughts and suggestions to Ms. Castronovo for her to forward to Mr. Linn/Mr. Thomas.

b. Lannett Company, Inc. Litigation Update

Mr. Thomas explained that a law firm was aggressively challenging Marisa DeMato and her securities litigation law firm Labaton Sucharow by claiming Labaton had a conflict of interest and thus could not adequately represent its clients in the Lannett Company, Inc. litigation. As a result, Ms. Marisa DeMato and Labaton collectively decided to remove itself from the case. Mr. Thomas stated the Fund retained a stake in any settlement in the case, but it would no longer be part of the lead plaintiff group in the case.

Mr. Thomas provided a brief update on the State's current legislative session including some changes being proposed that would affect FRS.

7. ADMINISTRATIVE ISSUES

a. City Commission Communication

Ms. Castronovo provided the Board with a draft of the City Commission Communication for the February 23, 2017 regular Board meeting.

Chair Shaw directed Ms. Castronovo to send an email to the City Commissioners inviting them to attend NCPERS annual conference in late May since it would be held at The Diplomat.

ACTION REQUIRED:

Ms. Castronovo – send an email to each City Commissioner inviting them to attend the May 2017 NCPERS Annual Conference at The Diplomat.

Chair Shaw directed Ms. Castronovo to include in the City Commission Communication the letter to the City Commissioners requesting the Board be removed from the lawsuit regarding the supplemental pension distribution.

ACTION REQUIRED:

Ms. Castronovo – include in the City Commission Communication the letter to the Commissioners requesting the Board be removed from the lawsuit regarding the supplemental pension distributions.

Mr. Keller told the Board the RFP's for the Board Attorney and Pension Coordinator were issued in mid-March with a response date of April 17, 2017 after which the responses could either be opened, reviewed and ranked by the City or opened, reviewed and ranked by the Board.

b. City Fiscal Retreat Presentation

Chair Shaw noted she had received a letter from the City Manager's office notifying her that if the Board would like, they were welcome to make a presentation at the City's Fiscal Retreat on April 6, 2017. The Board agreed it was a good idea to make an information presentation with the goal to keep it simple but informative.

ACTION REQUIRED:

Ms. Castronovo – inform the City Manager's office that the Board will make a presentation at the City's Fiscal Retreat on April 6, 2017.

c. City Pension Workshop Presentation

This item was not discussed as the City Pension Workshop scheduled for April 19, 2017 was canceled.

d. Fund Administration Transition

Chair Shaw asked the Trustees to keep working on the administrative transition as the September 30, 2017 deadline for complete transition was fast-approaching with a lot of work yet to be done. Discussion followed regarding moving the Pension Office off City property.

e. Funding Policy

Chair Shaw said she was pleased the Board adopted a Funding Policy but if it was not shared between the interested parties – the Board and the City – the Policy was pretty much useless. Chair Shaw then directed Ms. Castronovo to request the City Manager to add the Funding Policy to an upcoming Pension Task Force agenda in order to open a dialogue regarding Retirement Fund funding with the City. Discussion followed.

ACTION REQUIRED:

Ms. Castronovo – request the City Manager to add Funding Policy to an upcoming Pension Task Force agenda.

The meeting recessed at 11:18 a.m. and resumed at 11:21 a.m.

f. Pension Office Document Scanning Quotes

Ms. Castronovo reviewed the three document scanning quotes she received. Ms. Castronovo stated she wanted to look into records retention requirements as it was possible some of the documents currently stored were no longer required to be retained which would result in decreased scanning costs. Chair Shaw requested Ms. Castronovo to get more information on how the information can be stored safely via encryption in a “cloud.” The Board directed Ms. Castronovo to get a more final count of the total number of documents that need to be scanned.

ACTION REQUIRED:

Ms. Castronovo – research records retention requirements, research storing records in the cloud via encryption, and find out if a more concrete count of the total number of documents to be scanned can be determined.

8. **PUBLIC COMMENTS**

Debra Case – Hollywood City Commissioner, District 1

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


Vice-Chair Greene wondered if the Board should periodically hold a monthly Board meeting at different City venues in an attempt to increase member attendance at the meetings. Mr. Howell noted he thought it was a good idea to closely monitor Wellington. Mr. Standley thought the Board meetings might attract more attendees if they were shorter and adhered more closely to Robert’s Rules of Order.

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

Ms. Castronovo reminded the trustees of the upcoming May 2017 NCPERS Annual Conference at The Diplomat and to let her know if they wished to attend.

11. **ADJOURNMENT**

MOTION made by Vice-Chair Greene, seconded by Mr. Templeton, to adjourn the meeting. In a voice vote by the members present, **Motion** passed 5-0. Meeting adjourned at 11:50 a.m.



Phyllis Shaw, Chair

Date April 28, 2017